Key assumptions used in the value in use (VIU) calculation
As at December 31, 2022 and 2021, 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 and the BOD covering a five-year period and considers the impact of the coronavirus pandemic, among others.
- Long-term growth rates (5.79% for 2022 and 4.84% for 2021). The long-term growth rate considers the historical growth rate of MESI and the long-term growth rate for the education industry sector.
- Discount rate (14% for 2022 and 11% for 2021). 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.

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:

	2022	2021
Input VAT – net	**₱35,526**	₱39,146
Miscellaneous deposits	**26,404**	27,081
Creditable withholding tax	**22,032**	22,714
Computer software	**17,008**	19,464
Books and periodicals	**3,784**	5,266
	₱104,754	₱113,671

Miscellaneous deposits include rent deposits of the Group amounting to ₱14.2 million and ₱15.2 million as of December 31, 2022 and 2021, respectively.

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

	2022	2021
Cost		
Balance at the beginning of the year	**₱59,504**	₱44,025
Additions	**4,414**	15,479
Reclassifications	**114**	–
Balance at the end of the year	**64,032**	59,504
Accumulated Amortization		
Balance at the beginning of the year	**40,040**	34,989
Amortization (Notes 20 and 21)	**6,860**	4,551
Reclassifications	**124**	500
Balance at the end of the year	**47,024**	40,040
Net Book Value	**₱17,008**	₱19,464

14. Accounts Payable and Other Current Liabilities and Unearned Income

Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities consists of:

	2022	2021
Accounts payable	**₱434,281**	₱397,869
Accrued expenses	**223,048**	226,333
Funds payable	**238,987**	240,628
Provisions (Note 31)	**168,717**	159,266
Other payables	**34,604**	12,023
	₱1,099,637	₱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 amounting to ₱35.82 million and ₱35.80 million as at December 31, 2022 and 2021, respectively.

Accrued expenses consist of:

	2022	2021
Payable to suppliers	**₱67,117**	₱111,979
Accrued salaries and wages	**48,261**	19,222
Accrued professional fees	**17,134**	15,359
Accrued interest (Note 18)	**17,468**	18,057
Accrued communication expense	**3,259**	3,998
Withholding taxes and others	**19,121**	15,864
SSS and other contributions	**7,344**	5,136
Contracted services	**5,643**	5,665
Accrued utilities	**5,501**	4,311
Output VAT payable	**7,527**	5,181
Insurance	**4,875**	3,081
Others	**19,798**	18,480
	₱223,048	₱226,333

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.

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.

Unearned Income

Unearned income consists mainly of unearned tuition fees and seminar fees amounting to ₱796.2 million and ₱658.4 million as at December 31, 2022 and 2021, respectively, which are considered contract liabilities.

Contract Liabilities

As at December 31, 2022, contract liabilities amounted to ₱828.68 million and these will be recognized as revenue in the following year. Contract liabilities as of January 1, 2022 amounting to ₱691.4 million were recognized as revenue in 2022. The increase in contract liabilities in 2022 is mainly due to increase in number of students and 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 December 31:

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
Controlling entity – III				
a) Payable to III				
	2022	**₱–**	**(₱17,003)**	
	2021	₱–	(₱13,366)	Noninterest-bearing; unsecured; due and demandable
Management fee and other professional fees (Notes 20 and 21)	**2022**	**88,402**	–	–
	2021	51,534	–	–
	2020	66,973	–	–
b) Receivable from III				
	2022	–	**258**	Noninterest-bearing; unsecured; due and demandable; no impairment
	2021	–	248	
Reimbursements	**2022**	–	–	–
	2021	229	–	–
	2020	33	–	–
Entities under common control of III				
c) Receivables from related parties				
	2022	–	**499**	Noninterest-bearing; unsecured; due and demandable; no impairment
	2021	–	25,328	
Reimbursements	2020	25,329	–	–
Rental income	**2022**	**(5,022)**	**1,051**	–
	2021	–	483	–
	2020	(467)	–	–
d) Payables to related parties				
	2022	–	**(286)**	Noninterest-bearing; unsecured; due and demandable
	2021	–	(569)	
Contracted services (Notes 20 and 21)				
	2022	**65,296**	–	–
	2021	36,934	–	–
	2020	37,660	–	–
e) Accounts payable (Notes 10 and 14)				
	2022	–	–	Noninterest-bearing; unsecured; payable on demand
	2021	–	(352)	
Entities under common control of PMMIC				
f) Cash and cash equivalents (Note 7)				
	2022	–	**1,333,517**	Interest at prevailing deposit and short-term rates; unsecured; no impairment
	2021	–	1,146,313	
Interest income (Note 22)				
	2022	**20,023**	–	–
	2021	6,050	–	–
	2020	10,734	–	–
g) Receivables from related parties				
	2022	**2**	**18**	Noninterest-bearing; unsecured; due and demandable; no impairment
	2021	–	18	
h) Insurance expense				
	2022	**14,923**	–	
	2021	13,279	–	
	2020	12,803	–	

(Forward)

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
Financial asset at FVTPL (Note 30)				
	2022	**₱–**	**₱9,332**	
	2021	₱–	₱9,213	**Carried at fair value; No impairment**
Short-term investments (Note 9)	**2022**	**–**	**40,191**	**Interest at prevailing deposit and short-term rates; unsecured; no impairment**
	2021	–	34,836	
Entities with significant influence				
i) Payable to related parties	**2022**	**–**	**–**	**Due on demand, noninterest-bearing; unsecured; no impairment**
	2021	–	–	
Management fee and other professional fees (Notes 20 and 21)	**2022**	**9,000**	**–**	
	2021	9,000	–	–
	2020	10,530	–	–
Others				
i) Accounts payable				
	2022	**–**	**–**	**Noninterest-bearing; unsecured; due and demandable; no impairment**
	2021	–	(3)	
Utilities				
	2022	**–**	**–**	–
	2021	–	–	
	2020	167	–	
Professional fees				
	2022	**158**	**–**	–
	2021	440	–	
	2020	3,644	–	
Others				
	2022	**–**	**–**	–
	2021	454	–	–

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 subsidiaries' operations (Notes 20 and 21).

b) Receivables from HI
This account pertains to fuel consumption, car plan and gym rental advanced by the Group. These are noninterest-bearing and are payable on demand.

