

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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

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Form Type

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Department requiring the report

S	E	C
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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
vicrafael@ipeople.com.ph	8253-3637	09985843110
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,004	July 29	September 30

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON'S ADDRESS

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

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

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

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE
AND SRC RULE 17(2)-(B) THEREUNDER**

1. For the year ended: September 30, 2022
2. SEC Identification Number: 166411 3. BIR Tax Identification No.: 000-187-926-000
4. Exact Name of registrant as specified in its charter: iPeople, inc.
5. Manila, Philippines 6. hly)
Province, Country or other jurisdiction of incorporation or organization Industry Classification Code:
7. 3rd Flr., Grepalife Bldg, 219 Sen. Gil J. Puyat Avenue, Makati City 1200
Address of principal office Postal Code
8. (632) 8253-3637
Registrant's telephone number, including area code
9. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Authorized	Number of Shares Outstanding
Common, P1.00 par value	2,000,000,000 shares	1,044,263,197

Total Debt Outstanding as of September 30 – No debt registered pursuant to Sections 4 and 8 of the RSA

10. Are any or all of these securities listed on the Philippine Stock Exchange. Yes/Common
11. Check whether the registrant:
- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);
Yes [] No []
- (b) has been subject to such filing requirements for the past 90 days.
Yes [] No []

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The interim consolidated financial statements of iPeople, inc. and Subsidiaries as of September 30, 2022 with comparative figures for the periods ended September 30, 2021, September 30, 2020 and December 31, 2021 and Schedule of Aging of Accounts Receivable are incorporated by reference as **Exhibit 1**.

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

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

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

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

None

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

None

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

There is no material commitment on capital expenditures other than those performed in ordinary course of trade of business.

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

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

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act. One provision of the Act stated that beginning July 1, 2020 until June 30, 2023, proprietary educational institutions and hospitals which are nonprofit shall be imposed a tax rate of 1%. Because of the enactment of the CREATE Act, income tax rate of schools was reduced from 10% to 1% from July 1, 2020 to June 30, 2023.

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

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

None

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

Income Statement Variance

The Group produced a higher consolidated net income of ₱590.5 million this year versus net income of ₱438.9 million in the same period last year. The higher net income in 2022 is mainly attributed to higher revenues.

Revenue from school operations, which is the primary source of revenue of the Group went up by 17% to ₱2,756.0 million from ₱2,356.5 million last year. The increase in revenue was due to higher enrolment in the current school year, higher revenue from professional training programs.

Cost of tuition and other fees went up by 14% or ₱194.7 million, while general and administrative expenses increased by 12% or ₱56.2 million higher than the same period last year. The higher expenses in 2022 was primarily due to higher enrolment that directly affect the level of expenses, expenditures related to the resumption of face-to-face classes.

Interest expense and other finance charges decreased from ₱93.3 million last year to ₱85.2 million this year due to payment of loans and lower interest expense related to lease liabilities.

Balance Sheet Variances

Total consolidated assets stood at ₱16.81 billion as of September 30, 2022 compared to ₱16.13 billion as of December 31, 2021. The increase in total assets is due to higher accounts receivable from students and higher cash balance of the Group.

Consolidated current assets increased to ₱3.91 billion this year from ₱3.06 billion last year primarily due to the increase in receivables and cash.

Receivables pertain mainly to matriculation and miscellaneous fees due from students. The 36% increase in receivable is mainly due to the normal collection cycle during the school term. The level of receivables is higher at the start of the school term and it will go down towards the end of the term.

Prepaid expenses and other current assets went up from ₱391 million to ₱557 million mainly because of higher short-term placements/investments and acquisition of various learning platform.

Consolidated non-current assets were lower by ₱170 million mainly due to depreciation of property and equipment and amortization of intangible assets.

Total consolidated liabilities were higher by 5%, primarily because of the higher unearned income.

Accounts payable and accrued expense went up by 6% due to the timing of payment to suppliers.

Unearned income is higher this year, from ₱658.4 million in December 2021 to ₱1,281.8 million as of September 2022 due to the start of the school term. Unearned income is higher at the start of the school term and will decline towards the end of the term.

Income tax payable in December 2021 was settled in April 2022. Tax liability for the quarter ending September 2022 is payable in November 2022.

Total consolidated equity increased from ₱11.12 billion in December 2021 to ₱11.54 billion this year mainly due to the net income during the period. Equity attributable to Parent is at ₱11.29 billion from ₱10.87 billion in December 2021.

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

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

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

Financial Soundness Indicator

The company's top 10 key performance indicators as of the period ended September 30, 2022, September 30, 2021 and December 31, 2021 are as follows:

Financial ratios		Unaudited September 2022	Unaudited September 2021	Audited December 2021
Current ratio	<u>Current Assets</u> Current Liabilities	1.59:1	1.45:1	1.40:1
<i>Indicates the Group's ability to pay short-term obligation</i>				
Acid Test Ratio	<u>Current Assets – Prepaid Expenses</u> Current Liabilities	1.36:1	1.29:1	1.22:1
<i>Indicates the Group's ability to use its quick or near cash assets to pay current liabilities immediately</i>				
Solvency Ratio	<u>Net Income+Depreciation</u> Total Liabilities	0.18:1	0.15:1	0.22:1
<i>Shows how likely a Group will be to continue meeting its debt obligations</i>				
Debt-to-equity ratio	<u>Total Debt</u> Equity	0.47:1	0.49:1	0.46:1
<i>Measures the Group's leverage</i>				
Asset to Equity Ratio	<u>Total Assets</u> Equity	1.46:1	1.47:1	1.45:1
<i>Shows how the company's leverage (debt) was used to finance the firm</i>				
Interest Rate Coverage	<u>EBIT*</u> Interest Expense excluding Interest Expense on Lease Liabilities	10.22:1	7.29:1	7.03:1
<i>Shows how easily a company can pay interest on outstanding debt</i>				

Return on Average Stockholders' Equity <i>Reflects how much the Group's has earned on the funds invested by the stockholders</i>	$\frac{\text{Net Income}}{\text{Average Equity}}$	5.27%	4.25%	6.14%
Net Profit Margin <i>Reflects how much net income or profit is generated as percentage of revenue</i>	$\frac{\text{Net Income}}{\text{Total Revenues}}$	21.43%	18.62%	19.81%
Return on Assets <i>Measures the ability to utilize the Group's assets to create profits</i>	$\frac{\text{Net Income}}{\text{Total Assets}}$	3.51%	2.74%	4.12%
Asset Turnover <i>Shows efficiency of asset used in Operations</i>	$\frac{\text{Total Revenues}}{\text{Total Assets}}$	0.16x	0.15x	0.21x
Return on Equity <i>Shows how much the business returns to the stockholders for every peso of equity capital invested</i>	$\frac{(\text{Net Income}/\text{Total Revenues}) \times (\text{Total Revenues}/\text{Total Assets})}{\text{Total Assets}/\text{Total Equity}}$	5.12%	4.04%	5.97%

*Earnings before interest and taxes (EBIT)

- The current ratio is at 1.59 as of September 2022 compared to 1.45 as of September 2021 due to increase in cash and receivables of the Group.
- Acid test ratio increased from 1.29:1 in 2021 to 1.36:1 in 2022 due to increase in cash and receivables of the Group.
- Solvency ratio improved to 0.18 from 0.15 same period last year mainly due to higher net income.
- Debt-to-equity ratio decreased from 0.49 as of September 2021 to 0.47 as of September 2022 due to higher stockholders' equity.
- Asset to equity ratio slightly went down from 1.47 as of September 2021 to 1.46 this period because of the higher equity due to accumulated earnings.
- Interest rate coverage ratio increased from 7.3 times as at September 2021 to 10.22 times this period because of higher EBIT and lower interest expense incurred by the Group.
- Return on average stockholders' equity increased to 5.27% year on year, because of the higher net income during the period.
- Return on asset is at 3.51% against 2.74% as of September 2021, because of the higher income during the period.
- Net profit margin increased from 19% last year to 21.% as of this period because of higher revenues due to higher enrollment.

- Asset turnover is 0.16 times as of this period against 0.15 times as of September 2021 because of higher revenues of the Group.
- Return on equity increased from 4.04% to 5.12% as of this period because of higher net income.

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

PART II – OTHER INFORMATION

There is no significant information on the company which requires disclosure herein and/or were not included in SEC Form 17-C.

