

# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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### COMPANY NAME

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

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Form Type

1	7	-	Q
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Department requiring the report

S	E	C	
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Secondary License Type, If Applicable

N	/	A	
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### COMPANY INFORMATION

Company's Email Address

**vicrafael@ipeople.com.ph**

Company's Telephone Number

**8253-3637**

Mobile Number

**09985843110**

No. of Stockholders

**2,010**

Annual Meeting (Month / Day)

**August**

Fiscal Year (Month / Day)

**March 31**

### CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

**Victor V. Rafael**

Email Address

[vicrafael@ipeople.com.ph](mailto:vicrafael@ipeople.com.ph)

Telephone Number/s

**8253-3637**

Mobile Number

**099858431110**

### CONTACT PERSON'S ADDRESS

**2nd Floor, Mapua Building, 333 Sen. Gil J. Puyat Avenue, Makati City**

**NOTE 1 :** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2 :** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17 – Q**

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION  
CODE  
AND SRC RULE 17(2)-(B) THEREUNDER

1. For the quarterly period ended March 31, 2021
2. SEC Identification Number 166411
3. BIR Tax Identification No. 000-187-926-000
4. Exact name of registrant as specified in its charter: iPeople, inc.
5. Makati City, Philippines  
Province, Country or other jurisdiction of incorporation or organization
6. Industry Classification Code: / / (SEC Use Only)
7. 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City 1200  
Address of issuer's principal office Postal Code
8. +63 (2) 8253-3637  
Issuer's telephone number, including area code
9. Securities registered pursuant to Sections 8 and 12 of the Code, or Section 4 and 8

Number of Shares of Common Stock

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

Amount of debt as of March 31, 2021 No debt registered pursuant to Section 4 and 8 of the RSA

10. Are any or all of these securities listed on the Stock Exchange.

Yes (X) No ( )

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange / Common Shares

11. Check whether the registrant:

- (a) has filled all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder of Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):

Yes (X) No ( )

- (b) has been subject to such filing requirements for the past 90 days.

Yes (X) No ( )

## TABLE OF CONTENTS

	Page No.
<b>PART 1 – FINANCIAL STATEMENTS</b>	
Item 1. Financial Statements <ul style="list-style-type: none"> <li>• Consolidated Statements of Financial Position as of March 31, 2021 (unaudited) and December 31, 2020 (audited)</li> <li>• Unaudited Consolidated Statements of Comprehensive Income for the Quarters Ended March 31, 2021, 2020 and 2019</li> <li>• Unaudited Consolidated Statements of Changes in Equity for Quarters Ended March 31, 2021, 2020 and 2019</li> <li>• Unaudited Consolidated Statements of Cash Flows for the Quarters Ended March 31, 2021, 2020 and 2019</li> <li>• Notes to Consolidated Financial Statements</li> </ul>	Exhibit 1  (Pages 12-69)
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	1-6
<b>PART II – OTHER INFORMATION</b>	
Item 3. Q1 2021 Developments	7
Item 4. Other Notes to Financial Statements	7-11
Signature	70

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

The interim consolidated financial statements of iPeople, Inc. and Subsidiaries as of March 31, 2021 with comparative figures for the periods ended March 31, 2020, March 31, 2019 and December 31, 2020 and Schedule of Aging of Accounts Receivable are incorporated by reference as **Exhibit 1**.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

*(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.*

Are there any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.	None
Does the registrant currently has, or anticipates having within the next twelve (12) months, any cash flow or liquidity problems?	No
Is the registrant in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments?	No
Has there been a significant amount of the registrant's trade payables have not been paid within the stated trade terms?	None
Describe internal and external sources of liquidity, and briefly discuss any sources of liquid assets used.	Sources of cash flow are from dividends.

*(ii) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;*

None

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

None

*(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described;*

There is no material commitment on capital expenditures other than those performed in ordinary course of trade of business.

*(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described. If the registrant knows of events that will cause material change in the relationship between costs and revenues (such as known future increases in cost of labor or*

*materials or price increases or inventory adjustments), the change in the relationship shall be disclosed.*

For iPeople, inc., the merger by and between the Company and of AC Education, Inc. (AEI) became effective on May 02, 2019. The merger will enable accelerated growth and provide stronger academic offerings and career prospects for the students of the Group. The merger will also unlock synergies between iPeople and AEI to be able to deliver quality education, aimed not only at educating the Filipino youth but also at preparing their graduates to become major players in sustainable businesses driven by adaptive technology.

The entry of freshmen college students into the education system was tempered by the introduction of the Universal Access to Tertiary Education Act (RA10931), which had its first-time implementation in AY 2018-19. This resulted to notable decline in college freshman intake in private schools, which can generally be attributed to incoming freshmen applying at State Universities and Colleges (SUCs) / Local Universities and Colleges (LUCs) to avail of the free education under RA10931.

The continuing suspension of face-to-face classes that started in March 2020 covered all of the schools under the IPO Group. Disruptions to the operations of iPeople and its schools during and beyond the quarantine period will be mitigated with the utilization of alternatives means to continue the students' academic work, including adoption of on-line classes, coursework online, and independent projectized learning. Measures are also in place to address the risk to the health and safety of our employees, teachers, and communities.

The health, social and economic effects COVID-19 will have material impact on the 2021 consolidated financial results and even periods thereafter. Considering the evolving nature of this pandemic, the Group is evaluating in a continuing process the impact to its financial position, performance and cash flows. However, the Group at this time cannot yet determine with certainty the impact to its financial position. The Group will continue to monitor the situation.

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act. One provision of the Act stated that beginning July 1, 2020 until June 30, 2023, proprietary educational institutions and hospitals which are nonprofit shall be imposed a tax rate of 1%. Because of the enactment of the CREATE Act, income tax rate of schools was reduced from 10% to 1% from July 1, 2020 to June 30, 2023.

Other than matters discussed above, there is no known trend, event or uncertainty that have had or that are reasonably expected to have a material impact on the net sales or revenues or income of the Group from continuing operations.

*(vi) Any significant elements of income or loss that did not arise from the registrant's continuing operations;*

None

*(vii) The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item; The term "material" in this section shall refer to changes or items amounting to five percent (5%) of the relevant accounts or such lower amount, which the registrant deems material on the basis of other factors.*

### **Income Statement Variance**

Compared to last year, consolidated revenues in 2021 was significantly affected by the delay in the start of school term, tuition fee rebates given to students due to suspension of face-to-face classes and the economic impact of the pandemic that affected the capability of some students to enrol in private schools and universities. Expenses on the other hand are generally lower due to the suspension of face-to-face classes and lower enrolment.

The Group produced a higher consolidated net income of ₱171.1 million this year versus net income of ₱162.5 million in the same period last year. The higher net income in 2021 is mainly attributed to better results of operations of MESI, lower net loss of MCM and lower income taxes due to the approval of the CREATE Bill. MCM incurred lower net loss mainly due to significant increase in enrolment. The result of future operations of MCM is expected to continue improve as it accepts more students in its succeeding years of operation.

Revenue from school operations, which is the primary source of revenue of the Group went down by 16% to ₱803.0 million from ₱957.3 million last year. The decrease in revenue was primarily due to lower enrolment, delay in the start of school term, and discounts given to students due to suspension of face-to-face classes.

Cost of tuition and other fees went down by 23% or ₱132.6 million, while general and administrative expenses decreased by 2% or ₱3.7 million lower from same period last year. The lower expenses in 2021 was primarily due to suspension of face-to-face classes as mandated by the government.

Interest income is lower by ₱1.6 million from last year because of lower interest rates.

Interest expense and other finance charges decreased from ₱32.3 million last year to ₱29.0 million this year due to payment of loans.

Provision for income taxes are lower in 2021 because of the approval of Republic Act 11534 which reduced income tax rate of educational institutions from 10% to 1% from July 1, 2020 to June 30, 2023.

Other income (loss) pertains to rental income and foreign exchange gain.

### **Balance Sheet Variances**

Total consolidated assets stood at ₱15.67 billion as of March 31, 2021 compared to ₱15.71 billion as of December 31, 2020. The slight drop in total assets is due to depreciation of property and equipment and amortization of intangible assets.

Consolidated current assets slightly increased to ₱2.69 billion this year from ₱2.66 billion last year primarily due to the increase in receivables and prepaid expenses and other current assets.

Receivables pertain mainly to matriculation and miscellaneous fees due from students. There was no significant movement in the balance of receivables.

Consolidated non-current assets were lower by ₱72 million or 0.6% lower mainly due to depreciation of property and equipment and amortization of intangible assets.

Total consolidated liabilities were lower by 4%, primarily because of the payment of short-term loans.

Accounts payable and accrued expense went up by 9% because of accrual of salaries and wages and interest on loans and increase in funds payable.

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

Income tax payable in December 2020 was settled in April 2021. Tax liability for the quarter ending March 2021 is payable in May 2021.

Unearned income is lower this year, from ₱680.6 million in December 2020 to ₱642.8 million as of March 2021 due to revenue recognized during the period.

Total consolidated equity increased from ₱10.49 billion in December 2020 to ₱10.66 billion this year mainly due to the net income during the period. Equity attributable to Parent is at ₱10.42 billion from ₱10.25 billion in December 2020.

