CR04265-2021

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
- ☐ Preliminary Information Statement
- ☑ Definitive Information Statement

2. Name of Registrant as specified in its charter

   iPeople, inc.

3. Province, country or other jurisdiction of incorporation or organization

   Makati City

4. SEC Identification Number

   166411

5. BIR Tax Identification Code

   000187926000

6. Address of principal office

   3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City
   Postal Code
   1200

7. Registrant's telephone number, including area code

   (632) 8253-3637

8. Date, time and place of the meeting of security holders

   July 30, 2021, at 4:15 PM, and via a virtual meeting in view of the COVID19 pandemic. The link to the virtual meeting will be provided to stockholders of record who register to confirm their attendance.

9. Approximate date on which the Information Statement is first to be sent or given to security holders

   Jul 5, 2021

10. In case of Proxy Solicitations:

    Name of Person Filing the Statement/Solicitor

    Atty. Samuel V. Torres

    Address and Telephone No.

    3F Grepalife Building, 219 Sen. Gil J. Puyat Avenue Makati City, Tel. No.: 8815-9636

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common, P1.00 par value	1,044,263,197

13. Are any or all of registrant's securities listed on a Stock Exchange?

☑ Yes ☐ No

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange, Inc., Common Stock

iPEOPLE

iPeople, inc.
IPO

PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting

References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules

Date of Stockholders' Meeting	Jul 30, 2021
Type (Annual or Special)	Annual
Time	4:15 PM
Venue	Via a virtual meeting in view of the COVID19 pandemic. The link to the virtual meeting will be provided to stockholders of record who register to confirm their attendance.
Record Date	Jun 30, 2021

Inclusive Dates of Closing of Stock Transfer Books

Start Date	N/A
End date	Jun 30, 2021

Other Relevant Information
Please see attached copy of Definitive 20-IS.

Filed on behalf by:

Name	Victor Rafael
Designation	VP-Finance and Investor Relations

COVER SHEET

1 6 6 4 1 1

S.E.C. Registration Number

i P e o p l e , i n c .

(Company's Full Name)

3 r d F l r . G r e p a l i f e B u i l d i n g 2 1 9

S e n . G i l P u y a t A v e n u e M a k a t i

(Business Address: No. Street City/ Town/ Province)

Atty. Denise Jordan P. Arenillo	8253-3637
Contact Person	Company's Telephone Number/s

1 2	3 1	**DEFINITIVE SEC FORM 20 – IS**	0 7	3 0
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. Of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks= pls. Use black ink for scanning purposes

iPEOPLE

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of **iPeople, inc**. will be held on **Friday, July 30, 2021 at 4:15 PM**, to consider and act on the following:

1. Call to Order
2. Proof of Notice and Certification of a Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on August 11, 2020
4. Approval of the Management Report and the Audited Financial Statements for 2020
5. Ratification and confirmation of the acts, resolutions and proceedings of the Board of Directors, the various Committees, and the Management of the Company from the date of the last annual stockholders' meeting until the date of this meeting
6. Election of Directors for 2021-2022
    a. Approval of the extension of the terms and retention of Renato C. Valencia and Cesar A. Buenaventura as Independent Directors
7. Appointment of External Auditors
8. Such other business that may properly come before the meeting
9. Adjournment

Only stockholders of record at close of business on **June 30, 2021** shall be entitled to vote at this said meeting or any adjournment thereof.

Pursuant to the alternative mode of distributing and providing copies of the notice of the Annual Stockholders' Meeting as provided for in the Securities and Exchange Commission's NOTICE dated April 20, 2020, this notice to Stockholders shall be published in the business section of two (2) newspapers of general circulation, in print and online format, for two (2) consecutive days. The Information Statement and other pertinent meeting documents are available in the Company's website (www.ipeople.com.ph) and via PSE Edge.

Given the current circumstances, the Company will dispense with the physical attendance of stockholders at the meeting. Stockholders may only attend and participate and vote in the meeting by remote communication or in absentia or by appointing a proxy for the meeting. Stockholders who intend to attend and participate in the meeting via remote communication and to exercise their vote in absentia must notify the Company by email at asm2021@ipeople.com.ph on or before **July 20, 2021**. The link to the live webcast of the meeting and the proxy form shall be sent to the email address of the registered stockholder.

For voting via proxy, duly accomplished proxies shall be submitted by email to the Office of the Corporate Secretary at asm2021@ipeople.com.ph, for examination, validation, and recording no later than 5:00 pm of **July 20, 2021**. Proxies received thereafter shall not be recognized for the meeting.

The procedures for attending and participating in the meeting through remote communication, for casting of votes and the proxy form are set forth in the Information Statement and shall also be published in the Company's website at www.ipeople.com.ph/shareholders.

The Company shall record the Annual Stockholder's Meeting and post the same in its website.

Makati City, May 19, 2021

ATTY. SAMUEL V. TORRES
Corporate Secretary

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING

OF

iPEOPLE, INC.

Date	:	11 August 2020
Time	:	2:30 P. M.
Place	:	Via Electronic Means of Communication

and

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

The Chairman, Mr. Renato C. Valencia welcomed the Company's stockholders to the 2020 Annual Stockholders' Meeting (ASM). The Chairman noted that due to the persisting threat posed by the COVID-19 pandemic, and to comply with the Inter-Agency Task Force on Emerging Infectious Diseases' advisory to avoid physical mass gatherings, the Company is conducting its 2020 Annual Stockholders' Meeting as an online and recorded video-streaming meeting.

The Chairman proceeded to mention that the procedures for the ASM are embodied in the Company's Definitive Information Statement, which has been approved by the Securities and Exchange Commission (SEC). He also advised that to accord the Stockholders the opportunity to participate in the ASM, the Stockholders were informed that they may register online. Further, they were made aware that only questions and concerns submitted online prior to the given deadline will be addressed during the ASM. As for questions during the ASM, they will be addressed via email after the ASM. The Chairman then introduced the other incumbent members of the Board of Directors of the Company, who were present, while their pictures were being shown onscreen, as follows:

1.	Dr. Reynaldo B. Vea	–	Director/President & CEO
2.	Mr. Alfredo Antonio I. Ayala	–	Director/Chief Operating Officer
3.	Ms. Yvonne S. Yuchengco	–	Director
4.	Mr. Lorenzo V. Tan	–	Director
5.	Mr. Medel T. Nera	–	Director
6.	Mr. Gerardo C. Ablaza, Jr.	–	Director
7.	Mr. Cesar A. Buenaventura	–	Independent Director
8.	Ms. Herminia S. Jacinto	–	Independent Director

I. CALL TO ORDER.

The Chairman, Mr. Renato C. Valencia, called the meeting to order.

II. PROOF OF NOTICES.

The Chairman asked the Corporate Secretary, Atty. Samuel V. Torres, whether proper notices of the meeting were sent to the stockholders entitled thereto.

The Corporate Secretary certified that, pursuant to the alternative mode for distributing and providing the notice of meeting for the 2020 ASM, the notice was sent to all stockholders of record as of 10 July 2020 in four (4) ways, as follows:

First, by publication of the Notice of the ASM, including the agenda, on 20 July 2020 and 21 July 2020 in The Manila Bulletin and the Philippine Star, both in print and online editions for two (2) consecutive days, as evidenced by the Affidavits of Publications executed by the respective representatives of the publishers.

Second, by disclosure with the Philippine Stock and Exchange, Inc.

Third, by posting on the Company's website.

Finally, through email for those who have successfully registered online, consistent with applicable SEC Rules and the Company's internal guidelines on participation by electronic means of communication or in absentia.

III. DETERMINATION OF QUORUM.

The Corporate Secretary certified that out of the 1,044,263,197 outstanding shares of stock entitled to participate and vote, a total of 976,248,240 shares are represented in this meeting, with 976,241,615 shares represented by proxy. All of the said shares represent 93.49% of those entitled to participate and vote and constitute more than 2/3 of the outstanding capital stock. The Corporate Secretary then confirmed that there was quorum.

IV. APPROVAL OF THE MINUTES OF THE PREVIOUS STOCKHOLDERS' MEETING.

The Chairman proceeded to present the next item in the Agenda, which is the approval of the Minutes of the last Annual Stockholders' Meeting held on 28 June 2019. He advised that a copy of the Minutes is posted in the Company's website and available to all stockholders for viewing.

The Corporate Secretary then stated that a total of 976,248,240 shares, representing 93.49% of the total outstanding stock, voted in favor of the following resolution to approve the Minutes of the 2019 Annual Stockholders' Meeting:

> RESOLVED, that the Minutes of the Annual Stockholders' Meeting held on June 28, 2019 be, as they are hereby, noted and approved.

V. APPROVAL OF THE 2019 MANAGEMENT REPORT AND THE AUDITED FINANCIAL STATEMENTS.

The Chairman noted the next item on the Agenda, which is the approval of the 2019 Management Report and the 2019 Audited Financial Statements. He mentioned that the Annual Report is also posted in the Company's website, aside from being presented in the required SEC Form 17-A. The Chairman then requested the Company's President & CEO, Dr. Reynaldo B. Vea, to present a report on the results of the Company's operations last year.

Dr. Vea commenced his report with a quote from Ambassador Alfonso T. Yuchengco, as follows:

> "Never forget that you owe an obligation to something higher than your family, your company, your success. And that higher responsibility is to the larger interests of the Filipino nation of which you are part."

Dr. Vea then updated the stockholders on the schools part of the Company's educational sector business, particularly, Malayan Education System, Inc. (Operating Under the Name of Mapua University); Malayan Colleges Laguna, Inc., A Mapua School; Malayan Colleges Mindanao (A Mapua School), Inc.; Malayan High School of Science, Inc., National Teachers College; Affordable Private Education Center, Inc. (APEC School); and University of Nueva Caceres (all schools collectively referred to as the "Schools"). At the outset, Dr. Vea informed the stockholders on the Schools' student population, revenues, net income and total assets. Thereafter, Dr. Vea proceeded to report on the efforts and activities of the Schools under the subjects and themes Service through Empowerment, Service through Commitment to Excellence, Service through Formation, Service by Making Education Accessible, Innovation is Our Core Strength, Innovation and Research, and Our Vision Towards Our Direction.

Dr. Vea concluded his report by another quote from Ambassador Yuchengco as a guiding principle for the Schools, as follows:

> "Knowledge has become the key component of national power."

After Dr. Vea concluded his report, the Corporate Secretary noted the proposal to approve the Management Report and the 2019 Audited Financial Statements under the following resolution:

> "RESOLVED, that the Management Report and the 2019 Audited Financial Statements, as made available to the Stockholders, be as they are hereby, noted and approved."

There being no objections, the Corporate Secretary advised that a total of 976,248,240 shares, representing 93.49% of the total outstanding stock, voted in favor of the above resolution.

VI. RATIFICATION AND CONFIRMATION OF THE ACTS, RESOLUTIONS AND PROCEEDINGS OF THE BOARD OF DIRECTORS, THE VARIOUS COMMITTEES AND OFFICERS OF THE COMPANY DURING THE YEAR IN REVIEW.

The Corporate Secretary noted the proposal that all acts, resolutions and proceeds of the Board of Directors, the Executive Committee, the Other Committees, and Officers of the Company during the year in review be ratified and confirmed under the following resolution

> "RESOLVED, that all acts, resolutions, and proceedings of the Board of Directors, the Executive Committee, the Other Committees, and the Officers during the year in review be ratified and confirmed."

There being no objections, the Corporate Secretary advised that a total of 976,248,240 shares, representing 93.49% of the total outstanding stock, voted in favor of the above resolution.

VII. ELECTION OF DIRECTORS FOR 2020-2021.

The Chairman noted the next item in the Agenda, which is the election of directors for the year 2020-2021. He then asked the Corporate Secretary if he has the list of nominees to the Board of Directors. The Corporate Secretary replied in the affirmative and stated that, as of 18 June 2020, the deadline for nominations, there were nine (9) nominees, screened and short listed by the Corporate Governance, Nomination and Related Party Transactions Committee for election as members of the Board of Directors, namely:

Regular Directors

1. Dr. Reynaldo B. Vea
2. Mr. Alfredo Antonio I. Ayala
3. Ms. Yvonne S. Yuchengco
4. Mr. Lorenzo V. Tan
5. Mr. Medel T. Nera
6. Mr. Gerardo C. Ablaza, Jr.

Independent Directors

7. Mr. Renato C. Valencia
8. Mr. Cesar A. Buenaventura
9. Ms. Herminia S. Jacinto

The Corporate Secretary confirmed the results of the election, stating that all the shares represented in the meeting, particularly, a total of 976,248,240 shares, representing 93.49% of the total outstanding stock, voted in favor of the election of all nine (9) nominees. The Chairman thus declared and proclaimed the above-named nominees as elected members of the Company's Board of Directors for 2020-2021.

VIII. APPOINTMENT OF EXTERNAL AUDITOR.

The Chairman proceeded to tackle the next item on the Agenda, which is the appointment of the Company's external auditor.

The Corporate Secretary noted the proposal for SGV & CO. to be reappointed as the Company's external auditor for the calendar year ending 31 December 2020 under the following resolution:

> "RESOLVED, that the auditing firm, SGV & CO., be as it is hereby, reappointed as the Company's External Auditor for the calendar year ending 31 December 2020."

There being no objections, the Corporate Secretary advised that a total of 976,248,240 shares, representing 93.49% of the total outstanding stock, voted in favor of the above resolution.

IX. OTHER MATTERS.

The Chairman inquired if there were any other matters that any of the stockholders wished to discuss or whether there is any other item on the Agenda. The Corporate Secretary confirmed that there was none. The Chairman then also asked if there were any comments and questions submitted to the Company prior to the deadline for submission. The Corporate Secretary replied that no questions were received from the stockholders.

X. ADJOURNMENT.

There being no other questions and with no other business to transact, on motion duly made and seconded, the Annual Stockholders' Meeting was adjourned.

SAMUEL V. TORRES
Corporate Secretary

ATTEST:

RENATO C. VALENCIA
Chairman

EXPLANATION OF AGENDA ITEMS

The following are the Rules of Conduct and Procedures for the meeting:

- Stockholders who intend to attend and participate in the meeting via remote communication and to exercise their vote in absentia must notify the Company by email at asm2021@ipeople.com.ph, on or before July 20, 2021. After verification of the email request, the link to the live webcast of the meeting and the proxy form shall be sent to the indicated email address of the registered stockholder.

- Stockholders may vote by appointing a proxy. Stockholders voting by proxy shall submit via email the duly accomplished proxies for examination, validation and recording no later than 5:00 pm of July 20, 2021 to the Office of the Corporate Secretary at asm2021@ipeople.com.ph.

- Pursuant to Sections 57 and 23 of the Revised Corporation Code and SEC Memorandum Circular No. 6, Series of 2020, the Company has set up a registration and voting mechanism which may be accessed by the stockholders to participate and vote in absentia on the agenda items presented for resolution at the meeting, as detailed in the Annex A and Annex B to the Information Statement. A stockholder who votes in absentia shall be deemed present for purposes of quorum.

- The items in the Agenda for the approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the outstanding voting stock, voting through a proxy or voting electronically by remote communication or in absentia.

- Each of the proposed resolutions or items in the Agenda will be shown on the screen as the same is taken up at the meeting.

- Election of directors will be by plurality of votes and every stockholder will be entitled to cumulate his/her votes.

- The Company's stock transfer agent will tabulate, verify and validate all votes received.

- The Corporate Secretary shall report the results of voting during the meeting.

- Stockholders may email to asm2021@ipeople.com.ph relevant questions or comments to matters to be taken up, on or before the time of the meeting. The Company will endeavor to answer all questions submitted prior to and in the course of the meeting, or separately through the Company's Investor Relations Office within a reasonable period after the meeting. Stockholders are advised to send questions early to be assured that these will be taken up in time.

- The webcast will be recorded and will be posted on the Company's website after the meeting.

1. **Call to Order**

The Chairperson will formally open the meeting at 4:15 P.M.

2. **Certification of Notice and Quorum**

The Corporate Secretary, will certify that copies of the Notice of Meeting were duly published in the business section of two (2) newspapers of general circulation, and will certify the number of shares represented in the meeting, for the purpose of determining the existence of quorum to validly transact business.

3. **Approval of Minutes of the Annual Stockholders' Meeting held on August 11, 2020**

The copy of the minutes of the last Annual Stockholders' Meeting held on August 11, 2020 is attached to the Information Statement. It is also posted on the Company's website, at https://ipeople.com.ph/pdf/2020-4/. A resolution approving the minutes will be presented to the stockholders for approval.

4. **Approval of the Management Report and the Audited Financial Statements for 2020**

The Company President, Dr. Reynaldo B. Vea, will deliver a report to the stockholders on the Company's performance for the year 2020 and year-to-date activities. A copy of the Audited Financial Statements ("AFS") of the Company for the year ended December 31, 2020 (as audited by SyCip, Gorres, Velayo & Co.) is incorporated in the Information Statement. A resolution noting the report and approving the 2020 AFS will be presented to the stockholders for approval.

5. **Ratification and confirmation of the acts, resolutions and proceedings of the Board of Directors, the various Committees, and the Management of the Company from the date of the last annual stockholders' meeting until the date of this meeting**

The acts and resolutions of the Board of Directors, the various Committees, and the Management of the Company were those taken or adopted from the date of the last annual stockholders' meeting until the date of this meeting. They include the approval of agreements, projects, investments, treasury-related matters and other matters covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange. The acts of Management were those taken to implement the resolutions of the Board of Directors or its Committees and those taken in the general conduct of business. A resolution on this agenda item will be presented to the stockholders for approval.

6. **Election of Directors for 2021**

Any stockholder may submit to the Corporate Governance, Nomination and Related Party Transactions Committee nominations to the Board of Directors at least ten (10) days prior to the scheduled date of the Annual Stockholders' Meeting. The Corporate Governance, Nomination and Related Party Transactions Committee will determine whether the nominees for Directors, including the nominees for Independent Directors, have all the qualifications and none of the disqualifications to serve as members of the Board of Directors before submitting the nominees for election by the stockholders. The profiles of the nominees to the Board will be included in the Information Statement. The Corporate Secretary will present the names of the persons who have been duly nominated for election as directors of the Company. The voting procedure is set forth in the Information Statement.

7. **Appointment of External Auditor for 2021**

The Audit Committee shall endorse to the stockholders the re-appointment SyCip Gorres Velayo & Co. as external auditor of the Company for 2021. A resolution for the appointment of the external auditor will be presented to the stockholders for approval.

8. **Other Matters**

The Chairperson will open the floor for comments and questions from the stockholders. Stockholders may raise matters or issues that may be properly taken up at the meeting.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [√] Definitive Information Statement

2. Name of Registrant as specified in its charter **iPeople, inc.**

3. **Makati City, Philippines**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **166411**

5. BIR Tax Identification Code **000-187-926**

6. **3F, Grepalife Bldg., 219 Sen. Gil J. Puyat Ave., Makati City, Metro Manila Phil. 1200**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code (**632) 8253-3637**

8. Date, Time and place of the meeting of security holders: **July 30, 2021 at 4:15 PM to be conducted via virtual meeting with the proceedings livestreamed and voting conducted via remote communication or in absentia through the Company's secure online voting facility. The link to the virtual meeting will be provided to stockholders of record who register to confirm their attendance.**

9. Approximate date on which the Information Statement is first to be sent or given to security holders **July 05, 2021**.

10. In case of Proxy Solicitations:
    Name of Person filing the Statement/Solicitor: **Atty. Samuel V. Torres**
    Address and Telephone No.: **3/F Grepalife Building, 219 Sen. Gil J. Puyat Avenue Makati City, Tel. No.: 8815-9636**
    Email Address: asm2021@ipeople.com.ph

11. Securities registered pursuant to Sections 8 and 12 of the Code (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Authorized	Number of Shares Outstanding
Common, P1.0 par value	2,000,000,000 shares	1,044,263,197

    Total Debt Outstanding as of March 31, 2021: P5.01 Billion

12. Are any or all of registrant's securities listed on a Stock Exchange?

    Yes (√) No _______ **Common Stock**

    If so, disclose name of the Exchange: **Philippine Stock Exchange, Inc.**

PART 1
INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1: Date, Time and Place of Meeting of Security Holders:

Date of meeting	: **July 30, 2021**
Time of meeting	: **4:15 PM**
Place of meeting	: There is no physical venue for the meeting. It will be held virtually in view of the COVID19 pandemic and quarantine restrictions. The link to the meeting will be provided to stockholders of record who register to confirm their attendance. Actual proceedings shall be livestreamed, and voting will be conducted by proxy or through remote communication or *in absentia*.
Complete mailing address Principal office	: 3/F, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City, Philippines, 1200
Approximate date on which the Information Statement is first to be given or sent to security holders	: **July 05, 2021**

Item 2: Dissenters' Right of Appraisal

Pursuant to Title X, Section 80 of the Revised Corporation Code of the Philippines (the "Revised Corporation Code"), a stockholder shall have the right to dissent and demand payment of the fair value of his/her shares in the following instances:

a. In case an amendment to the Corporation's articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code;
c. In case of merger or consolidation; and
d. In case of investment of corporate funds for any purpose other than the primary purpose of the Corporation.

A stockholder who shall have voted against a proposed corporate action may seek payment of the value of his/her shares by submitting to the Corporation a written demand for such payment within thirty (30) days after the vote was taken. Failure to make such demand within the said period shall be deemed as a waiver of the stockholder's appraisal right. The failure of a dissenting stockholder to submit his/her certificates of stock with the Corporation (for notation that such are dissenting shares) within ten (10) days after the required written demand has been made shall also be deemed as a waiver of the dissenting stockholder's appraisal right.

If, within sixty (60) days from the approval of the corporate action by the stockholders, the dissenting stockholder and the Corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after the same is made.

Upon payment of the value of his/her shares, the dissenting stockholder shall forthwith transfer his shares to the Corporation. However, no payment shall be made to any dissenting stockholder unless the Corporation has retained earnings in its books to cover such payment.

A dissenting stockholder's demand for payment may not be withdrawn unless the Corporation consents thereto. If, however, such demand is withdrawn with the Corporation's consent, or if the proposed corporate action is abandoned, rescinded or disapproved, or if it is determined that the stockholder is not entitled to the appraisal right, then the right of the stockholder to be paid the fair value of his/her shares shall cease, the status of the stockholder shall be restored, and all dividends which would have accrued on the shares shall be paid to the stockholder.

There are no corporate matters in the Agenda for the annual meeting that will entitle dissenting stockholders to exercise their right of appraisal as provided in the Title X of the Revised Corporation Code.

Item 3: Interest of Certain Persons in or Opposition to Matters to be Acted Upon

a) No person, nominee for election as a director, associate or any director or officer at any time since the beginning of the last fiscal year, has substantial interest, direct or indirect, by security holdings in any matter to be acted upon at the meeting other than election to office.

b) No director of the Company has informed the registrant in writing that he intends to oppose any action to be taken by the registrant at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4: Voting Securities and Principal Holders Thereof

The Company's capital stocks are entitled to notice and vote at the Annual Stockholders' Meeting. Each share is entitled to one (1) vote. The Company has 1,044,263,197 shares of Common Stocks outstanding as of May 31, 2021.

Only holders of the Company's stock of record at the close of business on June 30, 2021 are entitled to notice and to vote at the Annual Meeting to be held on July 30, 2021.

Cumulative voting for Directors - At all elections of Directors, each stockholder may vote the shares registered in his name in person or by proxy for as many persons as there are Directors or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, however, that the whole number of votes cast by him shall not exceed the number of shares owned by him as shown in the Company's stock transfer books multiplied by the total number of Directors elected.

Security Ownership of Certain Beneficial Owners and Management

As of May 31, 2021, IPO knows of no one who beneficially owns in excess of 5% of IPO's common stock except as set forth in the table below:

1. Owners of more than 5% of voting securities as of May 31, 2021.

The following table shows the beneficial owners directly or indirectly owning more than 5% of the Company's capital stock as of May 31, 2021:

SHARE CLASS	NAME AND ADDRESS OF RECORD OWNER	NAME OF BENEFICIAL OWNER & RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NUMBER OF SHARES BENEFICIALLY OWNED	% OF TOTAL
Common	**HOUSE OF INVESTMENTS, INC.** *Grepalife Bldg., Sen. Gil Puyat Ave., Makati City Metro Manila Principal Stockholder*	**Ms. Helen Y. Dee** *Chairperson is authorized to direct voting of the shares held by House of Investments, Inc.*	Filipino	503,098,749[1]	48.18%
Common	**AYALA CORPORATION** *34F Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City*	**Mr. Jaime Augusto Zobel de Ayala** *(Chairman)* **and Mr. Fernando Zobel de Ayala** *(President and Chief Executive Officer) are authorized to direct voting of the shares held by Ayala Corporation.*	Filipino	349,829,961[2]	33.5%

[1] Direct and indirect holdings of House of Investments, Inc.
[2] Direct holdings of Ayala Corporation.

SHARE CLASS	NAME AND ADDRESS OF RECORD OWNER	NAME OF BENEFICIAL OWNER & RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NUMBER OF SHARES BENEFICIALLY OWNED	% OF TOTAL
Common	**A. SORIANO CORP.** *7F Pacific Star Bldg., Makati Ave., cor. Sen. Gil J. Puyat Ext., Makati City*	**Mr. Ernest K. Cuyegkeng** *EVP and CFO is authorized to direct voting of the shares held by A. Soriano Corp.*	Filipino	92,945,934[3]	8.90%

There are no arrangements that may result in change in control.

2. Security Ownership of Management

Securities beneficially owned by the directors, nominees, officers, other than qualifying shares, as of May 31, 2021 according to the records of its stock and transfer agent, Rizal Commercial Banking Corporation (RCBC):

SHARE CLASS	NAME OF BENEFICIAL OWNER	CITIZENSHIP	NATURE OF OWNERSHIP	SHARES OWNED	% OF CLASS
Common	Renato C. Valencia	Filipino	Indirect	1,300	0.0001%
Common	Cesar A. Buenaventura	Filipino	Indirect	68,850	0.0066%
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	Herminia S. Jacinto	Filipino	Direct	5	0.0000%
Common	Medel T. Nera	Filipino	Direct	100	0.0000%
Common	Yvonne S Yuchengco	Filipino	Direct Indirect	6,500 92,000	0.0006% 0.0088%
Sub-Total				**144,775**	**0.0162%**
Total Common Shares				**1,044,263,197**	**100.0000%**

Changes in Control
There had been no change in control in the Company that had occurred since the beginning of last year.

Voting Trust Holders of 5% and more
There are no shareholdings holding any Voting Trust Agreement or any such similar agreement.

Foreign Ownership per Class
As of May 31, 2021, there are 294,500 shares or 0.03% that are held by foreigners.

Item 5: Directors and Executive Officers

Board of Directors & Executive Officers
The Company's board of directors is composed of nine (9) members elected by and from among the Company's stockholders. The board is responsible for providing overall management and direction of the Company. Board meetings are held on a regular basis or as often as required to discuss the Company's operations, business strategy, policies and other corporate matters. A brief background on each member of the board is provided:

DIRECTORS		
Name	**Position**	**Length of Service**
Dr. Reynaldo B. Vea	President	6 years
Mr. Lorenzo V. Tan	Director	3 years
Mr. Medel T. Nera	Director	10 years
Ms. Yvonne S. Yuchengco	Director	20 years
Mr. Alfredo Antonio I. Ayala	Director	2 years
Mr. Gerardo C. Ablaza, Jr.	Director	2 years

[3] Direct and indirect holdings A. Soriano Corp.

INDEPENDENT DIRECTORS		
Name	**Position**	**Length of Service**
Mr. Renato C. Valencia	Chairman	16 years
Mr. Cesar A. Buenaventura, OBE	Director	30 years
Ms. Herminia S. Jacinto	Director	2 years

EXECUTIVE OFFICERS	
Name	**Position**
Dr. Reynaldo B. Vea	President and Chief Executive Officer
Mr. Alfredo Antonio I. Ayala	Chief Operating Officer
Ms. Gema O. Cheng	EVP and Chief Finance Officer
Mr. Alexander Anthony G. Galang	Chief Audit Executive
Ms. Shirley Q. Earnhart	Treasurer
Mr. Edgardo Augusto R. Grau, Jr.*	Chief Risk Officer
Ms. Pamela Q. Wu	Chief Human Resource Officer
Mr. Danilo R. Tiongco	Chief Information Officer
Mr. Victor V. Rafael	VP - Finance and Investor Relations
Mr. Jonathan M. Lopez	Controller
Atty. Denise Jordan P. Arenillo	Legal and Compliance Officer
Atty. Samuel V. Torres	Corporate Secretary
Atty. Ma. Elvira Bernadette G. Gonzalez	Assistant Corporate Secretary

** resigned effective 16 July 2021*

None of the above-mentioned Directors, Independent Directors, and Executive Officers of the Company is appointed or is an employee of any Government Agency in compliance with Article IX(B), Section 8 of the 1987 Philippine Constitution.

Position and Background within the last 5 years

RENATO C. VALENCIA, 79, Filipino, has been the **Chairman of the Board and Independent Director** since 2005. He is also **Chairman**, Omnipay, Inc.; **Lead Independent Director**, GT Capital Holdings, Inc.; **Independent Director**, EEI Corporation, Malayan Insurance Co., Inc., and Anglo Philippine Holdings Corp.; **Member,** Management Association of the Philippines and Financial Executives Institute of the Philippines. ***His past experiences include:*** **President & CEO**, Social Security System (SSS) and Roxas Holdings, Inc.; **Chairman & CEO**, Union Bank of the Philippines; **Independent Director**, House of Investments, Inc. and Metropolitan Bank and Trust Co.; ***Educational Background:*** Master of Business Management from Asian Institute of Management, Philippines; Bachelor of Science in General Engineering from Philippine Military Academy.

REYNALDO B. VEA, PhD, 69, Filipino, is a **Director and President** from 2015 to present. He is also the **President & CEO** of Malayan Education System, Inc. (Operating under the name of Mapua University); **Director and President** of Malayan Colleges Laguna, (A Mapúa School), Inc., Malayan Colleges Mindanao (A Mapua School), Inc., Malayan High School of Science, Inc., Mapua Techserv; **Trustee** of AY Foundation, Yuchengco Center of De La Salle University, and Yuchengco Museum; **Director** of Maibarara Geothermal, Inc., and Petrogreen, Inc., **Chairman** of the Engineering Science and Technology Division of the National Academy of Science and Technology, Philippine Qualifications Framework - National Referencing Committee (PQF-NRC), CHED-NZQA Technical Working Group on the Comparative Analysis of New Zealand's and the Philippines' Bachelor's Degrees, and the Philippine Science High School Foundation, Inc. ***His past experiences include:*** **Director** of House of Investments, Inc., Grepalife Dollar Bond Fund, Grepalife Fixed Income Fund, National Research Council of the Philippines, PetroWind, Inc., Rizal Commercial Banking Corp.,; **Member** of Philippine Fulbright Commission and UNESCO National Commission; **Trustee** of Philippine Association Colleges and University; **Chairman** of Committee on Science and Technology in UNESCO National Commission; **Dean** of UP College of Engineering. ***Educational Background:*** Ph.D. in Engineering from University of California, Berkley, USA; Master in Naval Architecture and Marine Engineering from Massachusetts Institute of Technology, USA; and Bachelor of Science in Mechanical Engineering (magna cum laude) from University of the Philippines.

LORENZO V. TAN, 59, Filipino, was elected as **Director on January, 2018**. He is currently a **Director** and the **President and Chief Executive Officer** of House of Investments, Inc.; **Vice Chairman** of Pan Malayan Management Inc. and TOYM Foundation; **Chairman and President** of Honda Cars Kolookan Inc., **Director and President** of RCBC Realty Corporation; **Director** at EEI Corp., Malayan Insurance Company Inc., Smart Communications, Digitel Telecommunications, Sunlife Grepa, Manila Memorial Park Cemetery Inc., and Hi-Eisai Pharmaceutical Inc.; **Board of Trustees** at De La Salle Zobel. ***His past experiences include:*** **Managing Director** of Primeiro Partners; **Chief Executive Officer and Director** of Rizal Commercial Banking Corporation; **President and Chief Executive Officer** of Sun Life of Canada (Phils.), Inc., Sun Life Financial Plans, Inc., Life Asset Mgmt., Co., Inc., Philippine National Bank and United Coconut Planters Bank; **Chairman** of Asian Bankers Association from 2012 to 2014; **President** of Bankers Association of the Philippines (BAP) from 2013 to March 14, 2016. As BAP President, he led the Association in representing the BAP in the ASEAN Bankers Association (ABA), composed of the national banking associations from the 10-member countries in the Association of Southeast Asian Nations (ASEAN). ***Educational Background:*** Certified Public Accountant in Pennsylvania, USA and in the Philippines. Mr. Tan graduated from De La Salle University with a Bachelor of Science degree in Accounting and Commerce, and holds a Master in Management degree from the J.L. Kellogg Graduate School of Management, Northwestern University.

ALFREDO ANTONIO I. AYALA, 60, Filipino, was elected as **Director and Chief Operating Officer** on May 06, 2019. He is also a **Managing Director** and member of the Management Committee of Ayala Corporation. He currently serves as **President and Chief Executive Officer** of National Teachers College and LiveIt Investment Ltd., Ayala Corporation's holding company for its business process outsourcing investments. He is the **Chairman of the Board of Directors** of Affordable Private Education Center, Inc., National Teachers College, Linc Institute, and **Chairman of the Board of Trustees** of University of Nueva Caceres; **Director** of Affinity Express; **Co-Chairman** of IBPAP Human Capital and Impact of Technology Technical Working Group; and a **Trustee** of Philippine Business for Education (PBEd) and Ayala Foundation, Inc. Mr. Ayala is also a **Member** of PBEd's National Industry Academe Council and Brown University's Humanitarian Innovation Initiative's Global Advisory Board. ***His past experiences include:*** **President and Chief Executive Officer** of AC Education, Inc.; **Vice-Chairman of the Board of Trustees** of University of Nueva Caceres; ***Educational background:*** Mr. Ayala holds an MBA from Harvard University and a BA in Development Studies (Honors) and Economics from Brown University.

CESAR A. BUENAVENTURA, OBE, 91, Filipino is an **Independent Director** since 1991 to present. He is also **Chairman** of Buenaventura Echauz and Partners, Inc., Mitsubishi Hitachi Power Systems (Phils.), and Via Technik

Inc.; **Vice Chairman** of DMCI Holdings, Inc.; **Independent Director** of Concepcion Industrial Corp., Pilipinas Shell Petroleum Corp., International Container Terminal Services Inc., and PetroEnergy Resources Corp.; **Director** of DM Consunji, Inc., Semirara Mining and Power Corp., The Country Club, Cavitex Holdings, Inc. **Founding Chairman** of Pilipinas Shell Foundation Inc.; **Trustee** of Bloomberry Cultural Foundation and ICTSI Foundation; **Founding Member** of Board of Trustees of Makati Business Club ***His past experiences include:*** **Chairman** of AG & P Co. of Manila, Asian Bank, Ayala Corp., Benguet Corp., First Philippine Holdings Corp., Ma. Cristina Chemical Industries, Maibarara Geothermal Inc., Manila International Airport Authority, Paysetter International Inc., Philippine Airlines, Philippine American Life Insurance Co., Philippine National Bank; **President** of Benigno S. Aquino Foundation; **Member** of the Monetary Board of Central Bank of the Philippines, U.P. Board of Regents, and the Board of Trustees of Asian Institute of Management ***Educational Background:*** Master of Civil Engineering Major in Structures from Lehigh University, USA; Bachelor of Science in Civil Engineering from University of the Philippines.

MEDEL T. NERA, 65, Filipino, is a **Director** since 2011 to present. He is also a **Director** of House of Investments, Inc., EEI Corp., Seafront Resources Corp., National Reinsurance Corporation, Holcim Philippines, Inc., Ionics, Inc. and the Generika Pharmaceutical Group of companies. ***His past experiences include*** **President & CEO** of House of Investments, Inc.; **President** of Honda Cars Kalookan, Inc., **Director and President** of RCBC Realty Corp.; **Director and Chairman of the Risk Oversight Committee** of Rizal Commercial Banking Corp.; **Director and Treasurer** of CRIBS Foundation, Inc., and **Senior Partner** at Sycip Gorres Velayo & Co. ***Educational Background:*** Master in Business Administration from Stern School of Business, New York University, New York, USA, Bachelor of Science in Commerce from Far Eastern University, Manila, Philippines, International Management Program from Manchester Business School, Manchester, United Kingdom, and the Pacific Rim Bankers Program from University of Washington, Seattle, Washington, USA.

YVONNE S. YUCHENGCO, 67, Filipino is a **Director** since 2001 to present. She is also the **Chairperson and Director** of RCBC Capital Corp. and XYZ Assets Corp..; **Chairperson and President** of Royal Commons, Inc., Y Tower II Office Condominium Corp. and Yuchengco Tower Office Condominium Corp.; **Chairperson and Trustee** of The Malayan Plaza Condominium Owners Association Inc.,; **Director, Chairman and President** of Philippine Integrated Advertising Agency, Inc.; **Director and Chairman** of Y Realty Corp., and Yuchengco Museum, Inc.; **Director and Vice Chairperson** of Malayan Insurance Co., Inc.; **Director and President** of Alto Pacific Corp.; MICO Equities, Inc., and RCBC Land, Inc.; **Director** of Annabelle Y. Holdings and Management Corp., Asia-Pac Reinsurance Co., Ltd., A.T. Yuchengco, Inc., DS Realty, Inc., Enrique T. Yuchengco, Inc., GPL Holdings, Inc., House of Investments, Inc., HYDee Management & Resource Corp., La Funenaria Paz Sucat, Inc., Luisita Industrial Park Corp., Malayan Education System, Inc. (operating under the name Mapúa University), Malayan Colleges Laguna, Inc., Malayan Colleges Mindanao, Inc., Malayan International Insurance Corp., Manila Memorial Park Cemetery, Inc., National Reinsurance Corp. of the Phils., Pan Malayan Express, Inc., Pan Malayan Realty Corp., RCBC Capital Corp., Seafront Resources Corp., Shayamala Corp., YGC Corporate Services, Inc., and Yuchengco Center, Inc.; **Director and Vice President** of A.Y. Holdings, Inc. **Director, Vice President and Treasurer** of Pan Managers, Inc**.; Director and Corporate Secretary** of MPC Investment Corp., **Director and Treasurer** of Honda Cars Kalookan, Inc., Malayan High School of Science, Inc., Mona Lisa Development Corp., Petro Energy Resources Corp. and Water Dragon, Inc.,; **Director, Treasurer and CFO** of Pan Malayan Management & Investment Corp.; **Trustee** of AY Foundation, Inc., Mapua Institute of Technology and Phil-Asia Assistance Foundation, Inc.,; **Advisory Member** of Rizal Commercial Banking Corp. ***Educational Background:*** Bachelor of Arts in Interdisciplinary Studies from Ateneo De Manila University, Philippines.

GERARDO C. ABLAZA, JR., 67, Filipino, was elected as **Director** on May 06, 2019. He is also currently a **Management Consultant** of Ayala Corporation. He serves as **Director** of Manila Water Company, Inc., Bank of Philippine Islands, BPI Family Bank, BPI Capital, Advanced Info Services, PLC (Thailand), Asiacom Philippines, Inc., LiveIt Investments Ltd., AC Energy, Inc., AC Healthcare Holdings, Inc. and AC Infrastructure Holdings Corporation. He sits as a **Member of the Board of Trustees** of Ayala Foundation. Mr. Ablaza was previously the **President and Chief Executive Officer** of Manila Water Company, Inc. and Globe Telecom, Inc. ***Educational Background:*** Graduated Summa Cum Laude from De La Salle University in 1974 with a degree in Liberal Arts, Major in Mathematics (Honors Program).

HERMINIA S. JACINTO, 82, Filipino, was elected as **Independent Director** on May 06, 2019. She is a Certified Public Accountant and currently the **President** of insurance Institute for Asia and the Pacific (IIAP). She is an **Independent Director** of BDO Life Assurance Co. and Fortune Guarantee Assurance Corporation and a **Trustee** of IIAP. She previously served as **President** of Universal Malayan Reinsurance Corporation and Universal Reinsurance Corporation. She was also **Secretary General** of the Association of Insurers and Reinsurers of Developing Countries. She is well-known in the world reinsurance market especially in the ASEAN/Asian region.

Executive Officers:

GEMA O. CHENG, 56, Filipino, is the **Executive Vice President - Chief Finance Officer and Treasurer**. She also holds the following positions within the group: **Executive Vice President - Chief Operating Officer, Chief Financial Officer, and Treasurer of** House of Investments, Inc.; **Chairman and President** of Investment Managers, Inc.; **Director, Vice President for Finance and Treasurer** of Landev Corporation; and serves as **Director** of the following: Malayan Colleges Laguna, Inc. (a Mapua School), Malayan Colleges Mindanao (a Mapua School), La Funeraria Paz-Sucat, Inc. and Manila Memorial Park Cemetery, Inc. ***Her past experiences include:*** **Senior Vice President** of SM Investments Corp. seconded as **Treasury Head** of SM Prime and its various business segments (Malls, Hotels & Conventions, Residences, Leisure and Commercial Properties Group) with concurrent role as **CFO** of the Commercial Properties Group; ***Educational Background:*** Bachelor of Arts in Economics (Magna Cum Laude) from the University of the Philippines-Diliman, Philippines; Certificate of Special Studies in Administration and Management from Harvard University, USA.

