COVER SHEET

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S.E.C. Registration Number

I P E O P L E , I N C .

(Company's Full Name)

3 / F L O O 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 8	1 1
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 **Tuesday, August 11, 2020 at 2:30 p.m.**, 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 June 28, 2019
4. Approval of the Management Report and the Audited Financial Statements for 2019
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 2020-2021
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 **July 10, 2020** 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 is given in print and in online format. The Information Statement and other pertinent meeting documents are available in the Company's website (www.ipeople.com.ph) and via PSE Edge.

In light of the current circumstances, and to ensure the safety and welfare of the Company's stockholders, the Company will dispense with the physical attendance of stockholders at the meeting. The Company's 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 asm2020@ipeople.com.ph, on or before **July 31, 2020**. 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 asm2020@ipeople.com.ph, for examination, validation, and recording no later than 5:00 pm of **July 31, 2020**. 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.

Thank you.

ATTY. SAMUEL V. TORRES
Corporate Secretary

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 asm2020@ipeople.com.ph, on or before July 31, 2020. 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 31, 2020 to the Office of the Corporate Secretary at asm2020@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 asm2020@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 2:30 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 June 28, 2019**

The copy of the minutes of the last Annual Stockholders' Meeting held on June 28, 2019 is attached to the Information Statement. It is also posted on the Company's website, at https://ipeople.com.ph/pdf/2019-4/. 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 2019**

The Company President, Dr. Reynaldo B. Vea, will deliver a report to the stockholders on the Company's performance for the year 2019 and year-to-date activities. A copy of the Audited Financial Statements ("AFS") of the Company for the year ended December 31, 2019 (as audited by SyCip, Gorres, Velayo & Co.) is incorporated in the Information Statement. A resolution noting the report and approving the 2019 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 2020**

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 2020**

The Audit Committee shall endorse to the stockholders the re-appointment SyCip Gorres Velayo & Co. as external auditor of the Company for 2020. 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.

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 **August 11, 2020** 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 June 28, 2019			
3. Approval of the Management Report and the Audited Financial Statements for 2019			
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 31, 2020, 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 ASM2020@IPEOPLE.COM.PH, ON OR BEFORE 5:00 P.M. ON JULY 31, 2020. THE DULY EXECUTED HARD-COPY SHOULD ALSO BE MAILED TO THE OFFICE OF THE CORPORATE SECRETARY, IPEOPLE, INC. 4/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: asm2020@ipeople.com.ph

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: **August 11, 2020, at 2:30 P.M. 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 **July 21, 2020**.

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**

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, 2020: P6.41 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	: **August 11, 2020**
Time of meeting	: **2:30 pm**
Place of meeting	: There is no physical venue for the meeting. It will be held virtually with the link to the meeting to 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 21, 2020**

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, 2020.

Only holders of the Company's stock of record at the close of business on July 10, 2020 are entitled to notice and to vote at the Annual Meeting to be held on August 11, 2020.

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, 2020, 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, 2020.

The following table shows the beneficial owners directly or indirectly owning more than 5% of the Company's capital stock as of May 31, 2020:

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 CEO)* **and Mr. Fernando Zobel de Ayala** *(President and Chief Operating 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	91,945,934[3]	8.80%

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, 2020 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 68,000	0.0006% 0.0065%
Sub-Total				**144,775**	**0.0139%**
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, 2020, there are 670,125 shares or 0.06% 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	5 years
Mr. Lorenzo V. Tan	Director	2 years
Mr. Medel T. Nera	Director	9 years
Ms. Yvonne S. Yuchengco	Director	19 years
Mr. Alfredo Antonio I. Ayala	Director	1 year
Mr. Gerardo C. Ablaza, Jr.	Director	1 year

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

INDEPENDENT DIRECTORS		
Name	**Position**	**Length of Service**
Mr. Renato C. Valencia	Chairman	15 years *
Mr. Cesar A. Buenaventura, OBE	Director	29 years *
Ms. Herminia S. Jacinto	Director	1 year

** Term of eight (8) cumulative years reckoned from 2012, pursuant to SEC MC No. 4, series of 2017*

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

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.

<u>Position and Background within the last 5 years</u>

RENATO C. VALENCIA, 78, 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, 68, 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.

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 and Generika Group.; ***His past experiences include*** **Chairman of the Board** of Greyhounds Security & Investigation Agency Corp., and Zamboanga Industrial Finance Corporation; **President & CEO** of House of Investments, Inc.; **President** of Honda Cars Kalookan, Inc., **Director and President** of RCBC Realty Corp.; **Director** of EEI Realty Corp., Hi-Eisai Pharmaceuticals Inc., Investments Manager Inc., Landev Corp., Malayan Colleges Laguna, Inc., Manila Memorial Park Cemetery Inc., YGC Corporate Services, **Director and Chairman of Risk 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, USA and Bachelor of Science in Commerce from Far Eastern University, Philippines, International Management Program from Manchester Business School, UK, Pacific Rim Program from University of Washington, USA.

YVONNE S. YUCHENGCO, 66, Filipino is a **Director** since 2001 to present. She is also the **Chairperson** of First Nationwide Assurance Corp., 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., First Nationwide Assurance Corp., 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 Insurance Co. (H.K.) Ltd., 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.

CESAR A. BUENAVENTURA, OBE, 90, Filipino is an **Independent Director** since 1991 to present. He is also **Chairman** of Buenaventura Echauz and Partners, Inc., and Mitsubishi Hitachi Power Systems (Phils.); **Vice Chairman** of DMCI Holdings, Inc.; **Independent Director** of Concepcion Industrial Corp., Pilipinas Shell Petroleum Corp., and Semirara Mining and Power Corp., International Container Terminal Services Inc., **Director** of DM Consunji, Inc., PetroEnergy Resources Corp., The Country Club, Cavitex Holdings, Inc., Via Technik 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.

LORENZO V. TAN, 58, Filipino, was elected as a **Director in January, 2018**. He is currently the **Vice Chairman** of Pan Malayan Management Inc. and TOYM Foundation; **Director, President and Chief Executive Officer** of House of Investments, Inc.; **Chairman and President** of Honda Cars Kolookan Inc., **Director and President** of RCBC Realty Corporation; **Director** at Smart Communications, Digitel Telecommunications, Malayan Insurance Company Inc., Sunlife Grepa, Manila Memorial Park Cemetery Inc., 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 President** of Rizal Commercial Banking Corporation until May 2016; **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). He was also a former **Director** of Philrealty Holdings and Investment Corp. ***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, 59, Filipino, was elected as **Director and Chief Operating Officer** in 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.

GERARDO C. ABLAZA, JR., 66, Filipino, was elected as **Director** in 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, 81, Filipino, was elected as **Independent Director** in May 06, 2019. She is a Certified Public Accountant and currently the **Secretary General** of the Association of Insurers and Reinsurers of Developing Countries. She is an **Independent Director** of BDO Life Assurance Co. and Fortune Guarantee

Assurance Corporation and a **Trustee** of Insurance Institute for Asia and the Pacific (IIAP). She previously served as **President** of Universal Malayan Reinsurance Corporation and Universal Reinsurance Corporation. She is well-known in the world reinsurance market especially in the ASEAN/Asian region.

<u>Executive Officers:</u>

GEMA O. CHENG, 55, 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, 47, Filipino, was appointed as **Treasurer** in 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 and the USD and Multi-currency unit of Dao Heng Bank (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, 58, Filipino, was appointed as **Chief Audit Executive** in 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 - 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** in 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)

DANILO R. TIONGCO, 49, Filipino, was appointed **Chief Information Officer** in 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 Development Office for Information Technology (DOIT) of Mapúa University, **Enrollment Czar and Director** of DOIT, Mapua. ***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** in 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** in 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, 40, Filipino, was appointed as **Legal and Compliance Officer** in May 06, 2019. She is also the **Head of the Legal Affairs Department** of Malayan Education System, Inc. (MESI) operating under the name Mapua University since 2012 and the **Corporate Secretary** of Mapua TechServ, Inc., Mapua TechPower, Inc. and 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, 47, Taiwanese, was appointed as **Chief Human Resources Officer** in 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, 55, 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 Led by A Mapua School, GPL Holdings, 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., Tokio Marine Malayan Insurance Corp, Affordable Private Education Center, Inc. doing business under the name of APEC Schools, AC College of Enterprise and Technology, Inc., and Linc Institute, Inc. ***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 G. GONZALEZ, 43, 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., Yuchengco Tower Office Condominium Corp., Y Tower II Office Condominium Corp., GPL Holdings, Inc., Affordable Private Education Center, Inc. doing business under the name of APEC Schools, AC College of Enterprise and Technology, Inc., and Linc Institute, 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

The 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, and 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) The nomination of independent director shall be conducted by the Corporate Governance, Nomination and 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 and 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 and 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 2020-2021:

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

The nominees for independent directors 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. The Corporate Governance, Nomination and RPT Committee passed upon their qualifications and found no disqualifications, as provided for in the by-laws and in accordance with SRC Rule 38.

The Company adopted the SEC mandatory Term Limits for Independent Directors of a maximum cumulative terms limit of nine (9) years from the reckoning year of 2012, then permanently barred from servicing as Independent Director of the Company. The nominees for independent directors are within the Term Limits of the SEC Memorandum Circular No. 4, Series of 2017, which took effect on March 9, 2017.

Mrs. Eliadah Neiel Escudero-Dela Rama, a stockholder of the Company, who is not in any way related to the nominees, nominated Messrs. Cesar A. Buenaventura, Renato C. Valencia, and Ms. Herminia S. Jacinto as candidates for re-election as Independent Directors in the Annual Stockholders Meeting on August 11, 2020.

The Corporate Governance, Nomination and RPT Committee is composed of three members, all of whom are independent directors who review and evaluate the qualifications of all persons to be nominated to the Board as well as those to be nominated to other positions requiring appointment by the Board of Directors.

With respect to the independent directors, their nomination and qualification by the Corporate Governance, Nomination and RPT Committee were in compliance with Company's By-laws, Manual of Corporate Governance, SRC Rule 38. The directors so nominated possess all the qualifications and none of the disqualifications for independent directors. (Attached as Annexes 1 to 3 are the Certifications of Independent Directors)

The 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 2019-2020 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 IPO 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
In the normal course of the business, iPeople, inc and its parent company, subsidiaries and affiliates enter into certain related-party transactions principally consisting of inter-company charges and loans.

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 D, 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 July 02, 2020:

(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	2020 2019 2018	P0 P0 P0	P0 P0 P0	P0 P0 P0
All other officers and directors as group unnamed.	2020	₱0.00	₱0.00	₱1,105,714 (est.)
	2019	₱0.00	₱0.00	₱1,063,571
	2018	₱0.00	₱0.00	₱ 800,000
TOTALS	**2020**	**₱0.00**	**₱0.00**	**₱1,105,714 (est.)**
	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.

Disagreement with Accountants on Accounting and Financial Disclosure
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.

Attendance of Accountants at the Meeting
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.

External Audit Fees and Services
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
2019	₱4,285,500
2018	₱2,346,500
2017	₱2,225,250

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

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

All Other Fees
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 audited financial statements as of December 31, 2019, Management Discussion and Analysis, Market Price of Shares and Dividends and other date related to the Company's financial information are attached hereto as Annex "D" and "Annex C", 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 June 28, 2019 and the Management Report will be submitted for stockholders' approval.

Approval of the June 28, 2019 Minutes constitutes a ratification of the accuracy and faithfulness of the Minutes of the events that transpired during the said meeting, such as (a) 2018 annual report and audited financial statements, (b) ratification of actions of the Board of Directors, different Committees and Management during the year 2018, (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 June 28, 2019 up to the date of meeting (August 11, 2020). 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 June 28, 2019
2. Approval of the Management Report and the Audited Financial Statements of the Company for the year ended December 31, 2019
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 2020-2021
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.

In compliance with SEC Memorandum Circular No. 20 dated December 8, 2016, the Company submitted its Integrated Annual Corporate Governance Report (IACGR), for the period covering the year 2018 last May 21, 2019. For the 2019 IACGR, the deadline was extended by the SEC to July 30, 2020. For the period covering the year 2019, the Company will submit its IACGR before July 30, 2020.

(b) 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.

(c) 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 2020. Said items will be reflected in the 2019 IACGR due on July 30, 2020.

(d) 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 STOCKHOLDER WITH A COPY OF THE COMPANY'S YEAR 2019 ANNUAL REPORT ON SEC FORM 17-A FREE OF CHARGE. ANY WRITTEN REQUEST FOR A COPY OF THE SEC 17-A SHALL BE ADDRESSED AS FOLLOWS:

iPeople, inc.	
Attention:	Office of the Corporate Secretary
Address:	3rd Floor, GPL Building 219 Sen. Gil J. 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 JUL 0 1 2020 2020.

iPeople, inc.
By:

Atty. Denise Jordan P. Arenillo
Compliance Officer

Atty. Samuel V. Torres
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE THIS JUL 0 1 2020
AT MAKATI CITY AFFIANT EXHIBITED TO ME HIS/HER

DOC. NO. 172
PAGE NO. 36
BOOK NO. 10
SERIES OF 2020

RUBEN T. M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2021
IBP NO. 093489 / 10-18-19 CY 2020
ROLL NO. 28947/ MCLE 6 / 3-22-19
PTR NO. MKT. 8117044/ 1-2-20 APPT NO. M-158

Annex 1

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 JUL 0 2 2020 day of May 2020, at Makati City, Metro Manila, Philippines.

RENATO C. VALENCIA
Affiant

SUBSCRIBED AND SWORN to before me this JUL 0 2 2020 day of May 2020 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.

JOSHUA P. LAPUZ
Notary Public for Makati City
Appointment No. M-66 / Until 12-31-2021
Roll No. 45790 / IBP Lifetime No. 04897 / 7-3-03
PTR O.R. No. 8116016 / 1-2-20 / Makati City
MCLE No. VI-0016565 / 1-14-19
G/F, Fedman Suites, 199 Salcedo St.
Legazpi Village, 1229 Makati City

Doc. No. 66;
Page No. 15;
Book No. 116;
Series of 2020.

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)

Annex 2

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

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 JUN 16 2020 day of May 2020, at Makati City, Metro Manila, Philippines.

CESAR A. BUENAVENTURA
Affiant

SUBSCRIBED AND SWORN to before me this JUN 16 2020 day of May 2020 at Makati City, affiant personally appeared before me and exhibited to me his Philippine Passport No. ________________, issued at ______________, and valid until ______________.

Doc. No. 237;
Page No. 49;
Book No. 102;
Series of 2020.

JOSHUA P. LAPUZ
Notary Public for Makati City
Appointment No. M-66 / Until 12-31-2021
Roll No. 45790 / IBP Lifetime No. 04897 / 7-3-03
PTR O.R. No. 8116016 / 1-2-20 / Makati City
MCLE No. VI-0016565 / 1-14-19
G/F, Fedman Suites, 199 Salcedo St.
Legazpi 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
Bankers Assurance Co. Inc.	Ind. Director	5 years
Insurance Institute for Asia and the Pacific	Trustee	3 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 3rd day of June 2020, at Makati City, Metro Manila, Philippines.

HERMINIA S. JACINTO
Affiant

JUN 04 2020

SUBSCRIBED AND SWORN to before me this _______ day of June 2020 at _______________, affiant personally appeared before me and exhibited to me her Philippine Passport No. EC7168279, issued at DFA NCR South, and valid until 19 March 2021.

Doc. No. 209;
Page No. 43;
Book No. XII;
Series of 2020.

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2020
IBP No. 05729-Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M-183-(2019-2020)
PTR No. 8116014 Jan. 2, 2020
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

iPEOPLE

16 June 2020

THE SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City, Metro Manila

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 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 11 August 2020 are government employees.

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

Very truly yours,

SAMUEL V. TORRES
Corporate Secretary

JUL 0 1 2020

SUBSCRIBED AND SWORN TO BEFORE THIS ______ TO ME HIS/HER
MAKATI CITY

DOC NO. 171
PAGE NO. 36
BOOK NO. 10
SERIES OF 2020

RUBEN T. M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2021
IBP NO. 093489 / 10-18-19 CY 2020
ROLL NO. 28947/ MCLE 6 / 3-22-19
PTR NO. MKT. 8117044/ 1-2-20 APPT NO. M-152

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING

OF

iPEOPLE, INC.

Date	:	28 June 2019
Time	:	2:30 P. M.
Place	:	YIAS, 5th Floor, Tower II RCBC Plaza, 6819 Ayala Avenue Makati City, Metro Manila

I. CALL TO ORDER.

The Chairman, Mr. Renato C. Valencia, called the meeting to order and asked the Corporate Secretary, Atty. Samuel V. Torres, whether proper notices of the meeting were sent to the stockholders entitled thereto to which Atty. Torres replied in the affirmative.

II. PROOF OF NOTICES.

As proof, the Corporate Secretary presented the Certification executed by Mr. Manuel Andrew R. Chanco IV of DAG Xpress Courier, Incorporated, certifying to the sending out of notices of the meeting, and Affidavits of Publication, attesting to the publication of the notice in The Philippine Star and Manila Bulletin on 29 May 2019.

III. DETERMINATION OF QUORUM.

The Chairman asked the Corporate Secretary if there is a quorum for the transaction of business, to which the Corporate Secretary certified as follows:

		No. of Common Shares
Total Number of Shares Present in Person or by Proxy	-	910,889,199 Shares
Outstanding No. of Shares Entitled to Vote	-	1,044,263,197 Shares
Percentage of Attendance	-	87.23 %

which was more than two thirds (2/3) of the outstanding number of shares entitled to vote. Whereupon, the Corporate Secretary certified the presence of a legal quorum, and the Chairman declared the agenda open for deliberation.

AVTorres

DIRECTORS PRESENT

1. Mr. Renato C. Valencia	–	Chairman of the Board/Independent Director Chairman, Executive Committee Chairman, Remuneration Committee Chairman, Corp. Governance & Nomination Committee
2. Dr. Reynaldo B. Vea	–	President & CEO
3. Mr. Alfredo Antonio I. Ayala	–	Chief Operating Officer
4. Mr. Cesar A. Buenaventura	–	Independent Director Chairman, Audit & Related Party Transaction Committee Chairman, Board Risk Oversight Committee
5. Ms. Yvonne S. Yuchengco		
6. Mr. Lorenzo V. Tan		
7. Mr. Medel T. Nera		
8. Mr. Gerardo C. Ablaza, Jr.		
9. Ms. Herminia S. Jacinto	–	Independent Director

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

The Minutes of the last Annual Stockholders' Meeting held on 29 June 2018 and the Special Stockholders' Meeting held on 12 December 2018 were presented to the stockholders for approval. On motion duly made and seconded, the reading of the said Minutes was dispensed with, and there being no objection or correction to the same, the Minutes were confirmed and approved to be correct.

> RESOLVED, that the Minutes of the Annual Stockholders' Meeting held on 29 June 2018 and the Special Stockholders' Meeting held on 12 December 2018 be, as they are hereby, confirmed and approved.

V. APPROVAL OF THE 2018 MANAGEMENT REPORT AND THE AUDITED FINANCIAL STATEMENTS.

The Company's President & CEO, Dr. Reynaldo B. Vea, reported on the various activities and results of the operations of the Company, including that of its subsidiaries, for the period ended 31 December 2018. He commenced his President's Report with an update on the Mapua Schools. In particular, Dr. Vea updated the stockholders on Malayan Colleges Mindanao, Inc., which opened in Davao City last July 2018. He then proceeded to mention that while the student population of the Mapua Schools increased, there was a drop in Total Revenues and Net Income, mainly due to the spill-over effect of the K+12 transition. Moving forward, the financials of the Mapua Schools are expected to improve.

AVTolls

Dr. Vea also narrated the significant achievements of the Mapua Schools, highlighting the successful efforts to improve the quality of Mapua education, that Malayan Colleges Laguna, Inc. was hailed as the best performing private school in the CALABARZON Region, the Mapua School's excellent record in various government licensure examinations, the accomplishments of Mapua students and alumni, innovative developments such as the introduction of fully online courses, and the ongoing construction of the new Makati Campus, which is scheduled to open for School Year 2020-2021. Dr. Vea also noted the Company's Corporate Social Responsibility activities, particularly mentioning the Mapua Schools' STEM Teach Program whereby online training is offered for free to Senior High School teachers all over the country.

Dr. Vea concluded his report by laying emphasis on the expansion of the Company's reach and horizon with the recent merger between the Company and AC Education, Inc., which provides the Company with more resources and opportunities to increase its presence in various parts of the country.

After Dr. Vea concluded his report, Mr. Valencia noted that the Company's Management Report and the Audited Financial Statements of the Company for year ending 31 December 2018 were sent earlier to the stockholders by mail. He then inquired from the stockholders if there were any questions respecting the same.

There being no further comments, upon motion duly made and seconded, the stockholders present approved the 2018 Management Report and the Audited Financial Statements of the Company for the year ended 31 December 2018, as certified by Ms. Anna Lea C. Bergado of SGV & Co.

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.

On motion made and duly seconded, the stockholders present ratified and confirmed all the acts, resolutions and proceedings of the Board of Directors, the various Committees and Officers of the Company during the year in review.

> RESOLVED, that all acts, resolutions and proceedings of the Board of Directors, the various Committees and Officers of the Company during the preceding year be, as they are hereby, affirmed and ratified.

VII. ELECTION OF DIRECTORS FOR 2019-2020.

Thereafter, the Chairman declared the table open for the election of directors for the ensuing year. The Corporate Secretary then presented and read the name of the following persons nominated, evaluated and found by the Corporate Governance and Nomination Committee to have all the qualifications and none of the disqualifications to serve as members of the Board of Directors of iPeople, Inc. for the year 2019-2020:

CWTorres

:

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

:

There being no further comment and no other nominees, the Corporate Secretary was requested by the Chairman to cast all votes equally among the above-named nominees. Thereafter, the Chairman declared the above-named nominees as the duly elected members of the Board of Directors of the Company for the ensuing year 2019-2020 and presented them to the stockholders.

