

Common	Gerardo C. Ablaza	Filipino	Direct	5	0.0000%
Common	Reynaldo B. Vea	Filipino	Direct	5	0.0000%
Common	Alfredo Antonio I. Ayala	Filipino	Direct	5	0.0000%
Common	Lorenzo V. Tan	Filipino	Direct	5	0.0000%
Common	William H. Ottiger	Swiss	Indirect	5	0.0000%
Common	Medel T. Nera	Filipino	Direct	100	0.0000%
Common	Yvonne S. Yuchengco	Filipino	Direct	6,500	0.0006%
			Indirect	92,000	0.0088%
Sub-Total				168,775	0.0162%
Total Common Shares				1,044,263,197	100.0000%

Item 12 – Certain Relationships and Related Transactions

There is no director, executive officer, nominee for director, beneficial holder, or any family member involved in any business transaction with iPeople.

In the normal conduct of business, aside from transactions disclosed in audited financial statements, other transactions with certain affiliates include sharing in general and administrative expenses and cash advances.

PART IV – CORPORATE GOVERNANCE

Item 13 – Corporate Governance

(a) Evaluation System to Measure Compliance with the Manual on Corporate Governance

The Company has monitored its compliance with Securities and Exchange Commission (SEC) Memorandum Circulars, pursuant to its Manual on Corporate Governance, has complied with the leading practices and principles on good corporate governance and appropriate self-rating assessment and performance evaluation to determine and measure its compliance.

In compliance with SEC Memorandum Circular No. 20 dated December 8, 2016, the Company has submitted its Integrated Annual Corporate Governance Report (IACGR), for the period covering the year 2022, last May 16, 2023, within the period allowed by the SEC. For the period covering the year 2023, the Company will submit its IACGR on or before May 30, 2024.

(b) Measures Undertaken to Fully Comply with Leading Practices on Corporate Governance

In its IACGR, the Company has substantially complied with of the provisions and recommendations in the New Manual on Corporate Governance.

(c) Deviation from the Manual on Corporate Governance

Except for a few recommendations in the Manual on Corporate Governance which the Company failed to comply (based on the “comply or explain” policy of SEC), the Company committed to comply with the same in 2024. Said compliance will be reflected in the 2023 IACGR due on May 30, 2024.

(d) Plans to Improve Corporate Governance

In order to improve the Company’s adherence to the leading practices in good corporate governance as reflected in its Manual on Corporate Governance, the Company’s Directors and top Management continuously attend the annual seminar on Corporate Governance conducted by an entity accredited with the Securities and Exchange Commission. Further, the Company continuously monitors all relevant PSE and SEC Circulars on Corporate Governance that maybe used to improve compliance with the Manual on Corporate Governance.

PART V – EXHIBITS AND SCHEDULES

Item 14 - Exhibits and Reports on SEC Form 17-C

January 31, 2022

- Resignation of Mr. Renato C. Valencia as Chairman of iPeople, inc.

April 04, 2022

- Confirmation of the Approval of Audit Committee of the 2021 Audited Consolidated Financial Statements of iPeople, inc. and its Subsidiaries.
- Declaration of a Cash Dividend of Php 0.16 per common share, or a total amount of Php 167,082,218.00 from the Company's unrestricted retained earnings as of December 31, 2021, to all stockholders of record as of April 29, 2022. Payment date is on or before May 20, 2022.
- Approval of the 2021 Sustainability Report of iPeople, inc.
- Approval of the 2021 Integrated Annual Corporate Governance Report (IACGR) of iPeople, inc.
- Approval of the Date of Annual Stockholders Meeting

May 17, 2022

- Approval of First Quarter Consolidation Report (SEC 17Q).

July 29, 2022

- Approval of Second Quarter Consolidation Report (SEC 17Q).
- Approval of 2021 audited consolidated financial statements of iPeople and its subsidiaries.
- Election of the Board of Directors of the Company for 2022-2023.
- Re-appointment of SGV & Co. as external auditors for the fiscal year ending 2023.
- Amendments to Sections 1, 2, 4, 5 and 6 of Article I, Sections 2, 3, 5, 7, 8, 9 and 10 of Article II, Sections 11 and 12 of Article III, Section 2 of Article IV, Sections 1 to 8 of Article V, and Section 1 of Article X of the iPeople, inc.'s By-Laws

December 2, 2022

- Approval of Third Quarter Consolidation Report (SEC 17Q).
- Approval of the Merger of iPeople subsidiaries, National Teachers College (NTC) and Affordable Private Education Center (APEC) Schools with NTC as the surviving entity
- Change in iPeople's corporate address from the 3rd Floor Grepalife Building, 219 Sen. Gil Puyat Ave., Makati City 1200, Metro Manila, Philippines to the 8th Floor Mapua University Makati Campus, 1191 Pablo Ocampo Sr. Extension Ave., Brgy. Sta Cruz, Makati City 1205, Metro Manila, Philippines

February 20, 2023

- Collaboration between MAPUA Schools and Arizona State University to introduce breakthrough offering in experiential global education.

March 31, 2023

- Approval of the 2022 Audited Consolidated Financial Statements of iPeople, inc. and its Subsidiaries.
- Declaration of a Cash Dividend of Php 0.19 per common share, or a total amount of Php198,410,015.98 from the Company's unrestricted retained earnings as of December 31, 2022, to all stockholders of record as of April 28, 2023. Payment date is on or before May 19, 2023.
- Approval of the 2022 Sustainability Report of iPeople, inc.
- Approval of the 2022 Integrated Annual Corporate Governance Report (IACGR) of iPeople, inc.

- Approval of the Date of the 2023 Annual Stockholders Meeting

May 12, 2023

- Approval of First Quarter Consolidation Report (SEC 17Q).

June 5, 2023

- Approval by the SEC issued May 31, 2023 of Amendments to Sections 1, 2, 4, 5 and 6 of Article I, Sections 2, 3, 5, 7, 8, 9 and 10 of Article II, Sections 11 and 12 of Article III, Section 2 of Article IV, Sections 1 to 8 of Article V, and Section 1 of Article X of iPeople, inc.'s By-Laws.