SHIRLEY Q. EARNHART, 48, Filipino, was appointed as **Treasurer** on May 06, 2019. She is a **Certified Treasury Professional** and, prior to her appointment to iPeople, inc., was a **Senior Manager and Head of Liquidity and Investment Management, Origination** with Ayala Corporation with twenty-six years of trading experience in money market, foreign exchange, equities and capital markets. ***Her past experiences include:*** **Head of Liquidity and Foreign Exchange Department** of Banco de Oro Universal Bank; **Head of Liquidity/Foreign Exchange and Bonds Unit** (USD and Multi-currency) of Dao Heng Bank, Inc. (Manila and Hong Kong Branches). ***Educational Background:*** Master of Science in Computational Finance, De La Salle University-Manila; Bachelor of Science in Commerce, Major in Management of Financial Institutions, De La Salle University-Manila, Philippines.

ALEXANDER ANTHONY G. GALANG, 60, Filipino, was appointed as **Chief Audit Executive** on May 06, 2019. He is also the **Senior Vice President** for Internal Audit of House of Investments, Inc., the parent company of iPeople, inc. since 2009. ***His past experiences include:*** **Vice President** for Audit & Special Projects of Anglo Asian Strategic Management Inc.; **President** of Avrion Systems Inc.; **Deputy Managing Director** of Cala Paniman, Inc.; **Treasury Head** of Anglo Asian Holdings Corporation; **Regional Auditor** for Asia and Pacific of Triumph International, Inc.; **Finance Head** of Triumph International Vietnam, Inc.; **Senior International Corporate Auditor** of International Semi-Tech Microelectronics, Inc., then parent company of Singer Sewing Machine Co. USA.; **Internal Audit Manager** of Honda Philippines, Inc., **Finance Comptroller** of Midas Touch Foods Corp, et. al.; **Senior Auditor** at SGV and Co. CPAs.; **Member, Board of Trustees** of the Association of Certified Fraud Examiners (ACFE) - Philippine Chapter. He is a Certified Public Accountant (CPA) having placed 12th in the 1981 licensure exams. He has a Global Certification as a Certified Fraud Examiner (CFE) and a Certification in Risk Management Assurance (CRMA). ***Educational Background:*** Bachelor of Science in Business Administration Major in Accounting (Cum Laude), University of Sto. Tomas.

EDGARDO AUGUSTO R. GRAU, JR*., Filipino, was appointed as **Chief Risk Officer** on August 16, 2019. He is also the **Vice President - Chief Risk Officer** of House of Investments, Inc., the parent company of iPeople, inc. Mr. Grau has 19 years' experience in the financial markets, as an examiner, financial analyst and policy developer at the Office of Thrift Supervision (now Office of The Comptroller of the Currency), an agency under the US Department of Treasury. He has expertise in mortgage banking, real estate lending, asset securitization, risk management, consumer compliance, and holding company oversight. He also has consulting experience with startups as well as small-to-medium-sized enterprises (SME). ***His past experiences include:*** **Chief Operations Officer** of Ampersand Capital, Incorporated; **Chief Financial Officer/Consultant** of Arcore Holdings Incorporated. ***Educational Background:*** Bachelor of Business Administration from Seton Hall University (Magna Cum Laude)
* *resigned effective 16-July 2021*

DANILO R. TIONGCO, 50, Filipino, was appointed **Chief Information Officer** on May 06, 2019. He is also the **I.T. Head** of Malayan Colleges Mindanao since June 2017. ***His past experiences include:*** **Integrated Management System Representative** of Mapua University, **IT Director** of the Development Office for Information Technology (DOIT) of Mapua University, and **Enrollment Czar** of Mapua University. ***Educational Background:*** Bachelor of Science in Computer Engineering, Mapúa University *(formerly Mapúa Institute of Technology)*

VICTOR V. RAFAEL, 46, Filipino, was appointed **Vice President for Finance and Investor Relations** on May 06, 2019. Prior to his appointment, he was **Senior Manager** for Financial Planning & Analysis (FP&A) with the House of Investments, Inc. since 2017. ***His past experiences include:*** **Assistant Vice President for FP&A and Treasury** at Prime Orion Philippines, Inc (POPI). Prior to that, he held several positions in POPI including **Corporate Planning Manager and Treasury Manager**. ***Educational Background:*** Bachelor of Science in Business Administration, University of the Philippines-Diliman.

JONATHAN M. LOPEZ, 47, Filipino, was appointed as **Controller** on May 06, 2019. Prior to joining iPeople, inc., he was the **Controller** of Malayan Education Systems, Inc (MESI). ***His past experiences include***: **Finance Director** of TVI Resource Development, Inc. from 2010 to 2014. ***Educational Background:*** Bachelor in Accountancy, Polytechnic University of the Philippines. He is a Certified Public Accountant.

DENISE JORDAN P. ARENILLO, 42, Filipino, was appointed as **Legal and Compliance Officer** on May 06, 2019. She is also the **Vice President for Legal Affairs** and **Data Privacy Officer** of Malayan Education System, Inc. (MESI) operating under the name Mapua University and the **Corporate Secretary** of Mapua TechServ, Inc., Mapua TechPower, Inc. and San Lorenzo Ruiz Investment Holdings and Services Inc. (Formerly: San Lorenzo Ruiz School of Health Sciences, Inc.) ***Her past experiences include:*** **Senior Associate** at Fortun Narvasa and Salazar Law Offices with expertise in Corporate, Labor and Family Law. ***Educational Background***: Juris Doctor, Ateneo De Manila University School of Law; Bachelor of Science in Management, Major in Legal Management, Ateneo De Manila University, Philippines.

PAMELA Q. WU, 48, Taiwanese, was appointed as **Chief Human Resources Officer** on May 06, 2019. She has served as the **Chief Human Resources Officer** of AC Education, Inc since 2013. ***Her past experiences include:*** **Vice President of Human Resources** (Philippines and China) of Stream Global Services from 2010 to 2012, **Vice President of Human Resources** of eTelecare Global Solutions, Philippine from 2005 to 2009. ***Educational Background***: Bachelor of Science in Psychology, Ateneo de Manila University, Philippines; Certificate of Business Administration from Washington State University.

SAMUEL V. TORRES, 56, Filipino, is the **Corporate Secretary.** His other present positions include: **General Counsel & Corporate Secretary** of Pan Malayan Management & Investment Corporation and **Corporate Secretary** of A. T. Yuchengco, Inc., A Y Foundation, Inc., A.Y. Holdings, Inc., Bankers Assurance Corp., Bluehounds Security and Investigation Agency, Inc., Luisita Industrial Park Corp., RCBC Bankard Services, Inc., Enrique T. Yuchengco, Inc. Investment Managers, Inc., Sun Life Grepa Financial, Inc., Grepaland, Inc., Grepa Realty Holdings Corporation, PetroEnergy Resources Corp., Seafront Resources Corp., GPL Cebu Tower Office Condominium Corp., Hexagon Integrated Financial & Insurance Agency, Inc., Hexagon Lounge, Inc., House of Investments, Inc., RCBC Land, Inc., RCBC Forex Brokers Corp., RCBC Realty Corp., RCBC Securities, Inc., RCBC Capital Corporation, Malayan High School of Science, Inc., Malayan Education System, Inc., Malayan Colleges Mindanao (A Mapua School), Inc., Malayan Colleges Foundation, Inc., Malayan Information Technology Center, Inc., Malayan Colleges Laguna, Inc. (A Mapua School), Affordable Private Education, Inc. doing business under the name of APEC SCHOOLS, AC College of Enterprise and Technology, Inc., Linc Institute, Inc., GPL Holdings Inc., Pan Pacific Computer Center, Inc., Honda Cars Kalookan, Inc., Hi-Eisai Pharmaceutical, Inc., People eServe Corp., La Funeraria Paz Sucat, Inc., Landev Corp., Pan Malayan Express, Inc., Pan Malayan Realty Corp., Philippine Advertising Agency, Inc., First Nationwide Assurance Corp., Malayan Insurance Co., Inc., MICO Equities, Inc., and Tokio Marine Malayan Insurance Corp. ***His past experiences include:*** **International Counsel** of South Pacific for Federal Express Corp. ***Educational Background:*** Bachelor of Laws, Ateneo De Manila University School of Law; Bachelor of Science in Business Economics, University of the Philippines.

MA. ELVIRA BERNADETTE C. GARCIA-GONZALEZ, 44, Filipino, is the **Assistant Corporate Secretary**. She is also the **Assistant General Counsel** of Pan Malayan Management & Investment Corporation and **Corporate Secretary** of Blackhounds Security and Investigation Agency, Inc. and the **Assistant Corporate Secretary** of House of Investments, Inc., Malayan Colleges Mindanao (A Mapua School), Inc., Affordable Private Education, Inc. doing business under the name of APEC SCHOOLS, AC College of Enterprise and Technology, Inc., Linc Institute, Inc., Yuchengco Tower Office Condominium Corp., Y Tower II Office Condominium Corp., and GPL Holdings, Inc. ***Her past experiences include:*** **Legal Counsel and Assistant Corporate Secretary** of Coca-Cola Bottlers Philippines, Inc.; **Assistant Corporate Secretary** of Philippine Bottlers, Inc. and Luzviminda Land Holdings, Inc. ***Educational Background:*** Juris Doctor, Ateneo De Manila University School of Law; Bachelor of Arts in Political Science, Ateneo De Manila University, Philippines.

Nominations for Independent Directors and Procedures for Nomination

Following rules and procedures shall apply to the nomination and election of Independent Directors.

a) There shall be at least three (3) independent directors. An independent director is one who is independent of management and free from business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as director, and must possess all of the qualifications, and none of the disqualifications as prescribed by the Bangko Sentral Ng Pilipinas, Securities and Exchange Commission and other regulatory authorities, from time to time.

b) The Corporate Governance, Nomination & Related Party Transactions ("RPT") Committee composed of at least three (3) members, all of whom are independent directors, shall promulgate the guidelines or criteria to govern the conduct of the nominations.

c) Nomination of independent director shall be conducted by the Corporate Governance, Nomination & RPT Committee prior to the stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.

d) The Corporate Governance, Nomination & RPT Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent directors;

e) After the nomination, the Corporate Governance, Nomination & RPT Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required by existing and applicable rules, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, or in such other reports the Company is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee;

f) Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Directors. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.

g) Election of Independent Directors

- Subject to pertinent existing rules and regulation of SEC, the conduct of the election of independent directors shall be made in accordance with the standard election procedures of the By-laws.
- It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure that independent directors are elected during the stockholders' meeting.
- Specific slots for independent directors shall not be filled up by unqualified nominees.

In case of failure of elections for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

The following are nominated for Directors of the Registrant in 2021-2022:

Regular Directors:

1) Dr. Reynaldo B. Vea
2) Mr. Gerado C. Ablaza, Jr.
3) Mr. Alfredo Antonio I. Ayala
4) Mr. Medel T. Nera
5) Mr. Lorenzo V. Tan
6) Ms. Yvonne S. Yuchengco

Independent Directors

1) Mr. Renato C. Valencia
2) Mr. Cesar A. Buenaventura
3) Ms. Herminia S. Jacinto

Mrs. Eliadah Neiel Escudero-Dela Rama, a stockholder of the Company, who is not in any way related to the nominees, nominated to the Board the re-election of Messrs. Cesar A. Buenaventura, Renato C. Valencia, and Ms. Herminia S. Jacinto as Independent Directors.

The Corporate Governance, Nominations, and Related Party Transactions Committee reviews and evaluates the qualifications of all persons nominated as director as well as those to be nominated to other positions requiring appointment by the Board of Directors. With respect to the nominees for independent directors, they are neither officers nor employees, consultants or retainers, legal or otherwise, of the Company or any of its affiliates, and do not have any relationship with the Company which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Their nomination and qualification by the Corporate Governance, Nominations, and Related Party Transactions Committee were in compliance with the Company's By-Laws, Manual of Corporate Governance, and SRC Rule 38. The directors so nominated possess all the qualifications and none of the disqualifications for independent directors. *(Attached as Annexes A-1 to A-3 are the Certifications of Independent Directors)*

It may be noted, however, that while the Company is guided by the SEC's mandatory term limits for independent directors as provided for in SEC Memorandum Circular No. 4 (Series of 2017), two (2) of the nominees for independent director, Mr. Renato C. Valencia and Mr. Cesar A. Buenaventura, are already serving a respective cumulative term of nine (9) years as reckoned from the year 2012. Nonetheless, the election of Mr. Valencia and Mr. Buenaventura as independent directors of the Company is being proposed for stockholders' approval based on the invaluable contribution and guidance that they are constantly providing to the Company. The following meritorious justifications may be considered:

Mr. Cesar A. Buenaventura graduated from the University of the Philippines with a degree in BS Civil Engineering. As a Fullbright scholar, he received his Master's Degree in Civil Engineering from Lehigh University in Bethlehem, Pennsylvania. He started his profession in the construction business with David M. Consunji. Thereafter, in 1956, Mr. Buenaventura went on to commence a long-standing career at Pilipinas Shell, serving as the first Filipino Chairman & CEO of the Shell Group of Companies in the Philippines, from 1975 to 1990. He remains as a Director of said company to date. Among the many appointments and positions that Mr. Buenaventura has held and continues to hold, one of the most notable would be as a Member of the Monetary Board of the Central Bank of the Philippines, representing the private sector from 1981 to 1987. He was also a Founding Member of the Board of Trustees of the Makati Business Club, a Member of the Board of Regents of the University of the Philippines from 1987 to 1994 and of the Board of Trustees of the Asian Institute of Management from 1994 to 1997. Mr. Buenaventura has also been honored with numerous awards and accolades, including being made an Honorary Officer of the Order of the British Empire (OBE) by HM Queen Elizabeth II. Undoubtedly, the Company greatly benefits from Mr. Buenaventura's guidance and expertise as a well-respected member of the business community, and it would be in the Company's best interest for Mr. Buenaventura to continue providing the same as the Company's Independent Director.

Mr. Renato C. Valencia similarly maintains a reputable standing. He has an impressive academic background, graduating in the Top 10 of his class at the Philippine Military Academy with a degree in BS General Engineering and receiving his Master's Degree in Business Management, as a full scholar, from the Asian Institute of Management. Mr. Valencia went on to establish a distinguished career in both the private and public sectors. He has held directorships with and served as officer of various banking and financial institutions, including as Chairman, President, CEO and COO of the Union Bank of the Philippines, Chairman of the Philippine Savings Bank, and Director of the Philippine Veterans Bank. To date, Mr. Valencia serves as a Director of Omnipay, Inc. Apart from these, he has also held notable positions in other business industries, such as Vice-Chairman of San Miguel Corporation, Advisory Board Member of the Philippines Coca-Cola System Council, and directorships with PLDT, Meralco, Philex Mining Corporation, Makati Stock Exchange and several other private companies. In the public sector, he was a long-term Chairman of the Social Security System from 1990 to 1998, and served as a Director of the Bases Conversion Development Authority and the Fort Bonifacio Development Corporation. Mr. Valencia is also well-known for his civic affiliations, which includes having been Vice-Chairman of the Philippine Cancer Society and a Member/Trustee of the Heart Foundation of the Philippines, Filipino Veterans Foundation and Management Association of the Philippines. Mr. Valencia's extensive experience and proficiency in the fields of banking and finance, real estate, other business industries and public sector concerns, coupled with his appreciation for civic duties, certainly provides the Company with invaluable direction and guidance.

The continued presence of Mr. Buenaventura and Mr. Valencia will benefit all stakeholders of the Company with the stability brought by the combined knowledge and expertise of the two Independent Directors.

Term of Office of Directors

A Director shall hold office for one (1) year and until their successors are elected and qualified.

The composition of the members of the Company's various committees for 2020-2021 are as follows:

COMMITTEE	ADVISORY BOARD *	EXECUTIVE	SENIOR MANAGEMENT	BOARD RISK OVERSIGHT	AUDIT	CORPORATE GOVERNANCE, NOMINATION and RPT	REMUNERATION
Chairman	Helen Y. Dee	Renato C. Valencia	Lorenzo V. Tan	Cesar A. Buenaventura	Cesar A. Buenaventura	Renato C. Valencia	Renato C. Valencia
Member	Jaime Augusto Zobel de Ayala	Medel T. Nera	Reynaldo B. Vea	Renato C. Valencia	Medel T. Nera	Cesar A. Buenaventura	Cesar A. Buenaventura
Member	Ernest K. Cuyegkeng	Gerardo C. Ablaza Jr.	Alfredo Antonio I. Ayala	Gerardo C. Ablaza Jr.	Herminia S. Jacinto	Herminia S. Jacinto	Herminia S. Jacinto

* Members of the Advisory Committee are non-directors

Resignation of Directors

To date, no director has resigned or declined to stand for re-election for the Board of Directors due to any disagreement with the Corporation relative to the Corporation's operations, policies and practices.

Election of Directors

The Directors of the Company are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting or until their respective successors have been elected and qualified.

Appointment and Resignation of Officers

Officers are appointed or elected annually by the Board of Directors at its organizational meeting immediately following the Annual Meeting of Stockholders, each to hold office until the next organizational meeting of the Board of Directors in the next year or until a successor shall have been elected, appointed or shall have qualified.

Significant Employees

Other than the Directors and the Executive Officers identified in this Information Statement, there are no other significant employees.

Family Relationships

There are no family relationships among the directors and officers.

Interest on Certain Matters to be Acted Upon

No director or officer of the Company has substantial interest, direct or indirect, in any matter to be acted upon in the meeting.

Certain Relationships and Related Transactions

No director or officer of the Company is involved in any business transaction with iPeople, inc. and its subsidiaries.

There are no material transactions which were negotiated by the Company with parties whose relationship with the Company fall outside the definition of "related parties" under Philippine 13 Accounting Standards 24, Related Party Disclosures, but with whom the Company has relationship that enables such parties to negotiate terms that may not be available from other, more clearly independent parties on an arm's length basis.

Transactions with related parties consist primarily of receivables and payables, which are currently due and collectible. Amounts due to and from related parties consist mainly of unsecured advances to and from other parties arising from computer-related services, rental and contracted services, car loans, insurance and management fees, which are to be settled on a cash basis. Outstanding balances are expected to be realized and settled within one year from the reporting date.

Please refer to Annex E, Note 15, of the Notes to the Financial Statements for the full details of the Group's related party transactions.

Involvement in Legal Proceedings

The Company is not aware of the following events during the past 5 years up to May 31, 2021:

(a) any bankruptcy petition filed by or against any business of which any of its director or executive officers was a general partner or executive officer either at the time of bankruptcy or within two (2) years prior to that time.

(b) any conviction by final judgment of any director or senior executive in a criminal proceeding domestic or foreign or being subject to a pending criminal proceeding domestic or foreign, of any director, executive officer or person nominated to be a director

(c) any director or senior executive being subject to any order, judgment or decree not subsequently reversed, suspended or vacated of any court of competent jurisdiction, domestic or foreign permanently or temporarily enjoining barring, suspending or otherwise limiting such directors' or executive officer's involvement in any type of business securities, commodities or banking activities

(d) any executive officer or director found by a domestic or foreign court of competent jurisdiction, the Commission or other foreign body or a domestic or foreign Exchange or other organized trading market or self-regulatory organization to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

Item 6: Compensation of Directors and Executive Officers

NAME AND POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION
The top 5 executives of the Company are as follows: 1. Reynaldo B. Vea, President & CEO 2. Alfredo Antonio I. Ayala, COO 3. Gema O. Cheng, EVP & CFO 4. Shirley Q. Earnhart, Treasurer 5. Alexander Anthony G. Galang, Chief Audit Executive	2021 est. 2020 2019 2018	P0 P0 P0 P0	P0 P0 P0 P0	P0 P0 P0 P0
All other officers and directors as group unnamed.	2021 est.	₱0.00	₱0.00	₱ 1,075,714
	2020	₱0.00	₱0.00	₱ 981,429
	2019	₱0.00	₱0.00	₱1,063,571
	2018	₱0.00	₱0.00	₱ 800,000
TOTALS	**2021 est.**	**₱0.00**	**₱0.00**	**₱ 1,075,714**
	2020	**₱0.00**	**₱0.00**	**₱ 981,429**
	2019	**₱0.00**	**₱0.00**	**₱1,063,571**
	2018	**₱0.00**	**₱0.00**	**₱ 800,000**

The Company does not pay any salary or bonus to any of its Executive Officers as there are no employment contracts with executive officers. Other Annual Compensation pertains to per diem allowances given to Directors as discussed below.

Directors are paid a per diem of P20,000 for attendance in a Board meeting. Board meetings are scheduled every quarter in a year. A director is also paid a per diem of P10,000 for participation in committee meetings.

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, other than those stated on the above table during the Company's last completed fiscal year, and the ensuing year, for any service provided as an executive officer or member of the Board of Directors.

There is no director, executive officer, nominee for director, beneficial holder and family member involved in any business transaction of the Company.

Item 7: Independent Public Accountants

The Accounting firm of Sycip Gorres Velayo and Company (SGV & Co.), with office address at 6760 Ayala Avenue, SGV Building, Makati City, Philippines, has been the Company's Independent Auditors since the Company's incorporation, and has been recommended to serve as such for the current year.

Pursuant to Memorandum Circular No. 8, series of 2003 (Rotation of External Auditors), the Company has engaged Ms. Ana Lea C. Bergado, as the Engagement Partner of SGV & Co. effective 2017. SEC rules mandate the compulsory rotation of audit partners after 5 years.

The engagement of the external auditors was favorably endorsed by the Audit Committee to the Board of Directors. The engagement is ultimately submitted for approval of the stockholders.

<u>Disagreement with Accountants on Accounting and Financial Disclosure</u>
There was no event for the last 5 years where SGV & Co. had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

<u>Attendance of Accountants at the Meeting</u>
Representatives of SGV & Co. are expected to be present at the annual stockholders meeting with the opportunity to make any statement, if they so desire, and will be available to respond to appropriate questions on the Company's financial statements.

<u>External Audit Fees and Services</u>
The Company has engaged SGV & Co. as the external auditor, and is tasked to conduct the financial audit of the Company. For this service, SGV & Co. has billed the company the following amounts:

YEAR	AUDIT FEE BILLING
2020	₱4,245,500
2019	₱4,285,500
2018	₱2,346,500

The Company has not engaged SGV & Co. for any other services aside from its annual audit for the last five (5) years.

<u>Tax Fees</u>
The Company has not engaged the services of the external auditor for tax accounting, compliance, advice, planning and any other form of tax services.

<u>All Other Fees</u>
There are no other fees billed in each of the last two years for the products and services provided by the external auditor, other than the services reported under the items mentioned above.

Item 8: Compensation Plans

No action shall be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9: Authorization or Issuance of Securities Other than for Exchange

No action is to be taken with respect to the following:

1. modification or exchange of securities
2. financial and other information
3. mergers, consolidation, acquisition and similar matters
4. restatement of accounts

Item 10. Modification or Exchange of Securities

No action is to be taken with respect to the modification of any class of securities of the registrant, or the issuance or authorization for issuance of one class of securities of the registrant in exchange for outstanding securities of another class.

Item 11: Financial and Other Information

The Company's Audited Financial Statements as of December 31, 2020 and the Management Discussion and Analysis, Market Price of Shares and Dividends and other data related to the Company's financial information are attached hereto as Annex "E" and "Annex D", respectively.

Item 12: Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken with respect to any transaction involving the following:

1) the merger or consolidation of the registrant into or with any other person or of any other person into or with the registrant;
2) the acquisition by the registrant or any of its security holders of securities of another person;
3) the acquisition by the registrant of any other going business or of the assets thereof;
4) the sale or other transfer of all or any substantial part of the assets of the registrant; or
5) the liquidation or dissolution of the registrant.

Item 13: Acquisition or Disposition of Property

No action is to be taken with respect to the acquisition or disposition of any property.

Item 14: Restatement of Accounts

No action is to be taken with respect to restatement of any asset, capital, or surplus accounts.

D. OTHER MATTERS

Item 15: Action With Regard to Reports

The Minutes of the previous stockholders meeting held on August 11, 2020 and the Management Report will be submitted for stockholders' approval.

Approval of the August 11, 2020 Minutes constitutes a ratification of the accuracy and faithfulness of the Minutes of the events that transpired during the said meeting, such as (a) 2019 annual report and audited financial statements, (b) ratification of actions of the Board of Directors, different Committees and Management during the year 2019, (d) elections of directors, and (e) appointment of external auditors.

Approval of the Management Report constitutes a ratification of the Company's performance during the previous calendar years.

Ratification and confirmation of all the acts, resolutions and proceedings of the Board of Directors, Executive Committee and officers of the Company. This pertains to all acts resolutions, proceedings and approval made by the Board of Directors, Executive Committee and Officers of the Company from the last stockholders' meeting on August 11, 2020 up to the date of meeting (July 30, 2021). This includes, among others, those that involve the day to day operations, administration and management of the corporate affairs.

Copies of the minutes of stockholders' meeting shall be given to the stockholders at the meeting.

Item 16: Matters Not Required to be Submitted

No action is to be taken with respect to any matter, which is not required to be submitted to a vote of security holders.

Item 17: Amendment of Charter, Bylaws or Other Documents

No action is to be taken with respect to amendments to the Company's charter, bylaws or other documents.

Item 18: Other Proposed Action

The following matters will be submitted to a vote at the meeting:

1. Approval of the Minutes of the Annual Stockholders' Meeting held on August 11, 2020
2. Approval of the Management Report and the Audited Financial Statements of the Company for the year ended December 31, 2020
3. Ratification and confirmation of all acts, resolutions and proceedings of the Board of Directors, the various Committees and the Management of the Company from the date of the last annual stockholders' meeting until the date of this meeting
4. Election of Directors for 2021-2022
5. Appointment of External Auditors

Item 19: Voting Procedures

At all elections of Directors, each stockholder may vote the shares registered in his name via remote communication or in absentia or by proxy for as many persons as there are Directors, or he may cumulate said shares and give one candidate as many votes, as the number of Directors to be elected multiplied by the number of his share, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, however, that the whole number of votes cast by him shall not exceed the number of shares owned by him as shown on the Company's stock transfer books multiplied by the number of Directors to be elected.

The voting procedure for election and approval of corporate action in which Stockholders' approval will be required shall be by "viva voce" unless voting by ballot is decided upon during the meeting. The methods by which vote will be counted, except in cases where voting by ballots is applicable, voting and counting shall be by "viva voce". If by ballot, counting shall be supervised by external auditors.

The Company will not declare stock dividends during the year.

CORPORATE GOVERNANCE

(a) Evaluation System to Measure Compliance with the Manual on Corporate Governance and the Code of Corporate Governance for Publicly- Listed Companies

The Company has monitored its compliance with Securities and Exchange Commission (SEC) Memorandum Circulars as well as all relevant Philippine Stock Exchange (PSE) Circulars on Corporate Governance. It 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 with the Manual on Corporate Governance and the Code of Corporate Governance for Publicly- Listed Companies.

For the period covering the year 2020, the Company will submit its IACGR before May 31, 2021.

(b) Appraisals and performance report for the Board and the criteria and procedure for assessment

As required and in accordance with the provisions of the Manual on Corporate Governance of the Company, the Board conducted a self-assessment of its performance, as well as the performance of the Board Committees, Chairman/Chief Executive Officer, and President/Chief Operating Officer for the last fiscal year.

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

In its IACGR, the Company has complied with the majority of the provisions and recommendations in the Manual on Corporate Governance and the Code of Corporate Governance for Publicly- Listed Companies.

(d) Deviation from the Manual on Corporate Governance

Except for a few optional recommendations provided in Manual on Corporate Governance and Code of Corporate Governance for Publicly- Listed Companies, which the Company failed to comply (based on the "comply or explain" policy of SEC), the Company committed to comply with the same in 2021. Said items will be reflected in the 2020 IACGR due on May 31, 2021.

(e) Plans to Improve Corporate Governance

In order to improve the Company's adherence to the leading practices in good corporate governance as well as the Manual on Corporate Governance and the Code of Corporate Governance for Publicly- Listed Companies, the Company's Directors and top Management continuously attends 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 Code of Corporate Governance for Publicly-Listed Companies.

UNDERTAKING

UPON WRITTEN REQUEST OF STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH THE STOCKHOLDERS WITH A COPY OF THE COMPANY'S YEAR 2020 ANNUAL REPORT ON SEC FORM 17-A FREE OF CHARGE. ANY WRITTEN REQUEST FOR A COPY OF SEC 17-A SHALL BE ADDRESSED AS FOLLOWS:

iPeople, inc.
Attention: Office of the Corporate Secretary
Address: 3rd Flr. GPL Building
219 Sen. Gil Puyat Avenue
Makati City
Tel No.: (632) 8815-96-36
Fax No.: (632) 8816-11-27

SIGNATURE

After reasonable inquiry and to the best of our knowledge and belief, we certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on ________2021.

JUN 0 8 2021

iPeople, inc.
By:

Atty. Denise Jordan P. Arenillo
Compliance Officer

Atty. Samuel V. Torres
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME
THIS JUN 0 8 2021 AT PASAY CITY

DOC NO. 443
PAGE NO. 75
BOOK NO. IV
SERIES OF 2021

ATTY. JOVINO R. ANGEL
NOTARY PUBLIC
UNTIL DEC. 31, 2022
PTR. NO.7361920 01/04/2021 PASAY CITY
IBP NO. 141069 01/04/2021 PASAY CITY
COMMISSION NO.19-37-PASAY CITY
MCLE NO. V-0024151-10-25-2016
ROLL NO.287..

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RENATO C. VALENCIA**, Filipino, of legal age and a resident of No. 331 Ma. Cristina Road, Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of **iPEOPLE, INC.** and have been its independent director since 2003.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/ Relationship	Period of Service
Please see attached Annex "A"		

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **iPEOPLE, INC.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of iPeople, Inc. and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code:

Name of Director/ Officer/Substantial Shareholder	Company	Nature of Relationship
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I confirm that I am not engaged in government service or affiliated with any government agency or government owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **iPEOPLE, INC.** of any changes in the abovementioned information within five days from its occurrence.

Done this MAY 12 2021 day of April 2021, at Makati City, Metro Manila, Philippines.

RENATO C. VALENCIA
Affiant

SUBSCRIBED AND SWORN to before me this MAY 12 2021 day of April 2021 at Makati City, affiant personally appeared before me and exhibited to me his Tax Identification Card No. 118-457-420, and SSS ID No. 03-26735839.

Doc. No. 407;
Page No. 83;
Book No. 122;
Series of 2021.

JOSHUA P. LAPUZ
Notary Public for Makati City
Appointment No. M-66 / Until 12-31-2021
Roll No. 45790 / IBP Lifetime No. 04897 / 7-3-0
PTR O.R. No. 8531012 / 1-4-21 / Makati City
MCLE No. VI-0016565 / 01-14-19
4/F, Fedman Suites, 199 Salcedo St.
Legaspi Village, 1229 Makati City

ANNEX "A" - COMPANY/ORGANIZATION AFFILIATIONS

No.	Company/Organization	Position/Relationship	Period of Service/Status
1	Anglo Phil., Inc.	D	2006 to date
2	Aquaworld Corporation	I, D	Inactive
3	Asia Pacific Network Holdings	I,S,D, Chair	Inactive
4	CNP Worldwide, Inc.	I,S,D, Chair	Inactive
5	Far East Savings Bank, Inc.	I, D	1997-98/acquired by BPI
6	Golden Paradise Ents. Inc.	D	not operational
7	Grepalife Dollar Bond Fund Corp	I, D	2006 to 2011
8	Grepalife Fixed Income Fund Corp.	D	2006 to 2011
9	House of Investments, Inc.	D	March 17, 2005 to 2016
10	Hypercash Payment Systems, Inc.	I, S, D, Chair	Inactive
11	Icash, Inc.	D	not operational
12	Independent Insight, Inc.	I, S, D, Vice Chair	June 27, 2001 to Oct. 2011
13	Intervest Consulting Group	I, S, D	Inactive
14	i-People, Inc.	D, Chair	June 26, 2006 to date
15	Malayan Insurance Co., Inc.	D	2006 to date
16	Metropolitan Bank & Trust Company	D	November 1998 to May 2017
17	My PaySwitch, Inc.	I, S, D, Pres.	Pre-Operating
18	NG.com, Inc.	I, S, D	Inactive
19	Philippine Coca Cola System Council	D	May 2, 2007 to Oct. 2011
20	Point Lobo Int'l Corp.	D, Pres.	Inactive
21	Reliant Ventures Holdings, Inc.	I, S, D, Chair	Inactive
22	Roxas & Co.	D	2006; 2010 to Oct. 2015
23	Roxas Holdings, Inc.	D	2006; 2010 to Oct. 2015
24	Triple Top AIM, Inc.	I, S, D	Inactive
25	EEI Corporation	D	Sep. 8, 2015 to date
26	GT Capital, Inc.	D	May 10, 2017 to date

N.B. I (Incorporator); S (Stockholder); D (Director)

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CESAR A. BUENAVENTURA**, Filipino, of legal age and a resident of 58 McKinley Road, Forbes Park, Makati City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of **iPEOPLE, INC.** and have been its independent director since 1991.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/ Relationship	Period of Service
Buenaventura, Echauz & Partners, Inc.	Chairman	2001 to Present
Bloomberry Cultural Foundation	Director	2015 to Present
Concepcion Industrial Corporation	Director	2014 to Present
D.M. Consunji, Inc.	Director	1995 to Present
DMCI Holdings, Inc.	Vice Chairman	1995 to Present
ICTSI Foundation	Director	2015 to Present
Mitsubishi Hitachi Power Systems Philippines, Inc.	Chairman	1996 to Present
Pilipinas Shell Foundation, Inc.	Director	1983 to Present
Pilipinas Shell Petroleum Corporation	Director	1970 to Present
Petroenergy Resources Corp.	Director	1995 to Present
Semirara Mining and Power Corp.	Director	1997 to Present
The Country Club	Director	2016 to Present
International Container Terminal Services Inc.	Director	2019 to Present
Manila Water Company, Inc.	Director	April 16, 2021 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **iPEOPLE, INC.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of **iPEOPLE, INC.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code:

Name of Director/ Officer/Substantial Shareholder	Company	Nature of Relationship
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I confirm that I am not engaged in government service or affiliated with any government agency or government owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **iPEOPLE, INC.** of any changes in the abovementioned information within five days from its occurrence.

MAY 14 2021

Done this ________ day of April 2021, at Makati City, Metro Manila, Philippines.

CESAR A. BUENAVENTURA
Affiant

MAY 14 2021

SUBSCRIBED AND SWORN to before me this _______ day of April 2021 at Makati City, affiant personally appeared before me and exhibited to me his Philippine Passport No. __________________, issued at ________________, and valid until _____________.

Doc. No. 438;
Page No. 89;
Book No. 127;
Series of 2021.

JOSHUA P. LAPUZ
Notary Public for Makati City
Appointment No. M-66 / Until 12-31-2021
Roll No. 45790 / IBP Lifetime No. 04897 / 7-3-0
PTR O.R. No. 8531012 / 1-4-21 / Makati City
MCLE No. VI-0016565 / 01-14-19
G/F, Fedman Suites, 199 Salcedo St
Legaspi Village, 1229 Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **HERMINIA S. JACINTO**, Filipino, of legal age and a resident of 75 J.P. Laurel St., BF Homes, East Phase 6, Parañaque City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of **iPEOPLE, INC.**

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/ Relationship	Period of Service
BDO Life Assurance Co.	Ind. Director	8 years
Fortune General Insurance Corp.	Ind. Director	6 years
Insurance Institute for Asia and the Pacific	President	5 years

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **iPEOPLE, INC.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of **iPEOPLE, INC.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code:

Name of Director/ Officer/Substantial Shareholder	Company	Nature of Relationship
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I confirm that I am not engaged in government service or affiliated with any government agency or government owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **iPEOPLE, INC.** of any changes in the abovementioned information within five days from its occurrence.

Done this ___4th_____ day of May 2021, at _____Makati_____________ City, Metro Manila, Philippines.

HERMINIA S. JACINTO
Affiant

SUBSCRIBED AND SWORN to before me this __4___ day of May 2021 at CITY OF MAKATI, affiant personally appeared before me and exhibited to me her Senior Citizen ID No. ___02444_______, issued at Parañaque, and valid until ________________.

Doc. No. 985 ;
Page No. 78 ;
Book No. XI ;
Series of 2021.

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Extended Until June 30, 2021
Per B.M. No 3795
IBP No. 05729-Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M 183-(2019-2020)
PTR No. 8531011 Jan. 4, 2021
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio del Pilar, Makati City

iPEOPLE

25 May 2021

THE SECURITIES AND EXCHANGE COMMISSION
PICC Complex, Roxas Boulevard
Pasay City

Attention: **MR. VICENTE GRACIANO P. FELIZMENIO, JR.**
Director, Markets and Securities Regulation Department

Re: **SEC FORM 20-IS OF iPEOPLE, INC. (SEC Reg. No. 166411)**

Gentlemen:

In compliance with the requirements of the Securities Regulation Code relative to the filing of the SEC Form 20-IS of iPeople, Inc. (the "Company"), we hereby certify that none of the Company's incumbent directors and executive officers who may be elected and appointed during the Annual Stockholders' and Organizational Meetings to be held on 30 July 2021 are government employees.

We trust that the foregoing sufficiently complies with this Honorable Commission's requirements.

Very truly yours,

SAMUEL V. TORRES
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME
THIS JUN 0 8 2021 AT PASAY CITY

DOC NO. 142
PAGE NO. 75
BOOK NO. IV
SERIES OF 2021

ATTY. JOVINO R. ANGEL
NOTARY PUBLIC
UNTIL DEC. 31, 2022
PTR. NO.7361920 01/04/2021 PASAY CITY
IBP NO. 141069 01/04/2021 PASAY CITY
COMMISSION NO.19-37-PASAY CITY
MCLE NO. V-0024151-10-25-2016
ROLL NO.28761

PROXY

I, ____________________, the undersigned holder of shares of stock of iPeople, inc. ("Corporation"), do hereby constitute, name and appoint the **Chairman of the Meeting**, or in his absence, **the Secretary of the Meeting**, as my attorney and proxy, to represent me and to vote all the shares registered under my name in the Books of the Corporation at the Annual Meeting of the Stockholders of the Corporation on **July 30, 2021** and any adjournment(s) thereof.

In particular, I hereby direct my said proxy to vote on the matters set forth below as I have expressly indicated by marking the same with an "X". **If I fail to indicate my vote on the items specified below, I authorize my proxy full discretion to act and I understand that my proxy shall vote in accordance with the recommendation of the Management. Management recommends a "FOR ALL" vote for proposal 1 and a "FOR" for proposals 2 through 5.**

PROPOSAL	**ACTION**		
	FOR ALL	**WITHHOLD FOR ALL**	**EXCEPTION**
1. Election of Management's Nominees as Directors **Management Nominees are:** 1. Reynaldo B. Vea 2. Gerardo C. Ablaza, Jr. 3. Alfredo Antonio I. Ayala 4. Medel T. Nera 5. Lorenzo V. Tan 6. Yvonne S. Yuchengco **Independent Directors:** 7. Renato C. Valencia 8. Cesar A. Buenaventura 9. Herminia S. Jacinto **INSTRUCTIONS:** *To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list name(s) under.*			
	FOR	**AGAINST**	**ABSTAIN**
2. Approval of the Minutes of the Annual Stockholders' Meeting held on August 11, 2020			
3. Approval of the Management Report and the Audited Financial Statements for 2020			
4. Ratification and confirmation of the acts, resolutions and proceedings of the Board of Directors, the Various Committees and the Management of the Company from the date of the last annual stockholders' meeting until the date of this meeting			
5. Appointment of SGV as External Auditors			

THIS PROXY, SOLICITED ON BEHALF OF THE INCUMBENT BOARD OF DIRECTORS OF IPEOPLE, INC. SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE 5:00 P.M OF JULY 20, 2021, THE DEADLINE FOR SUBMISSION OF PROXIES.

REVOCABILITY OF PROXY

THE SHAREHOLDER MAY REVOKE THE PROXY ISSUED BY HIM AT ANY TIME PRIOR TO ITS USE BY THE PARTY WHO IS THEREBY AUTHORIZED TO EXERCISE THE SAME. THE PERSON SIGNING THE PROXY HAS THE RIGHT TO REVOKE THE PROXY BY ATTENDING THE MEETING IN PERSON, OR BY GIVING A WRITTEN NOTICE TO THE SECRETARY PRIOR TO THE MEETING, OR THRU THE EXECUTION OF A PROXY AT A LATER DATE.