EXHIBIT 1

iPEOPLE INC. and SUBSIDIARIES

Interim Unaudited Consolidated Financial Statements

**September 30, 2022, 2021 and 2020 (Unaudited)
and December 31, 2021 (Audited)**

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

	Unaudited September 2022	Audited December 2021
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7 and 15)	₱1,911,988	₱1,604,129
Receivables (Note 8)	1,407,982	1,032,851
Receivables from related parties (Note 15)	26,081	26,077
Prepaid expenses and other current assets (Note 9)	557,136	391,021
Financial assets at fair value through profit or loss (FVTPL)	9,257	9,213
Total Current Assets	3,912,444	3,063,291
Noncurrent Assets		
Property and equipment at cost (Note 10)	5,321,663	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)	27,028	43,761
Right-of-use assets (Note 27)	251,182	309,391
Net pension assets	18,130	18,130
Deferred tax assets – net	34,643	38,118
Other noncurrent assets (Note 13)	106,790	113,671
Total Noncurrent Assets	12,894,710	13,065,353
	₱16,807,154	₱16,128,644
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 14 and 27)	₱1,102,101	₱1,036,119
Short-term loans (Note 16)	-	400,000
Unearned income (Note 14)	1,281,885	658,389
Lease liabilities - current portion (Note 27)	13,005	50,550
Current portion of long-term loan (Note 17)	32,574	21,001
Income tax payable	1,390	2,157
Payables to related parties (Note 15)	31,879	14,135
Dividends payable (Note 18)	565	565
Total Current Liabilities	2,463,399	2,182,916
Noncurrent Liabilities		
Net pension liabilities	138,243	124,152
Long-term loans (Note 17)	1,830,993	1,853,645
Lease liabilities - net of current portion (Note 27)	289,770	307,276
Deferred tax liabilities – net	485,748	489,169
Other noncurrent liabilities (Note 27)	55,800	51,683
Total Noncurrent Liabilities	2,800,554	2,825,925
Total Liabilities	5,263,953	5,008,841

(Forward)

	Unaudited September 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)	5,561,191	5,142,420
Equity attributable to equity holders of the Parent Company	11,288,142	10,869,371
Non-controlling interest in consolidated subsidiaries (Note 24)	255,059	250,432
Total Equity	11,543,201	11,119,803
	₱16,807,154	₱16,128,644

See accompanying Notes to Consolidated Financial Statements.

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

	July 1 to September 30		
	2022	2021	2020
REVENUE			
Tuition and other fees (Note 19)	₱1,000,438	₱814,793	₱702,922
COSTS AND EXPENSES			
Cost of tuition and other fees (Note 20)	564,042	473,103	450,448
GROSS PROFIT	436,396	341,690	252,474
GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)	(177,662)	(172,503)	(147,208)
INTEREST AND OTHER FINANCE CHARGES (Note 22)	(27,702)	(26,825)	(34,753)
INTEREST INCOME (Note 22)	7,073	1,548	2,244
OTHER INCOME (EXPENSE)	7,260	2,943	1,269
INCOME BEFORE INCOME TAX	245,365	146,853	74,026
PROVISION FOR INCOME TAX	1,635	1,133	14,454
NET INCOME	243,730	145,720	59,572
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss):			
Fair value reserve of equity instruments at FVOCI			
(Notes 3)	-	-	-
Reversal of DTL due to change in tax rate on FV deemed cost adj	-	-	-
	-	-	-
TOTAL COMPREHENSIVE INCOME	₱243,730	₱145,720	₱59,572
Net income attributable to:			
Equity holders of the parent (Note 23)	₱242,551	₱147,030	₱62,667
Non-controlling interest in consolidated subsidiaries	1,179	(1,310)	(3,095)
	₱243,730	₱145,720	₱59,572
Total comprehensive income attributable to:			
Equity holders of the parent	₱242,551	₱147,030	₱62,667
Non-controlling interest in consolidated subsidiaries	1,179	(1,310)	(3,095)
	₱243,730	₱145,720	₱59,572
Basic Earnings Per Share (Note 23)	₱0.2323	₱0.1408	₱0.0600

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

	January 1 to September 30		
	2022	2021	2020
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 19)			
Revenue from schools and related operations	₱2,755,954	₱2,356,537	₱2,187,879
COSTS AND EXPENSES			
Cost of schools and related operations (Note 20)	1,556,831	1,362,088	1,499,492
GROSS PROFIT	1,199,123	994,448	688,387
GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)	(544,931)	(488,717)	(452,891)
INTEREST AND OTHER FINANCE CHARGES (Note 22)	(85,212)	(93,265)	(104,482)
INTEREST INCOME (Notes 7 and 22)	10,927	5,425	9,243
OTHER INCOME (CHARGES) – Net	15,581	6,340	1,901
INCOME BEFORE INCOME TAX	595,488	424,232	142,158
PROVISION FOR INCOME TAX	5,007	(14,642)	33,932
NET INCOME	590,481	438,874	108,226
OTHER COMPREHENSIVE INCOME (LOSS) <i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Reversal of DTL due to change in tax rate on FV deemed cost adj	–	7,764	
	–	7,764	–
TOTAL COMPREHENSIVE INCOME	₱590,481	₱446,638	₱108,226
Net income attributable to:			
Equity holders of the parent (Note 23)*	₱585,854	₱438,150	₱113,479
Non-controlling interest in consolidated subsidiaries (Note 24)	4,627	724	(5,253)
	₱590,481	₱438,874	₱108,226
Total comprehensive income attributable to:			
Equity holders of the parent	₱585,854	₱445,914	₱113,479
Non-controlling interest in consolidated subsidiaries (Note 24)	4,627	724	(5,253)
	₱590,481	₱446,638	₱108,226
*Basic/Diluted Earnings Per Share (Note 23)	₱0.5610	₱0.4196	₱0.1087

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 September 30, 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	-	-	-	-	-	-	585,854	-	585,854	4,627	590,481
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	585,854	-	585,854	4,627	590,481
Dividends declared	-	-	-	-	-	-	(167,082)	-	(167,082)	-	(167,082)
Balances as at September 30, 2022	₱1,044,263	₱3,294,368	₱-	₱1,633,847	(₱15,033)	(₱230,494)	₱5,561,191	₱-	₱11,288,142	₱255,059	₱11,543,201
For the quarter ended September 30, 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	-	-	-	-	-	-	438,150	-	438,150	724	438,874
Other comprehensive income	-	-	-	7,764	-	-	-	-	7,764	-	7,764
Total comprehensive income	-	-	-	7,764	-	-	438,150	-	445,914	724	446,638
Dividends declared	-	-	-	-	-	-	(62,656)	-	(62,656)	-	(62,656)
Balances as at September 30, 2021	₱1,044,263	₱3,294,368	₱-	₱1,432,797	(₱76,722)	(₱230,494)	₱5,171,463	(₱0.21)	₱10,635,675	₱240,312	₱10,875,987
For the quarter ended September 30, 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	₱223,113	₱9,732,793
Net income	-	-	-	-	-	-	113,479	-	113,479	(5,253)	108,226
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	113,479	-	113,479	(5,253)	108,226
Dividends declared	-	-	-	-	-	-	(73,248)	-	(73,248)	-	(73,248)
Balances as at September 30, 2020	₱1,044,263	₱3,294,368	(₱880)	₱1,583,743	(₱19,766)	(₱230,494)	₱3,878,677	(₱0.21)	₱9,549,911	₱217,860	₱9,767,771

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	January 1 to September 30		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱595,488	₱424,232	₱142,158
Adjustments for:			
Depreciation and amortization (Notes 10, 13, 20 and 21)	343,138	324,644	357,483
Interest expense and other finance charges (Note 22)	86,991	95,043	106,276
Provision for doubtful accounts (Notes 8 and 21)	21,312	41,742	20,566
Interest income (Note 22)	(10,927)	(5,425)	(9,243)
Unrealized foreign exchange loss (gain) - net	(1,246)	408	(16)
Unrealized market loss (gain) on financial assets at FVTPL	(44)	512	(270)
Operating income before working capital changes	1,034,712	881,156	616,954
Decrease (increase) in:			
Receivables	(396,373)	(376,199)	(415,913)
Prepaid expenses and other current assets	(166,116)	(74,813)	(44,467)
Increase (decrease) in:			
Accounts payable and other current liabilities	65,981	(100,412)	197,652
Unearned income	623,495	441,577	339,733
Other noncurrent liabilities	19,765	12,028	22,405
Net pension assets and liabilities	14,145	30,695	22,352
Net cash generated from operations	1,195,609	814,032	738,716
Interest paid	(85,212)	(93,265)	(104,498)
Income taxes paid	(5,774)	-	(41,999)
Interest received	10,858	5,425	9,115
Net cash flows from operating activities	1,115,481	726,192	601,334
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 10)	(195,327)	(105,251)	(727,333)
Computer software (Note 13)	(4,209)	(4,263)	(1,868)
Land	-	-	(5,001)
Decrease (increase) in:			
Receivables from related parties	(4)	(37)	(132)
Other noncurrent assets	5,664	5,005	(656)
Net cash flows from (used in) investing activities	(193,876)	(104,546)	(734,990)

(Forward)

January 1 to September 30

	2022	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loans (Notes 16 and 26)	P-	P-	P210,000
Payments of long-term loans	(12,858)	-	-
Payments of short-term loans (Notes 16 and 26)	(400,000)	(375,000)	(64,846)
Dividends paid to stockholders (Note 26)	(167,083)	(62,656)	(73,248)
Payment of lease liabilities (Notes 26 and 27)	(52,795)	(44,748)	(57,328)
Increase (decrease) in payables to related parties (Note 26)	17,744	(9,633)	18,809
Net cash flows from (used in) financing activities	(614,992)	(492,037)	33,387
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	1,246	(408)	16
NET INCREASE IN CASH AND CASH EQUIVALENTS	307,859	129,201	(100,253)
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)	P1,911,988	P1,448,203	P1,054,053

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 September 30, 2022 and December 31, 2021, and for each of the three years in the period ended September 30, 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
- *Level 2* – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- *Level 3* – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

Financial Instruments

Initial recognition and subsequent measurement

The Group recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Financial assets – Initial recognition and measurement

Financial assets are classified, at initial recognition, as “subsequently measured at amortized cost”; fair value through other comprehensive income (FVOCI); and FVTPL.

