

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)
1,998	July 28	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
Victor V. Rafael	vicrafael@ipeople.com.ph	8253-3637	09985843110

CONTACT PERSON'S ADDRESS

8th Floor Mapua University Makati Campus, 1191 Pablo Ocampo Sr. Extension Ave., Brgy. Sta. Cruz, 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, 2023**
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. (SEC Use Only)
Province, Country or other jurisdiction of incorporation or organization Industry Classification Code:
7. **8th Floor Mapua University Makati Campus, 1191 Pablo Ocampo Sr. Extension Ave., Brgy. Sta. Cruz, 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 []

TABLE OF CONTENTS

	Page No.
PART I – FINANCIAL STATEMENTS	
Item 1. Financial Statements <ul style="list-style-type: none"> • Consolidated Statements of Financial Position as of September 30, 2023 (unaudited) and December 31, 2022 (audited) • Unaudited Consolidated Statements of Comprehensive Income for the Quarters Ended September 30, 2023, 2022 and 2021 • Unaudited Consolidated Statements of Changes in Equity for Quarters Ended September 30, 2023, 2022 and 2021 • Unaudited Consolidated Statements of Cash Flows for the Quarters Ended September 30, 2023, 2022 and 2021 • Notes to Consolidated Financial Statements 	Exhibit 1 (Pages 11-67)
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	2-7
PART II – OTHER INFORMATION	
Item 3. Q3 2023 Developments	8
Item 4. Other Notes to Financial Statements	8-10
Signature	68

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The interim consolidated financial statements of iPeople, inc. and Subsidiaries as of September 30, 2023 with comparative figures for the periods ended September 30, 2022, September 30, 2021 and December 31, 2022 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.

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.

In August 2023, the Securities and Exchange Commission (SEC) approved the merger of NTC and APEC, with NTC as the surviving entity. Both entities consider it to be in their best interests to merge into a single corporation to allow them to better achieve their goal of transforming lives through innovative education at affordable prices. Both entities are subsidiaries of IPO

In 2022, the resumption of F2F classes in the 2nd half of year meant higher operating expenses. The schools had to spend for campus repairs, student welfare activities, sports development, the accumulated equipment/laboratory/tools expenses that had not been incurred in two years due to fully on-line instructions.

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.

Statements of Comprehensive Income

The Group generated a lower consolidated net income of ₱391 million in the current year versus net income of ₱590 million in the same period last year. The lower net income in 2023 was a result of higher operating expenses due to resumption of face-to-face classes, higher depreciation expense and additional expenditures related to growth initiatives of the Mapua Schools, specifically, the introduction of new programs in Business and Health Sciences as well as the introduction of fully online programs of Mapua Malayan Digital College (MMDC) under Mapua Malayan Colleges Laguna. The introduction of new programs in business and Health Sciences are the result of the affiliation agreement with CINTANA Education in collaboration with Arizona State University. The lower revenue from continuing education of public school teachers also contributed to the lower net income in 2023.

Revenue from school operations went up by 13% to ₱3.11 billion from ₱2.76 billion last year. The increase in revenue was due to higher enrolment, additional revenues generated by the fully online programs of MMDC and discontinuation of discounts for fully online classes. The increase in revenue from higher enrollment was partially offset by the lower revenue from continuing education of public school teachers.

Cost of tuition and other fees went up by 24% or ₱374 million, while general and administrative expenses increased by 35% or ₱189 million higher than the same period last year. The higher expenses in 2023 was primarily driven by higher enrolment that directly affect the level of expenses, the resumption of face-to-face classes in the 2nd half of 2022, expenditures to establish new growth initiatives and the higher depreciation expense of the new Mapua Makati campus.

Interest income went up from ₱11 million last year to ₱44 million in 2023 due to higher interest rates on short-term placements and higher value of placements.

Interest expense and other finance charges went up from ₱85 million last year to ₱113 million this year due to higher interest rate on bank borrowings.

Statements of Financial Position

Total assets stood at ₱18.07 billion as of September 30, 2023, compared to ₱17.70 billion as of December 31, 2022. The increase in total assets is mainly due to the increase in receivables.

Current assets increased to ₱4.0 billion this year from ₱3.61 billion last year due to the higher receivables. Receivables pertain mainly to matriculation and miscellaneous fees due from students. The 43% increase in receivable is due to the increase in enrollment and 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 school term.

Prepaid expenses and other current assets went down from ₱465 million to ₱426 million mainly because of lower short-term placements/investments.

Total noncurrent assets as of September 30, 2023 is ₱14.07 billion. There was no significant movement in non-current assets.

Total liabilities went up by 4% because of the higher unearned income.

Current liabilities increased to ₱3.68 billion on September 30, 2023, from ₱3.52 billion on December 31, 2022 primarily due to the higher unearned income. The increase in current liabilities would have been higher but it was reduced by the payment of bank loans.

Unearned income is higher from ₱796 million in December 2022 to ₱1.47 billion as of September 2023 due to increase in enrollment and the school term just started in September for most of the schools. Unearned income is higher at the start of the school term and will be amortized and decline towards the end of the term.

Income tax payable in December 2022 was settled in April 2023. Tax liability for the quarter ending September 2023 is payable in November 2023.

There is no significant change in the balances of noncurrent liabilities. Total noncurrent liabilities as of September 30, 2023 is P1.45 billion.

Total equity increased from ₱12.74 billion in December 2022 to ₱12.93 billion this year due to the net income during the period. Equity attributable to Parent is at ₱12.62 billion from ₱12.44 billion in December 2022.

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

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

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

Financial Soundness Indicator

The company's top 10 key performance indicators as of the period ended September 30, 2023, September 30, 2022 and December 31, 2022 are as follows:

Financial ratios		Unaudited September 2023	Unaudited September 2022	Audited December 2022
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.09:1	1.59:1	1.03:1
<i>Indicates the Group's ability to pay short-term obligation</i>				
Acid-test ratio	$\frac{\text{Current Assets} - \text{Prepaid expenses}}{\text{Current Liabilities}}$	0.97:1	1.36:1	0.90:1
<i>Indicates the Group's ability to use its quick or near cash assets to pay current liabilities immediately</i>				
Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$	0.15:1	0.18:1	0.25:1
<i>Shows how likely a Group will be to continue meeting its debt obligations</i>				
Debt-to-equity ratio	$\frac{\text{Total Debt}}{\text{Equity}}$	0.41:1	0.47:1	0.40:1
<i>Measures the Group's leverage</i>				
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Equity}}$	1.40:1	1.46:1	1.39:1
<i>Shows how the Group's leverage (debt) was used to finance the firm</i>				
Interest Rate Coverage	$\frac{\text{EBIT}^*}{\text{Interest Expense Excluding Interest Expense on Lease Liabilities}}$	5.42:1	10.22:1	9.93:1
<i>Shows how easily a Group can pay interest on outstanding debt</i>				
Return on Average Stockholders' Equity	$\frac{\text{Net Income}}{\text{Average Equity}}$	3.19%	5.27%	6.56%
<i>Reflects how much the Group's has earned on the funds invested by the stockholders</i>				
Net profit margin	$\frac{\text{Net Profit}}{\text{Revenue}}$	12.57%	21.43%	19.83%
<i>Reflect how much net income or profit is generated as percentage of revenue</i>				
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$	2.16%	3.51%	4.42%
<i>Measure the ability to utilize the Group's assets to create profits</i>				

Asset Turnover <i>Shows efficiency of asset used in Operations</i>	$\frac{\text{Total Revenues}}{\text{Total Assets}}$	0.17x	0.16x	0.15x
Return on Equity <i>Shows how much the business returns to the stockholders for every peso of equity capital invested</i>	$\frac{(\text{Net Income/Total Revenues}) \times (\text{Total Revenues/Total Assets})}{(\text{Total Assets/Total Equity})}$	3.02%	5.12%	4.04%

- The current ratio is at 1.09 as of September 2023 compared to 1.59 as of September 2022 due to payment of long-term bank loans and availment of short-term bank loans to reduce interest.
- Acid test ratio decreased from 1.36:1 in 2022 to 0.97:1 in 2023 due to 2022 due to payment of long-term bank loans and availment of short-term bank loans to reduce interest.
- Solvency ratio is lower at 0.15 due to lower income.
- Debt-to-equity ratio is at 0.41 this year versus 0.47 in prior year due to higher equity.
- Asset to equity ratio is at 1.40 in September 2023 versus 1.46 last year due to higher equity.
- Interest rate coverage ratio decreased from 10.22 times as at September 2022 to 5.42 times this period because of higher interest expense incurred by the Group and lower income.
- Return on average stockholders' equity decreased to 3.19% year on year, due to the lower net income during the period.
- Return on asset is at 2.16% against 3.51% as of September 2022, because of the lower income as of the period. These unaudited numbers are not annualized returns.
- Net profit margin decreased from 21.43% last year to 12.57% as of this period because of higher expenses of the Group.
- Asset turnover increased slightly from 0.16 times last year to 0.17 times this year because of higher revenues of the Group.
- Return on equity decreased from 5.12% to 3.02% as of this period because of a lower net income.