PERSONS MAKING THE SOLICITATION

THIS PROXY IS SOLICITED ON BEHALF OF THE MANAGEMENT OF IPEOPLE, INC. THE PROXY STATEMENT AND THE ENCLOSED PROXY SHALL BE SENT TO THE SECRETARY OF THE CORPORATION THROUGH ELECTRONIC MEANS ADDRESSED TO ASM2021@IPEOPLE.COM.PH, ON OR BEFORE 5:00 P.M. ON JULY 20, 2021. THE DULY EXECUTED HARD-COPY SHOULD ALSO BE MAILED TO THE OFFICE OF THE CORPORATE SECRETARY, IPEOPLE, INC. 3/F GREPALIFE BLDG. 219 SEN. GIL PUYAT AVENUE, MAKATI CITY.

IN ADDITION TO SOLICITATION OF THE PROXIES BY ELECTRONIC MEANS AND/OR MAIL, OFFICERS AND EMPLOYEES OF THE COMPANY MAY ALSO SOLICIT PROXIES PERSONALLY OR BY TELEPHONE. THE COST OF SOLICITATION, APPROXIMATELY ₱ 115,000 WILL BE BORNE BY THE IPEOPLE, INC.

THERE IS NO MATERIAL CONSIDERATION CONTRACT OR ARRANGEMENT FOR THE SOLICITATION. THE COMPANY IS NOT A PARTY TO ANY ARRANGEMENT OR UNDERSTANDING WITH ANY PERSON WITH RESPECT TO ANY MATTER TO BE ACTED UPON THE MEETING.

THIS PROXY SHALL BE VALID FOR FIVE (5) YEARS FROM THE DATE HEREOF UNLESS OTHERWISE INDICATED IN THE BOX HEREIN PROVIDED: ☐

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED “FOR” THE ELECTION OF ALL NOMINEES AND FOR SUCH MATTERS AS MAY PROPERLY COME BEFORE THE MEETING, INCLUDING MATTERS WHICH THE SOLICITOR(S) DO NOT KNOW A REASONABLE TIME BEFORE THE SOLICITATION ARE TO BE PRESENTED AT THE MEETING, IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON:

1. No other current director or officer of the Company, or nominee for election as directors of the Company or any associate thereof, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than the election to office.
2. No director has informed the Company in writing that he intends to oppose any action to be taken by the registrant at the meeting.

THIS PROXY SHALL CONFER DISCRETIONARY AUTHORITY TO VOTE WITH RESPECT TO ANY OF THE FOLLOWING MATTERS:

1. MATTERS WHICH THE COMPANY DOES NOT KNOW DURING A REASONABLE TIME BEFORE THIS SOLICITATION ARE TO BE PRESENTED AT THE MEETING.
2. MATTERS INCIDENT TO THE CONDUCT OF THE MEETING.

______________________	______________________	______________________	______________________
Signature of Stockholder	Printed Name	No. of Shares	Date

____

Address and Telephone Number

THIS PROXY IS BEING SOLICITED IN BEHALF OF THE MANAGEMENT OF IPEOPLE, INC.

Please mail this proxy form to:
ATTY. SAMUEL V. TORRES
CORPORATE SECRETARY
iPeople, Inc.
3/F Grepalife Bldg.
219 Sen. Gil Puyat Avenue, Makati City OR EMAIL TO: asm2021@ipeople.com.ph

ANNEX B

A. Procedure to Register to be able to Attend and Participate in the Meeting

Stockholders are requested to notify the Company by July 20, 2021, via email at asm2021@ipeople.com.ph, of their intention to participate in the Company's Annual Stockholders' Meeting on 30 July 2021 by remote communication.

For validation purposes, Stockholders shall also provide the Company with the following information: (a) Name; (b) Address; and (c) Contact Number. The Company may also require the submission of certain documents to ascertain and verify the identity of the requesting person.

B. Procedure for Electronic Voting In Absentia

I. Coverage

Stockholders of iPeople, inc. who chose to electronically vote in absentia, upon valid registration.

II. Registration

1. Who may Register - Stockholders of Record as of June 30, 2021
2. When to Register - Registration period shall be from July 13, 2021 at 8:00am until July 20, 2021 at 5:00pm, Philippine time ("Registration Period"). Beyond this date, Stockholders may no longer avail of the option to electronically participate at the Annual Stockholders' Meeting and vote by remote communication or in absentia.
3. How to Register - The Stockholder will be requested to send a notification to asm2021@ipeople.com.ph together with scanned or digital copy of the documents listed below, within the Registration Period, for validation.

   Individual Stockholders:

   a. A recent photo of the Stockholder, with the face fully visible,
   b. Front and back portions of the Stockholder's valid government-issued identification. card, preferably with residential address, and
   c. Contact number

   Stockholders with Joint Accounts:

   a. Authorization letter signed by all Stockholders, identifying who among them is authorized to cast the vote for the account,
   b. A recent photo of the authorized Stockholder, with the face fully visible.
   c. Front and back portions of the authorized Stockholder's valid government-issued identification card, preferably with residential address, and
   d. Contact number of the authorized Stockholder

   Broker Accounts:

   a. The broker's certification on the Stockholder's number of shareholdings,
   b. A recent photo of the Stockholder, with the face fully visible,
   c. Front and back portions of the Stockholder's valid government-issued identification card, preferably with residential address, and
   d. Contact number

Corporate Stockholders:

a. Signed Secretary's Certificate attesting to the authority of the representative to vote for and on behalf of the Corporation,
b. A recent photo of the Stockholder's representative, with the face fully visible,
c. Front and back portions of the valid government-issued identification card of the Stockholder's representative, preferably with residential address, and
d. Contact number of the Stockholder's representative

Stockholders with incomplete requirements, and who were not given the link to attend the meeting through remote communication or vote *in absentia*, may still vote by sending a proxy to the Annual Stockholders' Meeting.

4. Validation of Registration

The validation of the Stockholder's registration shall be completed by the Company within three (3) business days from receipt thereof.

The Company will send an email confirming the successful validation of the Stockholder's registration.

Please note that submission of incomplete or inconsistent information may result in an unsuccessful registration and attendance in the meeting through remote communication will not be allowed.

Note: In light of the recent events and government pronouncements and guidelines surrounding the COVID-19 pandemic, the Company shall allow electronic signature for the required documents, as may be applicable. Notarization requirement shall also be dispensed with at this time. However, the Company reserves the right to request additional information, and original signed and notarized copies of these documents at a later date, as it deems necessary.

III. Voting

Please use the form attached as ANNEX 'C' to record your vote and then email to: asm2021@ipeople.com.ph, on or before July 20, 2021.

Notes & Conduct of Voting:

A. Voting

1. The Stockholder Appointing a Proxy:
   Stockholders may give the Proxy the authority to vote in all matters for approval.
2. The Stockholder Voting by Remote Communication or In Absentia:
   The Stockholder will be asked to fill in the attached Annex "C".

a. For items other than the Election of Directors, the registered Stockholder has the option to vote: For, Against, or Abstain. The vote is considered cast for all the registered Stockholder's shares.
b. For the Election of Directors, the registered Stockholder may vote for all nominees, not vote for any of the nominees, or vote for some nominees only, in such number of shares as preferred by the Stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected.

The votes cast in absentia will have equal effect as votes cast by proxy.

B. Tabulation & Validation of Votes In Absentia or by Proxy

All votes cast through proxy forms or in absentia will be tabulated by the Company, and the RCBC Stock Transfer Office will validate the results.

Validation and final tally of votes through Proxy or in absentia shall be released on or before the meeting date.

C. Determination of Quorum

Only those Stockholders who have notified the Company of their intention to participate in the Annual Stockholders' Meeting by remote communication, and who have successfully registered during the Registration Period, together with the Stockholders who voted by proxy or in absentia will be included in the determination of quorum.

D. Access to the Live Meeting

The Company will send the registered Stockholders the link to the live webcast of the Annual Stockholder's Meeting through the email confirming their successful registration no later than two (2) business days prior to the date of the Meeting.

E. Stockholders' Questions/Comments During the Meeting

Stockholders may send their questions and/or comments during the meeting to asm2021@ipeople.com.ph. The Corporate Secretary shall raise these questions on behalf of the Stockholder.

F. Recording of the Annual Meeting

The Company shall post the link to the recorded webcast of the Annual Stockholder's Meeting on the Company's website within two (2) weeks after the conduct of the meeting.

ANNEX C

Electronic Voting In Absentia

<table>
<tr><th>PROPOSAL</th><th colspan="3">ACTION</th></tr>
<tr><td></td><td>FOR ALL</td><td>WITHHOLD FOR ALL</td><td>EXCEPTION</td></tr>
<tr><td>Election of Directors
Management Nominees are:
1. Reynaldo B. Vea
2. Gerardo C. Ablaza, Jr.
3. Alfredo Antonio I. Ayala
4. Medel T. Nera
5. Lorenzo V. Tan
6. Yvonne S. Yuchengco
Independent Directors:
7. Renato C. Valencia
8. Cesar A. Buenaventura
9. Herminia S. Jacinto

INSTRUCTIONS: To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list name(s) under.</td><td></td><td></td><td></td></tr>
<tr><td></td><td>FOR</td><td>AGAINST</td><td>ABSTAIN</td></tr>
<tr><td>Approval of the Minutes of the Annual Stockholders' Meeting held on August 11, 2020</td><td></td><td></td><td></td></tr>
<tr><td>Approval of the Management Report and the Audited Financial Statements for 2020</td><td></td><td></td><td></td></tr>
<tr><td>Ratification and confirmation of the acts, resolutions and proceedings of the Board of Directors, the Various Committees and the Management of the Company from the date of the last Annual Stockholders' Meeting until the date of this meeting</td><td></td><td></td><td></td></tr>
<tr><td>Appointment of SGV as External Auditors</td><td></td><td></td><td></td></tr>
</table>

DATE: ____________________________

STOCKHOLDER'S NAME: _________________________________

STOCKHOLDER'S SIGNATURE: ____________________________

**Please submit this form on or before end of the business day of July 20, 2021, and accompanied by any government issued identification.*

MANAGEMENT REPORT

Financial and Other Information

Audited Financial Statements
The Statement of Management's Responsibility and Consolidated Audited Financial Statements of the Group as at December 31, 2020 are attached hereto as Annex E.

Changes in and Disagreements with Accountants in Accounting and Financial Disclosure
None

Management Discussion and Analysis of Financial Condition and Plan of Operations

1. Description of Business

iPeople, inc. ('iPeople" or "the Company") is the holding and management company under House of Investments, Inc. and the Yuchengco Group of Companies ("YGC") that drives investments in the education sector. The Company is a publicly listed company on the Philippine Stock Exchange (PSE:IPO).

Its main operating subsidiaries are the Malayan Education System, Inc. (Operating under the name of Mapúa University) ("Mapúa University" or "MESI"), National Teachers College (doing business under the name The National Teachers College) ("NTC"), University of Nueva Caceres ("UNC") and Affordable Private Education Center, Inc. (doing business under the name of APEC Schools) ("APEC").

Mapúa University also has three main wholly owned subsidiaries, the Malayan Colleges Laguna, Inc. A Mapúa School ("MCL"), Malayan High School of Science, Inc. ("MHSS") and Malayan Colleges Mindanao, Inc. A Mapúa School ("MCM"). MCM is Mapúa University's newest incorporated school. MCM opened its doors to senior high school and college students in July 2, 2018.

On October 1, 2018, the Board of Directors (BOD) of the Parent Company executed a memorandum of agreement (MOA) for a proposed Plan of Merger between iPeople and AC Education, Inc. (AEI), the wholly owned education arm of Ayala Corporation (AC), with iPeople as the surviving entity and HI and AC controlling 51.3% and 33.5%, respectively. The merger would bring together the educational group of HI and AC and will enable accelerated growth and provide stronger academic offerings and career prospects for the students. The merger will also unlock synergies between iPeople and AEI to be able to deliver quality education, aimed not only at educating the Filipino youth but also at preparing their graduates to become major players in sustainable businesses driven by adaptive technology.

The proposed merger was subsequently approved by the Parent Company's Stockholders on December 12, 2018 and was approved by the Philippine Competition Commission (PCC) on December 12, 2018. On April 24, 2019, the Company received from the Securities and Exchange Commission (SEC), the Certificate of Filing of the Articles and Plan of Merger approving the merger. On May 02, 2019, the merger by and between the Company and of AEI became effective with iPeople, being the surviving entity, is deemed to have acquired all the assets and to have assumed all the liabilities of AEI. In exchange for the transfer of the net assets of AEI to iPeople, the Company issued to the shareholders of AEI an aggregate of 295,329,976 shares with a total par value of P295.3 million.

On May 09, 2019, the Company acquired 281,642 Malayan Education Systems, Inc. common shares owned by HI. With the acquisition, iPeople now owns 100% of MESI.

In December 2019, the Company became the beneficial owners of an additional 2,743 shares of University of Nueva Caceres common shares which represents 24.99% ownership in UNC. With that, iPeople now owns 83.62% of UNC.

1.1 Business of the Issuer

The Holding Company

Executive management takes an active role in the business operations of the companies under its portfolio. Through participation in management and operations meetings and regular reviews, iPeople leads the planning and monitoring of achievement of goals.

In particular, management watches operating metrics very closely and how these impact the financial metrics. By monitoring operating metrics and financial metrics, executive management can always determine whether the capital deployed to various businesses within the portfolio is being used efficiently and generate returns that meet hurdle rates.

Executive management also engages in continuous business development programs. These business development activities range from assisting subsidiaries in developing growth opportunities within their respective businesses, developing expansion plans or at the holding company level, exploring new opportunities for portfolio diversification.

Risk Factors at the Holding Company Level

The following covers the risk management policies at the holding company level.

a. Interest Rate Risk
   It is a company policy to use excess liquidity to pay down any borrowings in order to decrease financing costs, and reduce exposure to rising interest rates. It is also a company policy to actively discuss with lending banks on how to lower financing costs. The Company does not have a practice of speculating on the direction of interest rates. As of report date, the Company does not have any borrowings that will directly expose it to interest rate risk.

b. Foreign Exchange Risk
   Foreign exchange risk results primarily from movements in the prevailing exchange rate between the Philippine Peso (PHP) and the United States Dollar (USD). This risk does not materially affect the Company as the revenues and the operating expenses of iPeople are denominated in PHP.

c. Liquidity Risk
   This refers to the ability of the Company to service maturing debts, finance capital requirements, and pay for existing operations. IPO maintains a consistent level of funding and constantly monitors its projected cash flows. Close attention is paid to asset liability management.

d. Credit Risk
   iPeople's exposure to credit risk is very minimal because its receivables are mostly from related parties, which are being managed through close account monitoring and limit setting. However, iPeople's holding of cash and short-term securities exposes the company to the credit risk of the counterparty.

e. Price Risk
   Listed equity instruments at FVOCI are subject to price risk due to changes in market values because of specific factors related to these securities, or because of factors related to the overall market for financial assets. Consistent with corporate priority for liquidity, iPeople limits its exposures to non-equity financial instruments.

f. Business Continuity Risk
   The Company is acutely conscious of the risks posed by natural disasters, acts of God, or other man-made actions that can have an adverse impact on the continuity of regular

operations. The iPeople Board through its Risk Oversight Committee and the management team monitor that the business continuity plans of each operating subsidiary is in place and is up to date. Further, iPeople works with the Yuchengco Group of Companies Business Continuity Management - Disaster Recovery Management (YGC BCM-DRM) Council to ensure that necessary precautionary measures are taken to mitigate risks that may cause disruptions to the operations of our various subsidiaries.

g. Succession Risk
The company knows that people are an important resource and that its executive management team is a significant contributor to the continuing growth of iPeople, inc.. In order to preserve the management chain of succession and institutional knowledge that comes with it, the executive management works with the executives of the Company's Parent Company and the executives of the operating subsidiaries to ensure continues training and career development plans are in place.

Implementation of the IPO Enterprise Risk Management Framework is carried out by the IPO Risk Team, which consists of Risk Officers from the schools. The Risk Team is overseen by the iPeople Chief Risk Officer (CRO). Group Internal Audit (IA) continues to provide valuable input to risk management through their regular audits.

The BROC exercises an oversight role on executive management who are accountable for managing the risks that arise out of regular business operations. Risk related concerns are discussed during the quarterly Board Risk Oversight Committee (BROC) meetings.

School Operations

MALAYAN EDUCATION SYSTEM, INC. (OPERATING UNDER THE NAME OF MAPUA UNIVERSITY)

Founded in 1925 by Don Tomas Mapúa, an architecture graduate of Cornell University in the United States and the first registered architect of the Philippines, Mapúa University is the Philippines' premier engineering and technological university.

Mapúa envisions itself to be among the best universities in the world, unceasingly fostering its tradition of excellence in engineering and sciences, architecture and design, information technology, business and management, media studies, and social sciences education. It provides students a learning environment that will make them globally competitive, engaging in economically viable research, development, and innovation to provide state-of-the-art solutions to problems of industries and communities.

Mapúa has been recognized among Asia's top 500 universities as it entered the Quacquarelli Symonds (QS) Asia University Rankings for 2019 and 2020. In 2017, it received a three-star overall rating for excellence from QS. It received five stars in the areas of employability, facilities, and social responsibility. In 2019, Mapúa participated in the inaugural Times Higher Education University Impact Rankings, which recognized universities for their social and economic impact, landing in the 301+ bracket for the Partnership for the Goals category.

It is the first school in Southeast Asia to obtain accreditation from the United States-based ABET (www.abet.org). Currently, 11 of its engineering programs and three of its computing programs are accredited by ABET's Engineering Accreditation Commission and Computing Accreditation Commission, respectively. It also has the most number of engineering programs (Chemical Engineering, Civil Engineering, Computer Engineering, Electrical Engineering, Electronics Engineering, Environmental and Sanitary Engineering, and Mechanical Engineering; Information Technology) recognized as Centers of Excellence by the Philippine Commission Higher on Education.

The University's strong academic foundation ensures its graduates are of high caliber taking lead roles in the global arena. To date, it has produced over 370 topnotchers across 11 of national professional licensure examinations since 2000. Its students are also prepared for the world of practice through their exposure to international on-the-job trainings, and research and development undertakings, which are achieved through the University's continuous forming of international linkages with prestigious companies and universities.

A recognized leader in digital education and online learning in the Philippines and one of the most digital-ready universities in Asia, Mapúa continuously provides enriching and engaging learning experiences to its students using the latest in educational technology, enhancing its capability for effective teaching and learning in a digital environment.

Through Mapúa Digital Academics, its initiative in delivering fully online programs through its very own platform, Cardinal EDGE or Education in a Digital and Global Environment, Mapúa delivers on its commitment in developing and bolstering its world-class quality of education, reaching more learners locally and across the globe through its online learning space. To date, it offers 6 Commission on Higher Education-approved fully online bachelor's degree programs in engineering and information technology and 9 fully online master's degree programs in engineering and information technology.

Mapúa aims for the empowerment of the youth by providing education grounded on academic excellence and strength of character. It emphasizes the importance of the core values of discipline, excellence, commitment, integrity, and relevance (DECIR), ensuring that it does its share in producing men and women who live fulfilled and meaningful lives.

MALAYAN COLLEGES LAGUNA, INC. (A MAPÚA SCHOOL)

Located in Cabuyao, Laguna, alongside several science and industrial parks, Malayan Colleges Laguna (MCL) was established to extend the brand of the Mapúa Institute of Technology to the south by offering programs in engineering, computer science, information technology, business, accountancy, and hotel and restaurant management to students who prefer to stay closer to home.

The institution's community started with 854 students in 2007 in the academe. Today, there are 6,101 students under both college and Senior High School ("SHS"). MCL, like its parent school Mapúa University, offers SHS. MCL also adopted Mapúa's design for its SHS curricula and imbedded Internet of Things ("IoT"). This gave MCL a unique advantage in the secondary education sector, ensuring that our students and curricula remain competitive on a global scale as well. MCL SHS was opened in 2016 welcoming 1,012 Grade 11 students.

In 2006, the CHED gave the approval for MCL to offer eight programs of study in Engineering, Information Technology, and Business. This was after MCL's satisfactory compliance with the standards of the CHED's Regional Quality Assurance Team. To date, the campus offers 22 bachelor's degree programs and two diploma programs under five colleges and one institute: the Mapúa Institute of Technology at Laguna, the E.T. Yuchengco College of Business, the College of Computer and Information Science, the College of Arts and Science, the Mapúa-PTC College of Maritime Education, and the Institute for Excellence in Continuing Education and Lifelong Learning.

As part of its pledge to provide quality education to its students, MCL has reached yet another milestone in 2017 by having its Chemical Engineering and Computer Engineering programs granted a 2-year accreditation term for Academic Year 2018-2019 to 2019-2020 by the PTC-ACBET. MCL's Electronics Engineering (ECE) and Mechanical Engineering (ME) programs, which were granted their certificates of accreditation last March 2016, were also awarded re-certification for another period of 4 years (AY 2017-2018 to 2020-2021). These four engineering programs are covered with one-year comprehensive review for A.Y. 2020-2021 for reaccreditation. Application for Civil

Engineering, Electrical Engineering and Industrial Engineering programs have been evaluated in April 2020 and still awaiting for the PTC ACBET accreditation results.

MCL's Marine Engineering (MarE) and Marine Transportation (MT) programs were awarded re-certification for 5 years (A.Y. 2019-2020 to 2023-2024) by the Belgian Maritime Inspectorate (BMI) in December 2019 and passed its periodic audit in January 2021. MCL is also granted ISO 9001:2015 certification and has passed the DNV-GL periodic audit in November 2020.

Driven by passion for knowledge, MCL seeks to meet the challenges of globalization in order to produce graduates who can exercise their skills in the global labor market. With its excellent facilities, technologically advanced and IT-integrated curricula, MCL is envisioned to be a Center of Excellence for science and technology education in Southern Luzon. MCL has been successfully producing graduates and students with consistent excellent performance in licensure and certification exams, and in local and national competitions and quiz bowls.

In 2016, FindUniversity.ph marked it as the number one private school in CALABARZON and the 10th best school in the Philippines.

MCL continued to excel in the different licensure and certification exams, garnering outstanding performances and perfect passing rates (100%) in the Electrical Engineer Licensure Exam, Electronics Technician Licensure Exam, and the Industrial Engineering Certification Exam. In the August 2019 Mechanical Engineer Licensure Examination, MCL, having obtained a 95.65% passing rate, ranked as the no. 2 Top Performing School with 10 to 49 Examinees. The institution has been consistent with its licensure exam results for Mechanical Engineering, ranking as the no. 1 Top Performing School among private higher education institutions and no. 4 Top Performing School in the Philippines with its 95.05% weighted passing rate in the 2014 to 2018 Mechanical Engineer Licensure Exam.

In October 2019, MCL was granted Autonomous Status, as per CHED Memorandum Order No. 12, Series of 2019. Given this, MCL will be offering two new programs, B.S. Business Administration and B.S. Psychology, starting Academic Year 2020-2021.

As a result of its quest to continually improve 21st century education, MCL took home the 2020 BlackBoard Award for Professional Development in recognition to its Opportunities for Lifelong (#SamaOLL) Project.

MCL closed the 2020 with success as it achieved another milestone by obtaining a three-star overall rating from the Quacquarelli Symonds (QS) Star Rating System from the United Kingdom. MCL also received a five-star rating for Employability, proof of the competence of its graduates as professionals in their own fields; a four- star rating for Facilities, for its smart campus and drive to deliver an advanced learning experience for students; and, three-star rating for Social Responsibility and Inclusiveness for being true to its mission to contribute to the solution of industry's and society's problems through the various engagements of students with communities.

MALAYAN COLLEGES MINDANAO (A MAPÚA SCHOOL), INC.

Incorporated in 2015, Malayan Colleges Mindanao (A Mapua School), Inc. was established to offer Mapua-education in Davao and Mindanao. MCM looms along General Douglas MacArthur Highway in Matina, Davao City, and opened its doors to senior high school and college students last July 2, 2018.

MCM has the core vision of transforming students to become globally competitive professionals highly preferred by industries locally and abroad. The institution also distinguishes itself from rest of the colleges and universities in Mindanao through:

1. Learner-centered outcomes-based education
2. Blended online and face-to-face learning sessions

3. Industry Partnerships
4. Mindanao-centric Learning
5. Advanced Learning Facilities

With 14 baccalaureate programs in engineering, architecture, arts and sciences, information science, business, and complete senior high school academic and technical-vocational tracks, MCM has already reached its target number of enrollees in its first year of operation in Davao City.

For the school year 2019-2020, MCM expands global initiatives with new partners and opening of three additional programs under Alfonso T. Yuchengco College of Business namely, B.S. Accountancy, B.S. Management Accounting and B.S. Tourism Management.

Having satisfactorily complied all the CHED RQAT requirements and standards in 2020, MCM was granted an approval to offer two new baccalaureate programs of study—B.S. Biology and B.S. Psychology—under arts and sciences starting school year 2021-2022.

In line with its mission to provide a holistic learning environment, MCM had collaborated with various organizations in spearheading transformative school activities such as coastal clean-up and recycling plastic wastes projects, water conservation and environmental dialogues with private and public sectors as well as donation drives for the victims of recurring earthquakes in Mindanao and for typhoon victims in the country.

MCM has recently reached a milestone with its DOST-funded research project, RESILIEMC. Through the Office of Research, Development, and Innovation, MCM is working with a pool of experts in Davao City to advance the COVID-19 response in the region. A Memorandum of Agreement was signed among the Department of Science and Technology, Philippine Council for Health Research and Development (PCHRD), and MCM in January 2021, forging each party's shared commitment to develop the health system in Mindanao.

In the pursuit of Excellence and Relevance, Malayan Colleges Mindanao continues to strive to go beyond expectations and be involved in the development of sustainable solutions to global issues, at the same time it upholds the values of educational excellence, social responsibility, and environmental preservation.

MALAYAN HIGH SCHOOL OF SCIENCE, INC.

Established in 2006, Malayan High School of Science (MHSS) is a leading junior high school in Manila. It aims to be a global center of excellence in secondary education especially in the area of science, technology, and mathematics (STEM). The junior high school of Mapúa University, one of the country's leading universities, MHSS maintains sterling education standards.

Malayan Science implements innovative curricula, offering advanced subjects and courses in STEM, Robotics and Technology, Internet of Things (IOT), Microsoft Office Productivity Tools, and Coding. It houses state-of-the-art classrooms, laboratories, and facilities and utilizes digital resources and technologies for teaching and learning.

MHSS promotes the holistic development of its students, providing them avenues inside and outside the campus to showcase their various talents and skills. It implements a Safe School Policy and employs strict security measures, maintaining an environment that is safe and conducive to learning.

NATIONAL TEACHERS COLLLEGE (DOING BUSINESS UNDER THE NAME OF THE NATIONAL TEACHERS COLLEGE)

The National Teachers College was founded by Dr. Segundo M. Infantado, Sr., a former Director of Public Instruction of the Philippines and Dr. Flora Amoranto-Ylagan, one of the country's leading educator. NTC was officially incorporated on September 29, 1928 and was authorized by the Department of Public Instruction on April 17, 1929 to operate as an educational institution. Its doors opened to the student public on June 10, 1929 and was granted government recognition on February 17, 1930.

NTC was the first Higher Education Institution (HEI) in the Philippines to offer collegiate programs dedicated to teacher education. Among private educational institutions in the Philippines, it has attained a pre-eminent place in educational leadership, particularly in the field of teacher education. Its performance in the Licensure Examination for Teachers is always above the national passing rate.

Gearing toward industrialization and developing professionals for national productivity and global competitiveness, collegiate programs were expanded to include business, hospitality, information technology, and psychology. The Senior High School program was likewise opened offering both Academic and Tech-Voc. Tracks.

Through the years, the NTC has continually striven to keep abreast of educational development here and abroad. It has always endeavored to make its programs of training relevant to the life of the nation, and the conditions prevailing among the people for whose welfare its students are being trained.

The Philippine Association of Colleges and Universities- Commission on Accreditation (PACU-COA) granted the Bachelor of Secondary Education and Bachelor of Elementary Education Level III, re-accredited status, while the Bachelor of Science in Office Administration, Master of Arts in Education, and Doctor of Education have level 1 accreditation.

With a student population of close to 13,000, NTC continues to perform its share in educating and training teachers, administrators, supervisors, and other professionals who will serve in the interest of the Republic of the Philippines and the world at large. Added to all these may be mentioned the periodic revisions and enrichment of the curriculum of general and professional education and the improvement of the methods and technology in instruction thus, bringing accessible quality education to transform the lives of the Filipinos.

UNIVERSITY OF NUEVA CACERES

The University of Nueva Caceres (UNC), first university in Southern Luzon, traces its humble beginning with the benevolence of Dr. Jaime Hernandez, former Secretary of the Department of Finance, as his way of giving back to the Bicolano community. In February 1948, Dr. Hernandez together with other prominent Bicolanos, formed the Nueva Caceres College. Five years after its establishment, the school attained a University Status.

His leadership was succeeded by one of his daughters, Dr. Dolores H. Sison. Her passion was to continually prepare the UNC for the challenges of the twenty-first century. She also introduced and implemented new programs and courses to keep abreast with the demands of global education.

In July 2015, the University of Nueva Caceres partnered with Ayala Corporation through Ayala Education, Inc to further enhance the quality of education through industry and technology driven innovations. UNC is the first university of AEI bannering the blazing power of 1+1=3 which means that the combination of the two will yield extraordinary positive outcomes for the Bicol Region and the country as a whole. With Mr. Alfredo I. Ayala as the third University President, the curricula were tailor fitted to the needs of the industry in such a way that we produce graduates who are trained to address the demands of compelling careers.

In 2019, with the merger of Ayala Education and the Yuchengo Group of Schools, UNC became part of the iPeople Schools and its vision as articulated by Dr. Rey Vea, iPeople President, has been elevated to a higher purpose of creating relevance and impact to the bigger community as enunciated in the vision of “Innovating education and research towards leading edge outcomes for all.”

Guided by the tri-visionary purposes, UNC’s path towards the next 72 years is made vividly clear. UNC shall welcome and nurture students to be future ready, work-ready and life-ready. "Makatapos, Magkatrabaho at Magtagumpay." As present day stewards of UNC and under the current leadership of the fourth University President, Dr. Fay Lea Patria M. Lauraya, UNC endeavors to fulfill its tri-focal function of instruction, research, and extension while making education accessible and affordable. Our calling is to meet UNC's Big Hairy Audacious Goal of: From first to number 1, to be the top university of choice with its differentiating feature as A Future-Ready Outcomes-Based Education Leader in the Bicol Region.

The past presidents of UNC, Dr. Jaime Hernandez Sr, President Dolores H. Sison and Mr. Fred Ayala were instrumental in establishing UNC's competencies in the fields of Engineering, Law, Architecture, Business and Teacher Education. Building upon these competencies, UNC is creating new pathways for students who can access quality education from the core offerings to lifelong opportunities as the need for upskilling and re- skilling among those who are already in the workplace becomes an imperative given the changing demand of industry productivity.

Currently, the University offers complete basic education, four programs in the College of Arts and Sciences, thirteen in the College of Business and Administration, five in the College of Computer Studies, thirteen in the College of Education, six in the College of Engineering, Nursing Course, Criminal Justice Education, Juris Doctor, and three Doctorate and fifteen Masters Degree programs in the Graduate Studies department.

As of 2020, a total of 31 programs are accredited by the Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA). It conferred level III status in five Bachelor of Science in Business Administration programs, in five Master of Arts in Education programs, and in Master of Business Administration. Seven Bachelor of Secondary Education programs, two Bachelor of Elementary Education programs, two Bachelor of Arts programs, Bachelor of Science in Biology, and Bachelor of Special Needs Education were also accredited with level II status. It also recognized Bachelor of Science in Accountancy, Bachelor of Science in Computer Science, Bachelor of Science in Information Technology, Bachelor of Science in Nursing, Doctor of Philosophy major in Behavioral Management, Elementary Education and Junior High School with level I accreditation status.

During the last seventy-two years, the University of Nueva Caceres has produced 160 top-notchers in government Bar and Board examinations. Aside from this, UNC has also produced many student leaders awarded by national and regional recognition bodies. This hefty collection of “golds” speaks well of the quality of instruction in the UNC. Further evidence of this is shown by the thousands of UNC graduates who are now professionals or who occupy responsible positions in the government and in the private sector.

The disruption to educational delivery of the COVID19 pandemic made it possible to quickly shift to flexible learning delivery. UNC Red Ways these Gray Days is the University’s Learning Continuity Plan which offers 2 flexible learning solutions: Flexi Tech, an online learning mode, and Flexi Kit, a modular learning mode. Student services such as health clinic and guidance are also transformed online to cater to the needs of our students. The University has been updated and in compliance with government mandated protocols to ensure safety of our stakeholders whilst ensuring continuity of learning.

The UNC continues to be a leading school in Bicol which offers a nurturing education and serves as a key factor of progress in Naga and the Bicol region. At UNC everyone makes it and is ready for every tomorrow.

AFFORDABLE PRIVATE EDUCATION CENTER, INC. (DOING BUSINESS UNDER THE NAME OF APEC SCHOOLS)

APEC Schools was established in 2013 with the vision of providing quality private education affordable to Filipino students. The school offers accessible and innovative education to Junior and Senior High School students in its Metro Manila and Calabarzon branches.

From its initial 130 students from its first branch, APEC Schools has grown to 20 school branches with over 10,300 students and around 600 employees in 2021.

APEC Schools introduced Senior High School in 2016 with the Accounting and Business Management (ABM) strand, along with its proprietary program Accelerated Career Experience, a job-immersion program developed together with partner employers. In 2018, the school celebrated its 5th anniversary by having its first batch of graduates. Two thousand senior high school students graduated that year, the majority being admitted to top colleges and universities, while around 15% started working within three months of graduation. A year after, the school offered the Science, Technology, Engineering, and Mathematics (STEM) academic strand.

In 2019, the Yuchengco-owned House of Investment's education holding company iPeople and Ayala Corporation's wholly-owned education subsidiary AC Education, Inc. signed and sealed the merger that brought APEC Schools to the group of established learning institutions: Mapua University, Malayan Colleges Laguna, Malayan Colleges Mindanao, Malayan High School of Science, National Teachers College, and the University of Nueva Caceres.

APEC Schools takes pride in its outcomes. The college entrance exam passing rate of its graduates is higher than the national average, with students applying at top universities and state colleges of their choice. On the other hand, 96% of the Senior High School graduates who seek employment have receive job offers within 120 days after graduating, with an average starting monthly salary of P16,000, equivalent to or even higher than regular college graduates.

The school's commitment has always been to create a better future for its students, and that has always been its guide. In 2020, APEC Schools offered two new programs suited for the education's new normal: APEC Agile Distance Learning program and APEC Flex Homeschool program to help students continue with their education despite the pandemic.

In December of the same year, Google recognized APEC Schools as a Google Reference School - the first and only in the Philippines. The recognition is for those who utilize the Google educational tools in creative, innovative, and exemplary ways -- to create a positive impact on the educational development of the students.

APEC Schools is committed to creating the future of the students that gets #BetterEachDay.

<u>Risk Factors related to School Operations</u>

a. Regulatory, recognition of academic programs, and accreditations from government, and self-regulating private accreditation organizations.

- Accreditations. The schools are governed and regulated by the CHED and by the Department of Education ("DepEd"), depending on the program offerings. In addition, MESI and MCL are also accredited by PACUCOA. MESI is also accredited by the ABET; MESI and MCL are both accredited by PTC-ACBET and PICAB. APEC has a MOA with DepEd which allows the company to operate schools without owning the premises. There is a pending Revised DepEd Manual which will formalize this exception.

  The failure of any of our schools to pass government standards, or to meet accreditation renewal standards, may negatively impact the perception of the quality of our academic programs and facilities. If this happens, we might expect our enrolment to decrease, which would have an adverse impact to our profits and cash flow.

- Tuition Fee. The Commission on Higher Education and the Department of Education regulates tuition increases at the university level and the secondary level, respectively, and routinely sets maximum limits on percentage increases in tuition fees. This regulation applies to our non-autonomous schools, MCM, UNC, NTC and APEC. The inability of non-autonomous education institutions to increase tuition fees to cover higher operating costs may pose a risk to profits and cash flows over time.

- Changes in regulations. The Universal Access to Tertiary Education Act (RA10931) had its implementation in AY 2018-19. This resulted to notable decline in college freshman intake in private schools as large portion of the incoming freshman applied to SUCs/LUCs to avail of free education under the Act.
  The Free College Education Act poses a risk to our schools. This may adversely impact enrollment numbers if prospective students will opt to enroll in state-run universities and colleges.

b. Competition

- Faculty. The schools depend on high quality faculty to teach the educational programs. To the extent that they can, the schools at both the tertiary and secondary level recruit faculty with excellent academic credentials and teaching skills. The schools might not be able to recruit the desired faculty due to any number of factors, including mismatches between the desired compensation and offer; competing recruitment from other educational institutions; or candidates seeking opportunities abroad.
  The schools also work to retain key faculty in certain academic disciplines in order to maintain continuity and reduce turnover. If recruitment and retention efforts suffer, the quality of teaching and the quality of academic programs might suffer.

- Students. Competition among schools for greater student enrolment is fierce. Mapua is an established brand, with ISO 14001:2015 and 9001:2015 certifications, while the other IPO schools are establishing or have established their own brands.

- Accreditations. IPO Schools continue to pursue accreditations from self-regulating private accreditation organizations in addition to the government accreditation bodies

c. Credit Risk

As the schools increase their enrollment, the level of receivables also increases. Some of the students who cannot afford to make the full payment of tuition and miscellaneous fees during an academic term execute a Promissory Note and are expected to settle their accounts prior to the start of the next academic term. Majority of the senior high school students of APEC avail of the Senior High School Voucher Program (SHSVP) of the DepEd which results to a longer collection period for the school.

The schools do not aggressively pursue collection of defaulted student debt given that the default rate is small. Regardless, the schools face a risk that a rise in student defaults on promissory notes would impact profits and cash flows negatively.

d. Operational Risk

The following may hamper the operations of the IPO schools:

- Natural calamities and disasters. Our schools, like many other enterprises, are subject to adverse occurrences beyond our control, which include (but are not limited to) earthquakes, floods, and similar natural phenomena. We believe we carry enough insurance to hedge against the monetary damages caused by these events. In the event that the damage to our facilities arising from said events are severe and our insurance is not enough to cover it, our operations and ability to return to normal conditions might be severely affected.

- Labor unrest. Mapúa University has two unions, Faculty Association of MIT (FAMIT) and MIT Labor Union (MITLU). The other iPeople Schools have none.

  Mapúa University is bound by the collective bargaining agreement (CBA) signed between the institution and the two unions. Mapúa University negotiates with each union separately. The FAMIT represents the faculty members. The MITLU represents the non-teaching staff. To the extent that unions negotiate CBA's with higher increases over time, this would negatively impact the cost structure of Mapúa University and lower the expected value of its profit and cash flows over time. Furthermore, in the event that a CBA is not negotiated successfully or there is an issue that results in labor unrest or a strike, it could have a material adverse impact on the operations of Mapúa University.

In the event of calamities, strikes, pandemic events, and the like that could hamper the operations of the schools, IPO and all schools have their respective protocols and procedures to manage each particular type of risk. In particular, Mapúa has tested and instituted the use of online facilities such as Blackboard, its learning management system, that enables the school to conduct real-time online classes and facilitates online learning on a school-wide level. This enables the school to continue its classes with minimal disruption. Mapua also has a fully online post-graduate degree courses, implemented online admissions and examinations, and uses e-books instead of traditional school textbooks for all undergraduate and Senior High School students through subscriptions to Wiley and Cengage.

Online learning is likewise being adopted by the other IPO schools through the use of online tools and facilities that approximate a learning management system. Work-from-home arrangements, video- conferencing for meetings and online facilities may also be used to transact business and to ensure operations are not hampered during calamities and pandemic events.

Our schools have been preparing for school reopening with limited face to face. We are awaiting final guidelines to be issued by CHED in order to finalize our schools' reopening protocols.

e. Interest Rate Risk

The schools need capital to grow. All of our schools pursue growth opportunities, which may involve any of the following actions: building new teaching and non-teaching facilities at existing campuses; building campuses at new locations.

In order to grow, the schools will need funding. Fund raising can arise from the sale of equity, selling debt securities or bank borrowing. If capital is raised through borrowings, the IPO schools will be subject to interest rate risk. An increase in our negative carry will also adversely impact our profitability.

f. Market Risk and Political Risk

In the event that adverse economic factors hit the country, that may force a subset of students to temporarily drop out and continue their education at a later time, permanently stop school, or transfer to another school. Our student enrolment may be negatively impacted and this will have a negative effect on our profitability.