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

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

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

Subsequent measurement

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

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

The Group has financial assets at amortized cost (debt instruments) and financial assets at FVTPL.

Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

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

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

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

Financial assets at fair value through profit or loss

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

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

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

Derecognition of financial assets

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

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

Impairment of financial assets

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

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 and the Group generally used the provision matrix to measure ECL. The mechanics of the ECL calculations and the key elements are, as follows:

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

The Group's debt instruments at amortized cost comprise of cash and cash equivalents 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.

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

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

Financial Liabilities – Initial recognition and measurement

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

Subsequent measurement

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

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

The Group's financial liabilities include loans and borrowings.

Loans and borrowings

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

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

Derecognition of financial liabilities

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

Offsetting of Financial Instruments

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

'Day 1' difference

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

Prepaid Expenses and Other Current Assets

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

Prepaid Expenses

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

Restricted Funds

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

Creditable Withholding Tax (CWT)

This pertains to the tax withheld source by the Group's customers and lessees and is creditable against its income tax liability.

Inventories

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

Value-added Tax (VAT)

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

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

Property and Equipment

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

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

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

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

	<u>Years</u>
Buildings and improvements	10-40
Office furniture and equipment	5-10
Transportation equipment	5

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

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

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

When assets carried at cost are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as part of current operations. When land carried at revalued amount are retired or otherwise disposed of, the carrying amount, which is the fair value at the time of sale or disposal, is derecognized and no gain or loss is recognized.

Land at Revalued Amounts

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

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

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

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

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

Right-of-use Assets and Lease Liabilities

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

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of office space. It also applies the low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Business Combination and Goodwill

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

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

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

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

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

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

Intangible Assets Other Than Goodwill

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

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

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

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

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

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

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

Impairment of Nonfinancial Assets

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

The Group assesses as of reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is calculated as the higher of the asset’s or CGU’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does

not generate cash inflows that are largely independent of those assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

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

Goodwill and intellectual property rights

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

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

Equity

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

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

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

Revenue and Income Recognition

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

Revenue from schools and related operations consist of the following:

Revenue from tuition and other matriculation fees

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

Other student-related income

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

Admission, examination and other fees

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

Seminar income

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

Miscellaneous income

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

Following are contract balances relative to PFRS 15:

Receivables

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

Contract assets

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

Contract liabilities

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

Costs and Expenses

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

Cost of schools and related operations

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

General and Administrative Expenses

These expenses constitute costs of administering the business. General and administrative expenses, except for rent expense, are recognized as incurred.

Interest and Financing Charges

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

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

Retirement Benefits

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

Retirement benefits cost comprises the following:

- Service costs
- Net interest on the net defined benefit liability or asset

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

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

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

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the

present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Income Taxes

Current tax

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

Deferred tax

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

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

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

When a subsidiary is disposed, and said subsidiary has a single asset, land, which is classified as property and equipment carried at revalued amount in the consolidated financial statements, the tax paid on disposal of the subsidiary, emanating from the difference between the cost of the land and its selling price, is taken to OCI in the consolidated statement of comprehensive income. The related tax, e.g. capital gains tax (CGT), is netted against the reversal of deferred tax liability on revaluation increment of land sold through sale of subsidiary.

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

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

Leases – Group as Lessor

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

Foreign Currency-denominated Transactions and Translation

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

Basic Earnings Per Share (EPS)

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

Segment Reporting

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

Provisions

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

Contingencies

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

Events after the Financial Reporting Date

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

5. Significant Accounting Judgments and Estimates

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

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

Fair valuation of land

The Group measures land at revalued amount with changes in fair value being recognized in other comprehensive income. The Group engaged an independent firm of appraisers to determine the fair value as at December 31, 2021 and 2020. The key assumptions used to determine fair value are disclosed in Note 11.

As at September 30, 2022 and December 31, 2021, the fair value of land amounted to ₱6,460.8 million (Note 11).

Estimation of allowance for ECL on tuition and other fees receivables

The Group generally uses provision matrix to calculate ECL for tuition and other fees receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will then consider directly relevant forward-looking information. At every reporting date, the historical observed default rates are updated and forward-looking factors specific to the debtors and the economic environment are updated to consider the impact of the coronavirus pandemic.

The Group also applied weights to various scenarios in the computation of the allowance for ECL to incorporate impact of uncertainty due to the current economic conditions such as the impact of the coronavirus pandemic. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

Allowance for ECL on tuition and other fees receivables and related carrying value are disclosed in Note 8.

Leases under PFRS 16 – Estimating the IBR

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses IBR to measure lease liabilities. The IBR is the rate of interest that an entity would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the entities 'would have to pay', which requires estimation when no observable rates are available (such as for entities that do not enter into financing transactions) or when they need to be adjusted to reflect

the terms and conditions of the lease (for example, when leases are not in functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the stand-alone credit rating).

The Group's right-of-use assets and lease liabilities are disclosed in Note 27.

Estimation of useful lives of student relationship

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

There is no change in the estimated useful lives of student relationship from the effectivity of the merger. The carrying values of student relationship amounted to ₱27.0 million and ₱43.8 million as of September 30, 2022 and December 31, 2021, respectively (Note 6).

Impairment of nonfinancial assets

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

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

As to the Group's property and equipment, student relationship and noncurrent assets, the allowance for impairment in value of land amounting to ₱15.8 million as of December 31, 2020, and the 2021 impairment in student relationship attributable to APEC (Notes 6, 10, 11 and 13). The impairment in land was reversed in 2021 with the increase in fair value based on the appraisal report obtained from SEC-accredited independent firms of appraisers as at December 31, 2021.

In 2021, the Group performed an impairment testing on the property and equipment and right-of-use assets of APEC due to the continuing losses and significant decline in number of students. In assessing the impairment, the Group determines the recoverable amount using value in use with details disclosed in Note 27. There is no impairment loss recognized on these assets in 2021. The carrying value of these assets are disclosed in Notes 10 and 27.

Impairment of goodwill and intellectual property rights are assessed at least on an annual basis. In assessing the impairment, the Group determines the recoverable amount using value in use with details disclosed in Notes 6 and 12. There is no impairment loss recognized on these assets in 2022, 2021 and 2020. The carrying value of these assets are disclosed in Notes 6 and 12.

Estimation of pension obligations and other retirement benefits

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

As at September 30, 2022 and December 31, 2021, the net pension liabilities amounted to ₱138.2 million and ₱124.2 million, respectively, while net pension assets amounted to ₱18.1 million as at September 30, 2022 and December 31, 2021.

Deferred tax assets

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

Deferred tax assets recognized and temporary differences on which deferred tax assets were not recognized.

Provisions and contingencies

The Group is currently involved in certain legal proceedings and claims in the ordinary course of business. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The ultimate disposition of these matters cannot be determined with certainty. The Group will exhaust all legal remedies available to it in defending itself in these claims and proceedings (Notes 14 and 27).

6. Business Combination and Transactions with Non-Controlling Interests

Business Combination

As disclosed in Note 1, the merger between iPeople, inc. and AEI, with iPeople, inc. as the surviving entity, took effect on May 2, 2019. On said date, iPeople, inc. issued 295,329,976 common shares from its unissued capital stock to AC, the parent company of AEI. iPeople, inc., being the surviving corporation, is deemed to have acquired all the assets and to have assumed all the liabilities of AEI in a business combination accounted for under the acquisition method. In exchange for the transfer of the net assets of AEI to iPeople, inc., iPeople, inc. issued to AC an aggregate of 295,329,976 shares with par value of ₱1.0 per share for a total fair value of ₱3,591.21 million based on iPeople, inc.'s quoted closing rate per share as of May 2, 2019. The excess of the fair value of shares issued over the par value was recognized as additional paid-in capital.