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

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

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

### Financial Soundness Indicator

The company's top 10 key performance indicators as of the period ended March 31, 2021, March 31, 2020 and December 31, 2020 are as follows:

Financial ratios		Unaudited March 2021	Unaudited March 2020	Audited December 2020
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	<b>1.29:1</b>	0.69:1	1.16:1
<i>Indicates the Group's ability to pay short-term obligation</i>				
Acid Test Ratio	$\frac{\text{Current Assets} - \text{Prepaid Expenses}}{\text{Current Liabilities}}$	<b>1.14:1</b>	0.62:1	<b>1.04:1</b>
<i>Indicates the Group's ability to use its quick or near cash assets to pay current liabilities immediately</i>				
Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$	<b>0.06:1</b>	0.04:1	0.14:1
<i>Shows how likely a Group will be to continue meeting its debt obligations</i>				
Debt-to-equity ratio	$\frac{\text{Total Debt}}{\text{Equity}}$	<b>0.48:1</b>	0.67:1	0.51:1
<i>Measures the Group's leverage</i>				
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Equity}}$	<b>1.47:1</b>	1.65:1	1.50:1
<i>Shows how the company's leverage (debt) was used to finance the firm</i>				
Interest Rate Coverage	$\frac{\text{EBIT}}{\text{Interest Expense excluding Interest Expense on Lease Liabilities}}$	<b>6.92:1</b>	6.80:1	3.67:1
<i>Shows how easily a company can pay interest on outstanding debt</i>				
Return on Average Stockholders' Equity	$\frac{\text{Net Income}}{\text{Average Equity}}$	<b>1.67%</b>	1.99%	2.39%
<i>Reflects how much the Group's has earned on the funds invested by the stockholders</i>				
Net Profit Margin	$\frac{\text{Net Income}}{\text{Total Revenues}}$	<b>21.31%</b>	16.97%	8.03%
<i>Reflects how much net income or profit is generated as percentage of revenue</i>				
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$	<b>1.09%</b>	1.00%	1.54%
<i>Measures the ability to utilize the Group's assets to create profits</i>				
Asset Turnover	$\frac{\text{Total Revenues}}{\text{Total Assets}}$	<b>0.05x</b>	0.06x	0.19x
<i>Shows efficiency of asset used in Operations</i>				

Return on Equity	(Net Income/Total Revenues) x	1.60%	1.65%	2.31%
<i>Shows how much the business returns to the stockholders for every peso of equity capital invested</i>	(Total Revenues/Total Assets) x (Total Assets/Total Equity)			

- The current ratio is at 1.29 as of March 2021 compared to 0.69 as of March 2020 due to significant decrease in the short-term loans of the Group.
- Acid test ratio slightly increased from 0.62:1 in 2020 to 1.14:1 in 2021 due to significant decrease in short-term loans of the Group.
- Solvency ratio improved to 0.06 from 0.04 last year.
- Debt-to-equity ratio decreased from 0.67 as of March 2020 to 0.48 as of this period due to lower total liabilities of the Group.
- Asset to equity ratio went down from 1.65 as of March 2020 to 1.47 this period because of the decrease asset because of the sale of land.
- Interest rate coverage ratio increased from 6.80 times as at March 2020 to 6.92 times this period because of lower interest expense incurred by the Group.
- Return on average stockholders' equity decreased to 1.67% year on year, resulting from the higher stockholders' equity.
- Return on asset is at 1.09% against 1.00% as of March 2020, because of the lower total assets.
- Net profit margin increased from 17% last year to 21% as of this period because of lower operating expenses of schools and lower income taxes.
- Asset turnover is .05 times as of this period against .06 times as of March 2020 because of lower revenues of the Group.
- Return on equity decreased from 1.65% to 1.60% as of this period because of increase of equity.

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

## PART II – OTHER INFORMATION

### Item 3: First Quarter 2021 DEVELOPMENTS

Significant developments during the first quarter of 2021 were briefly discussed in Part I Item 2: *Management Discussion and Analysis of Financial Condition and Results of Operations*.

The mitigating measures that were undertaken by the iPeople schools to adopt the pandemic resulted in minimal disruptions to the operations of the schools as well as in the academic outcomes of our students. The general student entry was still able to fulfill their course requirements for the term that has been affected by the sudden declaration a state of public health emergency.

However, with the community quarantine still in effect in most areas during the first quarter of the year, the education sector's regulatory bodies continue to work on a post-lockdown plan for students, parents and educators in coping with the expected prolonged impact of the global pandemic.

The entire education system is facing unprecedented challenges and iPeople schools were swift to work on new approaches to brace for the "new normal", which includes adopting various learning delivery options specifically online learnings, blended learnings, home schooling and other modes of delivery. The iPeople schools will be also be flexible to adopt selective face-to-face classes, with the proper social distancing measures, once deemed safe by the government during the school year.

### Item 4: OTHER NOTES TO FINANCIAL STATEMENTS

#### *FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES*

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

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

#### **Risk Factors at the Holding Company Level**

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

a. Interest Rate Risk

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

b. Foreign Exchange Risk

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

- c. **Liquidity Risk**  
This refers to the ability of the Company to service maturing debts, finance capital requirements, and pay for existing operations. IPO maintains a consistent level of funding and constantly monitors its projected cash flows. Close attention is paid to asset liability management.
- d. **Credit Risk**  
iPeople's exposure to credit risk is very minimal because its receivables are mostly from related parties, which are being managed through close account monitoring and limit setting. However, iPeople's holding of cash and short-term securities exposes the company to the credit risk of the counterparty.
- e. **Price Risk**  
Listed equity instruments at FVOCI are subject to price risk due to changes in market values because of specific factors related to these securities, or because of factors related to the overall market for financial assets. Consistent with corporate priority for liquidity, iPeople limits its exposures to non-equity financial instruments.
- f. **Business Continuity Risk**  
The Company is acutely conscious of the risks posed by natural disasters, acts of God, or other man-made actions that can have an adverse impact on the continuity of regular operations. The iPeople Board through its Risk Oversight Committee and the management team monitor that the business continuity plans of each operating subsidiary is in place and is up to date. Further, iPeople works with the Yuchengco Group of Companies Business Continuity Management - Disaster Recovery Management (YGC BCM-DRM) Council to ensure that necessary precautionary measures are taken to mitigate risks that may cause disruptions to the operations of our various subsidiaries.
- g. **Succession Risk**  
The Company knows that people are an important resource and that its executive management team is a significant contributor to the continuing growth of iPeople, inc.. In order to preserve the management chain of succession and institutional knowledge that comes with it, the executive management works with the executives of the Company's Parent Company and the executives of the operating subsidiaries to ensure continues training and career development plans are in place.

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

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

### **Risk Factors related to School Operations**

- a. **Regulatory, recognition of academic programs, and accreditations from government, and self-regulating private accreditation organizations.**
  - **Accreditations.** The schools are governed and regulated by the Commission on Higher Education ("CHED") and by the Department of Education ("DepEd"), depending on the program offerings. In addition, MESI and MCL are also accredited by PACUCOA. MESI is also accredited by the ABET; MESI and MCL are both accredited by PTC-

ACBET and PICAB. APEC has a MOA with DepEd which allows the company to operate schools without owning the premises. There is a pending Revised DepEd Manual which will formalize this exception.

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

- **Tuition Fee.** The CHED and the DepEd regulates tuition increases at the university level and the secondary level, respectively, and routinely sets maximum limits on percentage increases in tuition fees. This regulation applies to our non-autonomous schools, MCM, UNC, NTC and APEC. The inability of non-autonomous education institutions to increase tuition fees to cover higher operating costs may pose a risk to profits and cash flows over time.
- **Changes in regulations.** The Universal Access to Tertiary Education Act (RA10931) had its implementation in AY 2018-19. This resulted to notable decline in college freshman intake in private schools as large portion of the incoming freshman applied to SUCs/LUCs to avail of free education under the Act.

The Free College Education Act poses a risk to our schools. This may adversely impact enrollment numbers if prospective students will opt to enroll in state-run universities and colleges.

**b. Competition**

- **Faculty.** The schools depend on high quality faculty to teach the educational programs. To the extent that they can, the schools at both the tertiary and secondary level recruit faculty with excellent academic credentials and teaching skills. The schools might not be able to recruit the desired faculty due to any number of factors, including mismatches between the desired compensation and offer; competing recruitment from other educational institutions; or candidates seeking opportunities abroad.

The schools also work to retain key faculty in certain academic disciplines in order to maintain continuity and reduce turnover. If recruitment and retention efforts suffer, the quality of teaching and the quality of academic programs might suffer.

- **Students.** Competition among schools for greater student enrolment is fierce. Mapua is an established brand, with ISO 14001:2015 and 9001:2015 certifications, while the other IPO schools are establishing or have established their own brands.
- **Accreditations.** IPO Schools continue to pursue accreditations from self-regulating private accreditation organizations in addition to the government accreditation bodies

**c. Credit Risk**

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

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

**d. Operational Risk**

The following may hamper the operations of the IPO schools:

- Natural calamities and disasters. Our schools, like many other enterprises, are subject to adverse occurrences beyond our control, which include (but are not limited to) earthquakes, floods, and similar natural phenomena. We believe we carry enough insurance to hedge against the monetary damages caused by these events. In the event that the damage to our facilities arising from said events are severe and our insurance is not enough to cover it, our operations and ability to return to normal conditions might be severely affected.
- Labor unrest. Mapúa University has two unions, Faculty Association of MIT (FAMIT) and MIT Labor Union (MITLU). The other iPeople Schools have none.

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

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

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

**Our schools have been preparing for school reopening with limited face to face. Schools are awaiting final guidelines to be issued by CHED in order to finalize its school reopening guidelines.**

**e. Interest Rate Risk**

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

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

**f. Market Risk and Political Risk**

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

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

**g. Campus Safety and Security Risk**

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

**EXHIBIT 1**

**iPEOPLE INC. and SUBSIDIARIES**

**Interim Condensed  
Unaudited Consolidated Financial Statements**

**March 31, 2021, 2020 and 2019 (Unaudited)  
and December 31, 2020 (Audited)**

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

(Amounts in Thousands)

	Unaudited March 31, 2021	Audited December 31, 2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 7, 15)	<b>₱1,280,902</b>	₱1,319,002
Receivables (Note 8)	<b>1,064,432</b>	1,036,297
Receivables from related parties (Note 15)	<b>26,449</b>	26,048
Prepaid expenses and other current assets (Note 9)	<b>313,868</b>	270,604
Financial assets at fair value through profit or loss	<b>9,144</b>	9,705
Total Current Assets	<b>2,694,796</b>	2,661,656
<b>Noncurrent Assets</b>		
Property and equipment at cost (Note 10)	<b>5,534,081</b>	5,585,512
Land at revalued amounts (Notes 10 and 11)	<b>6,219,772</b>	6,219,772
Intellectual property rights (Note 6)	<b>523,103</b>	523,103
Goodwill (Note 12)	<b>151,326</b>	151,326
Student relationship (Note 6)	<b>73,247</b>	78,825
Right of use assets	<b>330,344</b>	346,905
Net pension asset	<b>4,671</b>	4,727
Deferred tax assets – net	<b>32,641</b>	31,901
Other noncurrent assets (Note 13)	<b>108,617</b>	108,027
Total Noncurrent Assets	<b>12,977,802</b>	13,050,098
	<b>₱15,672,598</b>	₱15,711,754
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Notes 3 and 14)	<b>₱1,256,391</b>	₱1,155,585
Short-term loans (Notes 16)	<b>126,134</b>	375,000
Unearned income (Notes 3 and 14)	<b>642,802</b>	680,578
Lease liability - current portion	<b>33,411</b>	44,174
Income tax payable	<b>13,290</b>	12,482
Payables to related parties (Notes 15)	<b>11,269</b>	29,481
Dividends payable (Notes 18)	<b>557</b>	565
Total Current Liabilities	<b>2,083,853</b>	2,297,865
<b>Noncurrent Liabilities</b>		
Long-term loans payable	<b>1,872,868</b>	1,872,275
Deferred tax liabilities – net	<b>475,787</b>	476,977
Lease liability - noncurrent portion	<b>348,408</b>	348,408
(Forward)		