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

PART II – OTHER INFORMATION

Item 3: Third Quarter 2023 DEVELOPMENTS

Significant developments during the third quarter of 2023 were briefly discussed in Part I Item 2: *Management Discussion and Analysis of Financial Condition and Results of Operations*.

In August 2023, the SEC approved the merger of NTC and APEC, with NTC as the surviving entity. Both entities consider it to be in their best interests to merge into a single corporation to allow them to better achieve their goal of transforming lives through innovative education at affordable prices. Both entities are subsidiaries of IPO

In 2022, the resumption of F2F classes in the 2nd half of year meant higher operating expenses. The schools had to spend for campus repairs, student welfare activities, sports development, the accumulated equipment/laboratory/tools expenses that had not been incurred in two years due to fully on-line instructions. This normalization of operating expenses due to resumption of F2F classes starting 2022 is expected from 2023 onwards.

Item 4: OTHER NOTES TO FINANCIAL STATEMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Risk Factors at the Holding Company Level

iPeople as a holding company with significant involvement in education through its subsidiaries, is exposed to risks that are particular to its nature of operations and the environment in which it operates. iPeople believes that risk management is the responsibility of all stakeholders within the Group. As such, risk management is integrated into the businesses' organizational activities and processes, embedded into the regular functions and operational requirements to achieve the corporate goals.

The Board Risk Oversight Committee (BROC) assists the Board of Directors in fulfilling its corporate governance functions on risk management. The BROC is responsible for the oversight of the company's enterprise risk management system. The Chief Risk Officer reports to the BROC developments and matters relevant to risk management. Management, through the company's Risk Management Council, is accountable for managing the associated risks. The management team of the subsidiaries are responsible for managing their respective risk exposures and reports periodically to iPeople.

The Company reviews and conducts a group-wide risk assessment periodically, monitors the identified risks to ensure that these are current and regularly taken into account. Following are the key risk factors that may impact the objectives of the Company.

Reputation

The inability of the Company to maintain and failure to protect its reputation may adversely affect its objective of creating and growing its value for its stakeholders. The Company's reputation may be closely tied to the performance and reputation of its education subsidiaries. Negative publicity or poor performance by the subsidiaries may possibly damage the Company's reputation which may impact stakeholder confidence.

Talent

The probability that a critical role will become vacant and cannot be satisfactorily filled may negatively affect the Company's continuity of its strategic imperatives and/or products and services standards. The Company may face challenges in attracting and retaining top talent. The success of the Company depends on the quality and effectiveness of the leadership and employees and may face challenges in attracting and retaining top talent.

Market

The Philippine and Global economic condition may impact the Company's investment and growth commitments to its stakeholders. The Company's lack of revenue-generating operations of its own could make it vulnerable to market fluctuations. The uncertainty of the economic condition may impact the performance of the Company's subsidiaries.

Information and Cyber Security/Safety

The failure to protect the Company from data breaches and/or the inability of the information systems to adequately protect the critical data and infrastructure may adversely affect stakeholders' confidence, disrupt operations, and may result to business losses. The Company may handle sensitive stakeholder data which can lead to privacy and cybersecurity risks such as data breaches and cyber-attacks.

Regulation

The Company's business may be impacted by changes in laws and policies or the introduction of new laws or regulations which may affect its business operations and financial results. Non-compliance with existing regulations, could result in fines, legal action, or reputational damage.

Risk Factors related to School Operations

Business Resiliency

The inability to bring the schools out of operational disruptions, resume critical processes, and restore normal operations may result to service breach and financial losses. The schools can be affected by natural disasters, may be vulnerable to cyber threats due to the increasing reliance on digital technologies, and can be affected by outbreaks of infectious diseases which may cause damage to facilities, may impact employee, student, and campus safety, and disrupt academic schedules.

Technology Risk

The nature of business of the schools may be impacted by technological innovations and/or changes which may affect its operations, competitiveness, and financial results. The education industry is rapidly evolving, and technology is playing an increasingly important role in teaching and learning which may significantly alter the way businesses operate.

Information and Cyber Security/Safety

The failure to protect the schools from data breaches and/or the inability of the information systems to adequately protect the critical data and infrastructure may adversely affect stakeholders' confidence, disrupt operations, and may result to business losses. The schools handle sensitive stakeholder data which can lead to privacy and cybersecurity risks such as data breaches and cyber-attacks.

Regulation

The schools' business may be impacted by changes in laws and policies or the introduction of new laws or regulations which may affect its business operations and financial results. The schools are subject to a range of legal and regulatory requirements like accreditation, licensing, environmental and other relevant local and national regulations, non-compliance of which may result in fines, legal action, or reputational damages.

Talent

The probability that a critical role will become vacant and cannot be satisfactorily filled may negatively affect the schools' continuity of its strategic imperatives and/or products and services standards. The success of the schools depends on the quality and effectiveness of the leadership, faculty, and staff and may face challenges in attracting, developing, and retaining top talent.

Market

The Philippine and Global economic condition may impact the Company's investment and growth commitments to its stakeholders. The education industry is subject to cyclical trends and economic conditions, which can impact the schools' enrollment and performance.

Reputation

The inability of the schools to maintain and failure protect its reputation may adversely affect its objective of creating and growing its value for its stakeholders. Negative publicity or poor performance could damage the schools' reputation and lead to a loss of students and may impact stakeholder confidence.

Campus Safety and Security

The inability to provide a safe environment and/or operationalize adequate campus security and preventive measures may adversely affect the schools' reputation, student enrolment, and talent retention.

Operational

The inefficiencies and/or failure of internal processes and/or systems, non-compliance with policies and regulatory requirements, human errors in the conduct of the schools' daily activities may result to financial losses.

EXHIBIT 1

iPEOPLE iNC. and SUBSIDIARIES

Interim Unaudited Consolidated Financial Statements

**September 30, 2023, 2022 and 2021 (Unaudited)
and December 31, 2022 (Audited)**

iPEOPLE, iNC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Amounts in Thousands)

	Unaudited September 2023	Audited December 2022
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7 and 15)	₱1,878,156	₱1,961,428
Receivables (Note 8)	1,683,397	1,176,228
Receivables from related parties (Note 15)	1,606	1,825
Prepaid expenses and other current assets (Note 9)	425,843	464,937
Financial assets at fair value through profit or loss (FVTPL)	9,649	9,332
Total Current Assets	3,998,651	3,613,750
Noncurrent Assets		
Property and equipment at cost (Note 10)	5,319,759	5,298,590
Land at revalued amounts (Notes 10 and 11)	7,578,412	7,578,412
Intellectual property rights (Note 6)	490,882	490,882
Goodwill (Notes 6 and 12)	151,326	151,326
Student relationship (Note 6)	7,214	10,759
Right-of-use assets (Note 27)	336,645	376,794
Net pension assets	38,701	38,701
Deferred tax assets - net	49,448	37,524
Other noncurrent assets (Note 13)	97,565	104,754
Total Noncurrent Assets	14,069,952	14,087,742
	₱18,068,603	₱17,701,492
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 14 and 27)	₱1,148,562	₱1,099,637
Short-term loans (Note 16)	1,000,000	-
Unearned income (Note 14)	1,468,288	796,164
Payables to related parties (Note 15)	17,848	16,797
Current portion of long-term debt (Note 17)	8,143	1,521,448
Income tax payable	21,296	5,225
Dividends payable (Note 18)	609	26,154
Lease liabilities - current portion (Note 27)	16,821	51,005
Total Current Liabilities	3,681,568	3,516,430
Noncurrent Liabilities		
Net pension liabilities	149,334	129,811
Long-term loans (Note 17)	326,425	334,568
Lease liabilities - net of current portion (Note 27)	378,239	378,630
Deferred tax liabilities - net	589,149	590,311
Other noncurrent liabilities (Note 27)	11,544	11,544
Total Noncurrent Liabilities	1,454,691	1,444,864
Total Liabilities	5,136,259	4,961,294