Based on the valuation performed, the Group has identified other intangible assets such as the intellectual property rights with infinite life and student relationship with an estimated useful life of 5 years to 7 years based on the contractual relationship between the school entities and its students. These

assets are attributed from the acquisition of operating schools NTC, APEC and UNC. The carrying value and movement of student relationship as of and for the period ended September 30, 2022 and December 31, 2021 follows:

	2022	2021
Cost from business combination	₱116,009	₱116,009
Accumulated amortization:		
Beginning balance	(72,248)	(37,184)
Amortization and impairment (Note 20a)	(16,733)	(35,064)
Ending balance	(88,981)	(72,248)
Balance at end of the year	₱27,028	₱43,761

As of December 31, 2021 and 2020, the Group performed impairment testing on intellectual property rights using the income approach. Key assumptions used are as follows:

- Revenue projections and long-term growth rate (3% for 2021 and 2020). Revenue projections based on financial budgets approved by management and considers the impact of the K to 12 Basic Education Program effective 2016 and the coronavirus pandemic. The long-term growth rate is the expected growth rate in the education industry sector.
- Discount rates (14% to 15% for 2021 and 13% to 14% for 2020). The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to comparable listed companies in the educational sector.
- Royalty rates (1% to 6% for 2021 and 2020). This is based on the publicly available information on franchising of educational institutions in the Philippines, with consideration on the operational risk of the involved entity.

Transactions with Non-Controlling Interests

On May 9, 2019, the Parent Company acquired the 281,642 shares of MESI owned by HI, representing 7% ownership in MESI. With this acquisition, MESI became a 100%-owned subsidiary of the Parent Company. The ₱354.2 million excess of the consideration paid over the book value of non-controlling interest acquired was recognized in equity by debiting “Equity reserve”.

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

7. Cash and Cash Equivalents

This account consists of:

	Unaudited September 2022	Audited December 2021
Cash on hand	₱1,887	₱2,360
Cash in banks (Note 15)	722,201	448,853
Cash equivalents (Note 15)	1,187,900	1,152,916
	₱1,911,988	₱1,604,129

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

Interest income from cash in banks and cash equivalents amounted to ₱10.86 million, ₱5.32 million and ₱9.12 million in 2022, 2021 and 2020, respectively (Note 22).

8. Receivables

This account consists of:

	Unaudited September 2022	Audited December 2021
Tuition and other fees	₱1,598,285	₱1,246,586
Advances to officers and employees	25,342	21,529
Others	90,357	54,626
	1,713,984	1,322,741
Allowance for ECL	(306,002)	(289,890)
	₱1,407,982	₱1,032,851

Tuition and other fees receivable pertain to tuition and other matriculation fees which are normally collected during the school term. This also includes receivable from Department of Education (DepEd) amounting to ₱241.4 million and ₱140.8 million as at September 30, 2022 and December 31, 2021, respectively, arising from the Senior High School (SHS) Voucher Program wherein qualified SHS students are given assistance on tuition fees and from providing short-courses to public school teachers. These receivables are noninterest-bearing and are generally collectible within one year.

Advances to officers and employees consist mostly of advances subject to liquidation, interest-bearing receivables pertaining to car loan and noninterest-bearing telephone charges, hospitalization bill and library and printing charges. Receivables from employees are settled through salary deductions. Interest income from advances to officers and employees amounted to ₱0.07 million, ₱0.10 million and ₱0.13 million in 2022, 2021 and 2020, respectively (Note 22). These receivables are noninterest-bearing and are generally collectible within one year.

The changes in allowance for ECL as at September 30 and December 31 follow:

	2022			
	Tuition and other fees	Trade	Others	Total
Balance at beginning of year	₱281,120	₱3,393	₱5,377	₱289,890
Provisions for the year (Note 21)	21,312	-	-	21,312
Write-off	(5,199)	-	-	(5,199)
Balance at end of year	₱297,233	₱3,393	₱5,377	₱306,002
Gross receivables	₱1,598,285	₱4,695	₱85,662	₱1,688,642

	2021			
	Tuition and other fees	Trade	Others	Total
Balance at beginning of year	₱168,978	₱3,393	₱5,377	₱177,748
Provisions for the year (Note 21)	114,229	-	-	114,229
Write-off	(2,087)	-	-	(2,087)
Balance at end of year	₱281,120	₱3,393	₱5,377	₱289,890
Gross receivables	₱1,246,586	₱4,964	₱49,662	₱1,301,212

9. Prepaid Expenses and Other Current Assets

	Unaudited September 2022	Audited December 2021
Prepaid expenses	₱266,957	₱192,032
Restricted funds (Note 15)	52,513	34,816
CWT	8,974	7,298
Books inventories	6,002	5,095
Office supplies	4,438	3,805
Input VAT	1,833	1,539
Short-term investments	95,399	10,027
Others	121,020	136,409
	₱557,136	₱391,021

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

Restricted funds significantly pertain to funds held for government and private entities and invested in money market placements exclusively for use in government programs such as CWTS, NSTP, for financing of scholars of certain private entities, and for the purpose of undertaking socio-economic studies, and development projects (Note 14).

Others relate to rent deposits and other supplies. This also includes payments made on certain claims that are under protest (Note 27).

10. Property and Equipment

The rollforward analysis of this account follows:

	September 2022				Total
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	
Cost					
Balance at beginning of year	₱4,900,055	₱2,572,710	₱51,977	₱1,645,080	₱9,169,822
Acquisitions	131,325	74,858	1,834	45,670	253,687
Disposals/retirement	-	(3,311)	-	-	(3,311)
Reclassifications and adjustments	1,441,893	186,137	(446)	(1,686,022)	(58,438)
Balance at end of year	6,473,273	2,830,394	53,365	4,728	9,361,760
Accumulated depreciation, amortization and impairment loss					
Balance at beginning of year	1,590,059	2,135,982	36,773	-	3,762,814
Depreciation (Notes 20 and 21)	140,439	135,072	5,161	-	280,672
Disposals/retirement	-	(3,323)	(762)	-	(4,085)
Reclassifications and adjustments	(1,904)	2,733	(133)	-	696
Balance at end of year	1,728,594	2,270,464	41,039	-	4,040,097
Net book value at cost	4,744,679	559,930	12,326	4,728	5,321,663
Land at revalued amounts (Note 11)	-	-	-	-	6,460,845
Total	₱4,744,679	₱559,930	₱12,326	₱4,728	₱11,782,508

	December 2021					Total
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress		
Cost						
Balance at beginning of year	₱4,914,555	₱2,365,584	₱48,521	₱1,654,804		₱8,983,464
Acquisitions	46,919	85,600	6,353	72,498		211,370
Disposals/retirement	(120,388)	(4,398)	–	–		(124,786)
Reclassifications and adjustments	58,969	125,924	(2,897)	(82,222)		99,774
Balance at end of year	4,900,055	2,572,710	51,977	1,645,080		9,169,822
Accumulated depreciation, amortization and impairment loss						
Balance at beginning of year	1,532,900	1,832,916	32,136	–		3,397,952
Depreciation (Notes 20 and 21)	198,864	156,312	7,063	–		362,239
Disposals/retirement	(120,388)	(2,223)	–	–		(122,611)
Reclassifications and adjustments	(21,317)	148,977	(2,426)	–		125,234
Balance at end of year	1,590,059	2,135,982	36,773	–		3,762,814
Net book value at cost	3,309,996	436,728	15,204	1,645,080		5,407,008
Land at revalued amounts (Note 11)	–	–	–	–		6,460,845
Total	₱3,309,996	₱436,728	₱15,204	₱1,645,080		₱11,867,853

Construction in progress as at September 30, 2022 and December 31, 2021 mainly includes the general cost of construction of MESI's new school building in Makati City and other direct costs (Note 11).

The land and related improvements owned by MCMC with carrying value of ₱2,360.9 million as of September 30, 2022 and December 31, 2021, respectively, were used to secure the long-term loans of MCMC as disclosed in Note 17.

11. Land at Revalued Amounts

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

	Unaudited September 2022	Audited December 2021
Land at cost:		
Balance at beginning of year	₱4,066,906	₱4,066,906
Land sold through sale of subsidiary	–	–
Balance at end of year	4,066,906	4,066,906
Provision for impairment:		
Balance at beginning of year	–	(15,763)
Reversal during the year charged to profit or loss	–	15,763
Balance at end of year	–	–
Revaluation increment on land:		
Balance at beginning of year	2,393,939	2,168,629
Change in revaluation increment	–	225,310
Revaluation increment on land transferred to retained earnings as a result of the sale of subsidiary	–	–
Balance at end of year	2,393,939	2,393,939
	₱6,460,845	₱6,460,845

Land at revalued amounts consists of owner-occupied property wherein the school buildings and other facilities are located.