July 28, 2023

- Approval of Second Quarter Consolidation Report (SEC 17Q).
- Approval of 2022 audited consolidated financial statements of iPeople and its subsidiaries.
- Election of the Board of Directors of the Company for 2023-2024.
- Re-appointment of SGV & Co. as external auditors for the fiscal year ending 2024.
- Amendment to Section 8 of Article II of iPeople, inc.'s By-Laws

August 4, 2023

- Resignation of Ms. Herminia S. Jacinto as Independent Director of iPeople, inc.

August 15, 2023

- Election of Mr. William H. Ottiger as Independent Director of iPeople, inc., to replace Ms. Herminia S. Jacinto who resigned effective August 4, 2023.

September 5, 2023

- Approval by the SEC issued August 30, 2023 of the Certificate of Filing of the Articles and Plan of Merger of iPeople subsidiaries National Teachers College (NTC) and Affordable Private Education Center, Inc. (APEC Schools).

November 17, 2023

- Approval of Third Quarter Consolidation Report (SEC 17Q).

November 29, 2023

- Change in Stock Transfer Agent from RCBC to RCBC Trust Corporation, effective March 27, 2024.

January 23, 2024

- Appointment of Mr. Narciso A. Laput as Vice President - Information Technology of the Company.

April 5, 2024

- Approval of the 2023 Audited Consolidated Financial Statements of iPeople, inc. and its Subsidiaries.
- Declaration of a Cash Dividend of Php 0.19 per common share, or a total amount of Php198,410,015.98 from the Company's unrestricted retained earnings as of December 31, 2023, to all stockholders of record as of May 3, 2024. Payment date is on or before May 24, 2024.
- Approval of the 2023 Sustainability Report of iPeople, inc.
- Approval of the 2023 Integrated Annual Corporate Governance Report (IACGR) of iPeople, inc.
- Approval of the Date of the 2024 Annual Stockholders Meeting

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 _____, 2024.

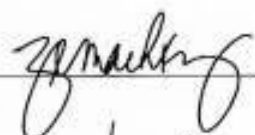
IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this _____ day of April, 2024 at Makati City.

By:


DR. REYNALDO B. VEA
Chairman and Chief Executive Officer



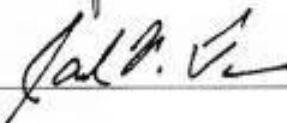
GEMA O. CHENG
EVP and Chief Finance Officer



JONATHAN M. LOPEZ
Controller



ATTY. SAMUEL V. TORRES
Corporate Secretary



APR 26 2024

SUBSCRIBED AND SWORN to before me this _____ day of April 2024, at Makati City.
Affiants exhibited to me their proof of identification as indicated beside 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	10-14-2022 Manila City / 10-13-2032

Doc. No. 235
Page No. 52
Book No. 44
Series of 2024

ATTY. JOEL FERRER FLORES
NOTARY PUBLIC for City of Makati
Until December 31, 2024
Appointment No. M-15 (2023-2024)
PTR No. MKT 100739457 01-02-2024/Makati City
Roll No. 72378 / IEP No. 330462 01/02/2024/Pasig City
MCLE Compliance V01 No. 0001500 / 01/03/23 - 04/12/28
1107 Bataan, St., Cordillera-Hubero, Makati City

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
iPeople, inc.
8th Floor Mapua University Makati Campus
1191 Pablo Ocampo Sr. Extension Ave.
Brgy. Sta. Cruz, Makati City, Metro Manila

Opinion

We have audited the consolidated financial statements of iPeople, inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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



Valuation of Land

The Group accounts for its land, where the school buildings and other facilities are located, using the revaluation model. As at December 31, 2023, the carrying value of the Group's land amounted to P9,719.0 million, representing 49% of the Group's total assets. The determination of the fair values of these properties involves significant management judgment and estimations. The valuation also requires the assistance of external appraisers whose calculations involve certain assumptions, such as sales price of similar properties and adjustments to sales price based on internal and external factors. Thus, we considered the valuation of land as a key audit matter.

Refer to Notes 5 and 11 to the consolidated financial statements for the disclosures on land at revalued amount.

Audit response

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

Recoverability of Nonfinancial Assets

Under PFRSs, the Group is required to annually test for impairment goodwill and nonfinancial assets with indefinite useful life and for those nonfinancial assets with finite useful life, if there are indicators of impairment such as significant decline in enrollment. The Group has goodwill attributable to the acquisition of Malayan Education System, Inc. amounting to P137.8 million, intellectual property rights with indefinite life amounting to P458.1 million, and property and equipment and right-of-use assets of a subsidiary aggregating to P376.7 million as of December 31, 2023 that were tested for impairment. These nonfinancial assets are considered significant to the consolidated financial statements. In addition, management's assessment process involves judgments and is based on assumptions which are subject to higher level of estimation uncertainty, specifically assumptions used in estimating discounted cash flow projections such as forecasted revenues, long-term growth rates, royalty rates, and discount rates.

The Group's disclosures about nonfinancial assets are included in Notes 5, 6, 10, 12 and 31 to the consolidated financial statements.

Audit response

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



Adequacy of Allowance for Expected Credit Loss (ECL)

The Group applies simplified approach in calculating expected credit loss (ECL). Under this approach, the Group generally establishes a provision matrix that is based on its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment. Allowance for ECL and the provision for ECL on receivables from tuition and other fees as of and for the year ended December 31, 2023 amounted to ₱375.8 million and ₱43.9 million, respectively.

The Group's calculation of allowance for ECL is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures; defining default; determining assumptions to be used in the ECL model such as the expected life of the financial asset and timing and amount of expected net recoveries from defaulted accounts; and incorporating forward-looking information (called overlays) in calculating ECL.

The disclosures on the allowance for ECL are included in Notes 5 and 8 to the consolidated financial statements.

Audit response

We updated our understanding of the approved methodology and assumptions used for the Group's different credit exposures and reassessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome and the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) compared the definition of default against historical analysis of accounts and credit risk management policies and practices in place; (c) tested historical loss rates by inspecting historical recoveries and write-offs; (d) verified the appropriateness of classification of outstanding exposures to their corresponding aging buckets; and (e) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios and industry practices.

Further, we checked the data used in the ECL models, such as the historical aging analysis of defaults and recovery data, by reconciling data from source system reports to the database and from the database to the loss allowance analysis/models and financial reporting system. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source reports to the loss allowance analysis.