	Unaudited March 31, 2021	Audited December 31, 2020
Net pension liability	172,477	168,134
Other noncurrent liabilities	56,091	56,091
<b>Total Noncurrent Liabilities</b>	<b>2,925,631</b>	2,921,885
<b>Total Liabilities</b>	<b>P5,009,484</b>	P5,219,750
<b>Equity</b>		
Common stock (Note 6 and 18)	P1,044,263	P1,044,263
Additional paid-in capital (Note 6)	3,294,368	3,294,368
Other comprehensive income (loss):		
Revaluation increment on land - net (Note 11)	1,425,033	1,425,033
Remeasurement losses on defined benefit plans	(76,722)	(76,722)
Equity reserve (Note 6)	(230,494)	(230,494)
Retained earnings (Note 18)	4,967,913	4,795,968
	10,424,361	10,252,416
Less: Treasury stock (Note 18)	(0.21)	(0.21)
	10,424,361	10,252,416
Non-controlling interest in consolidated subsidiaries	238,753	239,588
<b>Total Equity</b>	<b>10,663,114</b>	10,492,004
	<b>P15,672,598</b>	P15,711,754

*See accompanying Notes to Consolidated Financial Statements.*

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

	January 1 to March 31		
	2021	2020	2019
<b>REVENUE</b>			
Tuition and other fees (Note 19)	<b>P803,005</b>	P957,350	P538,703
<b>COSTS AND EXPENSES</b>			
Cost of tuition and other fees (Note 20)	<b>446,317</b>	578,924	331,326
<b>GROSS PROFIT</b>	<b>356,688</b>	378,426	207,377
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 21)	<b>(158,153)</b>	(161,840)	(74,025)
<b>INTEREST AND OTHER FINANCE CHARGES</b> (Note 22)	<b>(29,050)</b>	(32,333)	(21,251)
<b>INTEREST INCOME</b> (Note 22)	<b>1,944</b>	3,516	6,181
<b>OTHER INCOME (EXPENSE)</b>	<b>620</b>	(139)	1,634
<b>INCOME BEFORE INCOME TAX</b>	<b>172,050</b>	187,631	119,917
<b>PROVISION FOR INCOME TAX</b>	<b>940</b>	25,141	16,065
<b>NET INCOME</b>	<b>171,110</b>	162,490	103,852
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income (loss):			
Fair value reserve of equity instruments at FVOCI			
(Notes 3)	—	—	2,672
	—	—	2,672
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P171,110</b>	P162,490	P106,524
Net income attributable to:			
Equity holders of the parent (Note 23)	<b>P171,945</b>	P158,351	P96,493
Non-controlling interest in consolidated subsidiaries	<b>(835)</b>	4,139	7,359
	<b>P171,110</b>	P162,490	P103,852
Total comprehensive income attributable to:			
Equity holders of the parent	<b>P171,945</b>	P158,351	P99,165
Non-controlling interest in consolidated subsidiaries	<b>(835)</b>	4,139	7,359
	<b>P171,110</b>	P162,490	P106,524
<b>Basic Earnings Per Share</b> (Note 23)	<b>P0.1647</b>	P0.1516	P0.1288

See accompanying Notes to Consolidated Financial Statements.

## iPEOPLE, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company								Non - controlling Interest	Total	
	Common Stock (Note 18)	Additional Paid-in Capital	Fair Value Reserve of Equity instruments at FVOCI	Revaluation Increment on Land - net of tax (Note 11)	Remeasurement Gains (Losses) on Net Defined Benefit Plans	Equity Reserve	Retained Earnings (Note 18)	Treasury Stock (Note 18)			Total
For the quarter ended March 31, 2021											
Balances as at January 1, 2021	P1,044,263	3,294,368	P-	P1425,033	(P76,722)	(P230,494)	P4,795,968	(P0.21)	P10,252,416	P239,588	P10,492,004
Net income	—	—	—	—	—	—	171,944	—	171,944	(835)	171,110
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	—	—	171,944	—	171,944	(835)	171,110
Dividends declared	—	—	—	—	—	—	—	—	—	—	—
Balances as at March 31, 2021	P1,044,263	P3,294,368	P-	P1,425,033	(P76,722)	(P230,494)	P4,967,913	(P0.21)	P10,424,360	P238,753	P10,663,114
For the quarter ended March 31, 2020											
Balances as at January 1, 2020	P1,044,263	P3,294,368	(P880)	P1,583,743	(P19,766)	(P230,494)	P3,838,446	(P0.21)	P9,509,680	P223,113	P9,732,793
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	P1,044,263	P3,294,368	(P880)	P1,583,743	(P19,766)	(P230,494)	P3,923,549	(P0.21)	P9,594,783	P227,251	P9,822,035
For the quarter ended March 31, 2019											
Balances as at January 1, 2019	P748,933	P1,439	(P3,973)	P1,574,008	P35,093	P—	P3,643,131	(P0.21)	P5,998,632	P414,929	P6,413,560
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	P748,933	P1,439	(P1,300)	P1,574,008	P35,093	P—	P 3,694,688	(P0.21)	P6,052,861	P422,287	P6,475,148

See accompanying Notes to Consolidated Financial Statements.

**iPEOPLE, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Amounts in Thousands)

	January 1 to March 31		
	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>P172,050</b>	P187,631	P119,917
Adjustments for:			
Depreciation and amortization (Notes 10, 13, 20 and 21)	<b>108,561</b>	118,684	61,794
Interest expense and other finance charges (Note 22)	<b>29,050</b>	32,333	21,251
Provision for doubtful accounts (Note 8 and 21)	<b>8,969</b>	12,660	—
Interest income (Note 22)	<b>(1,944)</b>	(3,516)	(6,181)
Unrealized market gain on financial assets at FVPL	<b>561</b>	(71)	(103)
Unrealized foreign exchange gain	<b>(89)</b>	(194)	(58)
Operating income before working capital changes	<b>317,158</b>	347,527	196,619
Decrease (increase) in:			
Receivables	<b>(37,023)</b>	63,073	4,241
Prepaid expenses and other current assets	<b>(43,264)</b>	(26,481)	(2,006)
Increase (decrease) in:			
Accounts payable and accrued expenses	<b>97,228</b>	50,720	20,161
Other noncurrent liabilities	<b>(1,190)</b>	(896)	—
Unearned tuition fees	<b>(37,776)</b>	(301,170)	(72,423)
Lease liability	<b>(8,250)</b>	(10,464)	(72,423)
Net pension asset and liability	<b>3,603</b>	4,220	1,347
Net cash generated from operations	<b>290,486</b>	126,530	147,939
Interest received	<b>1,918</b>	3,476	6,902
Interest paid	<b>(25,472)</b>	(29,935)	(13,764)
Income taxes paid	<b>(132)</b>	4,659	123
Net cash flows from operating activities	<b>266,800</b>	104,730	141,199
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of:			
Property and equipment (Notes 10)	<b>(36,983)</b>	(105,988)	(209,905)
Land	<b>—</b>	(5,001)	—
Computer software (Note 13)	<b>(2,381)</b>	(1,676)	—
Decrease (increase) in:			
Receivables from related parties	<b>(401)</b>	(351)	13
Other noncurrent assets	<b>1,269</b>	526	(296)
Net cash flows used in investing activities	<b>(38,496)</b>	(112,489)	(210,189)

(Forward)

	<b>January 1 to March 31</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from short-term loans (Note 16)	<b>P–</b>	<b>P20,000</b>	<b>P904,900</b>
Payments of short-term loans (Note 16)	<b>(248,866)</b>	<b>(1,000)</b>	<b>(670,000)</b>
Dividends paid to stockholders	<b>(8)</b>	<b>–</b>	<b>(57,258)</b>
Proceeds from long-term loans	<b>593</b>	<b>593</b>	
Increase (decrease) in payables to related parties	<b>(18,212)</b>	<b>1,443</b>	<b>5,795</b>
Net cash flows from (used in) financing activities	<b>(266,493)</b>	<b>21,036</b>	<b>183,437</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>89</b>	<b>194</b>	<b>58</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(38,100)</b>	<b>13,471</b>	<b>114,505</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,319,002</b>	<b>1,154,306</b>	<b>587,839</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)</b>	<b>P1,280,902</b>	<b>P1,167,777</b>	<b>P702,344</b>

*See accompanying Notes to Consolidated Financial Statements.*

## **iPEOPLE, INC. AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **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 3<sup>rd</sup> 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.

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#### **2. Basis of Preparation**

The consolidated financial statements of the Group have been prepared under the historical cost basis, except for the land which is under revaluation model, financial assets at fair value through profit or loss (FVTPL) and listed equity instruments at fair value through other comprehensive income (FVOCI) which are measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is the Parent Company’s functional currency. Except as otherwise indicated, all amounts are rounded off to the nearest thousands.

#### Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of March 31, 2021 and December 31, 2020, and for each of the three years in the period ended March 31, 2021, 2020 and 2019.

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

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

	Percentage of Ownership		
	2021	2020	2019
Malayan Education System, Inc. (MESI) [Operating Under the Name of Mapua University] and subsidiaries	<b>100%</b>	100%	100%
Direct ownership of MESI on its subsidiaries:			
Malayan Colleges Laguna, Inc., A Mapua School (MCLI)	<b>100</b>	100	100
Malayan Colleges Mindanao (A Mapua School), Inc. (MCMI)	<b>100</b>	100	100
Malayan High School of Science, Inc. (MHSSI)	<b>100</b>	100	100
Mapua Information Technology Center, Inc. (MITC)	<b>100</b>	100	100
Mapua Techserv, Inc.	<b>100</b>	100	100
Mapua Techpower, Inc.	<b>75</b>	75	75
San Lorenzo Ruiz Investment Holdings and Services Inc.	<b>—*</b>	—*	100
People eServe Corporation	<b>100</b>	100	100
Pan Pacific Computer Center, Incorporated (PPCCI)	<b>100</b>	100	100
<b>New subsidiaries in 2019 after the merger (Note 1):</b>			
Affordable Private Education Center, Inc. doing business under the name of APEC Schools	<b>100</b>	100	100
National Teachers College doing business under the name/s and style/s of The National Teachers College	<b>99.79</b>	99.79	99.79
University of Nueva Caceres	<b>83.62</b>	83.62	83.62
AC College of Enterprise and Technology, Inc.	<b>100</b>	100	100
LINC Institute, Inc. doing business under the Name and Style of LINC Academy	<b>100</b>	100	100

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

All subsidiaries were incorporated in the Philippines.