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

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

e) Accounts payable to entities under common control of HI
Accounts payable pertains to the outstanding balance of general cost of construction of school buildings and other facilities and professional fees related to the building construction (Notes 10 and 14)

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

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

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

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

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

Other related party transactions follow:

a) The Group maintains its retirement fund with RCBC Trust Division (Note 25). Trust fees paid by the retirement plan to RCBC amounted to ₱0.46 million, ₱1.23 million and ₱0.90 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Compensation of key management personnel of the Group

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

	2022	2021	2020
Short-term benefits	**₱269,022**	₱144,164	₱37,044
Post-employment benefits	**6,651**	1,400	1,342
	₱275,673	₱145,564	₱38,386

Terms and conditions of transaction with related parties
Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. For the years ended December 31, 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

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

The STL facility is secured by the Continuing Suretyship Agreement of MESI. Annual interest rates range from 3.00% to 5.50%. Short-term loans amounting to ₱400.0 million as at December 31, 2021 was paid in 2022.

Interest expense charged to operations in 2022, 2021 and 2020 amounted to ₱3.7 million, ₱6.7 million and ₱18.3 million, respectively (Note 22).

17. Long-term Loans

This account consists of the following as of December 31:

	2022	2021
Unsecured bank loans	**₱358,998**	₱380,000
Secured bank loans	**1,497,018**	1,494,646
Total	**1,856,016**	1,874,646
Less: Current portion of unsecured bank loans	**24,430**	21,001
Reclassification to current liability of secured loans	**1,497,018**	–
Current portion of long-term loans	**1,521,448**	21,001
Noncurrent portion of long-term loans	**₱334,568**	₱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 December 31, 2020, total drawdown from the long-term loan facility 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 was converted to a 5.5% fixed rate.

The loan is subject to certain covenants including maintaining a maximum debt-to-equity (D:E) structure ratio of 3:1. As of December 31, 2022 and 2021, NTC has complied with its covenant obligations, including maintaining the required D:E ratio.

Interest expense recognized in profit or loss in 2022, 2021 and 2020 amounted to ₱21.4 million, ₱21.3 million and ₱8.5 million, respectively (Note 22).

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 ₱2,385.0 million and ₱2,382.0 million as of December 31, 2022 and 2021, respectively, and suretyship of MESI (Note 10). The loans were subject to certain positive and negative covenants such as the requirement for MCMI to maintain its debt service cover ratio of at least 1.0 at all times and maximum D:E ratio of 75:25 starting on the third year of the loan (January 2022) reckoned from initial drawdown date of January 2019.

In April 2022, MCMI requested the bank to waive the compliance in D:E ratio requirement in 2022. In February 2023, the bank confirmed in writing the approval of the non-declaration of MCMI in default for not meeting the required financial covenant for D:E ratio for as long as MCMI continues to follow the existing payment term/schedule and other terms and conditions stipulated in the loan agreement.

As of December 31, 2022, the D:E ratio of 77:23 did not meet the required D:E ratio. Hence, MCMI classified the loan from bank amounting to ₱1.5 billion as current liability. The loans were reclassified from noncurrent to current because the letter from the bank was issued after December 31, 2022. Although the loans are classified as current as of December 31, 2022, it will remain long-term based on the terms of the loan agreement and will not be paid in the next twelve months. The reclassification was done to comply with PFRS.

MCMI incurred debt issue cost amounting to ₱11.2 million which is being amortized over the loan term of 10 years using the effective interest method. The amortization of debt issue cost amounting to ₱2.4 million in 2022, 2021 and 2020 were recorded as part of interest expense.

Interest expense, including amortization of debt issue cost, amounted to ₱64.5 million, ₱63.6 million and ₱58.3 million in 2022, 2021 and 2020, respectively (Note 22).

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

	2022	2021
Principal	**₱1,500,000**	₱1,500,000
Unamortized debt issue cost	**(2,982)**	(7,725)
	₱1,497,018	₱1,492,275

18. **Equity**

Capital Stock
Capital stock consists of 2,000,000,000 authorized with 1,044,263,197 issued and outstanding common shares as of December 31, 2022 and 2021, with a par value of ₱1 per share.

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

Below is the summary of the Group's outstanding number of shares and holders of securities as at December 31, 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	–	(3)
December 31, 2022	1,044,263,197	2,003

Retained Earnings
In accordance with Revised Securities Regulation Code (SRC) Rule No. 68, the Parent Company's retained earnings available for dividend declaration as at December 31, 2022 and 2021 amounted to ₱1,215.3 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 ₱6,405.31 million and ₱6,256.53 million as at December 31, 2022 and 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 ofrecord as of April 29, 2022, payable on or before May 20, 2022	**₱167,082**	₱–	₱–
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

On March 31, 2023, the BOD declared ₱198.41 million cash dividends (₱0.19 per share) to stockholders of record as of April 28, 2023, payable on or before May 19, 2023.

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".

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2022 and 2021.

As at December 31, 2022 and 2021, the Group is not subject to externally imposed capital requirements except for the long-term loans of NTC and MCMI that are 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)	**₱4,961,294**	₱5,008,841
Equity (b)	**12,441,445**	10,869,371
Debt-to-equity ratio (a/b)	**0.40:1.00**	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	**₱4,032,966**	₱3,570,963	₱3,223,956
Less: Scholarship grants and discounts	**(225,742)**	(289,692)	(273,208)
	3,807,224	3,281,271	2,950,748
Other student related income and auxiliary services	**137,722**	69,796	66,358
	₱3,944,946	₱3,351,067	₱3,017,106

Other student related income and auxiliary services income consists of seminar fees and 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.

Revenue from tuition and other matriculation fees are recognized over time and for other student related income and auxiliary services income, the revenue is recognized over time or at a point in time.