VIII. APPOINTMENT OF EXTERNAL AUDITOR.

Upon an earlier recommendation by the Audit & Related Party Transaction Committee, on motion duly made and seconded, Sycip Gorres Velayo & Co. (SGV) was reappointed as external auditor of the Company for the year ending 31 December 2019.

> RESOLVED, that the Company hereby appoints Sycip Gorres Velayo & Co. (SGV) as its external auditor for the year ending 31 December 2019.

:

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.

:

X. ADJOURNMENT.

There being 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

ANNEX 'A'

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

Stockholders are requested to notify the Company by July 31, 2020, via email at asm2020@ipeople.com.ph, of their intention to participate in the Company's Annual Stockholders' Meeting on 11 August 2020 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 July 10, 2020
2. When to Register - Registration period shall be from July 24, 2020 at 8:00am until July 31, 2020 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 asm2020@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 'B' to record your vote and then email to: asm2020@ipeople.com.ph, on or before July 31, 2020.

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 "B".
      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 asm2020@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 'B'

Electronic Voting In Absentia

<table>
<tr><th rowspan="2">PROPOSAL</th><th colspan="3">ACTION</th></tr>
<tr><th>FOR ALL</th><th>WITHHOLD FOR ALL</th><th>EXCEPTION</th></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><th>FOR</th><th>AGAINST</th><th>ABSTAIN</th></tr>
<tr><td>Approval of the Minutes of the Annual Stockholders' Meeting held on June 28, 2019</td><td></td><td></td><td></td></tr>
<tr><td>Approval of the Management Report and the Audited Financial Statements for 2019</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 31, 2020, and accompanied by any government issued identification.*

iPEOPLE

ANNEX "C"

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, 2019 are attached hereto as Annex "D".

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 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). iPeople, inc. is invested in the education sector.

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 Colleges Mindanao (A Mapua School), Inc. ("MCM") and the Malayan High School of Science, Inc. ("MHSS").

MCM is Mapúa University's newest incorporated school. MCM opened its doors to senior high school and college students in July 2, 2018.

1.1 Business of the Issuer

<u>The Holding Company</u>

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.

<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
Available for sale (AFS) financial instruments 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.
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.

Continuing its efforts to bolster the University's world-class quality of education, Mapúa has strategized an advancement of its game plan envisioning itself as a digital, research-driven, outcomes-based, international domain (DROID) in response to globalization and the explosion of knowledge.

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 2019, MCL took 1,301 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), which is tantamount to eventually getting PTC-ACBET's Full Accreditation certification.

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.

As a result of its quest to continually improve 21st century education, MCL took home the Blackboard Catalyst Award for Leading Change during the Blackboard Teaching and Learning Conference Asia 2017 in Singapore last October 4, 2017. The Catalyst Award for Leading Change is given to institutions that are steering educational innovation by developing and implementing high impact strategies.

This school year, MCL once again excelled 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 achieved another milestone as it 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.

In December 2019, 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).

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.

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 the private and public sectors as well as donation drives for the victims of the recurring earthquakes 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.

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. UNC's battle cry "from first to number one" summarizes UNC's audacious goals of excellence in quality, access, relevance, and responsiveness. UNC aims to be known not only as the first university in Bicol, but to be the number 1 university in terms of employability of graduates.

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 2019, a total of 29 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 four 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, and Bachelor of Science in Biology 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, and Elementary education 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 UNC continues to be a leading school in Bicol which offers good education accessible by the community, and serves as a key factor of progress in Naga and the Bicol region.

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

APEC Schools was founded in 2013 with the vision of providing affordable but quality private education to thousands of Filipinos. Its mission is to prepare its students for college, employment or both. It is a chain of private high school that offers K-12 program of the Department of Education.

APEC Schools opened in 2013 with only 130 students. In 6 years, it has expanded to 23 branches with more than 15,800 students and almost 800 employees.

In 2016, APEC Schools offered Senior High School with the Accounting Business Management strand, and Accelerated Career Experience, its own job immersion program developed with employer partners.

In 2018, APEC Schools celebrated its 5th year anniversary and graduated the first batch of 2,000 Senior High School students. Most students have gone on to top colleges and universities, while 15% have gone on to be employed within three months of graduation.

The school has been producing graduates with outstanding scholastic records. Our graduates have an average of more than 88% passing rates on all college entrance test they have applied to. The students have applied to top universities and other well-known state colleges of their choice.

On the other hand, 96% Senior High School graduates who sought employment have received job offers 120 days after their graduation, receiving an average starting monthly salary of P16,000. APEC Schools' commitment has always been creating a better future for students and that is what guides this institution to move forward.

On its 7th year, it now envisions to be the school of choice for real-world learning in every community with a mission to transform lives through accessible and innovative education. These statements testify that APEC Schools have achieved success and will continue to grow.

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 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.

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
Sen. Gil Puyat Ave., Makati	2001	8,371	School campus
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	08/31/2020
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
3-Storey Building	Bacoor-San Nicolas	485.58	07/31/2020
4-Storey Building	Bacoor-Molino	1215.00	06/30/2029
4-Storey Building	G. Tuazon	434.00	06/30/2021
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
4-Storey Building	Calumpang-Annex	1095.00	03/31/2028
4-Storey Building	España	471.29	06/30/2029
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 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.

<u>Results of Operations</u>

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.

CONSOLIDATED RESULTS - Year 2017 vs. Year 2016

<u>Financial Position</u>

Total consolidated assets increased from ₱6.53 billion to ₱7.89 billion, or a 21% growth compared to last year.

Consolidated current assets dropped by 18% primarily because of settlement of obligations related to construction and renovation of school buildings, and payment of reservation fee for the future lease of property. Whereas, receivables increased by 8% mainly due to higher number of students who opted to pay on installment for the second quarter term, SY 2017-2018. Receivables from related parties pertain to uncollected lease income from an affiliate. Prepaid expenses and other current assets grew from ₱89.61 million to ₱111.39 million because of additional digital publications acquired by the schools.

Consolidated non-current assets grew by 29% mainly due to construction of school building in Mindanao (MCM), and acquisition of furniture and equipment. Available-for-sale financial assets grew by 47% from last year due to higher market price as of the reporting date. Other non-current assets include the reservation deposit paid by the Group to an affiliate to secure a space for the affiliate's building project.

Total consolidated liabilities increased from P1.01 billion to P1.87 billion. This is primarily due to construction of school building in Mindanao. Additional loans were availed to finance the construction, which resulted to higher loans payable. Accounts payable and accrued expenses pertain largely to obligations to suppliers and contractors of MCM. The Group engaged the services of its affiliates to build the school building and manage the construction, hence an increase in payable to related parties.

Unearned tuition fees are higher this year due to increase in the number of enrollees for Senior High School.

Total equity of the Group rose by 9%, primarily driven by increase in other comprehensive income such as revaluation increment on land, remeasurement gains on defined benefit plans, and unrealized gain on available for sale financial assets.

Results of Operations

The Group posted a consolidated net income of ₱413.36 million, which is 36% lower as against ₱643.27 million of last year.

Consolidated revenues decreased by 16%, from ₱2.16 billion to ₱1.88 billion, primarily because of lower revenues from Freshmen and Sophomores as a result of the K plus 12 program of CHED. This was, however, softened by revenues from Senior High School.

Consolidated cost of sales and services went down by ₱0.10 billion, from ₱1.39 billion to ₱1.28 billion. The material reduction in cost is relative to the termination of the business of the IT Company.

General and administrative expenses were reduced by 8% this year, from ₱223.40 million to ₱206.33 million, as the Group cutback on several expenses specifically on personnel-related.

Interest expense and other finance charges dropped from ₱9.09 million to ₱4.23 million due to full settlement of long-term loan of the Group in September 2016. Also, the additional loans availed by the Group for the period bear low interest rates.

Interest income was higher by ₱0.87 million, from ₱12.08 million to ₱12.95 million because of higher volume of placements during the year.

Other income (loss) includes income on UITF, rental income of 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 31,2019 and 2018:

Financial ratios		**2019**	2018
Current ratio *Indicates the Group's ability to pay short-term obligation*	Current Assets / Current Liabilities	**0.67:1**	0.30:1
Acid Test Ratio *Indicates the Group’s ability to use its quick or near cash assets to pay current liabilities immediately*	Current Assets – Prepaid Expenses / Current Liabilities	**0.62:1**	0.28:1
Solvency Ratio *Shows how likely a Group will be continue meeting its debt obligations*	Net Income + Depreciation / Total Liabilities	**0.10:1**	0.13:1

Debt-to-equity ratio *Measures the Group's leverage*	Total Debt / Equity	**0.69:1**	0.59:1
Asset to Equity Ratio *Shows how the company's leverage (debt) was used to finance the firm*	Total Assets / Equity	**1.67:1**	1.55:1
Interest Rate Coverage *Shows how easily a company can pay interest on outstanding debt*	EBIT / Interest Expense Excluding Interest Expense on Lease Liabilities	**4.42:1**	8.35:1
Return on Average Stockholders' Equity *Reflects how much the Group's has earned on the funds invested by the stockholders*	Net Income / Average Equity	**3.40%**	3.81%
Net Profit Margin *Reflects how much net income or profit is generated as percentage of revenue*	Net Profit Margin / Revenue	**9.15%**	13.12%
Return on Assets *Measure the ability to utilize the Group's assets to create profits*	Net Income / Total Assets	**1.68%**	2.38%

Current ratio provides the liquidity position of the business by comparing current assets to current liabilities. The current ratio improved from 0.30:1 in 2018 to 0.67:1 in 2019, primarily due to higher current assets. Consolidated current assets increased to P2.32 billion this year from P1.01 billion last year primarily due to the current assets of newly acquired subsidiary companies. (Refer to Item 6 – Management Discussion and Analysis for additional discussions on changes of current assets and current liabilities)

Acid test ratio slightly inreased from 0.28:1 in 2018 to 0.62:1 in 2019 which is close also to the current ratio.

Solvency ratio slightly decreased from 0.13:1 in 2018 to 0.10:1 in 2019 mainly due to higher total liabilities of the Group.

Debt-to-Equity ratio measures the Group's leverage. The total debt-to-equity ratio of the Group is 0.69:1 for 2019 and 0.59:1 for 2018. This is because of higher liabilities of the Group. 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. (Refer to Item 6 – Management Discussion and Analysis for additional discussions on changes of total liabilities and equity).

Asset to Equity ratio increased from 1.55:1 in 2018 to 1.67:1 in 2019 because of the increase in asset base relative to the construction of new school buildings, higher valuation of land and assets coming from newly acquired subsidiaries.

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 8.35:1 in 2018 to 4.42:1 in 2019.

Return on Average Stockholders' Equity (ROAE) measures the profitability of the Company in relation to the average stockholders' equity. The ROAE for 2019 has dropped to 3.4% from 3.8% in 2018 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 2019, from 13.12% in 2018 to 9.15% this year due mainly from result of operations of newly acquired entities.

Return on Assets measures the ability to utilize the Group's assets to create profits. The Group's return on assets for year 2019 dropped to 1.68%, from 2.38% in 2018. This is attributable to the substantial increase in total assets mainly due to the construction of school building in Makati and assets of the newly acquired subsidiaries.

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 other than the construction of a new campus on a 0.5-hectare property in Makati through its subsidiary, MESI. Completion is expected for the early part of the Academic Year 2020-2021. The project is funded partially by debt;

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 July 01, 2020 *(latest practicable trading date)* is P8.80 for high and P8.70 for low.

PERIOD	STOCK PRICE HIGH	LOW
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
2018 First Quarter	16.50	12.00
2017 Fourth Quarter	14.00	11.84
2017 Third Quarter	12.68	11.00
2017 Second Quarter	12.65	11.02

b. Top 20 owners of common stock as of May 31, 2020

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	126,601,674	12.12%
A. SORIANO CORPORATION	54,984,522	5.27%
HYDEE MANAGEMENT & RES. CORP.	653,800	0.06%
PCD NOMINEE CORP – NON-FILIPINO	611,149	0.06%
KHO, DAVID L.	343,900	0.03%
YAN, LUCIO	325,000	0.03%
ONG PAC, SALLY C.	299,000	0.03%
LEY, FELY	243,750	0.02%
TECSON, BINGSON U.	195,000	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	***1,037,127,043***	***99.32%***
Others	7,136,154	0.68%
TOTAL	**1,044,263,197**	**100.00%**

IPO has a total of 2,015 shareholders owning a total of 1,044,263,197 shares as of May 31, 2020.

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
Q1 2020	₱0.07	₱73.25MM
2019	₱0.06 (Q1) and P0.01373 (Q2).	₱59.27MM
2018	₱0.24	₱179.74MM
2017	₱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 2019.

Description of Registrant's Securities: Common Stock

The equity capital structure of the firm as of December 31, 2019 is shown below:

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

iPEOPLE

ANNEX "D"

iPeople, inc. and Subsidiaries
Consolidated Financial Statements
December 31, 2019 and 2018

and

Report of Independent Auditors

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	6	6	4	1	1					

C O M P A N Y   N A M E

i P e o p l e ,   i n c .   a n d   S u b s i d i a r i e s

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

3 r d   F l o o 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   J .   P u y a t   A v e n u e ,
M a k a t i   C i t y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S	S E C	N / A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	8253-3637	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,017	August 11	December 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
Jonathan M. Lopez	jonlopez@ipeople.com.ph	8253-3637	N/A

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*

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, 2019, 2018 and 2017, 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

JUN 1 8 2020

Signed this ____ day of ____________, 2020

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SERIES OF 2020

RUBEN T. M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2021
IBP NO. 093489 / 10-18-19 CY 2020
ROLL NO. 28947/ MCLE
PTR NO. MKT. 8117044/ 1-2-20 APPT NO. M-126

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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 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, 2019, the carrying value of the Group's land amounted to ₱7,560.86 million, representing 46% 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

We involved our internal specialist in the review of the scope, bases, methodology and results of the work 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.

Accounting for the Merger of iPeople, inc. and Ayala Education, Inc.

On April 24, 2019, the Securities and Exchange Commission (SEC) approved the merger between iPeople, inc. and AC Education, Inc. (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 for a total fair value of ₱3,591.21 million to Ayala Corporation (AC), the parent company of AEI. After the merger, iPeople, inc. became 48.18% owned by House of Investments, Inc. and 33.5% owned by AC.

This was accounted for as a business combination under PFRS 3, Business Combinations, which required the identification of the acquired assets and liabilities of AEI and the determination of their fair values. The Group used the fair values of the identified net assets totaling ₱3,577.74 million and recognized goodwill for the residual amount of ₱13.47 million. The identification of the acquired assets and liabilities and the determination of their fair values involved the use of judgement and estimates. Further, the valuation of the acquired intangible assets required the use of assumptions such as revenue from number of forecasted students and related tuition and other matriculation fees, long-term growth rates, royalty rates and discount rates.

Refer to Notes 5 and 6 to the consolidated financial statements for the detailed disclosures.

Audit response

We reviewed the Merger Agreement between iPeople, inc. and AEI, and the management's identification of AEI's assets and liabilities. We reviewed the purchase price allocation prepared by the Group's external specialist. We considered management's use of external specialists in relation to the determination of the fair value of property and equipment and intangible assets acquired. We evaluated the external specialists' competence, capabilities and objectivity. With the involvement of our internal specialist, we reviewed the methodology and assumptions used in the determination of fair values of AEI's property and equipment and intangible assets. For property and equipment, 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. For the intangible assets, we evaluated the relevant information supporting the forecasted revenue from number of forecasted students and related tuition and other matriculation fees, long-term growth rates, royalty rates and discount rates. We also tested the parameters used in the determination of the discount rates against market data. We likewise reviewed the disclosures in the notes to the consolidated financial statements.

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, 2019, the aggregate amount of these assets of ₱660.95 million is considered significant to the consolidated financial statements. In addition, management's assessment process involves judgments and is based on assumptions such as forecasted revenue, long-term growth rates, royalty rates, and discount rates in estimating discounted cash flow projections.

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

Audit response

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 on these key assumptions and also compared them against historical performance. We involved our internal specialist to assist us in evaluating the methodology and assumptions used. We compared the long-term growth rates and royalty rates against relevant publish 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 are most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of these assets.

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, 2019, 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, 2019 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
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February 14, 2018, valid until February 13, 2021
PTR No. 8125214, January 7, 2020, Makati City

May 22, 2020

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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, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, included in this SEC Form 17-A and have issued our report thereon dated May 22, 2020. 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
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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) (the Parent Company) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated May 22, 2020. 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 (PFRS) 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 PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

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February 14, 2018, valid until February 13, 2021
PTR No. 8125214, January 7, 2020, Makati City

May 22, 2020

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

	December 31	
	2019 (Note 6)	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7, 15 and 30)	**₱1,154,306**	₱587,839
Receivables (Notes 8 and 30)	**975,962**	327,766
Receivables from related parties (Notes 15 and 30)	**603**	845
Prepaid expenses and other current assets (Note 9)	**175,948**	82,315
Financial assets at fair value through profit or loss (Note 30)	**9,350**	8,700
Total Current Assets	**2,316,169**	1,007,465
Noncurrent Assets		
Property and equipment at cost (Note 10)	**5,083,477**	3,246,597
Land at revalued amounts (Notes 10 and 11)	**7,560,855**	5,521,008
Intellectual property rights (Note 6)	**523,103**	–
Goodwill (Notes 6 and 12)	**151,326**	137,853
Student relationship (Note 6)	**101,135**	–
Right-of-use assets (Notes 3 and 31)	**387,981**	–
Net pension assets (Note 25)	**18,290**	6,277
Deferred tax assets - net (Note 23)	**20,450**	5,129
Equity instruments at fair value through other comprehensive income (FVOCI) (Note 30)	–	14,390
Other noncurrent assets (Note 13)	**110,281**	33,771
Total Noncurrent Assets	**13,956,898**	8,965,025
	₱16,273,067	₱9,972,490
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 14 and 30)	**₱1,201,760**	₱674,290
Short-term loans (Notes 16 and 30)	**1,398,800**	2,240,000
Unearned income (Note 14)	**780,706**	314,947
Lease liabilities - current portion (Notes 3 and 31)	**46,215**	–
Income tax payable	**20,690**	11,079
Payables to related parties (Notes 15 and 30)	**15,411**	13,014
Dividends payable (Notes 18 and 30)	**565**	57,018
Total Current Liabilities	**3,464,147**	3,310,348
Noncurrent Liabilities		
Net pension liabilities (Note 25)	**115,935**	40,008
Long-term loans (Note 17)	**1,869,903**	–
Lease liabilities - net of current portion (Notes 3 and 31)	**373,125**	–
Deferred tax liabilities - net (Note 23)	**658,781**	208,574
Other noncurrent liabilities (Note 31)	**58,383**	–
Total Noncurrent Liabilities	**3,076,127**	248,582
Total Liabilities	**6,540,274**	3,558,930

(Forward)

	December 31	
	2019 (Note 6)	2018
Equity		
Common stock (Notes 6 and 18)	**₱1,044,263**	₱748,933
Additional paid-in capital (Note 6)	**3,294,368**	1,439
Other comprehensive income (loss):		
Fair value reserve of equity instruments at FVOCI (Note 30)	**(880)**	(3,973)
Revaluation increment on land - net (Note 11)	**1,583,743**	1,574,008
Remeasurement gains (losses) on defined benefit plans (Note 25)	**(19,766)**	35,093
Equity reserve (Note 6)	**(230,494)**	–
Retained earnings (Note 18)	**3,838,446**	3,643,131
	9,509,680	5,998,631
Treasury stock (Note 18)	**(0.21)**	(0.21)
Equity attributable to equity holders of the Parent Company	**9,509,680**	5,998,631
Non-controlling interest in consolidated subsidiaries (Note 27)	**223,113**	414,929
Total Equity	**9,732,793**	6,413,560
	₱16,273,067	₱9,972,490

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2019 (Note 6)	2018	2017
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 19)			
Revenue from schools and related operations	**₱2,996,773**	₱1,807,558	₱1,884,199
COSTS AND EXPENSES			
Cost of schools and related operations (Note 20)	**2,040,060**	1,279,403	1,237,000
GROSS PROFIT	**956,713**	528,155	647,199
GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)	**(481,461)**	(250,533)	(208,741)
INTEREST AND OTHER FINANCE CHARGES (Note 22)	**(129,338)**	(36,026)	(4,233)
INTEREST INCOME (Note 22)	**22,758**	11,346	12,955
OTHER INCOME (CHARGES) – net (Note 11)	**(26,986)**	12,028	13,754
INCOME BEFORE INCOME TAX	**341,686**	264,970	460,934
PROVISION FOR INCOME TAX (Note 23)	**67,595**	27,875	47,575
NET INCOME	**274,091**	237,095	413,359
OTHER COMPREHENSIVE INCOME (OCI)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Revaluation increment on land – net of tax (Note 11)	**9,778**	350,451	283,188
Fair value reserve of equity instruments at FVOCI (Note 30)	**3,093**	(10,689)	–
Remeasurement gains (losses) on defined benefit plans – net of tax (Note 25)	**(57,274)**	3,679	9,311
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods (Note 30)			
Unrealized gains on AFS financial assets	**–**	–	8,017
	(44,403)	343,441	300,516
TOTAL COMPREHENSIVE INCOME	**₱229,688**	₱580,536	₱713,875
Net income attributable to:			
Equity holders of the parent (Note 26)	**₱254,588**	₱211,035	₱381,584
Non-controlling interest in consolidated subsidiaries (Note 27)	**19,503**	26,060	31,774
	₱274,091	₱237,095	₱413,359
Total comprehensive income attributable to:			
Equity holders of the parent	**₱212,557**	₱529,537	₱661,508
Non-controlling interest in consolidated subsidiaries (Note 27)	**17,131**	50,999	52,367
	₱229,688	₱580,536	₱713,875
Basic/Diluted Earnings Per Share (Note 26)	**₱0.2692**	₱0.2818	₱0.5095