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

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

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

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. As a result of the merger with AEI, the acquired subsidiaries were consolidated starting May 2, 2019.

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

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

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

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### 3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

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

#### Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group does not expect the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements.

#### *Effective beginning on or after January 1, 2021*

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

#### *Effective beginning on or after January 1, 2022*

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

#### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

*Deferred effectivity*

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

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

#### 4. Summary of Significant Accounting Policies

##### Cash and Cash Equivalents

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

##### Fair value measurement

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

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

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

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

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

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

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

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-

assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial reporting date.

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

### Financial Instruments

#### *Initial recognition and subsequent measurement*

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

#### *Financial assets – Initial recognition and measurement*

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

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

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

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

#### *Subsequent measurement*

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

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

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

#### *Financial assets at amortized cost (debt instruments)*

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

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

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

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

*Financial assets at fair value through profit or loss*

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

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

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

*Derecognition of financial assets*

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

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

*Impairment of financial assets*

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

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

- a. *Probability of default (PD)* is an estimate of the likelihood of default over a given time horizon.
- b. *Exposure at default (EAD)* is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date.

- c. *Loss given default (LGD)* is an estimate of the loss arising in the case where a default occurs at a given time.

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

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

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

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

#### *Financial Liabilities – Initial recognition and measurement*

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

The Group's financial liabilities include loans and borrowings.

#### *Subsequent measurement*

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

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

#### *Loans and borrowings*

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

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

*Derecognition of financial liabilities*

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

*Offsetting of Financial Instruments*

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

*'Day 1' difference*

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

Prepaid Expenses and Other Current Assets

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

*Prepaid Expenses*

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

*Restricted Funds*

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

*Creditable Withholding Tax (CWT)*

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

*Inventories*

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

Value-added Tax (VAT)

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

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

#### Property and Equipment

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

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

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

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

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

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

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

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

When assets carried at cost are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as part of current operations. When land carried at revalued amount are retired or otherwise disposed of, the carrying amount, which is the fair value at the time of sale or disposal, is derecognized and no gain or loss is recognized.

Land is carried at its revalued amount. The appraised values used for revaluation were determined by independent firms of appraisers.

The initial cost of land consists of its purchase price and directly attributable costs of bringing the asset to its working condition and location for its intended use.

The appraisal increment (net of deferred tax) resulting from the revaluation is credited to OCI and accumulated in equity under "revaluation increment on land - net" account. Decreases in valuation is charged to profit or loss, except to the extent that it reverses the existing accumulated revaluation increment on the same asset and therefore such decrease is recognized in OCI. The decrease recognized in OCI reduces the revaluation increment on land - net account in equity. In case a

subsequent revaluation increase of an asset reverses a revaluation decrease previously recognized in profit or loss, such increase is credited to income in profit or loss.

The same rules apply to impairment losses. An impairment loss on a revalued asset is first used to reduce the revaluation increment for that asset. Only when the impairment loss exceeds the amount in the revaluation increment for that same asset is any further impairment loss recognized in profit or loss.

Upon disposal, any revaluation increment relating to the land being sold is transferred to retained earnings.

#### Right-of-use Assets and Lease Liabilities

Effective January 1, 2019, upon adoption of PFRS 16, the Group recognizes right-of-use assets and lease liabilities on contracts that qualify as leases under PFRS 16. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group applies the short-term lease recognition exemption to its short-term leases of office space. It also applies the low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term. The accounting policy on leases prior to the adoption of PFRS 16 is discussed in the accounting policy on Leases – Group as Lessee (Effective Prior to January 1, 2019).

#### Business Combination and Goodwill

An acquisition of a business (i.e. an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return directly to investors) is a business combination. Business combinations are accounted for using the acquisition method. The acquired

identifiable tangible and intangible assets, liabilities and contingent liabilities are measured at their fair values at the date of the acquisition. Any excess of the acquisition cost over the net fair value of the identifiable assets acquired and liabilities assumed is recognized as goodwill. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

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

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

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

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

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

#### Intangible Assets Other Than Goodwill

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

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

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

The estimated useful lives of intangible assets with finite lives are assessed at the individual asset level. Intangible assets with finite lives are amortized over their estimated useful lives on a straight-

line basis. Periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier when an indicator of impairment exists.

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

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

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

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

#### *Admission, examination and other fees*

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

#### *Bookstore income*

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

#### *Seminar income*

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

*Miscellaneous income*

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

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

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

Following are contract balances relative to PFRS 15:

*Receivables*

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

*Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the payment is due, a contract asset is recognized for the earned consideration that is conditional.

*Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to a customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract. The Group's contract liabilities represent the unearned income on tuition fees (presented under unearned income) and accounts payable to students (presented under accounts payable and other current liabilities) and will be recognized as revenue when the related educational services are rendered. Accounts payable to students are advance collections from students to be applied to the next school year or school term.

Costs and Expenses

The Group's costs and expenses constitute costs of operating the business recognized in the consolidated statement of comprehensive income as incurred.

*Cost of schools and related operations*

Cost of schools and related operations constitute expenses directly related to the Group's school and related operations which include expenses for salaries and wages of teaching and academic support personnel, student welfare activities, and all other student-related costs and expenses. Cost of schools and related operations are recognized as expense when the school and related services have been provided to the students.

*General and Administrative Expenses*

These expenses constitute costs of administering the business. General and administrative expenses, except for rent expense, are recognized as incurred. Prior to January 1, 2019, rent expense under PAS 17 are recognized on a straight-line basis over the lease term.

Interest and Financing Charges

Interest and financing charges, excluding capitalizable borrowing costs, is recognized as expense in the period in which it is incurred.

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

### Retirement Benefits

Retirement benefits cost is actuarially determined using the projected unit credit method. This method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Retirement benefits cost comprises the following:

- Service costs
- Net interest on the net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

### Income Taxes

#### *Current tax*

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

#### *Deferred tax*

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, net operating loss carry over (NOLCO) and minimum corporate income tax (MCIT) to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a

transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

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

#### Leases – Group as Lessor

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

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

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

#### Foreign Currency-denominated Transactions and Translation

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

#### Basic Earnings Per Share (EPS)

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

#### Segment Reporting

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

Provisions

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

Contingencies

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

Events after the Financial Reporting Date

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

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## 5. Significant Accounting Judgments and Estimates

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

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

*Purchase price allocation in business combination and goodwill*

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

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

*Fair valuation of land*

The Group measures land at revalued amount with changes in fair value being recognized in other comprehensive income. The Group engaged an independent firm of appraisers to determine the fair value as at December 31, 2020 and 2019. The key assumptions used to determine fair value are disclosed in Note 11.

As at March 31, 2021 and December 31, 2020, the fair value of land amounted to ₱6,219.8 (Note 11).

*Estimation of allowance for ECL on tuition and other fees receivables*

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

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

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

*Leases under PFRS 16 – Estimating the IBR*

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

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

*Estimation of useful lives of student relationship*

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

There is no change in the estimated useful lives of student relationship from the effectivity of the merger. The carrying values of student relationship amounted to ₱73.2 million and ₱78.8 million as of March 31, 2021 and December 31, 2020, respectively (Note 6).

*Impairment of nonfinancial assets*

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

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

Impairment of goodwill and intellectual property rights are assessed at least on an annual basis. In assessing the impairment, the Group determines the recoverable amount using value in use with details disclosed in Notes 6 and 12. There is no impairment loss recognized on these assets in 2021, 2020 and 2019. The carrying value of these assets are disclosed in Notes 6 and 12.

As to the Group's property and equipment, student relationship and noncurrent assets, no impairment loss was recognized, except for the allowance for impairment in value of land amounting to ₱15.8 million as of March 31, 2021 and December 31, 2020 (Notes 6, 10, 11 and 13).

*Estimation of pension obligations and other retirement benefits*

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

As at March 31, 2021 and December 31, 2020, the net pension liabilities amounted to ₱172.5 million and ₱168.1 million, respectively, while net pension assets amounted to ₱4.7 million as at March 31, 2021 and December 31, 2020 (Note 25).

*Deferred tax assets*

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

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

*Provisions and Contingencies*

The Group is currently involved in certain legal proceedings and claims in the ordinary course of business. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The ultimate disposition of these matters cannot be determined with certainty. The Group will exhaust all legal remedies available to it in defending itself in these claims and proceedings (Notes 14 and 31).

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## 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):

<b>Assets</b>	
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
	<u>5,579,767</u>
<b>Liabilities</b>	
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
	<u>1,464,507</u>
<b>Total identifiable net assets at fair value</b>	<u>4,115,260</u>
Non-controlling interest	(537,520)
Goodwill (Note 12)	13,472
<b>Cost of acquisition</b>	<u><u>₱3,591,213</u></u>

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

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

Analysis of 2019 cash flows on acquisition follows:

Cash acquired from the subsidiaries (included in cash flows from investing activities)	P1,291,500
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)
<b>Net cash flows on acquisition</b>	<b>P1,281,024</b>

Based on the valuation performed, the Group has identified other intangible assets such as the intellectual property rights with infinite life and student relationship with an estimated useful life of 5 years to 7 years based on the contractual relationship between the school entities and its students. These assets are attributed from the acquisition of operating schools NTC, APEC and UNC. The carrying value and movement of student relationship as of and for the year ended March 31, 2021 and December 31, 2020 follows:

	<b>2021</b>	<b>2020</b>
Cost from business combination	<b>P116,009</b>	<b>P116,009</b>
Accumulated amortization:		
Beginning balance	<b>(37,184)</b>	(14,874)
Amortization for the year (Note 20a)	<b>(5,578)</b>	(22,310)
Ending balance	<b>(42,762)</b>	(37,184)
Balance at end of the year	<b>P73,247</b>	<b>P78,825</b>

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

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

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

#### Transactions with Non-Controlling Interests

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

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

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## 7. Cash and Cash Equivalents

This account consists of:

	<b>Unaudited March 2021</b>	Audited December 2020
Cash on hand	<b>₱1,684</b>	₱2,139
Cash in banks (Note 15)	<b>594,095</b>	344,874
Cash equivalents (Note 15)	<b>685,123</b>	971,989
	<b>₱1,280,902</b>	₱1,319,002

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

Interest income from cash in banks and cash equivalents amounted to ₱1.92 million, ₱3.48 million and ₱6.15 million in 2021, 2020 and 2019, respectively (Note 22).