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 (Note 24)	**₱1,086,585**	₱1,032,944	₱1,037,808
Depreciation and amortization	**338,315**	344,366	367,984
Management and other professional fees (Note 15)	**142,905**	91,716	129,208
Student-related expenses	**158,725**	70,926	111,052
Periodicals	**139,507**	94,060	89,554
IT expense – software license	**98,623**	79,620	76,467
Utilities	**82,589**	50,131	61,547
Accreditation cost	**31,268**	23,077	31,682
Repairs and maintenance	**34,443**	24,629	20,049
Advertising	**45,019**	30,388	18,478
Tools and library books (Notes 10 and 13)	**27,907**	15,992	17,587
Research and development fund	**20,403**	19,870	10,738
Seminar	**11,180**	7,621	7,267
Insurance	**13,886**	10,325	10,601
Taxes and licenses	**7,297**	7,978	7,321
Transportation and travel	**4,134**	1,150	917
Office supplies	**3,756**	2,432	6,437
Laboratory supplies	**3,192**	1,601	3,728
Rent (Note 31)	**2,688**	265	184
Entertainment, amusement and recreation	**1,775**	1,124	1,210
Miscellaneous	**4,975**	4,364	5,589
Total	**₱2,259,172**	₱1,914,579	₱2,015,408

1. Details of depreciation and amortization follows:

	2022	2021	2020
Depreciation (Note 10)	**₱381,276**	₱362,238	₱379,852
Depreciation – ROU assets * (Note 31)	**54,167**	54,832	58,985
Amortization – Student relationship (Note 6)	**33,002**	35,064	22,310
Amortization (Note 13)	**6,862**	4,551	2,275
	₱475,307	₱456,685	₱463,422

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

	2022	2021	2019
Cost of schools and related operations	**₱286,481**	₱292,353	₱312,302
Cost of schools and related operations – ROU assets (Note 31)	**51,834**	52,013	55,682
	338,315	344,366	367,984
General and administrative expenses (Note 21)	**136,992**	112,319	95,438
	₱475,307	₱456,685	₱463,422

21. General and Administrative Expenses

This account consists of:

	2022	2021	2020
Personnel expenses (Note 24)	**₱203,203**	₱195,388	₱212,163
Management and other professional fees (Note 15)	**178,026**	136,951	150,649
Depreciation and amortization (Note 20)	**136,992**	112,319	95,438
Provisions for doubtful accounts (Note 8)	**120,408**	114,229	48,755
Advertising	**58,123**	40,147	26,517
Provision for impairment (Note 6)	**32,221**	8,543	–
Taxes and licenses	**25,805**	15,442	19,970
Repairs and maintenance	**10,670**	11,876	15,422
Utilities	**19,533**	12,839	13,914
Insurance	**4,844**	6,944	5,125
Donations	**3,123**	3,877	4,452
IT expense – software license	**2,353**	2,699	3,983
Transportation and travel	**4,400**	2,330	2,900
Entertainment, amusement, and recreation	**3,571**	2,326	2,549

(Forward)

	2022	2021	2020
Commission	**₱3,148**	₱3,184	₱2,230
Seminar	**3,504**	4,369	2,087
Office supplies	**2,982**	773	1,720
Investor relations	**1,792**	5,998	1,306
Rent (Note 31)	**277**	180	547
Miscellaneous	**46,037**	39,087	23,443
	₱861,012	₱719,501	₱633,170

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

Miscellaneous expense includes dues and subscriptions, training materials, periodicals, provisions, 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)	**₱20,023**	₱6,050	₱10,734
Advances to officers and employees (Note 8)	**82**	142	163
	₱20,105	₱6,192	₱10,897

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

	2022	2021	2020
Short-term loans (Note 16)	**₱3,747**	₱6,706	₱18,305
Long-term loans (Note 17)	**85,917**	84,870	84,845
Interest expense on lease liabilities (Note 31)	**23,629**	29,858	35,384
	₱113,293	₱121,434	₱138,534

23. Income Tax

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

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

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Effective January 1, 2021, income tax rate for nonresident foreign corporation is reduced from 30% to 25%.
- Preferential income tax rate for proprietary educational institutions and hospitals which are nonprofit is reduced from 10% to 1% effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

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

Benefit from (provision for) income tax consists of:

	2022	2021	2020
Current	**(₱3,449)**	₱16,823*	(₱47,142)
Deferred	**8,597**	13,552	14,324
	₱5,148	₱30,375	(₱32,818)

**Due to CREATE impact*

The reconciliation of statutory tax rates to effective income tax rates follows:

	2022	2021	2020
Income before income tax at statutory rate	**25.00%**	25.00%	30.00%
Add (deduct) reconciling items:			
Difference in income tax rate	**(22.51)**	(23.55)	(21.87)
Others	**(3.15)**	(6.24)	3.80
	(0.66%)	(4.79%)	11.93%

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

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

	2022	2021
Deferred tax assets – net		
Allowance for ECL	**₱35,648**	₱16,042
Retirement asset	**2,924**	5,987
NOLCO	**–**	16,005
Deferred school fees	**(1,047)**	84
Unrealized foreign exchange loss	**(1)**	–
	37,524	38,118

(Forward)

	2022	2021
Deferred tax liabilities – net		
Revaluation increment on land	**₱565,577**	₱464,044
Intellectual property rights and student relationship	**59,987**	56,686
Accruals	**(16,479)**	(15,431)
Retirement liabilities	**(9,773)**	(10,539)
Allowance for ECL – net	**(9,691)**	(6,693)
Allowance for inventory obsolescence	**(53)**	(53)
Others	**743**	1,155
	590,311	489,169
	₱552,787	₱451,051

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

	2022	2021
Beginning	**₱451,051**	₱445,076
Provisions during the year	**(11,216)**	(10,164)
Tax effects of:		
Revaluation increment on land (Note 11)	**112,899**	16,471
Remeasurement gains (losses) on defined benefit plans (Note 25)	**53**	(332)
Ending	**₱552,787**	₱451,051

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

	2022	2021
NOLCO	**₱23,968**	₱28,337
Allowance for ECL	**1,742**	1,703
MCIT	**682**	528
Provision for retirement and others	**723**	1,020
Others	**(49)**	33
	₱27,066	₱31,621

As at December 31, 2022 and 2021, the details of NOLCO and MCIT, which are available for offset against future taxable income and tax payable, respectively, follow:

	NOLCO		MCIT	
	2022	2021	**2022**	2021
Beginning balance	**₱424,906**	₱502,175	**₱1,838**	₱1,396
Additions	**59,702**	88,418	**682**	528
Expiration	**(175,607)**	(165,687)	**–**	(86)
Ending balance	**₱309,001**	₱424,906	**₱2,520**	₱1,838