Since a certain portion of the student population depends on family members who are Overseas Filipino Workers to pay for their tuition and miscellaneous fees. International relations of the Philippines with the employer countries may impact the size and frequency of inward-bound overseas remittances thereby affecting student enrollments.

g. Campus Safety and Security Risk

The potential presence of criminal elements outside the schools pose a risk to our students, especially those who take public transportation. In the event that criminal elements are able to force their way into the schools, the students may lose confidence in the administration's ability to keep them safe. Student enrolment may be negatively impacted and this will have a negative effect on our profitability. IPO manages this by enforcing security measures such as having guards at entrances and exits, roving guards, and CCTV.

Properties:

iPeople and its subsidiaries own land in the following areas enumerated below:

PROPERTY DESCRIPTION	DATE ACQUIRED	AREA (SQ. M.)	TYPE
MALAYAN EDUCATION SYSTEM, INC.			
Intramuros, Manila	1999	17,997	School campus
Intramuros, Manila	2013	513.5	Vacant lot for expansion
Sta. Cruz, Makati City	2018	5,114	School Campus (Bldg. under construction)
MALAYAN HIGH SCHOOL OF SCIENCE INC.			
Paco, Manila	2002	3,624	School campus
MALAYAN COLLEGES LAGUNA, INC.			
Cabuyao, Laguna	2010	60,000	School campus
Cabuyao, Laguna	2012	14,640	Vacant lot for expansion
MALAYAN COLLEGES MINDANAO, INC.			
Brgy. Ma-a, Davao City	2015	23,000	School Campus
Brgy. Ma-a, Davao City	2018	7,000	School Campus
NATIONAL TEACHERS COLLEGE			
Quiapo, Manila	2019	7,316.7	School Campus
Quiapo, Manila	2019	535.3	School Campus
Quiapo, Manila	2019	714.4	School Campus
UNIVERSITY OF NUEVA CACERES			
J. Hernandez Ave., Naga City	2019	49,917	School Campus
AC COLLEGE OF ENTERPRISE AND TECHOLOGY, INC.			
San Jose del Monte City, Bulacan	2019	6,098	Vacant Lot

The following details the properties that iPeople inc.'s subsidiary have leases:

PROPERTY DESCRIPTION	LOCATION	AREA (IN SQM)	LEASE EXPIRATION
AFFORDABLE PRIVATE EDUCATION CENTER, INC.			
7-Storey Building	Head Office	530.00	11/01/2024
5-Storey Building	V. Luna	865.00	06/30/2028
1-Storey Building	Dona Juana	295.00	09/30/2024
3-Storey Building	North Fairview	1174.00	06/30/2027
4-Storey Building	C. Raymundo	1928.00	06/30/2027
4-Storey Building	Marikina Heights	1247.00	06/30/2026
4-Storey Building	Grace Park West	795.76	04/30/2027
4-Storey Building	Tondo	600.00	06/30/2028
5-Storey Building	Tondo (Annex)	1204.00	06/30/2025
4-Storey Building	Muntinlupa	1080.00	06/30/2021
3-Storey Building	Sta. Rita Sucat	1500.00	04/30/2025
4-Storey Building	Dasmariñas	878.00	04/30/2027
4-Storey Building	Bacoor-Molino	1215.00	06/30/2029
3-Storey Building	Roxas Boulevard	1074.00	04/30/2029
3-Storey Building	Pateros	1230.00	06/30/2028
4-Storey Building	Taytay	882.21	04/30/2020
3-Storey Building	Ortigas Ext., Cainta	1235.00	04/30/2027

PROPERTY DESCRIPTION	LOCATION	AREA (IN SQM)	LEASE EXPIRATION
AFFORDABLE PRIVATE EDUCATION CENTER, INC.			
4-Storey Building	Calumpang-Annex	1095.00	03/31/2028
1-Storey Building	JRU Lipa	1255.28	06/30/2021
3-Storey Building	Las Pinas	1266.00	06/30/2026
4-Storey Building	Concepcion Dos	756.00	06/30/2026
4-Storey Building	New Manila	1563.00	04/30/2021
5-Storey Building	San Pablo	1480.00	06/30/2029

2. Management Discussion and Analysis of Financial Condition and Results of Operations

CONSOLIDATED RESULTS - Year 2020 vs. Year 2019

Financial Position

Total consolidated assets decreased from ₱16.27 billion to ₱15.71 billion, or a 3% decline compared to last year. The decrease in total assets is due to the sale of a subsidiary company that owns a real property. The additional development cost of the new MESI Makati campus and the remaining cash proceeds from sale of subsidiary partially offset the decline in asset due to sale of said subsidiary.

Consolidated current assets increased to ₱2.66 billion this year from ₱2.32 billion last year primarily due to higher cash and cash equivalents and higher accounts receivable of schools. The increase in cash and cash equivalents was mainly due the proceeds from sale of subsidiary.

Receivables pertain mainly to matriculation and miscellaneous fees due from students. The 6% increase in receivable was mainly due to timing difference with regards to the start of school term, and the extended payment period of school fees to provide relief to students and parents having financial difficulty brought about by the pandemic. Prepaid expenses and other current assets went up from ₱176 million to ₱271 million mainly because of the additional prepayment to suppliers.

Consolidated non-current assets declined by ₱0.91 billion or 7% lower mainly due to the sale of a subsidiary that owns a real property. The decline was partially offset by the continued development of new Makati campus.There was no significant change in the balance of other non-current assets.

Total consolidated liabilities were lower by 20%, primarily because of full payment of the short-term loans of MESI.

Accounts payable and accrued expenses pertain largely to obligations to suppliers. There was no significant movement in the balance of accounts payable and accrued expense.

Payables to related parties pertain to services provided by the Group’s affiliates to support its operations and oversee the on-going construction of school building in Makati.

Unearned income is lower from ₱781 million in December 2019 to ₱681 million due to timing difference with regards to the start of school term as well as lower student enrolment.

Total consolidated equity increased from ₱9.73 billion in December 2019 to ₱10.49 billion this year due to the net income for the year and other comprehensive income related to the revaluation increment on land. Equity attributable to Parent is at ₱10.25 billion, from ₱9.51 billion in December 2019.

Results of Operations

The Group posted a consolidated net income of ₱242.17 million, which is 12% lower than the ₱274.09 million last year.

Compared to last year, the consolidated revenue and expenses of the Group went up generally due to the increase in enrollment of MCM and consolidation of the full year revenue and expenses of subsidiaries acquired in May 2, 2019. The Group started recognizing results of operations of APEC, NTC and UNC in May 2, 2019 when the merger was completed.

The higher net income in 2020 is mainly attributed to the higher income contribution of NTC, improving results of operations of MCM and gain from sale of a subsidiary. However, if the non-recurring gain from sale of subsidiary is excluded, the net income of the Group is lower than previous year because of the lower enrollment due to the pandemic, higher depreciation and interest expenses on loans. MCM incurred a significantly lower net loss mainly due to material increase in enrolment and lower interest expense. The result of future operations of MCM is expected to continue to improve as it accepts more students in the succeeding years of operation.

Revenue from school operations is the primary source of revenue of the Group. Consolidated revenues in 2020 was significantly affected by the delay in the start of school year 2020 – 2021, tuition fee rebates given to students due to suspension of face-to-face classes and the economic impact of the pandemic that affected the capability of some students to enrol in private schools and universities. On the other hand, the P1.03 billion revenue contribution of new subsidiaries in 2020 covering twelve months, which is 36% higher than their P809 million contribution in 2019 covering eight months, and the increase in revenues of MCM were able to mitigate the adverse impact of the pandemic. All these taken together resulted to the Group’s P3.00 billion consolidated revenue that is almost equal to that of the previous year.

Cost of tuition and other fees and general and administrative expenses increased by 5% or ₱114 million higher from same period last year. The higher expenses in 2020 was primarily due to the operating expenses of APEC, UNC and NTC that covered twelve months period in 2020 compared to only eight months in 2019. Compared to the same twelve months period the previous year, expenses of schools in 2020 were generally lower because of the suspension of face-to-face classes since March 2020 due to the pandemic.

Interest expense and other finance charges increased from ₱129.34 million last year to ₱151.76 million this year due to lower borrowing rates in 2020. Interest on loans in 2019 was also lower because NTC capitalized interest as part of the building cost during the construction period.

Interest income decreased by ₱11.86 million mainly because of lower interest rates.

Other income (loss) pertains to gain on sale of subsidiary, rental income, and recovery of provision for impairment.

CONSOLIDATED RESULTS - Year 2019 vs. Year 2018

Financial Position

Total consolidated assets increased from ₱9.97 billion to ₱16.27 billion, or a 63% growth compared to last year. The increase in total assets is due to additional development cost of the new Makati campus and the consolidation of assets of the acquired companies into IPO and intangible assets recognized related to the merger with AEI.

Consolidated current assets increased to ₱2.32 billion this year from ₱1.01 billion last year primarily due to the current assets of newly acquired subsidiary companies. The increase in cash and cash equivalents was because of the cash and cash equivalents of the new subsidiaries.

Receivables pertain mainly to matriculation and miscellaneous fees due from students. The 198% increase in receivable was mainly due to timing of start of classes and due to ₱534 million receivables of the new subsidiaries. Prepaid expenses and other current assets went up from ₱82.32 million to ₱ 176 million mainly because of the ₱18 million prepaid expenses and other current assets of the new subsidiaries..

Consolidated non-current assets grew by ₱4.99 billion or 56% higher mainly due to non-current assets of newly acquired subsidiaries, development of new Makati campus and intangible assets recognized as a result of the merger with AEI. All equity instruments were sold during the year. Other non-current assets went up from ₱33.77 million to ₱110.28 million mainly because of the ₱ 49.61 million other non-current assets of the new subsidiaries.

Total consolidated liabilities were higher by 84%, primarily because of additional loans acquired by the Group to finance the on-going construction of the new MESI Makati Campus and liabilities of newly acquired subsidiaries.

Accounts payable and accrued expenses pertain largely to obligations to suppliers. Accounts payable and accrued expense went up by 78% because of 1) payables to various suppliers relative to the on-going construction of the new campus in Makati; 2) accrual of salaries and wages and interest on loans; 3) other payables coming from the new subsidiaries such as management and professional fees, withholdings taxes, SSS and other contribution.

Payables to related parties pertain to services provided by the Group's affiliates to support its operations and oversee the on-going construction of school building in Makati.

Unearned income is higher from ₱315 million in December 2018 to ₱781 million due to unamortized tuition fees of Mapua schools and the new subsidiaries.

Total consolidated equity increased from ₱6.41 billion in December 2018 to ₱9.73 billion this year due to the issuance of 295.3 million shares to Ayala Education, Inc, net income for the year and other comprehensive income related to the revaluation increment on land. Equity attributable to Parent is at ₱9.51 billion, from ₱6.00 billion in December 2018.

Results of Operations

The Group posted a consolidated net income of ₱274.09 million, which is 16% higher than the ₱ 237.10 million last year.

Compared to last year, the consolidated revenue and expenses of the Group went up generally with the higher number of enrolled students, the start of school operations of MCM in July 2018 and revenue and expenses of new subsidiaries.

The higher net income in 2019 is mainly attributed to better results of operations of MESI and MCL and net income contributions of NTC and UNC. The Group started recognizing results of operations of APEC, NTC and UNC in May 2, 2019, the merger's effectivity date. MCM incurred higher net loss mainly due to significant increase in interest expense for loans that partially financed the development of the MCM campus as well as higher depreciation charges. The result of future operations of MCM is expected to improve as it accepts more students in the succeeding years of operation.

Revenue from school operations, which is the primary source of revenue of the Group went up by 66% at ₱3.00 billion from ₱1.81 billion last year. The increase in revenue was primarily due to normalization of freshmen enrolment from K-12 program, improvement in MESI's enrolment process, full year school operations of MCM and revenues of subsidiaries acquired in May 2, 2019.

Cost of tuition and other fees went up by 59% or ₱759 million, while general and administrative expenses increased by 102% or ₱255 million higher from same period last year. The higher expenses in 2019 was primarily due to additional costs related to second year of school operations of MCM and operating expenses of newly acquired subsidiaries.

Interest expense and other finance charges increased from ₱36.03 million last year to ₱106.59 million this year due to additional loans availed by the Group. Interest on loans in 2018 was also significantly lower because MCM capitalized interest as part of the building cost during the construction period.

Interest income increased by ₱11.41 million from last year mainly because of higher interest rates.

Other income (loss) pertains to rental income, provision for impairment, Foreign Exchange gain, income from investment in UITF.

CONSOLIDATED RESULTS - Year 2018 vs. Year 2017

Financial Position

Total consolidated assets increased from ₱7.89 billion to ₱9.97 billion, or a 26% growth compared to last year.

Consolidated current assets increased by 11% primarily because of 110% increase in receivables. The increase in receivables is due to the change in school calendars of MESI and MCL, and the start of school operations of MCM during the year. Receivables from related parties pertain to uncollected lease income from an affiliate. Prepaid expenses and other current assets went down from ₱111.39 million to ₱82.32 million mainly because of the application of deposit for the land purchased by MCM during the year.

The consolidated non-current assets grew by 28% due to the MESI acquisition of land for a new campus in Makati, development of new Makati campus and completion of MCM campus in Mindanao, acquisition of new furniture and equipment, and increase in value of land owned by the Group. Available-for-sale financial assets went down by 43% from last year due to lower market price as of the reporting date. Other non-current assets went down because the reservation deposit paid in 2017 was refunded in 2018.

Total consolidated liabilities increased from P1.87 billion to P3.56 billion. This is primarily due to additional loans availed to finance the acquisition of land and development of new campus in Makati and completion of school campus in Mindanao. Accounts payable and accrued expenses pertain largely to obligations to suppliers.

Unearned tuition fees are higher this year mainly due to the change in school calendar of MESI and MCL and the unearned tuition fees related to start of school operations of MCM. Dividends payable decreased by 18% from last year to lower dividend payable to non-controlling interest of MESI.

Total equity of the Group rose by 6%, primarily driven by other comprehensive income related to the revaluation increment on land.

Results of Operations

The Group posted a consolidated net income of ₱237.10 million, which is 43% lower as against ₱ 413.36 million last year.

The results of the first year of operation of MCM, contributed a significant part to the lower consolidated income of the Group. Additionally, MCM incurred losses because the school only catered to grade 11 senior high school and college freshmen students in its first year of operations. The future results of operations of MCM is expected to improve as it accepts more students in the succeeding years of operation.

Consolidated revenues decreased by 6%, from ₱1.88 billion to ₱1.81 billion, primarily because the of change in school calendar by moving the start of school year by one month and consequently, continuing negative effect in revenue of the K plus 12 program of CHED.

Cost of tuition and other fees is almost the same from last year at ₱1.28 billion. It slightly went up by P42 million mainly due to the additional costs related to the start of school operations of MCM in July 2018.

General and administrative expenses increased by 20% this year, from ₱206 million to ₱248 million. The increase is mainly due to the expenses related to the start operations of MCM in July 2018.

Interest expense and other finance charges significantly increased from ₱4.23 million to ₱36.03 million due to additional loans and increase in interest rates.

Interest income was lower by ₱1.61 million, from ₱12.95 million to ₱11.35 million because of lower volume of placements during the year.

Other income (loss) includes income on UITF, rental income of the schools, commission and reversal of long outstanding payables.

Financial Ratios

Below are the financial ratios that are relevant to the Group for the year ended December 31,2020 and 2019:

Financial ratios		**2020**	2019
Current ratio *Indicates the Group's ability to pay short-term obligation*	Current Assets / Current Liabilities	**1.16:1**	0.67:1
Acid Test Ratio *Indicates the Group's ability to use its quick or near cash assets to pay current liabilities immediately*	Current Assets – Prepaid Expenses / Current Liabilities	**1.04:1**	0.62:1
Solvency Ratio *Shows how likely a Group will be continue meeting its debt obligations*	Net Income + Depreciation / Total Liabilities	**0.14:1**	**0.10:1**
Debt-to-equity ratio *Measures the Group's leverage*	Total Debt / Equity	**0.51:1**	0.69:1
Asset to Equity Ratio *Shows how the company's leverage (debt) was used to finance the firm*	Total Assets / Equity	**1.50:1**	1.67:1
Interest Rate Coverage *Shows how easily a company can pay interest on outstanding debt*	EBIT / Interest Expense Excluding Interest Expense on Lease Liabilities	**3.67:1**	4.42:1
Return on Average Stockholders' Equity *Reflects how much the Group's has earned on the funds invested by the stockholders*	Net Income / Average Equity	**2.39%**	3.40%
Net Profit Margin *Reflects how much net income or profit is generated as percentage of revenue*	Net Profit Margin / Revenue	**8.03%**	9.15%
Return on Assets *Measure the ability to utilize the Group's assets to create profits*	Net Income / Total Assets	**1.54%**	1.68%

Current ratio provides the liquidity position of the business by comparing current assets to current liabilities. The current ratio improved from 1.16:1 in 2019 to 0.67:1 in 2020, primarily due to higher current assets.

Consolidated current assets increased to P2.66 billion this year from P2.32 billion last year primarily due to the lower short-term loans.

Acid test ratio slightly increased from 0.62:1 in 2019 to 1.04:1 in 2020 which is due to lower short-term loans.

Solvency ratio slightly increased from 0.10:1 in 2019 to 0.14:1 in 2020 mainly due to lower total liabilities of the Group because of loan payments.

Debt-to-Equity ratio measures the Group's leverage. The total debt-to-equity ratio of the Group is 0.51:1 for 2020 and 0.69:1 for 2019. This is because of lower liabilities of the Group. Total consolidated liabilities were lower by 20%, primarily because of loan payments made by the Group.

Asset to Equity ratio decreased from 1.67:1 in 2019 to 1.50:1 in 2020 because of the decrease in asset base relative to the sale of land.

Interest Rate Coverage shows the capability of a company to pay interest on outstanding debt. Due to higher interest expense of the group, interest rate coverage ratio significantly went down from 4.42:1 in 2019 to 3.67:1 in 2020.

Return on Average Stockholders' Equity (ROAE) measures the profitability of the Company in relation to the average stockholders' equity. The ROAE for 2020 has dropped to 2.39% from 3.4% in 2019 because of higher equity due to issuance of 295 million shares.

Net profit margin reflect how much net income or profit is generated as percentage of revenue. The net profit margin decrease in 2020, from 9.15% in 2019 to 8.03% this year due mainly to higher interest expense.

Return on Assets measures the ability to utilize the Group's assets to create profits. The Group's return on assets for year 2020 dropped to 1.54%, from 1.68% in 2019 because of the land that was sold.

The above-mentioned ratios are applicable to the Group as a whole.

MATERIAL EVENT/S AND UNCERTAINTIES

a) Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in iPeople's liquidity increasing or decreasing in any material way;

i. iPeople does not anticipate any cash flow or liquidity problems within the next twelve months;
ii. iPeople is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement which will require the Company to make payments;
iii. There is no significant amount of trade payable that have not been paid within the stated terms; and
iv. iPeople's depends on services fees from subsidiaries, interest income and dividends from its subsidiaries as its source of liquidity.

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

There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

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

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

d) Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.

There are no material commitments for capital expenditures;

e) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

The K plus 12 program of the DepEd, which calls for the two extra years of basic education started in 2016. There were two academic years where there were no students moving on to tertiary studies. This impacted the profit and cash flow of both for-profit and non-profit tertiary education institutions during the transition period.

To address the effects during the transition period, Mapúa University and Malayan Colleges Laguna offered SHS and started to take in Grade 11 students in 2016.

The Universal Access to Tertiary Education Act (RA10931) had its first-time implementation this AY2018-2019. There was a decline in college freshman intake in private schools as a result. A large portion of the incoming freshman had applied with SUC/LUCs to avail of free education under the Act.

Other than the K plus 12 and RA10931, there is no known trend, event or uncertainty that have had or that are reasonably expected to have a material impact on the net sales or revenues or income of the Group from continuing operations. As a strategic response to the K Plus 12 and RA 10931 developments, iPeople is actively seeking opportunities to expand its current education portfolio.

f) Any significant elements of income or loss that did not arise from the issuer's continuing operations.

There are no significant elements of income or loss that did not arise from the iPeople's continuing operations.

The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item are discussed above.

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

There are no seasonal aspects that had a material effect on the financial condition or results of operations.

h) Other relevant events:

In a move to contain the COVID-19 outbreak, the Office of the President of the Philippines declared a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon and other parts of the country. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The suspension of classes that started on March 09, 2020 and the declaration of the community quarantine in various municipalities and regions in the Philippines effective March 15, 2020 until further notice covers IPO schools. Despite all these, there are minimal disruptions to the current operations of iPeople and of our schools because of the mitigating measures that we undertook.

The health and economic effects COVID-19 could have a material impact on its 2020 consolidated financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS' MATTERS

a. Market for Issuer's common equity and related stockholder matters

The common stock (PSE: IPO) of the Company is traded on the Philippine Stock Exchange. The market price of IPO's common stock as of June 09, 2021 is P7.84 for high and P7.84 for low.

	STOCK PRICE	
PERIOD	HIGH	LOW
2021 First Quarter	9.00	6.58
2020 Fourth Quarter	10.80	7.01
2020 Third Quarter	8.80	7.00
2020 Second Quarter	8.99	5.22
2020 First Quarter	9.44	7.00
2019 Fourth Quarter	9.50	7.00
2019 Third Quarter	10.10	9.00
2019 Second Quarter	12.18	10.08
2019 First Quarter	15.00	10.40
2018 Fourth Quarter	14.80	10.02
2018 Third Quarter	13.80	11.80
2018 Second Quarter	13.38	12.50

b. Top 20 owners of common stock as of May 31, 2021

STOCKHOLDER	NUMBER OF SHARES	% OF TOTAL
HOUSE OF INVESTMENTS, INC.	501,940,749	48.07%
AYALA CORPORATION	349,829,961	33.50%
PCD NOMINEE CORP – FILIPINO	127,183,260	12.18%
A. SORIANO CORPORATION	54,984,522	5.27%
HYDEE MANAGEMENT & RES. CORP.	653,800	0.06%
YAN, LUCIO	325,000	0.03%
ONG PAC, SALLY C.	299,000	0.03%
LEY, FELY	243,750	0.02%
PCD NOMINEE CORP – NON-FILIPINO	235,524	0.03%
TECSON, BINGSON U.	195,000	0.02%
KHO, DAVID L.	182,650	0.02%
MENDOZA, ALBERTO MENDOZA &/OR JEANIE C.	165,750	0.02%
PHILIPPINE ASIA EQUITY SECURITIES INC. U-055	146,250	0.01%
ANSALDO GODINEZ & CO., INC.	133,438	0.01%
CHAN, VICKY L.	130,000	0.01%
SECURITIES INVESTORS PROTECTION FUND, INC.	130,000	0.01%
LI, LUISA	113,100	0.01%
UY, JOHNNY S.	97,500	0.01%
UY-TIOCO, GEORGE	97,500	0.01%
SECOR HOLDINGS INC.	85,000	0.01%
SUB TOTAL	***1,037,171,754***	***99.32%***
Others	7,091,443	0.68%
TOTAL	**1,044,263,197**	**100.00%**

IPO has a total of 2,010 shareholders owning a total of 1,044,263,197 shares as of May 31, 2021.

c. Dividends

In accordance with the Corporation Code of the Philippines, iPeople intends to declare dividends (either in cash or stock or both) in the future. Common stockholders of the Company are entitled to receive a proportionate share in cash dividends that may be declared by the Board of Directors out of surplus profits derived from the Company's operations.

The same right exists with respect to a stock dividend of which the declaration is subject to the approval of stockholders representing at least two-thirds (2/3) of the outstanding shares entitled to vote.

The amount will depend on the Company's profits and its capital expenditure and investment requirements at the relevant time.

The company has declared cash dividends as follows:

YEAR	DIVIDEND PER SHARE	TOTAL AMOUNT
2021	₱0.06	₱62.66MM
2020	₱0.07	₱73.25MM
2019	₱0.06 (Q1) and P0.01373 (Q2).	₱59.27MM
2018	₱0.24	₱179.74MM

iPeople has not identified any restriction that limits the ability to pay dividends on common equity or that are likely to do so in the future.

d. Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

There was no sale of unregistered or exempt securities, nor recent issuance of securities constituting an exempt transaction in 2020.

Description of Registrant's Securities: Common Stock

The equity capital structure of the firm as of December 31, 2020 is shown below:

Authorized Capital	P2,000,000,000
Subscribed Capital	P1,044,263,197
Paid Up Capital	P1,044,263,197

iPEOPLE

ANNEX E

iPeople, inc. and Subsidiaries
Consolidated Financial Statements
December 31, 2020 and 2019

and

Report of Independent Auditors

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

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

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, 2020 and 2019, 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, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 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, 2020, the carrying value of the Group's land amounted to ₱6,219.77 million, representing 40% of the Group's total assets. The valuation of the land 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. This matter is significant to our audit because it involves significant judgment and estimates.

Refer to Notes 5 and 11 to the consolidated financial statements for the detailed disclosures.

Audit response

With the assistance of our internal specialist, we reviewed the scope, bases, methodology and results of the work done by the Group's external appraisers whose professional qualifications 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 and made inquiries to the external appraisers as to the basis. 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 the nonfinancial assets such as the goodwill attributable to the acquisition of Malayan Education System, Inc. amounting to ₱137.85 million and intellectual property rights with infinite life amounting to ₱523.10 million as of December 31, 2020. Goodwill and intellectual property rights 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 due to the current economic conditions which have been impacted by the coronavirus pandemic. The assumptions used in estimating the discounted cash flow projections include forecasted revenue, long-term growth rates, royalty rates, and discount rates.

The Group's disclosures about nonfinancial assets are included in Notes 5, 6 and 12 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. We checked if the Group has considered the impact of the K to 12 Basic Education Program implementation and the coronavirus pandemic on these key assumptions and also compared them against historical performance. We compared the long-term growth rates and royalty rates against relevant published market information. We 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 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, 2020 amounted to ₱168.98 million and ₱48.76 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), including the impact of the coronavirus pandemic, 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) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place and management's assessment of the impact of the coronavirus pandemic on the counterparties; (c) tested historical loss rates by inspecting historical recoveries including the write-offs; (d) checked the 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, including the impact of the coronavirus pandemic.

Further, we checked the data used in the ECL models, such as the historical analysis of defaults, and recovery data, by reconciling data from loss allowance analysis/model to the source reports 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, 2020, 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, 2020 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

Ana Lea C. Bergado
Partner
CPA Certificate No. 80470
SEC Accreditation No. 0660-AR-4 (Group A),
October 22, 2019, valid until October 21, 2022
Tax Identification No. 102-082-670
BIR Accreditation No. 08-001998-063-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534225, January 4, 2021, Makati City

April 8, 2021

iPeople, Inc.
A YGC Member

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, 2020, 2019 and 2018, 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.

RENATO C. VALENCIA
Chairman

DR. REYNALDO B. VEA
President & CEO

GEMA O. CHENG
EVP & Chief Financial Officer

27 APR 2021

Signed this ______ day of April, 2021

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PAGE NO. 57
BOOK NO. 148
SERIES OF 2021

RUBEN T. M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2021
IBP NO. 142535 /01-04-21 CY 2021
ROLL NO. 28947/ MCLE 6 / 3-22-19
PTR NO. MKT.8533646/1-4-21 APPT NO. M-168

Securities and Exchange Commission
Electronic Records Management Division
RCTD MAY 1 1 2021 (2)
BY:
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iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31 2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7, 15 and 30)	**₱1,319,002**	₱1,154,306
Receivables (Notes 8 and 30)	**1,036,297**	975,962
Receivables from related parties (Notes 15 and 30)	**26,048**	603
Prepaid expenses and other current assets (Note 9)	**270,604**	175,948
Financial assets at fair value through profit or loss (FVTPL) [Note 30]	**9,705**	9,350
Total Current Assets	**2,661,656**	2,316,169
Noncurrent Assets		
Property and equipment at cost (Note 10)	**5,585,512**	5,083,477
Land at revalued amounts (Notes 10 and 11)	**6,219,772**	7,560,855
Intellectual property rights (Note 6)	**523,103**	523,103
Goodwill (Notes 6 and 12)	**151,326**	151,326
Student relationship (Note 6)	**78,825**	101,135
Right-of-use assets (Note 31)	**346,905**	387,981
Net pension assets (Note 25)	**4,727**	18,290
Deferred tax assets - net (Note 23)	**31,901**	20,450
Other noncurrent assets (Note 13)	**108,027**	110,281
Total Noncurrent Assets	**13,050,098**	13,956,898
	₱15,711,754	₱16,273,067
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 14 and 30)	**₱1,155,585**	₱1,201,760
Short-term loans (Notes 16 and 30)	**375,000**	1,398,800
Unearned income (Note 14)	**680,578**	780,706
Lease liabilities - current portion (Note 31)	**44,174**	46,215
Income tax payable	**12,482**	20,690
Payables to related parties (Notes 15 and 30)	**29,481**	15,411
Dividends payable (Notes 18 and 30)	**565**	565
Total Current Liabilities	**2,297,865**	3,464,147
Noncurrent Liabilities		
Net pension liabilities (Note 25)	**168,134**	115,935
Long-term loans (Note 17)	**1,872,275**	1,869,903
Lease liabilities - net of current portion (Note 31)	**348,408**	373,125
Deferred tax liabilities - net (Note 23)	**476,977**	658,781
Other noncurrent liabilities (Note 31)	**56,091**	58,383
Total Noncurrent Liabilities	**2,921,885**	3,076,127
Total Liabilities	**5,219,750**	6,540,274

(Forward)

	December 31	
	2020	2019
Equity		
Common stock (Notes 6 and 18)	**₱1,044,263**	₱1,044,263
Additional paid-in capital (Note 6)	**3,294,368**	3,294,368
Other comprehensive income (loss):		
Revaluation increment on land - net (Note 11)	**1,425,033**	1,583,743
Remeasurement losses on defined benefit plans (Note 25)	**(76,722)**	(19,766)
Fair value reserve of equity instruments at fair value through other comprehensive income (FVOCI) (Note 30)	**–**	(880)
Equity reserve (Note 6)	**(230,494)**	(230,494)
Retained earnings (Note 18)	**4,795,968**	3,838,446
	10,252,416	9,509,680
Treasury stock (Note 18)	**(0.21)**	(0.21)
Equity attributable to equity holders of the Parent Company	**10,252,416**	9,509,680
Non-controlling interest in consolidated subsidiaries (Note 27)	**239,588**	223,113
Total Equity	**10,492,004**	9,732,793
	₱15,711,754	₱16,273,067

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2020	2019 (Note 6)	2018
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 19)			
Revenue from schools and related operations	**₱3,017,106**	₱2,996,773	₱1,807,558
COSTS AND EXPENSES			
Cost of schools and related operations (Note 20)	**(2,015,408)**	(2,040,060)	(1,279,403)
GROSS PROFIT	**1,001,698**	956,713	528,155
GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)	**(619,942)**	(481,461)	(250,533)
INTEREST AND OTHER FINANCE CHARGES (Note 22)	**(151,762)**	(129,338)	(36,026)
INTEREST INCOME (Note 22)	**10,897**	22,758	11,346
OTHER INCOME (CHARGES) - Net (Note 11)	**34,101**	(26,986)	12,028
INCOME BEFORE INCOME TAX	**274,992**	341,686	264,970
PROVISION FOR INCOME TAX (Note 23)	**32,818**	67,595	27,875
NET INCOME	**242,174**	274,091	237,095
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Revaluation increment on land - net of tax (Note 11)	**498,606**	9,778	350,451
Reversal of deferred tax liability on revaluation increment of land sold through sale of subsidiary - net of tax (Note 11)	**146,983**	–	–
Remeasurement gains (losses) on defined benefit plans – net of tax (Note 25)	**(55,304)**	(57,274)	3,679
Fair value reserve of equity instruments at FVOCI (Note 30)	–	3,093	(10,689)
	590,285	(44,403)	343,441
TOTAL COMPREHENSIVE INCOME	**₱832,459**	₱229,688	₱580,536
Net income attributable to:			
Equity holders of the parent (Note 26)	**₱245,818**	₱254,588	₱211,035
Non-controlling interest in consolidated subsidiaries (Note 27)	**(3,644)**	19,503	26,060
	₱242,174	₱274,091	₱237,095
Total comprehensive income attributable to:			
Equity holders of the parent	**₱815,984**	₱212,557	₱529,537
Non-controlling interest in consolidated subsidiaries (Note 27)	**16,475**	17,131	50,999
	₱832,459	₱229,688	₱580,536
Basic/Diluted Earnings Per Share (Note 26)	**₱0.2354**	₱0.2692	₱0.2818

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company											
	Common Stock (Notes 6 and 18)	**Additional Paid-in Capital** (Note 6)	**Unrealized Gain on AFS Financial Assets** (Note 30)	**Fair Value Reserve of Equity instruments at FVOCI** (Note 30)	**Revaluation 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**	**Non - controlling Interest** (Note 27)	**Total**
					For the year ended December 31, 2020							
Balances as at January 1, 2020	**₱1,044,263**	**₱3,294,368**	**₱–**	**(₱880)**	**₱1,583,743**	**(₱19,766)**	**(₱230,494)**	**₱3,838,446**	**(₱0.21)**	**₱9,509,680**	**₱223,113**	**₱9,732,793**
Net income	–	–	–	–	–	–	–	**245,818**	–	**245,818**	**(3,644)**	**242,174**
Other comprehensive income	–	–	–	–	**627,122**	**(56,956)**	–	–	–	**570,166**	**20,119**	**590,285**
Total comprehensive income	–	–	–	–	**627,122**	**(56,956)**	–	**245,818**	–	**815,984**	**16,475**	**832,459**
Transfer of revaluation increment to retained earnings due to sale of land	–	–	–	–	**(785,832)**	–	–	**785,832**	–	–	–	–
Transfer to retained earnings	–	–	–	**880**	–	–	–	**(880)**	–	–	–	–
Dividends declared	–	–	–	–	–	–	–	**(73,248)**	–	**(73,248)**	–	**(73,248)**
Balances as at December 31, 2020	**₱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**
					For the year ended December 31, 2019							
Balances as at January 1, 2019	₱748,933	₱1,439	₱–	(₱3,973)	₱1,574,008	₱35,093	₱–	₱3,643,131	(₱0.21)	₱5,998,631	₱414,929	₱6,413,560
Net income	–	–	–	–	–	–	–	254,588	–	254,588	19,503	274,091
Other comprehensive income	–	–	–	3,093	9,735	(54,859)	–	–	–	(42,031)	(2,372)	(44,403)
Total comprehensive income	–	–	–	3,093	9,735	(54,859)	–	254,588	–	212,557	17,131	229,688
Issuance of shares (Note 6)	295,330	3,292,929	–	–	–	–	–	–	–	3,588,259	–	3,588,259
Change in non-controlling interest	–	–	–	–	–	–	(230,494)	–	–	(230,494)	(208,947)	(439,441)
Dividends declared	–	–	–	–	–	–	–	(59,274)	–	(59,274)	–	(59,274)
Balances as at December 31, 2019	₱1,044,263	₱3,294,368	₱–	(₱880)	₱1,583,743	(₱19,766)	(₱230,494)	₱3,838,446	(₱0.21)	₱9,509,680	₱223,113	₱9,732,793
					For the year ended December 31, 2018							
Balances as at January 1, 2018	₱748,933	₱1,439	₱6,717	₱–	₱1,248,233	₱31,676	₱–	₱3,611,840	(₱0.21)	₱5,648,839	₱376,252	₱6,025,090
Net income	–	–	–	–	–	–	–	211,035	–	211,035	26,060	237,095
Other comprehensive income	–	–	–	(10,689)	325,775	3,417	–	–	–	318,502	24,939	343,441
Total comprehensive income	–	–	–	(10,689)	325,775	3,417	–	211,035	–	529,537	50,999	580,536
Transfer of unrealized gain on AFS financial assets to fair value reserve of equity instruments at FVOCI	–	–	(6,717)	6,717	–	–	–	–	–	–	–	–
Dividends declared	–	–	–	–	–	–	–	(179,744)	–	(179,744)	(12,322)	(192,066)
Balances as at December 31, 2018	₱748,933	₱1,439	₱–	(₱3,973)	₱1,574,008	₱35,093	₱–	₱3,643,131	(₱0.21)	₱5,998,631	₱414,929	₱6,413,560

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2020	2019 (Note 6)	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱274,992**	₱341,686	₱264,970
Adjustments for:			
Depreciation and amortization (Notes 10, 13, 20 and 21)	**463,422**	397,612	218,311
Interest expense and other finance charges (Note 22)	**178,294**	129,338	36,026
Provision for doubtful accounts (Notes 8 and 21)	**48,755**	79	1,900
Interest income (Note 22)	**(10,897)**	(22,758)	(11,346)
Unrealized foreign exchange loss (gain) - net	**(1,830)**	505	(677)
Unrealized market gain on financial assets at FVTPL	**(355)**	(650)	(238)
Loss (gain) on disposal of property and equipment	**–**	–	8
Operating income before working capital changes	**952,381**	845,811	508,953
Decrease (increase) in:			
Receivables	**(95,364)**	(416,734)	(172,749)
Prepaid expenses and other current assets	**(94,656)**	94,017	27,936
Increase (decrease) in:			
Accounts payable and other current liabilities	**(58,029)**	122,388	46,409
Unearned income	**(100,128)**	431,782	228,161
Other noncurrent liabilities	**(379,644)**	75,644	–
Net pension assets and liabilities	**40,748**	(22,970)	(26,615)
Net cash generated from operations	**265,308**	1,129,938	612,095
Interest paid	**(139,909)**	(101,550)	(37,245)
Income taxes paid	**(41,025)**	(63,275)	(29,581)
Interest received	**10,734**	22,637	10,833
Net cash flows from operating activities	**95,108**	987,750	556,102
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of:			
Land through sale of subsidiary (Note 11)	**2,126,915**	–	–
Equity instruments at FVOCI (Note 30)	**–**	17,482	–
Acquisitions of:			
Property and equipment (Notes 10 and 29)	**(881,887)**	(1,437,212)	(914,664)
Computer software (Note 13)	**(1,840)**	–	–
Acquisition through business combination – net of noncash acquired (Note 6)	**–**	1,291,500	–
Non-controlling interest (Note 6)	**–**	(881,068)	–
Land (Notes 11 and 29)	**–**	–	(1,191,844)
Decrease (increase) in:			
Receivables from related parties	**(25,445)**	(15,927)	191
Other noncurrent assets	**1,819**	2,181	286,900
Net cash flows from (used in) investing activities	**1,219,562**	(1,023,044)	(1,819,417)

(Forward)

	Years Ended December 31		
	2020	2019 (Note 6)	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of short-term loans (Notes 16 and 29)	**(₱1,254,330)**	(₱2,348,200)	(₱1,430,000)
Proceeds from short-term loans (Notes 16 and 29)	**230,530**	1,437,000	2,860,000
Payment of lease liabilities (Note 31)	**(68,826)**	(49,101)	–
Dividends paid to stockholders (Note 29)	**(73,248)**	(116,781)	(204,392)
Increase (decrease) in payables to related parties (Note 27)	**14,070**	2,398	(7,943)
Proceeds from long-term loans (Note 29)	–	1,679,903	–
Tax on issuance of new shares (Note 6)	**–**	(2,953)	–
Net cash flows from (used in) financing activities	**(1,151,804)**	602,266	1,217,665
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**1,830**	(505)	677
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**164,696**	566,467	(44,973)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,154,306**	587,839	632,812
CASH AND CASH EQUIVALENTS AT END OF YEAR (Notes 7 and 30)	**₱1,319,002**	₱1,154,306	₱587,839

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

iPeople, inc. (the Parent Company) is a publicly-listed stock corporation registered and incorporated on July 27, 1989 under the laws of the Philippines.

The Parent Company, a subsidiary of House of Investments, Inc. (HI), is a holding and management company. Its principal office address is at 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City. iPeople, inc. and its subsidiaries (collectively referred to as "the Group") are mainly involved in education sector with the list of subsidiaries disclosed in Note 2.

The Group is a member of the Yuchengco Group of Companies (YGC). The Group's ultimate parent is Pan Malayan Management and Investment Corporation (PMMIC).

Merger with AC Education, Inc.
On October 1, 2018, the Board of Directors (BOD) of iPeople, inc. executed a memorandum of agreement (MOA) for a proposed Plan of Merger between iPeople, inc. and AC Education, Inc. (AEI), the wholly owned education arm of Ayala Corporation (AC), with iPeople, inc. as the surviving entity with HI and AC owning 48.18% and 33.5%, respectively. The merger would bring together the educational group of HI and AC.

The proposed merger was subsequently approved by iPeople, inc.'s Stockholders on December 12, 2018 and was approved by the Philippine Competition Commission (PCC) on December 12, 2018. On April 24, 2019, the Securities and Exchange Commission (SEC) approved the merger between iPeople, inc. and AEI, with iPeople, inc. as the surviving entity, and to take effect five business working days thereafter or May 2, 2019. On said date, iPeople, inc. issued 295,329,976 common shares from its unissued capital stock to AC. After the merger, iPeople, inc. became 48.18% owned by HI and 33.5% owned by AC. 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, 2020 and 2019, and for each of the three years in the period ended December 31, 2020.