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## 8. Receivables

This account consists of:

	<b>Unaudited March 2021</b>	Audited December 2020
Tuition and other fees	<b>₱1,180,501</b>	₱1,160,745
Other receivables:		
Trade	<b>4,204</b>	5,482
Advances to officers and employees	<b>38,997</b>	21,882
Others	<b>28,097</b>	25,937
	<b>1,251,799</b>	1,214,045
Allowance for doubtful accounts	<b>(187,367)</b>	(177,748)
	<b>₱1,064,432</b>	₱1,036,297

Tuition and other fees pertain to matriculation and miscellaneous fees which are collected at end of every school term before the students can proceed to the next term. This also includes receivable from Department of Education (DepEd) amounting to ₱130.3 million and ₱138.8 million as at March 31, 2021 and December 31, 2020, respectively, arising from the Senior High School (SHS) Voucher Program wherein qualified SHS students are given assistance on tuition fees. These receivables are noninterest-bearing and are generally collectible within one year.

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

Advances to officers and employees consist mostly of advances subject to liquidation, interest-bearing receivables pertaining to car loan and noninterest-bearing telephone charges, hospitalization

bill and library and printing charges. Receivables from employees are settled through salary deductions. Interest income from advances to officers and employees amounted to ₱0.03 million, ₱0.04 million and ₱0.03 million in 2021, 2020 and 2019, respectively (Note 22). These receivables are noninterest-bearing and are generally collectible within one year.

The changes in allowance for ECL as at March 31, 2021 and December 31, 2020 follow:

March 2021				
	Tuition and other fees	Trade	Others	Total
Balance at beginning of year	₱168,978	₱3,393	₱5,377	₱177,748
Provisions for the year (Note 21)	8,969	—	—	8,969
Adjustments	649	—	—	649
Balance at end of year	₱178,597	₱3,393	₱5,377	₱187,367
Gross receivables	₱1,180,501	₱4,204	₱67,093	₱1,251,799

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

## 9. Prepaid Expenses and Other Current Assets

	Unaudited March 2021	Audited December 2020
Prepaid expenses	₱127,509	₱99,553
Restricted funds (Note 15)	46,568	30,960
CWT	12,478	12,676
Books inventories	4,038	3,983
Office supplies	2,914	2,802
Input VAT	597	597
Others	119,764	120,033
	₱313,868	₱270,604

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

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

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

## 10. Property and Equipment

The rollforward analysis of this account follows:

	March 2021				Total
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	
<b>Cost</b>					
Balance at beginning of year	P4,914,555	P2,365,584	P48,521	P1,654,804	P8,983,464
Acquisitions	3,819	10,326	3,663	20,927	38,735
Reclassifications and adjustments	(61)	(848)	–	–	(909)
Balance at end of year	4,918,313	2,375,062	52,184	1,675,731	9,021,290
<b>Accumulated depreciation, amortization and impairment loss</b>					
Balance at beginning of year	1,532,900	1,832,916	32,136	–	3,397,952
Depreciation (Notes 20 and 21)	42,198	44,437	1,778	–	88,413
Reclassifications and adjustments	(206)	987	63	–	844
Balance at end of year	1,574,892	1,878,340	33,977	–	3,487,209
Net book value	3,343,421	496,722	18,207	1,675,731	5,534,081
Land at revalued amounts (Note 11)	–	–	–	–	6,219,772
<b>Total</b>	<b>P3,343,421</b>	<b>P496,722</b>	<b>P18,207</b>	<b>P1,675,731</b>	<b>P11,753,853</b>

	December 2020				Total
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	
<b>Cost</b>					
Balance at beginning of year	P4,835,054	P2,235,728	P49,552	P1,020,920	P8,141,254
Acquisitions	92,009	177,822	(1,430)	633,884	902,285
Disposals/Retirement	–	(39,298)	–	–	(39,298)
Reclassifications and adjustments	(12,508)	(8,668)	399	–	(20,777)
Balance at end of year	4,914,555	2,365,584	48,521	1,654,804	8,983,464
<b>Accumulated depreciation, amortization and impairment loss</b>					
Balance at beginning of year	1,362,597	1,665,887	29,293	–	3,057,777
Depreciation (Notes 20 and 21)	170,303	201,698	7,851	–	379,852
Disposals/Retirement	–	(39,298)	–	–	(39,298)
Reclassifications and adjustments	–	4,629	(5,008)	–	(379)
Balance at end of year	1,532,900	1,832,916	32,136	–	3,397,952
Net book value at cost	3,381,655	532,668	16,385	1,654,804	5,585,512
Land at revalued amounts (Note 11)	–	–	–	–	6,219,772
<b>Total</b>	<b>P3,381,655</b>	<b>P532,668</b>	<b>P16,385</b>	<b>P1,654,804</b>	<b>P11,805,284</b>

Construction in progress as at March 31, 2021 and December 31, 2020 mainly includes the general cost of construction of MESI's new school building in Makati City and other direct costs (Note 11).

Capitalized interest expense on loans obtained to finance the constructions of school buildings amounted to nil in 2021 and P19.39 million in 2020 (Note 16 and 17).

The land and related improvements owned by MCMI with carrying value of P2,361.5 million as of March 31, 2021 and December 31, 2020, were used to secure the long-term loans of MCMI as disclosed in Note 17.

## 11. Land at Revalued Amounts

This account consists of:

	Unaudited March 2021	Audited December 2020
Land at cost:		
Balance at beginning of year	<b>P4,066,906</b>	P5,100,906
Land sold through sale of subsidiary		(1,034,000)
Balance at end of year	<b>4,066,906</b>	4,066,906
Provision for impairment:		
Balance at beginning of year	<b>(15,763)</b>	(21,000)
Reversal during the year charged to profit and loss	–	5,237
Balance at end of year	<b>(15,763)</b>	(15,763)
Revaluation increment on land:		
Balance at beginning of year	<b>2,168,629</b>	2,480,949
Change in revaluation increment		600,321
Revaluation increment on land transferred to retained earnings as a result of the sale of subsidiary		(912,641)
Balance at end of year	<b>2,168,629</b>	2,168,629
	<b>P6,219,772</b>	P6,219,772

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

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

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

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

Location	Valuation Techniques	Unobservable Inputs Used	Range	
			2020	2019
Makati and Intramuros, Manila	Market Approach	Price per square meter	<b>P48,000 to P100,800</b>	P40,500 to P273,125
Cabuyao, Laguna	Market Approach	Price per square meter	<b>P8,640 to P16,200</b>	P8,016 to P14,963
Davao City, Davao Del Sur	Market Approach	Price per square meter	<b>P13,553 to 40,800</b>	P12,339 to 39,738
Pandacan, Metro Manila	Market Approach	Price per square meter	<b>P51,300 to P85,500</b>	P51,300 to P76,950
San Jose Del Monte City, Bulacan	Market Approach	Price per square meter	<b>P50,468 to 59,993</b>	P47,025 to 58,500

Location	Valuation Techniques	Unobservable Inputs Used	Range	
			2020	2019
Naga City, Camarines Sur	Market Approach	Price per square meter	<b>₱15,750 to ₱31,050</b>	₱13,745 to ₱22,680
Quiapo, Manila	Market Approach	Price per square meter	<b>₱69,034 to 133,650</b>	₱72,896 to 113,797

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

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

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

In December 2020, MESI sold its investment in subsidiary San Lorenzo Ruiz Investment Holdings and Services Inc. to HI for ₱1,946.6 million and paid CGT of ₱126.8 million on the gain on sale. MESI applied the ₱250.0 million earnest money received from HI in 2019 which was recorded as part of 2019 accounts payable (Note 15) as payment and the balance was paid in cash. The Group treated the sale of investment as disposal of the net assets of the subsidiary which mainly represents the land classified as property and equipment. As the land is carried at revalued amount, prior to the sale, the Group recorded revaluation increment of ₱188.7 million (gross of tax) to reflect the land’s fair value of ₱1,946.6 million equivalent to the selling price of said land.

The revaluation increment (net of tax) of ₱132.1 million was credited to OCI. Upon sale of the subsidiary, the Group recorded the following:

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

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

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## 12. Goodwill

The goodwill recognized in the consolidated statement of financial position amounting to ₱151.3 million as at March 31, 2021 and December 31, 2020 pertains to the ₱137.8 million goodwill from acquisition of MESI in 1999 and ₱13.5 million goodwill from the 2019 acquisition of AEI subsidiaries as disclosed in Note 6.

The Group performed impairment testing on goodwill arising from acquisition of MESI wherein MESI was considered as the CGU. No impairment testing was done on the ₱13.5 million goodwill as

the Group assessed it as not material to the consolidated financial statements. In 2020, 2019 and 2018, management assessed that no impairment loss should be recognized.

*Key assumptions used in the value in use (VIU) calculation*

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

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

*Sensitivity to changes in assumptions*

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

### 13. Other Noncurrent Assets

This account consists of:

	Unaudited March 2021	Audited December 2020
Input VAT	<b>P39,681</b>	P39,563
Miscellaneous deposits	<b>28,842</b>	29,322
Creditable withholding tax	<b>22,963</b>	23,059
Computer software	<b>10,735</b>	9,036
Books and periodicals	<b>6,395</b>	7,047
	<b>P108,617</b>	P108,027

Miscellaneous deposits include rent deposits of the Group amounting to P17.5 million and P18.0 million as of March 31, 2021 and December 31, 2020, respectively.

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

	Unaudited March 2021	Audited December 2020
<b>Cost</b>		
Balance at the beginning of the year	<b>P44,025</b>	<b>P42,185</b>
Additions	<b>2,381</b>	<b>1,840</b>
Balance at the end of the year	<b>46,406</b>	<b>44,025</b>
<b>Accumulated Amortization</b>		
Balance at the beginning of the year	<b>34,989</b>	<b>32,844</b>
Reclassifications	<b>160</b>	<b>(130)</b>
Amortization (Notes 20 and 21)	<b>522</b>	<b>2,275</b>
Balance at the end of the year	<b>35,671</b>	<b>34,989</b>
<b>Net Book Value</b>	<b>P10,735</b>	<b>P9,036</b>

#### 14. Accounts Payable and Accrued Expenses

This account consists of:

	Unaudited March 2021	Audited December 2020
Accounts payable	<b>₱537,104</b>	₱515,992
Accrued expenses	<b>468,456</b>	432,927
Funds payable	<b>182,973</b>	140,415
Other payables	<b>67,858</b>	66,251
	<b>₱1,256,391</b>	₱1,155,585

Accounts payable pertains to the Group's obligation to local suppliers. Accounts payable also includes payables to students which are considered contract liabilities as disclosed under Unearned Income below.