(Forward)

	Unaudited	Audited
	September 2023	December 2022
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)	2,603,159	2,603,159
Remeasurement losses on defined benefit plans	11,099	11,099
Equity reserve (Note 6)	(230,494)	(230,494)
Retained earnings (Note 18)	5,900,719	5,719,050
Equity attributable to equity holders of the Parent Company	12,623,114	12,441,445
Non-controlling interest in consolidated subsidiaries (Note 24)	309,230	298,753
Total Equity	12,932,344	12,740,198
	₱18,068,603	₱17,701,492

See accompanying Notes to Consolidated Financial Statements.

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

	July 1 to September 30		
	2023	2022	2021
REVENUE			
Tuition and other fees (Note 19)	₱1,055,894	₱1,000,438	₱814,793
COSTS AND EXPENSES			
Cost of tuition and other fees (Note 20)	643,053	564,042	473,103
GROSS PROFIT	412,841	436,396	341,689
GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)	(295,402)	(177,662)	(172,503)
INTEREST AND OTHER FINANCE CHARGES (Note 22)	(30,272)	(27,702)	(26,825)
INTEREST INCOME (Note 22)	13,438	7,073	1,548
OTHER INCOME (EXPENSE)	11,161	7,260	2,943
INCOME BEFORE INCOME TAX	111,766	245,365	145,853
PROVISION FOR INCOME TAX	4,687	1,635	1,133
NET INCOME	107,078	243,730	145,719
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss):			
Reversal of DTL due to change in tax rate on FV deemed cost adj	–	–	–
	–	–	–
TOTAL COMPREHENSIVE INCOME	₱107,078	₱243,730	₱129,810
Net income attributable to:			
Equity holders of the parent (Note 23)	₱103,569	₱242,551	₱147,029
Non-controlling interest in consolidated subsidiaries	3,509	1,179	(1,310)
	₱107,078	₱243,730	₱145,719
Total comprehensive income attributable to:			
Equity holders of the parent	₱103,569	₱242,551	₱147,029
Non-controlling interest in consolidated subsidiaries	3,509	1,179	(1,310)
	₱107,078	₱243,730	₱145,719
Basic Earnings Per Share (Note 23)	₱0.0992	₱0.2323	₱0.1141

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

	January 1 to September 30		
	2023	2022	2021
REVENUE FROM CONTRACTS WITH CUSTOMERS			
(Note 19)			
Revenue from schools and related operations	₱3,107,258	₱2,755,954	₱2,356,537
COSTS AND EXPENSES			
Cost of schools and related operations (Note 20)	1,930,674	1,556,831	1,362,088
GROSS PROFIT	1,176,584	1,199,123	994,448
GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)	(734,171)	(544,931)	(488,717)
INTEREST AND OTHER FINANCE CHARGES (Note 22)	(112,544)	(85,212)	(93,265)
INTEREST INCOME (Notes 7 and 22)	44,230	10,927	5,425
OTHER INCOME (CHARGES) - Net	23,988	15,581	6,340
INCOME BEFORE INCOME TAX	398,087	595,488	424,232
PROVISION FOR INCOME TAX	7,531	5,007	(14,642)
NET INCOME	390,556	590,481	438,874
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	₱390,556	₱590,481	₱446,638
Net income attributable to:			
Equity holders of the parent (Note 23)*	₱380,079	₱585,854	₱438,150
Non-controlling interest in consolidated subsidiaries (Note 24)	10,477	4,627	724
	₱390,556	₱590,481	₱438,874
Total comprehensive income attributable to:			
Equity holders of the parent	₱380,079	₱585,854	₱445,914
Non-controlling interest in consolidated subsidiaries (Note 24)	10,477	4,627	724
	₱390,556	₱590,481	₱446,638
*Basic/Diluted Earnings Per Share (Note 23)	₱0.3640	₱0.5610	₱0.4196

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)	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
Balances as at January 1, 2023	₱1,044,263	₱3,294,368	₱2,603,159	₱11,099	(₱230,494)	₱5,719,050	₱-	₱12,441,445	₱298,753	₱12,740,198
Net income	-	-	-	-	-	380,079	-	380,079	10,477	390,556
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	380,079	-	380,079	10,477	390,556
Dividends declared	-	-	-	-	-	(198,410)	-	(198,410)	-	(198,410)
Balances as at September 30, 2023	₱1,044,263	₱3,294,368	₱2,603,159	₱11,099	(₱230,494)	₱5,900,719	₱-	₱12,623,114	₱309,230	₱12,932,344
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
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

See accompanying Notes to Consolidated Financial Statements.

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

	January 1 to September 30		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱398,087	₱595,488	₱424,232
Adjustments for:			
Depreciation and amortization (Notes 10, 13, 20 and 21)	384,870	343,138	324,644
Interest expense and other finance charges (Note 22)	115,527	86,991	95,043
Provision for doubtful accounts (Notes 8 and 21)	11,759	21,622	41,742
Interest income (Note 22)	(44,230)	(10,927)	(5,425)
Unrealized foreign exchange loss (gain) - net	(317)	(1,246)	408
Unrealized market loss (gain) on financial assets at FVTPL	(354)	(44)	512
Operating income before working capital changes	865,342	1,035,022	881,156
Decrease (increase) in:			
Receivables	(518,818)	(396,683)	(376,199)
Prepaid expenses and other current assets	39,094	(166,116)	(74,813)
Increase (decrease) in:			
Accounts payable and other current liabilities	48,925	65,981	(100,412)
Unearned income	672,124	623,495	441,577
Other noncurrent liabilities	18,267	19,765	12,028
Net pension assets and liabilities	18,361	14,145	30,695
Net cash generated from operations	1,143,295	1,195,609	814,032
Interest paid	(112,544)	(85,212)	(93,265)
Income taxes paid	(3,385)	(5,774)	-
Interest received	44,120	10,858	5,425
Net cash flows from operating activities	1,071,487	1,115,481	726,192
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 10)	(356,894)	(195,327)	(105,251)
Computer software (Note 13)	(3,144)	(4,209)	(4,263)
Decrease (increase) in:			
Receivables from related parties	218	(4)	(37)
Other noncurrent assets	4,882	5,664	5,005
Net cash flows used in investing activities	(354,938)	(193,876)	(104,546)

(Forward)

January 1 to September 30

	2023	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loans (Note 16)	₱1,000,000	₱–	₱–
Payments of short-term loans (Notes 16 and 26)	–	(400,000)	(375,000)
Payments of long-term loans (Note 17)	(1,524,430)	(12,858)	–
Dividends paid to stockholders (Note 26)	(223,955)	(167,083)	(62,656)
Payment of lease liabilities (Notes 26 and 27)	(52,841)	(52,795)	(44,748)
Increase (decrease) in payables to related parties (Note 26)	1,051	17,744	9,633
Net cash flows used in financing activities	(800,175)	(614,992)	(492,037)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	354	1,246	408
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	(83,272)	307,859	129,201
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	1,961,428	1,604,129	1,319,002
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)			
	₱1,878,156	₱1,911,988	₱1,448,203

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. 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).