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		
	2020	2019	2018
Malayan Education System, Inc. (MESI) [Operating Under the Name of Mapua University] and subsidiaries	**100%**	100%	93%
Direct ownership of MESI on its subsidiaries:			
Malayan Colleges Laguna, Inc., A Mapua School (MCLI)	**100**	100	100
Malayan Colleges Mindanao (A Mapua School), Inc. (MCMI)	**100**	100	100
Malayan High School of Science, Inc. (MHSSI)	**100**	100	100
Mapua Information Technology Center, Inc. (MITC)	**100**	100	100
Mapua Techserv, Inc.	**100**	100	100
Mapua Techpower, Inc.	**75**	75	75
San Lorenzo Ruiz Investment Holdings and Services Inc. (SLRIHSI)	**–***	100	100
People eServe Corporation	**100**	100	100
Pan Pacific Computer Center, Incorporated (PPCCI)	**100**	100	100
New subsidiaries in 2019 after the merger (Note 1):			
Affordable Private Education Center, Inc. doing business under the name of APEC Schools	**100**	100	n/a
National Teachers College doing business under the name/s and style/s of The National Teachers College	**99.79**	99.79	n/a
University of Nueva Caceres	**83.62**	83.62	n/a
AC College of Enterprise and Technology, Inc.	**100**	100	n/a
LINC Institute, Inc. doing business under the Name and Style of LINC Academy	**100**	100	n/a

**Sold in December 2020 to HI (see Note 11).*

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, 2020. The adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments*, *Interest Rate Benchmark Reform*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*
- Conceptual Framework for Financial Reporting issued on March 29, 2018
- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

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

Effective beginning on or after January 1, 2021
- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

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

Effective beginning on or after January 1, 2023
- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

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

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

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2020 on the Group's consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

4. Summary of Significant Accounting Policies

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from date of placement and that are subject to an insignificant risk of changes in value.

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

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

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

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

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

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

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

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

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

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

<u>Financial Instruments</u>
Initial recognition and subsequent measurement
The Group recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

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

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

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

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

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

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

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

Financial assets at amortized cost (debt instruments)
The Group measures financial assets at amortized cost if both of the following conditions are met:

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

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

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

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

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

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

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

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

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an

approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

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

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

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

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

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

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

The Group's financial liabilities include loans and borrowings.

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

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

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

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

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

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

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

Prepaid Expenses and Other Current Assets

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

Prepaid Expenses

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

Restricted Funds

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

Creditable Withholding Tax (CWT)

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

Inventories

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

Value-added Tax (VAT)

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

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

Property and Equipment

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

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

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

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

	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
Effective January 1, 2019, upon adoption of PFRS 16, the Group recognizes right-of-use assets and lease liabilities on contracts that qualify as leases under PFRS 16. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses,

and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Lease liabilities 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. The accounting policy on leases prior to the adoption of PFRS 16 is discussed in the accounting policy on Leases – Group as Lessee (Effective Prior to January 1, 2019).

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of Nonfinancial Assets

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

The Group assesses as of reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

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

Goodwill and intellectual property rights

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

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

Equity

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

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

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

Revenue and Income Recognition

Revenue is 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 as revenue 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. Prior to January 1, 2019, rent expense under PAS 17 are recognized on a straight-line basis over the lease term.

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).

<u>Income Taxes</u>

Current tax

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

Deferred tax

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

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

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

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

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

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

Leases – Group as Lessor

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

Leases – Group as Lessee (Effective Prior to January 1, 2019)

The Group entered into lease agreement for office space where the Group has determined that it does not obtain the risks and rewards of ownership of these properties and therefore the agreement is accounted for as an operating lease. Rental expense under operating leases is recognized on a straight-line basis over the term of the lease.

Foreign Currency-denominated Transactions and Translation

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

Basic Earnings Per Share (EPS)

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

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

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

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

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

5. Significant Accounting Judgments and Estimates

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

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

Purchase price allocation in business combination and goodwill
The Group's consolidated financial statements reflect the acquired entities (AEI and its subsidiaries prior to the merger) after the completion of the merger which is effective May 2, 2019 (Note 6). The Group accounts for the acquired business using the acquisition method, which requires extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any excess in the purchase price over the fair market values of the net assets acquired is recorded as goodwill in the consolidated statement of financial position. Thus, the numerous judgments made in estimating the fair value to be assigned to the acquiree's assets and liabilities can materially affect the Group's financial position and performance.

The merger with AEI resulted in the recognition of student relationship, intellectual property rights and goodwill from the excess of the acquisition cost over the fair value of net assets acquired (Note 6).

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, 2020 and 2019. The key assumptions used to determine fair value are disclosed in Note 11.

As at December 31, 2020 and 2019, the fair value of land amounted to ₱6,219.8 million and ₱7,560.9 million, respectively (Note 11).

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

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

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

Leases under PFRS 16 – Estimating the IBR
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses IBR to measure lease liabilities. The IBR is the rate of interest that an entity would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the entities 'would have to pay', which requires estimation when no observable rates are available (such as for entities that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the stand-alone credit rating).

The Group's right-of-use assets and lease liabilities are disclosed in Note 31.

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

There is no change in the estimated useful lives of student relationship from the effectivity of the merger. The carrying values of student relationship amounted to ₱78.8 million and ₱101.1 million as of December 31, 2020 and 2019, respectively (Note 6).

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

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

Impairment of goodwill and intellectual property rights are assessed at least on an annual basis. In assessing the impairment, the Group determines the recoverable amount using value in use with details disclosed in Notes 6 and 12. There is no impairment loss recognized on these assets in 2020, 2019 and 2018. The carrying value of these assets are disclosed in Notes 6 and 12.

As to the Group's property and equipment, student relationship and noncurrent assets, no impairment loss was recognized, except for the allowance for impairment in value of land amounting to ₱15.8 million and ₱21.0 million as of December 31, 2020, 2019 and 2018, respectively (Notes 6, 10, 11 and 13).

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, 2020 and 2019, the net pension liabilities amounted to ₱168.1 million and ₱115.9 million, respectively, while net pension assets amounted to ₱4.7 million and ₱18.3 million as at December 31, 2020 and 2019, 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 and Contingencies
The Group is currently involved in certain legal proceedings and claims in the ordinary course of business. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The ultimate disposition of these matters cannot be determined with certainty. The Group will exhaust all legal remedies available to it in defending itself in these claims and proceedings (Notes 14 and 31).

6. Business Combination and Transactions with Non-Controlling Interests

Business Combination
As disclosed in Note 1, on October 1, 2018, the BOD of iPeople, inc. executed a MOA for a proposed Plan of Merger between iPeople, inc. and AEI with iPeople, inc. as the surviving entity with HI and AC owning 48.18% and 33.5%, respectively. The merger would bring together the educational groups of HI and AC.

On April 24, 2019, the SEC approved the merger between iPeople, inc. and AEI, with iPeople, inc. as the surviving entity, and to take effect five business working days thereafter or May 2, 2019. On said date, iPeople, inc. issued 295,329,976 common shares from its unissued capital stock to AC, the parent company of AEI. iPeople, inc., being the surviving corporation, is deemed to have acquired all the assets and to have assumed all the liabilities of AEI in a business combination accounted for under the acquisition method. In exchange for the transfer of the net assets of AEI to iPeople, inc., iPeople, inc. issued to AC an aggregate of 295,329,976 shares with par value of ₱1.0 per share for a total fair value of ₱3,591.21 million based on iPeople, inc.'s quoted closing rate per share as of May 2, 2019. The excess of the fair value of shares issued over the par value was recognized as additional paid-in capital.

Assets acquired from AEI includes investments in the following subsidiaries:

Subsidiaries	Ownership Interest
Affordable Private Education Center, Inc. doing business under the name of APEC Schools (APEC)	100.00%
National Teachers College doing business under the name/s and style/s of The National Teachers College (NTC)	99.79%
University of Nueva Caceres (UNC)	58.63%
AC College of Enterprise and Technology, Inc. (ACCET)	100.00%
LINC Institute, Inc. Doing Business under the Name and Style of LINC Academy (LINC)	100.00%

The purchase price allocation has been finalized. The fair values of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition follows (amounts in thousands):

Assets	
Cash and cash equivalents	₱1,291,500
Trade and other receivables	231,421
Other current assets	188,222
Land classified as property and equipment (Note 11)	2,038,085
Other property and equipment (Note 10)	725,681
Right-of-use assets (Note 31)	363,029

(Forward)

Assets	
Intellectual property rights	523,103
Student relationship	116,009
Other noncurrent assets	102,717
	5,579,767
Liabilities	
Accounts and other payables	319,124
Loans payable	260,000
Deferred tax liabilities	432,946
Leased liabilities (Note 31)	374,622
Other liabilities	77,815
	1,464,507
Total identifiable net assets at fair value	4,115,260
Non-controlling interest	(537,520)
Goodwill (Note 12)	13,472
Cost of acquisition	₱3,591,213

The non-controlling interests have been measured at the proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

Acquisition-related costs were recognized as expense in 2019 and 2018.

Analysis of 2019 cash flows on acquisition follows:

Cash acquired from the subsidiaries (included in cash flows from investing activities)	₱1,291,500
Transaction costs of the acquisition (included in cash flows from operating activities)	(7,523)
Transaction costs attributable to issuance of shares (included in cash flows from financing activities)	(2,953)
Net cash flows on acquisition	₱1,281,024

Based on the valuation performed, the Group has identified other intangible assets such as the intellectual property rights with infinite life and student relationship with an estimated useful life of 5 years to 7 years based on the contractual relationship between the school entities and its students. These assets are attributed from the acquisition of operating schools NTC, APEC and UNC. The carrying value and movement of student relationship as of and for the year ended December 31 follows:

	2020	2019
Cost from business combination	**₱116,009**	₱116,009
Accumulated amortization:		
Beginning balance	**(14,874)**	–
Amortization for the year (Note 20a)	**(22,310)**	(14,874)
Ending balance	**(37,184)**	(14,874)
Balance at end of the year	**₱78,825**	₱101,135

As of December 31, 2020 and 2019, the Group performed impairment testing on intellectual property rights using the income approach. Key assumptions used are as follows:

- Revenue projections and long-term growth rate (3% for 2020 and 2.5% to 3% for 2019). Revenue projections based on financial budgets approved by management and considers the impact of the K to 12 Basic Education Program effective 2016 and the coronavirus pandemic. The long-term growth rate is the expected growth rate in the education industry sector.
- Discount rates (13% to 14% for 2020 and 12% to 15% for 2019). The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to comparable listed companies in the educational sector.
- Royalty rates (1% to 6% for 2020 and 1% to 5% for 2019). 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.

In 2020 and 2019, management assessed that no impairment loss should be recognized.

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

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

7. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	**₱2,139**	₱2,874
Cash in banks (Note 15)	**344,874**	426,955
Cash equivalents (Note 15)	**971,989**	724,477
	₱1,319,002	₱1,154,306

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

Interest income from cash in banks and cash equivalents amounted to ₱10.7 million, ₱22.6 million and ₱11.2 million in 2020, 2019 and 2018, respectively (Note 22).

8. Receivables

This account consists of:

	2020	2019
Tuition and other fees	**₱1,160,745**	₱926,345
Trade	**5,482**	4,431
Advances to officers and employees	**21,882**	95,320
Others	**25,936**	84,711
	1,214,045	1,110,807
Allowance for ECL	**(177,748)**	(134,845)
	₱1,036,297	₱975,962

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 ₱138.8 million and ₱131.1 million as at December 31, 2020 and 2019, 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.

Trade receivables represent amounts arising from the sale of computer equipment and computer services. These are noninterest-bearing and are generally on thirty (30) to sixty (60) days term and are not used as collaterals to secure obligations.

Advances to officers and employees consist mostly of advances subject to liquidation, interest-bearing receivables pertaining to car loan and noninterest-bearing telephone charges, hospitalization bill and library and printing charges. Receivables from employees are settled through salary deductions. Interest income from advances to officers and employees amounted to ₱0.2 million, ₱0.1 million and ₱0.1 million in 2020, 2019 and 2018, respectively (Note 22). These receivables are noninterest-bearing and are generally collectible within one year.

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

	2020			
	Tuition and other fees	**Trade**	**Others**	**Total**
Balance at beginning of year	**₱125,261**	**₱3,393**	**₱6,191**	**₱134,845**
Provisions for the year (Note 21)	**48,755**	**–**	**–**	**48,755**
Write-off	**(5,038)**	**–**	**(814)**	**(5,852)**
Balance at end of year	**₱168,978**	**₱3,393**	**₱5,377**	**₱177,748**
Gross receivables	**₱1,160,745**	**₱5,482**	**₱47,818**	**₱1,214,045**

	2019			
	Tuition and other fees	Trade	Others	Total
Balance at beginning of year	₱55,682	₱3,393	₱5,953	₱65,028
Additions from business combination (Note 6)	69,570	–	168	69,738
Provisions for the year (Note 21)	9	–	70	79
Balance at end of year	₱125,261	₱3,393	₱6,191	₱134,845
Gross receivables	₱926,345	₱4,431	₱180,031	₱1,110,807

9. Prepaid Expenses and Other Current Assets

	2020	2019
Prepaid expenses	₱99,553	₱77,972
Restricted funds (Note 15)	30,960	21,030
CWT	12,676	10,991
Books inventories	3,983	3,257
Office supplies	2,802	1,740
Input VAT	597	583
Others	120,033	60,375
	₱270,604	₱175,948

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

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

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

10. Property and Equipment

The rollforward analysis of this account follows:

	2020				
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	Total
Cost					
Balance at beginning of year	₱4,835,054	₱2,235,728	₱49,552	₱1,020,920	₱8,141,254
Acquisitions	92,009	177,822	–	633,884	903,715
Disposals/retirement	–	(39,298)	–	–	(39,298)
Reclassifications and adjustments	(12,508)	(8,668)	(1,031)	–	(22,207)
Balance at end of year	4,914,555	2,365,584	48,521	1,654,804	8,983,464
Accumulated depreciation, amortization and impairment loss					
Balance at beginning of year	1,362,597	1,665,887	29,293	–	3,057,777
Depreciation (Notes 20 and 21)	170,303	201,698	7,851	–	379,852
Disposals/retirement	–	(39,298)	–	–	(39,298)
Reclassifications and adjustments	–	4,629	(5,008)	–	(379)
Balance at end of year	1,532,900	1,832,916	32,136	–	3,397,952
Net book value at cost	3,381,655	532,668	16,385	1,654,804	5,585,512
Land at revalued amounts (Note 11)	–	–	–	–	6,219,772
Total	₱3,381,655	₱532,668	₱16,385	₱1,654,804	₱11,805,284

	2019				
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	Total
Cost					
Balance at beginning of year	₱3,608,821	₱1,570,008	₱35,910	₱188,429	₱5,403,168
Additions from business combination (Note 6)	668,681	495,888	7,659	65,779	1,238,007
Acquisitions	557,552	169,832	5,983	766,712	1,500,079
Balance at end of year	4,835,054	2,235,728	49,552	1,020,920	8,141,254
Accumulated depreciation, amortization and impairment loss					
Balance at beginning of year	969,273	1,167,520	19,778	–	2,156,571
Additions from business combination (Note 6)	142,248	366,522	3,556	–	512,326
Depreciation (Notes 20 and 21)	147,191	179,818	6,977	–	333,986
Reclassifications and adjustments	103,885	(47,973)	(1,018)	–	54,894
Balance at end of year	1,362,597	1,665,887	29,293	–	3,057,777
Net book value at cost	3,472,457	569,841	20,259	1,020,920	5,083,477
Land at revalued amounts (Note 11)	–	–	–	–	7,560,855
Total	₱3,472,457	₱569,841	₱20,259	₱1,020,920	₱12,644,332

Construction in progress as at December 31, 2020 and 2019 mainly includes the general cost of construction of MESI's new school building in Makati City and other direct costs (Note 11).

Capitalized interest expense on loans obtained to finance the constructions of school buildings amounted to ₱58.0 million and ₱70.4 million in 2020 and 2019, respectively (Notes 16 and 17).

The land and related improvements owned by MCMI with carrying value of ₱2,361.5 million and ₱2,376.8 million as of December 31, 2020 and 2019, respectively, were used to secure the long-term loans of MCMI as disclosed in Note 17.

11. Land at Revalued Amounts

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

	2020	2019
Land at cost:		
Balance at beginning of year	**₱5,100,906**	₱3,062,821
Additions from business combination (Note 6)	**–**	2,038,085
Land sold through sale of subsidiary	**(1,034,000)**	–
Balance at end of year	**4,066,906**	5,100,906
Provision for impairment:		
Balance at beginning of year	**(21,000)**	–
Reversal (provision) during the year charged to profit or loss	**5,237**	(21,000)
Balance at end of year	**(15,763)**	(21,000)
Revaluation increment on land:		
Balance at beginning of year	**2,480,949**	2,458,187
Change in revaluation increment	**600,321**	22,762
Revaluation increment on land transferred to retained earnings as a result of the sale of subsidiary	**(912,641)**	–
Balance at end of year	**2,168,629**	2,480,949
	₱6,219,772	₱7,560,855

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

Land were appraised by SEC-accredited independent firms of appraisers to determine the revalued amounts as at December 31, 2020 and 2019, respectively.

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

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

Location	Valuation Techniques	Unobservable Inputs Used	Range 2020	Range 2019
Makati and Intramuros, Manila	Market Approach	Price per square meter	**₱48,000 to ₱100,800**	₱40,500 to ₱273,125
Cabuyao, Laguna	Market Approach	Price per square meter	**₱8,640 to ₱16,200**	₱8,016 to ₱14,963
Davao City, Davao Del Sur	Market Approach	Price per square meter	**₱13,553 to 40,800**	₱12,339 to 39,738
Pandacan, Metro Manila	Market Approach	Price per square meter	**₱51,300 to ₱85,500**	₱51,300 to ₱76,950
San Jose Del Monte City, Bulacan	Market Approach	Price per square meter	**₱50,468 to 59,993**	₱47,025 to 58,500
Naga City, Camarines Sur	Market Approach	Price per square meter	**₱15,750 to ₱31,050**	₱13,745 to ₱22,680
Quiapo, Manila	Market Approach	Price per square meter	**₱69,034 to 133,650**	₱72,896 to 113,797

Net adjustment factors arising from external and internal factors (i.e. location, size and road frontage) affecting the subject properties as compared to the market listing of comparable properties, range from -55% to +35% in 2020 and from -30% to +35% in 2019.

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

In 2019, the Group recorded provision for impairment in value of ₱21 million on a parcel of land charged to profit or loss [presented under 'Other income (charges) - net] as there was no previous revaluation increment recognized on said land. Based on the 2020 appraisal of the same parcel of land, there was an increase in value of ₱5.2 million. The increase was credited to profit or loss as "Other income (charges) - net" in the 2020 statement of comprehensive income.

In December 2020, MESI sold its investment in subsidiary San Lorenzo Ruiz Investment Holdings and Services Inc. to HI for ₱1,946.6 million and paid CGT of ₱126.8 million on the gain on sale. MESI applied the ₱250.0 million earnest money received from HI in 2019 which was recorded as part of 2019 accounts payable (Note 15) as payment and the balance was paid in cash. The Group treated the sale of investment as disposal of the net assets of the subsidiary which mainly represents the land classified as property and equipment. As the land is carried at revalued amount, prior to the sale, the

Group recorded revaluation increment of ₱188.7 million (gross of tax) to reflect the land's fair value of ₱1,946.6 million equivalent to the selling price of said land. The revaluation increment (net of tax) of ₱132.1 million was credited to OCI. Upon sale of the subsidiary, the Group recorded the following:

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

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

12. **Goodwill**

The goodwill recognized in the consolidated statement of financial position amounting to ₱151.3 million as at December 31, 2020 and 2019 pertains to the ₱137.8 million goodwill from acquisition of MESI in 1999 and ₱13.5 million goodwill from the 2019 acquisition of AEI subsidiaries as disclosed in Note 6.

The Group performed impairment testing on goodwill arising from acquisition of MESI wherein MESI was considered as the CGU. No impairment testing was done on the ₱13.5 million goodwill as the Group assessed it as not material to the consolidated financial statements. In 2020, 2019 and 2018, management assessed that no impairment loss should be recognized.

Key assumptions used in the value in use (VIU) calculation
As at December 31, 2020 and 2019, the recoverable amount of the CGU has been determined based on a VIU calculation using five-year cash flow projections. Key assumptions in the VIU calculation of the CGU are most sensitive to the following:

- Future revenues and revenue growth rates. Cash flow projections based on financial budgets approved by management covering a five-year period and considers the impact of the K to 12 Basic Education Program on MESI's financial performance effective 2016 and the coronavirus pandemic.
- Long-term growth rates (3.78% for 2020 and 3.73% for 2019). The Long-term growth rate is the expected growth rate in the education industry sector.
- Discount rate (10.9% for 2020 and 8.3% for 2019). The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to Parent Company's capital structure.

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

13. **Other Noncurrent Assets**

This account consists of:

	2020	2019
Input VAT - net	**₱39,563**	₱41,322
Miscellaneous deposits	**29,322**	27,489
Creditable withholding tax	**23,059**	23,789
Computer software	**9,036**	9,341
Books and periodicals	**7,047**	8,340
	₱108,027	₱110,281

Miscellaneous deposits include rent deposits of the Group amounting to ₱18.0 million as of December 31, 2020 and 2019.

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

	2020	2019
Cost		
Balance at the beginning of the year	**₱42,185**	₱37,148
Additions	**1,840**	1,768
Additions from business combination (Note 6)	**–**	3,269
Balance at the end of the year	**44,025**	42,185
Accumulated Amortization		
Balance at the beginning of the year	**32,844**	31,326
Amortization (Notes 20 and 21)	**2,275**	1,518
Reclassifications	**(130)**	–
Balance at the end of the year	**34,989**	32,844
Net Book Value	**₱9,036**	₱9,341

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

Accounts payable and other current liabilities consists of:

	2020	2019
Accounts payable	**₱515,992**	₱619,117
Accrued expenses	**432,927**	387,232
Funds payable	**140,415**	90,733
Other payables	**66,251**	104,678
	₱1,155,585	₱1,201,760

Accounts payable pertains to the Group's obligation to local suppliers. This also includes the 2019 earnest money amounting to ₱250.0 million received from HI for the latter's exclusive interest to purchase shares of stock of a subsidiary of the Parent Company (see Note 15). As disclosed in Note 11, a subsidiary was sold to HI in 2020 with the earnest money applied as payment. Accounts payable also includes payables to students which are considered contract liabilities as disclosed under Unearned Income below.

Accrued expenses consist of:

	2020	2019
Provisions (Note 31)	**₱159,266**	₱154,307
Payable to suppliers	**124,460**	114,808
Accrued salaries and wages	**21,661**	30,423
Accrued professional fees	**21,515**	15,210
Accrued interest	**16,890**	5,037
Accrued communication expense	**15,042**	3,522
Withholding taxes and others	**12,003**	15,517
SSS and other contributions	**6,050**	7,661
Contracted services	**3,687**	5,440
Accrued utilities	**3,224**	8,453
Output VAT payable	**2,625**	4,371
Insurance	**1,594**	4,393
Others	**44,910**	18,090
	₱432,927	₱387,232

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

Other payables include outstanding balance on the acquisition of additional shares from UNC amounting to ₱60.68 million and ₱102.86 million as of December 31, 2020 and 2019, respectively.

Accounts payable, accrued expenses, and other payables are noninterest-bearing and are expected to be settled within a year after the financial reporting date. Funds payables are noninterest-bearing and are expected to be settled upon payout related to the funded projects and scholarship programs.

Unearned Income
Unearned income amounted to ₱680.6 million and ₱780.7 million as of December 31, 2020 and 2019, respectively. This mainly includes unearned tuition fees amounting to ₱670.0 million and ₱768.7 million as at December 31, 2020 and 2019, respectively.

The Group's contract liabilities represent the unearned tuition fees (presented under unearned income) and accounts payable to students (presented under accounts payable) 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.

As at December 31, 2020, contract liabilities amounted to ₱708.13 million and these will be recognized as revenue in the following year. Contract liabilities as of January 1, 2020 amounting to ₱790.54 million were recognized as revenue in 2020. The decrease in contract liabilities in 2020 is due to lower number of enrollees and timing of enrollment period for School Year 2020-2021.

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
Parent Company - HI				
a) Payable to Parent Company				
	2020	**₱–**	**(₱5,941)**	**Noninterest-bearing; unsecured; due and demandable**
	2019	–	(6,754)	
Management fee and other professional fees (Notes 20 and 21)	**2020**	**66,973**	**–**	**–**
	2019	69,539	–	–
	2018	46,940	–	–
b) Receivable from Parent Company				
	2020	**–**	**206**	**Noninterest-bearing; unsecured; due and demandable; no impairment**
	2019	–	173	
(Forward) Reimbursements	**2020**	**₱33**	**₱–**	**–**
c) Accounts payable (Note 14)	**2020**	**–**	–	**Noninterest-bearing; unsecured**
	2019	250,000	250,000	
Sale of subsidiary (Note 11)	**2020**	**1,946,641**	–	
Entities under common control of HI				
d) Receivables from related parties				
	2020	**–**	**25,824**	**Noninterest-bearing; unsecured; due and demandable; no impairment**
	2019	–	412	
Reimbursements	**2020**	**25,325**	**–**	**–**
Rental income	**2020**	**(467)**	**–**	**–**
	2019	(2,447)	–	–
	2018	(1,853)	–	–
e) Payables to related parties				
	2020	**–**	**(13,325)**	**Noninterest-bearing; unsecured; due and demandable**
	2019	–	(8,657)	
Contracted services (Notes 20 and 21)				
	2020	**37,660**	**–**	**–**
	2019	61,556	–	–
	2018	46,006	–	–
f) Accounts payable (Notes 10 and 14)	**2020**	**(11,342)**	**(1,029)**	**Noninterest-bearing; unsecured; payable on demand**
	2019	(12,002)	(13,811)	
Entities under common control of PMMIC				
g) Cash and cash equivalents (Note 7)				
	2020	**–**	**992,360**	**Interest at prevailing deposit and short-term rates; unsecured; no impairment**
	2019	–	729,536	
Interest income (Note 22)				
	2020	**10,734**	**–**	**–**
	2019	22,630	–	–
	2018	11,231	–	–
h) Receivables from related parties				
	2020	**–**	**18**	**Noninterest-bearing; unsecured; due and demandable; no impairment**
	2019	–	18	
i) Insurance expense				
	2020	**12,803**	**–**	
	2019	12,577	–	

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
	2018	₱5,934	₱–	
Financial asset at FVTPL (Note 30)				
	2020	**–**	**9,705**	**Carried at fair value; No impairment**
	2019	–	9,350	
Restricted funds (Note 9)	**2020**	**–**	**30,960**	**Interest at prevailing deposit and short-term rates; unsecured; no impairment**
	2019	–	21,030	
Entities with significant influence				
j) Payable to related parties	**2020**	**–**	**(10,214)**	**Due on demand, noninterest-bearing; unsecured; no impairment**
Management fee and other professional fees (Notes 20 and 21)	**2020**	**10,530**	**–**	
	2019	7,133	–	–
Others				
k) Accounts payable				
	2020	**–**	**(2,205)**	**Noninterest-bearing; unsecured; due and demandable; no impairment**
	2019	–	(414)	
Utilities				
	2020	**167**	**–**	**–**
	2019	65	–	
Professional fees				
	2020	**3,644**	**–**	**–**
	2019	3,044	–	
Others				
	2020	**481**	**–**	**–**

The Group's significant transactions with related parties follow:

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

b) *Receivables from Parent Company*
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) *Accounts payable to Parent Company*
This pertains the earnest money received from HI for the latter's exclusive interest to purchase shares of stock of a subsidiary of the Parent Company. This was applied in 2020 when the Group sold the subsidiary through disposal of land (Notes 11 and 14).

d) *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.

e) *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).

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

g) 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).

h) 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.

i) 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.

j) 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.

k) 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 ₱0.90 million and ₱0.87 million for the years ended December 31, 2020 and 2019, respectively.

b) Compensation of key management personnel of the Group

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

	2020	2019	2018
Short-term benefits	**₱37,044**	₱36,158	₱32,023
Post-employment benefits	**1,342**	1,138	1,132
	₱38,386	₱37,296	₱33,155

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, 2020 and 2019, the Group has not recorded any impairment losses on receivables relating to amounts owed by related parties. This assessment is undertaken each year through examining the financial position of the related party and the market in which the related party operates.

16. **Short-term Loans**

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

  The Group, through MCMI, also obtained short-term loans from Land Bank of the Philippines (LBP) in 2020 and 2019 amounting to ₱57.3 million and ₱15.0 million, respectively, with annual interests ranging from 4.70% to 6.25%. The loans are secured by the land owned by MCMI.

  Outstanding balance of short-term loans obtained by MCMI amounted to ₱375.0 million and ₱308.8 million as at December 31, 2020 and 2019, respectively.

- In 2018, the Group, through MESI, obtained unsecured peso-denominated short-term loans with BPI amounting to ₱900.0 million with annual interest rates ranging from 5.50% to 6.00%, to finance the acquisition of land from HI and the construction of MESI's school building in Makati City (Notes 10 and 11).

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

  Outstanding balance of short-term loans obtained by MESI amounted to nil and ₱1,090.0 million as at December 31, 2020 and 2019, respectively.

- In 2019, the Group through APEC, availed of short-term, interest-bearing loan from a bank amounting to ₱70.00 million at 7.50% interest per annum payable monthly. This was fully paid in 2019.

The Group made payments amounting to ₱1,254.3 million and ₱2,348.2 million in 2020 and 2019, respectively. Total STL drawdowns in 2020 and 2019 amounted to ₱230.5 million and ₱1,437.0 million, respectively.

Interest expense charged to operations in 2020, 2019 and 2018 amounted to ₱18.3 million, ₱37.2 million and ₱31.9 million, respectively (Note 22). Interest expense that was capitalized as part of construction of MESI's building in 2020 and 2019 amounted to ₱58.0 million and ₱63.3 million, respectively (Note 10).

17. **Long-term Loans**

This account consists of the following as of December 31:

	2020	2019
Unsecured bank loans	**₱380,000**	₱380,000
Secured bank loans	**1,492,275**	1,489,903
	₱1,872,275	₱1,869,903

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. Total drawdown from the long-term loan facility amounted to ₱380.0 million in 2019, which are subject to annual interest rate of 4.675% with 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.

The loan is subject to certain covenants including maintaining a maximum debt-to-equity structure ratio of 3:1. As of December 31, 2020 and 2019, NTC has complied with its covenant obligations, including maintaining the required debt-to-equity ratio. For 2020 and 2019, interest expense recognized in profit or loss amounted to ₱21.3 million and ₱8.5 million, respectively, while interest capitalized as part of building and improvements amounted to nil and ₱7.1 million in 2020 and 2019, respectively (Note 10).

Secured
In 2019, the Group, through MCMI, entered into a ten-year secured long-term loan agreement with a local bank for ₱1,500.0 million to refinance the construction of MCMI's school buildings and facilities that were initially funded by short-term loans. MCMI made partial drawdowns against this agreement amounting to ₱680.0 million, ₱350.0 million and ₱470.0 million in January, June and July 2019, respectively. The loans were subject to prevailing borrower's rate, plus a minimum spread of 0.50% per annum, but in no case lower than 4% per annum, subject to quarterly repricing. MCMI shall repay the loan in 20 equal quarterly installments to start at the end of 21st quarter from the initial drawdown date. The loans were secured by the land and related improvements owned by MCMI with carrying value of ₱2,361.5 million and ₱2,376.8 million as of December 31, 2020 and 2019, respectively, and suretyship of MESI (Note 10). The loans were subject to certain positive and negative covenants such as the requirement for MESI to maintain its debt service cover ratio of at least 1.0 at all times and its debt-to-equity ratio of at least 75:25 starting on the third year of the loan reckoned from initial drawdown date or January 2022.

MCMI incurred debt issue cost amounting to ₱11.2 million which is being amortized over the loan term of 10 years using the effective interest method. The amortization of debt issue cost amounting to ₱2.4 million in 2020 and ₱1.2 million in 2019 were recorded as part of interest expense.

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

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

	2020	2019
Principal	**₱1,500,000**	₱1,500,000
Unamortized debt issue cost	**(7,725)**	(10,097)
	₱1,492,275	₱1,489,903

18. **Equity**

Capital Stock
Capital stock consists of 2,000,000,000 authorized with 1,044,263,197 issued common shares as of December 31, 2020 and 2019, with a par value of ₱1 per share. Issued and outstanding shares (excluding treasury shares of 272) is 1,044,262,925 shares as of December 31, 2020 and 2019.

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, 2020:

Year	Number of shares registered	Number of holders of securities as at year end
January 1, 2019	748,932,949	2,022
Add (deduct) movement	295,329,976	(5)
December 31, 2019	1,044,262,925	2,017
Add (deduct) movement	–	(4)
December 31, 2020	1,044,262,925	2,013

Note: Exclusive of 272 treasury shares.

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, 2020 and 2019 amounted to ₱982.6 million and ₱1,057.8 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 ₱6,043.84 million and ₱5,428.64 million as at December 31, 2020 and 2019, respectively. These are not available for dividends until declared by the subsidiaries.

The Parent Company's retained earnings is restricted for dividends declaration to the extent of the cost of treasury stock amounting ₱209.

The BOD declared cash dividends as follows:

	2020	2019	2018
March 27, 2020, (₱0.070143 per share) to stockholders of record as of April 14, 2020, payable on May 8, 2020	**₱73,248**	₱–	₱–
June 28, 2019, (₱0.01373 per share to stockholders of record as of July 25, 2019, payable on August 16, 2019	–	14,338	–
March 29, 2019, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 15, 2019, payable on May 14, 2019	–	44,936	–
December 12, 2018, 6% cash dividends (₱0.06 per share) to stockholders of record as of January 8, 2019, paid on February 1, 2019	–	–	44,936
October 1, 2018, 6% cash dividends (₱0.06 per share) to stockholders of record as of October 26, 2018, paid on November 21, 2018	–	–	44,936
June 29, 2018, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 26, 2018, paid on August 17, 2018,	–	–	44,936
March 23, 2018, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 19, 2018, paid on May 16, 2018	–	–	44,936
	₱73,248	₱59,274	₱179,744

On April 8, 2021, the BOD declared ₱62.66 million cash dividends (₱0.06 per share) to stockholders of record as of May 7, 2021, payable on May 31, 2021.

Treasury Stock
As at December 31, 2020 and 2019, there are 272 treasury shares amounting ₱209.

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, 2020 and 2019.

As at December 31, 2020 and 2019, the Group is not subject to externally imposed capital requirements except for the long-term loan of NTC that is subject to debt to equity ratio requirement (Note 17).

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

	2020	2019
Liabilities (a)	**₱5,219,750**	₱6,540,274
Equity (b)	**10,252,416**	9,509,680
Debt-to-equity ratio (a/b)	**0.51:1.00**	0.69:1.00

19. Revenue from Contracts with Customers

Revenue from schools and related operations consists of:

	2020	2019	2018
Tuition and other matriculation fees	**₱3,223,956**	₱2,949,845	₱1,758,503
Less: Scholarship grants and discounts	**(273,208)**	(119,911)	(87,007)
	2,950,748	2,829,934	1,671,496
Other student-related income:			
Seminar fee income	**4,353**	16,573	14,336
Miscellaneous	**62,006**	150,266	121,726
	₱3,017,107	₱2,996,773	₱1,807,558

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

Disaggregation of the Group's revenue from contracts with customers based on the timing of revenue recognition:

	2020	2019	2018
Revenue from schools and related operations:			
Revenue from tuition and other matriculation fees (over time)	**₱2,950,748**	₱2,829,934	₱1,671,496
Other student-related income (at a point in time)	**66,359**	166,839	136,062
	₱3,017,107	₱2,996,773	₱1,807,558

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:

	2020	2019	2018
Personnel expenses (Note 24)	**₱1,037,808**	₱927,214	₱608,761
Depreciation and amortization	**367,984**	336,843	187,189
Management and other professional fees (Note 15)	**129,208**	166,467	113,974
Student-related expenses	**111,052**	216,292	110,314
Periodicals	**89,554**	40,198	21,693
IT expense - software license	**76,467**	46,854	36,623
Utilities	**61,547**	128,761	84,042
Accreditation cost	**31,682**	11,122	8,951
Repairs and maintenance	**20,049**	34,664	15,720
Advertising	**18,478**	19,696	19,901
Tools and library books (Notes 10 and 13)	**17,587**	33,969	26,334
Research and development fund	**10,738**	16,211	8,806
Insurance	**10,601**	10,101	7,351
Taxes and licenses	**7,321**	2,880	1,527
Seminar	**7,267**	16,769	12,668
Office supplies	**6,437**	16,084	7,406
Laboratory supplies	**3,728**	7,955	3,810
Entertainment, amusement and recreation	**1,210**	1,375	510
Transportation and travel	**917**	2,163	1,845
Rent (Note 31)	**184**	430	205
Miscellaneous	**5,589**	4,012	1,773
	₱2,015,408	₱2,040,060	₱1,279,403

a. Details of depreciation and amortization follows:

	2020	2019	2018
Depreciation (Note 10)	**₱379,852**	₱333,986	₱217,781
Depreciation - ROU assets (Note 31)	**58,985**	47,234	–
Amortization - Student relationship (Note 6)	**22,310**	14,874	–
Amortization (Note 13)	**2,275**	1,518	530
	₱463,422	₱397,612	₱218,311

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

	2020	2019	2018
Cost of schools and related operations	**₱312,302**	₱289,610	₱187,189
Cost of schools and related operations - ROU assets (Note 31)	**55,682**	47,233	–
	367,984	336,843	187,189
General and administrative expenses (Note 21)	**95,438**	60,769	31,122
	₱463,422	₱397,612	₱218,311

21. General and Administrative Expenses

This account consists of:

	2020	2019	2018
Personnel expenses (Note 24)	**₱212,163**	₱143,472	₱48,210
Management and other professional fees (Note 15)	**150,649**	148,095	112,905
Depreciation and amortization (Notes 10, 13 and 20)	**95,438**	60,769	31,122
Provisions for doubtful accounts (Note 8)	**48,755**	79	1,900
Advertising	**26,517**	21,401	9,173
Taxes and licenses	**19,970**	15,485	9,377
Repairs and maintenance	**15,422**	17,388	3,059
Utilities	**13,914**	11,379	9,583
Insurance	**5,125**	5,394	2,761
Donations	**4,452**	3,767	3,951
IT expense - software license	**3,983**	3,478	154
Transportation and travel	**2,900**	5,123	3,710
Entertainment, amusement, and recreation	**2,549**	3,642	1,813
Commission	**2,230**	829	680
Seminar	**2,087**	11,269	904
Office supplies	**1,720**	4,094	2,185
Investor relations	**1,306**	9,765	2,771
Rent (Note 31)	**547**	3,361	751
Miscellaneous	**10,215**	12,671	5,524
	₱619,942	₱481,461	₱250,533

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, manual and training materials, periodicals and other contracted services, among others.