Land were appraised by SEC-accredited independent firms of appraisers to determine the revalued amounts as at December 31, 2021 and 2020, respectively.

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

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

Location	Valuation Techniques	Unobservable Inputs Used	Range	
			2021	2020
Makati and Intramuros, Manila	Market Approach	Price per square meter	₱61,000 to ₱222,500	₱48,000 to ₱100,800
Cabuyao, Laguna	Market Approach	Price per square meter	₱10,412 to ₱14,042	₱8,640 to ₱16,200
Davao City, Davao Del Sur	Market Approach	Price per square meter	₱23,750 to 32,148	₱13,553 to 40,800
Pandacan, Metro Manila	Market Approach	Price per square meter	₱76,500 to ₱93,500	₱51,300 to ₱85,500
San Jose Del Monte City, Bulacan	Market Approach	Price per square meter	₱55,510 to 59,993	₱50,468 to 59,993
Naga City, Camarines Sur	Market Approach	Price per square meter	₱18,573 to ₱27,075	₱15,750 to ₱31,050
Quiapo, Manila	Market Approach	Price per square meter	₱70,837 to 130,625	₱69,034 to 133,650

Net adjustment factors arising from external and internal factors (i.e. location, size and road frontage) affecting the subject properties as compared to the market listing of comparable properties, range from -5% to +50% in 2021 and from -55% to +35% in 2020.

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

In 2019, the Group recorded provision for impairment in value of ₱21 million on a parcel of land charged to profit or loss [presented under ‘Other income (charges) - net] as there was no previous revaluation increment recognized on said land. Based on the 2021 and 2020 appraisal of the same parcel of land, there was an increase in value that resulted to the reversal of the impairment loss. The reversal was credited to profit or loss as “Other income (charges) - net” in the 2021 and 2020 statement of comprehensive income.

In December 2020, MESI sold its investment in subsidiary San Lorenzo Ruiz Investment Holdings and Services Inc. to HI for ₱1,946.6 million and paid CGT of ₱126.8 million on the gain on sale. MESI applied the ₱250.0 million earnest money received from HI in 2019 which was recorded as part

of 2019 accounts payable as payment and the balance was paid in cash. The Group treated the sale of investment as disposal of the net assets of the subsidiary which mainly represents the land classified as property and equipment. As the land is carried at revalued amount, prior to the sale, the Group recorded revaluation increment of ₱188.7 million (gross of tax) to reflect the land's fair value of ₱1,946.6 million equivalent to the selling price of said land. The revaluation increment (net of tax) of ₱132.1 million was credited to OCI. Upon sale of the subsidiary in 2020, the Group recorded the following:

- Reversal through OCI of the deferred tax liability on revaluation increment of subsidiary's land amounting to ₱273.8 million;
- Recognition of CGT on the sale of the subsidiary through OCI amounting to ₱126.8 million, which is netted against Reversal of deferred tax liability on revaluation increment of land sold through sale of subsidiary in the consolidated statement of comprehensive income; and
- Transfer of revaluation increment of the subsidiary's land accumulated in equity (net of tax) amounting to ₱785.8 million to retained earnings.

Since the land of the sold subsidiary was carried at revalued amount, in accordance with the Group's accounting policy, gain or loss on sale will not recycle to profit or loss but the corresponding revaluation increment in equity is transferred to retained earnings.

12. Goodwill

The goodwill recognized in the consolidated statement of financial position amounting to ₱151.3 million as at September 30, 2022 and December 31, 2021 pertains to the ₱137.8 million goodwill from acquisition of MESI in 1999 and ₱13.5 million goodwill from the 2019 acquisition of AEI subsidiaries as disclosed in Note 6.

The Group performed impairment testing on goodwill arising from acquisition of MESI wherein MESI was considered as the CGU. No impairment testing was done on the ₱13.5 million goodwill as the Group assessed it as not material to the consolidated financial statements. In 2021, 2020 and 2019, management assessed that no impairment loss should be recognized.

Key assumptions used in the value in use (VIU) calculation

As at December 31, 2021 and 2020, the recoverable amount of the CGU has been determined based on a VIU calculation using five-year cash flow projections. Key assumptions in the VIU calculation of the CGU are most sensitive to the following:

- Future revenues and revenue growth rates. Cash flow projections based on financial budgets approved by management covering a five-year period and considers the impact of coronavirus pandemic, among others.
- Long-term growth rates (4.84% for 2021 and 3.78% for 2020). The Long-term growth rate is the expected growth rate in the education industry sector.
- Discount rate (11% for 2021 and 10.9% for 2020). The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to Parent Company's capital structure.

Sensitivity to changes in assumptions

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

13. Other Noncurrent Assets

This account consists of:

	Unaudited	Audited
	September 2022	December 2021
Input VAT - net	₱35,461	₱39,146
Miscellaneous deposits	27,270	27,081
Creditable withholding tax	22,263	22,714
Computer software	18,070	19,464
Books and periodicals	3,726	5,266
	₱106,790	₱113,671

Miscellaneous deposits include rent deposits of the Group amounting to ₱15.1 million and ₱15.3 million as of September 30, 2022 and December 31, 2021, respectively.

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

	Unaudited	Audited
	September 2022	December 2021
Cost		
Balance at the beginning of the year	₱59,504	₱44,025
Reclassifications	114	
Additions	4,209	15,479
Balance at the end of the year	63,827	59,504
Accumulated Amortization		
Balance at the beginning of the year	40,040	34,989
Amortization (Notes 20 and 21)	5,427	4,551
Reclassifications	290	500
Balance at the end of the year	45,757	40,040
Net Book Value	₱18,070	₱19,464

14. Accounts Payable and Other Current Liabilities and Unearned Income

Accounts payable and other current liabilities consists of:

	Unaudited	Audited
	September 2022	December 2021
Accounts payable	₱368,975	₱397,869
Accrued expenses	473,612	385,599
Funds payable	218,504	240,628
Other payables	41,010	12,023
	₱1,102,101	₱1,036,119

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:

	Unaudited	Audited
	September 2022	December 2021
Provisions (Note 27)	₱159,266	₱159,266
Payable to suppliers	103,382	111,979
Accrued salaries and wages	55,296	19,222
Accrued professional fees	21,735	15,359
Withholding taxes and others	17,108	15,864
Accrued interest	17,335	18,057
Contracted services	8,505	5,665
Accrued utilities	8,135	4,311
Output VAT payable	5,779	5,181
Accrued communication expense	5,827	3,998
SSS and other contributions	4,808	5,136
Insurance	4,856	3,081
Others	61,580	18,480
	₱473,612	₱385,599

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.

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 ₱1,281.9 million and ₱658.4 million as of September 30, 2022 and December 31, 2021, respectively. This mainly includes unearned tuition fees amounting to ₱1,273.1 million and ₱655.6 million as at September 30, 2022 and December 31, 2021, 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 September 30, 2022, contract liabilities amounted to ₱1,307.37 million and these will be recognized as revenue in the coming school term. Contract liabilities as of January 1, 2022 amounting to ₱691.44 million were recognized as revenue in 2022. The increase in contract liabilities in 2022 is mainly due to timing of enrollment period for School Year 2022-2023.

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 September 30:

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
Controlling entity– HI				
a) Payable to HI	2022	₱–	(₱23,401)	Noninterest-bearing; unsecured; due and demandable
	2021	–	(10,151)	
Management fee and other professional fees (Notes 20 and 21)	2022	80,242	–	–
	2021	58,243	–	–
	2020	57,925	–	–
b) Receivable from HI	2022	–	242	Noninterest-bearing; unsecured; due and demandable; no impairment
	2021	–	221	
Entities under common control of HI				
c) Receivables from related parties	2022	₱–	₱25,329	Noninterest-bearing; unsecured; due and demandable; no impairment
	2021	–	25,846	
Rental income	2022	(2,280)	510	–
	2021	–	–	–
	2020	(467)	–	–
d) Payables to related parties	2022	–	(43)	Noninterest-bearing; unsecured; due and demandable
	2021	–	(625)	
Contracted services (Notes 20 and 21)	2022	37,867	–	–
	2021	31,023	–	–
	2020	36,723	–	–
e) Accounts payable (Notes 10 and 14)	2022	–	–	Noninterest-bearing; unsecured; payable on demand
	2021	(11,342)	(113,325)	
Entities under common control of PMMIC				
f) Cash and cash equivalents (Note 7)	2022	–	1,231,413	Interest at prevailing deposit and short-term rates; unsecured; no impairment
	2021	–	796,487	
Interest income (Note 22)	2022	10,858	–	–
	2021	5,321	–	–
	2020	9,115	–	–
g) Receivables from related parties	2022	–	–	Noninterest-bearing; unsecured; due and demandable; no impairment
	2021	–	18	
h) Insurance expense	2022	12,882	–	–
	2021	9,978	–	–
	2020	9,131	–	–

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
Financial asset at FVTPL (Note 30)	2022	–	9,257	Carried at fair value; No impairment
	2021	–	9,194	
Restricted funds (Note 9)	2022	–	52,513	Interest at prevailing deposit and short-term rates; unsecured; no impairment
	2021	–	45,868	
Entities with significant influence				
i) Payable to related parties	2022	–	(8,100)	Due on demand, noninterest- bearing; unsecured; no impairment
	2021	–	(9,072)	
Management fee and other professional fees (Notes 20 and 21)	2022	8,100	–	
	2021	7,200	–	–
	2020	5,400	–	–
Others				
j) Accounts payable	2022	–	–	Noninterest-bearing; unsecured; due and demandable; no impairment
	2021	–	(145)	
Utilities	2022	–	–	–
	2021	–	–	–
	2020	167	–	–
Professional fees	2022	158	–	–
	2021	10,643	–	–
	2020	3,644	–	–
Others	2022	–	–	–
	2021	561	–	–
	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.