The Parent Company’s principal office address is at 8th Floor Mapua University Makati Campus, 1191 Pablo Ocampo Sr. Extension Ave., Brgy. Sta. Cruz, Makati City as of March 31, 2023. In 2023, the Parent Company changed its registered office address as disclosed in Note 32.

Merger with AC Education, Inc.

With the effectivity of the merger on May 2, 2019 between iPeople, inc. and AC Education, Inc. (AEI), the wholly owned education arm of Ayala Corporation (AC), iPeople, inc. became 48.18% owned by HI and 33.5% owned by AC. Details of the merger is disclosed in Note 6.

2. Basis of Preparation

The consolidated financial statements of the Group have been prepared under the historical cost basis, except for the land which is under revaluation model 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, 2023 and December 31, 2022, and for each of the three years in the period ended September 30, 2023.

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

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

	Percentage of Ownership		
	2023	2022	2021
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
Mapua Malayan Colleges Mindanao (A Mapua School), Inc. (MMCMI)	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
Affordable Private Education Center, Inc. doing business under the name of APEC Schools	–	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 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.

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, 2023. The adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

4. Summary of Significant Accounting Policies

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve (12) months after the end of the financial reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the end of the financial reporting period.

The Group classifies all other assets as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve (12) months after the end of the financial reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the end of the financial reporting period.

The Group classifies all other liabilities as noncurrent.

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.

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, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

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, short-term investments, 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, 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.

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.

The Group's financial liabilities include loans and borrowings.

Subsequent measurement

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

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

Loans and borrowings

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

This accounting policy applies primarily to accounts payable and other current liabilities (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.

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.

Short-term investments

This pertains to interest bearing time deposits with terms of not more than one year and held for investment purposes.

Creditable Withholding Tax (CWT)

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

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.

When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

Property and Equipment

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

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

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

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

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

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

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

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

When assets 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

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 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.

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

Revenue from schools and related operations consist of the following:

Revenue from tuition and other matriculation fees

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

Other student-related income

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

Admission, examination and other fees

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

Bookstore income

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

Seminar income

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

Miscellaneous income

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

Sale of goods is recognized as revenue upon delivery of the goods to the buyer (at point in time).

Sale of services is recognized when services are rendered (over time).

Following are contract balances relative to 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.

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, 2022 and 2021. The key assumptions used to determine fair value are disclosed in Note 11.

As at September 30, 2023 and December 31, 2022, the fair value of land amounted to ₱7,578.4 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 31.

Impairment of nonfinancial assets

Impairment of goodwill and intellectual property rights (nonfinancial assets with indefinite useful) 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. In 2022, an impairment loss on intellectual property right attributable to APEC amounting ₱32.2 million was recognized (nil in 2021). The carrying value of these assets are disclosed in Notes 6 and 12.

In 2022 and 2021, the Group performed an impairment testing of the property and equipment and right-of-use assets of APEC amounting to ₱416.0 million and ₱355.2 million as of December 31, 2022 and 2021, respectively, due to the continuing losses and significant decline in the number of students due to the coronavirus pandemic. In assessing the impairment, the Group determines the recoverable amount using value in use, with details disclosed in Note 31. Management assessed that these assets as of September 30, 2023 and December 31, 2022 are not impaired considering that the calculated recoverable amount is higher than the carrying value (see Notes 10 and 31).

Estimation of pension obligations and other retirement benefits

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

As at September 30, 2023 and December 31, 2022, the net pension liabilities amounted to ₱149.3 million and ₱129.8 million, respectively, while net pension assets amounted to ₱38.7 million as at September 30, 2023 and December 31, 2022 (Note 25).

Deferred tax assets

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

Deferred tax assets recognized and temporary differences on which deferred tax assets were not recognized are disclosed in Note 23.

Provisions

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 31).

6. Intangible Assets Arising from the Merger

As a result of the merger which was disclosed in Note 1, 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 in exchange for the transfer of the net assets of AEI. The excess of the fair value of shares issued over the par value was recognized as additional paid-in capital.

The Group recognized the following intangible assets in 2019 as a result of the merger:

Intellectual property rights	₱523,103
Student relationship	116,009
Goodwill (Note 12)	13,472
	<u>₱652,584</u>

Intellectual property rights have infinite life and the student relationship have 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.

Intellectual Property Rights

As of December 31, 2022 and 2021, the Group performed impairment testing on intellectual property rights using the income approach (royalty relief method) wherein recoverable value is computed based on royalty savings. Key assumptions used are as follows:

- Revenue projections and long-term growth rate (3% for 2022 and 2021). Revenue projections based on financial budgets approved by management and the BOD and considers the impact of the coronavirus pandemic. The long-term growth rate considers the expected growth rate in the education industry sector.
- Discount rates (16% to 17% for 2022 and 14% to 15% 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.
- Royalty rates (1% to 6% for 2022 and 2021). 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.

The Group's impairment testing on intellectual property rights resulted to the recognition of

₱32.2 million impairment loss on APEC in 2022 (nil in 2023 and 2021). The carrying value of intellectual property rights as of September 30, 2023 and December 31, 2022 amounted to ₱490.9 million.

Student Relationship

The carrying value and movement of student relationship as of and for the year ended September 30, 2023 and December 31, 2022 follows:

	2023	2022
Cost from business combination	₱116,009	₱116,009
Accumulated amortization:		
Beginning balance	(105,250)	(72,248)
Amortization and impairment (Note 20a)	(3,545)	(33,002)
Ending balance	(108,795)	(105,250)
Balance at end of the year	₱7,214	₱10,759

In 2022 and 2021, the Group recognized impairment loss on APEC student relationship because the remaining students from the time of the merger in 2019 significantly declined due to the impact of corona virus pandemic.

7. Cash and Cash Equivalents

This account consists of:

	Unaudited September 2023	Audited December 2022
Cash on hand	₱6,872	₱3,100
Cash in banks (Note 15)	716,833	544,228
Cash equivalents (Note 15)	1,154,451	1,414,100
	₱1,878,156	₱1,961,428

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 ₱44.1 million, ₱10.9 million and ₱5.4 million in 2023, 2022 and 2021, respectively (Note 22).

8. Receivables

This account consists of:

	Unaudited September 2023	Audited December 2022
Tuition and other fees	₱1,888,292	₱1,429,781
Advances to officers and employees	38,000	29,870
Others	115,040	62,966
	2,041,332	1,522,617
Allowance for ECL	(357,935)	(346,389)
	₱1,683,397	₱1,176,228

Tuition and other fees pertain to tuition and other matriculation fees which are normally collected at end of every school term before the students can proceed to the next term. This also includes receivable from Department of Education (DepEd) amounting to ₱276.5 million and ₱319.8 million as at September 30, 2023 and December 31, 2022, respectively, arising mainly from the Senior High School (SHS) Voucher Program wherein qualified SHS students are given assistance on tuition fees. These receivables are noninterest-bearing and are generally collectible within one year.

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

	September 2023		
	Tuition and other fees	Others	Total
Balance at beginning of year	₱337,619	₱8,770	₱346,389
Provisions for the year (Note 21)	11,759	–	11,759
Write-off	(212)	–	(212)
Balance at end of year	₱349,166	₱8,770	₱357,935
Gross receivables	₱1,888,292	₱115,040	₱2,003,332

	December 2022		
	Tuition and other fees	Others	Total
Balance at beginning of year	₱281,120	₱8,770	₱289,890
Provisions for the year (Note 21)	120,408	–	120,408
Write-off	(63,909)	–	(63,909)
Balance at end of year	₱337,619	₱8,770	₱346,389
Gross receivables	₱1,429,781	₱62,966	₱1,492,747

9. Prepaid Expenses and Other Current Assets

	Unaudited September 2023	Audited December 2022
Prepaid expenses	₱215,832	₱163,416
Short-term investments	66,826	161,153
CWT	14,397	10,352
Books inventories	5,545	6,160
Office supplies	4,748	3,904
Others	118,495	119,952
	₱425,843	₱464,937

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

Short-term investments earn interest at the prevailing investment rates and have maturity of less than one year. These include investments held for government and private entities for the purpose of undertaking socio-economic studies and development projects amounting to ₱40.40 million and ₱40.19 million as of September 30, 2023 and December 31, 2022, respectively.