We recalculated the impairment provisions. We checked the disclosures made in the financial statements on allowance for ECL by tracing such disclosures to the ECL analysis prepared by management.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditor's report.



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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

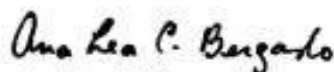
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

SYCIP GORRES VELAYO & CO.



Ana Lea C. Bergado

Partner

CPA Certificate No. 80470

Tax Identification No. 102-082-670

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-063-2023, September 12, 2023, valid until September 11, 2026

PTR No. 10079908, January 5, 2024, Makati City

April 5, 2024





**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of **iPeople, inc. & Subsidiaries** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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


DR. REYNALDO B. VEA
Chairman and Chief Executive Officer


ALFREDO ANTONIO L. AYALA
President and Chief Operating Officer


GEMA O. CHENG
EVP and Chief Finance Officer

Signed this 26 day of April, 2024

APR 26 2024

DOC. NO. 288;
PAGE NO. 19;
BOOK NO. 44;
SERIES OF 204

ATTY. JOEL FERBER FLORES
NOTARY PUBLIC for City of Makati
Until December 31, 2024
Appointment No. 14-115 (2023-2024)
PTR No. MKT 10072013/01-02-2024/Makati City
Roll No. 77376 / IBP No. 300740/01/02/2024/Pasig City
MCLE Compliance VIII No. 0001393 / 01/03/23 - 04/12/28
- 1107 Bataan, St., Guadalupe Nuevo, Makati City

IPEOPLE, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Amounts in Thousands)

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7, 15 and 30)	P1,807,164	P1,961,428
Receivables (Notes 8 and 30)	1,379,633	1,176,228
Receivables from related parties (Notes 15 and 30)	1,643	1,825
Prepaid expenses and other current assets (Note 9)	607,049	464,937
Financial assets at fair value through profit or loss (FVTPL) [Note 30]	9,767	9,332
Total Current Assets	3,805,256	3,613,750
Noncurrent Assets		
Property and equipment at cost (Note 10)	5,331,603	5,298,590
Land at revalued amounts (Notes 10 and 11)	9,719,039	7,578,412
Intellectual property rights (Note 6)	458,111	490,882
Goodwill (Notes 6 and 12)	151,326	151,326
Student relationship (Note 6)	6,032	10,759
Right-of-use assets (Note 31)	335,013	376,794
Net pension assets (Note 25)	20,139	38,701
Deferred tax assets - net (Note 23)	48,508	37,524
Other noncurrent assets (Note 13)	89,280	104,754
Total Noncurrent Assets	16,159,051	14,087,742
	P19,964,307	P17,701,492
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 14 and 30)	P1,179,730	P1,099,637
Short-term loans (Notes 16 and 30)	1,000,000	-
Current portion of long-term debt (Note 17)	32,574	1,521,448
Unearned income (Note 14)	978,261	796,164
Lease liabilities - current portion (Note 31)	37,047	51,005
Income tax payable	19,719	5,225
Payables to related parties (Notes 15 and 30)	8,706	16,797
Dividends payable (Notes 18 and 30)	924	26,154
Total Current Liabilities	3,256,961	3,516,430
Noncurrent Liabilities		
Long-term loans (Note 17)	293,851	334,568
Lease liabilities - net of current portion (Note 31)	354,549	378,630
Net pension liabilities (Note 25)	162,452	129,811
Deferred tax liabilities - net (Note 23)	794,852	590,311
Other noncurrent liabilities (Note 31)	17,114	11,544
Total Noncurrent Liabilities	1,622,818	1,444,864
Total Liabilities	4,879,779	4,961,294

(Forward)



	December 31	
	2023	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)	4,516,945	2,603,159
Remeasurement gains (losses) on defined benefit plans (Note 25)	(32,649)	11,099
Equity reserve (Note 6)	(230,494)	(230,494)
Retained earnings (Note 18)	6,165,650	5,719,050
Equity attributable to equity holders of the Parent Company	14,758,083	12,441,445
Non-controlling interest in consolidated subsidiaries (Note 27)	326,445	298,753
Total Equity	15,084,528	12,740,198
	₱19,964,307	₱17,701,492

See accompanying Notes to Consolidated Financial Statements.



iPEOPLE, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Amounts in Thousands)

	Years Ended December 31		
	2023	2022	2021
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 19)			
Revenue from schools and related operations	P4,491,426	P3,944,946	P3,351,067
COSTS AND EXPENSES			
Cost of schools and related operations (Note 20)	(2,758,087)	(2,259,172)	(1,914,579)
GROSS PROFIT	1,733,339	1,685,774	1,436,488
GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)	(976,077)	(861,012)	(719,501)
INTEREST AND OTHER FINANCE CHARGES (Note 22)	(149,024)	(113,293)	(121,435)
INTEREST INCOME (Note 22)	63,488	20,105	6,192
OTHER INCOME (CHARGES) - Net (Note 11)	35,320	45,380	31,670
INCOME BEFORE INCOME TAX	707,046	776,954	633,414
BENEFIT FROM (PROVISION FOR) INCOME TAX (Note 23)	(45,035)	5,148	30,375
NET INCOME	662,011	782,102	663,789
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Revaluation increment on land - net of tax (Note 11)	1,926,005	1,004,966	201,075
Remeasurement gains (losses) on defined benefit plans – net of tax (Note 25)	(44,961)	26,000	67,827
Reversal of deferred tax liability on revaluation increment due to change in tax rate	–	–	7,764
	1,881,044	1,030,966	276,666
TOTAL COMPREHENSIVE INCOME	P2,543,055	P1,813,068	P940,455
Net income attributable to:			
Equity holders of the parent (Note 26)	P645,325	P769,302	P659,108
Non-controlling interest in consolidated subsidiaries (Note 27)	16,686	12,800	4,681
	P662,011	P782,102	P663,789
Total comprehensive income attributable to:			
Equity holders of the parent	P2,515,363	P1,764,746	P929,611
Non-controlling interest in consolidated subsidiaries (Note 27)	27,692	48,322	10,844
	P2,543,055	P1,813,068	P940,455
Basic/Diluted Earnings Per Share (Note 26)	P0.6180	P0.7367	P0.6312