Accrued expenses consist of:

	Unaudited March 2021	Audited December 2020
Provisions (Note )	<b>₱159,258</b>	₱159,266
Payable to suppliers	<b>117,241</b>	124,460
Accrued salaries and wages	<b>50,865</b>	21,661
Withholding taxes and others	<b>9,485</b>	12,003
Accrued professional fees	<b>19,027</b>	21,515
Accrued utilities	<b>6,860</b>	3,224
SSS and other contributions	<b>9,308</b>	6,050
Contracted services	<b>24,309</b>	3,687
Accrued interest	<b>20,468</b>	16,890
Insurance	<b>7,282</b>	1,594
Output VAT payable	<b>2,639</b>	2,625
Accrued communication expense	<b>9,428</b>	15,042
Others	<b>32,287</b>	44,910
	<b>₱468,456</b>	₱432,927

Funds payable include funds received by the Group from Department of Science and Technology (DOST), Commission on Higher Education (CHED) and private entities for the scholarships programs to be provided to the students, and NSTP and CWTS fees collected from students.

Other payables pertain to due to bookstore, deferred credits and liabilities other than those owed to suppliers and contractors and those arising from ordinary accruals. Other payables include outstanding balance on the acquisition of additional shares from UNC amounting to **₱60.68** million as of March 31, 2021 and December 31, 2020.

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

#### *Unearned Income*

Unearned income amounted to **₱642.8** million and **₱680.6** million as at March 31, 2021 and December 31, 2020, respectively. This mainly includes unearned tuition fees amounting to **₱632.9** million and **₱670.0** million as at March 31, 2021 and December 31, 2020, respectively.

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

as revenue when the related educational services are rendered. Accounts payables to students are advance collections from students to be applied to the next school year or school term.

As at March 31, 2021 and December 31, 2020, contract liabilities amounted to ₱673.75 million and ₱708.13 million, respectively.

## 15. Related Party Transactions

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

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
<b>Parent Company - HI</b>				
a) Payable to Parent Company				
	<b>2021</b>	<b>P–</b>	<b>(₱4,232)</b>	<b>Noninterest-bearing; unsecured;</b>
	2020	–	(5,941)	<b>due and demandable</b>
Management fee and other professional fees (Notes 20 and 21)	<b>2021</b>	<b>14,322</b>	–	–
	2020	18,071	–	–
	2019	17,634	–	–
b) Receivable from Parent Company	<b>2021</b>	–	<b>206</b>	<b>Noninterest-bearing; unsecured; due and demandable; no impairment</b>
	2020	–	206	
Reimbursements	<b>2021</b>	–	–	–
	2020	33	–	–
<b>Entities under common control of HI</b>				
c) Receivables from related parties	<b>2021</b>	–	<b>25,837</b>	<b>Noninterest-bearing; unsecured; due and demandable; no impairment</b>
	2020	–	25,824	
Reimbursements	<b>2020</b>	<b>25,325</b>	–	–
Rental income	<b>2021</b>	–	–	–
	2020	(467)	–	–
	2019	(625)	–	–
d) Payables to related parties	<b>2021</b>	–	<b>(191)</b>	<b>Noninterest-bearing; unsecured; due and demandable</b>
	2020	–	(13,325)	
Contracted services (Notes 20 and 21)	<b>2021</b>	<b>3,962</b>	–	–
	2020	15,997	–	–
	2019	10,683	–	–

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
e) Accounts payable (Notes 10 and 14)	2021	(P11,342)	(P1,029)	Noninterest-bearing; unsecured; payable on demand
	2020	(11,342)	(1,029)	
	2019	(12,002)	(13,811)	
Entities under common control of PMMIC				
f) Cash and cash equivalents (Note 7)	2021	—	754,699	Interest at prevailing deposit and short-term rates; unsecured; no impairment
	2020	—	992,360	
Interest income (Note 22)	2021	1,918	—	—
	2020	3,476	—	—
	2019	6,154	—	—
g) Receivables from related parties	2021	—	18	Noninterest-bearing; unsecured; due and demandable; no impairment
	2020	—	18	
h) Insurance expense	2021	4,059	—	
	2020	2,974	—	
	2019	3,281	—	
Financial asset at FVTPL (Note 30)	2021	—	9,144	Carried at fair value; No impairment
	2020	—	9,705	
Restricted funds (Note 9)	2021	—	46,568	Interest at prevailing deposit and short-term rates; unsecured; no impairment
	2020	—	30,960	
Entities with significant influence				
i) Payable to related parties	2021	—	(6,845)	Due on demand, noninterest-bearing; unsecured; no impairment
	2020		(10,214)	
Receivables from related parties			387	
Management fee and other professional fees (Notes 20 and 21)	2021	2,700	—	
	2020	2,700	—	—
Others				
j) Accounts payable	2021	—	(1,850)	Noninterest-bearing; unsecured; due and demandable; no impairment
	2020	—	(2,205)	
Utilities	2021	167	—	—
	2020	167	—	
	2019	65	—	

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
Professional fees	2021	P3,541	P-	-
	2020	3,644	-	-
	2019	3,044	-	-
Others	2021	-	-	-
	2020	481	-	-

The Group's significant transactions with related parties follow:

a) *Payable to Parent Company*

This account pertains to management and other professional fees charged by HI for administering the subsidiaries' operations.

b) *Receivables from Parent Company*

This account pertains to fuel consumption, car plan and gym rental advanced by parent company. These are noninterest-bearing and are payable on demand.

c) *Receivables from entities under common control of HI*

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

d) *Payable to entities under common control of HI*

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

e) *Accounts payable to entities under common control of HI*

Accounts payable pertains to the general cost of construction of MCMI's school buildings and other facilities and professional fees related to the on-going building construction (Notes 10 and 14).

f) *Cash and Cash Equivalents*

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

g) *Receivables from entities under common control of PMMIC*

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

h) *Payables to entities under common control of PMMIC*

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

i) *Financial Assets at FVPL*

This account consists of peso-denominated investment in UITF with RCBC which allow the pooling of funds from different investors with similar investment objectives.

j) *Payable to related parties*

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

k) *Accounts payable to related parties*

Pertains to the water utility bills and professional fees payable to other affiliates.

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**16. Short-term Loans**

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

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

Outstanding balance of short-term loans obtained by MCMI amounted to ₱126 million and ₱375 million as at March 31, 2021 and December 31, 2020, respectively.

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

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

Outstanding balance of short-term loans obtained by MESI amounted to nil as at March 31, 2021 and December 31, 2020.

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

The Group made total payments amounting to ₱248.9 million and ₱1,254.3 million in 2021 and 2020, respectively. Total STL drawdowns amounted to nil in 2021 and ₱230.5 million in 2020.

Interest expense charged to operations in 2021, 2020 and 2019 amounted to ₱1.15 million, ₱5.9 million and ₱20.1 million, respectively (Note 22). Interest expense that was capitalized as part of construction of MESI's building in 2021 and 2020 amounted to nil and ₱19.39 million, respectively (Note 10).

## 17. Long-term Debt

This account consists of the following:

	Unaudited March 2021	Audited December 2020
Unsecured bank loans	<b>P380,000</b>	P380,000
Secured bank loans	<b>1,492,868</b>	1,492,275
	<b>P1,872,868</b>	P1,872,275

### Unsecured

The Group, through NTC, entered into a 10-year unsecured term loan facility with a third party local bank for P650.0 million to finance its building refurbishment and/or expansion (see Note 10). The principal payments will be made in 28 quarterly payments starting May 2022. Total drawdown from the long-term loan facility amounted to P380.0 million in 2019, which are subject to annual interest rate of 4.675% with annual repricing based on higher of 5.5% or the prevailing one year benchmark rate or done rate of a liquid/active security, as agreed by the parties, with the same tenor if benchmark rate is not reflective of market rate, plus interest spread.

The loan is subject to certain covenants including maintaining a maximum debt-to-equity structure ratio of 3:1. As of March 31, 2021 and December 31, 2020, NTC has complied with its covenant obligations, including maintaining the required debt-to-equity ratio. For 2021 and 2020, interest expense recognized in profit or loss amounted to P5.4 million and P5.8 million, respectively (Note 10).

### Secured

In 2019, the Group, through MCMI, entered into a ten-year secured long-term loan agreement with a local bank for P1,500.0 million to refinance the construction of MCMI's school buildings and facilities that were initially funded by short-term loans. MCMI made partial drawdowns against this agreement amounting to P680.0 million, P350.0 million and P470.0 million in January, June and July 2019, respectively. The loans were subject to prevailing borrower's rate, plus a minimum spread of 0.50% per annum, but in no case lower than 4% per annum, subject to quarterly repricing. MCMI shall repay the loan in 20 equal quarterly installments to start at the end of 21<sup>st</sup> quarter from the initial drawdown date. The loans were secured by the land and related improvements owned by MCMI with carrying value of P2,361.5 million and P2,376.8 million as of December 31, 2020 and 2019, respectively, and suretyship of MESI (Note 10). The loans were subject to certain positive and negative covenants such as the requirement for MESI to maintain its debt service cover ratio of at least 1.0 at all times and its debt-to-equity ratio of at least 75:25 starting on the third year of the loan reckoned from initial drawdown date or January 2022.

MCMI incurred debt issue cost amounting to P11.2 million which is being amortized over the loan term of 10 years using the effective interest method. The amortization of debt issue cost amounting to P0.59 million in 2021 and P2.4 million in 2020 were recorded as part of interest expense.

Interest expense, including amortization of debt issue cost, amounted to P18.87 million in 2021 and P18.75 million in 2020 (Note 22).

Outstanding balance of secured long-term loans as follows:

	March 2021	December 2020
Principal	<b>₱1,500,000</b>	₱1,500,000
Unamortized debt issue cost	<b>(7,132)</b>	(7,725)
	<b>₱1,492,868</b>	₱1,492,275

## 18. Equity

### Capital Stock

Capital stock consists of 2,000,000,000 authorized with 1,044,263,197 issued common shares as of March 31, 2021, with a par value of ₱1 per share. Issued and outstanding shares (excluding treasury shares of 272) is 1,044,262,925 shares as of March 31, 2021 and December 31, 2020.

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

Below is the summary of the Group's outstanding number of shares and holders of securities as of March 31, 2021:

Year	Number of shares registered	Number of holders of securities as at year end
January 1, 2020	1,044,262,925	2,017
Add (deduct) movement	—	(4)
December 31, 2020	1,044,262,925	2,013
Add (deduct) movement	—	(3)
March 31, 2021	1,044,262,925	2,010

*Note: Exclusive of 272 treasury shares.*

### Retained Earnings

In accordance with Securities Regulation Code (SRC) Rule No. 68, As Amended (2011), Annex 68-C, after reconciling items, the Parent Company's retained earnings available for dividend declaration as of March 31, 2021 and December 31, 2020 amounted to ₱983.13 million and ₱982.6 million, respectively. The Parent Company and its subsidiaries will declare dividends out of their retained earnings available for dividend declaration.