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

10. Property and Equipment

The rollforward analysis of this account follows:

	September 2023				Total
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	
Cost					
Balance at beginning of year	₱6,477,973	₱2,893,235	₱51,176	₱20,776	₱9,443,160
Acquisitions	92,959	196,631	7,342	4,835	301,767
Reclassifications and adjustments	–	–	–	–	–
Balance at end of year	6,570,932	3,089,866	58,517	25,612	9,744,927
Accumulated depreciation, amortization and impairment loss					
Balance at beginning of year	1,781,449	2,322,738	40,383	–	4,144,570
Depreciation (Notes 20 and 21)	167,532	164,014	4,178	–	335,724
Reclassifications and adjustments	1	(55,144)	16	–	(55,126)
Balance at end of year	1,948,983	2,431,609	44,577	–	4,425,168
Net book value at cost	4,621,949	658,258	13,940	25,612	5,319,759
Land at revalued amounts (Note 11)	–	–	–	–	7,578,412
Total	₱4,621,949	₱658,258	₱13,940	₱25,612	₱12,898,171

	December 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	150,459	132,287	1,780	45,670	330,196
Disposals/retirement	–	(3,337)	(761)	–	(4,098)
Reclassifications and adjustments	1,427,459	191,575	(1,820)	(1,669,974)	(52,760)
Balance at end of year	6,477,973	2,893,235	51,176	20,776	9,443,160
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)	191,390	183,494	6,391	–	381,275
Disposals/retirement	–	(3,349)	(761)	–	(4,110)
Reclassifications and adjustments	–	6,611	(2,020)	–	4,591
Balance at end of year	1,781,449	2,322,738	40,383	–	4,144,570
Net book value at cost	4,696,524	570,497	10,793	20,776	5,298,590
Land at revalued amounts (Note 11)	–	–	–	–	7,578,412
Total	₱4,696,524	₱570,497	₱10,793	₱20,776	₱12,877,002

The land and related improvements owned by MMCMCI with carrying value of ₱2,363.4 million and ₱2,385.5 million as of September 30, 2023 and December 31, 2022, respectively, were used to secure the long-term loans of MMCMCI as disclosed in Note 17.

The Group performed an impairment testing of the property and equipment and right-of-use assets of APEC in which further disclosures are made in Note 31.

11. Land at Revalued Amounts

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

	Unaudited September 2023	Audited December 2022
Land at cost	₱4,066,906	₱4,066,906
Revaluation increment on land:		
Balance at beginning of year	3,511,506	2,393,939
Change in revaluation increment	–	1,117,567
Balance at end of year	3,511,506	3,511,506
	₱7,578,412	₱7,578,412

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, 2022 and 2021, 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.

Presented below are the land location and the ranges of the land fair value per square meter based on the appraisal reports.

Location	Range	
	2022	2021
Makati and Intramuros, Manila	₱85,050 to ₱246,926	₱57,375 to ₱266,000
Cabuyao, Laguna	₱11,875 to ₱13,500	₱10,412 to ₱13,500
Davao City, Davao Del Sur	₱22,088 to 35,340	₱23,750 to 32,148
Pandacan, Metro Manila	₱85,781 to ₱102,375	₱61,200 to ₱79,475
San Jose Del Monte City, Bulacan	₱55,510 to 60,493	₱55,510 to 59,993
Naga City, Camarines Sur	₱19,000 to ₱34,913	₱18,573 to ₱27,075
Quiapo, Manila	₱89,100 to 135,000	₱70,837 to 130,625

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 -20% to +15% in 2022 and from -25% to +20% in 2021.

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

12. Goodwill

The goodwill recognized in the consolidated statement of financial position amounting to ₱151.3 million as at September 30, 2023 and December 31, 2022 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 (see 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 2023, 2022 and 2021, management assessed that no impairment loss should be recognized.

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:

	Unaudited September 2023	Audited December 2022
Input VAT - net	₱33,044	₱35,526
Miscellaneous deposits	26,171	26,404
Creditable withholding tax	21,261	22,032
Computer software	14,700	17,008
Books and periodicals	2,389	3,784
	₱97,565	₱104,754

Miscellaneous deposits include rent deposits of the Group amounting to ₱17.6 million as of September 30, 2023 and December 31, 2022.

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

	Unaudited September 2023	Audited December 2022
Cost		
Balance at the beginning of the year	₱64,032	₱59,504
Additions	3,144	4,414
Reclassifications	–	114
Balance at the end of the year	67,176	64,032
Accumulated Amortization		
Balance at the beginning of the year	47,024	40,040
Amortization (Notes 20 and 21)	5,451	6,860
Reclassifications	–	124
Balance at the end of the year	52,476	47,024
Net Book Value	₱14,700	₱17,008

14. Accounts Payable and Other Current Liabilities and Unearned Income

Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities consists of:

	Unaudited September 2023	Audited December 2022
Accounts payable	₱364,603	₱434,281
Accrued expenses	302,240	223,048
Funds payable	266,260	238,987
Provisions (Note 31)	169,749	168,717
Other payables	45,710	34,604
	₱1,148,562	₱1,099,637

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 ₱33.91 million and ₱35.80 million as at September 30, 2023 and December 31, 2022, respectively.

Accrued expenses consist of:

	Unaudited September 2023	Audited December 2022
Payable to suppliers	₱137,871	₱67,117
Accrued salaries and wages	40,620	48,261
Accrued professional fees	14,649	17,134
Accrued interest (Note 18)	33,488	17,468
Accrued communication expense	5,248	3,259
Withholding taxes and others	6,790	19,121
SSS and other contributions	5,261	7,344
Contracted services	24,100	5,643

	Unaudited September 2023	Audited December 2022
Accrued utilities	5,369	5,501
Output VAT payable	9,191	7,527
Insurance	2,285	4,875
Others	17,368	19,798
	₱302,240	₱223,048

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 ₱1,468.3 million and ₱796.2 million as at September 30, 2023 and December 31, 2022, respectively, which are considered contract liabilities.

Contract Liabilities

As at September 30, 2023, contract liabilities amounted to ₱1,498.9 million and these will be recognized as revenue in the next period. Contract liabilities as of January 1, 2023 amounting to ₱828.7 million were recognized as revenue in 2023. The decrease in contract liabilities in 2023 is mainly due to timing of enrollment period for School Year 2023-2024.

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	2023	₱–	(₱10,157)	Noninterest-bearing; unsecured; due and demandable
	2022	–	(₱23,401)	
Management fee and other professional fees (Notes 20 and 21)	2023	80,292	–	–
	2022	80,242	–	–
	2021	58,243	–	–
b) Receivable from HI	2023	–	729	Noninterest-bearing; unsecured; due and demandable; no impairment
	2022	–	242	

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
Entities under common control of HI				
c) Receivables from related parties				
	2023	–	–	Noninterest-bearing; unsecured; due and demandable; no impairment
	2022	–	25,329	
Rental income	2023	(6,903)	859	–
	2022	(2,280)	510	–
	2021	–	–	–
d) Payables to related parties				
	2023	₱–	(₱814)	Noninterest-bearing; unsecured; due and demandable
	2022	–	(43)	
Contracted services (Notes 20 and 21)	2023	66,152	–	–
	2022	37,867	–	–
	2021	31,023	–	–
e) Accounts payable (Notes 10 and 14)	2023	–	–	Noninterest-bearing; unsecured; payable on demand
	2022	–	–	
Entities under common control of PMMIC				
f) Cash and cash equivalents (Note 7)				
	2023	–	1,231,968	Interest at prevailing deposit and short-term rates; unsecured; no impairment
	2022	–	1,231,413	
Interest income (Note 22)	2023	44,120	–	–
	2022	10,858	–	–
	2021	5,321	–	–
g) Receivables from related parties				
	2023	–	18	Noninterest-bearing; unsecured; due and demandable; no impairment
	2022	–	18	
h) Insurance expense	2023	15,918	–	–
	2022	12,882	–	–
	2021	9,978	–	–
Financial asset at FVTPL (Note 30)				
	2023	–	9,649	Carried at fair value; No impairment
	2022	–	9,257	
Short-term investments (Note 9)	2023	–	40,402	Interest at prevailing deposit and short-term rates; unsecured; no impairment
	2022	–	52,513	

(Forward)

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
Entities with significant influence				
i) Payable to related parties	2023	–	(8,505)	Due on demand, noninterest-bearing; unsecured; no impairment
	2022	–	(8,100)	
Management fee and other professional fees (Notes 20 and 21)	2023	8,505	–	
	2022	8,100	–	–
	2021	7,200	–	–
Others				
j) Accounts payable				Noninterest-bearing; unsecured; due and demandable; no impairment
	2023	–	–	
	2022	–	–	
Professional fees	2023	₱145	–	–
	2022	157	–	
	2021	3,942	–	

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.