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								Non - controlling Interest (Note 27)	Total
	Common Stock (Notes 6 and 18)	Additional Paid-in Capital (Note 6)	Increment on Land- net of tax (Note 11)	Remeasurement Gains (Losses) on Net Defined Benefit Plans (Note 25)	Equity Reserve (Note 6)	Retained Earnings (Note 18)	Treasury Stock (Note 18)	Total		
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	-	-	-	-	-	645,325	-	645,325	16,686	662,011
Other comprehensive income	-	-	1,913,786	(43,748)	-	-	-	1,870,038	11,006	1,881,044
Total comprehensive income	-	-	1,913,786	(43,748)	-	645,325	-	2,515,363	27,692	2,543,055
Dividends declared	-	-	-	-	-	(198,725)	-	(198,725)	-	(198,725)
Balances as at December 31, 2023	₱1,044,263	₱3,294,368	₱4,516,945	(₱32,649)	(₱230,494)	₱6,165,650	₱-	₱14,758,083	₱326,445	₱15,084,528
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	-	-	-	-	-	769,302	-	769,302	12,800	782,102
Other comprehensive income	-	-	969,312	26,132	-	-	-	995,444	35,522	1,030,966
Total comprehensive income	-	-	969,312	26,132	-	769,302	-	1,764,746	48,322	1,813,068
Other adjustments	-	-	-	-	-	-	-	(1)	(1)	(1)
Dividends declared	-	-	-	-	-	(192,672)	-	(192,672)	-	(192,672)
Balances as at December 31, 2022	₱1,044,263	₱3,294,368	₱2,603,159	₱11,099	(₱230,494)	₱5,719,050	₱-	₱12,441,445	₱298,753	₱12,740,198
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	-	-	-	-	-	659,108	-	659,108	4,681	663,789
Other comprehensive income	-	-	208,814	61,689	-	-	-	270,503	6,163	276,666
Total comprehensive income	-	-	208,814	61,689	-	659,108	-	929,611	10,844	940,455
Other adjustments	-	-	-	-	-	-	0.21	(312,656)	0.21	(312,656)
Dividends declared	-	-	-	-	-	(312,656)	-	(312,656)	-	(312,656)
Balances as at December 31, 2021	₱1,044,263	₱3,294,368	₱1,633,847	(₱15,033)	(₱230,494)	₱5,142,420	₱-	₱10,869,371	₱250,432	₱11,119,803

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P707,046	P776,954	P633,414
Adjustments for:			
Depreciation and amortization (Note 20)	507,327	475,307	456,685
Interest expense and other finance charges (Note 22)	152,007	115,664	140,949
Provision for doubtful accounts (Notes 8 and 21)	43,997	120,408	114,229
Interest income (Note 22)	(63,488)	(20,105)	(6,192)
Unrealized foreign exchange loss (gain) - net	406	639	(450)
Unrealized market gain (loss) on financial assets at FVTPL	(435)	(119)	492
Reversal of impairment on land (Note 11)	-	-	(15,763)
Operating income before working capital changes	1,346,860	1,468,748	1,323,364
Decrease (increase) in:			
Receivables	(247,265)	(263,704)	(110,641)
Prepaid expenses and other current assets	(142,112)	(73,916)	(120,416)
Increase (decrease) in:			
Accounts payable and other current liabilities	67,649	63,520	(100,017)
Unearned income	182,098	137,775	(22,189)
Other noncurrent liabilities	30,458	(20,074)	10,713
Net pension assets and liabilities	(3,840)	8,816	(54)
Net cash generated from operations	1,233,848	1,321,165	980,760
Interest paid	(149,024)	(113,293)	(137,410)
Income taxes paid	(29,083)	(380)	(567)
Interest received	63,351	20,023	6,050
Net cash flows from operating activities	1,119,092	1,227,515	848,833
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Notes 10 and 29)	(478,080)	(272,857)	(183,735)
Computer software (Note 13)	(6,190)	(4,414)	(15,479)
Decrease (increase) in:			
Receivables from related parties	182	24,252	(28)
Other noncurrent assets	48,322	38,691	5,284
Net cash flows used in investing activities	(435,766)	(214,328)	(193,958)

(Forward)



	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loans (Notes 16 and 29)	P1,000,000	P-	P400,000
Payments of short-term loans (Notes 16 and 29)	-	(400,000)	(375,000)
Payments of long-term loans (Notes 17 and 29)	(1,532,574)	(21,001)	-
Payment of lease liabilities (Note 31)	(72,564)	(69,827)	(67,196)
Dividends paid to stockholders (Note 29)	(223,955)	(167,083)	(312,656)
Increase (decrease) in payables to related parties (Note 29)	(8,091)	2,662	(15,345)
Net cash flows used in financing activities	(837,184)	(655,249)	(370,197)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	(406)	(639)	449
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(154,264)	357,299	285,127
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 (Notes 7 and 30)	P1,807,164	P1,961,428	P1,604,129

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).

In 2023, the Parent Company changed its principal office address to 8thFloor Mapua University Makati Campus, 1191 Pablo Ocampo Sr. Extension Ave., Makati City, Metro Manila from 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City.

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 December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, 2022 and 2021.

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
Malayan Colleges Mindanao (A Mapua School), Inc. (MCMII)	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	83.01	83.01	83.01
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

**In August 2023, SEC approved the merger of APEC and NTC, with NTC as the surviving entity*

All subsidiaries were incorporated in the Philippines.

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

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

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

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

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

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



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

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2023. The adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to the Practice Statement provide non-mandatory guidance.

The Philippine Interpretations Committee released Q&A No. 2022-02 which the Financial Reporting Standards Council subsequently approved. The PIC Q&A provides guidance on how a Philippine entity applies the amendments to PAS 1 and PFRS Practice Statement 2 with regards to disclosure of accounting policies by providing examples of disclosures of material accounting policies that illustrate the application of the amendments to PAS 1 and the four-step materiality process to accounting policy information.

- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*



Deferred effectivity

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

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

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2023 on the Group's consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

4. Summary of Material Accounting Policies

Fair Value Measurement

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

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

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

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

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

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

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

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



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

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

Financial Instruments

Initial recognition and subsequent measurement

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

Financial assets – Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

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

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



Financial assets at amortized cost (debt instruments)

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

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

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

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

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

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.

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.

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.

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. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.



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.

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

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

Leases – Group as Lessor

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

Foreign Currency-denominated Transactions and Translation

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

Basic Earnings Per Share (EPS)

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

Segment Reporting

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

Provisions

Provisions are recognized when (a) the Group has a present obligation (legal or constructive) as a result of a past event, (b) it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by



discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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, 2023 and 2022. The key assumptions used to determine fair value are disclosed in Note 11.

As at December 31, 2023 and 2022, the fair value of land amounted to ₱9,719.0 million and ₱7,578.4 million, respectively (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.

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. 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.

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.. The carrying value of these assets and details of the impairment testing are disclosed in Notes 6 and 12.

As to the Group's student relationship, an impairment loss was recognized in 2021 for student relationship attributable to APEC (nil in 2023 and 2022) [Note 6].



In 2023 and 2022, the Group performed an impairment testing of the property and equipment and right-of-use assets of APEC amounting to ₱376.7 million and ₱416.0 million as of December 31, 2023 and 2022, 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. As of December 31, 2023 and December 31, 2022, management assessed that these assets 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 December 31, 2023 and 2022, the net pension liabilities amounted to ₱162.4 million and ₱129.8 million, respectively, while net pension assets amounted to ₱20.1 million and ₱38.7 million as at December 31, 2023 and 2022, respectively (Note 25).

Deferred tax assets

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

Deferred tax assets recognized 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
	<hr/>
	₱652,584



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, 2023 and 2022, 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 2023 and 2022). Revenue projections based on financial budgets approved by management and the BOD. The long-term growth rate considers the expected growth rate in the education industry sector.
- Discount rates (14% to 16% for 2023 and 16% to 17% for 2022). 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 (0.5% to 5% for 2023 and 1% to 5% for 2022). 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 ₱32.8 million impairment loss on APEC in 2023 and ₱32.2 million impairment loss in 2022 (nil in 2021). The carrying value of intellectual property rights as of December 31, 2023 and 2022 amounted to ₱458.1 million and ₱490.9 million, respectively.

Student Relationship

The carrying value and movement of student relationship as of and for the year ended December 31 follows:

	2023	2022
Cost from business combination	₱116,009	₱116,009
Accumulated amortization:		
Beginning balance	(105,250)	(72,248)
Amortization and impairment (Note 20a)	(4,727)	(33,002)
Ending balance	(109,977)	(105,250)
Balance at end of the year	₱6,032	₱10,759

Amortization amounted to ₱4.7 million in 2023, ₱33.0 million in 2022 and ₱22.3 million 2021. In 2021, the Group recognized ₱12.8 million impairment loss on APEC student relationship because the remaining students from the time of the merger in 2019 significantly declined as of December 31, 2021 due to the impact of coronavirus pandemic.

7. Cash and Cash Equivalents

This account consists of:

	2023	2022
Cash on hand	₱3,326	₱3,100
Cash in banks (Note 15)	711,829	544,228
Cash equivalents (Note 15)	1,092,009	1,414,100
	₱1,807,164	₱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 ₱63.4 million, ₱20.0 million and ₱6.0 million in 2023, 2022 and 2021, respectively (Note 22).

8. Receivables

This account consists of:

	2023	2022
Tuition and other fees	₱1,634,740	₱1,429,781
Advances to officers and employees	40,511	29,870
Others	88,952	62,966
	1,764,203	1,522,617
Allowance for ECL	(384,570)	(346,389)
	₱1,379,633	₱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 ₱240.6 million and ₱319.8 million as at December 31, 2023 and 2022, respectively, arising from the Senior High School (SHS) Voucher Program wherein qualified SHS students are given assistance on tuition fees. These receivables are noninterest-bearing and are generally collectible within one year.

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

	2023		
	Tuition and other fees	Others	Total
Balance at beginning of year	₱337,619	₱8,770	₱346,389
Provisions for the year (Note 21)	43,997	-	43,997
Write-off	(5,816)	-	(5,816)
Balance at end of year	₱375,800	₱8,770	₱384,570
Gross receivables	₱1,634,740	₱88,952	₱1,723,692

	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

	2023	2022
Prepaid expenses	P216,653	P163,416
Short-term investments	267,818	161,153
CWT	7,609	10,352
Books inventories	8,894	6,160
Office supplies	4,125	3,904
Others	101,950	119,952
	P607,049	P464,937

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.

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:

	2023				Total
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	
Cost					
Balance at beginning of year	P6,477,973	P2,893,235	P51,176	P20,776	P9,443,160
Acquisitions	131,042	324,088	10,499	35,674	501,303
Disposals/retirement	-	(65,005)	-	-	(65,005)
Reclassifications and adjustments	17,671	45	-	(18,476)	(760)
Balance at end of year	6,626,686	3,152,363	61,675	37,974	9,878,698
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)	219,596	219,980	5,491	-	445,067
Disposals/retirement	-	(52,151)	-	-	(52,151)
Reclassifications and adjustments	879	8,707	23	-	9,609
Balance at end of year	2,001,924	2,499,274	45,897	-	4,547,095
Net book value at cost	4,624,762	653,089	15,778	37,974	5,331,603
Land at revalued amounts (Note 11)	-	-	-	-	9,719,039
Total	P4,624,762	P653,089	P15,778	P37,974	P15,050,642



	2022				Total
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	
Cost					
Balance at beginning of year	P4,900,055	P2,572,710	P51,977	P1,645,080	P9,169,822
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	P4,696,524	P570,497	P10,793	P20,776	P12,877,002

Construction in progress as at December 31, 2022 mainly includes the general cost of construction of MESI's new school building in Makati City and other direct costs which was completed in 2023.

The land and related improvements owned by MCMI with carrying value of ₱1,826.7 million and ₱2,385.5 million as of December 31, 2023 and 2022, respectively, were used to secure the long-term loans of MCMI 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:

	2023	2022
Land at cost	P4,066,906	P4,066,906
Revaluation increment on land:		
Balance at beginning of year	3,511,506	2,393,939
Change in revaluation increment	2,140,627	1,117,567
Balance at end of year	5,652,133	3,511,506
	P9,719,039	P7,578,412

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

These land were appraised by SEC-accredited independent firms of appraisers to determine the revalued amounts as at December 31, 2023 and 2022.