	NOLCO			MCIT		
Year Incurred	Year of Expiration	**2022**	2021	Year of Expiration	**2022**	2021
2022	2025	**₱59,702**	₱–	2025	**₱682**	₱–
2021	2026	**88,418**	88,418	2024	**528**	528
2020	2025	**160,881**	160,881	2023	**730**	730
2019	2022	–	175,607	2022	–	580
		₱309,001	₱424,906		**₱1,940**	₱1,838

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

24. Personnel Expenses

a. Details of personnel expenses are as follows:

	2022	2021	2020
Compensation	**₱1,186,567**	₱1,125,482	₱1,116,607
Retirement benefits (Note 25)	**33,208**	45,590	34,241
Miscellaneous benefits	**70,013**	57,260	106,099
	₱1,289,788	₱1,228,332	₱1,256,947

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

b. Personnel expenses as function of expense follows:

	2022	2021	2020
Cost of schools and related operations (Note 20)	**₱1,086,585**	₱1,032,944	₱1,037,808
General and administrative expenses (Note 21)	**203,203**	195,388	212,163
	₱1,289,788	₱1,228,332	₱1,249,971

25. Retirement Plans

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

The most recent actuarial valuations were carried out in January and February 2023 for the retirement plan of the Group as at December 31, 2022.

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

	2022	2021
Net pension assets	**₱38,701**	₱18,130
Net pension liabilities	**129,811**	124,152

Components of pension expense follow:

	2022	2021	2020
Current service cost	**₱35,115**	₱40,870	₱37,410
Net interest cost on defined benefit obligation	**909**	4,720	4,320
Curtailment gain	**(2,816)**	–	(7,489)
Net pension expense (Note 24)	**₱33,208**	₱45,590	₱34,241

The net pension assets recognized in the consolidated statements of financial position as at December 31, 2022 and 2021 is as follows:

	2022	2021
Fair value of plan assets	**₱121,985**	₱119,646
Present value of defined benefit obligation	**(77,599)**	(101,169)
Effect of asset ceiling	**(5,685)**	(347)
	₱38,701	₱18,130

The net pension liabilities recognized in the consolidated statements of financial position as at December 31, 2022 and 2021 is as follows:

	2022	2021
Fair value of plan assets	**₱204,514**	₱214,626
Present value of defined benefit obligation	**(334,325)**	(338,778)
	(₱129,811)	(₱124,152)

The Group's combined net pension liabilities are derived as follows:

	2022	2021
Net pension assets	**₱38,701**	₱18,130
Net pension liabilities	**(129,811)**	(124,152)
	₱91,110	₱106,022

The movements in the Group's combined net pension liabilities follow:

	2022	2021
At beginning of year	**₱106,023**	₱163,407
Contribution paid	**(18,165)**	(25,290)
Net pension expense	**33,208**	45,590
Remeasurement losses recognized in OCI	**(26,806)**	(69,154)
Adjustments and reversals	**33**	(2,667)
Benefits paid	**(3,183)**	(5,863)
At end of the year	**₱91,110**	₱106,023

The Group's combined net pension liabilities as of December 31 were derived as follows:

	2022	2021
Present value of defined benefit obligation	**₱411,644**	₱440,079
Fair value of plan assets	**(326,219)**	(334,403)
Effect of asset ceiling	**5,685**	347
Net pension liabilities	**₱91,110**	₱106,023

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

	2022	2021
Beginning balance	**₱440,079**	₱500,447
Interest cost	**16,498**	18,436
Current service cost	**24,696**	44,799
Benefits paid	**(21,934)**	(39,257)
Curtailment gain	**(2,816)**	(4,934)
Remeasurement losses (gains) on obligation:		
Experience adjustments	**3,847**	(27,979)
Changes in demographic assumptions	**293**	(2,527)
Changes in financial assumptions	**(49,019)**	(48,906)
Ending balance	**₱411,644**	₱440,079

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

	2022	2021
Beginning balance	**₱334,403**	₱337,194
Interest income	**20,695**	12,717
Contributions paid	**12,938**	25,187
Benefits paid	**(24,238)**	(30,361)
Remeasurement gains (losses) on plan assets	**(22,592)**	(8,273)
Withdrawal	–	(1,582)
Adjustment to plan assets	**5,013**	(479)
Ending balance	**₱326,219**	₱334,403

Remeasurement losses (gains) recognized in OCI follow:

	2022	2021
Remeasurement losses (gains)	**(₱39,507)**	(₱77,661)
Return on assets excluding amount included in net interest cost	**12,701**	8,507
Total remeasurement losses (gains) recognized in OCI	**(₱26,806)**	(₱69,154)

The distribution of plan assets as at December 31, 2022 and 2021 is as follows:

	2022		2021	
	Amount	%	Amount	%
Cash and cash equivalents	**₱139,555**	**36.48%**	₱121,900	36.48%
Investments in:				
Government securities	**126,730**	**45.21%**	151,080	45.21%
Certificate of time deposits	-	-	-	-
Equity instruments	**50,695**	**15.58%**	52,064	15.58%
Interest and other receivables	**9,640**	**3.11%**	10,381	3.11%
Accrued trust fees	**(401)**	**-0.37%**	(1,022)	-0.37%
	₱326,219	**100.00%**	₱334,403	100.00%

Actual return on plan assets amounted to ₱13.04 million and ₱8.26 million in 2022 and 2021, respectively.

The Group plans to contribute ₱34.6 million in 2023.

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

	2022	2021
Discount rate:		
Beginning	**4.95%-5.17%**	3.65%-4.07%
End	**7.17%-8.03%**	4.95%-5.17%
Salary increase rate:		
Beginning	**3.31%-5.00%**	3.00%-5.91%
End	**2.95%-5.00%**	3.31%-5.00%

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

As at December 31, 2022

	Rate	Increase (Decrease)	PVO
Discount rate	**3.92%**	**+100bps**	**(₱289,822))**
	3.12%	**-100bps**	**337,614**
Salary rate	**3.00%**	**+100bps**	**₱339,411**
	2.20%	**+100bps**	**(203,982))**

As at December 31, 2021

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

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

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

26. Earnings Per Share

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

	2022	2021	2020
Net income attributable to equity holders of Parent Company (a)	**₱769,302**	₱659,108	₱245,818
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)	**₱0.7367**	₱0.6312	₱0.2354

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

27. Non-controlling Interest in Consolidated Subsidiaries

This represents shareholdings in material subsidiaries not held by the Group. Proportion of equity interest held by non-controlling interests (NCI) in material subsidiaries for 2022 and 2021 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 December 31 follows (in million pesos):

	2022	2021
University of Nueva Caceres	**₱295**	₱248
National Teachers College	**3**	2

Dividends paid to non-controlling interest in consolidated subsidiaries amounted to ₱25.6 million in 2022 (nil in 2021).