22. Interest Income, Interest and Other Finance Charges

The Group’s interest income consists of interest from the following sources:

	2020	2019	2018
Cash in banks and cash equivalents (Note 7)	**₱10,734**	₱22,630	₱11,231
Advances to officers and employees (Note 8)	**163**	128	115
	₱10,897	₱22,758	₱11,346

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

	2020	2019	2018
Short-term loans (Note 16)	**₱18,305**	₱37,210	₱31,895
Long-term loans (Note 17)	**84,845**	63,945	–
Interest expense on lease liabilities (Note 31)	**35,384**	22,752	–
Bank charges	**13,228**	5,431	4,131
	₱151,762	₱129,338	₱36,026

23. **Income Tax**

Provision for income tax consists of:

	2020	2019	2018
Current	**₱47,142**	₱59,418	₱35,046
Deferred	**(14,324)**	8,177	(7,171)
	₱32,818	₱67,595	₱27,875

The reconciliation of statutory tax rate of 30% to effective income tax rate follows:

	2020	2019	2018
Income before income tax at statutory rate	**30.00%**	30.00%	30.00%
Add (deduct) reconciling items:			
Difference in income tax rate	**(21.87)**	(14.51)	(20.37)
Others	**3.80**	4.29	0.89
	11.93%	19.78%	10.52%

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

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

	2020	2019
Deferred tax assets		
Allowance for ECL	**₱22,846**	₱5,673
Retirement asset	**6,142**	8,033
Deferred school fees	**2,912**	6,744
Unrealized foreign exchange loss	**1**	–
	31,901	20,450
Deferred tax liabilities - net		
Revaluation increment on land	**454,013**	539,366
Intellectual property rights and student relationship	**60,193**	62,424
Accruals	**(15,431)**	(15,431)
Retirement liabilities	**(13,210)**	(7,177)
Allowance for ECL	**(4,556)**	(4,997)
NOLCO	**(1,164)**	–
Allowance for inventory obsolescence	**(53)**	(53)
Others	**(2,815)**	84,649
	476,977	658,781
	₱445,076	₱638,331

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

	2020	2019
Beginning	₱638,331	₱203,445
Provisions during the year	(14,324)	8,177
Reversal of deferred tax liability on revaluation increment of land sold through sale of subsidiary (Note 11)	(273,792)	–
Additions from business combination (Note 6)	–	427,254
Tax effects of:		
Revaluation increment on land (Note 11)	101,715	176
Remeasurement gains (losses) on defined benefit plans (Note 25)	(6,854)	(721)
	₱445,076	₱638,331

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

	2020	2019
NOLCO	₱28,483	₱78,146
Allowance for ECL	1,703	3,811
MCIT	1,396	780
Provision for retirement and others	1,005	6,406
Others	42	794
	₱32,629	₱89,937

As at December 31, 2020 and 2019, the details of NOLCO and MCIT, which are available for offset against future taxable income and tax payable, respectively, follow:

	NOLCO		MCIT	
	2020	2019	2020	2019
Beginning balance	₱488,424	₱324,407	₱780	₱653
Additions	160,881	175,607	730	580
Expiration	(147,130)	(11,590)	(114)	(453)
Ending balance	₱502,175	₱488,424	₱1,396	₱780

		NOLCO			MCIT	
Year Incurred	Year of Expiration	2020	2019	Year of Expiration	2020	2019
2020	2025	₱160,881	₱–	2023	₱730	₱–
2019	2022	175,607	175,607	2022	580	580
2018	2021	165,687	165,687	2021	86	86
2017	2020	–	147,130	2020	–	114
		₱502,175	₱488,424		₱1,396	₱780

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

24. **Personnel Expenses**

a. Details of personnel expenses are as follows:

	2020	2019	2018
Compensation	**₱1,116,607**	₱937,171	₱583,742
Retirement benefits (Note 25)	**34,241**	27,857	16,919
Miscellaneous benefits	**106,099**	105,658	56,310
	₱1,256,947	₱1,070,686	₱656,971

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

b. Personnel expenses as function of expense follows:

	2020	2019	2018
Cost of schools and related operations (Note 20)	**₱1,037,808**	₱927,214	₱608,761
General and administrative expenses (Note 21)	**212,163**	143,472	48,210
	₱1,249,971	₱1,070,686	₱656,971

25. **Retirement Plans**

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

The most recent actuarial valuation was carried out in January 2021 for the retirement plan of the Group as at December 31, 2020.

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

	2020	2019
Net pension assets	**4,727**	18,290
Net pension liabilities	**168,134**	115,935

Components of pension expense follow:

	2020	2019	2018
Current service cost	**₱37,410**	₱27,182	₱15,674
Net interest cost on defined benefit obligation	**4,320**	675	3,025
Curtailment gain	**(7,489)**	–	(1,780)
Net pension expense (Note 24)	**₱34,241**	₱27,857	₱16,919

The net pension assets recognized in the consolidated statements of financial position as at December 31, 2020 and 2019 is as follows:

	2020	2019
Fair value of plan assets	**₱56,484**	₱57,957
Present value of defined benefit obligation	**(51,603)**	(37,445)
Effect of asset ceiling	**(154)**	(2,222)
	₱4,727	₱18,290

The net pension liabilities recognized in the consolidated statements of financial position as at December 31, 2020 and 2019 is as follows:

	2020	2019
Fair value of plan assets	**₱280,889**	₱290,282
Present value of defined benefit obligation	**(449,023)**	(406,217)
	(₱168,134)	(₱115,935)

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

	2020	2019
At beginning of year	**₱97,645**	₱33,732
Contribution paid	**(29,058)**	(24,172)
Net pension expense	**34,241**	27,857
Net pension liabilities from business combination	**–**	9,483
Remeasurement losses recognized in OCI	**60,852**	50,290
Withdrawal of plan asset	**–**	(161)
Adjustments and reversals	**–**	616
Benefits paid	**(273)**	–
At end of the year	**₱163,407**	₱97,645

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

	2020	2019
Present value of defined benefit obligation	**₱500,447**	₱416,105
Fair value of plan assets	**(337,194)**	(320,682)
Effect of asset ceiling	**154**	2,222
Net pension liabilities	**₱163,407**	₱97,645

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

	2020	2019
Beginning balance	**₱416,105**	₱187,599
Interest cost	**20,346**	17,162
Current service cost	**37,410**	17,086
Benefits paid	**(26,202)**	(16,052)
Curtailment gain	**(7,489)**	–
Additions from business combination (Note 6)	**–**	166,631
Remeasurement losses (gains) on obligation:		
Experience adjustments	**5,940**	(8,028)
Changes in demographic assumptions	**5,878**	(3,866)
Changes in financial assumptions	**48,459**	55,573
Ending balance	**₱500,447**	₱416,105

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

	2020	2019
Beginning balance	**₱320,682**	₱153,867
Interest income	**16,149**	17,466
Contributions paid	**29,058**	19,618
Benefits paid	**(25,929)**	(14,979)
Remeasurement gains (losses) on plan assets	**(2,766)**	4,206
Addition from business combination (Note 6)	–	140,986
Withdrawal	–	(600)
Adjustment to plan assets	–	118
Ending balance	**₱337,194**	₱320,682

Remeasurement losses (gains) recognized in OCI follow:

	2020	2019
Remeasurement losses (gains)	**₱63,074**	₱57,958
Return on assets excluding amount included in net interest cost	–	(7,668)
Total remeasurement losses (gains) recognized in OCI	**₱63,074**	₱50,290

The distribution of plan assets as at December 31, 2020 and 2019 is as follows:

	2020		2019	
	Amount	**%**	Amount	%
Cash and cash equivalents	**₱180,796**	**53.59%**	₱176,481	50.68%
Investments in:				
Government securities	**128,850**	**38.19%**	112,651	32.35%
Certificate of time deposits	**-**	**-**	19,825	5.69%
Equity instruments	**28,731**	**8.52%**	39,580	11.37%
Interest and other receivables	**1,802**	**0.53%**	2,006	0.58%
Accrued trust fees	**(2,806)**	**-0.83%**	(2,304)	-0.66%
	₱337,373	**100.00%**	₱348,239	100.00%

Actual return on plan assets amounted to ₱13.38 million and ₱21.7 million in 2020 and 2019, respectively.

The Group plans to contribute ₱22.4 million in 2021.

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

	2020	2019
Discount rate:		
Beginning	**4.79%-5.54%**	7.26%-7.38%
End	**3.65%-4.07%**	4.79%-5.54%
Salary increase rate:		
Beginning	**3.00%-6.00%**	3.00%-5.00%
End	**3.00%-5.91%**	3.00%-6.00%

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

As at December 31, 2020

	Rate	Increase (Decrease)	PVO
Discount rate	**9.44%**	**+100bps**	**(₱209,785,941)**
	6.37%	**-100bps**	**375,255,730**
Salary rate	**4.50%**	**+100bps**	**₱375,816,658**
	3.50%	**-100bps**	**(208,790,320)**

As at December 31, 2019

	Rate	Increase (Decrease	PVO
Discount rate	5.86%	+100bps	(₱258,578,323)
	3.86%	-100bps	306,425,306
Salary rate	5.00%	+100bps	₱308,092,519
	3.00%	-100bps	(257,351,063)

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

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

26. Earnings Per Share

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

	2020	2019	2018
Net income attributable to equity holders of Parent Company (a)	**₱245,818**	₱254,588	₱211,035
Weighted average number of outstanding shares - net of treasury shares (b)	**1,044,263**	945,820	748,933
Earnings per share (a/b)	**₱0.2354**	₱0.2692	₱0.2818

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

27. **Non-controlling Interest in Consolidated Subsidiaries**

This represents shareholdings in material subsidiaries not held by the Group. Proportion of equity interest held by non-controlling interests (NCI) in material subsidiaries for 2020 and 2019 follows:

	2020	2019
University of Nueva Caceres	**16.38%**	16.38%
National Teachers College	**0.21%**	0.21%

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

	2020	2019
University of Nueva Caceres	**₱237**	₱221
National Teachers College	**3**	2

Dividends paid to non-controlling interest in consolidated subsidiaries amounted to nil in 2020 and 2019 and ₱12.3 million in 2018.

As at December 31, 2020 and 2019, the summarized financial information attributable to non-controlling interests in material subsidiaries is shown in the next page.

(In million pesos)

	University of Nueva Caceres		National Teachers College	
	2020	2019	**2020**	2019
Assets				
Current assets	**₱329**	₱385	**₱284**	₱258
Noncurrent assets	**1,422**	1,332	**1,257**	1,220
	₱1,751	₱1,717	**₱1,541**	₱1,478
Liabilities and Equity				
Current liabilities	**₱130**	₱200	**₱114**	₱140
Noncurrent liabilities	**191**	168	**471**	470
	321	368	**585**	610
Equity	**1,430**	1,349	**956**	868
	₱1,751	₱1,717	**₱1,541**	₱1,478
Attributable to:				
Equity holders of parent	**₱1,193**	₱1,128	**₱953**	₱866
Non-controlling interest	**237**	221	**3**	2
Net revenue	**₱297**	₱260	**₱368**	₱245
Gross profit (loss)	**123**	131	**191**	71
Net income (loss)	**(23)**	26	**67**	41
Attributable to:				
Equity holders of parent	**(₱19)**	₱16	**₱66**	₱41
Non-controlling interest	**(4)**	10	**1**	0

28. **Operating Segment Information**

Business Segment

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

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

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

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

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

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

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

Segment assets and liabilities exclude deferred tax assets and liabilities.

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

Capital expenditures consist of additions to property and equipment.

(In million pesos)

	Education			Others			Elimination			Consolidated		
	2020	2019	2018	**2020**	2019	2018	**2020**	2019	2018	**2020**	2019	2018
Revenues												
Income from external customers	**₱3,017**	₱2,997	₱1,808	**₱-**	₱-	₱-	**₱-**	₱-	₱–	**₱3,017**	₱2,997	₱1,808
Total Revenues	**₱3,017**	₱2,997	₱1,808	**₱-**	₱-	₱-	**₱-**	₱-	₱-	**₱3,017**	₱2,997	₱1,808
Net Income attributable to Parent Company	**₱310**	₱326	₱371	**(₱1)**	(₱17)	₱146	**(₱63)**	(₱55)	(₱306)	**₱246**	₱254	₱211
Other Information												
Segment assets	**₱15,744**	₱18,002	₱10,998	**₱5,838**	₱5,889	₱1,967	**(₱5,870)**	(₱7,618)	(₱2,993)	**₱15,712**	₱16,273	₱9,972
Segment liabilities	**5,217**	6,540	3,856	**168**	178	88	**(165)**	(178)	(385)	**5,220**	6,540	3,559
Deferred tax assets	**28**	20	5	**2**	–	–	**2**	–	–	**32**	20	5
Deferred tax liabilities	**358**	543	209	**47**	41	–	**72**	75	–	**477**	659	209
Cash flows arising from:												
Operating activities	**523**	804	633	**(31)**	(26)	(22)	**(397)**	210	(55)	**95**	988	556
Investing activities	**893**	(1,461)	(1,724)	**(6)**	121	260	**333**	317	(355)	**1,220**	(1,023)	(1,819)
Financing activities	**(1,125)**	832	941	**(62)**	(121)	(172)	**35**	(109)	449	**(1,152)**	602	1,218
Interest expense	**153**	130	41	**–**	–	–	**(1)**	(1)	(5)	**152**	129	36
Provision for income tax	**35**	71	28	**1**	1	–	**(3)**	(4)	–	**33**	68	28
Capital expenditures	**847**	347	2,127	**7**	–	–	**48**	1,090	(20)	**902**	1,437	2,107
Depreciation and amortization	**432**	399	218	**–**	–	–	**31**	(1)	–	**463**	398	218

29. Notes on Consolidated Statements of Cash Flows

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

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

		Non-cash Changes					
	2018	Declaration of Cash Dividend	Liabilities assumed from Merger	Additions on Lease liabilities	Interest Expense	Cash Flows	2019
Short-term loans	₱2,240,000	₱–	₱70,000	₱–	₱–	(₱911,200)	₱1,398,800
Long-term loans	–	–	190,000	–	–	1,679,903	1,869,903
Dividends payable	57,018	59,274	1,054	–	–	(116,781)	565
Payables to related parties	13,015	–	–	–	–	2,396	15,411
Lease liabilities	–	–	374,622	71,066	22,752	(49,100)	419,340
	₱2,310.033	₱59,274	₱635,676	₱71,066	₱22,752	₱605,218	₱3,704,019

		Non-cash Changes			
	2017	Declaration of Cash Dividend	Non-controlling interest	Cash Flows	2018
Short-term loans	₱810,000	₱–	₱–	₱1,430,000	₱2,240,000
Dividends payable	69,343	179,744	12,322	(204,392)	57,018
Payables to related parties	20,958	–	–	(7,943)	13,015
	₱900,301	₱179,744	₱12,322	₱1,217,665	₱2,310,033

- Noncash investing activities in 2020, 2019 and 2018 pertain to the revaluation of land amounting ₱600.3 million, ₱22.8 million and ₱389.9 million, respectively (Note 11).

- Noncash investing activities in 2019 also include the non-cash business combination as disclosed in Note 6.

30. Financial Instruments

Fair Value of Financial Instruments

The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as at December 31, 2020 and 2019:

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

	Carrying Amount	2019 Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:					
Financial assets at FVTPL	₱9,350	₱9,350	₱–	₱–	₱9,350

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

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

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

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

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

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

	2020	2019	2018
As at January 1	₱–	₱14,390	₱25,079
Changes in fair value	–	3,092	(10,689)
Disposal	–	(17,482)	–
As at December 31	₱–	₱–	₱14,390

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

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

As at December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements. There are no financial assets and financial liabilities recognized at fair value based on Level 3 and there are no transfers in and out of Level 3 categories in 2020 and 2019. No financial instrument fall within Level 3.

Financial Risk Management Objectives and Policies

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

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

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

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

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

The Group does not have any significant exposure to any individual customer or counterparty. With respect to credit risk arising from cash and cash equivalents, receivables, amounts due from related parties, financial assets at FVTPL, and refundable deposits, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. As at December 31, 2020 and 2019, there are no collaterals held in relation to the Group's financial assets.

The table below shows the credit risk exposure on the Group's financial assets as at December 31, 2020:

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

December 31, 2019:

	Gross carrying amount at default	Expected credit loss (Impaired)
Cash in banks	₱426,955	₱–
Cash equivalents	724,477	–
Receivables from:		
Tuition and other fees	926,345	125,261
Trade	4,431	3,393
Related parties	603	–
Others	180,031	6,191
Financial assets at FVTPL	9,350	–
Deposits	27,490	–
	₱2,299,682	₱134,845

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

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

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

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

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

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

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

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

	2020					
		Past Due				
	Current	< 1 quarter	1 - 2 quarters	> 2 quarters	ECL	Total
Tuition and other fees	₱951,249	₱23,499	₱29,720	₱156,277	(₱168,978)	₱991,767

	2019					
		Past Due				
	Current	< 1 quarter	1 - 2 quarters	> 2 quarters	ECL	Total
Tuition and other fees	₱599,728	₱111,169	₱64,338	₱151,110	(₱125,261)	₱801,084

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

The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and service maturing debts. As an inherent part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. The Treasury Department is responsible for monitoring the short-term loans and demand deposits of the Group. It assesses the status and maturity period of the loans and deposits to be able to determine the financial standing of the Group and whether the funds being maintained will be able to accommodate any maturing liabilities. Short-term and long-term funding are obtained to finance capital expenditures and working capital. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and available credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecasts approved by BOD. As at December 31, 2020 and 2019, the Group has available short-term credit facilities with banks aggregating ₱1.78 billion and ₱3.18 billion, respectively. In addition, the Group also has available long-term credit facilities with a bank amounting to ₱2.1 billion as of December 31, 2020. Short-term loans obtained by the Group are renewable subject to the terms of the agreements. The Group intends to convert short-term loans obtained to finance capital expenditures into long-term loans.

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

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

**excluding advances to officers and employees*

	2019			
	On demand	Less than 1 year	More than 1 year	Total
Financial assets at amortized cost				
Cash	₱429,829	₱–	₱–	₱429,829
Cash equivalents	724,477	–	–	724,477
Receivables*	335,733	544,910	–	880,643
Receivables from related parties	603	–	–	603
Financial assets at FVTPL	9,350	–	–	9,350
Deposits	–	–	27,490	27,490
	₱1,499,992	₱544,910	₱27,490	₱2,072,392

**excluding advances to officers and employees*

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

	2020			
	On demand	**Less than 1 year**	**More than 1 year**	**Total**
Accounts payable and accrued expenses*	**₱694,629**	**₱149,233**	**₱–**	**₱843,862**
Payables to related parties	**29,481**	–	–	**29,481**
Dividends payable	**565**	–	–	**565**
Short-term loans	–	**375,000**	–	**375,000**
Lease liabilities	–	**73,371**	**438,409**	**511,780**
	₱724,675	**₱597,604**	**₱438,409**	**₱1,760,688**

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

	2019			
	On demand	Less than 1 year	More than 1 year	Total
Accounts payable and accrued expenses*	₱547,047	₱440,370	₱–	₱987,417
Payables to related parties	15,411	–	–	15,411
Dividends payable	565	–	–	565
Short-term loans	–	1,398,800		1,398,800
Lease liabilities	–	75,365	475,501	550,866
	₱563,023	₱1,914,535	₱475,501	₱2,953,059

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

31. **Commitments and Contingencies**

Lease Commitments

Group as a lessor

The Group's Intramuros and Makati campuses lease spaces to Digitel, Investment Managers, Inc. (IMI) and Bell Telecommunication Philippines, Inc. The lease terms cover lease periods of between three (3) years to ten (10) years with escalation rates ranging from 3.00% to 10.00%.

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

	2020	2019
Within one year	**₱870**	₱791
More than one year but not more than five years	**4,036**	4,036
Later than five years	**106**	1,273
	₱5,012	₱6,100

Group as lessee

The Group leases building spaces for office and school sites and annexes from third-party lessors for a period ranging from one to ten years. The Group applies the 'short-term lease' recognition exemption for those leases with lease terms of one year or less.

Upon adoption of PFRS 16 in 2019, the School recognized right-of-use assets and lease liabilities from these operating lease agreements. For those leases subjected to PFRS 16, the IBR used in the computation of lease liabilities ranges from 5.00% to 6.25% in 2020 and from 7.25% to 9.00% in 2019 (see Note 5).

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

	2020	2019
Net Book Value at January 1	**₱387,981**	₱–
Net book value at business combination (Note 6)	**–**	363,029
Additions	**17,909**	72,186
Amortization (Note 20a)	**(58,985)**	(47,234)
Net Book Value at December 31	**₱346,905**	₱387,981

The following are the amounts recognized in the 2020 and 2019 statement of comprehensive income (Note 20):

	2020	2019
Depreciation expense of right-of-use assets	**₱58,985**	₱47,234
Interest expense on lease liabilities	**35,384**	22,752
Total amount recognized in profit or loss	**₱94,369**	₱69,986

The rollforward analysis of lease liabilities from APEC follows:

	2020	2019
As at January 1	**₱419,340**	₱–
Lease liabilities at business combination (Note 6)	**–**	374,622
Additions	**6,684**	71,066
Interest expense (Note 22)	**35,384**	22,752
Payments	**(68,826)**	(49,100)
As at December 31	**₱392,582**	₱419,340

The balance of lease liabilities as of December 31, 2020 and 2019 are as follows:

	2020	2019
Lease liabilities – current	**₱44,174**	46,215
Lease liabilities – noncurrent	**348,408**	373,125
As at December 31, 2020	**₱392,582**	₱419,340

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2020 and 2019:

	2020	2019
Within one year	**₱73,371**	₱75,365
More than one year but less than five years	**291,870**	348,644
Five years and more	**146,539**	126,857
	₱511,780	₱550,866

Provisions and Contingencies

- The Group is involved in certain claims arising from the ordinary conduct of business which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external counsels handling the defense in these matters and is based upon an analysis of potential results. The ultimate disposition of these matters cannot be determined with certainty. The Group will exhaust all legal remedies available to it in defending itself in these claims and proceedings. Provisions recognized during the year amounted to ₱4.9 million in 2020 and ₱0.7 million in 2019.

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

32. **Other Matters**

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

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

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

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

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

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

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

  As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT / 10% preferential tax rate) for financial reporting purposes.

  Applying the provisions of the CREATE Act, the Group would have been subjected to lower preferential tax rate of 1% for subsidiaries that are proprietary education institutions and lower RCIT of 25% or 20% and MCIT of 1% for other entities effective July 1, 2020.

  Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Group's proprietary educational institutions is 5.5% and prorated MCIT rate is 1.5%. This will result in reduction of ₱19.4 million in current income tax and income tax payable. The reduced amounts will be reflected in the 2020 annual income tax return of respective entities. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements. As to the impact on deferred tax, the Group assessed that the impact is not material as most of the temporary differences, particularly those from proprietary education institutions, will reverse after June 30, 2023.

- In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon and other parts of the country and the community quarantine continues for selected areas in 2021.

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

33. **Approval of the Consolidated Financial Statements**

The consolidated financial statements of the Group as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, 2019 and 2018 were approved and authorized for issuance by the BOD on April 8, 2021.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of iPeople, inc. and its subsidiaries (the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, included in this SEC Form 17-A and have issued our report thereon dated April 8, 2021. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ana Lea C. Bergado

Ana Lea C. Bergado
Partner
CPA Certificate No. 80470
SEC Accreditation No. 0660-AR-4 (Group A),
October 22, 2019, valid until October 21, 2022
Tax Identification No. 102-082-670
BIR Accreditation No. 08-001998-063-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534225, January 4, 2021, Makati City

April 8, 2021

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October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of iPeople, inc. and its subsidiaries (the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated April 8, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Ana Lea C. Bergado

Ana Lea C. Bergado
Partner
CPA Certificate No. 80470
SEC Accreditation No. 0660-AR-4 (Group A),
October 22, 2019, valid until October 21, 2022
Tax Identification No. 102-082-670
BIR Accreditation No. 08-001998-063-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534225, January 4, 2021, Makati City

April 8, 2021

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

SUPPLEMENTARY SCHEDULES

SCHEDULE II

IPEOPLE, INC. AND SUBSIDIARIES

ANNEX 68-J: SCHEDULES

DECEMBER 31, 2020

Below are the additional information and schedules required by Revised Securities Regulation Code Rule 68. This information is presented for purposes of filing with the SEC and is not required parts of the basic financial statements.

Schedule A. Financial Assets in Equity Securities
As at December 31, 2020, the Group has no financial assets in Equity Securities.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

Below is the schedule of advances to officers and employees of the Group with balances above ₱100,000 as at December 31, 2020:

Name	As at December 31, 2019	Additions	Liquidations/ Collections	As at December 31, 2020
Agapito, Benigno Jr.	₱375,142	₱–	₱89,017	₱286,125
Arenillo, Denise Jordan	322,158	–	80,456	241,702
Austria, Maria Rhodora	212,217	–	74,900	137,317
Camacho, Margarita	240,657	–	86,298	154,359
Caparanga, Alvin	253,500	–	91,000	162,500
Gan, Maria Eloisa	498,103	–	106,736	391,367
Kikuchi, Khristian	223,354	–	75,500	147,854
Lanuza, Dionisia	185,500	–	74,200	111,300
Lopez, Jonathan	352,194	–	73,365	278,829
Lozada, Katrina	128,764	–	–	128,764
Macayan, Jonathan	315,200	–	91,933	223,267
Manuel, Mark Christian	341,467	–	91,933	249,534
Mesina, James Ronald	402,500	–	94,267	308,233
Papas, Aileen Kate A.	455,690	–	92,683	363,007
Quisaot, Concordio	348,033	–	91,933	256,100
Robielos, Rex Aurelius	237,183	–	87,383	149,800
Teodoro, Gloria	266,500	–	91,000	175,500
Tiongco, Danilo R.	231,722	–	92,689	139,033
Uy, Francis Aldrine	300,678	–	92,517	208,161
Villa, Robert Joseph	–	398,720	62,787	335,933
Yap, Maria Elizabeth	529,895	–	101,574	428,321
	₱6,220,457	₱398,720	₱1,742,170	₱4,877,007

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

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

Below is the schedule of receivables and payables with related parties, which are eliminated in the consolidated financial statements as at December 31, 2020:

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of year
Pan Pacific Computer Center, Inc.	₱1,104,410	₱–	₱–	₱1,104,410
Malayan Education System, Inc.	9,567,065	22,393,657	(29,356,233)	2,604,489
Malayan Colleges Laguna, Inc.	2,348,575	14,267,517	(15,201,872)	1,414,220
University of Nueva Caceres	428,253	4,139,145	(4,064,345)	503,053
National Teachers College	–	59,341	(59,341)	–

Schedule D. Long-term debt

As at December 31, 2020, the Group has outstanding long-term debts as follow (in thousands):

Unsecured bank loans	₱380,000
Secured bank loans	1,492,275
	₱1,872,275

Unsecured

The Group, through NTC, entered into a 10-year unsecured term loan facility with a third party local bank for ₱650.00 million to finance its building refurbishment and/or expansion. The principal payments will be made in 28 quarterly payments starting May 2022. As of December 31, 2020, total drawdown from the long-term loan facility amounted to ₱380 million, which are subject to annual interest rate of 4.675% with 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.

The loan is subject to certain covenants including maintaining a maximum debt-to-equity structure ratio of 3:1. As of December 31, 2020, NTC has complied with its covenant obligations, including maintaining the required debt-to-equity ratio. For 2020, interest expense recognized in profit or loss amounted to ₱21.27 million.

Secured

In 2019, the Group, through MCMI, entered into a ten-year secured long-term loan agreement with a third party local bank for ₱1,500.00 million to refinance the construction of MCMI's school buildings and facilities that were initially funded by short-term loans. MCMI made partial drawdowns against this agreement amounting to ₱680.00 million, ₱350.00 million and ₱470.00 million in January, June and July 2019, respectively. The loans were subject to prevailing borrower's rate, plus a minimum spread of 0.50% per annum, but in no case lower than 4% per annum, subject to quarterly repricing. MCMI shall repay the loan in 20 equal quarterly installments to start at the end of 21st quarter from the initial drawdown date. The loans were secured by the land and related improvements owned by MCMI with carrying value of ₱2,376.76 million as of December 31, 2019 and suretyship of MESI. The loans were subject to certain positive and negative covenants such as the requirement for MESI to maintain its debt service cover ratio of at least 1.0 at all times and its debt-to-equity ratio of at least 75:25 starting on the third year of the loan reckoned from initial drawdown date or January 2022.

MCMI incurred debt issue cost amounting to ₱11.25 million which was being amortized over the loan term of 10 years using the effective interest method. The amortization of debt issue cost amounting to ₱2.4 million was recorded as part of interest expense.

Interest expense, including amortization of debt issue cost, amounted to ₱63.58 million.

Outstanding balance of long-term loans as of December 31, 2020 as follow:

	Amount
Principal	₱1,500,000
Unamortized debt issue cost	(7,725)
	₱1,492,275

Schedule E. Indebtedness to Related Parties (Long Term Loans from Related Companies)
As at December 31, 2020, the Group has no outstanding long-term debt from/to related parties.

Schedule F. Guarantees of Securities of Other Issuers
As at December 31, 2020, the Group does not guarantee any securities.

Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common Shares	2,000,000,000	1,044,262,925	-	885,453,681	168,775	158,640,469

SCHEDULE I

IPEOPLE, INC. AND SUBSIDIARIES

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

DECEMBER 31, 2020

Items	Amount	
Unappropriated retained earnings, *as adjusted to available for distribution, beginning*		**₱1,057,752**
Add: Net income actually earned/realized during the period		
Net income (loss) during the period closed to retained earnings	**(₱984)**	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	–	
Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Sub-total	–	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustments due to deviation from PFRS/GAAP - loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Sub-total	–	
Net income actually realized during the period		**(984)**
Add (Less):		
Dividends declaration during the year	**(73,248)**	
Appropriations of retained earnings during the period	–	
Reversal of appropriations	–	
Effects of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	**(0.21)**	
Transfer to retained earnings of fair value reserve of equity instruments	**(880)**	
		(74,128)
Total Retained Earnings, End Available for Dividend		**₱982,640**

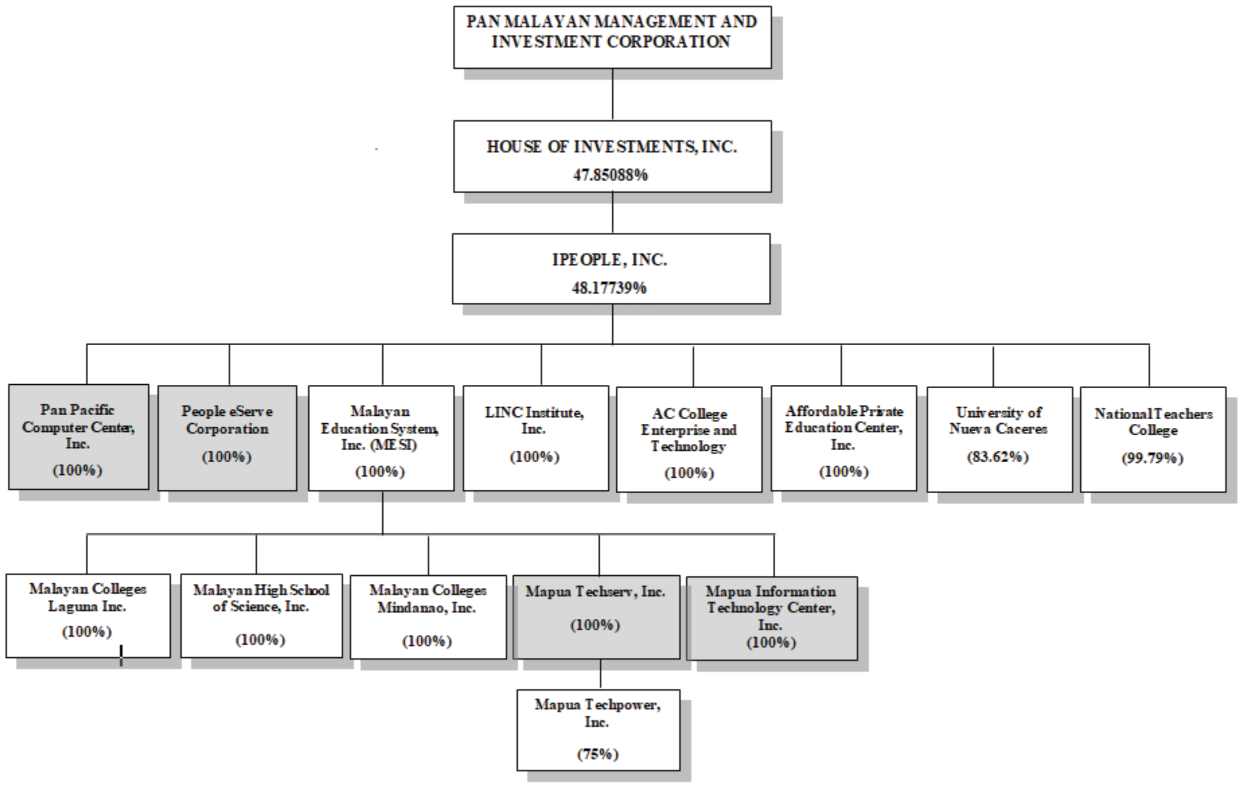
**Based on December 31, 2020 Parent Company Supplementary Schedule.*

SCHEDULE III

IPEOPLE, INC. AND SUBSIDIARIES
GROUP STRUCTURE
DECEMBER 31, 2020

Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company and subsidiaries as at December 31, 2020:



IPEOPLE, INC. AND SUBSIDIARIES

ANNEX 68-E: SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2020 AND 2019

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

Financial ratios		**2020**	2019
Current ratio *Indicates the Group's ability to pay short-term obligation*	Current Assets / Current Liabilities	**1.16:1**	0.67:1
Acid-test ratio *Indicates the Group's ability to use its quick or near cash assets to pay current liabilities immediately*	Current Assets – Prepaid expenses / Current Liabilities	**1.04:1**	0.62:1
Solvency Ratio *Shows how likely a Group will be to continue meeting its debt obligations*	Net Income+Depreciation / Total Liabilities	**0.14:1**	0.10:1
Debt-to-equity ratio *Measures the Group's leverage*	Total Debt / Equity	**0.51:1**	0.69:1
Asset to Equity Ratio *Shows how the Group's leverage (debt) was used to finance the firm*	Total Assets / Equity	**1.50:1**	1.67:1
Interest Rate Coverage *Shows how easily a Group can pay interest on outstanding debt*	EBIT* / Interest Expense Excluding Interest Expense on Lease Liabilities	**3.67:1**	4.42:1
Return on Average Stockholders' Equity *Reflects how much the Group's has earned on the funds invested by the stockholders*	Net Income / Average Equity	**2.39%**	3.40%
Net profit margin *Reflect how much net income or profit is generated as percentage of revenue*	Net Profit Margin / Revenue	**8.03%**	9.15%
Return on Assets *Measure the ability to utilize the Group's assets to create profits*	Net Income / Total Assets	**1.54%**	1.68%

**Earnings before interest and taxes (EBIT)*

ANNEX F

iPeople, inc. and Subsidiaries
Consolidated Financial Statements
March 31, 2021 and December 31, 2020

and

Three Months Ended
March 31, 2021, 2020 and 2019

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	6	6	4	1	1					

COMPANY NAME

iPEOPLE, iNC. AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
vicrafael@ipeople.com.ph	8253-3637	09985843110

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,010	August	March 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Victor V. Rafael	vicrafael@ipeople.com.ph	8253-3637	099858431110

CONTACT PERSON's ADDRESS

2nd Floor, Mapua Building, 333 Sen. Gil J. Puyat Avenue, Makati City

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

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

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17 – Q

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

1. For the quarterly period ended March 31, 2021

2. SEC Identification Number 166411

3. BIR Tax Identification No. 000-187-926-000

4. Exact name of registrant as specified in its charter: iPeople, inc.

5. Makati City, Philippines
   Province, Country or other jurisdiction of incorporation or organization

6. Industry Classification Code: /____/ (SEC Use Only)

7. 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City 1200
   Address of issuer's principal office Postal Code

8. +63 (2) 8253-3637
   Issuer's telephone number, including area code

9. Securities registered pursuant to Sections 8 and 12 of the Code, or Section 4 and 8

Title of Each Class	Number of Shares of Common Stock Outstanding Shares
Common Stock, P1.00 par value	1,044,263,197

   Amount of debt as of March 31, 2021 No debt registered pursuant to Section 4 and 8 of the RSA

10. Are any or all of these securities listed on the Stock Exchange.

    Yes (X) No ( )

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    Philippine Stock Exchange / Common Shares

11. Check whether the registrant:

    (a) has filled all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder of Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):

    Yes (X) No ( )

    (b) has been subject to such filing requirements for the past 90 days.

    Yes (X) No ( )

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The interim consolidated financial statements of iPeople, Inc. and Subsidiaries as of March 31, 2021 with comparative figures for the periods ended March 31, 2020, March 31, 2019 and December 31, 2020 and Schedule of Aging of Accounts Receivable are incorporated by reference as **Exhibit 1**.

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

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

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

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

None

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

None

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

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

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

materials or price increases or inventory adjustments), the change in the relationship shall be disclosed.

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

The entry of freshmen college students into the education system was tempered by the introduction of the Universal Access to Tertiary Education Act (RA10931), which had its first-time implementation in AY 2018-19. This resulted to notable decline in college freshman intake in private schools, which can generally be attributed to incoming freshmen applying at State Universities and Colleges (SUCs) / Local Universities and Colleges (LUCs) to avail of the free education under RA10931.

The continuing suspension of face-to-face classes that started in March 2020 covered all of the schools under the IPO Group. Disruptions to the operations of iPeople and its schools during and beyond the quarantine period will be mitigated with the utilization of alternatives means to continue the students' academic work, including adoption of on-line classes, coursework online, and independent projectized learning. Measures are also in place to address the risk to the health and safety of our employees, teachers, and communities.

The health, social and economic effects COVID-19 will have material impact on the 2021 consolidated financial results and even periods thereafter. Considering the evolving nature of this pandemic, the Group is evaluating in a continuing process the impact to its financial position, performance and cash flows. However, the Group at this time cannot yet determine with certainty the impact to its financial position. The Group will continue to monitor the situation.

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

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

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

None

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

Income Statement Variance

Compared to last year, consolidated revenues in 2021 was significantly affected by the delay in the start of school term, tuition fee rebates given to students due to suspension of face-to-face classes and the economic impact of the pandemic that affected the capability of some students to enrol in private schools and universities. Expenses on the other hand are generally lower due to the suspension of face-to-face classes and lower enrolment.

The Group produced a higher consolidated net income of ₱171.1 million this year versus net income of ₱162.5 million in the same period last year. The higher net income in 2021 is mainly attributed to better results of operations of MESI, lower net loss of MCM and lower income taxes due to the approval of the CREATE Bill. MCM incurred lower net loss mainly due to significant increase in enrolment. The result of future operations of MCM is expected to continue improve as it accepts more students in its succeeding years of operation.

Revenue from school operations, which is the primary source of revenue of the Group went down by 16% to ₱803.0 million from ₱957.3 million last year. The decrease in revenue was primarily due to lower enrolment, delay in the start of school term, and discounts given to students due to suspension of face-to-face classes.

Cost of tuition and other fees went down by 23% or ₱132.6 million, while general and administrative expenses decreased by 2% or ₱3.7 million lower from same period last year. The lower expenses in 2021 was primarily due to suspension of face-to-face classes as mandated by the government.

Interest income is lower by ₱1.6 million from last year because of lower interest rates.

Interest expense and other finance charges decreased from ₱32.3 million last year to ₱29.0 million this year due to payment of loans.

Provision for income taxes are lower in 2021 because of the approval of Republic Act 11534 which reduced income tax rate of educational institutions from 10% to1% from July 1, 2020 to June 30, 2023.

Other income (loss) pertains to rental income and foreign exchange gain.

Balance Sheet Variances

Total consolidated assets stood at ₱15.67 billion as of March 31, 2021 compared to ₱15.71 billion as of December 31, 2020. The slight drop in total assets is due to depreciation of property and equipment and amortization of intangible assets.

Consolidated current assets slightly increased to ₱2.69 billion this year from ₱2.66 billion last year primarily due to the increase in receivables and prepaid expenses and other current assets.

Receivables pertain mainly to matriculation and miscellaneous fees due from students. There was no significant movement in the balance of receivables.

Consolidated non-current assets were lower by ₱72 million or 0.6% lower mainly due to depreciation of property and equipment and amortization of intangible assets.

Total consolidated liabilities were lower by 4%, primarily because of the payment of short-term loans.

Accounts payable and accrued expense went up by 9% because of accrual of salaries and wages and interest on loans and increase in funds payable.

Payables to related parties pertain to services provided by the Group's affiliates to support its operations and oversee the on-going construction of school building in Makati.

Income tax payable in December 2020 was settled in April 2021. Tax liability for the quarter ending March 2021 is payable in May 2021.

Unearned income is lower this year, from ₱680.6 million in December 2020 to ₱642.8 million as of March 2021 due to revenue recognized during the period.

Total consolidated equity increased from ₱10.49 billion in December 2020 to ₱10.66 billion this year mainly due to the net income during the period. Equity attributable to Parent is at ₱10.42 billion from ₱10.25 billion in December 2020.