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	
	2023	2022
Makati and Intramuros, Manila	P114,000 to	P85,050 to
	P298,350	P246,926
Cabuyao, Laguna	P8,507 to	P11,875 to
	P16,335	P13,500
Davao City, Davao Del Sur	P41,535 to	P22,088 to
	49,140	35,340
Pandacan, Metro Manila	P126,000 to	P85,781 to
	P151,200	P102,375
San Jose Del Monte City, Bulacan	P56,012 to	P55,510 to
	60,493	60,493
Naga City, Camarines Sur	P27,075 to	P19,000 to
	P28,500	P34,913
Quiapo, Manila	P206,900 to	P89,100 to
	300,200	135,000

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 -30% to +20% in 2023 and from -20% to +15% in 2022.

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

In 2019, the Group recorded provision for impairment in value of P21.0 million on a parcel of land charged to profit or loss as there was no previous revaluation increment recognized on said land. Based on the 2021 and 2020 appraisal of the same parcel of land, there was an increase in value that resulted to the reversal of the previously recognized impairment loss amounting to P15.8 million in 2021 and P5.2 million in 2020. The increase was credited to profit or loss as "Other income (charge) – net" in the 2021 and 2020 statement of comprehensive income.

12. Goodwill

The goodwill recognized in the consolidated statement of financial position amounting to P151.3 million as at December 31, 2023 and 2022 pertains to the P137.8 million goodwill from acquisition of MESI in 1999 and P13.5 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 P13.5 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, 2023 and 2022, 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.



- Long-term growth rates (4.66% for 2023 and 5.79% for 2022). 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 (11.4% for 2023 and 14% for 2022). 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:

	2023	2022
Input VAT – net	P34,216	P35,526
Miscellaneous deposits	26,986	26,404
Creditable withholding tax	9,958	22,032
Computer software	15,475	17,008
Books and periodicals	2,645	3,784
	P89,280	P104,754

Miscellaneous deposits include rent deposits of the Group amounting to P18.9 million and P14.2 million as of December 31, 2023 and 2022, respectively.

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

	2023	2022
Cost		
Balance at the beginning of the year	P64,032	P59,504
Additions	6,190	4,414
Reclassifications	-	114
Balance at the end of the year	70,222	64,032
Accumulated Amortization		
Balance at the beginning of the year	47,024	40,040
Amortization (Notes 20 and 21)	6,113	6,860
Reclassifications	1,610	124
Balance at the end of the year	54,747	47,024
Net Book Value	P15,475	P17,008



14. Accounts Payable and Other Current Liabilities and Unearned Income

Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities consists of:

	2023	2022
Accounts payable	P455,990	P434,281
Accrued expenses	250,255	223,048
Funds payable	275,650	238,987
Provisions (Note 31)	162,352	168,717
Other payables	35,483	34,604
	P1,179,730	P1,099,637

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 P16.3 million and P35.8 million as at December 31, 2023 and 2022, respectively.

Accrued expenses consist of:

	2023	2022
Payable to suppliers	P125,963	P67,117
Accrued salaries and wages	23,802	48,261
Contracted services	16,122	5,643
Accrued interest (Note 18)	15,099	17,468
Accrued professional fees	8,739	17,134
Accrued communication expense	8,727	3,259
Withholding taxes and others	9,615	19,121
SSS and other contributions	3,486	7,344
Accrued utilities	5,860	5,501
Output VAT payable	12,902	7,527
Insurance	854	4,875
Others	19,086	19,798
	P250,255	P223,048

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 P976.3 million and P787.6 million as at December 31, 2023 and 2022, respectively, which are considered contract liabilities.

Contract Liabilities

As at December 31, 2023, contract liabilities amounted to P992.6 million and these will be recognized as revenue in the following year. Contract liabilities as of December 31, 2022 amounting to P823.4 million were recognized as revenue in 2023. The increase in contract liabilities in 2023 is mainly due to increase in enrollment.



15. Related Party Transactions

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

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

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions	
Controlling entity - III					
a) Payable to III	2023	0-	(99,604)	Noninterest-bearing; unsecured; due and demandable	
	2022	0-	(817,063)		
Management fee and other professional fees	2023	109,669	-	-	
	2022	98,482	-	-	
	2021	51,334	-	-	
b) Receivable from III	2023	-	722	Noninterest-bearing; unsecured; due and demandable;	
Reimbursements	2023	-	255	no impairment	
	2022	-	-	-	
	2021	228	-	-	
Entities under common control of III					
c) Receivables from related parties	2023	-	17	Noninterest-bearing; unsecured; due and demandable;	
	2022	-	499		no impairment
Reimbursements	2023	21,335	-	-	
Rental income	2023	(9,223)	880	-	
	2022	(5,922)	1,251	-	
	2021	-	481	-	
d) Payables to related parties	2023	-	(93)	Noninterest-bearing; unsecured; due and demandable	
	2022	-	(706)		
Contracted services (Notes 20 and 21)	2023	84,298	-	-	
	2022	65,296	-	-	
	2021	36,934	-	-	
Entities under common control of PNBMC					
e) Cash and cash equivalents (Note 7)	2023	-	1,285,138	Interest at prevailing deposit and short-term rates;	
	2022	-	1,151,517		unsecured; no impairment
Interest income (Note 27)	2023	61,391	-	-	
	2022	20,623	-	-	
	2021	8,890	-	-	
f) Receivable from related parties	2023	-	18	Noninterest-bearing; unsecured; due and demandable;	
	2022	2	18		no impairment
g) Interest deposits	2023	21,839	-	-	
	2022	14,923	-	-	
	2021	12,279	-	-	
Financial assets at FVTPL (Note 19)	2023	-	9,767	Carried at fair value; No impairment	
	2022	-	9,332		
Short-term investments (Note 9)	2023	-	58,978	Interest at prevailing deposit and short-term rates;	
	2022	-	94,151		unsecured; no impairment
Entities with significant influence					
h) Management fee and other fees	2023	11,708	-	Due on demand; noninterest-bearing; unsecured; no impairment	
	2022	9,000	-		
	2021	3,900	-		
Others					
i) Accounts payable				Noninterest-bearing; unsecured; due and demandable;	
Professional fees	2023	148	-		no impairment
	2022	138	-		-
	2021	449	-	-	



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) *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).
- f) *Receivables from entities under common control of PMMIC*
Due from entities under common control of PMMIC arises from RCBC's rental of the Group's office spaces in its Makati property.
- g) *Payables to entities under common control of PMMIC*
The Group obtains property and personnel insurance with its affiliated insurance company, Malayan Insurance Company, Inc. (MICO). Insurance contract coverage pertains to the Group's fire, accident, group and other insurance policies.
- h) *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.
- i) *Accounts payable to related parties*
Pertains to the water utility bills and professional fees payable to other affiliates.