The retained earnings account in the equity includes the accumulated equity in undistributed earnings of consolidated subsidiaries amounting to ₱6,235.20 million and ₱6,043.84 million as of March 31, 2021 and December 31, 2020 respectively. These are not available for dividends until declared by the subsidiaries.

The Group's retained earnings is restricted for dividends declaration to the extent of the cost of treasury stock amounting to ₱209.

The BOD declared cash dividends as follows:

	2021	2020	2019
April 8, 2021, (₱0.06 per share to stockholders of record as of May 7, 2021, payable on May 31, 2021	<b>₱62,656</b>	<b>₱—</b>	<b>₱—</b>
March 27, 2020, (₱0.070143 per share to stockholders of record as of April 14, 2020, payable on May 8, 2020	—	73,248	<b>₱—</b>
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
	<b>₱62,656</b>	<b>₱73,248</b>	<b>₱59,274</b>

#### Treasury Stock

As of March 31, 2021 and December 31, 2020, there are 272 treasury shares amounting ₱209. The retained earnings is restricted for dividend declaration to the extent of the amount of ₱209 treasury shares.

#### Capital Management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended March 31, 2021 and December 31, 2020.

As at March 31, 2021 and December 31, 2020, the Group is not subject to externally imposed capital requirements except for the long-term loan of NTC that is subject to debt to equity ratio requirement (Note 17).

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

	2021	2020
Liabilities (a)	<b>₱5,009,097</b>	₱5,219,750
Equity (b)	<b>10,424,360</b>	10,252,416
Debt-to-equity ratio (a/b)	<b>0.48:1.00</b>	0.51:1.00

## 19. Revenue from Contracts with Customers

Revenue from schools and related operations consists of:

	2021	2020	2019
Tuition and other matriculation fees	<b>₱873,709</b>	₱968,081	₱541,282
Less: Scholarship grants and discounts	<b>84,779</b>	32,560	31,650
	<b>788,930</b>	935,521	509,632
Other student-related income:			
Bookstore sales	<b>251</b>	4,924	6,461
Seminar fee income	<b>586</b>	2,685	3,077
Miscellaneous	<b>13,238</b>	14,220	19,534
	<b>₱803,005</b>	₱957,350	₱538,703

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

Disaggregation of the Group's revenue from contracts with customers based on the timing of revenue recognition:

	2021	2020	2019
Revenue from schools and related operations:			
Revenue from tuition and other matriculation fees (over time)	<b>₱788,930</b>	₱935,521	₱509,632
Other student-related income (at a point in time)	<b>14,076</b>	21,829	29,071
	<b>₱803,005</b>	₱957,350	₱538,703

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

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

Cost of tuition and other fees account consists of:

	2021	2020	2019
Personnel expenses	<b>₱239,159</b>	₱291,266	₱158,490
Depreciation and amortization (Notes 10 and 13)	<b>84,440</b>	92,852	50,478
Management and other professional fees (Note 15)	<b>20,760</b>	47,842	30,476
Student-related expenses	<b>14,740</b>	35,781	23,149
Utilities	<b>11,262</b>	28,403	21,671
Periodicals and subscriptions	<b>23,519</b>	17,455	5,856
IT expense - software license	<b>19,358</b>	12,455	9,839
Tools and library books (Note 10)	<b>1,504</b>	10,825	9,196
Repairs and maintenance	<b>5,372</b>	7,131	4,116
Taxes and licenses	<b>3,940</b>	5,804	774

	2021	2020	2019
Office supplies	799	3,121	1,880
Accreditation cost	571	3,037	1,327
Laboratory supplies	316	3,021	862
Research and development fund	5,371	2,561	4,449
Insurance	1,920	2,262	2,065
Advertising	1,782	2,112	3,579
Seminar	1,675	1,605	2,010
Transportation and travel	188	570	336
Entertainment, amusement and recreation	277	481	320
Rent	8,258	8,211	55
Miscellaneous	1,105	2,127	398
	<b>P446,317</b>	578,924	<b>P331,326</b>

a. Details of depreciation and amortization follows:

	2021	2020	2019
Depreciation (Note 10)	<b>P88,414</b>	P93,058	P61,663
Depreciation - ROU assets (Note 26)	<b>14,047</b>	17,247	—
Amortization - Student relationship (Note 6)	<b>5,578</b>	7,745	—
Amortization (Note 13)	<b>522</b>	634	132
	<b>P108,561</b>	P118,684	<b>P61,795</b>

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

	2021	2020	2019
Cost of schools and related operations	<b>P71,267</b>	P76,480	P50,478
Cost of schools and related operations - ROU assets (Note 31)	<b>13,173</b>	16,372	—
	<b>84,440</b>	92,852	50,478
General and administrative expenses (Note 21)	<b>24,121</b>	25,832	11,317
	<b>P108,561</b>	P118,684	<b>P61,795</b>

## 21. General and Administrative Expenses

This account consists of:

	2021	2020	2019
Management and other professional fees (Note 14)	<b>P38,939</b>	P35,531	P27,927
Personnel expenses	<b>53,233</b>	49,967	15,888
Depreciation and amortization (Note 18)	<b>24,121</b>	25,832	11,317
Provision for impairment of receivables	<b>8,969</b>	12,661	—
Taxes and licenses	<b>8,958</b>	8,887	4,045
Advertising	<b>5,326</b>	7,092	1,724
Utilities	<b>2,981</b>	5,558	1,644
Repairs and maintenance	<b>4,198</b>	4,137	1,710
Insurance	<b>2,505</b>	1,438	1,216
Rent (Note 24)	<b>361</b>	1,703	152
Transportation and travel	<b>443</b>	1,144	656

	2021	2020	2019
Entertainment, amusement, and recreation	529	893	531
Office supplies	130	877	594
IT expense - software license	538	836	1,786
Seminar	275	801	3,241
Commission	900	313	213
Investor relations	251	222	355
Donations	18	30	—
Miscellaneous	5,479	3,920	1,026
	<b>P158,153</b>	<b>P161,840</b>	<b>P74,025</b>

Management and other professional fees consist of property management fees, janitorial and security service fees, lawyers, payroll specialists and other professional service fees (Note 14).

Miscellaneous expense includes dues and subscriptions, manual and training materials, periodicals and other contracted services, among others.

## 22. Interest Income, Interest and Other Finance Charges

The Group's interest income consists of interest from the following sources:

	2021	2020	2019
Cash in banks and cash equivalents (Note 7)	<b>P1,918</b>	P3,476	P6,154
Advances to officers and employees (Note 8)	26	40	27
	<b>P1,944</b>	<b>P3,516</b>	<b>P6,181</b>

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

	2021	2020	2019
Short-term loans (Note 16)	<b>P1,151</b>	P5,900	P20,081
Long-term loans (Note 17)	<b>24,296</b>	24,552	—
Bank charges	<b>3,603</b>	1,880	1,170
	<b>P29,050</b>	<b>P32,332</b>	<b>P21,251</b>

## 23. Earnings Per Share

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

	2020	2020	2019
Net income attributable to equity holders of Parent Company (a)	<b>P171,945</b>	P158,351	P96,493
Weighted average number of outstanding shares - net of treasury shares (b)	<b>1,044,263</b>	1,044,263	748,933
Earnings per share (a/b)	<b>P0.1647</b>	P0.1516	P0.1288

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

## 24. Non-controlling Interest in Consolidated Subsidiaries

This represents shareholdings in material subsidiaries not held by the Group. Proportion of equity interest held by non-controlling interests (NCI) in material subsidiaries for 2021 and 2020 follows:

	2021	2020
University of Nueva Caceres	<b>16.38%</b>	16.38%
National Teachers College	<b>0.21%</b>	0.21%

Non-controlling interests in material subsidiaries as at March 31, 2021 and December 31, 2020 follows (in million pesos):

	2021	2020
University of Nueva Caceres	<b>P234</b>	P237
National Teachers College	<b>2</b>	3

There are no dividends paid to non-controlling interest in consolidated subsidiaries in 2021 and 2020.

As at March 31, 2021 and December 31, 2020, the summarized financial information attributable to non-controlling interests in material subsidiaries is shown below:

(In million pesos)

	University of Nueva Caceres		National Teachers College	
	2021	2020	2021	2020
<b>Assets</b>				
Current assets	<b>P380</b>	P329	<b>P358</b>	P284
Noncurrent assets	<b>1,415</b>	1,422	<b>1,250</b>	1,257
	<b>P1,795</b>	P1,751	<b>P1,608</b>	P1,541
<b>Liabilities and Equity</b>				
Current liabilities	<b>P176</b>	P130	<b>P152</b>	P114
Noncurrent liabilities	<b>191</b>	191	<b>472</b>	471
	<b>367</b>	321	<b>624</b>	585
<b>Equity</b>	<b>1,428</b>	1,430	<b>984</b>	956
	<b>P1,795</b>	P1,751	<b>P1,608</b>	P1,541
Attributable to:				
Equity holders of parent	<b>P1,194</b>	P1,193	<b>P982</b>	P953
Non-controlling interest	<b>234</b>	237	<b>2</b>	3
<b>Net revenue</b>	<b>P70</b>	P297	<b>P94</b>	P368
<b>Gross profit (loss)</b>	<b>35</b>	123	<b>56</b>	191
<b>Net income (loss)</b>	<b>(5)</b>	(23)	<b>29</b>	67
Attributable to:				
Equity holders of parent	<b>(P4.56)</b>	P19)	<b>P28.47</b>	P66
Non-controlling interest	<b>(0.89)</b>	(4)	<b>(0.06)</b>	1

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## 25. Operating Segment Information

### Business Segment

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

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

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

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

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

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

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

Segment assets and liabilities exclude deferred tax assets and liabilities.

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

Capital expenditures consist of additions to property and equipment.