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

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

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

Financial Soundness Indicator

The company's top 10 key performance indicators as of the period ended March 31, 2021, March 31, 2020 and December 31, 2020 are as follows:

Financial ratios		**Unaudited March 2021**	Unaudited March 2020	Audited December 2020
Current ratio *Indicates the Group's ability to pay short-term obligation*	Current Assets / Current Liabilities	**1.29:1**	0.69:1	1.16:1
Acid Test Ratio *Indicates the Group's ability to use its quick or near cash assets to pay current liabilities immediately*	Current Assets – Prepaid Expenses / Current Liabilities	**1.14:1**	0.62:1	**1.04:1**
Solvency Ratio *Shows how likely a Group will be to continue meeting its debt obligations*	Net Income+Depreciation / Total Liabilities	**0.06:1**	0.04:1	0.14:1
Debt-to-equity ratio *Measures the Group's leverage*	Total Debt / Equity	**0.48:1**	0.67:1	0.51:1
Asset to Equity Ratio *Shows how the company's leverage (debt) was used to finance the firm*	Total Assets / Equity	**1.47:1**	1.65:1	1.50:1
Interest Rate Coverage *Shows how easily a company can pay interest on outstanding debt*	EBIT / Interest Expense excluding Interest Expense on Lease Liabilities	**6.92:1**	6.80:1	3.67:1
Return on Average Stockholders' Equity *Reflects how much the Group's has earned on the funds invested by the stockholders*	Net Income / Average Equity	**1.67%**	1.99%	2.39%
Net Profit Margin *Reflects how much net income or profit is generated as percentage of revenue*	Net Income / Total Revenues	**21.31%**	16.97%	8.03%
Return on Assets *Measures the ability to utilize the Group's assets to create profits*	Net Income / Total Assets	**1.09%**	1.00%	1.54%
Asset Turnover *Shows efficiency of asset used in Operations*	Total Revenues / Total Assets	**0.05x**	0.06x	0.19x

Return on Equity *Shows how much the business returns to the stockholders for every peso of equity capital invested*	(Net Income/Total Revenues) x (Total Revenues/Total Assets) x (Total Assets/Total Equity)	**1.60%**	1.65%	2.31%

- The current ratio is at 1.29 as of March 2021 compared to 0.69 as of March 2020 due to significant decrease in the short-term loans of the Group.
- Acid test ratio slightly increased from 0.62:1 in 2020 to 1.14:1 in 2021 due to significant decrease in short-term loans of the Group.
- Solvency ratio improved to 0.06 from 0.04 last year.
- Debt-to-equity ratio decreased from 0.67 as of March 2020 to 0.48 as of this period due to lower total liabilities of the Group.
- Asset to equity ratio went down from 1.65 as of March 2020 to 1.47 this period because of the decrease asset because of the sale of land.
- Interest rate coverage ratio increased from 6.80 times as at March 2020 to 6.92 times this period because of lower interest expense incurred by the Group.
- Return on average stockholders' equity decreased to 1.67% year on year, resulting from the higher stockholders' equity.
- Return on asset is at 1.09% against 1.00% as of March 2020, because of the lower total assets.
- Net profit margin increased from 17% last year to 21% as of this period because of lower operating expenses of schools and lower income taxes.
- Asset turnover is .05 times as of this period against .06 times as of March 2020 because of lower revenues of the Group.
- Return on equity decreased from 1.65% to 1.60% as of this period because of increase of equity.

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

PART II – OTHER INFORMATION

Item 3: First Quarter 2021 DEVELOPMENTS
Significant developments during the first quarter of 2021 were briefly discussed in Part I Item 2: *Management Discussion and Analysis of Financial Condition and Results of Operations.*

The mitigating measures that were undertaken by the iPeople schools to adopt the pandemic resulted in minimal disruptions to the operations of the schools as well as in the academic outcomes of our students. The general student entry was still able to fulfill their course requirements for the term that has been affected by the sudden declaration a state of public health emergency.

However, with the community quarantine still in effect in most areas during the first quarter of the year, the education sector's regulatory bodies continue to work on a post-lockdown plan for students, parents and educators in coping with the expected prolonged impact of the global pandemic.

The entire education system is facing unprecedented challenges and iPeople schools were swift to work on new approaches to brace for the "new normal", which includes adopting various learning delivery options specifically online learnings, blended learnings, home schooling and other modes of delivery. The iPeople schools will be also be flexible to adopt selective face-to-face classes, with the proper social distancing measures, once deemed safe by the government during the school year.

Item 4: OTHER NOTES TO FINANCIAL STATEMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

<u>Risk Factors at the Holding Company Level</u>

The following covers the risk management policies at the holding company level.

a. Interest Rate Risk
   It is a company policy to use excess liquidity to pay down any borrowings in order to decrease financing costs, and reduce exposure to rising interest rates. It is also a company policy to actively discuss with lending banks on how to lower financing costs. The Company does not have a practice of speculating on the direction of interest rates. As of report date, the Company does not have any borrowings that will directly expose it to interest rate risk.

b. Foreign Exchange Risk
   Foreign exchange risk results primarily from movements in the prevailing exchange rate between the Philippine Peso (PHP) and the United States Dollar (USD). This risk does not materially affect the Company as the revenues and the operating expenses of iPeople are denominated in PHP.

c. Liquidity Risk
This refers to the ability of the Company to service maturing debts, finance capital requirements, and pay for existing operations. IPO maintains a consistent level of funding and constantly monitors its projected cash flows. Close attention is paid to asset liability management.

d. Credit Risk
iPeople's exposure to credit risk is very minimal because its receivables are mostly from related parties, which are being managed through close account monitoring and limit setting. However, iPeople's holding of cash and short-term securities exposes the company to the credit risk of the counterparty.

e. Price Risk
Listed equity instruments at FVOCI are subject to price risk due to changes in market values because of specific factors related to these securities, or because of factors related to the overall market for financial assets. Consistent with corporate priority for liquidity, iPeople limits its exposures to non-equity financial instruments.

f. Business Continuity Risk
The Company is acutely conscious of the risks posed by natural disasters, acts of God, or other man-made actions that can have an adverse impact on the continuity of regular operations. The iPeople Board through its Risk Oversight Committee and the management team monitor that the business continuity plans of each operating subsidiary is in place and is up to date. Further, iPeople works with the Yuchengco Group of Companies Business Continuity Management - Disaster Recovery Management (YGC BCM-DRM) Council to ensure that necessary precautionary measures are taken to mitigate risks that may cause disruptions to the operations of our various subsidiaries.

g. Succession Risk
The Company knows that people are an important resource and that its executive management team is a significant contributor to the continuing growth of iPeople, inc.. In order to preserve the management chain of succession and institutional knowledge that comes with it, the executive management works with the executives of the Company's Parent Company and the executives of the operating subsidiaries to ensure continues training and career development plans are in place.

Implementation of the IPO Enterprise Risk Management Framework is carried out by the IPO Risk Team, which consists of Risk Officers from the schools. The Risk Team is overseen by the iPeople Chief Risk Officer (CRO). Group Internal Audit (IA) continues to provide valuable input to risk management through their regular audits.

The BROC exercises an oversight role on executive management who are accountable for managing the risks that arise out of regular business operations. Risk related concerns are discussed during the quarterly Board Risk Oversight Committee (BROC) meetings.

Risk Factors related to School Operations

a. Regulatory, recognition of academic programs, and accreditations from government, and self-regulating private accreditation organizations.

- Accreditations. The schools are governed and regulated by the Commission on Higher Education ("CHED") and by the Department of Education ("DepEd"), depending on the program offerings. In addition, MESI and MCL are also accredited by PACUCOA. MESI is also accredited by the ABET; MESI and MCL are both accredited by PTC-

ACBET and PICAB. APEC has a MOA with DepEd which allows the company to operate schools without owning the premises. There is a pending Revised DepEd Manual which will formalize this exception.

The failure of any of our schools to pass government standards, or to meet accreditation renewal standards, may negatively impact the perception of the quality of our academic programs and facilities. If this happens, we might expect our enrolment to decrease, which would have an adverse impact to our profits and cash flow.

- Tuition Fee. The CHED and the DepEd regulates tuition increases at the university level and the secondary level, respectively, and routinely sets maximum limits on percentage increases in tuition fees. This regulation applies to our non-autonomous schools, MCM, UNC, NTC and APEC. The inability of non-autonomous education institutions to increase tuition fees to cover higher operating costs may pose a risk to profits and cash flows over time.

- Changes in regulations. The Universal Access to Tertiary Education Act (RA10931) had its implementation in AY 2018-19. This resulted to notable decline in college freshman intake in private schools as large portion of the incoming freshman applied to SUCs/LUCs to avail of free education under the Act.

  The Free College Education Act poses a risk to our schools. This may adversely impact enrollment numbers if prospective students will opt to enroll in state-run universities and colleges.

b. Competition

- Faculty. The schools depend on high quality faculty to teach the educational programs. To the extent that they can, the schools at both the tertiary and secondary level recruit faculty with excellent academic credentials and teaching skills. The schools might not be able to recruit the desired faculty due to any number of factors, including mismatches between the desired compensation and offer; competing recruitment from other educational institutions; or candidates seeking opportunities abroad.

  The schools also work to retain key faculty in certain academic disciplines in order to maintain continuity and reduce turnover. If recruitment and retention efforts suffer, the quality of teaching and the quality of academic programs might suffer.

- Students. Competition among schools for greater student enrolment is fierce. Mapua is an established brand, with ISO 14001:2015 and 9001:2015 certifications, while the other IPO schools are establishing or have established their own brands.

- Accreditations. IPO Schools continue to pursue accreditations from self-regulating private accreditation organizations in addition to the government accreditation bodies

c. Credit Risk

As the schools increase their enrollment, the level of receivables also increases. Some of the students who cannot afford to make the full payment of tuition and miscellaneous fees during an academic term execute a Promissory Note and are expected to settle their accounts prior to the start of the next academic term. Majority of the senior high school students of APEC avail of the Senior High School Voucher Program (SHSVP) of the DepEd which results to a longer collection period for the school.

The schools do not aggressively pursue collection of defaulted student debt given that the default rate is small. Regardless, the schools face a risk that a rise in student defaults on promissory notes would impact profits and cash flows negatively.

d. Operational Risk

The following may hamper the operations of the IPO schools:

- Natural calamities and disasters. Our schools, like many other enterprises, are subject to adverse occurrences beyond our control, which include (but are not limited to) earthquakes, floods, and similar natural phenomena. We believe we carry enough insurance to hedge against the monetary damages caused by these events. In the event that the damage to our facilities arising from said events are severe and our insurance is not enough to cover it, our operations and ability to return to normal conditions might be severely affected.

- Labor unrest. Mapúa University has two unions, Faculty Association of MIT (FAMIT) and MIT Labor Union (MITLU). The other iPeople Schools have none.

  Mapúa University is bound by the collective bargaining agreement (CBA) signed between the institution and the two unions. Mapúa University negotiates with each union separately. The FAMIT represents the faculty members. The MITLU represents the non-teaching staff. To the extent that unions negotiate CBA's with higher increases over time, this would negatively impact the cost structure of Mapúa University and lower the expected value of its profit and cash flows over time. Furthermore, in the event that a CBA is not negotiated successfully or there is an issue that results in labor unrest or a strike, it could have a material adverse impact on the operations of Mapúa University.

In the event of calamities, strikes, pandemic events, and the like that could hamper the operations of the schools, IPO and all schools have their respective protocols and procedures to manage each particular type of risk. In particular, Mapúa has tested and instituted the use of online facilities such as Blackboard, its learning management system, that enables the school to conduct real-time online classes and facilitates online learning on a school-wide level. This enables the school to continue its classes with minimal disruption. Mapua also has a fully online post-graduate degree courses, implemented online admissions and examinations, and uses e-books instead of traditional school textbooks for all undergraduate and Senior High School students through subscriptions to Wiley and Cengage.

Online learning is likewise being adopted by the other IPO schools through the use of online tools and facilities that approximate a learning management system. Work-from-home arrangements, video-conferencing for meetings and online facilities may also be used to transact business and to ensure operations are not hampered during calamities and pandemic events.

Our schools have been preparing for school reopening with limited face to face. Schools are awaiting final guidelines to be issued by CHED in order to finalize its school reopening guidelines.

e. Interest Rate Risk

The schools need capital to grow. All of our schools pursue growth opportunities, which may involve any of the following actions: building new teaching and non-teaching facilities at existing campuses; building campuses at new locations.

In order to grow, the schools will need funding. Fund raising can arise from the sale of equity, selling debt securities or bank borrowing. If capital is raised through borrowings, the IPO schools will be subject to interest rate risk. An increase in our negative carry will also adversely impact our profitability.

f. Market Risk and Political Risk

In the event that adverse economic factors hit the country, that may force a subset of students to temporarily drop out and continue their education at a later time, permanently stop school, or transfer to another school. Our student enrolment may be negatively impacted and this will have a negative effect on our profitability.

Since a certain portion of the student population depends on family members who are Overseas Filipino Workers to pay for their tuition and miscellaneous fees. International relations of the Philippines with the employer countries may impact the size and frequency of inward-bound overseas remittances thereby affecting student enrollments.

g. Campus Safety and Security Risk

The potential presence of criminal elements outside the schools pose a risk to our students, especially those who take public transportation. In the event that criminal elements are able to force their way into the schools, the students may lose confidence in the administration's ability to keep them safe. Student enrolment may be negatively impacted and this will have a negative effect on our profitability. IPO manages this by enforcing security measures such as having guards at entrances and exits, roving guards, and CCTV.

EXHIBIT 1

iPEOPLE INC. and SUBSIDIARIES

Interim Condensed
Unaudited Consolidated Financial Statements

March 31, 2021, 2020 and 2019 (Unaudited)
and December 31, 2020 (Audited)

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	Unaudited March 31, 2021	Audited December 31, 2020
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7, 15)	**₱1,280,902**	₱1,319,002
Receivables (Note 8)	**1,064,432**	1,036,297
Receivables from related parties (Note 15)	**26,449**	26,048
Prepaid expenses and other current assets (Note 9)	**313,868**	270,604
Financial assets at fair value through profit or loss	**9,144**	9,705
Total Current Assets	**2,694,796**	2,661,656
Noncurrent Assets		
Property and equipment at cost (Note 10)	**5,534,081**	5,585,512
Land at revalued amounts (Notes 10 and 11)	**6,219,772**	6,219,772
Intellectual property rights (Note 6)	**523,103**	523,103
Goodwill (Note 12)	**151,326**	151,326
Student relationship (Note 6)	**73,247**	78,825
Right of use assets	**330,344**	346,905
Net pension asset	**4,671**	4,727
Deferred tax assets – net	**32,641**	31,901
Other noncurrent assets (Note 13)	**108,617**	108,027
Total Noncurrent Assets	**12,977,802**	13,050,098
	₱15,672,598	₱15,711,754

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 3 and 14)	**₱1,256,391**	₱1,155,585
Short-term loans (Notes 16)	**126,134**	375,000
Unearned income (Notes 3 and 14)	**642,802**	680,578
Lease liability - current portion	**33,411**	44,174
Income tax payable	**13,290**	12,482
Payables to related parties (Notes 15)	**11,269**	29,481
Dividends payable (Notes 18)	**557**	565
Total Current Liabilities	**2,083,853**	2,297,865
Noncurrent Liabilities		
Long-term loans payable	**1,872,868**	1,872,275
Deferred tax liabilities – net	**475,787**	476,977
Lease liability - noncurrent portion	**348,408**	348,408

(Forward)

	Unaudited March 31, 2021	Audited December 31, 2020
Net pension liability	**172,477**	168,134
Other noncurrent liabilities	**56,091**	56,091
Total Noncurrent Liabilities	**2,925,631**	2,921,885
Total Liabilities	**₱5,009,484**	₱5,219,750
Equity		
Common stock (Note 6 and 18)	**₱1,044,263**	₱1,044,263
Additional paid-in capital (Note 6)	**3,294,368**	3,294,368
Other comprehensive income (loss):		
Revaluation increment on land - net (Note 11)	**1,425,033**	1,425,033
Remeasurement losses on defined benefit plans	**(76,722)**	(76,722)
Equity reserve (Note 6)	**(230,494)**	(230,494)
Retained earnings (Note 18)	**4,967,913**	4,795,968
	10,424,361	10,252,416
Less: Treasury stock (Note 18)	**(0.21)**	(0.21)
	10,424,361	10,252,416
Non-controlling interest in consolidated subsidiaries	**238,753**	239,588
Total Equity	**10,663,114**	10,492,004
	₱15,672,598	₱15,711,754

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	January 1 to March 31		
	2021	2020	2019
REVENUE			
Tuition and other fees (Note 19)	**₱803,005**	₱957,350	₱538,703
COSTS AND EXPENSES			
Cost of tuition and other fees (Note 20)	**446,317**	578,924	331,326
GROSS PROFIT	**356,688**	378,426	207,377
GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)	**(158,153)**	(161,840)	(74,025)
INTEREST AND OTHER FINANCE CHARGES (Note 22)	**(29,050)**	(32,333)	(21,251)
INTEREST INCOME (Note 22)	**1,944**	3,516	6,181
OTHER INCOME (EXPENSE)	**620**	(139)	1,634
INCOME BEFORE INCOME TAX	**172,050**	187,631	119,917
PROVISION FOR INCOME TAX	**940**	25,141	16,065
NET INCOME	**171,110**	162,490	103,852
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss):			
Fair value reserve of equity instruments at FVOCI (Notes 3)	**–**	–	2,672
	–	–	2,672
TOTAL COMPREHENSIVE INCOME	**₱171,110**	₱162,490	₱106,524
Net income attributable to:			
Equity holders of the parent (Note 23)	**₱171,945**	₱158,351	₱96,493
Non-controlling interest in consolidated subsidiaries	**(835)**	4,139	7,359
	₱171,110	₱162,490	₱103,852
Total comprehensive income attributable to:			
Equity holders of the parent	**₱171,945**	₱158,351	₱99,165
Non-controlling interest in consolidated subsidiaries	**(835)**	4,139	7,359
	₱171,110	₱162,490	₱106,524
Basic Earnings Per Share (Note 23)	**₱0.1647**	₱0.1516	₱0.1288

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company										
	Common Stock (Note 18)	Additional Paid-in Capital	Fair Value Reserve of Equity instruments at FVOCI	Revaluation Increment on Land - net of tax (Note 11)	Remeasurement Gains (Losses) on Net Defined Benefit Plans	Equity Reserve	Retained Earnings (Note 18)	Treasury Stock (Note 18)	Total	Non - controlling Interest	Total
							For the quarter ended March 31, 2021				
Balances as at January 1, 2021	**₱1,044,263**	**3,294,368**	**₱-**	**₱1425,033**	**(₱76,722)**	**(₱230,494)**	**₱4,795,968**	**(₱0.21)**	**₱10,252,416**	**₱239,588**	**₱10,492,004**
Net income	–	–	–	–	–	–	**171,944**	–	**171,944**	**(835)**	**171,110**
Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–	**171,944**	–	**171,944**	**(835)**	**171,110**
Dividends declared	–	–	–	–	–	–	–	–	–	–	–
Balances as at March 31, 2021	**₱1,044,263**	**₱3,294,368**	**₱-**	**₱1,425,033**	**(₱76,722)**	**(₱230,494)**	**₱4,967,913**	**(₱0.21)**	**₱10,424,360**	**₱238,753**	**₱10,663,114**
							For the quarter ended March 31, 2020				
Balances as at January 1, 2020	₱1,044,263	₱3,294,368	(₱880)	₱1,583,743	(₱19,766)	(₱230,494)	₱3,838,446	(₱0.21)	₱9,509,680	₱223,113	₱9,732,793
Net income	–	–	–	–	–	–	158,351	–	158,351	4,139	162,490
Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–	158,351	–	158,351	4,139	162,490
Dividends declared	–	–	–	–	–	–	(73,248)	–	(73,248)	–	(73,248)
Balances as at March 31, 2020	₱1,044,263	₱3,294,368	(₱880)	₱1,583,743	(₱19,766)	(₱230,494)	₱3,923,549	(₱0.21)	₱9,594,783	₱227,251	₱9,822,035
							For the quarter ended March 31, 2019				
Balances as at January 1, 2019	₱748,933	₱1,439	(₱3,973)	₱1,574,008	₱35,093	₱–	₱3,643,131	(₱0.21)	₱5,998,632	₱414,929	₱6,413,560
Net income	–	–	–	–	–	–	96,493	–	96,493	7,359	103,852
Other comprehensive income	–	–	2,672	–	–	–	–	–	2,672	–	2,672
Total comprehensive income	–	–	2,672	–	–	–	96,493	–	99,165	7,359	106,524
Dividends declared	–	–	–	–	–	–	(44,936)	–	(44,936)	–	(44,936)
Balances as at March 31, 2019	₱748,933	₱1,439	(₱1,300)	₱1,574,008	₱35,093	₱–	₱ 3,694,688	(₱0.21)	₱6,052,861	₱422,287	₱6,475,148

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	January 1 to March 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱172,050**	₱187,631	₱119,917
Adjustments for:			
Depreciation and amortization (Notes 10, 13, 20 and 21)	**108,561**	118,684	61,794
Interest expense and other finance charges (Note 22)	**29,050**	32,333	21,251
Provision for doubtful accounts (Note 8 and 21)	**8,969**	12,660	–
Interest income (Note 22)	**(1,944)**	(3,516)	(6,181)
Unrealized market gain on financial assets at FVPL	**561**	(71)	(103)
Unrealized foreign exchange gain	**(89)**	(194)	(58)
Operating income before working capital changes	**317,158**	347,527	196,619
Decrease (increase) in:			
Receivables	**(37,023)**	63,073	4,241
Prepaid expenses and other current assets	**(43,264)**	(26,481)	(2,006)
Increase (decrease) in:			
Accounts payable and accrued expenses	**97,228**	50,720	20,161
Other noncurrent liabilities	**(1,190)**	(896)	–
Unearned tuition fees	**(37,776)**	(301,170)	(72,423)
Lease liability	**(8,250)**	(10,464)	(72,423)
Net pension asset and liability	**3,603**	4,220	1,347
Net cash generated from operations	**290,486**	126,530	147,939
Interest received	**1,918**	3,476	6,902
Interest paid	**(25,472)**	(29,935)	(13,764)
Income taxes paid	**(132)**	4,659	123
Net cash flows from operating activities	**266,800**	104,730	141,199
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Notes 10)	**(36,983)**	(105,988)	(209,905)
Land	**–**	(5,001)	–
Computer software (Note 13)	**(2,381)**	(1,676)	–
Decrease (increase) in:			
Receivables from related parties	**(401)**	(351)	13
Other noncurrent assets	**1,269**	526	(296)
Net cash flows used in investing activities	**(38,496)**	(112,489)	(210,189)

(Forward)

	January 1 to March 31		
	2021	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loans (Note 16)	**₱–**	₱20,000	₱904,900
Payments of short-term loans (Note 16)	**(248,866)**	(1,000)	(670,000)
Dividends paid to stockholders	**(8)**	–	(57,258)
Proceeds from long-term loans	**593**	593	
Increase (decrease) in payables to related parties	**(18,212)**	1,443	5,795
Net cash flows from (used in) financing activities	**(266,493)**	21,036	183,437
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**89**	194	58
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(38,100)**	13,471	114,505
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,319,002**	1,154,306	587,839
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱1,280,902**	₱1,167,777	₱702,344

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

iPeople, inc. (the Parent Company) is a publicly-listed stock corporation registered and incorporated on July 27, 1989 under the laws of the Philippines.

The Parent Company, a subsidiary of House of Investments, Inc. (HI), is a holding and management company. Its principal office address is at 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City. iPeople, inc. and its subsidiaries (collectively referred to as "the Group") are mainly involved in education sector with the list of subsidiaries disclosed in Note 2.

The Group is a member of the Yuchengco Group of Companies (YGC). The Group's ultimate parent is Pan Malayan Management and Investment Corporation (PMMIC).

Merger with AC Education, Inc. (AEI)
On October 1, 2018, the Board of Directors (BOD) of iPeople, inc. executed a memorandum of agreement (MOA) for a proposed Plan of Merger between iPeople, inc. and AC Education, Inc. (AEI), the wholly owned education arm of Ayala Corporation (AC), with iPeople, inc. as the surviving entity with HI and AC owning 48.18% and 33.5%, respectively. The merger would bring together the educational group of HI and AC.

The proposed merger was subsequently approved by iPeople, inc.'s Stockholders on December 12, 2018 and was approved by the Philippine Competition Commission (PCC) on December 12, 2018. On April 24, 2019, the Securities and Exchange Commission (SEC) approved the merger between iPeople, inc. and AEI, with iPeople, inc. as the surviving entity, and to take effect five business working days thereafter or May 2, 2019. On said date, iPeople, inc. issued 295,329,976 common shares from its unissued capital stock to AC. After the merger, iPeople, inc. became 48.18% owned by House of Investments, Inc. 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, financial assets at fair value through profit or loss (FVTPL) and listed equity instruments at fair value through other comprehensive income (FVOCI) which are measured at fair value. 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 of March 31, 2021 and December 31, 2020, and for each of the three years in the period ended March 31, 2021, 2020 and 2019.

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		
	2021	2020	2019
Malayan Education System, Inc. (MESI) [Operating Under the Name of Mapua University] and subsidiaries	**100%**	100%	100%
Direct ownership of MESI on its subsidiaries:			
Malayan Colleges Laguna, Inc., A Mapua School (MCLI)	**100**	100	100
Malayan Colleges Mindanao (A Mapua School), Inc. (MCMI)	**100**	100	100
Malayan High School of Science, Inc. (MHSSI)	**100**	100	100
Mapua Information Technology Center, Inc. (MITC)	**100**	100	100
Mapua Techserv, Inc.	**100**	100	100
Mapua Techpower, Inc.	**75**	75	75
San Lorenzo Ruiz Investment Holdings and Services Inc.	**–***	–*	100
People eServe Corporation	**100**	100	100
Pan Pacific Computer Center, Incorporated (PPCCI)	**100**	100	100
New subsidiaries in 2019 after the merger (Note 1):			
Affordable Private Education Center, Inc. doing business under the name of APEC Schools	**100**	100	100
National Teachers College doing business under the name/s and style/s of The National Teachers College	**99.79**	99.79	99.79
University of Nueva Caceres	**83.62**	83.62	83.62
AC College of Enterprise and Technology, Inc.	**100**	100	100
LINC Institute, Inc. doing business under the Name and Style of LINC Academy	**100**	100	100

**Sold in December 2020 to HI (see Note 11).*

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. As a result of the merger with AEI, the acquired subsidiaries were consolidated starting May 2, 2019.

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 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, 2020. The adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments*, *Interest Rate Benchmark Reform*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*
- Conceptual Framework for Financial Reporting issued on March 29, 2018
- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group does not expect the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022

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

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2020 on the Group's consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

4. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from date of placement and that are subject to an insignificant risk of changes in value.

Fair value measurement

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

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

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

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

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

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

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

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

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

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

Financial Instruments

Initial recognition and subsequent measurement

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

Financial assets – Initial recognition and measurement)

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

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

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

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

Subsequent measurement

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

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

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

Financial assets at amortized cost (debt instruments)

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

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

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

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

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

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

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

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

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

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

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

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

c. *Loss given default (LGD)* is an estimate of the loss arising in the case where a default occurs at a given time.

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

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

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

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

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

The Group's financial liabilities include loans and borrowings.

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

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

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

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

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

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

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

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

Prepaid Expenses
These are expenses paid in advance to be amortized over the benefit period or to be expense once incurred or consumed. These consist of prepaid insurance and subscriptions, among others.
Restricted Funds
Restricted funds are funds held for government and private entities and invested in money market placements exclusively for use in government programs such as Civic Welfare Training Service (CWTS), National Service Training Program (NSTP) and for financing of scholars of certain private entities. These are recorded at face value.

Creditable Withholding Tax (CWT)
This pertains to the tax withheld source by the Group's customers and lessees and is creditable against its income tax liability.

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

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

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

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

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

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

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

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

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

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

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

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

Right-of-use Assets and Lease Liabilities

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

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

Lease liabilities 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. The accounting policy on leases prior to the adoption of PFRS 16 is discussed in the accounting policy on Leases – Group as Lessee (Effective Prior to January 1, 2019).

Business Combination and Goodwill

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

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

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

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

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

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

Intangible Assets Other Than Goodwill

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

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

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

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

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

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

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

<u>Impairment of Nonfinancial Assets</u>

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

The Group assesses as of reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

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

Goodwill and intellectual property rights

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

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

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

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

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

Revenue 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 as revenue 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. Prior to January 1, 2019, rent expense under PAS 17 are recognized on a straight-line basis over the lease term.

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.

Leases – Group as Lessee (Effective Prior to January 1, 2019)

The Group entered into lease agreement for office space where the Group has determined that it does not obtain the risks and rewards of ownership of these properties and therefore the agreement is accounted for as an operating lease. Rental expense under operating leases is recognized on a straight-line basis over the term of the lease.

Foreign Currency-denominated Transactions and Translation

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

Basic Earnings Per Share (EPS)

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

Segment Reporting

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

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

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

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

5. Significant Accounting Judgments and Estimates

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

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

Purchase price allocation in business combination and goodwill
The Group's consolidated financial statements reflect the acquired entities (AEI and its subsidiaries prior to the merger) after the completion of the merger which is effective May 2, 2019 (Note 6). The Group accounts for the acquired business using the acquisition method, which requires extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any excess in the purchase price over the fair market values of the net assets acquired is recorded as goodwill in the consolidated statement of financial position. Thus, the numerous judgments made in estimating the fair value to be assigned to the acquiree's assets and liabilities can materially affect the Group's financial position and performance.

The merger with AEI resulted in the recognition of student relationship, intellectual property rights and goodwill from the excess of the acquisition cost over the fair value of net assets acquired (Note 6).

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, 2020 and 2019. The key assumptions used to determine fair value are disclosed in Note 11.

As at March 31, 2021 and December 31, 2020, the fair value of land amounted to ₱6,219.8 (Note 11).

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

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

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

Leases under PFRS 16 – Estimating the IBR
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses IBR to measure lease liabilities. The IBR is the rate of interest that an entity would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the entities 'would have to pay', which requires estimation when no observable rates are available (such as for entities that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the stand-alone credit rating).

The Group's right-of-use assets and lease liabilities are disclosed in Note 31.

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

There is no change in the estimated useful lives of student relationship from the effectivity of the merger. The carrying values of student relationship amounted to ₱73.2 million and ₱78.8 million as of March 31, 2021 and December 31, 2020, respectively (Note 6).

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

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

Impairment of goodwill and intellectual property rights are assessed at least on an annual basis. In assessing the impairment, the Group determines the recoverable amount using value in use with details disclosed in Notes 6 and 12. There is no impairment loss recognized on these assets in 2021, 2020 and 2019. The carrying value of these assets are disclosed in Notes 6 and 12.

As to the Group's property and equipment, student relationship and noncurrent assets, no impairment loss was recognized, except for the allowance for impairment in value of land amounting to ₱15.8 million as of March 31, 2021 and December 31, 2020 (Notes 6, 10, 11 and 13).

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 March 31, 2021 and December 31, 2020, the net pension liabilities amounted to ₱172.5 million and ₱168.1 million, respectively, while net pension assets amounted to ₱4.7 million as at March 31, 2021 and December 31, 2020 (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 and Contingencies
The Group is currently involved in certain legal proceedings and claims in the ordinary course of business. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The ultimate disposition of these matters cannot be determined with certainty. The Group will exhaust all legal remedies available to it in defending itself in these claims and proceedings (Notes 14 and 31).

6. Business Combination and Transactions with Non-Controlling Interests

Business Combination
As disclosed in Note 1, on October 1, 2018, the BOD of iPeople, inc. executed a MOA for a proposed Plan of Merger between iPeople, inc. and AEI with iPeople, inc. as the surviving entity with HI and AC owning 48.18% and 33.5%, respectively. The merger would bring together the educational

groups of HI and AC.

On April 24, 2019, the SEC approved the merger between iPeople, inc. and AEI, with iPeople, inc. as the surviving entity, and to take effect five business working days thereafter or May 2, 2019. On said date, iPeople, inc. issued 295,329,976 common shares from its unissued capital stock to AC, the parent company of AEI. iPeople, inc., being the surviving corporation, is deemed to have acquired all the assets and to have assumed all the liabilities of AEI in a business combination accounted for under the acquisition method. In exchange for the transfer of the net assets of AEI to iPeople, inc., iPeople, inc. issued to AC an aggregate of 295,329,976 shares with par value of ₱1.0 per share for a total fair value of ₱3,591.21 million based on iPeople, inc.'s quoted closing rate per share as of May 2, 2019. The excess of the fair value of shares issued over the par value was recognized as additional paid-in capital.

Assets acquired from AEI includes investments in the following subsidiaries:

Subsidiaries	Ownership Interest
Affordable Private Education Center, Inc. doing business under the name of APEC Schools (APEC)	100.00%
National Teachers College doing business under the name/s and style/s of The National Teachers College (NTC)	99.79%
University of Nueva Caceres (UNC)	58.63%
AC College of Enterprise and Technology, Inc. (ACCET)	100.00%
LINC Institute, Inc. Doing Business under the Name and Style of LINC Academy (LINC)	100.00%

The purchase price allocation has been finalized. The fair values of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition follows (amounts in thousands):

Assets	
Cash and cash equivalents	₱1,291,500
Trade and other receivables	231,421
Other current assets	188,222
Land classified as property and equipment (Note 11)	2,038,085
Other property and equipment (Note 10)	725,681
Right-of-use assets (Note 31)	363,029
Intellectual property rights	523,103
Student relationship	116,009
Other noncurrent assets	102,717
	5,579,767
Liabilities	
Accounts and other payables	319,124
Loans payable	260,000
Deferred tax liabilities	432,946
Leased liabilities (Note 31)	374,622
Other liabilities	77,815
	1,464,507
Total identifiable net assets at fair value	4,115,260
Non-controlling interest	(537,520)
Goodwill (Note 12)	13,472
Cost of acquisition	₱3,591,213

The non-controlling interests have been measured at the proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

Acquisition-related costs were recognized as expense in 2019 and 2018.

Analysis of 2019 cash flows on acquisition follows:

Cash acquired from the subsidiaries (included in cash flows from investing activities)	₱1,291,500
Transaction costs of the acquisition (included in cash flows from operating activities)	(7,523)
Transaction costs attributable to issuance of shares (included in cash flows from financing activities)	(2,953)
Net cash flows on acquisition	₱1,281,024

Based on the valuation performed, the Group has identified other intangible assets such as the intellectual property rights with infinite life and student relationship with an estimated useful life of 5 years to 7 years based on the contractual relationship between the school entities and its students. These assets are attributed from the acquisition of operating schools NTC, APEC and UNC. The carrying value and movement of student relationship as of and for the year ended March 31, 2021 and December 31, 2020 follows:

	2021	2020
Cost from business combination	**₱116,009**	₱116,009
Accumulated amortization:		
Beginning balance	**(37,184)**	(14,874)
Amortization for the year (Note 20a)	**(5,578)**	(22,310)
Ending balance	**(42,762)**	(37,184)
Balance at end of the year	**₱73,247**	₱78,825

As of December 31, 2020 and 2019, the Group performed impairment testing on intellectual property rights using the income approach. Key assumptions used are as follows:

- Revenue projections and long-term growth rate (3% for 2020 and 2.5% to 3% for 2019). Revenue projections based on financial budgets approved by management and considers the impact of the K to 12 Basic Education Program effective 2016 and the coronavirus pandemic. The long-term growth rate is the expected growth rate in the education industry sector.
- Discount rates (13% to 14% for 2020 and 12% to 15% for 2019). The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to comparable listed companies in the educational sector.
- Royalty rates (1% to 6% for 2020 and 1% to 5% for 2019). 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.

In 2020 and 2019, management assessed that no impairment loss should be recognized.

Transactions with Non-Controlling Interests

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

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

7. Cash and Cash Equivalents

This account consists of:

	Unaudited March 2021	Audited December 2020
Cash on hand	**₱1,684**	₱2,139
Cash in banks (Note 15)	**594,095**	344,874
Cash equivalents (Note 15)	**685,123**	971,989
	₱1,280,902	₱1,319,002

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 ₱1.92 million, ₱3.48 million and ₱6.15 million in 2021, 2020 and 2019, respectively (Note 22).

8. Receivables

This account consists of:

	Unaudited March 2021	Audited December 2020
Tuition and other fees	**₱1,180,501**	₱1,160,745
Other receivables:		
Trade	**4,204**	5,482
Advances to officers and employees	**38,997**	21,882
Others	**28,097**	25,937
	1,251,799	1,214,045
Allowance for doubtful accounts	**(187,367)**	(177,748)
	₱1,064,432	₱1,036,297

Tuition and other fees pertain to matriculation and miscellaneous fees which are 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 ₱130.3 million and ₱138.8 million as at March 31, 2021 and December 31, 2020, 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.

Trade receivables represent amounts arising from the sale of computer equipment and computer services. These are noninterest-bearing and are generally on thirty (30) to sixty (60) days term and are not used as collaterals to secure obligations.

Advances to officers and employees consist mostly of advances subject to liquidation, interest-bearing receivables pertaining to car loan and noninterest-bearing telephone charges, hospitalization bill and library and printing charges. Receivables from employees are settled through salary deductions. Interest income from advances to officers and employees amounted to ₱0.03 million, ₱ 0.04 million and ₱0.03 million in 2021, 2020 and 2019, respectively (Note 22). These receivables are noninterest-bearing and are generally collectible within one year.

The changes in allowance for ECL as at March 31, 2021 and December 31, 2020 follow:

	March 2021			
	Tuition and other fees	**Trade**	**Others**	**Total**
Balance at beginning of year	**₱168,978**	**₱3,393**	**₱5,377**	**₱177,748**
Provisions for the year (Note 21)	**8,969**	**–**	**–**	**8,969**
Adjustments	**649**	**–**	**–**	**649**
Balance at end of year	**₱178,597**	**₱3,393**	**₱5,377**	**₱187,367**
Gross receivables	**₱1,180,501**	**₱4,204**	**₱67,093**	**₱1,251,799**

	December 2020			
	Tuition and other fees	Trade	Others	Total
Balance at beginning of year	₱125,261	₱3,393	₱6,191	₱134,845
Provisions for the year (Note 21)	48,755	–	–	48,755
Write-off	(5,038)	–	(814)	(5,852)
Balance at end of year	₱168,978	₱3,393	₱5,377	₱177,748
Gross receivables	₱1,160,745	₱5,482	₱47,818	₱1,214,045

9. Prepaid Expenses and Other Current Assets

	Unaudited March 2021	Audited December 2020
Prepaid expenses	**₱127,509**	₱99,553
Restricted funds (Note 15)	**46,568**	30,960
CWT	**12,478**	12,676
Books inventories	**4,038**	3,983
Office supplies	**2,914**	2,802
Input VAT	**597**	597
Others	**119,764**	120,033
	₱313,868	₱270,604

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

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

Others relate to rent deposits and other supplies. This also includes payments made on certain claims that are under protest (Note 26).

10. **Property and Equipment**

The rollforward analysis of this account follows:

	March 2021				
	Buildings and Improvements	**Office Furniture and Equipment**	**Transportation Equipment**	**Construction In Progress**	**Total**
Cost					
Balance at beginning of year	**₱4,914,555**	**₱2,365,584**	**₱48,521**	**₱1,654,804**	**₱8,983,464**
Acquisitions	**3,819**	**10,326**	**3,663**	**20,927**	**38,735**
Reclassifications and adjustments	**(61)**	**(848)**	–	–	**(909)**
Balance at end of year	**4,918,313**	**2,375,062**	**52,184**	**1,675,731**	**9,021,290**
Accumulated depreciation, amortization and impairment loss					
Balance at beginning of year	**1,532,900**	**1,832,916**	**32,136**	**–**	**3,397,952**
Depreciation (Notes 20 and 21)	**42,198**	**44,437**	**1,778**	–	**88,413**
Reclassifications and adjustments	**(206)**	**987**	**63**	**–**	**844**
Balance at end of year	**1,574,892**	**1,878,340**	**33,977**	–	**3,487,209**
Net book value	**3,343,421**	**496,722**	**18,207**	**1,675,731**	**5,534,081**
Land at revalued amounts (Note 11)	**–**	**–**	**–**	–	**6,219,772**
Total	**₱3,343,421**	**₱496,722**	**₱18,207**	**₱1,675,731**	**₱11,753,853**

	December 2020				
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	Total
Cost					
Balance at beginning of year	₱4,835,054	₱2,235,728	₱49,552	₱1,020,920	₱8,141,254
Acquisitions	92,009	177,822	(1,430)	633,884	902,285
Disposals/Retirement	–	(39,298)	–	–	(39,298)
Reclassifications and adjustments	(12,508)	(8,668)	399	–	(20,777)
Balance at end of year	4,914,555	2,365,584	48,521	1,654,804	8,983,464
Accumulated depreciation, amortization and impairment loss					
Balance at beginning of year	1,362,597	1,665,887	29,293	–	3,057,777
Depreciation (Notes 20 and 21)	170,303	201,698	7,851	–	379,852
Disposals/Retirement	–	(39,298)	–	–	(39,298)
Reclassifications and adjustments	–	4,629	(5,008)	–	(379)
Balance at end of year	1,532,900	1,832,916	32,136	–	3,397,952
Net book value at cost	3,381,655	532,668	16,385	1,654,804	5,585,512
Land at revalued amounts (Note 11)					6,219,772
Total	₱3,381,655	₱532,668	₱16,385	₱1,654,804	₱11,805,284

Construction in progress as at March 31, 2021 and December 31, 2020 mainly includes the general cost of construction of MESI's new school building in Makati City and other direct costs (Note 11).

Capitalized interest expense on loans obtained to finance the constructions of school buildings amounted to nil in 2021and ₱19.39 million in 2020 (Note 16 and 17).

The land and related improvements owned by MCMI with carrying value of ₱2,361.5 million as of March 31, 2021 and December 31, 2020, were used to secure the long-term loans of MCMI as disclosed in Note 17.