Other related party transactions follow:

- a) The Group maintains its retirement fund with RCBC Trust Division (Note 25). Trust fees paid by the retirement plan to RCBC amounted to ₱0.98 million, ₱0.46 million and ₱1.23 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Compensation of key management personnel of the Group



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

	2023	2022	2021
Short-term benefits	₱159,250	₱269,022	₱144,164
Post-employment benefits	2,247	6,651	1,400
	₱161,497	₱275,673	₱145,564

Terms and conditions of transaction with related parties

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. For the years ended December 31, 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

In 2017, the Group, through MCMI, obtained a short-term loan (STL) facility with Bank of Philippine Island (BPI), which was earmarked from the long-term loan facility of the Group from same bank, to finance the construction of MCMI's school building. Each STL facility may be re-availed, renewed or extended within a period of one year provided that the sum of the terms of re-availments/renewals/extension will not exceed 360 days. The STL facility may be converted into a 10-year term loan facility which shall be partially secured by the real estate mortgage on the real property of MCMI. The STL facility is secured by the Continuing Suretyship Agreement of MESI. Annual interest rates range from 3.00% to 5.50%. Short-term loans amounting to ₱400.0 million as at December 31, 2021 was paid in 2022.

In 2023, MCMI availed of ₱1.0 billion short-term loans from RCBC and BPI at 7.00% and 7.65% interest rate, respectively. The loan agreements shall be valid for one (1) year, renewable every year upon mutual written consent of the parties.

Interest expense charged to operations in 2023, 2022 and 2021 amounted to ₱39.9 million, ₱3.7 million and ₱6.7 million, respectively (Note 22).

17. Long-term Loans

This account consists of the following as of December 31:

	2023	2022
Unsecured bank loans	₱326,425	₱358,998
Secured bank loans	-	1,497,018
Total	326,425	1,856,016
Less: Current portion of unsecured bank loans	32,574	24,430
Reclassification to current liability of secured loans	-	1,497,018
Current portion of long-term loans	32,574	1,521,448
Noncurrent portion of long-term loans	₱293,851	₱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 December 31, 2023 and 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 ₱19.5 million, ₱21.4 million and ₱21.3 million, respectively (Note 22).

Secured

In 2019, the Group, through MMCM, entered into a ten-year secured long-term loan agreement with a local bank for ₱1,500.0 million to refinance the construction of MMCM's school buildings and facilities that were initially funded by short-term loans. MMCM 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. MMCM shall repay the loan in 20 equal quarterly installments to start at the end of 21st quarter from the initial drawdown date. The loans were secured by the land and related improvements owned by MCMI with carrying value of ₱2,385.0 million as of December 31, 2022, and suretyship of MESI (Note 10). The loans were subject to certain positive and negative covenants such as the requirement for MCMI to maintain its debt service cover ratio of at least 1.0 at all times and maximum D:E ratio of 75:25 starting on the third year of the loan (January 2022) reckoned from initial drawdown date of January 2019.

In April 2022, MMCM 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 MMCM in default for not meeting the required financial covenant for D:E ratio for as long as MMCM 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, MMCM 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 reclassification was done to comply with PFRS.

MMCM 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 ₱2.4 million in 2022 and 2021 were recorded as part of interest expense.



In July 2023, the long-term loan amounting to ₱1.5 billion was fully paid.

Interest expense including amortization of debt issue cost in 2023, 2022 and 2021 amounted to ₱59.7 million, ₱64.5 million and ₱63.6 million, respectively (Note 22).

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

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

18. Equity

Capital Stock

Capital stock consists of 2,000,000,000 authorized with 1,044,263,197 issued and outstanding common shares as of December 31, 2023 and 2022, with a par value of ₱1 per share.

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

Below is the summary of the Group's outstanding number of shares and holders of securities as at December 31, 2023:

Year	Number of shares registered	Number of holders of securities as at year end
January 1, 2022	1,044,263,197	2,003
Add (deduct) movement	-	-
December 31, 2022	1,044,263,197	2,003
Add (deduct) movement	-	(6)
December 31, 2023	1,044,263,197	1,997

Retained Earnings

In accordance with Revised Securities Regulation Code (SRC) Rule No. 68, the Parent Company's retained earnings available for dividend declaration as at December 31, 2023 and 2022 amounted to ₱1,627.8 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 ₱6,512.53 million and ₱6,405.31 million as at December 31, 2023 and 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, (P0.19 per share) to stockholders of record as of April 28, 2023, payable on or before May 19, 2023	P198,410	P-	P-
April 1, 2022, (P0.16 per share) to stockholders of record as of April 29, 2022, payable on or before May 20, 2022	-	P167,082	P-
November 12, 2021, (P0.239403 per share) to stockholders of record as of November 29, 2021, payable on December 22, 2021	-	-	250,000
April 8, 2021, (P0.06 per share to stockholders of record as of May 7, 2021, payable on May 31, 2021	-	-	62,656
	P198,410	P167,082	P312,656

On April 5, 2024, the BOD declared P198.41 million cash dividends (P0.19 per share) to stockholders of record as of May 3, 2024, payable on or before May 24, 2024.

Transactions with Non-Controlling Interests

On May 9, 2019, the Parent Company acquired the 281,642 shares of MESI owned by HI, representing 7% ownership in MESI. With this acquisition, MESI became a 100%-owned subsidiary of the Parent Company. The P354.2 million excess of the consideration paid over the book value of non-controlling interest acquired was recognized in equity by debiting "Equity reserve".