Terms and conditions of transaction with related parties

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. For the quarters ended September 30, 2022 and 2021, 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

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 nil and ₱400.0 million as at September 30, 2022 and December 31, 2021, respectively.

The Group made payments amounting to ₱400.0 million and ₱375.0 million in 2022 and 2021, respectively. Total STL drawdowns in 2022 and 2021 amounted to nil and ₱400.0 million, respectively.

Interest expense charged to operations in 2022, 2021 and 2020 amounted to ₱2.29 million, ₱6.25 million and ₱13.92 million, respectively (Note 22).

17. Long-term Loans

This account consists of the following as of September 30 and December 31:

	Unaudited	Audited
	September 2022	December 2021
Unsecured bank loans	₱367,142	₱380,000
Secured bank loans	1,496,425	1,494,646
Total loans	1,863,567	1,874,646
Less current portion	32,574	21,001
Noncurrent portion	₱1,830,993	₱1,853,645

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 September 30, 2022 and December 31, 2021, 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 September 30, 2022 and December 31, 2021, NTC has complied with its covenant obligations, including maintaining the required debt-to-equity ratio. Interest expense recognized in profit or loss in 2022 and 2021 amounted to ₱15.6 million and ₱15.9 million, respectively.

Current portion and noncurrent portion of unsecured long-term loan as of September 30, 2022 amounted to ₱32.6 million and ₱334.6 million, respectively.

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 ₱1.78 million in 2022 and 2021 were recorded as part of interest expense.

Interest expense, including amortization of debt issue cost, amounted to ₱48.24 million in 2022 and ₱48.84 million in 2021 (Note 22).

Outstanding balance of secured long-term loans as follows:

	September 2022	December 2021
Principal	₱1,500,000	₱1,500,000
Unamortized debt issue cost	(3,575)	(5,354)
	₱1,496,425	₱1,494,646

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 September 30, 2022 and December 31, 2021, 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 September 30, 2022:

Year	Number of shares registered	Number of holders of securities as at year end
January 1, 2021	1,044,262,925	2,013
Add (deduct) movement	272	(7)
December 31, 2021	1,044,263,197	2,006
Add (deduct) movement	-	(2)
September 30, 2022	1,044,263,197	2,004

Retained Earnings

In accordance with Revised Securities Regulation Code (SRC) Rule No. 68, the Parent Company's retained earnings available for dividend declaration as of September 30, 2022 and December 31, 2021 amounted to ₱1,087.2 million and ₱1,259.2 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 ₱6,342.62 million and ₱6,256.53 million as at September 30, 2022 and December 31, 2021, respectively. These are not available for dividends until declared by the subsidiaries.

The BOD declared cash dividends as follows:

	2022	2021	2020
April 1, 2022, (₱0.16 per share) to stockholders of record as of April 29, 2022, payable on	₱167,082	₱-	₱-

	2022	2021	2020
or before May 20, 2022			
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
	₱167,082	₱312,656	₱73,248

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 September 30, 2022 and December 31, 2021.

As at September 30, 2022 and December 31, 2021, 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.

	2022	2021
Liabilities (a)	₱5,263,953	₱5,008,841
Equity (b)	11,288,142	10,869,371
Debt-to-equity ratio (a/b)	0.47:1.00	0.46:1.00

19. Revenue from Contracts with Customers

Revenue from schools and related operations consists of:

	2022	2021	2020
Tuition and other matriculation fees	₱2,695,253	₱2,515,907	₱2,345,284
Less: Scholarship grants and discounts	(165,088)	(208,825)	(203,591)
	2,530,165	2,307,082	2,141,693
Other student-related income:			
Seminar fee income	5,843	3,422	3,632
Miscellaneous	219,946	46,033	42,554
	₱2,755,954	₱2,356,537	₱2,187,879

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:

	2022	2021	2020
Revenue from schools and related operations:			
Revenue from tuition and other matriculation fees (over time)	₱2,530,165	₱2,307,082	₱2,141,693
Other student-related income (at a point in time)	225,789	49,455	46,186
	₱2,755,954	₱2,356,537	₱2,187,879

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:

	2022	2021	2020
Personnel expenses	₱775,501	₱743,716	₱787,718
Depreciation and amortization	257,856	251,226	282,453
Management and other professional fees (Note 15)	94,768	63,685	119,660
IT expense - software license	76,005	56,953	43,804
Student-related expenses	94,605	44,927	58,177
Periodicals	70,863	68,863	63,156
Utilities	49,606	41,075	56,112
Repairs and maintenance	23,748	11,592	9,102
Advertising	30,555	15,885	9,345
Accreditation cost	20,423	9,803	10,030
Research and development fund	11,779	15,054	7,895
Insurance	11,079	7,230	7,403
Tools and library books (Notes 10 and 13)	18,102	12,923	19,224
Taxes and licenses	6,252	6,811	6,935
Seminar	3,754	5,605	5,465
Transportation and travel	2,129	893	1,013
Laboratory supplies	1,724	1,046	3,453
Rent (Note 27)	1,699	163	218
Office supplies	2,142	795	4,502
Entertainment, amusement and recreation	1,010	865	892
Miscellaneous	3,231	2,978	2,935
	₱1,556,831	₱1,362,088	₱1,499,492

a. Details of depreciation and amortization follows:

	2022	2021	2020
Depreciation (Note 10)	₱280,672	₱264,319	₱286,507
Depreciation - ROU assets (Note 27)	40,306	41,536	52,084
Amortization - Student relationship (Note 6)	16,733	16,733	16,733
Amortization (Note 13)	5,427	2,056	2,159
	₱343,138	₱324,644	₱357,483

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

	2022	2021	2020
Cost of schools and related operations	₱219,301	₱211,864	₱232,991
Cost of schools and related operations - ROU assets (Note 27)	38,555	39,362	49,462
	257,856	251,226	282,453
General and administrative expenses (Note 21)	85,282	73,418	75,030
	₱343,138	₱324,644	₱357,483

21. General and Administrative Expenses

This account consists of:

	2022	2021	2020
Personnel expenses	₱150,530	₱154,289	₱143,679
Management and other service fees (Note 15)	124,931	102,413	121,549
Depreciation and amortization (Notes 10, 13 and 20)	85,282	73,418	75,030
Advertising	51,625	39,944	20,447
Provisions for doubtful accounts (Note 8)	21,622	41,742	21,215
Taxes and licenses	21,625	14,550	12,627
Utilities	15,819	9,898	10,432
Repairs and maintenance	9,540	10,057	7,231
Insurance	4,378	5,188	4,115
Entertainment, amusement, and recreation	2,503	1,571	1,791
Commission	2,268	2,234	1,439
Transportation and travel	3,170	1,552	2,080
IT expense - software license	1,678	849	3,018
Investor relations	1,555	5,398	980
Seminar	2,118	1,877	1,048
Office supplies	1,546	699	1,439
Donations	3,123	28	4,389
Rent (Note 27)	849	190	640
Miscellaneous	40,769	22,820	19,742
	₱544,931	₱488,717	₱452,891

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:

	2022	2021	2020
Cash in banks and cash equivalents (Note 7)	₱10,858	₱5,321	₱9,115
Advances to officers and employees (Note 8)	69	104	128
	₱10,927	₱5,425	₱9,243

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

	2022	2021	2020
Short-term loans (Note 16)	₱2,289	₱6,253	₱13,916
Long-term loans (Note 17)	64,321	64,730	64,402
Interest expense on lease liabilities (Note 27)	18,602	22,281	26,163
	₱85,212	₱93,265	₱104,482

23. Earnings Per Share

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

	2022	2021	2020
Net income attributable to equity holders of Parent Company (a)	₱585,854	₱438,150	₱113,479
Weighted average number of outstanding shares - net of treasury shares (b)	1,044,263	1,044,263	1,044,263
Earnings per share (a/b)	₱0.5610	₱0.4196	₱0.1087

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

24. 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:

	2022	2021
University of Nueva Caceres	16.38%	16.38%
National Teachers College	0.21%	0.21%

Non-controlling interests in material subsidiaries as at September 30, 2022 and December 31, 2021 follows (in million pesos):

	2022	2021
University of Nueva Caceres	₱249	₱245
National Teachers College	3	2

Dividends paid to non-controlling interest in consolidated subsidiaries amounted to nil in 2022 and 2021.