11. **Land at Revalued Amounts**

This account consists of:

	Unaudited March 2021	Audited December 2020
Land at cost:		
Balance at beginning of year	**₱4,066,906**	₱5,100,906
Land sold through sale of subsidiary		(1,034,000)
Balance at end of year	**4,066,906**	4,066,906
Provision for impairment:		
Balance at beginning of year	**(15,763)**	(21,000)
Reversal during the year charged to profit and loss	**–**	5,237
Balance at end of year	**(15,763)**	(15,763)
Revaluation increment on land:		
Balance at beginning of year	**2,168,629**	2,480,949
Change in revaluation increment		600,321
Revaluation increment on land transferred to retained earnings as a result of the sale of subsidiary		(912,641)
Balance at end of year	**2,168,629**	2,168,629
	₱6,219,772	₱6,219,772

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

Land were appraised by independent firms of appraisers to determine the revalued amounts as at December 31, 2020 and 2019, respectively.

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

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

Location	Valuation Techniques	Unobservable Inputs Used	Range 2020	Range 2019
Makati and Intramuros, Manila	Market Approach	Price per square meter	**₱48,000 to ₱100,800**	₱40,500 to ₱273,125
Cabuyao, Laguna	Market Approach	Price per square meter	**₱8,640 to ₱16,200**	₱8,016 to ₱14,963
Davao City, Davao Del Sur	Market Approach	Price per square meter	**₱13,553 to 40,800**	₱12,339 to 39,738
Pandacan, Metro Manila	Market Approach	Price per square meter	**₱51,300 to ₱85,500**	₱51,300 to ₱76,950
San Jose Del Monte City, Bulacan	Market Approach	Price per square meter	**₱50,468 to 59,993**	₱47,025 to 58,500

Location	Valuation Techniques	Unobservable Inputs Used	Range 2020	2019
Naga City, Camarines Sur	Market Approach	Price per square meter	**₱15,750 to ₱31,050**	₱13,745 to ₱22,680
Quiapo, Manila	Market Approach	Price per square meter	**₱69,034 to 133,650**	₱72,896 to 113,797

Net adjustment factors arising from external and internal factors (i.e. location, size and road frontage) affecting the subject properties as compared to the market listing of comparable properties ranges from -55% to +35% in 2020 and from -30% to +35% in 2019.

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

In 2019, the Group recorded provision for impairment in value of ₱21 million on a parcel of land charged to profit or loss [presented under 'Other income (charges) - net] as there was no previous revaluation increment recognized on said land. Based on the 2020 appraisal of the same parcel ofland, there was an increase in value of ₱5.2 million. The increase was credited to profit or loss as "Other income (charges) - net" in the 2020 statement of comprehensive income.

In December 2020, MESI sold its investment in subsidiary San Lorenzo Ruiz Investment Holdings and Services Inc. to HI for ₱1,946.6 million and paid CGT of ₱126.8 million on the gain on sale. MESI applied the ₱250.0 million earnest money received from HI in 2019 which was recorded as part of 2019 accounts payable (Note 15) as payment and the balance was paid in cash. The Group treated the sale of investment as disposal of the net assets of the subsidiary which mainly represents the land classified as property and equipment. As the land is carried at revalued amount, prior to the sale, the Group recorded revaluation increment of ₱188.7 million (gross of tax) to reflect the land's fair value of ₱1,946.6 million equivalent to the selling price of said land.
The revaluation increment (net of tax) of ₱132.1 million was credited to OCI. Upon sale of the subsidiary, the Group recorded the following:

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

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

12. Goodwill

The goodwill recognized in the consolidated statement of financial position amounting to ₱151.3 million as at March 31, 2021 and December 31, 2020 pertains to the ₱137.8 million goodwill from acquisition of MESI in 1999 and ₱13.5 million goodwill from the 2019 acquisition of AEI subsidiaries as disclosed in Note 6.

The Group performed impairment testing on goodwill arising from acquisition of MESI wherein MESI was considered as the CGU. No impairment testing was done on the ₱13.5 million goodwill as the Group assessed it as not material to the consolidated financial statements. In 2020, 2019 and 2018, management assessed that no impairment loss should be recognized.

Key assumptions used in the value in use (VIU) calculation
As at December 31, 2020 and 2019, the recoverable amount of the CGU has been determined based on a VIU calculation using five-year cash flow projections. Key assumptions in the VIU calculation of the CGU are most sensitive to the following:

- Future revenues and revenue growth rates. Cash flow projections based on financial budgets approved by management covering a five-year period and considers the impact of the K to 12 Basic Education Program on MESI's financial performance effective 2016 and the coronavirus pandemic.
- Long-term growth rates (3.78% for 2020 and 3.73% for 2019). The Long-term growth rate is the expected growth rate in the education industry sector.
- Discount rate (10.9% for 2020 and 8.3% for 2019). The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to Parent Company's capital structure.

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

13. Other Noncurrent Assets

This account consists of:

	Unaudited March 2021	Audited December 2020
Input VAT	**₱39,681**	₱39,563
Miscellaneous deposits	**28,842**	29,322
Creditable withholding tax	**22,963**	23,059
Computer software	**10,735**	9,036
Books and periodicals	**6,395**	7,047
	₱108,617	₱108,027

Miscellaneous deposits include rent deposits of the Group amounting to ₱17.5 million and ₱18.0 million as of March 31, 2021 and December 31, 2020, respectively.

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

	Unaudited March 2021	Audited December 2020
Cost		
Balance at the beginning of the year	**₱44,025**	**₱42,185**
Additions	**2,381**	**1,840**
Balance at the end of the year	**46,406**	**44,025**
Accumulated Amortization		
Balance at the beginning of the year	**34,989**	**32,844**
Reclassifications	**160**	**(130)**
Amortization (Notes 20 and 21)	**522**	**2,275**
Balance at the end of the year	**35,671**	**34,989**
Net Book Value	**₱10,735**	**₱9,036**

14. **Accounts Payable and Accrued Expenses**

This account consists of:

	Unaudited March 2021	Audited December 2020
Accounts payable	**₱537,104**	₱515,992
Accrued expenses	**468,456**	432,927
Funds payable	**182,973**	140,415
Other payables	**67,858**	66,251
	₱1,256,391	₱1,155,585

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

Accrued expenses consist of:

	Unaudited March 2021	Audited December 2020
Provisions (Note)	**₱159,258**	₱159,266
Payable to suppliers	**117,241**	124,460
Accrued salaries and wages	**50,865**	21,661
Withholding taxes and others	**9,485**	12,003
Accrued professional fees	**19,027**	21,515
Accrued utilities	**6,860**	3,224
SSS and other contributions	**9,308**	6,050
Contracted services	**24,309**	3,687
Accrued interest	**20,468**	16,890
Insurance	**7,282**	1,594
Output VAT payable	**2,639**	2,625
Accrued communication expense	**9,428**	15,042
Others	**32,287**	44,910
	₱468,456	₱432,927

Funds payable include funds received by the Group from Department of Science and Technology (DOST), Commission on Higher Education (CHED) and private entities for the scholarships programs to be provided to the students, and NSTP and CWTS fees collected from students.

Other payables pertain to due to bookstore, deferred credits and liabilities other than those owed to suppliers and contractors and those arising from ordinary accruals. Other payables include outstanding balance on the acquisition of additional shares from UNC amounting to **₱**60.68 million as of March 31, 2021 and December 31, 2020.

Accounts payable, accrued expenses, and other payables are noninterest-bearing and are expected to be settled within a year after the financial reporting date. Funds payables are noninterest-bearing and are expected to be settled upon payout related to the funded projects and scholarship programs.

Unearned Income
Unearned income amounted to ₱642.8 million and ₱680.6 million as at March 31, 2021 and December 31, 2020, respectively. This mainly includes unearned tuition fees amounting to ₱632.9 million and P670.0 million as at March 31, 2021 and December 31, 2020, respectively.

The Group's contract liabilities represent the unearned tuition fees (presented under unearned income) and accounts payable to students (presented under accounts payable) and will be recognized as revenue when the related educational services are rendered. Accounts payables to students are advance collections from students to be applied to the next school year or school term.

As at March 31, 2021 and December 31, 2020, contract liabilities amounted to ₱673.75 million and ₱ 708.13 million, respectively.

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.

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
Parent Company - HI				
a) Payable to Parent Company				
	2021	**₱–**	**(₱4,232)**	**Noninterest-bearing; unsecured;**
	2020	–	(5,941)	**due and demandable**
Management fee and other professional fees (Notes 20 and 21)	**2021**	**14,322**	**–**	**–**
	2020	18,071	–	–
	2019	17,634	–	–
b) Receivable from Parent Company				
	2021	**–**	**206**	**Noninterest-bearing; unsecured; due and demandable; no**
	2020	–	206	**impairment**
Reimbursements	**2021**	**–**	**–**	**–**
	2020	33	–	–
Entities under common control of HI				
c) Receivables from related parties				
	2021	**–**	**25,837**	**Noninterest-bearing; unsecured; due and**
	2020	–	25,824	**demandable; no impairment**
Reimbursements	**2020**	**25,325**	**–**	**–**
Rental income	**2021**	–	**–**	**–**
	2020	(467)	–	–
	2019	(625)	–	–
d) Payables to related parties				
	2021	**–**	**(191)**	**Noninterest-bearing; unsecured;**
	2020	–	(13,325)	**due and demandable**
Contracted services (Notes 20 and 21)				
	2021	**3,962**	**–**	**–**
	2020	15,997	–	–
	2019	10,683	–	–

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
e) Accounts payable (Notes 10 and 14)	**2021**	**(₱11,342)**	**(₱1,029)**	**Noninterest-bearing; unsecured; payable on demand**
	2020	(11,342)	(1,029)	
	2019	(12,002)	(13,811)	
Entities under common control of PMMIC				
f) Cash and cash equivalents (Note 7)				
	2021	**–**	**754,699**	**Interest at prevailing deposit and short-term rates; unsecured; no impairment**
	2020	–	992,360	
Interest income (Note 22)				
	2021	**1,918**	**–**	**–**
	2020	3,476	–	**–**
	2019	6,154	–	**–**
g) Receivables from related parties				
	2021	**–**	**18**	**Noninterest-bearing; unsecured; due and demandable; no impairment**
	2020	–	18	
h) Insurance expense				
	2021	**4,059**	**–**	
	2020	2,974	–	
	2019	3,281	–	
Financial asset at FVTPL (Note 30)				
	2021	**–**	**9,144**	**Carried at fair value; No impairment**
	2020	–	9,705	
Restricted funds (Note 9)	**2021**	**–**	**46,568**	**Interest at prevailing deposit and short-term rates; unsecured; no impairment**
	2020	–	30,960	
Entities with significant influence				
i) Payable to related parties	**2021**	**–**	**(6,845)**	**Due on demand, noninterest-bearing; unsecured; no impairment**
	2020		(10,214)	
Receivables from related parties			387	
Management fee and other professional fees (Notes 20 and 21)	**2021**	**2,700**	**–**	
	2020	2,700	–	**–**
Others				
j) Accounts payable				
	2021	**–**	**(1,850)**	**Noninterest-bearing; unsecured; due and demandable; no impairment**
	2020	–	(2,205)	
Utilities				
	2021	**167**	**–**	**–**
	2020	167	**–**	
	2019	65	**–**	

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
Professional fees				
	2021	**₱3,541**	**₱–**	–
	2020	3,644	–	
	2019	3,044	–	
Others				
	2021	**–**	–	–
	2020	481	–	–

The Group's significant transactions with related parties follow:

a) *Payable to Parent Company*
This account pertains to management and other professional fees charged by HI for administering the subsidiaries' operations.

b) *Receivables from Parent Company*
This account pertains to fuel consumption, car plan and gym rental advanced by parent company. 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. The term of the lease is for one year and renewable with uniform rental payments.

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

e) *Accounts payable to entities under common control of HI*
Accounts payable pertains to the general cost of construction of MCMI's school buildings and other facilities and professional fees related to the on-going building construction (Notes 10 and 14).

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

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

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

i) *Financial Assets at FVPL*
This account consists of peso-denominated investment in UITF with RCBC which allow the pooling of funds from different investors with similar investment objectives.

j) *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.

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

16. Short-term Loans

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

  The Group, through MCMI, also obtained short-term loans from Land Bank of the Philippines (LBP) in 2020 and 2019 amounting to ₱57.3 million and ₱15.0 million, respectively, with annual interests ranging from 4.70% to 6.25%. The loans are secured by the land owned by MCMI.

  Outstanding balance of short-term loans obtained by MCMI amounted to ₱126 million and ₱375 million as at March 31, 2021 and December 31, 2020, respectively.

- In 2018, the Group, through MESI, obtained unsecured peso-denominated short-term loans with BPI amounting to ₱900.0 million with annual interest rates ranging from 5.50% to 6.00%, to finance the acquisition of land from HI and the construction of MESI's school building in Makati City (Notes 10 and 11).

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

  Outstanding balance of short-term loans obtained by MESI amounted to nil as at March 31, 2021 and December 31, 2020.

- In 2019, the Group through APEC, availed of short-term, interest-bearing loan from a bank amounting to ₱70.00 million at 7.50% interest per annum payable monthly. This was fully paid in 2019.

The Group made total payments amounting to ₱248.9 million and ₱1,254.3 million in 2021 and 2020, respectively. Total STL drawdowns amounted to nil in 2021 and ₱230.5 million in 2020.

Interest expense charged to operations in 2021, 2020 and 2019 amounted to ₱1.15 million, ₱5.9 million and ₱20.1 million, respectively (Note 22). Interest expense that was capitalized as part of construction of MESI's building in 2021 and 2020 amounted to nil and ₱19.39 million, respectively (Note 10).

17. **Long-term Debt**

This account consists of the following:

	Unaudited March 2021	Audited December 2020
Unsecured bank loans	**₱380,000**	₱380,000
Secured bank loans	**1,492,868**	1,492,275
	₱1,872,868	₱1,872,275

Unsecured
The Group, through NTC, entered into a 10-year unsecured term loan facility with a third party local bank for ₱650.0 million to finance its building refurbishment and/or expansion (see Note 10). The principal payments will be made in 28 quarterly payments starting May 2022. Total drawdown from the long-term loan facility amounted to ₱380.0 million in 2019, which are subject to annual interest rate of 4.675% with 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.

The loan is subject to certain covenants including maintaining a maximum debt-to-equity structure ratio of 3:1. As of March 31, 2021 and December 31, 2020, NTC has complied with its covenant obligations, including maintaining the required debt-to-equity ratio. For 2021 and 2020, interest expense recognized in profit or loss amounted to ₱5.4 million and ₱5.8 million, respectively (Note 10).

Secured
In 2019, the Group, through MCMI, entered into a ten-year secured long-term loan agreement with a local bank for ₱1,500.0 million to refinance the construction of MCMI's school buildings and facilities that were initially funded by short-term loans. MCMI made partial drawdowns against this agreement amounting to ₱680.0 million, ₱350.0 million and ₱470.0 million in January, June and July 2019, respectively. The loans were subject to prevailing borrower's rate, plus a minimum spread of 0.50% per annum, but in no case lower than 4% per annum, subject to quarterly repricing. MCMI shall repay the loan in 20 equal quarterly installments to start at the end of 21st quarter from the initial drawdown date. The loans were secured by the land and related improvements owned by MCMI with carrying value of ₱2,361.5 million and ₱2,376.8 million as of December 31, 2020 and 2019, respectively, and suretyship of MESI (Note 10). The loans were subject to certain positive and negative covenants such as the requirement for MESI to maintain its debt service cover ratio of at least 1.0 at all times and its debt-to-equity ratio of at least 75:25 starting on the third year of the loan reckoned from initial drawdown date or January 2022.

MCMI incurred debt issue cost amounting to ₱11.2 million which is being amortized over the loan term of 10 years using the effective interest method. The amortization of debt issue cost amounting to ₱0.59 million in 2021 and ₱2.4 million in 2020 were recorded as part of interest expense.

Interest expense, including amortization of debt issue cost, amounted to ₱18.87 million in 2021 and ₱ 18.75 million in 2020 (Note 22).

Outstanding balance of secured long-term loans as follows:

	March 2021	December 2020
Principal	**₱1,500,000**	₱1,500,000
Unamortized debt issue cost	**(7,132)**	(7,725)
	₱1,492,868	₱1,492,275

18. **Equity**

Capital Stock
Capital stock consists of 2,000,000,000 authorized with 1,044,263,197 issued common shares as of March 31, 2021, with a par value of ₱1 per share. Issued and outstanding shares (excluding treasury shares of 272) is 1,044,262,925 shares as of March 31, 2021 and December 31, 2020.

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 of March 31, 2021:

Year	Number of shares registered	Number of holders of securities as at year end
January 1, 2020	1,044,262,925	2,017
Add (deduct) movement	–	(4)
December 31, 2020	1,044,262,925	2,013
Add (deduct) movement	–	(3)
March 31, 2021	1,044,262,925	2,010

Note: Exclusive of 272 treasury shares.

Retained Earnings
In accordance with Securities Regulation Code (SRC) Rule No. 68, As Amended (2011), Annex 68-C, after reconciling items, the Parent Company's retained earnings available for dividend declaration as of March 31, 2021 and December 31, 2020 amounted to ₱983.13 million and ₱982.6 million, respectively. The Parent Company and its subsidiaries will declare dividends out of their retained earnings available for dividend declaration.

The retained earnings account in the equity includes the accumulated equity in undistributed earnings of consolidated subsidiaries amounting to ₱6,235.20 million and ₱6,043.84 million as of March 31, 2021 and December 31, 2020 respectively. These are not available for dividends until declared by the subsidiaries.

The Group's retained earnings is restricted for dividends declaration to the extent of the cost of treasury stock amounting to ₱209.

The BOD declared cash dividends as follows:

	2021	2020	2019
April 8, 2021, (₱0.06 per share to stockholders of record as of May 7, 2021, payable on May 31, 2021	**₱62,656**	₱–	₱–
March 27, 2020, (₱0.070143 per share to stockholders of record as of April 14, 2020, payable on May 8, 2020	–	73,248	₱–
June 28, 2019, (₱0.01373 per share to stockholders of record as of July 25, 2019, payable on August 16, 2019	–	–	14,338
March 29, 2019, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 15, 2019, payable on May 14, 2019	–	–	44,936
	₱62,656	₱73,248	₱59,274

Treasury Stock

As of March 31, 2021 and December 31, 2020, there are 272 treasury shares amounting ₱209. The retained earnings is restricted for dividend declaration to the extent of the amount of ₱209 treasury shares.

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 March 31, 2021 and December 31, 2020.

As at March 31, 2021 and December 31, 2020, the Group is not subject to externally imposed capital requirements except for the long-term loan of NTC that is subject to debt to equity ratio requirement (Note 17).

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

	2021	2020
Liabilities (a)	**₱5,009,097**	₱5,219,750
Equity (b)	**10,424,360**	10,252,416
Debt-to-equity ratio (a/b)	**0.48:1.00**	0.51:1.00

19. Revenue from Contracts with Customers

Revenue from schools and related operations consists of:

	2021	2020	2019
Tuition and other matriculation fees	**₱873,709**	₱968,081	₱541,282
Less: Scholarship grants and discounts	**84,779**	32,560	31,650
	788,930	935,521	509,632
Other student-related income:			
Bookstore sales	**251**	4,924	6,461
Seminar fee income	**586**	2,685	3,077
Miscellaneous	**13,238**	14,220	19,534
	₱803,005	₱957,350	₱538,703

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

Disaggregation of the Group's revenue from contracts with customers based on the timing of revenue recognition:

	2021	2020	2019
Revenue from schools and related operations:			
Revenue from tuition and other matriculation fees (over time)	**₱788,930**	₱935,521	₱509,632
Other student-related income (at a point in time)	**14,076**	21,829	29,071
	₱803,005	₱957,350	₱538,703

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

20. Cost of Tuition and Other Fees and Cost of Goods Sold

Cost of tuition and other fees account consists of:

	2021	2020	2019
Personnel expenses	**₱239,159**	₱291,266	₱158,490
Depreciation and amortization (Notes 10 and 13)	**84,440**	92,852	50,478
Management and other professional fees (Note 15)	**20,760**	47,842	30,476
Student-related expenses	**14,740**	35,781	23,149
Utilities	**11,262**	28,403	21,671
Periodicals and subscriptions	**23,519**	17,455	5,856
IT expense - software license	**19,358**	12,455	9,839
Tools and library books (Note 10)	**1,504**	10,825	9,196
Repairs and maintenance	**5,372**	7,131	4,116
Taxes and licenses	**3,940**	5,804	774

	2021	2020	2019
Office supplies	**799**	3,121	1,880
Accreditation cost	**571**	3,037	1,327
Laboratory supplies	**316**	3,021	862
Research and development fund	**5,371**	2,561	4,449
Insurance	**1,920**	2,262	2,065
Advertising	**1,782**	2,112	3,579
Seminar	**1,675**	1,605	2,010
Transportation and travel	**188**	570	336
Entertainment, amusement and recreation	**277**	481	320
Rent	**8,258**	8,211	55
Miscellaneous	**1,105**	2,127	398
	₱446,317	578,924	₱331,326

a. Details of depreciation and amortization follows:

	2021	2020	2019
Depreciation (Note 10)	**₱88,414**	₱93,058	₱61,663
Depreciation - ROU assets (Note 26)	**14,047**	17,247	–
Amortization - Student relationship (Note 6)	**5,578**	7,745	–
Amortization (Note 13)	**522**	634	132
	₱108,561	₱118,684	₱61,795

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

	2021	2020	2019
Cost of schools and related operations	**₱71,267**	₱76,480	₱50,478
Cost of schools and related operations - ROU assets (Note 31)	**13,173**	16,372	–
	84,440	92,852	50,478
General and administrative expenses (Note 21)	**24,121**	25,832	11,317
	₱108,561	₱118,684	₱61,795

21. General and Administrative Expenses

This account consists of:

	2021	2020	2019
Management and other professional fees (Note 14)	**₱38,939**	₱35,531	₱27,927
Personnel expenses	**53,233**	49,967	15,888
Depreciation and amortization (Note 18)	**24,121**	25,832	11,317
Provision for impairment of receivables	**8,969**	12,661	–
Taxes and licenses	**8,958**	8,887	4,045
Advertising	**5,326**	7,092	1,724
Utilities	**2,981**	5,558	1,644
Repairs and maintenance	**4,198**	4,137	1,710
Insurance	**2,505**	1,438	1,216
Rent (Note 24)	**361**	1,703	152
Transportation and travel	**443**	1,144	656

	2021	2020	2019
Entertainment, amusement, and recreation	**529**	893	531
Office supplies	**130**	877	594
IT expense - software license	**538**	836	1,786
Seminar	**275**	801	3,241
Commission	**900**	313	213
Investor relations	**251**	222	355
Donations	**18**	30	–
Miscellaneous	**5,479**	3,920	1,026
	₱158,153	₱161,840	₱74,025

Management and other professional fees consist of property management fees, janitorial and security service fees, lawyers, payroll specialists and other professional service fees (Note 14). Miscellaneous expense includes dues and subscriptions, manual and training materials, periodicals and other contracted services, among others.

22. Interest Income, Interest and Other Finance Charges

The Group's interest income consists of interest from the following sources:

	2021	2020	2019
Cash in banks and cash equivalents (Note 7)	**₱1,918**	₱3,476	₱6,154
Advances to officers and employees (Note 8)	**26**	40	27
	₱1,944	₱3,516	₱6,181

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

	2021	2020	2019
Short-term loans (Note 16)	**₱1,151**	₱5,900	₱20,081
Long-term loans (Note 17)	**24,296**	24,552	–
Bank charges	**3,603**	1,880	1,170
	₱29,050	₱32,332	₱21,251

23. Earnings Per Share

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

	2020	2020	2019
Net income attributable to equity holders of Parent Company (a)	**₱171,945**	₱158,351	₱96,493
Weighted average number of outstanding shares - net of treasury shares (b)	**1,044,263**	1,044,263	748,933
Earnings per share (a/b)	**₱0.1647**	₱0.1516	₱0.1288

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

24. **Non-controlling Interest in Consolidated Subsidiaries**

This represents shareholdings in material subsidiaries not held by the Group. Proportion of equity interest held by non-controlling interests (NCI) in material subsidiaries for 2021 and 2020 follows:

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

Non-controlling interests in material subsidiaries as at March 31, 2021 and December 31, 2020 follows (in million pesos):

	2021	2020
University of Nueva Caceres	**₱234**	₱237
National Teachers College	**2**	3

There are no dividends paid to non-controlling interest in consolidated subsidiaries in 2021 and 2020.

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

(In million pesos)

	University of Nueva Caceres		National Teachers College	
	2021	2020	**2021**	2020
Assets				
Current assets	**₱380**	₱329	**₱358**	₱284
Noncurrent assets	**1,415**	1,422	**1,250**	1,257
	₱1,795	₱1,751	**₱1,608**	₱1,541
Liabilities and Equity				
Current liabilities	**₱176**	₱130	**₱152**	₱114
Noncurrent liabilities	**191**	191	**472**	471
	367	321	**624**	585
Equity	**1,428**	1,430	**984**	956
	₱1,795	₱1,751	**₱1,608**	₱1,541
Attributable to:				
Equity holders of parent	**₱1,194**	₱1,193	**₱982**	₱953
Non-controlling interest	**234**	237	**2**	3
Net revenue	**₱70**	₱297	**₱94**	₱368
Gross profit (loss)	**35**	123	**56**	191
Net income (loss)	**(5)**	(23)	**29**	67
Attributable to:				
Equity holders of parent	**(₱4.56)**	₱19)	**₱28.47**	₱66
Non-controlling interest	**(0.89)**	(4)	**(0.06)**	1

25. **Operating Segment Information**

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

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

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

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

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

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

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

Segment assets and liabilities exclude deferred tax assets and liabilities.

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

Capital expenditures consist of additions to property and equipment.

(In million pesos)

	Education			Others			Elimination			Consolidated		
	2021	2020	2019	**2021**	2020	2019	**2020**	2020	2019	**2020**	2020	2019
Revenues												
Income from external customers	**₱803**	₱957	₱539	**₱–**	₱–	₱–	**₱–**	₱–	₱–	**₱803**	₱957	₱539
Total Revenues	**₱803**	₱957	₱539	**₱–**	₱–	₱–	**₱–**	₱–	₱–	**₱803**	₱957	₱539
Net Income attributable to Parent Company	**₱178**	₱162	₱104	**₱0**	₱2	₱1	**(₱6)**	(₱10)	(₱9)	**₱172**	₱158	₱96
Other Information												
Segment assets	**₱15,977**	₱18,324	₱11,178	**₱5,828**	₱5,544	₱1,927	**(₱6,133)**	(₱7,635)	(₱2,869)	**₱15,672**	₱16,232	₱10,236
Segment liabilities	**5,269**	6,387	3,931	**157**	211	88	**(417)**	(187)	(258)	**5,009**	6,410	3,761
Deferred tax assets	**29**	20	6	**2**	0	0	**2**	2	–	**33**	22	6
Deferred tax liabilities	**357**	584	208	**47**	–	–	**71**	74	–	**476**	658	208
Interest expense	**38**	32	21	**0**	0	0	**0**	0	0	**38**	32	21
Provision for income tax	**2**	26	16	**0**	0	0	**(0)**	(1)	–	**1**	25	16
Depreciation and amortization	**101**	111	62	**0**	0	0	**8**	8	–	**109**	119	62

26. Notes on Consolidated Statements of Cash Flows

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

		Non-cash Changes			
	2020	Declaration of Cash Dividend	Non-controlling interest	Cash Flows	2021
Short-term loan	₱375,000	₱–	₱–	(₱248,866)	₱126,134
Long-term debt	1,872,275	–		593	1,872,868
Dividends payable	565	–	–	(8)	557
Payable to related parties	29,481	–	–	(18,212)	11,269
	₱2,277,320	₱–	₱–	(₱266,493)	₱2,010,827

27. Commitments and Contingencies

Lease Commitments

Group as a lessor

The Group's Intramuros and Makati campuses lease spaces to Digitel, Investment Managers, Inc. (IMI) and Bell Telecommunication Philippines, Inc. The lease terms cover lease periods of between three (3) years to ten (10) years with escalation rates ranging from 3.00% to 10.00%.

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

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

Group as lessee

The Group leases building spaces for office and school sites and annexes from third-party lessors for a period ranging from one to ten years. The Group applies the 'short-term lease' recognition exemption for those leases with lease terms of one year or less.

Upon adoption of PFRS 16 in 2019, the School recognized right-of-use assets and lease liabilities from these operating lease agreements. For those leases subjected to PFRS 16, the IBR used in the computation of lease liabilities ranges from 5.00% to 6.25% in 2020 and from 7.25% to 9.00% in 2019.

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

	2021	2020
Net Book Value at January 1	**₱346,905**	₱387,981
Additions (Adjustments)	**(2,514)**	17,909
Amortization	**(14,047)**	(58,985)
Net Book Value	**₱330,344**	₱346,905

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

	March 2021	December 2020
Lease liabilities – current	**₱33,394**	₱44,174
Lease liabilities – noncurrent	**348,408**	348,408
	₱381,802	₱392,582

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

	2021	2020
Within one year	**₱73,371**	₱73,371
More than one year but less than five years	**291,870**	291,870
Five years and more	**146,539**	146,539
	₱511,780	₱511,780

Provisions and Contingencies

- The Group is involved in certain claims arising from the ordinary conduct of business which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external counsels handling the defense in these matters and is based upon an analysis of potential results. The ultimate disposition of these matters cannot be determined with certainty. The Group will exhaust all legal remedies available to it in defending itself in these claims and proceedings. Provisions recognized during the year amounted to nil in 2021 and ₱4.9 million in 2020.

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

28. Other Matters

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

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

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

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

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

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

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

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT / 10% preferential tax rate) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower preferential tax rate of 1% for subsidiaries that are proprietary education institutions and lower RCIT of 25% or 20% and MCIT of 1% for other entities effective July 1, 2020.

Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Group's proprietary educational institutions is 5.5% and prorated MCIT rate is 1.5%. This will result in reduction of ₱19.4 million in current income tax and income tax payable. The reduced amounts will be reflected in the 2020 annual income tax return of respective subsidiaries. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements. As to the impact on deferred tax, the Group assessed that the impact is not material as most of the temporary differences, particularly those from proprietary education institutions, will reverse after June 30, 2023.

- In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon and other parts of the country and the community quarantine continues for selected areas in 2021.

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

IPEOPLE, INC. AND SUBSIDIARIES
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SUPPLEMENTARY SCHEDULES

SCHEDULE II

iPeople, inc. and Subsidiaries

ANNEX 68-J: SCHEDULES
March 31, 2021

Below are the additional information and schedules required by Revised Securities Regulation Code Rule 68. This information is presented for purposes of filing with the SEC and is not required parts of the basic financial statements.

Schedule A. Financial Assets in Equity Securities
As at March 31, 2021, the Group has no financial assets in Equity Securities.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

Below is the schedule of advances to officers and employees of the Group with balances above ₱100,000 as at March 31, 2021:

Name	As of December 31, 2020	Additions	Liquidations/ Collections	As of March 31, 2021
Adanza, Carina Victoria T.	₱–	₱409,000	₱13,640	₱395,360
Agapito, Benigno Jr.	305,200	–	31,792	273,408
Arenillo, Denise Jordan	253,382	–	10,478	242,904
Austria, Maria Rhodora	156,042	–	37,450	118,592
Admin./Faculty-NTC	–	150,308	–	150,308
Balan, Ariel Kelly	351,317	–	32,833	318,483
Ballado, Alejandro Jr.	344,750	–	32,833	311,917
Camacho, Margarita	175,009	–	19,857	155,152
Caparanga, Alvin	182,000	–	32,500	149,500
Gan, Maria Eloisa	418,051	–	53,368	364,682
Kikuchi, Khristian	166,729	–	37,750	128,979
Parinas, Kimberly	128,764	–	–	128,764
Unknown - 6	147,280	–	–	147,280
Taala, Ma. Gloria Suzette	–	400,000	–	400,000
Lanuza, Dionisia	127,200	–	26,500	100,700
Lopez, Jonathan	278,829	–	19,038	259,792
Lozada, Katrina	128,764	–	–	128,764
Macayan, Jonathan	242,967	–	32,833	210,134
Manuel, Mark Christian	269,233	–	32,833	236,400
Mesina, James Ronald	328,183	–	43,400	284,783
Papas, Aileen Kate A.	386,178	–	46,343	339,835
Quisaot, Concordio	275,800	–	32,833	242,967
Robielos, Rex Aurelius	168,525	–	18,725	149,800
Teodoro, Gloria	195,000	–	32,500	162,500
Tiongco, Danilo R.	162,205	–	46,344	115,861
Uy, Francis Aldrine	227,987	–	33,042	194,945
Villa, Robert Joseph	346,246	–	8,642	337,605
Yap, Maria Elizabeth	442,551	–	12,100	430,451
	₱6,208,193	₱959,308	₱687,634	₱6,479,867

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

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

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

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of year
Pan Pacific Computer Center, Inc.	₱1,104,410	₱–	₱–	₱1,104,410
Malayan Education System, Inc.	2,604,489	3,059,100	(2,060,513)	3,603,076
Malayan Colleges Laguna, Inc.	1,414,220	2,941,856	(2,449,487)	1,906,588
Malayan Colleges Mindanao	–	1,451,818	–	1,451,818
University of Nueva Caceres	503,053	2,974,506	(1,075,881)	2,401,679
National Teachers College	–	333,814	(295,802)	38,013

Schedule D. Long-term debt

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

	March 2021	December 2020
Loans payable (Note 17)		
Unsecured bank loans	**₱380,000**	₱380,000
Secured bank loans	**1,492,868**	1,492,275
	₱1,872,868	₱1,872,275

Unsecured

The Group, through NTC, entered into a 10-year unsecured term loan facility with a third party local bank for ₱650.00 million to finance its building refurbishment and/or expansion. The principal payments will be made in 28 quarterly payments starting May 2022. As of March 31, 2021, total drawdown from the long-term loan facility amounted to ₱380 million, which are subject to annual interest rate of 4.675% with 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.

The loan is subject to certain covenants including maintaining a maximum debt-to-equity structure ratio of 3:1. As of March 31, 2021, NTC has complied with its covenant obligations, including maintaining the required debt-to-equity ratio. For 2021, interest expense recognized in profit or loss amounted to ₱5.43 million.

Secured

In 2019, the Group, through MCMI, entered into a ten-year secured long-term loan agreement with a third party local bank for ₱1,500.00 million to refinance the construction of MCMI's school buildings and facilities that were initially funded by short-term loans. MCMI made partial drawdowns against this agreement amounting to ₱680.00 million, ₱350.00 million and ₱470.00 million in January, June and July 2019, respectively. The loans were subject to prevailing borrower's rate, plus a minimum spread of 0.50% per annum, but in no case lower than 4% per annum, subject to quarterly repricing. MCMI shall repay the loan in 20 equal quarterly installments to start at the end of 21st quarter from the initial drawdown date. The loans were secured by the land and related improvements owned by MCMI with carrying value of ₱2,376.76 million as of December 31, 2019 and suretyship of MESI. The loans were subject to certain positive and negative covenants such as the requirement for MESI to maintain its debt service cover ratio of at least 1.0 at all times and its debt-to-equity ratio of at least 75:25 starting on the third year of the loan reckoned from initial drawdown date or January 2022.

MCMI incurred debt issue cost amounting to ₱11.25 million which was being amortized over the loan term of 10 years using the effective interest method. The amortization of debt issue cost amounting to ₱0.59 million was recorded as part of interest expense in 2021.

Interest expense, including amortization of debt issue cost, amounted to ₱18.87 million.

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

	Amount
Principal	₱1,500,000
Unamortized debt issue cost	(7,132)
Secured bank loans	₱1,492,868

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

Schedule F. Guarantees of Securities of Other Issuers
As at March 31, 2021, the Group does not guarantee any securities.

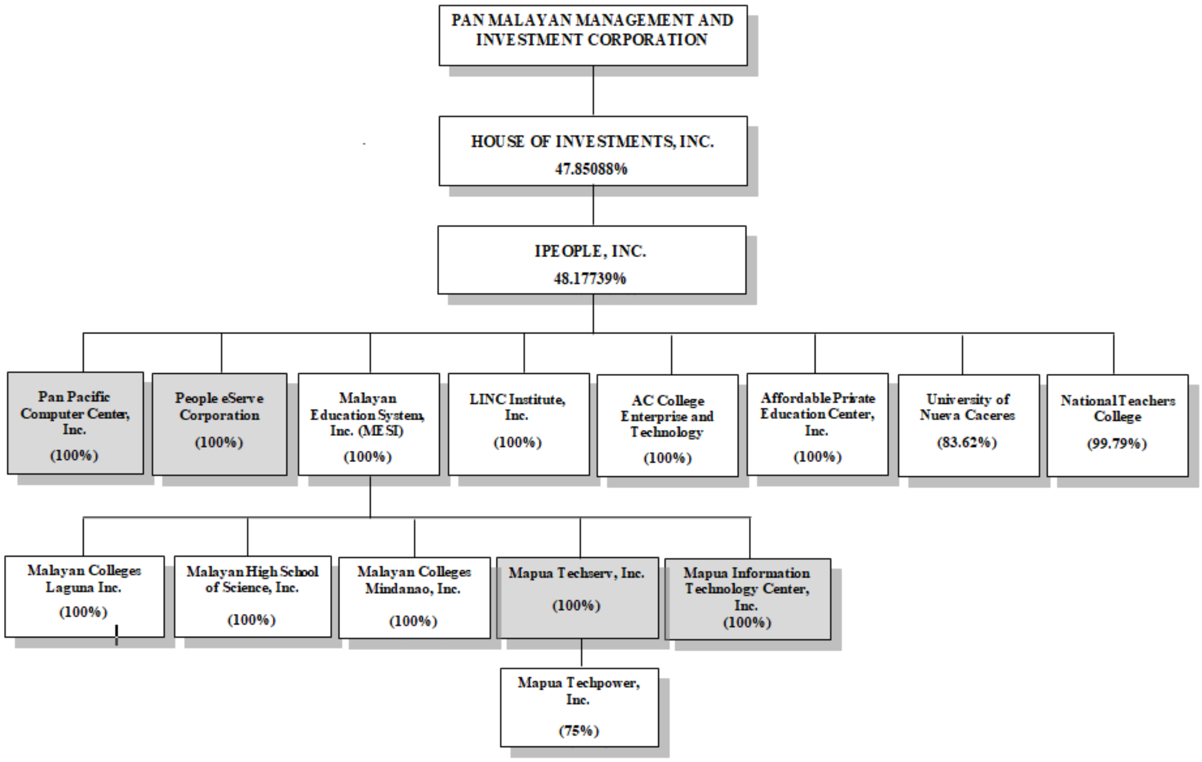
Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common Shares	2,000,000,000	1,044,262,925	-	885,453,681	168,775	158,640,469

SCHEDULE III

IPEOPLE, INC. AND SUBSIDIARIES
GROUP STRUCTURE
MARCH 31, 2021

Group Structure
Below is a map showing the relationship between and among the Group and its ultimate parent company and subsidiaries as at March 31, 2021:



SCHEDULE I

iPeople, inc. and Subsidiaries

ANNEX 68-D: RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION*
MARCH 31, 2021

Items	Amount	
Unappropriated retained earnings, *as adjusted to available for distribution, beginning*		**₱982,640**
Add: Net income actually earned/realized during the period		
Net income (loss) during the period closed to retained earnings	**₱489**	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	–	
Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Sub-total	–	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustments due to deviation from PFRS/GAAP - loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Sub-total	–	
Net income actually realized during the period		**489**
Add (Less):		
Dividends declaration during the year	–	
Appropriations of retained earnings during the period	–	
Reversal of appropriations	–	
Effects of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	**(0.21)**	
Transfer to retained earnings of fair value reserve of equity instruments	–	
		489
Total Retained Earnings, End Available for Dividend		**₱983,129**

iPeople, inc. and Subsidiaries
Aging of Accounts Receivable
For the quarter ended March 31, 2021

	No. of days due			
	0-30	**31-60**	**Over 61 days**	**Total**
Education	**₱642,896,982**	**₱56,149,984**	**₱351,154,814**	**₱1,050,201,780**
Parent and others	**66,299,139**	**116,673,544**	**18,624,347**	**201,597,030**
Total	**709,196,122**	**172,823,528**	**369,779,161**	**1,251,798,811**
Less: Allowance for doubtful accounts	**(4,381,348)**	**(6,694,263)**	**(176,291,050)**	**(187,366,661)**
	₱704,814,774	**₱166,129,265**	**₱193,488,111**	**₱1,064,432,150**

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 May 17, 2021.

IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this_day of May, 2021 at Makati City.

By:

Reynaldo B. Vea
President

Gema O. Cheng
EVP and CFO

Jonathan M. Lopez
Controller

Atty. Samuel V. Torres
Corporate Secretary

17 MAY 2021

SUBSCRIBED AND SWORN to before me this____day of May 2021, at MAKATI CITY. Affiant exhibited to me their Residence Certificate Numbers indicated below each name.

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

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Book No. IX;
Series of 2021

RUBEN T. M. RAMIREZ
NOTARY PUBLIC
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PTR NO. MKT.8533046/1-4-21 APPT NO. M-16