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, 2023 and 2022, 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 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 and 2021 amounted to ₱2.29 million and ₱6.25 million, respectively (nil in 2023) (Note 22).

In July 2023, MMCM availed of P1.00 billion short-term loans.

17. Long-term Loans

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

	Unaudited September 2023	Audited December 2022
Unsecured bank loans	₱334,568	₱358,998
Secured bank loans	–	1,497,018
Total	334,568	1,856,016
Less: Current portion of unsecured bank loans	8,143	24,430
Reclassification to current liability of secured Loans	–	1,497,018
Current portion of long-term loans	8,143	1,521,448
Noncurrent portion of long-term loans	₱326,425	₱334,568

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 September 30, 2023 and December 31, 2022, NTC has complied with its covenant obligations, including maintaining the required D:E ratio.

Interest expense recognized in profit or loss in 2023, 2022 and 2021 amounted to ₱14.71 million, ₱32.6 million and ₱334.6 million, respectively (Note 22).

Secured

In 2019, the Group, through MMCMI, entered into a ten-year secured long-term loan agreement with a local bank for ₱1,500.0 million to refinance the construction of MMCMI's school buildings and facilities that were initially funded by short-term loans. MMCMI 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. MMCMI 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 MMCMI with carrying value of ₱2,374.9 million and ₱2,385.0 million as of March 31, 2023 and December 31, 2022, respectively, and suretyship of MESI (Note 10). The loans were subject to certain positive and negative covenants such as the requirement for MMCMI 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, MMCMI 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 MMCMI in default for not meeting the required financial covenant for D:E ratio for as long as MMCMI 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, MMCMI 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. The long-term loans were only classified under current liability on December 31, 2022 to comply with Philippine Financial Reporting Standards (PFRS).

MMCMI 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 ₱2.98 million in 2023 and ₱1.78 million 2022 were recorded as part of interest expense.

Interest expense, including amortization of debt issue cost, amounted to ₱79.57 million, ₱48.24 million and ₱48.84 million in 2023, 2022 and 2021, respectively (Note 22).

In July 2023, MMCMI fully paid its long-term loan.

Outstanding balance of secured long-term loans as follows:

	September 2023	December 2022
Principal	₱-	₱1,500,000
Unamortized debt issue cost	-	(2,982)
	₱-	₱1,497,018

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, 2023 and December 31, 2022, 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, 2023:

Year	Number of shares registered	Number of holders of securities as at year end
January 1, 2022	1,044,263,197	2,006
Add (deduct) movement	-	(3)
December 31, 2022	1,044,263,197	2,003
Add (deduct) movement	-	(5)
September 30, 2023	1,044,263,197	1,998

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 September 30, 2023 and December 31, 2022 amounted to ₱1,273.95 million and ₱1,215.3 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 ₱6,709.5 million and ₱6,405.31 million as at September 30, 2023 and December 31, 2022, respectively. These are not available for dividends until declared by the subsidiaries.

The BOD declared cash dividends as follows:

	2023	2022	2021
March 31, 2023, (₱0.19 per share) to stockholders of record as of April 28, 2023, payable on or before May 19, 2023	₱198,410	₱–	₱–
April 1, 2022, (₱0.16 per share) to stockholders of record 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
	₱198,410	₱167,082	₱312,656

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, 2023 and December 31, 2022.

As at September 30, 2023 and December 31, 2022, the Group is not subject to externally imposed capital requirements except for the long-term loan of NTC and MMCMCI that are subject to debt to equity ratiorequirement (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.

	2023	2022
Liabilities (a)	₱5,171,259	₱4,961,294
Equity (b)	12,623,114	12,441,445
Debt-to-equity ratio (a/b)	0.41:1.00	0.40:1.00

19. Revenue from Contracts with Customers

Revenue from schools and related operations consists of:

	2023	2022	2021
Tuition and other matriculation fees	₱3,030,141	₱2,695,253	₱2,515,907
Less: Scholarship grants and discounts	(129,840)	(165,088)	(208,825)
	2,900,301	2,530,165	2,307,082
Other student-related income and auxiliary services	206,957	225,789	49,455
	₱3,107,258	₱2,755,954	₱2,356,537

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 bookstoresales, 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:

	2023	2022	2021
Personnel expenses	₱870,625	₱775,501	₱743,716
Depreciation and amortization	291,783	257,856	251,226
Periodicals	114,544	70,863	68,863
Management and other professional fees (Note 15)	134,264	94,768	63,685
IT expense - software license	105,963	76,005	56,953
Student-related expenses	131,110	94,605	44,927
Utilities	101,352	49,606	41,075
Repairs and maintenance	28,248	23,748	11,592
Accreditation cost	30,033	20,423	9,803
Taxes and licenses	8,702	6,252	6,811
Advertising	15,569	30,555	15,885
Insurance	14,741	11,079	7,230
Research and development fund	23,859	11,779	15,054
Tools and library books (Notes 10 and 13)	27,325	18,102	12,923
Seminar	7,030	3,754	5,605
Laboratory supplies	3,799	1,724	1,046
Office supplies	3,577	2,142	795
Entertainment, amusement and recreation	1,035	1,010	865

	2023	2022	2021
Transportation and travel	5,002	2,129	893
Rent (Note 27)	5,277	1,699	163
Miscellaneous	6,836	3,230	2,977
	₱1,930,674	₱1,556,831	₱1,362,088

a. Details of depreciation and amortization follows:

	2023	2022	2021
Depreciation (Note 10)	₱335,724	₱280,672	₱264,319
Depreciation - ROU assets (Note 27)	40,150	40,306	41,536
Amortization - Student relationship (Note 6)	3,545	16,733	16,733
Amortization (Note 13)	5,451	5,427	2,056
	₱384,870	₱343,138	₱324,644

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

	2023	2022	2021
Cost of schools and related operations	₱254,514	₱219,301	₱211,864
Cost of schools and related operations - ROU assets (Note 27)	37,269	38,555	39,362
	291,783	257,856	251,226
General and administrative expenses (Note 21)	93,087	85,282	73,418
	₱384,870	₱343,138	₱324,644

21. General and Administrative Expenses

This account consists of:

	2023	2022	2021
Personnel expenses	₱199,833	₱150,530	₱154,289
Management and other service fees (Note 15)	178,751	124,931	102,413
Depreciation and amortization (Notes 10, 13 and 20)	93,087	85,282	73,418
Provisions for doubtful accounts (Note 8)	11,759	21,622	41,742
Taxes and licenses	18,996	21,625	14,550
Advertising	118,426	51,625	39,944
Utilities	14,084	15,819	9,898
Repairs and maintenance	11,928	9,540	10,057
Insurance	3,970	4,378	5,188
Seminar	4,726	2,118	1,877
IT expense - software license	11,144	1,678	849
Commission	2,163	2,268	2,234
Transportation and travel	7,562	3,170	1,552
Entertainment, amusement, and recreation	2,484	2,503	1,571
Investor relations	1,300	1,555	5,398
Office supplies	3,055	1,546	699
Donations	5,546	3,123	28

	2023	2022	2021
Rent (Note 27)	739	849	190
Miscellaneous	44,618	40,770	22,819
	₱734,171	₱544,931	₱488,717

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:

	2023	2022	2021
Cash in banks and cash equivalents (Note 7)	₱44,120	₱10,858	₱5,321
Advances to officers and employees (Note 8)	110	69	104
	₱44,230	₱10,927	₱5,425

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

	2023	2022	2021
Short-term loans (Note 16)	₱-	₱2,289	₱6,253
Long-term loans (Note 17)	94,277	64,321	64,730
Interest expense on lease liabilities (Note 27)	18,267	18,602	22,281
	₱112,544	₱85,212	₱93,265

23. Earnings Per Share

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

	2023	2022	2021
Net income attributable to equity holders of Parent Company (a)	₱380,079	₱585,854	₱438,150
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)	₱0.3640	₱0.5610	₱0.4196

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 2023 and 2022 follows:

	2023	2022
University of Nueva Caceres	16.38%	16.38%
National Teachers College	0.21%	0.21%

Non-controlling interests in material subsidiaries as at June 30, 2023 and December 31, 2022 follows (in million pesos):

	2023	2022
University of Nueva Caceres	P302	P295
National Teachers College	4	3

Dividends paid to non-controlling interest in consolidated subsidiaries amounted to nil in 2023 and 2022.