As at September 30, 2022 and December 31, 2021, 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	
	2022	2021	2022	2021
Assets				
Current assets	₱577	₱364	₱863	₱391
Noncurrent assets	1,383	1,400	1,271	1,271
	₱1,959	₱1,764	₱2,134	₱1,661
Liabilities and Equity				
Current liabilities	₱281	₱114	₱445	₱156
Noncurrent liabilities	158	153	427	447
	439	267	872	604
Equity	1,521	1,498	1,262	1,058
	₱1,959	₱1,764	₱2,134	₱1,661
Attributable to:				
Equity holders of parent	₱1,272	₱1,252	₱1,259	₱1,055
Non-controlling interest	249	246	3	3
Net revenue	₱260	₱342	₱456	₱390
Gross profit	143	185	298	209
Net income (loss)	26	27	204	81
Attributable to:				
Equity holders of parent	₱21	₱23	₱204	₱81
Non-controlling interest	4	4	0	0

25. 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		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Revenues												
Income from external customers	₱2,756	₱2,357	₱2,188	₱-	₱-	₱-	₱-	₱-	₱-	₱2,756	₱2,357	₱2,188
Total Revenues	₱2,756	₱2,357	₱2,188	₱-	₱-	₱-	₱-	₱-	₱-	₱2,756	₱2,357	₱2,188
Net Income attributable to Parent												
Company	₱612	₱445	₱131	(₱5)	(₱3)	₱-	(₱21)	(₱4)	(₱18)	₱586	₱438	₱113
Other Information												
Segment assets	₱17,276	₱16,658	₱17,113	₱5,881	₱5,711	₱7,581	(₱6,350)	(₱6,333)	(₱7,709)	₱16,807	₱16,036	₱16,985
Segment liabilities	5,760	5,682	7,029	100	99	402	(596)	(621)	(214)	5,264	5,160	7,217
Deferred tax assets	33	13	11	2	2	2	-	2	2	35	17	15
Deferred tax liabilities	379	371	325	42	39	258	65	56	73	486	466	656
Interest expense	95	101	104	0	0	0	(10)	(8)	(0)	85	93	104
Provision for income tax	7	6	36	0	0	0	(2)	(20)	(2)	5	(15)	34
Depreciation and amortization	317	301	334	3	1	0	23	23	23	343	325	357

26. Notes on Consolidated Statements of Cash Flows

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

	Non-cash Changes					Cash Flows	September 2022
	December 2021	Declaration of Cash Dividend	Amortization of debt issue cost	Additions on Lease liabilities	Interest Expense		
Short-term loans	₱400,000	₱–	₱–	₱–	₱–	(₱400,000)	₱–
Long-term loans	1,853,645	–	1,778	–	–	(24,430)	1,830,993
Dividends payable	565	167,083	–	–	–	(167,083)	565
Payables to related parties	14,135	–	–	–	–	17,744	31,879
Lease liabilities	357,826	–	–	(21,649)	19,393	(52,795)	302,775
	₱2,626,171	₱167,083	₱1,778	(₱21,649)	₱19,393	(₱626,565)	₱2,166,212

	Non-cash Changes					Cash Flows	September 2021
	December 2020	Declaration of Cash Dividend	Amortization of debt issue cost	Additions on Lease liabilities	Interest Expense		
Short-term loans	₱375,000	₱–	₱–	₱–	₱–	(₱375,000)	₱–
Long-term loans	1,872,275	–	1,778	–	–	–	1,874,053
Dividends payable	565	62,656	–	–	–	(62,656)	565
Payables to related parties	29,481	–	–	–	–	(9,633)	19,848
Lease liabilities	392,582	–	–	8,476	22,281	(39,217)	384,123
	₱2,669,903	₱62,656	₱1,778	₱8,476	₱22,281	(₱486,506)	₱2,278,589

	Non-cash Changes					Cash Flows	September 2020
	December 2019	Declaration of Cash Dividend	Liabilities assumed from Merger	Additions on Lease liabilities	Interest Expense		
Short-term loans	₱1,398,800	₱–	₱–	₱–	₱–	₱145,154	₱1,543,954
Long-term loans	1,869,903	–	1,778	–	–	–	1,871,681
Dividends payable	565	73,248	–	–	–	(73,248)	565
Payables to related parties	15,411	–	–	–	–	18,808	34,219
Lease liabilities	419,340	–	–	–	26,163	(57,328)	388,175
	₱3,704,019	₱73,248	₱1,778	₱–	₱26,163	₱33,386	₱3,838,594

27. 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:

	2022	2021
Within one year	₱1,462	₱797
More than one year but not more than five years	12,672	3,643
Later than five years	–	–
	₱14,134	₱4,440

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:

	September 2022	December 2021
Net Book Value at January 1	₱309,391	₱346,905
Additions (adjustments)	(17,904)	17,318
Amortization (Note 20a)	(40,305)	(54,832)
Net Book Value, ending	₱251,182	₱309,391

The following are the amounts recognized in the 2022 and 2021 statement of comprehensive income (Note 20):

	2022	2021
Depreciation expense of right-of-use assets	₱40,305	₱41,536
Interest expense on lease liabilities	18,602	22,281
Total amount recognized in profit or loss	₱58,907	₱63,817

The rollforward analysis of APEC’s lease liabilities follows:

	September 2022	December 2021
As at January 1	₱357,826	₱392,582
Additions (adjustments)	(21,649)	3,599
Interest expense (Note 22)	18,602	28,841
Payments	(52,004)	(67,196)
	₱302,775	₱357,826

The balance of lease liabilities as of September 30, 2022 and December 31, 2021 are as follows:

	2022	2021
Lease liabilities – current	₱13,005	₱50,551
Lease liabilities – noncurrent	289,770	307,276
	₱302,775	₱357,826

Shown below is the maturity analysis of the undiscounted lease payments as of September 30, 2022 and December 31, 2021:

	2022	2021
Within one year	₱142,425	₱75,419
More than one year but less than five years	550,002	285,777
Five years and more	139,592	76,996
	₱832,019	₱438,192

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.

28. 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.

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. The Group has taken measures to manage the risks and uncertainties brought about by the outbreak and will continue to monitor the situation

IPEOPLE, INC. AND SUBSIDIARIES
INDEX TO THE SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

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II	Annex 68-J Schedules <ul style="list-style-type: none">• Schedule A. Financial Assets• Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)• Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements• Schedule D. Long-term Debt• Schedule E. Indebtedness to Related Parties• Schedule F. Guarantees of Securities of Other Issuers• Schedule G. Capital Stock
III	Group Structure

SCHEDULE II

IPEOPLE, INC. AND SUBSIDIARIES

ANNEX 68-J: SCHEDULES SEPTEMBER 30, 2022

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 September 30, 2022, 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 September 30, 2022:

Name	As at December 31, 2021	Additions	Liquidations/ Collections	As at September 30, 2022
Agapito, Benigno Jr.	₱209,825	₱–	₱57,225	₱152,600
Adanza, Carina Victoria T.	333,980	–	61,380	272,600
Agbulos, Erlin C.	417,167	–	69,528	347,639
Balan, Ariel Kelly	252,817	–	59,100	193,717
Delos Santos, Mira	387,296	–	54,662	332,635
Doma, Bonifacio T. Jr.	33,206	560,364	–	593,570
Gan, Maria Eloisa	284,630	–	80,052	204,578
Hernaez, Alodia C.	389,000	–	32,433	356,567
Lopez, Jonathan	200,940	–	61,554	139,386
Lozada, Katrina	128,764	–	–	128,764
Abalos, Mark Arthur	–	581,333	102,945	478,389
Correa, Helen	2,073	200,000	2,073	200,000
Mesina, James Ronald	224,933	–	59,850	165,083
Paglinawan, Arnold	365,848	–	35,902	329,946
Papas, Aileen Kate A.	270,324	–	69,512	200,812
Quisaot, Concordio	177,300	–	59,100	118,200
Sabino, Lilibeth	12,366	406,500	50,916	367,950
Songsong, Maribel	389,563	–	60,975	328,588
Villa, Robert Joseph	253,382	–	75,568	177,815
Yap, Maria Elizabeth	325,375	–	91,921	233,455
Young, Michael	409,000	–	81,800	327,200
	₱5,067,790	₱1,748,197	₱1,166,494	₱5,649,493

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 September 30, 2022:

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.	6,960,068	8,792,512	(12,069,683)	3,682,897
Malayan Colleges Laguna, Inc.	5,409,274	21,750,424	(22,784,374)	4,375,324
Malayan Colleges Mindanao, Inc.	7,243,056	7,330,186	(5,623,716)	8,949,526
University of Nueva Caceres	582,083	4,781,808	(4,593,497)	770,394
National Teachers College	939,914	8,006,348	(7,955,740)	990,522
Affordable Private Education Center, Inc.	880,000	–	(297,916)	582,084

Schedule D. Long-term debt

As at September 30, 2022, the Group has outstanding long-term debts as follow (in thousands):

Unsecured bank loans	₱380,000
Secured bank loans	1,496,425
	<u>₱1,876,425</u>

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 September 30, 2022, NTC has complied with its covenant obligations, including maintaining the required debt-to-equity ratio. For 2022, interest expense recognized in profit or loss amounted to ₱15.64 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 ₱1.78 million was recorded as part of interest expense in 2022.