As at December 31, 2022 and 2021, the summarized financial information attributable to non-controlling interests in material subsidiaries is shown in the next page.

(In million pesos)

	University of Nueva Caceres		National Teachers College	
	2022	2021	2022	2021
Assets				
Current assets	**₱455**	₱364	**₱715**	₱391
Noncurrent assets	**1,634**	1,400	**1,467**	1,270
	₱2,089	₱1,764	**₱2,182**	₱1,661
Liabilities and Equity				
Current liabilities	**₱298**	₱114	**₱253**	₱157
Noncurrent liabilities	**153**	153	**424**	447
	451	267	**677**	604
Equity	**1,638**	1,497	**1,505**	1,057
	₱2,089	₱1,764	**₱2,182**	₱1,661

(Forward)

	University of Nueva Caceres		National Teachers College	
	2022	2021	**2022**	2021
Attributable to:				
Equity holders of parent	**₱1,370**	₱1,252	**₱1,503**	₱1,053
Non-controlling interest	**268**	246	**3**	3
Net revenue	**₱378**	₱542	**₱670**	₱390
Gross profit (loss)	**204**	185	**450**	209
Net income (loss)	**74**	27	**283**	81
Attributable to:				
Equity holders of parent	**₱62**	₱23	**₱283**	₱81
Non-controlling interest	**12**	4	**–**	–

28. **Operating Segment Information**

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

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

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

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

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

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

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

Segment assets and liabilities exclude deferred tax assets and liabilities.

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

Capital expenditures consist of additions to property and equipment.

(In million pesos)

	Education			Others			Elimination			Consolidated		
	2022	2021	2020	**2022**	2021	2020	**2022**	2021	2020	**2022**	2021	2020
Revenues												
Income from external customers	**₱3,945**	₱3,351	₱3,017	**₱-**	₱-	₱-	**₱-**	₱-	₱-	**₱3,945**	₱3,351	₱3,017
Total Revenues	**₱3,945**	₱3,351	₱3,017	**₱-**	₱-	₱-	**₱-**	₱-	₱-	**₱3,945**	₱3,351	₱3,017
Net Income attributable to Parent Company	**₱941**	₱814	₱310	**₱123**	₱589	(₱1)	**(₱294)**	(₱744)	(₱63)	**₱769**	₱659	₱246
Other Information												
Segment assets	**₱18,186**	₱16,336	₱15,744	**₱6,028**	₱6,067	₱5,838	**(₱6,512)**	(₱6,275)	(₱5,870)	**₱17,701**	₱16,129	₱15,712
Segment liabilities	**5,555**	5,436	5,217	**115**	114	168	**(709)**	(541)	(165)	**4,961**	5,009	5,220
Deferred tax assets	**37**	37	28	**1**	2	2	**–**	–	2	**38**	38	32
Deferred tax liabilities	**487**	380	358	**43**	42	47	**60**	67	72	**590**	489	477
Cash flows arising from:												
Operating activities	**1,021**	1,024	523	**0**	(75)	(31)	**210**	(100)	(397)	**1,231**	849	95
Investing activities	**(265)**	(82)	893	**1**	280	(6)	**50**	(391)	333	**(214)**	(194)	1,220
Financing activities	**(547)**	(412)	(1,125)	**(0)**	(301)	(62)	**(111)**	343	35	**(659)**	(370)	(1,152)
Interest expense	**126**	150	153	**1**	–	–	**(13)**	(12)	(1)	**113**	139	152
Provision for income tax	**2**	(28)	35	**1**	0	1	**(7)**	(3)	(3)	**(5)**	(30)	33
Capital expenditures	**228**	206	847	**2**	2	7	**100**	3	48	**330**	211	902
Depreciation and amortization	**429**	412	432	**6**	1	–	**40**	44	31	**475**	457	463

29. Notes on Consolidated Statements of Cash Flows

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

		Non-cash Changes						
	2021	Declaration of Cash Dividend	Amortization of debt issue cost	Additions on Lease liabilities	Interest Expense	Other Non-Cash	Cash Flows	2022
Short-term loans	₱400,000	₱–	₱–	₱	₱–	₱–	(₱400,000)	₱–
Current portion of long-term loans	21,001					1,521,448	(21,001)	1,521,448
Long-term loans	1,853,645	–	2,371	–	–	(1,521,448)		334,568
Dividends payable	565	167,082	–	–	–	25,590	(167,083)	26,154
Payables to related parties	14,135	–	–	–	–	–	2,662	16,797
Lease liabilities	357,826	–	–	118,006	23,630	–	(69,827)	429,635
	₱2,647,172	₱167,082	₱2,371	₱118,006	₱23,630	₱25,590	(₱655,249)	₱2,328,602

		Non-cash Changes						
	2020	Declaration of Cash Dividend	Amortization of debt issue cost	Additions on Lease liabilities	Interest Expense	Other Non-Cash	Cash Flows	2021
Short-term loans	₱375,000	₱–	₱–	₱	₱–	₱–	₱25,000	₱400,000
Current portion of long-term loans	–	–	–	–	–	21,001		21,001
Long-term loans	1,872,275	–	2,371	–	–	(21,001)	–	1,853,645
Dividends payable	565	312,656	–	–	–	–	(312,656)	565
Payables to related parties	29,481	–	–	–	–	–	(15,345)	14,135
Lease liabilities	392,582	–	–	3,599	28,841	–	(67,196)	357,826
	₱2,669,903	₱312,656	₱2,371	₱3,599	₱28,841	₱–	(₱370,197)	₱2,647,172

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

- Noncash investing activities in 2022, 2021 and 2020 pertain to the revaluation of land amounting ₱1,005.0 million, ₱208.8 million and ₱600.3 million, respectively (Note 11).