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, 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 (Note 4)	–	–	(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
	For the year ended December 31, 2017											
Balances as at January 1, 2017	₱748,933	₱1,439	(₱1,300)	₱–	₱984,986	₱23,018	₱–	₱3,410,000	(₱0.21)	₱5,167,075	₱348,530	₱5,515,604
Net income	–	–	–	–	–	–	–	381,584	–	381,584	31,774	413,359
Other comprehensive income	–	–	8,017	–	263,248	8,659	–	–	–	279,924	20,592	300,516
Total comprehensive income	–	–	8,017	–	263,248	8,659	–	381,584	–	661,508	52,367	713,875
Dividends declared	–	–	–	–	–	–	–	(179,744)	–	(179,744)	(24,645)	(204,389)
Balances as at December 31, 2017	₱748,933	₱1,439	₱6,717	₱–	₱1,248,233	₱31,676	₱–	₱3,611,840	(₱0.21)	₱5,648,839	₱376,252	₱6,025,090

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2019 (Note 6)	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱341,686**	₱264,970	₱460,934
Adjustments for:			
Depreciation and amortization (Notes 10, 13, 20 and 21)	**397,611**	218,310	209,283
Interest expense and other finance charges (Note 22)	**129,338**	36,026	4,233
Interest income (Note 22)	**(22,758)**	(11,346)	(12,955)
Provision for doubtful accounts (Notes 8 and 21)	**79**	1,900	10,000
Unrealized market gain on financial assets at FVTPL	**(650)**	(238)	(122)
Unrealized foreign exchange loss (gain) – net	**505**	(677)	(25)
Loss (gain) on disposal of property and equipment	**–**	8	(18)
Operating income before working capital changes	**845,811**	508,953	671,330
Decrease (increase) in:			
Receivables	**(416,734)**	(172,749)	(21,772)
Prepaid expenses and other current assets	**94,017**	27,936	(28,239)
Increase (decrease) in:			
Accounts payable and other current liabilities	**122,388**	46,409	(34,030)
Unearned income	**431,782**	228,161	36,118
Other noncurrent liabilities	**75,644**	–	–
Net pension assets and liabilities	**(22,970)**	(26,615)	1,463
Net cash generated from operations	**1,129,938**	612,095	624,870
Interest paid	**(101,550)**	(37,245)	(3,040)
Income taxes paid	**(63,275)**	(29,581)	(48,500)
Interest received	**22,637**	10,833	13,077
Net cash flows from operating activities	**987,750**	556,102	586,407
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Notes 10 and 29)	**(1,437,212)**	(914,664)	(1,046,952)
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)	–
Computer software	**–**	–	(2,031)
Proceeds from disposal of:			
Equity instruments at FVOCI (Note 30)	**17,482**	–	–
Property and equipment	**–**	–	1,295
Decrease (increase) in:			
Receivables from related parties	**(15,927)**	191	2,679
Other noncurrent assets	**2,181**	286,900	(300,181)
Net cash flows used in investing activities	**(1,023,044)**	(1,819,417)	(1,345,190)

(Forward)

	Years Ended December 31		
	2019 (Note 6)	2018	2017
CASH FLOWS USED IN FINANCING ACTIVITIES			
Proceeds from short-term loans (Notes 16 and 29)	**₱1,437,000**	₱2,860,000	₱940,000
Payments of short-term loans (Notes 16 and 29)	**(2,348,200)**	(1,430,000)	(230,000)
Proceeds from long-term loans	**1,679,903**	–	–
Payment of lease liabilities (Note 31)	**(49,101)**	–	–
Dividends paid to stockholders (Note 29)	**(116,781)**	(204,392)	(199,457)
Tax on issuance of new shares (Note 6)	**(2,953)**	–	–
Increase (decrease) in payables to related parties (Note 27)	**2,398**	(7,943)	7,669
Net cash flows from financing activities	**602,266**	1,217,665	518,212
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(505)**	677	25
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**566,467**	(44,973)	(240,546)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**587,839**	632,812	873,358
CASH AND CASH EQUIVALENTS AT END OF YEAR (Notes 7 and 30)	**₱1,154,306**	₱587,839	₱632,812

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 at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, 2018 and 2017.

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		
	2019	2018	2017
Malayan Education System, Inc. (MESI) [Operating Under the Name of Mapua University] and subsidiaries	**100%**	93%	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. (formerly San Lorenzo Ruiz Institute of Health Sciences, Inc.)	**100**	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**	n/a	n/a
National Teachers College doing business under the name/s and style/s of The National Teachers College	**99.79**	n/a	n/a
University of Nueva Caceres	**83.62**	n/a	n/a
AC College of Enterprise and Technology, Inc.	**100**	n/a	n/a
LINC Institute, Inc. doing business under the Name and Style of LINC Academy	**100**	n/a	n/a

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 that the Group adopted the following new accounting pronouncements starting January 1, 2019:

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases for 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee shall recognize a liability to deliver lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessee shall be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee generally recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially similar as compared with the accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to provide more disclosures than under PAS 17. PFRS 16 supersedes PAS 17, Leases, Philippine Interpretation IFRIC 4, Determining whether an Arrangement contains a Lease, Standard Interpretations Committee (SIC)-15, Operating Leases-Incentives and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

  The Group adopted PFRS 16 using the modified retrospective approach, which involves recognizing a right-of-use asset equal to the amount of the lease liability, with the date of initial application of January 1, 2019 and elects to apply the standard to contracts that were previously identified as leases applying PAS 17. The Group has not restated the comparative information, which continues to be reported under PAS 17.

The Group has lease contracts for office and school sites of a subsidiary. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases all leases except for short-term leases and leases of low-value assets. Refer to Note 4 for the accounting policy beginning January 1, 2019.

The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

With the adoption of PFRS 16, the Group recognized right-of-use assets and lease liabilities and these were recognized and presented separately in the consolidated statement of financial position. For the detailed disclosures, refer to Note 31.

The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, *Income taxes*, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

  Based on the Group's assessment, adoption of this interpretation has no significant impact on the consolidated financial statements.

The Group also adopted the following new accounting pronouncements starting January 1, 2019. The adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
    - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
    - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
    - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10 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 2019 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.

'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.

<u>Financial Instruments - Effective January 1, 2018</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"; 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), financial assets at FVTPL and financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

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 OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments at fair value through OCI when they meet the definition of equity under PAS 32,

Financial Instruments: Presentation, and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognized in profit or loss as income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at fair value through OCI are not subject to an impairment assessment.

As of December 31, 2018, the Group elected to classify irrevocably its listed equity investments in PetroEnergy Resources Corporation shares under this category.

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 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.

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 that is 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 generally uses a provision matrix to calculate ECLs. 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.

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 accounts payable and accrued expenses, payables to related parties, dividends payable and short-term loans.

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, 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.

Financial Instruments – Effective Prior to January 1, 2018
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated 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 trade date, which is the date when the Group commits to purchase or sell the asset.

Initial recognition
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and liabilities at FVTPL, the initial measurement of financial assets and liabilities include transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVTPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. The Group classifies its financial liabilities as financial liabilities at FVTPL or other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. The classification depends on the purpose for which the investments were acquired and whether these are ousted in active market. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The financial assets of the Group are of the nature of loans and receivables, financial assets at FVTPL and AFS financial assets, while its financial liabilities are of the nature of other financial liabilities.

Financial assets at FVPL
This includes financial assets held for trading and financial assets designated upon initial recognition as FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling them in the near term.

Financial assets at FVPL are recorded in the statement of financial position at fair value with unrealized mark-to-market gains and losses recognized in "Other income (loss)" account in the consolidated statement of comprehensive income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded in the consolidated statement of comprehensive income according to the terms of the contract, or when the right of payment has been established. Derivatives, including separated embedded derivatives are also classified as FVPL unless they are designated as effective hedging instruments or a financial guarantee contract.

This consists of peso-denominated investment in UITF in RCBC.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, designated as AFS or as financial assets at FVTPL. Receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at cost or at amortized cost using the effective interest method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization, if any, is included in profit or loss. The losses arising from impairment of receivables are recognized in profit or loss. These financial assets are included in current assets if maturity is within twelve (12) months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

Classified under this category are the Group's cash and cash equivalents, receivables and receivables from related parties.

AFS financial assets
AFS financial assets are those non-derivative financial assets that are designated as such or do not qualify as financial assets at FVTPL, HTM or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. These include government securities, equity investments and other debt instruments.

After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses being recognized in the consolidated statement of comprehensive income as "Unrealized gains (losses) in AFS financial assets." The losses arising from impairment of such investments are recognized as provision for impairment losses in profit or loss. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognized as realized gain in profit or loss. Interest earned or paid on the investments is reported as interest income or expense using the effective interest method. Dividends earned on investments are recognized in profit or loss when the right to receive has been established.

This accounting policy relates to the consolidated statement of financial position caption AFS financial assets which pertain to investments in PetroEnergy Resources Corporation shares.

Other financial liabilities
Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Gains and losses are recognized in profit or loss when the liabilities are derecognized (redemption is a form of derecognition), as well as through the amortization process. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

Classified under this category are the Group's accounts payable and accrued expenses, payables to related parties, dividends payable and short-term loans.

Derecognition of Financial Assets and Financial Liabilities
Financial asset
A financial asset (or, where applicable, a part of a group of financial assets) is derecognized when:

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets
The Group assesses at each financial reporting date whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence that an impairment loss on a financial asset carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying

amount and the present value of the estimated future cash flows discounted at the assets original EIR (excluding future credit losses that have not been incurred). If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset, together with the other assets that are not individually significant and were thus not individually assessed for impairment, is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics as to the school terms.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The Group reduces any differences between loss estimates and actual loss experience.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Financial assets carried at amortized costs, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS financial assets
In case of equity instruments classified as AFS, impairment would include significant or prolonged decline in the fair value of investments below its cost. If an AFS security is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized profit or loss, is transferred from other comprehensive income to profit or loss. Reversals in respect of equity instruments classified as AFS are not recognized in profit or loss but as a separate item in the consolidated statement of comprehensive income. Reversals of impairment losses on debt instruments are reversed to operations if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position 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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

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 invested in money market placements exclusively for use in Civic Welfare Training Service (CWTS), National Service Training Program (NSTP) and for financing of scholars of certain private entities 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 method 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 purchase 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 are retired or otherwise disposed of, the cost or revalued amount, and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as part of current operations.

Land is carried at its revalued amount. The appraised values used for revaluation were determined by an independent firm 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. To the extent that a revaluation increase of an asset reverses a revaluation decrease of the same asset that was previously recognized as an expense in profit or loss, such increase should be credited to income in profit or loss. Decreases in valuation should be charged to profit or loss, except to the extent that they reverse the existing accumulated revaluation increment on the same asset and therefore such decrease is recognized in OCI. The decrease recognized in OCI reduces the amount accumulated in equity under revaluation increment on land - net account.

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, 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 policy Leases – Group as Lessees (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.

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 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 are 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 adoption of PFRS 15 effective January 1, 2018

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, advertising, 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. Rent expenses 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 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 Lessees (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.

Judgments
In the process of applying the Group's accounting policies, management has made judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Recognition of tuition and other matriculation fees over time
The Group determined that tuition and other matriculation fees, the major source of revenue of the Group, are to be recognized over time using the output method on the basis of time lapsed over the service period since it provides a faithful depiction of the Group's performance in transferring control of the services to the students. The fact that another entity would not need to re-perform the service that the Group has provided to date demonstrates that the customer or the student simultaneously receives and consumes the benefits of the Group's performance as it performs (Note 19).

Accounting for School-granted Scholarships to Students
With the adoption of PFRS 15, the Group assessed its arrangement with students who availed of school-granted scholarships. Based on management assessment, the arrangement with these students will not qualify as revenue from contracts with customers under PFRS 15 as there is no consideration involved in exchange for the educational services that the Group will render to these students. Accordingly, management changed its accounting on school-granted scholarships from presenting revenue and cost of service at gross in the statement of comprehensive income to presenting the related cost of service as deduction from revenue (Note 19).

Allocation of costs and expenses
Management exercises judgment in determining the classification of costs and expenses as to whether cost of services or general and administrative expenses. In 2019 and 2018, the Group specifically identified the 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 (Notes 20 and 21).

Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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, 2019 and 2018. The key assumptions used to determine fair value are disclosed in Note 10.

The Group acquired land from HI in October 2018 amounting to ₱1,115.27 million, inclusive of other direct costs and taxes. As of December 31, 2018, management assessed that the purchase price of the recently acquired land is reflective of the fair value of the land as at December 31, 2018. Based on comparison of recent sale transactions or offerings of similar properties done by the Group as at December 31, 2018, management assessed that there was no significant movement in the fair value of the land from date of acquisition until December 31, 2018.

As at December 31, 2019 and 2018, the fair value of the land amounted to ₱7,560.9 million and ₱5,521.0 million, respectively (Note 10).

Estimation of allowance for ECL on receivables
The Group generally uses a provision matrix to calculate ECLs 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 changes in the forward-looking estimates are considered.

The Group's historical credit loss experience and forecast of economic conditions may not be representative of customer's actual default in the future.

Allowance for ECL on receivables amounted to ₱134.85 million and ₱65.0 million as at December 31, 2019 and 2018, respectively. The carrying value of receivables as at December 31, 2019 and 2018 amounted to ₱976.0 million and ₱327.8 million, respectively (Note 8).

Leases under PFRS 16 – Estimating the incremental borrowing rate
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 ₱101.14 million as of December 31, 2019 (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 detailed disclosures made in Notes 6 and 12. There is no impairment loss recognized on these assets in 2019, 2018 and 2017. The carrying value of these assets are disclosed in amounted in Notes 6 and 12.

As to the Group's property and equipment, student relationship and noncurrent assets, no impairment loss was recognized for the years ended December 31, 2019, 2018 and 2017 except for the provision for impairment in value of land recognized in 2019 amounting to ₱21 million (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, 2019 and 2018, the net pension liability amounted to ₱115.9 million and ₱40.0 million, respectively, while net pension asset amounted to ₱18.3 million and ₱6.3 million as at December 31, 2019 and 2018, 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 amounted to ₱20.4 million and ₱5.1 million as at December 31, 2019 and 2018, respectively (Note 23). The temporary differences on which deferred tax assets were not recognized amounted to ₱89.2 million and ₱59.5 million, respectively (Note 23).

Provisions and Contingencies
The Group is currently involved in certain legal proceedings. 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 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 of student relationship as of December 31, 2019 amounted to ₱101.14 million, net of amortization during the year amounting to ₱14.87 million.

As of December 31, 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 rates ranging from 2.5% to 3%. Revenue projections based on financial budgets approved by management and considers the impact of the K to 12 Basic Education Program effective 2016. The long-term growth rate is the expected growth rate in the education industry sector.
- Discount rates ranging from 12% to 15%. 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 ranging from 1% to 5%. 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 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 Malayan Education Systems, Inc. (MESI) owned by HI, which represents 7% ownership in MESI. With this acquisition, MESI became a 100%-owned subsidiary of the Parent Company. The ₱354.1 million difference between the consideration paid and the book value of non-controlling interest acquired is 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 difference between the consideration paid and the book value of non-controlling interest acquired of ₱329.52 million is recognized in equity by crediting “Equity reserve”.

7. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand	**₱2,874**	₱1,008
Cash in banks (Note 15)	**426,955**	163,610
Cash equivalents (Note 15)	**724,477**	423,221
	₱1,154,306	₱587,839

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 ₱22.63 million, ₱11.23 million and ₱12.82 million in 2019, 2018 and 2017, respectively (Note 22).

8. Receivables

This account consists of:

	2019	2018
Tuition and other fees	**₱847,853**	₱299,384
Other receivables:		
Trade	**53,732**	3,411
Advances to officers and employees	**95,320**	11,141
Others	**113,902**	78,858
	1,110,807	392,794
Allowance for doubtful accounts	**(134,845)**	(65,028)
	₱975,962	₱327,766

Tuition and other fees pertain to tuition and other matriculation fees which are collected at end of every school term before the students can proceed to the next term.

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 ₱0.13million, ₱0.12 million and ₱0.14 million in 2019, 2018 and 2017, respectively (Note 22). These receivables are noninterest-bearing and are generally collectible within one year.

Other receivables mainly pertain to receivable from DepEd amounting to ₱78.49 million and ₱60.14 million as at December 31, 2019 and 2018, respectively, arising from the Senior High School (SHS) Voucher Program wherein qualified SHS students are given assistance on tuition fees. These receivables are noninterest-bearing and are generally collectible within one year.

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

	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	**₱847,853**	**₱53,732**	**₱209,222**	**₱1,110,807**

	2018			
	Tuition and other fees	Trade	Others	Total
Balance at beginning of year	₱56,420	₱6,843	₱5,953	₱69,216
Provisions for the year (Note 21)	1,092	808	–	1,900
Write-off	(1,830)	(4,258)	–	(6,088)
Balance at end of year	₱55,682	₱3,393	₱5,953	₱65,028
Gross receivables	₱299,384	₱3,411	₱89,999	₱392,794

9. Prepaid Expenses and Other Current Assets

	2019	2018
Prepaid expenses	**₱77,972**	₱40,244
Restricted funds (Note 15)	**21,030**	21,356
CWT	**10,991**	8,594
Books inventories	**3,257**	3,445
Office supplies	**1,740**	41
Input VAT	**583**	540
Others	**60,375**	8,095
	₱175,948	₱82,315

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

Restricted funds significantly pertain to funds invested in money market placements exclusively for use in CWTS, NSTP, for financing of scholars of certain private entities and for the purpose of undertaking socio-economic studies, and development projects.

Others relate to rent deposits and other supplies. This also includes receivables for payments made in 2019 on certain claims that are under protest (Note 31).

10. **Property and Equipment**

The rollforward analysis of this account follows:

	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**

	2018				
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	Total
Cost					
Balance at beginning of year	₱1,898,233	₱1,397,207	₱33,305	₱1,164,166	₱4,492,911
Acquisitions	591,678	117,534	4,106	199,892	913,210
Disposals	–	(106)	(2,823)	–	(2,929)
Reclassifications and adjustments	1,118,910	55,372	1,322	(1,175,629)	(25)
Balance at end of year	3,608,821	1,570,007	35,910	188,429	5,403,167
Accumulated depreciation, amortization and impairment loss					
Balance at beginning of year	877,500	1,047,136	17,682	–	1,942,318
Depreciation (Notes 20 and 21)	92,469	121,425	3,887	–	217,781
Disposals	–	(33)	(2,025)	–	(2,058)
Reclassifications and adjustments	(696)	(1,009)	234	–	(1,471)
Balance at end of year	969,273	1,167,519	19,778	–	2,156,570
Net book value at cost	2,639,548	402,488	16,132	188,429	3,246,597
Land at revalued amounts (Note 11)	–	–	–	–	5,521,008
Total	₱2,639,548	₱402,488	₱16,132	₱188,429	₱8,767,605

Construction in progress as at December 31, 2019 and 2018 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 ₱70.4 million and ₱23.77 million in 2019 and 2018, respectively (Notes 16 and 17).

The land and related improvements owned by MCMI with carrying value of ₱2,376.76 million as of December 31, 2019 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:

	2019	2018
Land at cost:		
Balance at beginning of year	**₱3,062,821**	₱1,870,976
Additions from business combination (Note 6)	**2,038,085**	–
Acquisitions	–	1,191,845
Balance at end of year	**5,100,906**	3,062,821
Provision for impairment in value	**(21,000)**	–
Revaluation increment on land:		
Balance at beginning of year	**2,458,187**	2,068,797
Change in revaluation increment	**22,762**	389,390
Balance at end of year	**2,480,949**	2,458,187
	₱7,560,855	₱5,521,008

Land at revalued amounts consists of owner-occupied property wherein the school buildings and other facilities are located. Capitalizable costs include taxes paid for purchase of land.

Land were appraised by independent firms of appraisers to determine the revalued amounts as at December 31, 2019 and 2018, 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 (Weighted Average) 2019	2018
Makati and Intramuros, Manila	Market Approach	Price per square meter	**₱40,500 to ₱273,125**	₱42,025 to ₱227,500
Cabuyao, Laguna	Market Approach	Price per square meter	**₱8,016 to ₱14,963**	₱8,289 to ₱31,350
Davao City, Davao Del Sur	Market Approach	Price per square meter	**₱12,339 to 39,738**	₱13,968 to ₱40,000
Pandacan, Metro Manila	Market Approach	Price per square meter	**₱51,300 to ₱76,950**	₱56,525 to ₱68,400

(Forward)

Location	Valuation Techniques	Unobservable Inputs Used	Range (Weighted Average) 2019	2018
San Jose Del Monte City, Bulacan	Market Approach	Price per square meter	**₱47,025 to 58,500**	n/a
Naga City, Camarines Sur	Market Approach	Price per square meter	**₱2,748 to ₱6,804**	n/a
Quiapo, Manila	Market Approach	Price per square meter	**₱72,896 to 113,797**	n/a

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 -30% to +35% in 2019 and from -20% to +20% in 2018.

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 which was charged to profit or loss [presented under 'Other income (charges) – net] as there was no previous revaluation increment recognized on said land.

Acquisitions during 2018 include the land purchased from HI in October 2018 amounting to ₱1,115.27 million, inclusive of other direct costs and taxes (Note 5).

12. Goodwill

The goodwill recognized in the consolidated statement of financial position amounting to ₱151.3 million and ₱137.9 million as at December 31, 2019 and 2018 pertains to the excess of the acquisition cost over the fair values of the net assets of MESI acquired by iPeople in 1999 and the additional goodwill in 2019 amounting ₱13.5 million for the excess of acquisition cost over the fair values of the net assets of the subsidiaries acquired in May 2, 2019 (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 ₱13.47 million goodwill as the Group assessed it as not material to the consolidated financial statements and valuation was made in May 2019. In 2019, 2018 and 2017, management assessed that no impairment loss should be recognized.

Key assumptions used in the value in use (VIU) calculation
As at December 31, 2019 and 2018, 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 (2020-2024) and considers the impact of the K to 12 Basic Education Program on MESI's financial performance effective 2016.
- Long-term growth rates (3.73% for 2019 and 3.67% for 2018). The Long-term growth rate is the expected growth rate in the education industry sector.