As at September 30, 2023 and December 31, 2022, 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	
	2023	2022	2023	2022
Assets				
Current assets	P524	P455	P1,272	P715
Noncurrent assets	1,642	1,634	1,845	1,467
	P2,167	P2,089	P3,117	P2,182
Liabilities and Equity				
Current liabilities	P315	P298	P679	P253
Noncurrent liabilities	153	153	816	424
	468	451	1,495	677
Equity	1,699	1,638	1,622	1,506
	P2,167	P2,089	P3,117	P2,182
Attributable to:				
Equity holders of parent	P1,421	P1,370	P1,618	P1,503
Non-controlling interest	278	268	3	3
Net revenue	P310	P81	P478	P130
Gross profit	170	42	292	84
Net income (loss)	61	5	208	53
Attributable to:				
Equity holders of parent	P51	P4	P208	P53
Non-controlling interest	10	1	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, MMCMI, 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 expenditure consists of additions to property and equipment, including land acquisition.

(In million pesos)

	Education			Others			Elimination			Consolidated		
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Revenues												
Income from external customers	P3,107	P2,756	P2,357	P-	P-	P-	P-	P-	P-	P3,107	P2,756	P4382,357
Total Revenues	P3,107	P2,756	P2,357	P-	P-	P-	P-	P-	P-	P3,107	P2,756	P2,357
Net Income attributable to Parent Company												
	P382	P612	P445	P257	(P5)	(P3)	(P259)	(P21)	(P4)	P380	P586	P291
Other Information												
Segment assets	P18,965	P17,276	P16,658	P5,722	P5,881	P5,711	(P6,618)	(P6,350)	(P6,333)	P18,069	P16,807	P16,036
Segment liabilities	6,192	5,760	5,682	116	100	99	(1,172)	(596)	(621)	5,136	5,264	5,160
Deferred tax assets	48	33	13	1	2	2	-	-	2	49	35	17
Deferred tax liabilities	487	379	371	43	42	39	59	65	56	589	486	466
Interest expense	130	95	101	0	0	0	(17)	(10)	(8)	113	85	93
Provision for income tax	8	7	6	1	0	0	(1)	(2)	(20)	8	5	(15)
Depreciation and amortization	372	317	301	3	3	1	10	23	23	385	343	325

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 2023
	December 2022	Declaration of Cash Dividend	Amortization of debt issue cost	Other Non-Cash	Interest Expense		
Current portion of long-term loans	₱1,521,448	₱–	₱–	₱2,982	₱–	(₱1,516,287)	₱8,143
Long-term loans	334,568	–	2,982	(2,982)	–	(8,143)	326,425
Short-term loans	–	–	–	–	–	1,000,000	1,000,000
Dividends payable	26,154	198,410	–	–	–	(223,955)	609
Payables to related parties	16,797	–	–	–	–	1,051	17,848
Lease liabilities	429,635	–	–	–	18,267	(52,841)	395,060
	₱2,328,602	₱198,410	₱2,982	₱–	₱18,267	(₱800,175)	₱1,748,086

	Non-cash Changes					Cash Flows	September 2022
	December 2021	Declaration of Cash Dividend	Amortization of debt issue cost	Other Non-Cash	Interest Expense		
Short-term loans	₱400,000	₱–	₱–	₱–	₱–	(₱400,000)	₱–
Long-term loans	1,853,645	–	1,779	(11,572)	–	(12,858)	1,830,994
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	₱1,779	(₱33,221)	₱19,393	(₱614,992)	₱2,166,212

	Non-cash Changes					Cash Flows	September 2021
	December 2020	Declaration of Cash Dividend	Amortization of debt issue cost	Other Non-Cash	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

27. 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%.

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.

The Group, through NTC/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:

	September 2023	December 2022
Net Book Value at January 1	₱376,794	₱309,391
Additions	–	139,474
Amortization (Note 20a)	(40,150)	(57,122)
Pre-termination/expiration	–	(14,949)
Net Book Value, ending	₱336,645	₱376,794

The following are the amounts recognized in the 2023 and 2022 statement of comprehensive income (Note 20):

	2023	2022
Depreciation expense of right-of-use assets	₱40,150	₱13,250
Interest expense on lease liabilities	18,267	6,578
Total amount recognized in profit or loss	₱58,416	₱19,828

The roll forward analysis of lease liabilities from NTC/APEC follows:

	September 2023	December 2022
As at January 1	₱429,635	₱357,826
Additions	-	118,006
Interest expense (Note 22)	18,267	23,630
Payments	(52,841)	(69,827)
	₱395,060	₱429,635

The balance of lease liabilities as of September 30, 2023 and December 31, 2022 are as follows:

	2023	2022
Lease liabilities – current	₱16,821	₱51,005
Lease liabilities – noncurrent	378,239	378,630
	₱395,060	₱429,634

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 June 30, 2023 and December 31, 2022 amounted to ₱169.7 million and ₱168.7 million, respectively. 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.

28. 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.

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

In August 2023, the SEC approved the merger of NTC and APEC, with NTC as the surviving entity. Both entities consider it to be in their best interests to merge into a single corporation to allow them to better achieve their goal of transforming lives through innovative education at affordable prices. Both entities are subsidiaries of IPO.

IPEOPLE, INC. AND SUBSIDIARIES
INDEX TO THE SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

Schedule	Content
I	Annex 68-D Reconciliation of Retained Earnings Available for Dividend Declaration
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, 2023**

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, 2023, 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, 2023:

Name	As at December 31, 2022	Additions	Liquidations/ Collections	As at September 30, 2023
Adanza, Carina Victoria T.	₱265,780	₱–	₱75,020	₱190,760
Agbulos, Erlin C.	339,914	–	84,979	254,936
Balan, Ariel Kelly	182,074	10,787	62,383	130,477
Camacho, Margarita	-	592,885	60,952	531,934
Delos Santos, Mira	317,186	6,810	55,962	268,034
Doma, Bonifacio T. Jr.	368,232	126,713	110,262	384,685
Hernaez, Alodia C.	377,617	–	134,492	243,125
Lozada, Katrina	128,764	–	–	128,764
Abalos, Mark Arthur	448,111	–	48,444	399,667
Correa, Helen	200,000	–	753	199,247
Medrano, Anthony H.	-	231,738	33,249	198,489
Paglinawan, Arnold	297,955	44,621	117,974	224,602
Papas, Aileen Kate A.	193,088	–	84,959	108,129
Quisaot, Concordio	111,634	213,997	200,971	124,659
Rafael, Victor		549,000	72,251	476,749
Sabino, Lilibeth	351,013	66,595	(6,396)	424,003
Songsong, Maribel	321,813	–	74,525	247,288
Villa, Robert Joseph	185,523	9,360	14,379	180,504
Yap, Maria Elizabeth	212,668	11,580	93,540	130,708
Young, Michael	313,567	378,644	434,830	257,381
	₱4,614,938	₱2,242,730	₱1,753,530	₱5,104,139