30. Financial Instruments

Fair Value of Financial Instruments
The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as at December 31, 2022 and 2021:

	Carrying Amount	2022 Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:					
Financial assets at FVTPL	₱9,332	₱9,332	₱–	₱–	₱9,332

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

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

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

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

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

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

- *Equity instruments at FVOCI* – fair values were determined using quoted market prices at financial reporting date. The investments are included within the level 1 of the hierarchy. The movement in the cost and gain on disposal in 2019 are as follow:

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

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

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

As at December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements. There are no financial assets and financial liabilities recognized at fair value based on Level 3 and there are no transfers in and out of Level 3 categories in 2022 and 2021. No financial instrument fall within Level 3.

Financial Risk Management Objectives and Policies
The Group's principal financial instruments comprise of cash and cash equivalents, receivables, receivables from related parties, financial assets at FVTPL, short-term investments, refundable deposits, accounts payable and accrued expenses, payables to related parties, dividends payable, lease liabilities, and loans. The main purpose of these financial instruments is to raise finances for the Group's operations.

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

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

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

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

The Group does not have any significant exposure to any individual customer or counterparty. With respect to credit risk arising from cash and cash equivalents, receivables, amounts due from related parties, financial assets at FVTPL, and refundable deposits, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. As at December 31, 2022 and 2021, there are no collaterals held in relation to the Group's financial assets.

The table below shows the credit risk exposure on the Group's financial assets as at December 31, 2022:

	Gross carrying amount at default	Expected credit loss (Impaired)
Cash in banks	**₱544,228**	**₱–**
Cash equivalents	**1,414,100**	**–**
Receivables from:		
Tuition and other fees	**1,429,781**	**337,619**
Related parties	**1,825**	**–**
Others	**62,966**	**8,770**
Short-term investments	**120,962**	**–**
Financial assets at FVTPL	**9,332**	**–**
Deposits	**26,404**	**–**
	₱3,609,598	**₱346,389**

December 31, 2021:

	Gross carrying amount at default	Expected credit loss (Impaired)
Cash in banks	₱448,853	₱–
Cash equivalents	1,152,916	–
Receivables from:		
Tuition and other fees	1,246,586	281,120
Related parties	26,077	–
Others	54,626	8,770
Financial assets at FVTPL	9,213	–
Deposits	27,081	–
	₱2,965,352	₱289,890

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

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

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

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

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

For tuition and other fees receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Group generally uses a provision matrix to calculate ECL. The provision rates are based on days past due for groupings based on school term. The provision matrix is initially based on the Group's historical observed default rates. The Group will then consider directly relevant forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are considered.

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

The aging of tuition and other fees (current and past due accounts) and the ECL as at December 31 follows:

	2022					
		Past Due				
	Current	< 1 quarter	1 – 2 quarters	> 2 quarters	ECL	Total
Tuition and other fees	**₱684,401**	**₱22,651**	**₱355,466**	**₱367,263**	**(₱337,619)**	**₱1,092,162**

	2021					
		Past Due				
	Current	< 1 quarter	1 – 2 quarters	> 2 quarters	ECL	Total
Tuition and other fees	₱623,937	₱30,377	₱226,476	₱365,796	(₱281,120)	₱965,466

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

The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and service maturing debts. As an inherent part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. The Treasury Department is responsible for monitoring the short-term loans and demand deposits of the Group. It assesses the status and maturity period of the loans and deposits to be able to determine the financial standing of the Group and whether the funds being maintained will be able to accommodate any maturing liabilities. Short-term and long-term funding are obtained to finance capital expenditures and working capital. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and available credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecasts approved by BOD. As at December 31, 2022 and 2021, the Group has available short-term credit facilities with banks aggregating ₱1.78 billion. In addition, the Group also has available long-term credit facilities with a bank amounting to ₱2.1 billion as of December 31, 2022. Short-term loans obtained by the Group are renewable subject to the terms of the agreements.

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

	2022			
	On demand	**Less than 1 year**	**More than 1 year**	**Total**
Financial assets at amortized cost				
Cash	**₱544,228**	**₱–**	**₱–**	**₱544,228**
Cash equivalents	**1,414,100**	–	–	**1,414,100**
Receivables*	**366,030**	**765,456**	–	**1,131,486**
Receivables from related parties	**1,825**	–	–	**1,825**
Short-term investments	**120,962**	–	–	**120,962**
Financial assets at FVTPL	**9,332**	–	–	**9,332**
Deposits	–	–	**26,404**	**26,404**
	₱2,456,477	**₱765,456**	**₱26,404**	**₱3,248, 337**

excluding advances to officers and employees

	2021			
	On demand	Less than 1 year	More than 1 year	Total
Financial assets at amortized cost				
Cash	₱448,853	₱–	₱–	₱448,853
Cash equivalents	1,152,916	–	–	1,152,916
Receivables*	581,425	429,817	–	1,011,242
Receivables from related parties	26,077	–	–	26,077
Financial assets at FVTPL	9,213	–	–	9,213
Deposits	–	–	27,081	27,081
	₱2,218,484	₱429,817	₱27,081	₱2,675,382

excluding advances to officers and employees

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

	2022			
	On demand	**Less than 1 year**	**More than 1 year**	**Total**
Accounts payable and accrued expenses*	**₱559,892**	**₱113,220**	**₱–**	**₱673,112**
Payables to related parties	**16,797**	–	–	**16,797**
Dividends payable	**26,154**	–	–	**26,154**
Lease liabilities	–	**74,235**	**483,509**	**557,744**
Current portion of the long-term loans		**24,430**	**1,497,018**	**1,521,448**
Long-term loans	–	–	**334,568**	**334,568**
	₱602,843	**₱211,885**	**₱2,315,095**	**₱3,129,823**

excluding payables to regulatory bodies, funds payable and provisions

	2021			
	On demand	Less than 1 year	More than 1 year	Total
Accounts payable and accrued expenses*	₱550,955	₱69,535	₱–	₱620,490
Payables to related parties	14,135	–	–	14,135
Dividends payable	565	–	–	565
Short-term loans	–	400,000	–	400,000
Lease liabilities	–	75,419	362,773	438,192
Current portion of the long term loan	–	24,430	–	24,430
Long term loan	–	–	1,853,645	1,853,645
	₱565,655	₱569,384	₱2,216,418	₱3,351,457

excluding payables to regulatory bodies, funds payable and provisions

31. Commitments and Contingencies

Lease Commitments

Group as a lessor

The Group's Intramuros and Makati campuses lease spaces to third parties. The lease terms cover lease periods of between three (3) years to ten (10), years with escalation rates ranging from 3% to 10%.