- Discount rate (8.3% for 2019 and 10.10% for 2018). 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:

	2019	2018
Input VAT	**₱41,322**	₱9,930
Miscellaneous deposits	**27,489**	455
Creditable withholding tax	**23,789**	6,705
Computer software	**9,341**	5,822
Books and periodicals	**8,340**	10,859
	₱110,281	₱33,771

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

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

	2019	2018
Cost		
Balance at the beginning of the year	**₱37,148**	₱37,148
Additions from business combination (Note 6)	**3,269**	–
Additions	**1,768**	–
Balance at the end of the year	**42,185**	37,148
Accumulated Amortization		
Balance at the beginning of the year	**31,326**	30,796
Amortization (Notes 20 and 21)	**1,518**	530
Balance at the end of the year	**32,844**	31,326
Net Book Value	**₱9,341**	₱5,822

14. Accounts Payable and Other Current Liabilities and Unearned Income

Accounts payable and other current liabilities consists of:

	2019	2018
Accounts payable	**₱619,117**	₱356,262
Accrued expenses	**387,232**	210,013
Funds payable	**90,733**	107,137
Other payables	**104,678**	878
	₱1,201,760	₱674,290

Accounts payable pertains to the Group's obligation to local suppliers. This also includes the earnest money received from HI for the latter's exclusive interest to purchase shares of stock of a subsidiary of the Parent Company (see Note 15). Accounts payable also includes payables to students which are considered contract liabilities as disclosed under Unearned Income below.

Accrued expenses consist of:

	2019	2018
Provisions (Note 31)	**₱154,307**	₱153,558
Payable to suppliers	**114,808**	11,005
Accrued salaries and wages	**30,423**	6,782
Withholding taxes and others	**15,517**	7,828
Accrued professional fees	**15,210**	4,026
Accrued utilities	**8,453**	4,064
SSS and other contributions	**7,661**	3,616
Contracted services	**5,440**	3,785
Accrued interest	**5,037**	–
Insurance	**4,393**	6,844
Output VAT payable	**4,371**	1,407
Accrued communication expense	**3,522**	2,301
Others	**18,090**	4,797
	₱387,232	₱210,013

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 include outstanding balance on the acquisition of additional shares from UNC amounting to ₱102.86 million as of December 31, 2019.

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 ₱780.71 million and ₱314.95 million as of December 31, 2019 and 2918, respectively. This mainly includes unearned tuition fees amounting to ₱768.7 million and ₱310.9 million as at December 31, 2019 and 2018, respectively, which are considered contract liabilities.

The Group's contract liabilities represent the unearned tuition fees (presented under unearned income) and accounts payable to students (presented under accounts payable) and will be recognized as revenue when the related educational services are rendered. Payables to students are advance collections from students to be applied to the next school year or school term.

As at December 31, 2019, contract liabilities amounted to ₱790.5 million and these will be recognized as revenue in the following year. Contract liabilities as of January 1, 2019 amounting to ₱325.3 million were recognized as revenue in 2019. The increase in contract liabilities in 2019 is due mainly from the unearned tuition fees from new subsidiaries acquired in 2019 (Note 6).

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				
a) Payable to Parent Company (HI)				
	2019	**₱–**	**(₱6,754)**	**Noninterest-bearing; unsecured; due and demandable**
	2018	–	(9,771)	
Management fee and other professional fees (Notes 20 and 21)	**2019**	**69,539**	**–**	
	2018	46,940	–	
b) Receivable from Parent Company				
	2019	**–**	**173**	**Noninterest-bearing; unsecured; due and demandable; no impairment**
	2018	–	203	
Land and building acquisition (Notes 10 and 11)				
	2019	**–**	**–**	
	2018	1,222,229	–	
h) Accounts payable (Note 15)	**2019**	**250,000**	**250,000**	**Noninterest-bearing; unsecured**
Entities under common control of HI				
c) Receivables from related parties				
	2019	**–**	**412**	**Noninterest-bearing; unsecured; due and demandable; no impairment**
	2018	–	623	
Rental income				
	2019	**(2,447)**	**–**	**–**
	2018	(1,853)	–	–
d) Payables to related parties				
	2019	**–**	**(8,657)**	**Noninterest-bearing; unsecured; due and demandable**
	2018	–	(3,244)	
Contracted services (Notes 20 and 21)				
	2019	**61,556**	**–**	**–**
	2018	46,006	–	–
e) Accounts payable (Notes 10 and 14)	**2019**	**(12,002)**	**(13,811)**	**Noninterest-bearing; unsecured; payable on demand**
	2018	162,656	(159,683)	
Entities under common control of PMMIC				
Cash and cash equivalents (Note 7)				
	2019	**–**	**729,536**	**Interest at prevailing deposit and short-term rates; unsecured; no impairment**
	2018	–	532,976	
Interest income (Note 22)				
	2019	**22,630**	**–**	**–**
	2018	11,231	–	–
f) Receivables from related parties				
	2019	**–**	**18**	**Noninterest-bearing; unsecured; due and demandable; no impairment**
	2018	–	18	

(Forward)

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
Parent Company				
g) Insurance expense				
	2019	**₱12,577**	**₱–**	
	2018	5,934	–	
Financial asset at FVTPL (Note 30)				
	2019	**–**	**9,350**	**Carried at fair value; No impairment**
	2018	–	8,700	
Equity instruments at FVOCI (Note 30)				
	2019	**–**	**–**	**Carried at fair value; No impairment**
	2018	–	14,390	
Restricted funds (Note 9)	**2019**	**–**	**21,030**	**Interest at prevailing deposit and short-term rates; unsecured; no impairment**
	2018	–	21,356	

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

e) *Accounts payable to HI*
Accounts payable pertains to the outstanding balance of general cost of construction of MCMI's school buildings and other facilities and professional fees related to the building construction (Notes 10 and 14).

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

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

h) Accounts payable to HI
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 (see Note 14).

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 ₱0.87 million and ₱0.09 million for the years ended December 31, 2019 and 2018, respectively.

b) Compensation of key management personnel of the Group

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

	2019	2018	2017
Short-term benefits	**₱36,158**	₱32,023	33,954
Post-employment benefits	**1,138**	1,132	1,079
	₱37,296	₱33,155	₱35,033

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, 2019 and 2018, 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-availements/renewal/ 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 2019 and 2018 amounting to ₱15 million and ₱110 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 ₱308.80 million and ₱1,540 million as at December 31, 2019 and 2018, respectively.

- In 2018, the Group, through MESI, obtained unsecured peso-denominated short-term loans with BPI amounting to ₱900.00 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 2019, MESI obtained unsecured peso-denominated short-term loans with Robinsons Bank amounting to ₱1,090.00 million with annual interest rate of 5.30% to finance the construction of the new school building (Note 10).

Outstanding balance of short-term loans obtained by MESI amounted to ₱1,090 million and ₱700 million as at December 31, 2019 and 2018, respectively.

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

The Group made partial payments amounting to ₱2,278 million and ₱440 million, respectively. Total STL drawdowns in 2019 and 2018 amounted to ₱1,367 million and ₱1,850 million.

Interest expense charged to operations in 2019, 2018 and 2017 amounted to ₱37.21 million, ₱31.90 million and ₱1.19 million, respectively (Note 22). Interest expense that was capitalized as part of construction of MESI and MCMI's building in 2019 and 2018 amounted to ₱63.29 million and ₱23.77 million, respectively (Note 10).

17. **Long-term Loans**

This account consists of the following as of December 31, 2019:

Unsecured bank loans	₱380,000
Secured bank loans	1,489,903
	₱1,869,903

Unsecured
The Group, through NTC, entered into a 10-year unsecured term loan facility with a third party local bank for ₱650.00 million to finance its building refurbishment and/or expansion (see Note 10). The principal payments will be made in 28 quarterly payments starting May 2022. As of December 31, 2019, 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, 2019, NTC has complied with its covenant obligations, including maintaining the required debt-to-equity ratio. For 2019, interest expense recognized in profit or loss amounted to ₱8.46 million while interest capitalized as part of building and improvements amounted to ₱7.11 million (Note 10).

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 (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 ₱11.25 million which was being amortized over the loan term of 10 years using the effective interest method. The amortized debt issue cost amounting to ₱1.15 million was recorded as part of interest expense.

Interest expense, including amortization of debt issue cost, amounted to ₱58.33 million (Note 22).

Outstanding balance of long-term loans as of December 31, 2019 as follow:

	Amount
Principal	₱1,500,000
Unamortized debt issue cost	(10,097)
	₱1,489,903

18. **Equity**

Capital Stock

Capital stock consists of 2,000,000,000 authorized with 1,044,263,197 and 748,933,221 issued common shares as of December 31, 2019 and 2018, respectively, with a par value of ₱1 per share. Issued and outstanding shares (excluding treasury shares of 272) is 1,044,262,925 shares and 748,932,949 as of December 31, 2019 and 2018, respectively.

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, 2019:

Year	Number of shares registered	Number of holders of securities as at year end
January 1, 2018	748,932,949	2,038
Add (deduct) movement	–	(16)
December 31, 2018	748,932,949	2,022
Add (deduct) movement	295,329,976	(5)
December 31, 2019	1,044,262,925	2,017

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, 2019 and 2018 amounted to ₱1,057.75 million and ₱1,133.57 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 ₱5,428.64 million and ₱2,969.06 million as at December 31, 2019 and 2018, 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:

	2019	2018	2017
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	–
November 24, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 21, 2017, paid on January 18, 2018	–	–	44,936
September 27, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of November 7, 2017, paid on November 29, 2017	–	–	44,936

(Forward)

	2019	2018	2017
June 30, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 28, 2017, paid on August 23, 2017,	**₱–**	₱–	₱44,936
March 24, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 21, 2017, paid on May 9, 2017	–	–	44,936
	₱59,274	**₱179,744**	₱179,744

On March 27, 2020, the BOD declared ₱73.25 million cash dividends (₱0.07 per share) to stockholders of record as of April 14, 2020, payable on May 8, 2020.

Treasury Stock
As at December 31, 2019 and 2018, 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 December 31, 2019 and 2018.

As at December 31, 2019 and 2018, 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.

	2019	2018
Liabilities (a)	**₱6,540,274**	₱3,558,930
Equity (b)	**9,509,680**	5,998,631
Debt-to-equity ratio (a/b)	**0.69:1.00**	0.59:1.00

19. **Revenue from Contracts with Customers**

Revenue from schools and related operations consists of:

	2019	2018	2017
Tuition and other matriculation fees	**₱2,949,845**	₱1,758,503	₱1,860,069
Less: Scholarship grants and discounts	**(119,911)**	(87,007)	(77,529)
	2,829,934	1,671,496	1,782,540
Other student-related income:			
Seminar fee income	**16,573**	14,336	2,952
Miscellaneous	**150,266**	121,726	98,707
	₱2,996,773	₱1,807,558	₱1,884,199

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:

	2019	2018	2017
Revenue from schools and related operations:			
Revenue from tuition and other matriculation fees (over time)	**₱2,829,934**	₱1,671,496	₱1,782,540
Other student-related income (at a point in time)	**166,839**	136,062	101,659
	₱2,996,773	₱1,807,558	1,884,199

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:

	2019	2018	2017
Personnel expenses (Note 24)	**₱927,214**	₱608,761	₱575,949
Depreciation and amortization	**336,843**	187,189	194,769
Student-related expenses	**216,292**	110,314	95,180
Management and other professional fees (Note 15)	**166,467**	113,974	113,629
Utilities	**128,761**	84,042	81,735
IT expense - software license	**46,854**	36,623	27,321
Periodicals	**40,198**	21,693	19,666
Repairs and maintenance	**34,664**	15,720	12,252
Tools and library books (Notes 10 and 13)	**33,969**	26,334	30,198
Advertising	**19,696**	19,901	16,660

(Forward)

	2019	2018	2017
Seminar	**₱16,769**	₱12,668	₱18,996
Research and development fund	**16,211**	8,806	17,303
Office supplies	**16,084**	7,406	6,944
Accreditation cost	**11,122**	8,951	7,242
Insurance	**10,101**	7,351	6,620
Laboratory supplies	**7,955**	3,810	6,566
Taxes and licenses	**2,880**	1,527	1,801
Transportation and travel	**2,163**	1,845	1,144
Entertainment, amusement and recreation	**1,375**	510	387
Rent (Note 31)	**430**	205	624
Miscellaneous	**4,012**	1,773	2,014
	₱2,040,060	₱1,279,403	₱1,237,000

a. Details of depreciation and amortization follows:

	2019	2018	2017
Depreciation (Note 10)	**₱333,986**	₱217,781	₱208,648
Depreciation - ROU assets (Note 31)	**47,234**	–	–
Amortization - Student relationship (Note 6)	**14,874**	–	–
Amortization (Note 13)	**1,518**	530	635
	₱397,612	₱218,311	₱209,283

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

	2019	2018	2017
Cost of schools and related operations	**₱273,366**	₱187,189	₱194,769
Cost of schools and related operations - ROU assets (Note 31)	**47,234**	–	–
General and administrative expenses (Note 21)	**77,012**	31,122	14,514
	₱397,612	₱218,311	₱209,283

21. General and Administrative Expenses

This account consists of:

	2019	2018	2017
Management and other professional fees (Note 15)	**₱148,095**	₱112,905	₱86,521
Personnel expenses (Note 24)	**143,472**	48,207	54,482
Depreciation and amortization (Notes 10, 13 and 20)	**60,768**	31,122	14,514
Rent (Note 31)	**3,361**	751	1,760
Advertising	**21,401**	9,173	3,918

(Forward)

	2019	2018	2017
Repairs and maintenance	**₱17,388**	₱3,059	₱2,238
Taxes and licenses	**15,485**	9,377	4,458
Utilities	**11,379**	9,583	5,770
Seminar	**11,269**	904	819
Investor relations	**9,765**	2,771	2,411
Insurance	**5,394**	2,761	1,130
Transportation and travel	**5,123**	3,710	3,605
Office supplies	**4,094**	2,185	1,699
Donations	**3,767**	3,951	6,699
Entertainment, amusement, and recreation	**3,642**	1,813	2,951
IT expense - software license	**3,478**	154	789
Commission	**829**	680	622
Provisions for doubtful accounts (Note 8)	**79**	1,900	10,000
Miscellaneous	**12,672**	5,527	4,355
	₱481,461	₱250,533	₱208,741

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:

	2019	2018	2017
Cash in banks and cash equivalents (Note 7)	**₱22,630**	₱11,231	₱12,815
Advances to officers and employees (Note 8)	**128**	115	140
	₱22,758	₱11,346	₱12,955

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

	2019	2018	2017
Short-term loans (Note 16)	**₱37,210**	₱31,895	₱1,189
Long-term loans (Note 17)	**63,945**	–	–
Interest expense on lease liabilities (Note 31)	**22,752**	–	–
Bank charges	**5,431**	4,131	3,044
	₱129,338	₱36,026	₱4,233

23. **Income Tax**

Provision for income tax consists of:

	2019	2018	2017
Current	**₱59,418**	₱35,046	₱49,345
Deferred	**8,177**	(7,171)	(1,770)
	₱67,595	₱27,875	₱47,575

The reconciliation of statutory tax rate of 30% to effective income tax rate follows:

	2019	2018	2017
Income before income tax at statutory rate	**30.00%**	30.00%	30.00%
Add (deduct) reconciling items:			
Difference in income tax rate	**(14.51)**	(20.37)	(20.61)
Others	**4.29**	0.89	0.94
	19.78%	10.52%	10.33%

MESI, MHSSI, MCLI, MCMI, UNC, NTC and APEC are educational institutions which are subject to a lower income tax rate of 10%.

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

	2019	2018
Deferred tax assets – net		
Retirement asset	**₱8,033**	₱3,314
Allowance for doubtful accounts	**5,673**	1,816
Deferred school fees	**6,744**	–
Unrealized foreign exchange loss (gain)	–	(1)
	20,450	5,129
Deferred tax liabilities - net		
Revaluation increment on land	**539,366**	245,819
Allowance for inventory obsolescence	**(53)**	(53)
Allowance for doubtful accounts	**(4,997)**	(4,997)
Accruals	**(15,431)**	(15,356)
Retirement liabilities	**(7,177)**	(7,419)
Intellectual property rights and student relationship	**62,424**	–
NOLCO	–	(9,659)
Others	**84,649**	239
	658,781	208,574
	₱638,331	₱203,445

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

	2019	2018
Beginning	**₱203,445**	₱171,283
Additions from business combination (Note 6)	**427,254**	–
Provisions during the year	**8,177**	(7,171)
Tax effects of:		
Revaluation increment on land (Note 11)	**176**	38,939
Remeasurement gains (losses) on defined benefit plans (Note 25)	**(721)**	394
	₱638,331	₱203,445

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.

	2019	2018
NOLCO	**₱78,146**	₱49,462
Allowance for doubtful accounts	**3,811**	2,991
Provision for retirement and others	**6,406**	6,406
Others	**794**	672
	₱89,157	₱59,531

As at December 31, 2019 and 2018, the details of the NOLCO and MCIT, which are available for offset against future taxable income and tax payable over a period of three (3) years from the year of inception, respectively, follow:

	NOLCO		MCIT	
	2019	2018	**2019**	2018
Beginning balance	**₱78,705**	₱53,501	**₱653**	₱835
Additions	**29,876**	35,183	**580**	86
Expiration	**(11,590)**	(9,978)	**(453)**	(269)
Ending balance	**₱96,991**	₱78,706	**₱780**	₱652

		NOLCO		MCIT	
Year Incurred	Expiration Date	**2019**	2018	**2019**	2018
2019	2022	**₱29,876**	₱–	**₱580**	₱–
2018	2021	**35,183**	35,183	**86**	86
2017	2020	**31,932**	31,933	**114**	113
2016	2019	–	11,590	–	453
		₱96,991	₱78,706	**₱780**	₱652

24. Personnel Expenses

a. Details of personnel expenses are as follows:

	2019	2018	2017
Compensation	**₱937,171**	₱583,742	₱569,352
Retirement benefits (Note 25)	**27,857**	16,919	18,623
Miscellaneous benefits	**105,658**	56,310	42,456
	₱1,070,686	₱656,971	₱630,431

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

b. Personnel expenses as function of expense follows:

	2019	2018	2017
Cost of schools and related operations (Note 20)	**₱927,214**	₱608,761	₱575,949
General and administrative expenses (Note 21)	**143,472**	48,210	54,482
	₱1,070,686	₱656,971	₱630,431

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 2020 for the retirement plan of the Group as at December 31, 2019.

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.

	2019	2018
Pension expense (Note 24)	**₱27,857**	₱16,919
Net pension assets	**18,290**	6,277
Net pension liabilities	**115,935**	40,008

Components of pension expense follow:

	2019	2018	2017
Current service cost	**₱27,182**	₱15,674	₱16,590
Net interest cost on defined benefit obligation	**675**	3,025	3,313
Past service cost	**–**	(1,780)	(1,280)
Net pension expense	**₱27,857**	₱16,919	₱18,623

The net pension assets recognized in the consolidated statements of financial position as at December 31, 2019 and 2018 is as follows:

	2019	2018
Fair value of plan assets	**₱57,957**	₱34,887
Present value of defined benefit obligation	**(37,445)**	(28,610)
Effect of asset ceiling	**(2,222)**	–
	₱18,290	₱6,277

The net pension liabilities recognized in the consolidated statements of financial position as at December 31, 2019 and 2018 is as follows:

	2019	2018
Fair value of plan assets	**₱290,282**	₱146,537
Present value of defined benefit obligation	**(406,217)**	(186,545)
	(₱115,935)	(₱40,008)

The movements in the net pension liabilities (assets) follow:

	2019	2018
At beginning of year	**₱33,732**	₱64,418
Contribution paid	**(24,172)**	(42,971)
Net pension expense	**27,857**	16,919
Net pension liabilities from business combination	**9,483**	–
Remeasurement losses (gains) recognized in OCI	**50,290**	(4,123)
Withdrawal of plan asset	**(161)**	728
Adjustments and reversals of defined benefit obligation	**616**	(1,239)
At end of the year	**₱97,645**	₱33,732

Remeasurement losses (gains) recognized in OCI follow:

	2019	2018
Remeasurement losses (gains)	**₱57,958**	(₱19,284)
Return on assets excluding amount included in net interest cost	**(7,668)**	15,161
Total remeasurement losses (gains) recognized in OCI	**₱50,290**	(₱4,123)

The net pension liabilities as of December 31 were derived as follows:

	2019	2018
Present value of defined benefit obligation	**₱443,662**	₱215,156
Fair value of plan assets	**348,239**	181,424
Effect of asset ceiling	**2,222**	–
Net pension liabilities	**₱97,645**	₱33,732

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

	2019	2018
Beginning balance	**₱215,156**	₱227,155
Additions from business combination (Note 6)	**166,631**	–
Interest cost	**17,162**	12,264
Current service cost	**17,086**	15,674
Benefits paid	**(16,052)**	(17,635)
Reversal of defined benefit obligation	–	(1,240)
Past service cost	–	(1,780)
Remeasurement losses (gains) on obligation:		
Experience adjustments	**(8,028)**	(2,875)
Changes in demographic assumptions	**(3,866)**	9,068
Changes in financial assumptions	**55,573**	(25,476)
Ending balance	**₱443,662**	₱215,156

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

	2019	2018
Beginning balance	**₱181,424**	₱162,736
Addition from business combination (Note 6)	**140,986**	–
Expected return	**17,466**	9,240
Contributions paid	**19,618**	42,972
Benefits paid	**(14,979)**	(17,635)
Withdrawal	**(600)**	(728)
Remeasurement gains (losses) on plan assets	**4,206**	(15,161)
Adjustment to plan assets	**118**	–
Ending balance	**₱348,239**	₱181,424

The distribution of plan assets as at December 31, 2019 and 2018 is as follows:

	2019		2018	
	Amount	%	Amount	%
Cash and cash equivalents	**₱176,481**	**50.68%**	₱30,404	16.76%
Investments in:				
Government securities	**112,651**	**32.35%**	153,985	84.88%
Certificate of time deposits	**19,825**	**5.69%**	–	–
Equity instruments	**39,580**	**11.37%**	1,457	0.80%
Interest and other receivables	**2,006**	**0.58%**	1,453	0.80%
Accrued trust fees	**(2,304)**	**-0.66%**	(5,876)	-3.24%
	₱348,239	**100.00%**	₱181,424	100.00%

Actual return (loss) on plan assets amounted to ₱21.67 million and (₱5.99 million) in 2019 and 2018, respectively.