In December 2019, the Parent Company acquired 2,743 additional shares of UNC from various stockholders representing 24.99% ownership in UNC. With the acquisition, the Parent Company now owned 83.01% of UNC. The P123.8 million excess of book value of non-controlling interest acquired over the consideration paid was recognized in equity by crediting "Equity reserve".

Capital Management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2023 and 2022.

As at December 31, 2023 and 2022, the Group is not subject to externally imposed capital requirements except for the long-term loans of NTC and MCMM that are subject to debt to equity ratio requirement (Note 17).



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

	2023	2022
Liabilities (a)	₱4,879,779	₱4,961,294
Equity (b)	14,758,083	12,441,445
Debt-to-equity ratio (a/b)	0.33:1.00	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	₱4,418,998	₱4,032,966	₱3,570,963
Less: Scholarship grants and discounts	(198,991)	(225,742)	(289,692)
	4,220,007	3,807,224	3,281,271
Other student related income and auxiliary services	271,419	137,722	69,796
	₱4,491,426	₱3,944,946	₱3,351,067

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

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

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

20. Cost of Schools and Related Operations

Cost of schools and related operations account consists of:

	2023	2022	2021
Personnel expenses (Note 24)	₱1,218,803	₱1,086,585	₱1,032,944
Depreciation and amortization	401,620	338,315	344,366
Student-related expenses	200,929	158,725	70,926
Management and other professional fees (Note 15)	174,886	142,905	91,716

(Forward)



	2023	2022	2021
Periodicals	₱165,341	₱139,507	₱94,060
IT expense – software license	155,357	98,623	79,620
Utilities	126,976	82,589	50,131
Advertising	67,640	45,019	30,388
Repairs and maintenance	49,135	34,443	24,629
Tools and library books (Notes 10 and 13)	40,495	27,907	15,992
Accreditation cost	40,130	31,268	23,077
Research and development fund	38,289	20,403	19,870
Insurance	21,035	13,886	10,325
Seminar	12,614	11,180	7,621
Taxes and licenses	9,213	7,297	7,978
Office supplies	7,294	3,756	2,432
Transportation and travel	6,926	4,134	1,150
Rent (Note 31)	6,872	2,688	265
Laboratory supplies	6,739	3,192	1,601
Entertainment, amusement and recreation	1,576	1,775	1,124
Miscellaneous	6,217	4,975	4,364
Total	₱2,758,087	₱2,259,172	₱1,914,579

Details of depreciation and amortization follows:

	2023	2022	2021
Depreciation (Note 10)	₱445,067	₱381,276	₱362,238
Depreciation – ROU assets (Note 31)	51,420	54,167	54,832
Amortization – Student relationship (Note 6)	4,727	33,002	35,064
Amortization (Note 13)	6,113	6,862	4,551
	₱507,327	₱475,307	₱456,685

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

	2023	2022	2021
Cost of schools and related operations	₱353,081	₱286,481	₱292,353
Cost of schools and related operations – ROU assets (Note 31)	48,539	51,834	52,013
	401,620	338,315	344,366
General and administrative expenses (Note 21)	105,707	136,992	112,319
	₱507,327	₱475,307	₱456,685



21. General and Administrative Expenses

This account consists of:

	2023	2022	2021
Management and other professional fees (Note 15)	₱246,822	₱178,026	₱136,951
Personnel expenses (Note 24)	224,339	203,203	195,388
Advertising	124,360	58,123	40,147
Depreciation and amortization (Note 20)	105,707	136,992	112,319
Provisions for ECL (Note 8)	43,997	120,408	114,229
Provision for impairment (Note 6)	32,771	32,221	8,543
Taxes and licenses	25,226	25,805	15,442
Utilities	23,673	19,533	12,839
Repairs and maintenance	14,355	10,670	11,876
Membership fees and dues	14,156	7,844	7,663
Transportation and travel	11,135	4,400	2,330
IT expense – software license	6,885	2,353	2,699
Seminar	6,368	3,504	4,369
Insurance	6,176	4,844	6,944
Donations	5,580	3,123	3,877
Office supplies	3,919	2,982	773
Entertainment, amusement, and recreation	3,155	3,571	2,326
Commission	3,262	3,148	3,184
Rent (Note 31)	2,600	277	180
Investor relations	1,605	1,792	5,998
Miscellaneous	69,986	38,193	31,424
	₱976,077	₱861,012	₱719,501

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, bank charges, 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)	₱63,351	₱20,023	₱6,050
Advances to officers and employees (Note 8)	137	82	142
	₱63,488	₱20,105	₱6,192



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

	2023	2022	2021
Short-term loans (Note 16)	₱39,938	₱3,747	₱6,707
Long-term loans (Note 17)	79,278	85,917	84,870
Interest expense on lease liabilities (Note 31)	29,808	23,629	29,858
	₱149,024	₱113,293	₱121,435

23. Income Tax

Benefit from (provision for) income tax consists of:

	2023	2022	2021
Current	₱43,577	(₱3,449)	₱16,823*
Deferred	1,458	8,597	13,552
	₱45,035	₱5,148	₱30,375

*Due to CREATE impact

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

	2023	2022	2021
Income before income tax at statutory rate	25.00%	25.00%	25.00%
Add (deduct) reconciling items:			
Difference in income tax rate	(15.59)	(22.51)	(23.55)
Others	(3.04)	(3.15)	(6.24)
	6.37%	(0.66%)	(4.79%)

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

Pursuant to Republic Act (RA) No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises (CREATE)" Act, the following changes in tax rates became effective on July 1, 2023 implemented through Revenue Memorandum Circular (RMC) 69-2023:

- MCIT rate is reverted to 2% of gross income which was previously reduced from 2% to 1% effective July 1, 2020 to June 30, 2023
- Preferential income tax rate for proprietary educational institutions which are nonprofit is reverted to 10% which was previously reduced from 10% to 1% effective July 1, 2020 to June 30, 2023

Consequently, the Parent Company and Schools recognized provision for current income tax using the effective MCIT/preferential income tax rate of 1.5%/5.5% in 2023 in accordance with RMC 69-2023.