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

	2022	2021
Within one year	₱797	₱797
More than one year but not more than five years	3,643	3,643
	₱4,440	₱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 two to ten years. The Group applies the 'short-term lease' recognition exemption for those leases with lease terms of one year or less.

The Group, through 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 6.29 to 7.40% in 2022 and from 6.60% to 7.50% in 2021 (see Note 5).

The rollforward analysis of right-of-use assets follows:

	2022	2021
Net Book Value at January 1	₱309,391	₱346,905
Additions	139,474	38,013
Amortization (Note 20a)	(57,122)	(61,961)
Pre-termination/expiration	(14,949)	(13,566)
Net Book Value at December 31	₱376,794	₱309,391

The following are the amounts recognized in the 2022, 2021 and 2020 statement of comprehensive income (Note 20):

	2022	2021	2020
Depreciation expense of right-of-use assets*	₱54,167	₱54,832	₱58,985
Interest expense on lease liabilities	23,629	28,841	35,384
Gain on pre-termination of lease	(3,754)	(13,720)	–
Total amount recognized in profit or loss	₱74,042	₱69,953	₱94,369

**Net of lease concession amounting to ₱2.95 million in 2022 and ₱7.13 million in 2021*

The rollforward analysis of lease liabilities from APEC follows:

	2022	2021
As at January 1	₱357,826	₱392,582
Additions	118,006	3,599
Interest expense (Note 22)	23,630	28,841
Payments	(69,827)	(67,196)
As at December 31	₱429,635	₱357,826

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

	2022	2021
Lease liabilities – current	**₱51,005**	₱50,550
Lease liabilities – noncurrent	**378,630**	307,276
	₱429,635	₱357,826

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

	2022	2021
Within one year	**₱74,235**	₱75,419
More than one year but less than five years	**315,474**	285,777
Five years and more	**168,035**	76,996
	₱557,744	₱438,192

As disclosed in Notes 5 and 10, the Group performed an impairment testing of the property and equipment and right-of-use assets of APEC, the aggregate carrying value for which amounted to ₱ 416.01 million and ₱355.18 million as of December 31, 2022 and 2021, respectively, due to the continuing losses and significant decline in the number of students mainly brought about by the coronavirus pandemic. Key assumptions used are as follows:

- Revenue projections. The revenue projections were based on financial budgets approved by management and BOD and considered the impact of the coronavirus pandemic.
- Discount rate (14% in 2022 and 11% in 2021). 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.

Management assessed that these assets as of December 31, 2022 and 2021 are not impaired considering that the calculated recoverable amount is higher than the carrying value.

Provisions
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 disclosed in Note 14 as of December 31, 2022 and 2021 amounted to ₱168.7 million and ₱159.3 million, respectively. Provisions recognized in 2022 amounted to ₱9.5 million (nil in 2021 and 2020) [Note 21]. Other provisions recognized by the Group for certain claims are presented as part of Other noncurrent liabilities in the statement of financial position.

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

32. Other Matters

- With the transfer to its new office, the Parent Company is in the process of updating its registered office address to 8th Floor Mapua University Makati Campus, 1191 Pablo Ocampo Sr. Extension Ave., Brgy. Sta. Cruz, Makati City, Metro Manila.

- 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. This resulted to community quarantine that suspended the schools' face-to-face classes and activities.

  With the continued positive development on COVID-19 vaccination and the lifting of the community quarantine, face-to-face classes were resumed for SY2022-2023.

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

33. Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, 2021 and 2020 were approved and authorized for issuance by the BOD on March 31, 2023.

SGV
Building a better working world

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

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of iPeople, inc. and its subsidiaries (the Group) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 31, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ana Lea C. Bergado

Ana Lea C. Bergado
Partner
CPA Certificate No. 80470
Tax Identification No. 102-082-670
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 80470-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-063-2020, November 27, 2020, valid until November 26, 2023
PTR No. 9369782, January 3, 2023, Makati City

March 31, 2023

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INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of iPeople, inc. and its subsidiaries (the Group) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 31, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Ana Lea C. Bergado

Ana Lea C. Bergado
Partner
CPA Certificate No. 80470
Tax Identification No. 102-082-670
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 80470-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
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PTR No. 9369782, January 3, 2023, Makati City

March 31, 2023

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

SUPPLEMENTARY SCHEDULES

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II	Annex 68-J Schedules ▪ 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

IPEOPLE, INC. AND SUBSIDIARIES
ANNEX 68-J: SCHEDULES
DECEMBER 31, 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 in Equity Securities
As at December 31, 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 December 31, 2022:

Name	As at December 31, 2021	Additions	Liquidations/ Collections	As at December 31, 2022
Adanza, Carina Victoria T.	₱333,980	₱–	68,200	₱265,780
Agbulos, Erlin C.	417,167	–	77,253	339,914
Balan, Ariel Kelly	252,817	–	70,743	182,074
Delos Santos, Mira	387,296	–	70,110	317,186
Doma, Bonifacio T. Jr.	33,206	560,364	225,337	368,232
Gan, Maria Eloisa	284,630	–	88,947	195,683
Hernaez, Alodia C.	389,000	–	11,383	377,617
Lopez, Jonathan	200,940	–	82,694	118,246
Lozada, Katrina	128,764	–	–	128,764
Abalos, Mark Arthur	–	581,333	133,222	448,111
Correa, Helen	2,073	200,000	2,073	200,000
Mesina, James Ronald	224,933	–	66,500	158,433
Paglinawan, Arnold	365,848	–	67,893	297,955
Papas, Aileen Kate A.	270,324	–	77,236	193,088
Quisaot, Concordio	177,300	–	65,667	111,634
Sabino, Lilibeth	12,366	406,500	67,854	351,013
Songsong, Maribel	389,563	–	67,750	321,813
Villa, Robert Joseph	253,382	–	67,859	185,523
Yap, Maria Elizabeth	325,375	–	112,707	212,668
Young, Michael	409,000	–	95,433	313,567
	₱4,857,964	₱1,748,197	₱1,518,861	₱5,087,301