The Group plans to contribute ₱21.15 million in 2020.

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

	2019	2018
Discount rate:		
Beginning	**7.26%-7.38%**	4.70%-5.74%
End	**4.79%-5.54%**	7.26%-7.38%
Salary increase rate:		
Beginning	**3.00%-5.00%**	3.00%-5.00%
End	**3.00%-5.91%**	3.00%-5.00%

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

As at December 31, 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)**

As at December 31, 2018

	Rate	Increase (Decrease)	PVO
Discount rate	7.46%	+100bps	(₱201,151,766)
	6.64%	-100bps	231,626,110
Salary rate	5.25%	+100bps	₱233,606,705
	3.25%	-100bps	(199,204,773)

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:

	2019	2018	2017
Net income attributable to equity holders of Parent Company (a)	**₱254,588**	₱211,035	₱381,584
Weighted average number of outstanding shares - net of treasury shares (b)	**945,820**	748,933	748,933
Earnings per share (a/b)	**₱0.2692**	₱0.2818	₱0.5095

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 2019 and 2018 follows:

	2019	2018
University of Nueva Caceres	**16.38%**	n/a
National Teachers College	**0.21%**	n/a
Malayan Education System, Inc	**0%**	7.04%
Malayan Colleges Laguna, Inc.	**0%**	7.04%
Malayan Colleges of Mindanao, Inc.	**0%**	7.04%
Malayan High School of Science, Inc.	**0%**	7.04%

Non-controlling interests in material subsidiaries as at December 31 follows (in million pesos):

	2019	2018
University of Nueva Caceres	**₱221**	n/a
National Teachers College	**2**	n/a
Malayan Education System, Inc.	**-**	₱339
Malayan Colleges Laguna, Inc.	**-**	100
Malayan Colleges of Mindanao, Inc.	**-**	53
Malayan High School of Science, Inc.	**-**	6

Dividends paid to non-controlling interest in consolidated subsidiaries amounted to nil, ₱12.32 million and ₱24.64 million in 2019, 2018 and 2017, respectively.

As at December 31, 2019 and 2018, the summarized financial information attributable to non-controlling interests in material subsidiaries is shown in the next page.

(In million pesos)

	Malayan Education System, Inc.			Malayan Colleges Laguna, Inc.			Malayan Colleges Mindanao, Inc.			Malayan High School of Science, Inc.			University of Nueva Caceres	National Teachers College
	2019	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	**2019**
Assets														
Current assets	**₱573**	₱381	₱467	**₱261**	₱130	₱81	**₱94**	₱48	₱13	**₱13**	₱21	₱30	**₱385**	**₱258**
Noncurrent assets	**6,898**	6,147	4,915	**1,588**	1,508	1,481	**2,479**	2,469	1,777	**265**	262	236	**1,332**	**1,220**
	₱7,471	₱6,528	₱5,382	**₱1,849**	₱1,638	₱1,562	**₱2,573**	₱2,517	₱1,790	**₱278**	₱283	₱266	**₱1,717**	**₱1,478**
Liabilities and Equity														
Current liabilities	**₱2,012**	₱1,484	₱762	**₱259**	₱161	₱93	**₱416**	₱1,744	₱1,002	**₱9**	₱12	₱14	**₱200**	**₱140**
Noncurrent liabilities	**138**	196	173	**63**	49	68	**1,514**	12	14	**193**	193	190	**168**	**470**
	2,150	1,680	935	**322**	210	161	**1,930**	1,756	1,016	**202**	204	204	**368**	**610**
Equity	**5,321**	4,848	4,447	**1,527**	1,428	1,401	**643**	761	774	**76**	79	62	**1,349**	**868**
	₱7,471	₱6,528	₱5,382	**₱1,849**	₱1,638	₱1,562	**₱2,573**	₱2,517	₱1,790	**₱278**	₱283	₱266	**₱1,717**	**₱1,478**
Attributable to:														
Equity holders of parent	**₱5,321**	₱4,509	₱4,136	**₱1,527**	₱1,328	₱1,303	**₱643**	₱708	₱54	**₱76**	₱73	₱58	**₱1,128**	**₱866**
Non-controlling interest	**-**	339	311	**-**	100	98	**-**	53	720	**-**	6	4	**221**	**2**
Net revenue	**₱1,479**	₱1,264	₱1,385	**₱468**	₱468	₱465	**₱58**	₱59	₱–	**₱23**	₱23	₱26	**₱260**	**₱245**
Gross profit (loss)	**527**	371	482	**154**	154	159	**9**	8	–	**(6)**	(7)	(3)	**131**	**71**
Net income (loss)	**384**	352	356	**102**	102	109	**(75)**	(75)	(9)	**(9)**	(9)	(6)	**26**	**41**
Attributable to:														
Equity holders of parent	**₱384**	₱327	₱331	**₱102**	₱95	₱101	**(₱75)**	(₱70)	(₱8)	**(₱9)**	(₱8)	(₱6)	**₱16**	**₱41**
Non-controlling interest	**-**	25	25	**-**	7	8	**-**	(5)	(1)	**-**	(1)	–	**10**	**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		
	2019	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	2018	2017
Revenues												
Income from external customers	**₱2,997**	₱1,808	₱1,884	**₱-**	₱-	₱-	**₱-**	₱–	₱–	**₱2,997**	₱1,808	₱1884
Total Revenues	**₱2,997**	₱1,808	₱1,884	**₱-**	₱-	₱-	**₱-**	₱-	₱-	**₱2,997**	₱1,808	₱1,884
Net Income attributable to Parent Company	**₱326**	₱371	₱452	**(₱17)**	₱146	₱298	**(₱55)**	(₱306)	(₱368)	**₱254**	₱211	₱382
Other Information												
Segment assets	**₱18,002**	₱10,998	₱9,037	**₱5,889**	₱1,967	₱2,009	**(₱7,618)**	(₱2,993)	(₱3,154)	**₱16,273**	₱9,972	₱7,892
Segment liabilities	**6,540**	3,856	2,326	**178**	88	110	**(178)**	(385)	(569)	**6,540**	3,559	1,867
Deferred tax assets	**20**	5	6	–	–	–	–	–	–	**20**	5	6
Deferred tax liabilities	**543**	209	177	**41**	–	–	**75**	–	–	**659**	209	177
Cash flows arising from:												
Operating activities	**804**	633	625	**(26)**	(22)	18	**210**	(55)	(57)	**988**	556	586
Investing activities	**(1,461)**	(1,724)	(1,250)	**121**	260	260	**317**	(355)	(355)	**(1,023)**	(1,819)	(1,345)
Financing activities	**832**	941	319	**(121)**	(172)	(176)	**(109)**	449	375	**602**	1,218	518
Interest expense	**130**	41	4	**0**	–	–	**(1)**	(5)	–	**129**	36	4
Provision for income tax	**71**	28	44	**1**	–	4	**(4)**	–	–	**68**	28	48
Capital expenditures	**347**	2,127	1,049	–	–	–	**1,090**	(20)	–	**1,437**	2,107	1,049
Depreciation and amortization	**399**	218	209	**0**	–	–	**(1)**	0	–	**398**	218	209

29. Notes on Consolidated Statements of Cash Flows

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

		Non-cash Changes			
	2018	**Declaration of Cash Dividend**	**Liabilities assumed from Merger**	**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**
	₱2,310,033	**₱59,274**	**₱261,054**	**₱654,318**	**₱3,284,679**

		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 2019 and 2018 pertain to the revaluation of land amounting ₱22.76 million and ₱389.89 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, 2019 and 2018:

	Carrying		**2019**		
	Amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:					
Financial assets at FVTPL	**₱9,350**	**₱9,350**	**₱–**	**₱–**	**₱9,350**

	Carrying		2018		
	Amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:					
Financial assets at FVTPL	₱8,700	₱8,700	₱–	₱–	₱8,700
Equity instruments at FVOCI	14,390	14,390	–	–	14,390

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, accounts payable and accrued expenses, payables to related parties and 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:

	2019	2018	2017
As at January 1	**₱14,390**	₱25,079	₱17,062
Changes in fair value	**3,092**	(10,689)	8,017
Disposal	**(17,482)**	–	–
As at December 31	**₱-**	₱14,390	₱25,079

The rollforward of unrealized gains (losses) are as follows:

	2019	2018	2017
As at January 1	**(₱3,972)**	₱6,717	(₱1,300)
Changes in fair value	**3,092**	(10,689)	8,017
As at December 31	**(₱880)**	(₱3,972)	₱6,717

The unrealized gain (loss) on listed equity investments are presented in the equity section of the consolidated statements of financial position.

- *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, 2019 and 2018, 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 2019 and 2018. 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, equity and other investments, 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 listed equity investments, 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, 2019 and 2018, 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, 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	**847,853**	**125,430**
Trade	**53,732**	**3,393**
Related parties	**603**	–
Others	**113,902**	**6,023**
Financial assets at FVTPL	**9,350**	–
Deposits	**27,490**	–
	₱2,204,362	**₱134,846**

December 31, 2018:

	Gross carrying amount at default	Expected credit loss (Impaired)
Cash in banks	₱163,610	₱–
Cash equivalents	423,221	–
Receivables from:		
Tuition and other fees	299,384	55,683
Trade	3,393	3,393
Related parties	845	–
Others	99,443	5,953
Financial assets at FVTPL	8,700	–
Equity investments at FVOCI	14,390	–
	₱1,012,986	₱65,029

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.

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 that is 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 generally uses a provision matrix to calculate ECLs. 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 and the expected credit loss as at December 31 follows:

	2019					
	Current	< 1 quarter	1 - 2 quarters	> 2 quarters	Expected credit loss	Total
Tuition and other fees	₱521,236	₱111,169	₱64,338	₱ 151,110	(₱119,254)	₱728,599

	2018					
	Current	< 1 quarter	1 - 2 quarters	> 2 quarters	Expected credit loss	Total
Tuition and other fees	₱227,620	₱10,616	₱2,047	₱3,210	(₱55,682)	₱299,385

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, 2019 and 2018, the Group has available short-term credit facilities with banks aggregating ₱3.18 billion and ₱5.0 billion, respectively. In addition to this, the Group also has available long-term credit facilities with a bank amounting to ₱1.5 billion as of December 31, 2018. 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.

	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**	**532,253**	**12,657**	**880,643**
Receivables from related parties	**603**	**–**	**–**	**603**
Financial assets at FVTPL	**9,350**	**–**	**–**	**9,350**
	₱1,499,992	**₱532,253**	**₱12,657**	**₱2,044,902**

**excluding advances to officers and employees*

	2018			
	On demand	Less than 1 year	More than 1 year	Total
Financial assets at amortized cost				
Cash	₱164,618	₱–	₱–	₱164,618
Cash equivalents	423,221	–	–	423,221
Receivables*	228,732	87,892	–	316,624
Receivables from related parties	845	–	–	845
Financial assets at FVTPL	8,700	–	–	8,700
Equity investments at FVOCI	–	–	14,390	14,390
	₱826,116	₱87,892	₱14,390	₱928,398

**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.

	2019		
	On demand	**Less 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**
	₱563,023	**₱1,839,170**	**₱2,402,193**

**excluding payables to regulatory bodies, funds payable and provisions*

	2018		
	On demand	Less than 1 year	Total
Accounts payable and accrued expenses*	₱374,255	₱26,490	₱400,745
Payables to related parties	13,014	–	13,014
Dividends payable	44,696	12,322	57,018
Short-term loan	–	2,240,000	2,240,000
	₱431,965	₱2,278,812	₱2,710,777

**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:

	2019	2018
Within one year	**₱791**	₱1,750
More than one year but not more than five years	**4,036**	4,005
Later than five years	**1,273**	1,371
	₱6,100	₱7,126

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. For those leases subjected to PFRS 16, the IBR used in the computation of lease liabilities ranges from 7.25% to 9.0% in 2019.

The 2019 rollforward analysis of net book value of right-of-use assets from APEC, where its school and office buildings are being rented, follows:

Net book value at business combination (Note 6)	₱363,029
Additions	72,186
Amortization (Note 20a)	(47,234)
Net Book Value at December 31	₱387,981

The following are the amounts recognized in the 2019 statement of comprehensive income (Note 20):

Depreciation expense of right-of-use assets	₱47,234
Interest expense on lease liabilities	22,752
Total amount recognized in profit or loss	₱69,986

The 2019 rollforward analysis of lease liabilities from APEC follows:

Lease liabilities at business combination (Note 6)	₱374,622
Additions	71,066
Interest expense (Note 22)	22,752
Payments	(49,100)
As at December 31, 2019	₱419,340

The balance of lease liabilities as of December 31, 2019 follows:

Lease liabilities – current	₱46,215
Lease liabilities – noncurrent	373,125
As at December 31, 2019	₱419,340

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2019:

Within one year	₱75,365
More than one year but less than five years	348,644
Five years and more	126,857
	₱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.

  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.

- Prior to 2018, the Group's provisions include the Group's recognized payable associated with the Faculty Associations of Mapua Institute of Technology (FAMIT) reranking case. This case involves the faculty ranking and evaluation instrument that was part of the 2001 Collective Bargaining Agreement negotiations with the FAMIT. The Supreme Court reversed an earlier Court of Appeals decision in favor of management. An entry of judgment dated March 13, 2008 was made in the Supreme Court Book of Entries of Judgments, making the decision final and executory. A Memorandum of Agreement was entered into by management with FAMIT before the Voluntary Arbitrators wherein the parties agreed to continue the process of faculty ranking. The evaluation process was completed in December 2008.

  On January 22, 2009, MESI and FAMIT entered into a Compromise Agreement regarding the payment of the amounts due to the permanent faculty members of MESI in relation to the faculty reranking case.

  As at December 31, 2018, total accumulated payments to faculty members amounted to ₱230.78 million. Management assessed that the liability already prescribed after applying the 10-year prescription period which ended in March 2018.

32. Subsequent Event

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 until April 12, 2020, which was subsequently extended to May 31, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

Manpower for operations was affected due to the state-imposed self-quarantine, partial lockdown, and curfew. To address this, the Group has devised an alternative working arrangement of work-from-home and skeletal workforce scheme for its employees. Business support units were equipped with appropriate protocols to be able to support the operations unit and ensure continuity of business operations. As to the school operations, face-to-face classes and activities were suspended and classes were continued through online learning and examination and multiple modalities.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. The Group is currently finalizing its measures to adapt to and lead in the new normal situation in case there is a prolonged quarantine period and mandated social distancing when face-to-face classes and activities resumes. The Group plans to implement flexible learning arrangements such as the use of online or digital learnings to its students and multiple modalities. Considering the evolving nature of this pandemic, the Group at this time cannot yet determine with certainty the impact to its financial position. The Group will continue to monitor the situation.

33. Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, 2018 and 2017 were approved and authorized for issuance by the BOD on May 22, 2020.

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, 2019

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, 2019, 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, 2019:

Name	As at December 31, 2018	Additions	Liquidations/ Collections	As at December 31, 2019
Arenillo, Denise Jordan	₱389,198	₱ -	₱67,040	₱322,158
Agapito, Benigno Jr.	-	381,500	6,358	375,142
Camacho, Margarita	311,659	-	71,003	240,657
Caparanga, Alvin	318,500	-	65,000	253,500
Doma, Bonifacio T. Jr.	137,569	-	31,625	105,944
Gochioco, Geraldine	220,851	-	67,547	153,304
Lanuza, Dionisia	238,500	-	53,000	185,500
Macayan, Jonathan	380,867	-	65,667	315,200
Manuel, Mark Christian	-	394,000	52,533	341,467
Quisaot, Concordio	-	394,000	45,967	348,033
Robielos, Rex Aurelius	299,600	-	62,417	237,183
Sabino, Lilibeth	234,967	-	61,833	173,133
Salvacion, Jonathan	212,461	-	61,583	150,878
Teodoro, Gloria	331,500	-	65,000	266,500
Uy, Francis Aldrine	366,762	-	66,083	300,678
Yap, Maria Elizabeth	-	537,600	7,705	529,895
Agbulos, Erlin C.	223,453	-	89,369	134,084
Austria, Maria Rhodora	287,117	-	74,900	212,217
Costales, Aloysius Nathaniel	259,751	-	129,916	129,835
Gan, Maria Eloisa	-	533,682	35,579	498,103
Hofilena, Joy	298,854	-	75,500	223,354
Kikuchi, Khristian	298,854	-	75,500	223,354
Medrano, Anthony H.	295,708	-	193,332	102,377
Mesina, James Ronald	-	402,500	48,000	354,500
Salayo, John Vincent	295,708	-	44,042	251,667
Songsong, Maribel	198,400	-	74,400	124,000
Tablante, Dennis H.	138,233	-	37,700	100,534

(Forward)

Name	As at December 31, 2018	Additions	Liquidations/ Collections	As at December 31, 2019
Tiongco, Danilo R.	₱324,411	₱-	₱92,689	₱231,722
Lopez, Jonathan M.	-	398,720	46,526	352,194
Rodriguez, Annele	-	602,500	-	602,500
Ravanera, Tomas Carlos	-	220,208	-	220,208
Manzano, Catherine	-	110,000	-	110,000
Lozada, Katrina	-	128,764	-	128,764
UNKNOWN - 5	-	147,280	-	147,280
	₱6,062,924	₱4,250,754	₱1,867,814	₱8,445,863

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, 2019:

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.	162,678,201	17,264,228	(170,375,364)	9,567,065
Malayan Colleges Laguna, Inc.	–	11,148,811	(8,800,236)	2,348,575
University of Nueva Caceres	–	1,357,520	(929,267)	428,253
National Teachers	–	882,739	(882,739)	–
Affordable Private Education	–	788,034	(788,034)	–

Schedule D. Long-term debt

As at December 31, 2019, the Group has outstanding long-term debts as follow (in thousands):

Unsecured bank loans	₱380,000
Secured bank loans	1,489,903
	₱1,869,903

Unsecured

The Group, through NTC, entered into a 10-year unsecured term loan facility with a third party local bank for ₱650.00 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, 2019, 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, 2019, NTC has complied with its covenant obligations, including maintaining the required debt-to-equity ratio. For 2019, interest expense recognized in profit or loss amounted to ₱8.46 million while interest capitalized as part of building and improvements amounted to ₱7.11 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 amortized debt issue cost amounting to ₱1.15 million was recorded as part of interest expense.

Interest expense, including amortization of debt issue cost, amounted to ₱58.33 million.

Outstanding balance of long-term loans as of December 31, 2019 as follow:

	Amount
Principal	₱1,500,000
Unamortized debt issue cost	(10,097)
	₱1,489,903

Schedule E. Indebtedness to Related Parties (Long Term Loans from Related Companies)
As at December 31, 2019, the Group has no outstanding long-term debt from/to related parties.

Schedule F. Guarantees of Securities of Other Issuers
As at December 31, 2019, the Group does not guarantee any securities.