Interest expense, including amortization of debt issue cost, amounted to ₱48.24 million in 2022.

Outstanding balance of long-term loans as of September 30, 2022 as follow:

	Amount
Principal	₱1,500,000
Unamortized debt issue cost	(3,575)
	<u>₱1,496,425</u>

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

As at September 30, 2022, the Group has no outstanding long-term debt to related parties.

Schedule F. Guarantees of Securities of Other Issuers

As at September 30, 2022, the Group does not guarantee any securities.

Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common Shares	2,000,000,000	1,044,263,197	-	885,453,681	168,775	158,640,741

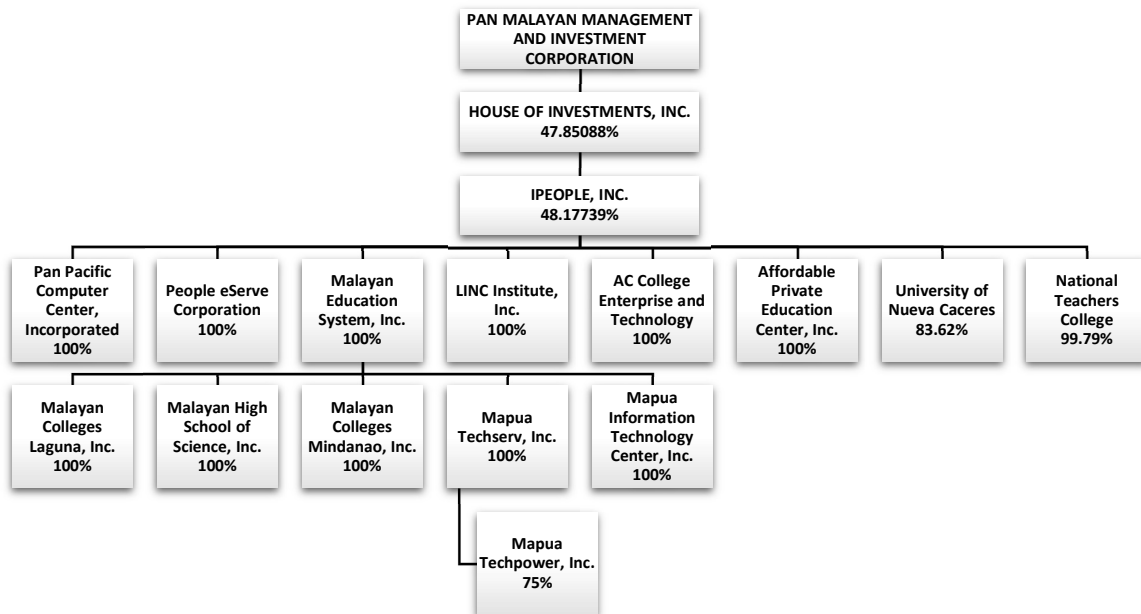
IPEOPLE, INC. AND SUBSIDIARIES

GROUP STRUCTURE

SEPTEMBER 30, 2022

Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company and subsidiaries as at September 30, 2022:



SCHEDULE I

IPEOPLE, INC. AND SUBSIDIARIES

**ANNEX 68-D: RECONCILIATION OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
SEPTEMBER 30, 2022**

Items	Amount (in thousands)
Unappropriated retained earnings, <i>as adjusted to available for distribution, beginning</i>	₱1,259,240
Add: Net income actually earned/realized during the period	
Net income (loss) during the period closed to retained earnings	(₱4,970)
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	(4,970)
Add (Less):	
Dividends declaration during the year	(167,082)
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	-
	(4,970)
Total Retained Earnings, End Available for Dividend	₱1,087,188

iPeople, inc. and Subsidiaries
Aging of Accounts Receivable
For the quarter ended September 30, 2022

	No. of days due			Total
	0-30	31-60	Over 61 days	
Education	₱885,655,362	₱261,093,873	₱451,535,880	₱1,598,285,115
Parent and others	56,016,320	10,794,626	48,888,253	115,699,199
Total	941,671,682	271,888,499	500,424,133	1,713,984,314
Less: Allowance for doubtful accounts	(32,624,154)	(15,671,423)	(257,706,867)	(306,002,444)
	₱909,047,528	₱256,217,076	₱242,717,266	₱1,407,981,870

IPEOPLE, INC. AND SUBSIDIARIES

ANNEX 68-E: SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS SEPTEMBER 30, 2022 AND 2021

Below are the financial ratios that are relevant to the Group's for the periods ended September 30:

Financial ratios		2022	2021
Current ratio <i>Indicates the Group's ability to pay short-term obligation</i>	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.59:1	1.45:1
Acid-test ratio <i>Indicates the Group's ability to use its quick or near cash assets to pay current liabilities immediately</i>	$\frac{\text{Current Assets} - \text{Prepaid expenses}}{\text{Current Liabilities}}$	1.36:1	1.29:1
Solvency Ratio <i>Shows how likely a Group will be to continue meeting its debt obligations</i>	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$	0.18:1	0.15:1
Debt-to-equity ratio <i>Measures the Group's leverage</i>	$\frac{\text{Total Debt}}{\text{Equity}}$	0.47:1	0.49:1
Asset to Equity Ratio <i>Shows how the Group's leverage (debt) was used to finance the firm</i>	$\frac{\text{Total Assets}}{\text{Equity}}$	1.46:1	1.47:1
Interest Rate Coverage <i>Shows how easily a Group can pay interest on outstanding debt</i>	$\frac{\text{EBIT}^*}{\text{Interest Expense Excluding Interest Expense on Lease Liabilities}}$	10.22:1	7.29:1
Return on Average Stockholders' Equity <i>Reflects how much the Group's has earned on the funds invested by the stockholders</i>	$\frac{\text{Net Income}}{\text{Average Equity}}$	5.27%	4.25%
Net profit margin <i>Reflect how much net income or profit is generated as percentage of revenue</i>	$\frac{\text{Net Profit Margin}}{\text{Revenue}}$	21.43%	18.62%
Return on Assets <i>Measure the ability to utilize the Group's assets to create profits</i>	$\frac{\text{Net Income}}{\text{Total Assets}}$	3.51%	2.74%

*Earnings before interest and taxes (EBIT)

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Makati on _____, 2022.

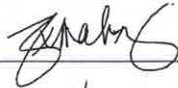
IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this NOV 10 2022 day of November, 2022 at Makati City.

By:


DR. REYNALDO B. VEA
Chairman and Chief Executive Officer



GEMA O. CHENG
EVP and Chief Finance Officer



JONATHAN M. LOPEZ
Controller




ATTY. SAMUEL V. TORRES
Corporate Secretary



SUBSCRIBED AND SWORN to before me this NOV 10 2022 day of September 2022, at Makati City. Affiant exhibited to me their Residence Certificate Numbers indicated below each name.

Names	Document No.	Date & Place of Issue/Expiration
Reynaldo B. Vea	DL#N20-84-003426	03-20-2018 Quezon City / 03-20-2023
Gema O. Cheng	DL#N06-84-036923	12-14-2017 Mandaluyong / 12-08-2022
Jonathan M. Lopez	DL#N01-02-001324	05-07-2019 Imus Cavite / 05-07-2024
Atty. Samuel V. Torres	DL#13-83-001463	11-08-2017 Quezon City / 11-10-2022

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ATTY. ROMEO M. MONFORT
NOTARY PUBLIC City of Makati
Until Dec. 31, 2023
Per B.M. No. 3795
PTR No. 8852509 Jan. 3, 2022 Makati Cit.
Appointment No. M-172
IBP No. 178089 / 2/14/22 Pasig
MCLE NO. VI-0023417 Roli No. 27932
101 Urban Ave. Campos Rueda Bldg.
Rov. Pio Del Pilar, Makati City