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

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

Below is the schedule of receivables and payables with related parties, which are eliminated in the consolidated financial statements as at December 31, 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	15,151,523	(12,216,492)	9,895,099
Malayan Colleges Laguna, Inc.	5,409,274	29,998,587	(30,938,566)	4,469,295
Malayan Colleges Mindanao, Inc.	7,243,056	9,583,091	(12,023,604)	4,802,543
University of Nueva Caceres	582,083	7,662,695	(6,900,281)	1,344,497
National Teachers College	939,914	14,150,002	(12,837,633)	2,252,283
Affordable Private Education Center, Inc.	880,000	–	(297,916)	582,084
Landev Corporation	–	60,270	(15,068)	45,203
House of Investments, Inc.	–	77,084	(53,957)	23,127

Schedule D. Long-term debt

As at December 31, 2022, the Group has outstanding long-term debts as follow (in thousands):

Unsecured bank loans	**₱358,998**
Secured bank loans	**1,497,018**
Total	**1,856,016**
Less: current portion of unsecured bank loans	**24,430**
reclassification to current liability of secured loans	**1,497,018**
	1,521,448
Noncurrent portion of long-term loans	**₱334,568**

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, 2020, total drawdown from the long-term loan facility 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%.

Secured

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

Schedule E. Indebtedness to Related Parties (Long Term Loans from Related Companies)
As at December 31, 2022, the Group has no outstanding long-term debt from/to related parties.

Schedule F. Guarantees of Securities of Other Issuers
As at December 31, 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

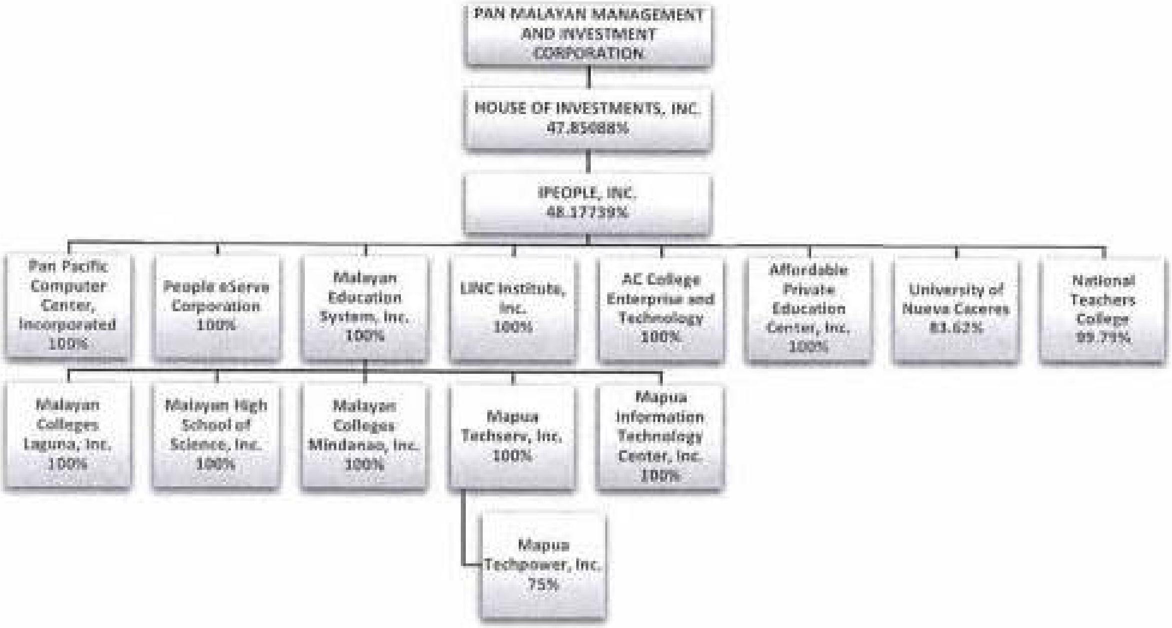
IPEOPLE, INC. AND SUBSIDIARIES

GROUP STRUCTURE

DECEMBER 31, 2022

Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company and subsidiaries as at December 31, 2022:



SCHEDULE I

IPEOPLE, INC. AND SUBSIDIARIES

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

DECEMBER 31, 2022
Amounts in Thousands

Items	Amount	
Unappropriated retained earnings, *as adjusted to available for distribution, beginning*		**₱1,259,240**
Add: Net income actually earned/realized during the period		
Net income (loss) during the period closed to retained earnings	**₱123,175**	
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		123,175
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	–	
		(167,082)
Total Retained Earnings, End Available for Dividend		**₱1,215,333**

**Based on December 31, 2022 Parent Company Supplementary Schedule.*

IPEOPLE, INC. AND SUBSIDIARIES

ANNEX 68-E: SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2022 AND 2021

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

Financial ratios		2022	2021
Current ratio *Indicates the Group's ability to pay short-term obligation*	Current Assets / Current Liabilities	**1.03:1**	1.40:1
Acid-test ratio *Indicates the Group's ability to use its quick or near cash assets to pay current liabilities immediately*	Current Assets – Prepaid expenses / Current Liabilities	**0.90:1**	1.22:1
Solvency Ratio *Shows how likely a Group will be to continue meeting its debt obligations*	Net Income+Depreciation / Total Liabilities	**0.25:1**	0.22:1
Debt-to-equity ratio *Measures the Group's leverage*	Total Debt / Equity	**0.40:1**	0.46:1
Asset to Equity Ratio *Shows how the Group's leverage (debt) was used to finance the firm*	Total Assets / Equity	**1.39:1**	1.45:1
Interest Rate Coverage *Shows how easily a Group can pay interest on outstanding debt*	EBIT* / Interest Expense Excluding Interest Expense on Lease Liabilities	**9.93:1**	7.03:1
Return on Average Stockholders' Equity *Reflects how much the Group's has earned on the funds invested by the stockholders*	Net Income / Average Equity	**6.56%**	6.14%
Net profit margin *Reflect how much net income or profit is generated as percentage of revenue*	Net Profit Margin / Revenue	**19.83%**	19.81%
Return on Assets *Measure the ability to utilize the Group's assets to create profits*	Net Income / Total Assets	**4.42%**	4.12%

**Earnings before interest and taxes (EBIT)*