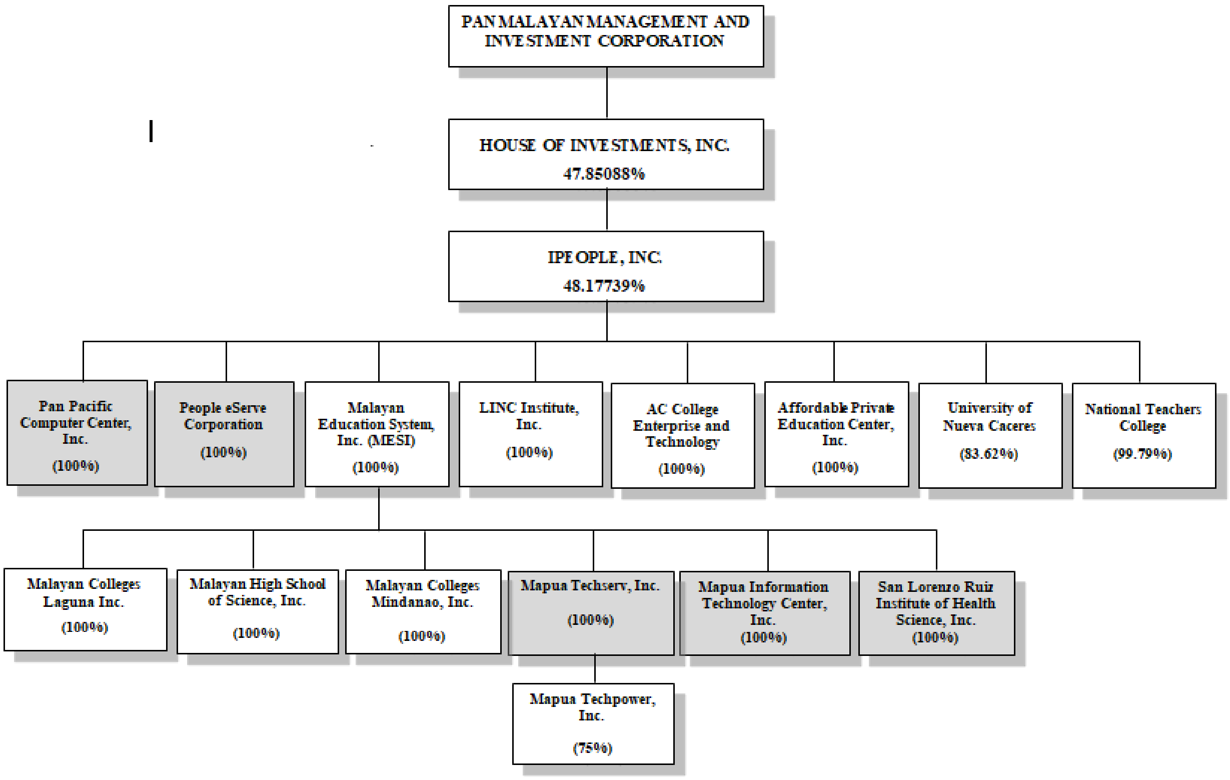
Schedule G. Capital Stock

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	144,775	158,664,469

SCHEDULE III

IPEOPLE, INC. AND SUBSIDIARIES
GROUP STRUCTURE
DECEMBER 31, 2019

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, 2019:



SCHEDULE I

IPEOPLE, INC. AND SUBSIDIARIES

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

DECEMBER 31, 2019

Items	Amount	
Unappropriated retained earnings, *as adjusted to available for distribution, beginning*		**₱1,133,574**
Add: Net income actually earned/realized during the period		
Net income during the period closed to retained earnings	**(₱16,548)**	
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		**(16,548)**
Add (Less):		
Dividends declaration during the year	**(59,274)**	
Appropriations of retained earnings during the period	–	
Reversal of appropriations	–	
Effects of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	**(0.21)**	
		(59,274)
Total Retained Earnings, End Available for Dividend		**₱1,057,752**

**Based on December 31, 2019 Parent Company Supplementary Schedule.*

IPEOPLE, INC. AND SUBSIDIARIES

ANNEX 68-E: SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2019 AND 2018

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

Financial ratios		**2019**	2018
Current ratio *Indicates the Group's ability to pay short-term obligation*	Current Assets / Current Liabilities	**0.67:1**	0.30:1
Acid-test ratio *Indicates the Group's ability to use its quick or near cash assets to pay current liabilities immediately*	Current Assets – Prepaid expenses / Current Liabilities	**0.62:1**	0.28:1
Solvency Ratio *Shows how likely a Group will be to continue meeting its debt obligations*	Net Income+Depreciation / Total Liabilities	**0.10:1**	0.13:1
Debt-to-equity ratio *Measures the Group's leverage*	Total Debt / Equity	**0.69:1**	0.59:1
Asset to Equity Ratio *Shows how the Group's leverage (debt) was used to finance the firm*	Total Assets / Equity	**1.67:1**	1.55:1
Interest Rate Coverage *Shows how easily a Group can pay interest on outstanding debt*	EBIT* / Interest Expense Excluding Interest Expense on Lease Liabilities	**4.42:1**	8.35:1
Return on Average Stockholders' Equity *Reflects how much the Group's has earned on the funds invested by the stockholders*	Net Income / Average Equity	**3.40%**	3.81%
Net profit margin *Reflect how much net income or profit is generated as percentage of revenue*	Net Profit Margin Revenue	**9.15%**	13.12%
Return on Assets *Measure the ability to utilize the Group's assets to create profits*	Net Income / Total Assets	**1.68%**	2.38%

**Earnings before interest and taxes (EBIT)*

ANNEX “E”

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

and

Three Months Ended
March 31, 2020, 2019 and 2018

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	6	6	4	1	1					

C O M P A N Y   N A M E

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

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	8253-3637	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,015	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
Jonathan M. Lopez	jonlopez@ipeople.com.ph		N/A

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, 2020

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

   Number of Shares of Common Stock

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

   Amount of debt as of March 31, 2020 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, 2020 with comparative figures for the periods ended March 31, 2019, March 31, 2018 and December 31, 2019 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;

iPeople, inc.'s subsidiary Malayan Education System, Inc. (MESI) (operating under the name of Mapua University) is constructing a new campus on a 0.5-hectare property in Makati. The construction of the new campus is expected to be completed during the Academic Year 2020-2021. The total project is estimated at around P2.5 billion and will be funded partially by debt. Except for the construction of new campus of MESI, 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 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 covered the Mapúa Schools (Mapúa University in Intramuros, Mapúa Extension Campus in Makati, Malayan High School Science in Paco, Malayan Colleges Laguna in Cabuyao, and Malayan Colleges Mindanao in Davao), National Teachers' College in Quiapo, University of Nueva Caceres in Naga, and all branches of APEC Schools in Metro Manila. 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 2020 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.

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, the consolidated revenue and expenses of the Group went up generally with the higher number of enrolled students, increase in enrollment of MCM and revenue and expenses of new subsidiaries.

The Group produced a higher consolidated net income of ₱162.49 million this year versus net income of ₱103.85 million in the same period last year. The higher net income in 2020 is mainly attributed to better results of operations of MESI, lower net loss of MCM and P69 million net income contribution of subsidiaries acquired in May 2019. MCM incurred lower net loss mainly due to significant increase in enrollment 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 up by 78% to ₱957.35 million from ₱538.70 million last year. The increase in revenue was primarily due to normalization of freshmen enrolment from K-12 program, improvement in MESI's enrolment process, significant increase in revenues of MCM, and P381 million revenues of subsidiaries acquired in May 2019.

Cost of tuition and other fees went up by 75% or ₱247.60 million, while general and administrative expenses increased by 119% or ₱87.81 million higher from same period last year. The higher expenses in 2020 was primarily due to additional costs related to significant increase in enrolment of MCM and P296 million operating expenses of newly acquired subsidiaries.

Interest income is lower by ₱2.67 million from last year because of lower interest rates.

Interest expense and other finance charges increased from ₱21.25 million last year to ₱32.33 million this year due to additional loans availed by the Group.

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

Balance Sheet Variances

Total consolidated assets stood at ₱16.23 billion as of March 31, 2020 compared to ₱16.27 billion as of December 31, 2019. The slight drop in total assets is due to lower accounts receivable and amortization of intangible assets and right of use assets.

Consolidated current assets decreased to ₱2.28 billion this year from ₱2.32 billion last year primarily due to the lower accounts receivable.

Receivables pertain mainly to matriculation and miscellaneous fees due from students. The 8% decrease in receivable was mainly due to timing of start of classes.

Consolidated non-current assets is lower by ₱5 million or .04% lower mainly due to amortization of intangible assets and right of use assets.

Total consolidated liabilities were lower by 2%, primarily because of the 39% decrease in unearned income.

Accounts payable and accrued expense went up by 4% because of 1) payable 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.

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 2019 will be settled in June 2020. Tax liability for the quarter ending March 2020 is also payable in June 2020.

Unearned income is lower this year, from ₱780.71 million in December 2019 to ₱479.54 million as of March 2020 due to revenue recognized during the period.

The ₱73.8 million dividends payable as of March 2020 was paid in May 2020.

Total consolidated equity increased from ₱9.73 billion in December 2019 to ₱9.82 billion this year mainly due to the net income during the period. Equity attributable to Parent is at ₱9.59 billion, from ₱9.51 billion in December 2019.

(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, 2020, March 31, 2019 and December 31, 2019 are as follows:

Financial ratios		**Unaudited March 2020**	Unaudited March 2019	Audited December 2019
Current ratio *Indicates the Group's ability to pay short-term obligation*	Current Assets / Current Liabilities	**0.69:1**	0.32:1	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	**0.62:1**	**0.29:1**	**0.62:1**
Solvency Ratio *Shows how likely a Group will be to continue meeting its debt obligations*	Net Income+Depreciation / Total Liabilities	**0.04:1**	0.04:1	0.10:1
Debt-to-equity ratio *Measures the Group's leverage*	Total Debt / Equity	**0.67:1**	0.62:1	0.69:1
Asset to Equity Ratio *Shows how the company's leverage (debt) was used to finance the firm*	Total Assets / Equity	**1.65:1**	1.58:1	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	**6.80:1**	6.64:1	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	**1.99%**	1.65%	3.40%
Net Profit Margin *Reflects how much net income or profit is generated as percentage of revenue*	Net Income / Total Revenues	**16.97%**	19.28%	9.15%
Return on Assets *Measures the ability to utilize the Group's assets to create profits*	Net Income / Total Assets	**1.00%**	1.01%	1.68%
Asset Turnover *Shows efficiency of asset used in Operations*	Total Revenues / Total Assets	**0.06x**	0.05x	0.18x

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)	**1.65%**	1.60%	2.82%

- The current ratio is at 0.69 as of March 2020 compared to 0.32 as of March 2019 due to decrease in the unearned revenue of the Group.
- Acid test ratio slightly increased from 0.29:1 in 2019 to 0.62:1 in 2020 which is close also to the current ratio.
- Solvency ratio is at 0.04 as of the period. No change compared to last year.
- Debt-to-equity ratio increased from 0.62 as of March 2019 to 0.67 as of this period due to additional loans drawn by the Group.
- Asset to equity ratio went up from 1.58 as of March 2019 to 1.65 this period because of increased asset brought about by assets of the newly acquired subsidiaries.
- Interest rate coverage ratio increased from 6.64 times as at March 2019 to 6.80 times this period because of higher interest expense incurred by the Group.
- Return on average stockholders' equity increased to 1.99% year on year, resulting from the higher net income.
- Return on asset is at 1.00% against 1.01% as of March 2019, because of the higher total assets.
- Net profit margin decreased from 19% last year to 17% as of this period resulting from lower margins due to higher operating expenses from schools.
- Asset turnover is 6 times as of this period against 5 times as of March 2019. This is slightly higher from last year because of the increase in total revenues of the Group.
- Return on equity improved from 1.60% to 1.65% as of this period, resulting from higher net income.

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

PART II – OTHER INFORMATION

Item 3: First Quarter 2020 DEVELOPMENTS
Significant developments during the first quarter of 2020 were briefly discussed in Part I Item 2: *Management Discussion and Analysis of Financial Condition and Results of Operations.*

During the latter part of the quarter, classes were suspended beginning March 9, 2020 followed by the declaration of community quarantine in various municipalities and regions in the Philippines effective March 15, 2020. These covered our Mapúa Schools (Mapúa University in Intramuros, Mapúa Extension Campus in Makati, Malayan High School Science in Paco, Malayan Colleges Laguna in Cabuyao, and Malayan Colleges Mindanao in Davao), National Teachers' College in Quiapo, University of Nueva Caceres in Naga, and all branches of APEC Schools in Metro Manila. Despite all these, there were minimal disruptions to the operations of iPeople and of its schools because of the mitigating measures that were undertaken.

Disruptions on the academic outcomes of our students were minimized as our schools utilized alternatives means to continue course work, e.g. on-line classes, coursework online, and independent projectized learning, among others. All these blended learning initiatives using our multiple e-learning and course monitoring platforms allowed our students to fulfill their course requirements to comply with CHED or DepEd academic requirements amid the prolonged class suspension.

Risk to the health and safety of our employees, teachers, students, and communities due to possible exposure to COVID-19 were addressed as the Company ensured compliance to the Community Quarantine protocols in accordance with directives issued by the Department of Health (DOH), Commission on Higher Education (CHED), Department of Education (DepEd), and other government agencies. These protocols include limiting the assembly of people by conducting meetings via video- and/or tele-conferencing; regular and frequent disinfection of our buildings and office premises; temperature checks at all entry points; and restricting entry of visitors to our work.

iPeople and its operating schools had designated essential and non-essential employees. A reduced work week was put into effect for essential employees while work from home arrangements were adopted for non-essential employees. Our employees were equipped to perform their functions to ensure that our operations were not hampered. Moreover, constant coordination between iPeople and its subsidiaries was in place to ensure that all aspects of operations was covered.

Item 4: OTHER NOTES TO FINANCIAL STATEMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Risk Factors at the Holding Company Level

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. iPeople 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
Available for sale (AFS) financial instruments 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.
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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 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 todecrease, 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 higher 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 first time implementation this AY 2018-19. This resulted to notable decline in college freshman intake in private schools as large portion of the incoming freshman applied SUCs/LUCs to avail of free education under the Act.

  The Free College Tuition 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 quarter execute a Promissory Note and are expected to settle their accounts prior to the start of the next academic quarter. 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.

d. 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.Operational Risk
The following may hamper the operations of the Mapúa 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, 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 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. 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. 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.

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. This fund raising can arise from the sale of equity, selling debt securities, borrowing from existing debt facilities, or borrowing from new debt facilities. If capital is raised through borrowings, the IPO schools will also 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 macro-economic or micro-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 they decide to transfer to another school, our 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 are key elements to avoid any serious disruption in the size and frequency of inward-bound overseas remittances.

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, 2020, 2019 and 2018 (Unaudited)
and December 31, 2019 (Audited)

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	Unaudited March 31, 2020	Audited December 31, 2019
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7, 15)	**₱1,167,777**	₱1,154,306
Receivables (Note 8)	**900,268**	975,962
Receivables from related parties (Note 15)	**954**	603
Prepaid expenses and other current assets (Note 9)	**202,429**	175,948
Financial assets at fair value through profit or loss	**9,421**	9,350
Total Current Assets	**2,280,849**	**2,316,169**
Noncurrent Assets		
Property and equipment at cost (Note 10)	**5,094,239**	5,083,477
Land at revalued amounts (Notes 10 and 11)	**7,565,856**	7,560,855
Goodwill (Note 12)	**151,326**	151,326
Net pension asset	**18,290**	18,290
Deferred tax assets – net	**21,662**	20,450
Intellectual property rights (Note 6)	**523,103**	523,103
Student relationship (Note 6)	**95,558**	101,135
Right of use assets	**370,735**	387,981
Other noncurrent assets (Note 13)	**110,797**	110,281
Total Noncurrent Assets	**13,951,564**	13,956,898
	₱16,232,413	₱16,273,067

LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans (Notes 16)	**₱1,417,800**	₱1,398,8000
Accounts payable and accrued expenses (Notes 3 and 14)	**1,254,878**	1,201,760
Unearned income (Notes 3 and 14)	**479,5367**	780,706
Dividends payable (Notes 18)	**73,813**	565
Income tax payable	**50,490**	20,690
Lease liability - current portion	**35,751**	46,215
Payables to related parties (Notes 15)	**16,854**	15,411
Total Current Liabilities	**3,510,132**	3,464,147
Noncurrent Liabilities		
Long-term loans payable	**1,870,496**	1,869,903
Deferred tax liabilities – net	**657,886**	658,781
Lease liability - noncurrent portion	**373,125**	373,125

(Forward)

	Unaudited March 31, 2020	Audited December 31, 2019
Net pension liability	**121,366**	115,935
Other noncurrent liabilities	**58,383**	58,383
Total Noncurrent Liabilities	**3,081,256**	3,076,127
Total Liabilities	**₱6,410,378**	₱6,540,274

Equity		
Common stock (Note 18)	**₱1,044,263**	₱1,044,263
Additional paid-in capital	**3,294,368**	3,294,368
Other comprehensive income (loss):		
Fair value reserve of equity instruments at FVOCI	**(880)**	(880)
Revaluation increment on land - net (Note 11)	**1,583,743**	1,583,743
Remeasurement losses on defined benefit plans	**(19,766)**	(19,766)
Retained earnings (Note 18)	**3,923,549**	3,838,446
	9,594,783	9,509,680
Less: Treasury stock (Note 18)	**(0.21)**	(0.21)
	9,594,783	9,509,680
Non-controlling interest in consolidated subsidiaries	**227,251**	223,113
Total Equity	**9,822,035**	9,732,793
	₱16,232,413	₱16,273,067

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	January 1 to March 31		
	2020	2019	2018
REVENUE			
Tuition and other fees (Note 19)	**₱957,350**	₱538,703	₱470,197
COSTS AND EXPENSES			
Cost of tuition and other fees (Note 20)	**578,924**	331,326	302,654
GROSS PROFIT	**378,426**	207,377	167,543
GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)	**(161,840)**	(74,025)	(55,146)
INTEREST AND OTHER FINANCE CHARGES (Note 22)	**(32,333)**	(21,251)	(735)
INTEREST INCOME (Note 22)	**3,516**	6,181	2,446
OTHER INCOME (EXPENSE)	**(139)**	1,634	4,629
INCOME BEFORE INCOME TAX	**187,631**	119,917	118,738
PROVISION FOR INCOME TAX	**25,141**	16,065	12,554
NET INCOME	**162,490**	103,852	106,184
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss):			
Fair value reserve of equity instruments at FVOCI (Notes 3)	–	2,672	(4,892)
	–	2,672	(4,892)
TOTAL COMPREHENSIVE INCOME	**₱162,490**	₱106,524	₱101,292
Net income attributable to:			
Equity holders of the parent (Note 23)	**₱158,351**	₱96,493	₱98,620
Non-controlling interest in consolidated subsidiaries	**4,139**	7,359	7,564
	₱162,490	₱103,852	₱106,184
Total comprehensive income attributable to:			
Equity holders of the parent	**₱158,351**	₱99,165	₱93,728
Non-controlling interest in consolidated subsidiaries	**4,139**	7,359	7,564
	₱162,490	₱106,524	₱101,292
Basic Earnings Per Share (Note 23)	**₱0.1516**	₱0.1288	₱0.131

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	Unrealized Gain on AFS Financial Assets	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, 2020												
Balances as at January 1, 2020	**₱1,044,263**	**3,294,368**	**₱–**	**(₱880)**	**₱1,583,743**	**(₱19,766)**	**(₱230,494)**	**₱3,838,446**	**(₱0.209)**	**₱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**	**(₱0.209)**	**₱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	(₱0.209)	₱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	(₱0.209)	₱6,052,861	₱422,287	₱6,475,148
For the quarter ended March 31, 2018												
Balances as at January 1, 2018	₱748,933	₱1,439	₱6,717	₱–	₱1,248,233	₱31,676	₱–	₱3,611,840	(₱0.209)	₱5,648,839	₱376,252	₱6,025,090
Net income	–	–	–	–	–	–	–	98,620	–	98,620	7,564	106,184
Other comprehensive income	–	–	(4,892)	(4,892)	–	–	–	–	–	(4,892)	–	(4,892)
Total comprehensive income	–	–	(4,892)	(4,892)	–	–	–	98,620	–	93,728	7,564	101,292
Transfer of unrealized gain on AFS financial assets to fair value reserve of equity instruments at FVOCI (Note 3)	–	–	(6,717)	6,717	–	–	–	–	–	–	–	–
Adjustment on remeasurement losses						(50)				(50)		(50)
Dividends declared	–	–	–	–	–	–	–	(44,936)	–	(44,936)	–	(44,936)
Balances as at March 31, 2018	₱748,933	₱1,439	₱–	₱1,824	₱1,248,233	₱31,626	₱–	₱ 3,665,525	(₱0.209)	₱5,697,580	₱383,815	₱6,081,396

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	January 1 to March 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱187,631**	₱119,917	₱118,688
Adjustments for:			
Depreciation and amortization (Notes 10, 13, 20 and 21)	**118,684**	61,794	53,558
Interest income (Note 22)	**(3,516)**	(6,181)	(2,446)
Interest expense and other finance charges (Note 22)	**32,333**	21,251	735
Unrealized market gain on financial assets at FVPL	**(71)**	(103)	(44)
Unrealized foreign exchange gain	**(194)**	(58)	(474)
Operating income before working capital changes	**347,527**	196,619	170,015
Decrease (increase) in:			
Receivables	**63,073**	4,241	10,267
Prepaid expenses and other current assets	**(26,481)**	(2,006)	5,783
Increase (decrease) in:			
Accounts payable and accrued expenses	**50,720**	20,161	91,860
Other noncurrent liabilities	**(896)**	–	–
Unearned tuition fees	**(301,170)**	(72,423)	(63,402)
Lease liability	**(10,464)**	–	–
Net pension asset and liability	**4,220**	1,347	846
Net cash generated from operations	**126,530**	147,939	215,369
Interest received	**3,476**	6,902	2,595
Interest paid	**(29,935)**	(13,764)	(735)
Income taxes paid	**4,659**	123	4,418
Net cash flows from operating activities	**104,730**	141,199	221,648
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Notes 10)	**(105,988)**	(209,905)	(204,069)
Land	(5,001)	–	–
Computer software (Note 13)	(1,676)	–	–
Decrease (increase) in:			
Receivables from related parties	**(351)**	13	(530)
Other noncurrent assets	**526**	(296)	(412)
Net cash flows used in investing activities	**(112,489)**	(210,189)	(205,012)

(Forward)

	January 1 to March 31		
	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loans (Note 16)	**₱20,000**	₱904,900	₱60,000
Payments of short-term loans (Note 16)	**(1,000)**	(670,000)	–
Dividends paid to stockholders	–	(57,258)	(50,861)
Proceeds from long-term loans	**593**	–	–
Increase (decrease) in payables to related parties	**1,443**	5,795	2,080
Net cash flows from (used in) financing activities	**21,036**	183,437	11,219
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**194**	58	474
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**13,471**	114,505	28,329
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,154,306**	587,839	632,812
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱1,167,777**	₱702,344	₱661,141

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, 2020 and December 31, 2019, and for each of the three years in the period ended March 31, 2020, 2019 and 2018.

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		
	2019	2018	2017
Malayan Education System, Inc. (MESI) [Operating Under the Name of Mapua University] and subsidiaries	**100%**	93%	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. (formerly San Lorenzo Ruiz Institute of Health Sciences, Inc.)	**100**	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**	n/a	n/a
National Teachers College doing business under the name/s and style/s of The National Teachers College	**99.79**	n/a	n/a
University of Nueva Caceres	**83.62**	n/a	n/a
AC College of Enterprise and Technology, Inc.	**100**	n/a	n/a
LINC Institute, Inc. doing business under the Name and Style of LINC Academy	**100**	n/a	n/a

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 that the Group adopted the following new accounting pronouncements starting January 1, 2019:

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases for 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee shall recognize a liability to deliver lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessee shall be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee generally recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially similar as compared with the accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to provide more disclosures than under PAS 17. PFRS 16 supersedes PAS 17, Leases, Philippine Interpretation IFRIC 4, Determining whether an Arrangement contains a Lease, Standard Interpretations Committee (SIC)-15, Operating Leases-Incentives and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

  The Group adopted PFRS 16 using the modified retrospective approach, which involves recognizing a right-of-use asset equal to the amount of the lease liability, with the date of initial application of January 1, 2019 and elects to apply the standard to contracts that were previously identified as leases applying PAS 17. The Group has not restated the comparative information, which continues to be reported under PAS 17.

  The Group has lease contracts for office and school sites of a subsidiary. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases all leases except for short-term leases and leases of low-value assets. Refer to Note 4 for the accounting policy beginning January 1, 2019.