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, 2023:

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of year
Pan Pacific Computer Center, Inc.	₱1,104,410	₱–	₱–	₱1,104,410
Malayan Education System, Inc.	9,895,099	13,870,909	(14,054,775)	9,711,233
Malayan Colleges Laguna, Inc.	4,469,295	19,690,535	(20,389,254)	3,770,576
Malayan Colleges Mindanao, Inc.	4,802,543	308,694,277	–	313,496,820
University of Nueva Caceres	1,344,497	4,711,710	(5,856,716)	199,491
National Teachers College	2,252,283	13,139,258	(14,402,984)	988,557
Affordable Private Education Center, Inc.	582,084	403,794	(985,877)	0
Landev Corporation	45,203	134,935	(150,002)	30,135
House of Investments, Inc.	23,127	79,989	(87,697)	15,417

Schedule D. Long-term debt

As at September 30, 2023, the Group has outstanding long-term debts as follow (in thousands):

Unsecured bank loans	₱334,568
Secured bank loans	-
Total	334,568
Less: current portion of unsecured bank loans	8,143
Noncurrent portion of long-term loans	₱326,425

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 MMCMI, 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 MMCMI's school buildings and facilities that were initially funded by short-term loans. MMCMI 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. MMCMI 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 MMCMI with carrying value of ₱2,376.76 million as of December 31, 2019 and suretyship of MESI.

In July 2023, MMCMI paid its long-term loan in full.

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

As at September 30, 2023, the Group has no outstanding long-term debt to related parties.

Schedule F. Guarantees of Securities of Other Issuers

As at September 30, 2023, the Group does not guarantee any securities.

Schedule G. Capital Stock

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

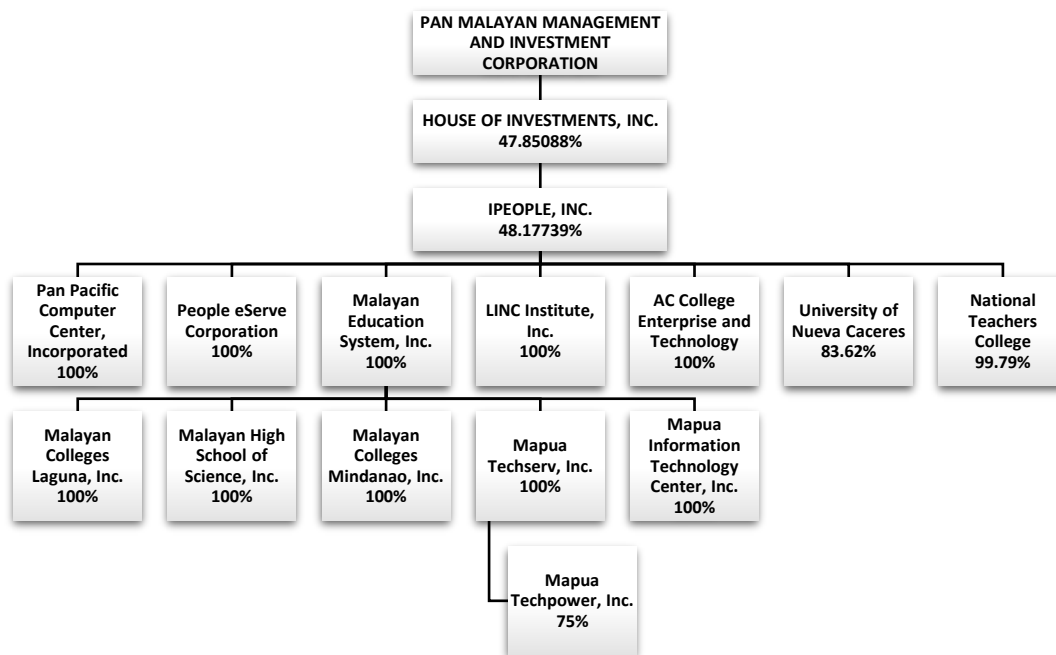
IPEOPLE, INC. AND SUBSIDIARIES

GROUP STRUCTURE

SEPTEMBER 30, 2023

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, 2023:



SCHEDULE I

IPEOPLE, INC. AND SUBSIDIARIES

**ANNEX 68-D: RECONCILIATION OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
SEPTEMBER 30, 2023**

Items	Amount (in thousands)
Unappropriated retained earnings, <i>as adjusted to available for distribution, beginning</i>	₱1,215,333
Add: Net income actually earned/realized during the period	
Net income (loss) during the period closed to retained earnings	₱257,027
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	257,027
Add (Less):	
Dividends declaration during the year	(198,410)
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	—
	58,617
Total Retained Earnings, End Available for Dividend	₱1,273,950

iPeople, inc. and Subsidiaries
Aging of Accounts Receivable
For the quarter ended September 30, 2023

	No. of days due			Total
	0-30	31-60	Over 61 days	
Education	P1,105,365,383	P 42,020,872	P740,905,837	P1,888,292,093
Others	82,957,990	3,671,225	66,410,633	153,039,849
Total	1,188,323,373	45,692,097	807,316,471	2,041,331,941
Less: Allowance for doubtful accounts	(33,123,680)	(682,098)	(324,129,649)	(357,935,427)
	P1,155,199,693	P45,010,000	P483,186,822	P1,683,396,514

IPEOPLE, INC. AND SUBSIDIARIES

ANNEX 68-E: SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

SEPTEMBER 30, 2023

Below are the financial ratios that are relevant to the Group's as of the period ended September 30, 2023, September 30, 2022 and December 31, 2022

Financial ratios		Unaudited September 2023	Unaudited September 2022	Audited December 2022
Current ratio <i>Indicates the Group's ability to pay short-term obligation</i>	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.09:1	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>	$\frac{\text{Current Assets} - \text{Prepaid expenses}}{\text{Current Liabilities}}$	0.97:1	1.36:1	0.29:1
Solvency Ratio <i>Shows how likely a Group will be to continue meeting its debt obligations</i>	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$	0.15:1	0.18:1	0.15:1
Debt-to-equity ratio <i>Measures the Group's leverage</i>	$\frac{\text{Total Debt}}{\text{Equity}}$	0.41:1	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>	$\frac{\text{Total Assets}}{\text{Equity}}$	1.40:1	1.46:1	1.47:1
Interest Rate Coverage <i>Shows how easily a Group can pay interest on outstanding debt</i>	$\frac{\text{EBIT}^*}{\text{Interest Expense Excluding Interest Expense on Lease Liabilities}}$	5.42:1	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>	$\frac{\text{Net Income}}{\text{Average Equity}}$	3.19%	5.27%	4.25%
Net profit margin <i>Reflect how much net income or profit is generated as percentage of revenue</i>	$\frac{\text{Net Profit Margin}}{\text{Revenue}}$	12.57%	21.43%	18.62%
Return on Assets <i>Measure the ability to utilize the Group's assets to create profits</i> <i>*Earnings before interest and taxes (EBIT)</i>	$\frac{\text{Net Income}}{\text{Total Assets}}$	2.16%	3.51%	2.74%

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 _____, 2023.

IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this NOV 14 2023 day of November, 2023 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



NOV 14 2023

SUBSCRIBED AND SWORN to before me this ____ day of November 2023, 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	Passport#P2200684C	10-28-2022 Manila City / 10-27-2032
Gema O. Cheng	DL#N06-84-036923	12-05-2022 Mandaluyong / 12-08-2032
Jonathan M. Lopez	DL#N01-02-001324	05-07-2019 Imus Cavite / 05-07-2024
Atty. Samuel V. Torres	Passport#P2022842C	10-14-202 Manila City / 10-13-2032

Doc. No. 371
Page No. 70
Book No. 64
Series of 2023



ATTY. ROMEO M. MONFORT
NOTARY PUBLIC City of Makati
Until December 31, 2023
Appointment No. M-172
PTR No. 9563521 / Jan. 3, 2023
IBP No. I78089/ 2-14-22 Pasig City
MCLE NO. VI-0023417 Roll No. 27932
136 Amorsolo St., Legaspi Village, Makati City