The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

With the adoption of PFRS 16, the Group recognized right-of-use assets and lease liabilities and these were recognized and presented separately in the consolidated statement of financial position. For the detailed disclosures, refer to Note 31.

The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, *Income taxes,* nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

  Based on the Group's assessment, adoption of this interpretation has no significant impact on the consolidated financial statements.

The Group also adopted the following new accounting pronouncements starting January 1, 2019. The adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10 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 2019 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.

'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.

<u>Financial Instruments - Effective January 1, 2018</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"; 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), financial assets at FVTPL and financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

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 OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation,* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognized in profit or loss as income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at fair value through OCI are not subject to an impairment assessment.

As of December 31, 2018, the Group elected to classify irrevocably its listed equity investments in PetroEnergy Resources Corporation shares under this category.

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 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.

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 that is 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 generally uses a provision matrix to calculate ECLs. 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.

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 accounts payable and accrued expenses, payables to related parties, dividends payable and short-term loans.

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, 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.

Financial Instruments – Effective Prior to January 1, 2018
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated 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 trade date, which is the date when the Group commits to purchase or sell the asset.

Initial recognition
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and liabilities at FVTPL, the initial measurement of financial assets and liabilities include transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVTPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. The Group classifies its financial liabilities as financial liabilities at FVTPL or other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. The classification depends on the purpose for which the investments were acquired and whether these are ousted in active market. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The financial assets of the Group are of the nature of loans and receivables, financial assets at FVTPL and AFS financial assets, while its financial liabilities are of the nature of other financial liabilities.

Financial assets at FVPL
This includes financial assets held for trading and financial assets designated upon initial recognition as FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling them in the near term.

Financial assets at FVPL are recorded in the statement of financial position at fair value with unrealized mark-to-market gains and losses recognized in “Other income (loss)” account in the consolidated statement of comprehensive income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded in the consolidated statement of comprehensive income according to the terms of the contract, or when the right of payment has been established. Derivatives, including separated embedded derivatives are also classified as FVPL unless they are designated as effective hedging instruments or a financial guarantee contract.

This consists of peso-denominated investment in UITF in RCBC.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, designated as AFS or as financial assets at FVTPL. Receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at cost or at amortized cost using the effective interest method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization, if any, is included in profit or loss. The losses arising from impairment of receivables are recognized in profit or loss. These financial assets are included in current assets if maturity is within twelve (12) months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

Classified under this category are the Group’s cash and cash equivalents, receivables and receivables from related parties.

AFS financial assets
AFS financial assets are those non-derivative financial assets that are designated as such or do not qualify as financial assets at FVTPL, HTM or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. These include government securities, equity investments and other debt instruments.

After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses being recognized in the consolidated statement of comprehensive income as “Unrealized gains (losses) in AFS financial assets.” The losses arising from impairment of such investments are recognized as provision for impairment losses in profit or loss. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognized as realized gain in profit or loss. Interest earned or paid on the investments is reported as interest income or expense using the effective interest method. Dividends earned on investments are recognized in profit or loss when the right to receive has been established.

This accounting policy relates to the consolidated statement of financial position caption AFS financial assets which pertain to investments in PetroEnergy Resources Corporation shares.

Other financial liabilities
Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Gains and losses are recognized in profit or loss when the liabilities are derecognized (redemption is a form of derecognition), as well as through the amortization process. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

Classified under this category are the Group’s accounts payable and accrued expenses, payables to related parties, dividends payable and short-term loans.

Derecognition of Financial Assets and Financial Liabilities
Financial asset
A financial asset (or, where applicable, a part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the assets have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a “pass-through” arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either: (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained the risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets
The Group assesses at each financial reporting date whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence that an impairment loss on a financial asset carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the assets original EIR (excluding future credit losses that have not been incurred). If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset, together with the other assets that are not individually significant and were thus not individually assessed for impairment, is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics as to the school terms.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The Group reduces any differences between loss estimates and actual loss experience.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Financial assets carried at amortized costs, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS financial assets
In case of equity instruments classified as AFS, impairment would include significant or prolonged decline in the fair value of investments below its cost. If an AFS security is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized profit or loss, is transferred from other comprehensive income to profit or loss. Reversals in respect of equity instruments classified as AFS are not recognized in profit or loss but as a separate item in the consolidated statement of comprehensive income. Reversals of impairment losses on debt instruments are reversed to operations if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position 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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

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

Creditable Withholding Tax (CWT)
This pertains to the tax withheld at source by the Group's customers and lessees and is creditable against its income tax liability.

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 method 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 purchase 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 are retired or otherwise disposed of, the cost or revalued amount, and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as part of current operations.

Land is carried at its revalued amount. The appraised values used for revaluation were determined by an independent firm 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. To the extent that a revaluation increase of an asset reverses a revaluation decrease of the same asset that was previously recognized as an expense in profit or loss, such increase should be credited to income in profit or loss. Decreases in valuation should be charged to profit or loss, except to the extent that they reverse the existing accumulated revaluation increment on the same asset and therefore such decrease is recognized in OCI. The decrease recognized in OCI reduces the amount accumulated in equity under revaluation increment on land - net account.

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, 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 policy Leases – Group as Lessees (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.

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 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 are 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).

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.

<u>Costs and Expenses</u>
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, advertising, 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.

<u>General and Administrative Expenses</u>
These expenses constitute costs of administering the business. General and administrative expenses, except for rent expense, are recognized as incurred. Rent expenses under PAS 17 are recognized on a straight-line basis over the lease term.

<u>Interest and Financing Charges</u>
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.

<u>Retirement Benefits</u>
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 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 Lessees (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.

Judgments
In the process of applying the Group's accounting policies, management has made judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Recognition of tuition and other matriculation fees over time
The Group determined that tuition and other matriculation fees, the major source of revenue of the Group, are to be recognized over time using the output method on the basis of time lapsed over the service period since it provides a faithful depiction of the Group's performance in transferring control of the services to the students. The fact that another entity would not need to re-perform the service that the Group has provided to date demonstrates that the customer or the student simultaneously receives and consumes the benefits of the Group's performance as it performs (Note 19).

Accounting for School-granted Scholarships to Students
With the adoption of PFRS 15, the Group assessed its arrangement with students who availed of school-granted scholarships. Based on management assessment, the arrangement with these students will not qualify as revenue from contracts with customers under PFRS 15 as there is no consideration involved in exchange for the educational services that the Group will render to these students. Accordingly, management changed its accounting on school-granted scholarships from presenting revenue and cost of service at gross in the statement of comprehensive income to presenting the related cost of service as deduction from revenue (Note 19).

Allocation of costs and expenses
Management exercises judgment in determining the classification of costs and expenses as to whether cost of services or general and administrative expenses. In 2019 and 2018, the Group specifically identified the 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 (Notes 20 and 21).

Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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. The key assumptions used to determine fair value are disclosed in Note 11.

The Group acquired land from HI in October 2018 amounting to ₱1,115.27 million, inclusive of other direct costs and taxes. As of December 31, 2018, management assessed that the purchase price of the recently acquired land is reflective of the fair value of the land as at December 31, 2018. Based on comparison of recent sale transactions or offerings of similar properties done by the Group as at December 31, 2018, management assessed that there was no significant movement in the fair value of the land from date of acquisition until December 31, 2018.

As at March 31, 2020 and December 31, 2019, the fair value of the land amounted to ₱7,565.86 million and ₱7,560.85 million, respectively (Note 11).

Estimation of allowance for ECL on receivables
The Group generally uses a provision matrix to calculate ECLs 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 changes in the forward-looking estimates are considered.

The Group's historical credit loss experience and forecast of economic conditions may not be representative of customer's actual default in the future.

Allowance for doubtful accounts on receivables amounted to ₱147.51 million and ₱134.85 million as of March 31, 2020 and December 31, 2019, respectively. The carrying value of receivables as of March 31, 2020 and December 31, 2019 amounted to ₱900.27 million and ₱ 975.96 million, respectively (Note 8). The carrying value of receivables from related parties as of March 31, 2020 and December 31, 2019 amounted to ₱0.95 and ₱0.60 million, respectively (Note 15).

Leases under PFRS 16 – Estimating the incremental borrowing rate
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 26.

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 ₱101.14 million as of December 31, 2019 (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 detailed disclosures made 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 amounted in Notes 6 and 12.

There is no impairment loss recognized on goodwill in 2020, 2019 and 2018. As at March 31, 2020 and December 31, 2019, the carrying value of goodwill amounted to ₱151.33 million (Note 12).

As to the Group's property and equipment, student relationship and noncurrent assets, no impairment loss was recognized for the period ended March 31, 2020, 2019, and 2018 except for the provision for impairment in value of land recognized in year ended December 31, 2019 amounting to ₱21 million (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, 2020 and December 31, 2019, the net pension liability amounted to ₱121.37 million and ₱115.93 million, respectively, while net pension asset amounted to ₱18.29 million as at March 31, 2020 and December 31, 2019.

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 amounted to ₱21.66 million and ₱20.4 million as at March 31, 2020 and December 31, 2019, respectively.

Provisions and Contingencies
The Group is currently involved in certain legal proceedings. 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 26).

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 ₱3.6 billion 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 (Note 11)	2,038,085
Property, plant and equipment (Note 10)	725,681
Right-of-use assets (Note 26)	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 26)	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 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 of student relationship as of December 31, 2019 amounted to ₱101.14 million, net of amortization during the year amounting to ₱14.87 million.

As of December 31, 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 rates ranging from 2.5% to 3%. Revenue projections based on financial budgets approved by management and considers the impact of the K to 12 Basic Education Program effective 2016. The long-term growth rate is the expected growth rate in the education industry sector.
- Discount rates ranging from 12% to 15%. 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 ranging from 1% to 5%. 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 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 Malayan Education Systems, Inc. (MESI) owned by HI, which represents 7% ownership in MESI. With this acquisition, MESI became a 100%-owned subsidiary of the Parent Company. The ₱354.1 million difference between the consideration paid and the book value of non-controlling interest acquired is 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 difference between the consideration paid and the book value of non-controlling interest acquired of ₱329.52 million is recognized in equity by crediting “Equity reserve”.

7. Cash and Cash Equivalents

This account consists of:

	Unaudited March 2020	Audited December 2019
Cash on hand	**₱2,162**	₱2,874
Cash in banks (Note 15)	**522,586**	426,955
Cash equivalents (Note 15)	**643,028**	724,477
	₱1,167,777	₱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 ₱3.48 million, ₱6.15 million and ₱2.06 million in 2020, 2019 and 2018, respectively (Note 22).

8. Receivables

This account consists of:

	Unaudited March 2020	Audited December 2019
Tuition and other fees	**₱783,890**	₱847,853
Other receivables:		
Trade	**1,057**	53,732
Advances to officers and employees	**103,458**	95,320
Others	**159,370**	113,902
	1,047,774	1,110,807
Allowance for doubtful accounts	**(147,506)**	(134,845)
	₱900,268	₱975,962

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.

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 ₱0.04 million, ₱0.03 million and ₱0.4 million in 2020, 2019 and 2018, respectively (Note 22).

Other receivables mainly pertain to receivable from DepEd amounting to ₱119.84 million and ₱78.49 million as at March 31, 2020 and December 31, 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. The changes in allowance for doubtful accounts as of March 31 and December 31 follow:

	March 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)	**12,661**	**–**	**–**	**12,661**
Balance at end of year	**₱137,922**	**₱3,393**	**₱6,191**	**₱147,506**
Gross receivables	**₱783,890**	**₱1,057**	**₱262,827**	**₱1,047,774**

	December 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	₱847,853	₱53,732	₱209,222	₱1,110,807

9. Prepaid Expenses and Other Current Assets

	Unaudited March 2020	Audited December 2019
Prepaid expenses	**₱93,712**	₱77,972
Restricted funds (Note 15)	**21,155**	21,030
CWT	**11,630**	10,991
Inventory	**2,825**	3,257
Input VAT	**626**	583
Office supplies	**2,271**	1,740
Others	**70,208**	60,375
	₱202,429	₱175,948

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

Restricted funds significantly pertain to funds invested in money market placements exclusively for use in CWTS, NSTP, for financing of scholars of certain private entities and for the purpose of undertaking socio-economic studies, and development projects.

Others relate to rent deposits and other supplies. This also includes receivables for payments made in 2019 on certain claims that are under protest (Note 26).

10. Property and Equipment

The rollforward analysis of this account follows:

	March 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	**24,344**	**44,423**	**4,923**	**49,384**	**123,074**
Reclassifications and adjustments	**(13,031)**	**(39,724)**	**–**	**–**	**(52,755)**
Balance at end of year	**4,846,367**	**2,240,427**	**54,475**	**1,070,304**	**8,211,573**
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)	**43,038**	**50,136**	**2,051**	**–**	**95,225**
Reclassifications and adjustments	**1**	**(35,513)**	**(156)**	**–**	**(35,668)**
Balance at end of year	**1,405,636**	**1,680,510**	**31,188**	**–**	**3,117,334**
Net book value	**3,440,731**	**559,916**	**23,288**	**1,070,304**	**5,094,239**
Land at revalued amounts (Note 11)	**–**	**–**	**–**	**–**	**7,565,856**
Total	**₱3,440,731**	**₱559,916**	**₱23,288**	**₱1,070,304**	**₱12,660,095**

	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 through 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 through 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	**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 mainly includes the general cost of construction of MESI's school building in the newly acquired land in Makati City from HI and other direct costs.

Interest expense on short-term loans obtained to finance the construction, which was included as part of the construction in progress amounted to ₱19.39 million and ₱63.29 million as of March 2020 and December 2019, respectively (Note 16).

11. Land at Revalued Amounts

This account consists of:

	Unaudited March 2020	Audited December 2019
Land at cost:		
Balance at beginning of year	**₱5,100,905**	₱3,062,821
Additions through business combination	**–**	2,038,085
Capitalizable costs	**5,001**	–
Balance at end of year	**5,105,906**	5,100,905
Revaluation increment on land:		
Balance at beginning of year	**2,459,949**	2,458,187
Change in revaluation increment	**–**	1,762
Balance at end of year	**2,459,949**	2,459,949
	₱7,565,856	₱7,560,855

Land at revalued amounts consists of owner-occupied property wherein the school buildings and other facilities are located. Capitalizable costs include taxes paid for purchase of land.

Land were appraised by independent firms of appraisers to determine the revalued amounts as at December 31, 2019 and 2018, 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 (Weighted Average)	
			2019	2018
Makati and Intramuros, Manila	Market Approach	Price per square meter	**₱40,500 to ₱273,125**	₱42,025 to ₱227,500
Cabuyao, Laguna	Market Approach	Price per square meter	**₱8,016 to ₱14,963**	₱8,289 to ₱31,350
Davao City, Davao Del Sur	Market Approach	Price per square meter	**₱12,339 to 39,738**	₱13,968 to ₱40,000
Pandacan, Metro Manila	Market Approach	Price per square meter	**₱51,300 to ₱76,950**	₱56,525 to ₱68,400
San Jose Del Monte City, Bulacan	Market Approach	Price per square meter	**₱47,025 to 58,500**	n/a
Naga City, Camarines Sur	Market Approach	Price per square meter	**₱2,748 to ₱6,804**	n/a
Quiapo, Manila	Market Approach	Price per square meter	**₱72,896 to 113,797**	n/a

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 -30% to +35% in 2019 and from -20% to +20% in 2018.

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 which was charged to profit or loss [presented under ‘Other income (charges) – net] as there was no previous revaluation increment recognized on said land.

12. Goodwill

The goodwill recognized in the consolidated statement of financial position amounting to ₱151.3 million as at March 31, 2020 and December 31, 2019 and 2018 pertains to the excess of the acquisition cost over the fair values of the net assets of MESI acquired by iPeople in 1999 and the additional goodwill in 2019 amounting ₱13.5 million for the excess of acquisition cost over the fair values of the net assets of the subsidiaries acquired in May 2, 2019 (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 ₱13.47 million goodwill as the Group assessed it as not material to the consolidated financial statements and valuation was made in May 2019. In 2019, 2018 and 2017, management assessed that no impairment loss should be recognized.

Key assumptions used in the value in use (VIU) calculation
As at December 31, 2019 and 2018, 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 (2020-2024) and considers the impact of the K to 12 Basic Education Program on MESI's financial performance effective 2016.
- Long-term growth rates (3.73% for 2019 and 3.67% for 2018). The Long-term growth rate is the expected growth rate in the education industry sector.
- Discount rate (8.3% for 2019 and 10.10% for 2018). 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 2020	Audited December 2019
Input VAT	**₱39,273**	₱41,322
Miscellaneous deposits	**28,557**	27,489
Creditable withholding tax	**23,638**	23,789
Computer software	**10,337**	9,341
Books and periodicals	**8,992**	8,340
	₱110,797	₱110,281

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

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

	Unaudited March 2020	Audited December 2019
Cost		
Balance at the beginning of the year	**₱42,185**	₱37,148
Additions through business combination	–	3,269
Additions	**1,676**	1,767
Balance at the end of the year	**43,861**	42,185
Accumulated Amortization		
Balance at the beginning of the year	**32,843**	31,326
Amortization (Notes 20 and 21)	**634**	1,518
Reclassifications and adjustments	**47**	–
Balance at the end of the year	**33,524**	32,844
Net Book Value	**₱10,337**	₱9,341

14. Accounts Payable and Accrued Expenses

This account consists of:

	Unaudited March 2020	Audited December 2019
Accounts payable	**₱600,118**	₱619,117
Accrued expenses	**408,745**	387,232
Funds payable	**138,661**	90,733
Other payables	**107,354**	104,678
	₱1,254,878	₱1,201,760

Accounts payable pertains to the Group's obligation to local suppliers. This also includes the earnest money received from HI for the latter's exclusive interest to purchase shares of stock of a subsidiary of the Parent Company (see Note 15). Accounts payable also includes payables to students which are considered contract liabilities as disclosed under Unearned Income below.

Accrued expenses consist of:

	Unaudited March 2020	Audited December 2019
Provisions (Note 26)	**₱154,307**	₱154,307
Payable to suppliers	**95,441**	114,808
Accrued salaries and wages	**51,151**	30,423
Accrued professional fees	**25,244**	15,210
Withholding taxes and others	**18,362**	15,517
Contracted services	**8,728**	5,440
SSS and other contributions	**8,560**	7,661
Accrued interest	**7,434**	5,037
Accrued utilities	**6,130**	8,453
Insurance	**5,781**	4,393
Accrued communication expense	**4,985**	3,522
Output VAT payable	**2,658**	4,371
Others	**19,964**	18,090
	₱408,745	₱387,232

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.

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 mainly includes unearned tuition fees amounting to ₱479.54 million and ₱780.71 million as at March 31, 2020 and December 31, 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. Payables to students are advance collections from students to be applied to the next school year or school term.

As at March 31, 2020 and December 31, 2019, contract liabilities amounted to ₱495.33 million and ₱790.54 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				
a) Payable to Parent Company (HI)				
	2020	**₱–**	**(₱6,275)**	**Noninterest-bearing; unsecured; due and demandable**
	2019	–	(6,754)	
Management fee and other professional fees (Notes 20 and 21)	**2020**	**18,071**	**–**	
	2019	69,539	–	
b) Receivable from Parent Company				
	2020	**–**	**206**	**Noninterest-bearing; unsecured; due and demandable; no impairment**
	2019	–	173	
Entities under common control of HI				
c) Receivables from related parties				
	2020	**–**	**729**	**Noninterest-bearing; unsecured; due and demandable; noimpairment**
	2019	–	412	
Rental income				
	2020	**(467)**	**–**	
	2019	(2,447)	–	
d) Payables to related parties				
	2020	**–**	**(7,690)**	**Noninterest-bearing; unsecured; due and demandable**
	2019	–	(8,657)	
Contracted services (Notes 20 and 21)				
	2020	**15,997**	**–**	
	2019	61,556	–	
e) Accounts payable (Notes 10 and 14)	**2020**	**13,564**	–	Noninterest-bearing; unsecured; payable on demand
	2019	(12,002)	(13,811)	

Entities under common control of PMMIC				
Cash and cash equivalents (Note 7)	**2020**	**–**	**675,921**	**Interest at prevailing deposit and short-term rates; unsecured; no impairment**
	2019	–	729,536	
Interest income (Note 22)	**2020**	**3,476**	**–**	
	2019	22,630	–	
f) Receivables from related parties	**2020**	**–**	**18**	**Noninterest-bearing; unsecured; due and demandable; no impairment**
	2019	–	18	
g) Insurance expense	**2020**	**2,974**	**–**	
	2019	12,577	–	
h) Accounts payable (Note 14)	**2020**	**–**	**250**	**Noninterest-bearing; unsecured;**
	2019	250	250	
i) Financial asset at FVPL	**2020**	**–**	**9,421**	**Carried at fair value; No impairment**
	2019	–	9,350	
j) Restricted funds (Note 9)	**2020**	**–**	**21,155**	**Interest at prevailing deposit and short-term rates; unsecured; no impairment**
	2019	–	21,030	

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

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

h) *Accounts Payable to HI*
This pertains to the earnest money received from HI for the latter's exclusive interest to purchase shares of stock of a subsidiary of the Parent Company (see Note 14).

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) *Restricted funds*
As disclosed in Note 9, restricted funds pertain to funds invested in money market placements maintained with an affiliated bank.

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-availements/renewal/ 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 2019 and 2018 amounting to ₱15 million and ₱110 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 ₱308.80 million and ₱1,540 million as at December 31, 2019 and 2018, respectively.

- In 2018, the Group, through MESI, obtained unsecured peso-denominated short-term loans with BPI amounting to ₱900.00 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 2019, MESI obtained unsecured peso-denominated short-term loans with Robinsons Bank amounting to ₱1,090.00 million with annual interest rate of 5.30% to finance the construction of the new school building (Note 10).

  Outstanding balance of short-term loans obtained by MESI amounted to ₱1,090 million and ₱ 700 million as at December 31, 2019 and 2018, respectively.

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

  The Group made partial payments in 2020 and 2019 amounting to ₱1 million and ₱2,278 million, respectively. Total STL drawdowns in 2020 and 2019 amounted to ₱20 million and ₱ 1,367 million, respectively.

  Interest expense charged to operations in 2020, 2019 and 2018 amounted to ₱5.9 million, ₱ 20.08 million and nil, respectively (Note 22).

  Interest expense that was capitalized as part of construction of MESI's building as at March 31, 2020 and December 31, 2019 amounted to ₱14.91 million and ₱63.29 million, respectively (Note 10).

17. **Long-term Debt**

This account consists of the following as of December 31, 2019:

Unsecured bank loans	₱380,000
Secured bank loans	1,490,496
	₱1,870,496

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 (see Note 10). The principal payments will be made in 28 quarterly payments starting May 2022. As of December 31, 2019, 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, 2019, NTC has complied with its covenant obligations, including maintaining the required debt-to-equity ratio. Interest expense recognized in profit or loss as of March 31, 2020 and December 31, 2019 amounted to ₱5.81 million and ₱8.46 million, respectively. Interest capitalized as part of building and improvements as of March 31, 2020 and December 31, 2019 amounted to ₱7.11 million and ₱7.11 million, respectively (Note 10).

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 (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 ₱11.25 million which was being amortized over the loan term of 10 years using the effective interest method. The amortized debt issue cost amounted to ₱0.59 million and ₱1.15 million was recorded as part of interest expense as of March 31, 2020 and December 31, 2019.

Interest expense, including amortization of debt issue cost, amounted to ₱18.75 million as of March 31, 2020 and nil in March 31, 2019 (Note 22).

Outstanding balance of secured long-term loans as of March 31, 2020 as follow:

	Amount
Principal	₱1,500,000
Unamortized debt issue cost	(9,504)
Secured bank loans	₱1,490,496

18. Equity

Capital Stock

Capital stock consists of 2,000,000,000 authorized with 1,044,263,197 and 748,933,221 issued common shares as of December 31, 2019 and 2018, respectively, 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, 2020 and December 31, 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 of March 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	–	(2)
March 31, 2020	1,044,262,925	2,015

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, 2020 and December 31, 2019 amounted to ₱986.75 million and ₱ 1,057.75 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 ₱5,609.56 million and ₱5,428.64 million as of March 31, 2020 and December 31, 2019, 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:

	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	₱179,743

Treasury Stock

As of March 31, 2020 and December 31, 2019, 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.

As at March 31, 2020 and December 31, 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)	**₱6,410,378**	₱6,540,274
Equity (b)	**9,594,783**	9,509,680
Debt-to-equity ratio (a/b)	**0.67:1.00**	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	**₱968,081**	₱541,282	₱465,704
Less: Scholarship grants and discounts	**32,561**	31,650	22,155
	935,521	509,632	443,549
Other student-related income:			
Bookstore sales	**4,924**	6,461	8,430
Seminar fee income	**2,685**	3,077	1,821
Miscellaneous	**14,220**	19,534	16,397
	₱957,350	₱538,703	₱470,197

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.

20. Cost of Tuition and Other Fees and Cost of Goods Sold

Cost of tuition and other fees account consists of:

	2020	2019	2018
Personnel expenses	**₱291,266**	₱158,490	₱148,429
Depreciation and amortization (Notes 10 and 13)	**92,852**	50,478	49,436
Management and other professional fees (Note 15)	**47,842**	30,476	27,141
Student-related expenses	**35,781**	23,149	22,980
Utilities	**28,403**	21,671	19,143
Periodicals and subscriptions	**17,455**	5,856	4,169
IT expense - software license	**12,267**	9,839	7,964
Tools and library books (Note 10)	**10,825**	9,196	7,049
Repairs and maintenance	**7,131**	4,116	3,695
Taxes and licenses	**5,804**	774	493
Office supplies	**3,121**	1,880	1,764
Accreditation cost	**3,037**	1,327	2,397
Laboratory supplies	**3,021**	862	616
Research and development fund	**2,561**	4,449	1,450
Insurance	**2,262**	2,065	1,291
Advertising	**2,112**	3,579	1,709
Seminar	**1,605**	2,010	2,137
Transportation and travel	**570**	336	203
Entertainment, amusement and recreation	**481**	320	139
Rent	**(159)**	55	39
Miscellaneous	**10,685**	398	409
	₱578,924	₱331,326	₱302,654

a. Details of depreciation and amortization follows:

	2020	2019	2018
Depreciation (Note 10)	**₱93,058**	₱61,663	₱53,472
Depreciation - ROU assets (Note 26)	**17,247**	–	–
Amortization - Student relationship (Note 6)	**7,745**	–	–
Amortization (Note 13)	**634**	132	86
	₱118,684	₱61,795	₱53,558

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

	2020	2019	2018
Cost of schools and related operations	**₱76,480**	₱50,478	₱49,436
Cost of schools and related operations – ROU assets (Note 26)	**17,247**	–	–
General and administrative expenses (Note 21)	**24,957**	11,317	4,122
	₱118,684	₱61,795	₱53,558

21. General and Administrative Expenses

This account consists of:

	2020	2019	2018
Management and other professional fees (Note 14)	**₱35,531**	₱27,927	₱21,126
Personnel expenses	**49,967**	15,888	14,358
Depreciation and amortization (Note 18)	**25,832**	11,317	4,122
Provision for impairment of receivables	**12,661**	–	–
Taxes and licenses	**8,887**	4,045	3,878
Advertising	**7,092**	1,724	5,324
Utilities	**5,558**	1,644	1,223
Repairs and maintenance	**4,137**	1,710	554
Insurance	**1,438**	1,216	306
Rent (Note 24)	**1,396**	152	142
Transportation and travel	**1,144**	656	1,262
Entertainment, amusement, and recreation	**893**	531	386
Office supplies	**877**	594	505
IT expense - software license	**836**	1,786	79
Seminar	**801**	3,241	173
Commission	**313**	213	151
Investor relations	**222**	355	444
Donations	**30**	–	50
Accreditation cost	–	–	10
Miscellaneous	**4,225**	1,026	1,053
	₱161,840	₱74,025	₱55,146

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:

	2020	2019	2018
Cash in banks and cash equivalents (Note 7)	**₱3,476**	₱6,154	₱2,061
Advances to officers and employees (Note 8)	**40**	27	385
	₱3,516	₱6,181	₱2,446

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

	2020	2019	2018
Bank charges	**₱1,829**	₱1,170	₱735
Short-term loan (Note 16)	**5,951**	20,081	–
Long-term loan	**24,552**	–	–
	₱32,333	₱21,251	₱735

23. 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)	**₱158,351**	₱96,493	₱98,620
Weighted average number of outstanding shares - net of treasury shares (b)	**1,044,263**	748,933	748,933
Earnings per share (a/b)	**₱0.1516**	₱0.1288	₱0.1317

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

24. **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	**₱957**	₱539	₱487	**₱–**	₱–	₱1	**₱–**	₱–	₱–	**₱957**	₱539	₱488
Total Revenues	**₱957**	₱539	₱487	**₱–**	₱–	₱1	**₱–**	₱–	₱–	**₱957**	₱539	₱488
Net Income attributable to Parent Company	**₱162**	₱104	₱108	**₱2**	₱1	(₱2)	**(₱10)**	(₱9)	(₱8)	**₱158**	₱96	₱99
Other Information												
Segment assets	**₱18,324**	₱11,178	₱9,353	**₱5,544**	₱1,927	₱1,953	**(₱7,635)**	(₱2,869)	(₱3,253)	**₱16,232**	₱10,236	₱8,053
Segment liabilities	**6,387**	3,931	2,534	**211**	88	106	**(187)**	(258)	(668)	**6,410**	3,761	1,972
Deferred tax assets	**20**	6	6	**0**	0	0	**2**	–	–	**22**	6	6
Deferred tax liabilities	**584**	208	175	**–**	–	–	**74**	–	–	**658**	208	175
Interest expense	**32**	21	1	**0**	0	0	**0**	0	0	**32**	21	1
Provision for income tax	**26**	16	13	**0**	0	0	**(1)**	–	–	**25**	16	13
Depreciation and amortization	**111**	62	53	**0**	0	0	**8**	–	–	**119**	62	54

25. 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	Non-controlling interest	Cash Flows	2020
Short-term loan	₱1,398,800	₱–	₱–	₱19,000	₱1,417,800
Long-term debt	1,869,903			593	1,870,496
Dividends payable	565	73,248	–	–	73,813
Payable to related parties	15,411	–	–	1,443	16,854
	₱3,284,679	₱73,248	₱–	₱21,036	₱3,378,963

- Noncash investing activities as of March 2020, December 2019 and 2018 pertain to liability for construction in progress amounting to nil, ₱1.76 million, and ₱389.89 million, respectively.

26. 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	**₱791**	₱791
More than one year but not more than five years	**4,036**	4,036
Later than five years	**1,273**	1,273
	₱6,100	₱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. For those leases subjected to PFRS 16, the IBR used in the computation of lease liabilities ranges from 7.25% to 9.0% in 2019.

The rollforward analysis of net book value of right-of-use assets from APEC, where its school and office buildings are being rented, follows:

	March 2020	December 2019
Net book value at business combination (Note 6)	₱387,981	₱363,029
Additions	–	72,186
Amortization (Note 20a)	(17,246)	(47,234)
	₱370,735	₱387,981

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

Depreciation expense of right-of-use assets	₱874
Interest expense on lease liabilities	16,372
Total amount recognized in profit or loss	₱17,246

The rollforward analysis of lease liabilities from APEC follows:

	March 2020	December 2019
Lease liabilities at business combination (Note 6)	₱419,340	₱374,622
Additions	–	71,066
Interest expense (Note 22)	8,678	22,752
Payments	(19,141)	(49,100)
	₱408,876	₱419,340

The balance of lease liabilities as of March 31, 2020 follows:

Lease liabilities – current	₱35,751
Lease liabilities – noncurrent	373,125
	₱408,876

Shown below is the maturity analysis of the undiscounted lease payments as of March 31, 2020:

Within one year	₱75,365
More than one year but less than five years	348,644
Five years and more	126,857
	₱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.

  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.

- Prior to 2018, the Group's provisions include the Group's recognized payable associated with the Faculty Associations of Mapua Institute of Technology (FAMIT) reranking case. This case involves the faculty ranking and evaluation instrument that was part of the 2001 Collective Bargaining Agreement negotiations with the FAMIT. The Supreme Court reversed an earlier Court of Appeals decision in favor of management. An entry of judgment dated March 13, 2008 was made in the Supreme Court Book of Entries of Judgments, making the decision final and executory. A Memorandum of Agreement was entered into by management with FAMIT before the Voluntary Arbitrators wherein the parties agreed to continue the process of faculty ranking. The evaluation process was completed in December 2008.

  On January 22, 2009, MESI and FAMIT entered into a Compromise Agreement regarding the payment of the amounts due to the permanent faculty members of MESI in relation to the faculty reranking case. As at December 31, 2018, total accumulated payments to faculty members amounted to ₱230.78 million. Management assessed that the liability already prescribed after applying the 10-year prescription period which ended in March 2018.

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

SUPPLEMENTARY SCHEDULES

Schedule	Content
I	Supplementary Information and Disclosures Required on Securities Regulation Code (SRC) Rule 68 and 68.1, As Amended
II	Schedule of All Effective Standards and Interpretations under Philippine Financial Reporting Standards
III	Reconciliation of Retained Earnings Available for Dividend Declaration

SCHEDULE I

iPeople, inc. and Subsidiaries

Supplementary Information and Disclosures Required on Securities Regulation Code (SRC) Rule 68 and 68.1, As Amended
March 31, 2020

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule (SRC) Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by amended SRC Rule No. 68 and 68.1 that are relevant to the Group. 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, 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 March 31, 2020:

Name	As of December 31, 2019	Additions	Liquidations/ Collections	As of March 31, 2020
Agapito, Benigno Jr.	375,142	₱–	31,792	343,350
Agbulos, Erlin C.	134,084	–	22,343	111,741
Arenillo, Denise Jordan	322,158	–	24,574	297,584
Austria, Maria Rhodora	212,217	–	18,725	193,492
Balan, Ariel Kelly		394,000	70,342	323,658
Ballado, Alejandro Jr.		394,000	83,250	310,750
Camacho, Margarita	240,657	–	26,238	214,419
Caparanga, Alvin	253,500	–	32,500	221,000
Gan, Maria Eloisa	498,103	–	26,684	471,419
Kikuchi, Khristian	223,354	–	18,875	204,479
Lanuza, Dionisia	185,500	–	26,500	159,000
Lopez, Jonathan M.	352,194	–	17,932	334,262
Lozada, Katrina	128,764	–	-	128,764
Macayan, Jonathan	315,200	–	32,833	282,367
Manuel, Mark Christian	341,467	–	32,833	308,634
Manzano, Catherine	110,000	–	-	110,000
Mesina, James Ronald	354,500	–	34,417	320,083
Papas, Aileen Kate A.	455,690	–	23,171	432,519
Quisaot, Concordio	348,033	–	32,833	315,200
Ravanera, Tomas Carlos	220,208	–	-	220,208
Robielos, Rex Aurelius	237,183	–	31,208	205,975
Rodriguez, Annele	602,500	–	-	602,500
Sabino, Lilibeth	173,133	–	30,917	142,216
Salvacion, Jonathan	150,878	–	30,792	120,086
Songsong, Maribel	124,000	–	18,600	105,400

Teodoro, Gloria	266,500	–	32,500	234,000
UNKNOWN - 5	147,280	–	–	147,280
Uy, Francis Aldrine	300,678	–	33,042	267,636
Villa, Robert Joseph		398,720	3,750	394,970
Yap, Maria Elizabeth	529,895	–	31,208	498,687
Tiongco, Danilo R.	231,722	–	23,172	208,550
	₱7,834,540	₱1,186,720	₱791,031	₱8,230,229

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, 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	4,748,598	(9,567,065)	4,748,598
Malayan Colleges Laguna, Inc.	2,348,575	3,138,173	(4,556,042)	930,705
University of Nueva Caceres	428,253	660,314	(901,542)	661,331

Schedule D. Intangible Assets

As at March 31, 2020, the Group's intangible assets consist of goodwill and computer software. Goodwill in the Group's consolidated statements of financial position arose from the acquisition of MESI. Details of the Group's intangible assets are as follows:

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Ending balance
Goodwill	₱151,325,605	₱–	₱–	₱151,325,605
Student Relationship	101,135,343	–	(5,577,621)	95,557,721
Intellectual property rights	523,103,000	–	–	523,103,000
Computer software	9,341,253	1,676,144	(680,335)	10,337,062
	₱784,905,201	₱1,676,144	(₱6,257,956)	₱780,323,389

Schedule E. Long term debt

As of March 31, 2020, the Group has outstanding long-term debts as follow (in thousands):

This account consists of:

	March 2020	December 2019
Loans payable (Note 17)		
Unsecured bank loans	**₱380,000**	₱380,000
Secured bank loans	**1,490,496**	1,489,903
	₱1,870,496	₱1,869,903

Unsecured
On February 7, 2019, the NTCl availed of a ten (10)-year unsecured term loan from a local bank for the financing of its building refurbishment and/or expansion. Pursuant to the loan agreement, the local bank agreed to provide loans to the School for up to 650.00 million, the principal payments of which will be made in 28 quarterly payments starting May 2022. Total amount of drawdowns made in the first, second and third quarter of the year amounted to ₱100 million, ₱200 million and ₱80 million, respectively, subject to variable interest rates.

Secured
On August 23, 2018, MCM entered into ten year secured term loan agreement with LBP for ₱1,500.00 million to refinance the construction of Company's school buildings and facilities. The Company 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 loan is 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. The Company shall repay the loan in 20 equal quarterly installments to start at the end of 21st quarter from the initial drawdown date.

The loan is subject to certain covenants including debt service ratio and debt to equity ratio starting on the third year of the loan reckoned from initial drawdown date.

The Company incurred debt issue cost amounting to ₱11.25 million which was being amortized over the loan term of 10 years using effective interest method.

Interest expense, including amortization of debt issue cost, amounted to ₱18.75 million as of March 31, 2020. The amortization of debt issue cost charged to "interest expense" account amounted to ₱ 0.59 million.

Outstanding balance of secured long-term loans as of March 31, 2020 as follow:

	Amount
Principal	₱1,500,000
Unamortized debt issue cost	(9,504)
Secured bank loans	₱1,490,496

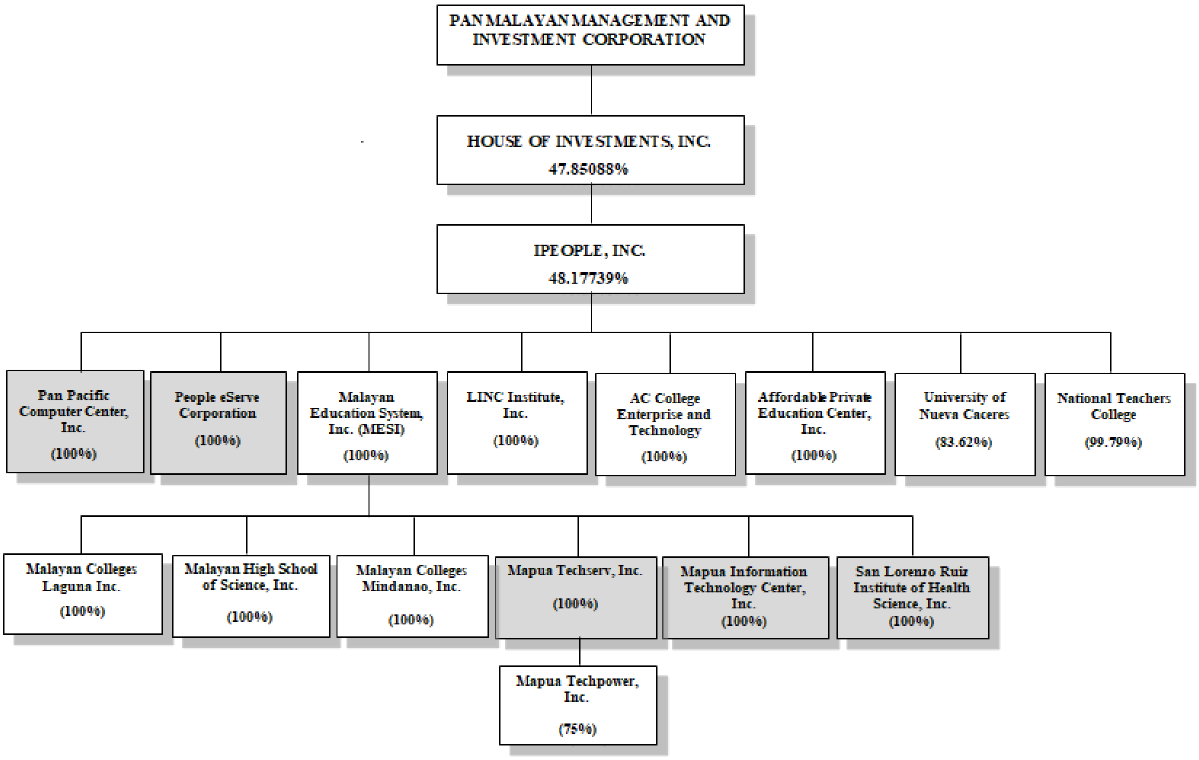
Schedule F. Indebtedness to Related Parties (Long Term Loans from Related Companies)
Please refer to Schedule E for the details of indebtedness to related parties.

Schedule G. Guarantees of Securities of Other Issuers
As at March 31, 2020, the Group does not guarantee any securities.

Schedule H. 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	144,775	158,664,469

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, 2020:



SCHEDULE II

iPeople, inc. and Subsidiaries

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of March 31, 2020:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2020		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2020		Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property			✓
	Amendments to PAS 40, Transfers of Investment Property			✓
PAS 41	Agriculture			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2020		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease			✓
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment	✓		
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners	✓		
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments	✓		
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine	Levies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2020		Adopted	Not Adopted	Not Applicable
Interpretation IFRIC-21				
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

Standards tagged as “Not applicable” have been adopted by the Group but have no significant covered transactions.

Standards tagged as “Not adopted” are standards issued but not yet effective as of March 31, 2020. The Group will adopt the Standards and Interpretations when these become effective.

SCHEDULE III

iPeople, inc. and Subsidiaries

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
MARCH 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 during the period closed to retained earnings	₱2,241	
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		2,241
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	(0.209)	
		(73,248)
Total Retained Earnings, end, Available for Dividend		₱986,746

iPeople, inc. and Subsidiaries
Aging of Accounts Receivable
For the quarter ended March 31, 2020

	No. of days due			
	0-30	**31-60**	**Over 61 days**	**Total**
Education	**₱ 598,489,666**	**₱ 50,172,927**	**₱ 135,227,081**	**₱ 783,889,675**
Parent and others	**18,053,743**	**184,273,710**	**61,556,824**	**263,884,277**
Total	**616,543,409**	**234,446,637**	**196,783,906**	**1,047,773,952**
Less: Allowance for doubtful accounts	**(4,620,088)**	**(13,111,793)**	**(129,773,733)**	**(147,505,614)**
	₱ 611,923,321	**₱ 221,334,844**	**₱ 67,010,172**	**₱ 900,268,337**

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 __________________, 2020.

IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this _____ day of June, 2020 at Makati City.

JUN 1 8 2020

By:

Reynaldo B. Vea
President

Gema O. Cheng
EVP and CFO

Jonathan M. Lopez
Controller

Atty. Samuel V. Torres
Corporate Secretary

JUN 1 8 2020 MAKATI CITY

SUBSCRIBED AND SWORN to before me this ____day of _____ 2020, at ________________. 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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Page No. 89;
Book No. 8;
Series of 2020

RUBEN P. M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2021
IBP NO. 093489 / 10-18-19 CY 2020
ROLL NO. 28947/ MCLE 6 / 3-22-19
PTR NO. MKT. 8117044/ 1-2-20 APPT NO. M-169