(In million pesos)

	Education			Others			Elimination			Consolidated		
	2021	2020	2019	2021	2020	2019	2020	2020	2019	2020	2020	2019
<b>Revenues</b>												
Income from external customers	<b>P803</b>	P957	P539	<b>P–</b>	P–	P–	<b>P–</b>	P–	P–	<b>P803</b>	P957	P539
<b>Total Revenues</b>	<b>P803</b>	P957	P539	<b>P–</b>	P–	P–	<b>P–</b>	P–	P–	<b>P803</b>	P957	P539
<b>Net Income attributable to Parent Company</b>	<b>P178</b>	P162	P104	<b>P0</b>	P2	P1	<b>(P6)</b>	(P10)	(P9)	<b>P172</b>	P158	P96
<b>Other Information</b>												
Segment assets	<b>P15,977</b>	P18,324	P11,178	<b>P5,828</b>	P5,544	P1,927	<b>(P6,133)</b>	(P7,635)	(P2,869)	<b>P15,672</b>	P16,232	P10,236
Segment liabilities	<b>5,269</b>	6,387	3,931	<b>157</b>	211	88	<b>(417)</b>	(187)	(258)	<b>5,009</b>	6,410	3,761
Deferred tax assets	<b>29</b>	20	6	<b>2</b>	0	0	<b>2</b>	2	–	<b>33</b>	22	6
Deferred tax liabilities	<b>357</b>	584	208	<b>47</b>	–	–	<b>71</b>	74	–	<b>476</b>	658	208
Interest expense	<b>38</b>	32	21	<b>0</b>	0	0	<b>0</b>	0	0	<b>38</b>	32	21
Provision for income tax	<b>2</b>	26	16	<b>0</b>	0	0	<b>(0)</b>	(1)	–	<b>1</b>	25	16
Depreciation and amortization	<b>101</b>	111	62	<b>0</b>	0	0	<b>8</b>	8	–	<b>109</b>	119	62

## 26. Notes on Consolidated Statements of Cash Flows

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

		Non-cash Changes			
	2020	Declaration of Cash Dividend	Non-controlling interest	Cash Flows	2021
Short-term loan	P375,000	P–	P–	(P248,866)	P126,134
Long-term debt	1,872,275	–	–	593	1,872,868
Dividends payable	565	–	–	(8)	557
Payable to related parties	29,481	–	–	(18,212)	11,269
	<b>P2,277,320</b>	<b>P–</b>	<b>P–</b>	<b>(P266,493)</b>	<b>P2,010,827</b>

## 27. Commitments and Contingencies

### Lease Commitments

#### *Group as a lessor*

The Group's Intramuros and Makati campuses lease spaces to Digitel, Investment Managers, Inc. (IMI) and Bell Telecommunication Philippines, Inc. The lease terms cover lease periods of between three (3) years to ten (10) years with escalation rates ranging from 3.00% to 10.00%.

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

	2021	2020
Within one year	<b>P870</b>	P870
More than one year but not more than five years	<b>4,036</b>	4,036
Later than five years	<b>106</b>	106
	<b>P5,012</b>	<b>P5,012</b>

#### *Group as lessee*

The Group leases building spaces for office and school sites and annexes from third-party lessors for a period ranging from one to ten years. The Group applies the 'short-term lease' recognition exemption for those leases with lease terms of one year or less.

Upon adoption of PFRS 16 in 2019, the School recognized right-of-use assets and lease liabilities from these operating lease agreements. For those leases subjected to PFRS 16, the IBR used in the computation of lease liabilities ranges from 5.00% to 6.25% in 2020 and from 7.25% to 9.00% in 2019.

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

	2021	2020
Net Book Value at January 1	<b>P346,905</b>	P387,981
Additions (Adjustments)	<b>(2,514)</b>	17,909
Amortization	<b>(14,047)</b>	(58,985)
Net Book Value	<b>P330,344</b>	<b>P346,905</b>

The balance of lease liabilities as of March 31, 2021 and December 31, 2020 are as follows:

	March 2021	December 2020
Lease liabilities – current	<b>P33,394</b>	P44,174
Lease liabilities – noncurrent	<b>348,408</b>	348,408
	<b>P381,802</b>	P392,582

Shown below is the maturity analysis of the undiscounted lease payments as of March 31, 2021 and December 31, 2020:

	2021	2020
Within one year	<b>P73,371</b>	P73,371
More than one year but less than five years	<b>291,870</b>	291,870
Five years and more	<b>146,539</b>	146,539
	<b>P511,780</b>	P511,780

#### *Provisions and Contingencies*

- The Group is involved in certain claims arising from the ordinary conduct of business which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external counsels handling the defense in these matters and is based upon an analysis of potential results. The ultimate disposition of these matters cannot be determined with certainty. The Group will exhaust all legal remedies available to it in defending itself in these claims and proceedings. Provisions recognized during the year amounted to nil in 2021 and P4.9 million in 2020.

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

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## 28. Other Matters

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

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

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Effective January 1, 2021, income tax rate for nonresident foreign corporation is reduced from 30% to 25%.
- Preferential income tax rate for proprietary educational institutions and hospitals which are nonprofit is reduced from 10% to 1% effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT / 10% preferential tax rate) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower preferential tax rate of 1% for subsidiaries that are proprietary education institutions and lower RCIT of 25% or 20% and MCIT of 1% for other entities effective July 1, 2020.

Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Group's proprietary educational institutions is 5.5% and prorated MCIT rate is 1.5%. This will result in reduction of ₱19.4 million in current income tax and income tax payable. The reduced amounts will be reflected in the 2020 annual income tax return of respective subsidiaries. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements. As to the impact on deferred tax, the Group assessed that the impact is not material as most of the temporary differences, particularly those from proprietary education institutions, will reverse after June 30, 2023.

- In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon and other parts of the country and the community quarantine continues for selected areas in 2021.

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

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

**SUPPLEMENTARY SCHEDULES**

Schedule	Content
I	Annex 68-D Reconciliation of Retained Earnings Available for Dividend Declaration
II	Annex 68-J Schedules
III	Group Structure

**SCHEDULE II****iPeople, inc. and Subsidiaries****ANNEX 68-J: SCHEDULES****March 31, 2021**

Below are the additional information and schedules required by Revised Securities Regulation Code Rule 68. This information is presented for purposes of filing with the SEC and is not required parts of the basic financial statements.

Schedule A. Financial Assets in Equity Securities

As at March 31, 2021, the Group has no financial assets in Equity Securities.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

Below is the schedule of advances to officers and employees of the Group with balances above ₱100,000 as at March 31, 2021:

<b>Name</b>	<b>As of December 31, 2020</b>	<b>Additions</b>	<b>Liquidations/ Collections</b>	<b>As of March 31, 2021</b>
Adanza, Carina Victoria T.	P–	₱409,000	₱13,640	₱395,360
Agapito, Benigno Jr.	305,200	–	31,792	273,408
Arenillo, Denise Jordan	253,382	–	10,478	242,904
Austria, Maria Rhodora	156,042	–	37,450	118,592
Admin./Faculty-NTC	–	150,308	–	150,308
Balan, Ariel Kelly	351,317	–	32,833	318,483
Ballado, Alejandro Jr.	344,750	–	32,833	311,917
Camacho, Margarita	175,009	–	19,857	155,152
Caparanga, Alvin	182,000	–	32,500	149,500
Gan, Maria Eloisa	418,051	–	53,368	364,682
Kikuchi, Khristian	166,729	–	37,750	128,979
Parinas, Kimberly	128,764	–	–	128,764
Unknown - 6	147,280	–	–	147,280
Taala, Ma. Gloria Suzette	–	400,000	–	400,000
Lanuzza, Dionisia	127,200	–	26,500	100,700
Lopez, Jonathan	278,829	–	19,038	259,792
Lozada, Katrina	128,764	–	–	128,764
Macayan, Jonathan	242,967	–	32,833	210,134
Manuel, Mark Christian	269,233	–	32,833	236,400
Mesina, James Ronald	328,183	–	43,400	284,783
Papas, Aileen Kate A.	386,178	–	46,343	339,835
Quisaot, Concordio	275,800	–	32,833	242,967
Robielos, Rex Aurelius	168,525	–	18,725	149,800
Teodoro, Gloria	195,000	–	32,500	162,500
Tiongco, Danilo R.	162,205	–	46,344	115,861
Uy, Francis Aldrine	227,987	–	33,042	194,945
Villa, Robert Joseph	346,246	–	8,642	337,605
Yap, Maria Elizabeth	442,551	–	12,100	430,451
	<b>₱6,208,193</b>	<b>₱959,308</b>	<b>₱687,634</b>	<b>₱6,479,867</b>

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

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

Below is the schedule of receivables and payables with related parties, which are eliminated in the consolidated financial statements as at March 31, 2021:

Name	Balance at beginning of year	Additions	Collections/Liquidations	Balance at end of year
Pan Pacific Computer Center, Inc.	₱1,104,410	₱–	₱–	₱1,104,410
Malayan Education System, Inc.	2,604,489	3,059,100	(2,060,513)	3,603,076
Malayan Colleges Laguna, Inc.	1,414,220	2,941,856	(2,449,487)	1,906,588
Malayan Colleges Mindanao	–	1,451,818	–	1,451,818
University of Nueva Caceres	503,053	2,974,506	(1,075,881)	2,401,679
National Teachers College	–	333,814	(295,802)	38,013

**Schedule D. Long-term debt**

As of March 31, 2021, the Group has outstanding long-term debts as follow (in thousands):

	March 2021	December 2020
Loans payable (Note 17)		
Unsecured bank loans	<b>₱380,000</b>	₱380,000
Secured bank loans	<b>1,492,868</b>	1,492,275
	<b>₱1,872,868</b>	₱1,872,275

**Unsecured**

The Group, through NTC, entered into a 10-year unsecured term loan facility with a third party local bank for ₱650.00 million to finance its building refurbishment and/or expansion. The principal payments will be made in 28 quarterly payments starting May 2022. As of March 31, 2021, total drawdown from the long-term loan facility amounted to ₱380 million, which are subject to annual interest rate of 4.675% with annual repricing based on higher of 5.5% or the prevailing one year benchmark rate or done rate of a liquid/active security, as agreed by the parties, with the same tenor if benchmark rate is not reflective of market rate, plus interest spread.

The loan is subject to certain covenants including maintaining a maximum debt-to-equity structure ratio of 3:1. As of March 31, 2021, NTC has complied with its covenant obligations, including maintaining the required debt-to-equity ratio. For 2021, interest expense recognized in profit or loss amounted to ₱5.43 million.

**Secured**

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

of at least 1.0 at all times and its debt-to-equity ratio of at least 75:25 starting on the third year of the loan reckoned from initial drawdown date or January 2022.

MCMI incurred debt issue cost amounting to ₱11.25 million which was being amortized over the loan term of 10 years using the effective interest method. The amortization of debt issue cost amounting to ₱0.59 million was recorded as part of interest expense in 2021.

Interest expense, including amortization of debt issue cost, amounted to ₱18.87 million.

Outstanding balance of secured long-term loans as of March 31, 2021 as follow:

	Amount
Principal	₱1,500,000
Unamortized debt issue cost	(7,132)
Secured bank loans	₱1,492,868

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

As at March 31, 2021, the Group has no outstanding long-term debt from/to related parties.

Schedule F. Guarantees of Securities of Other Issuers

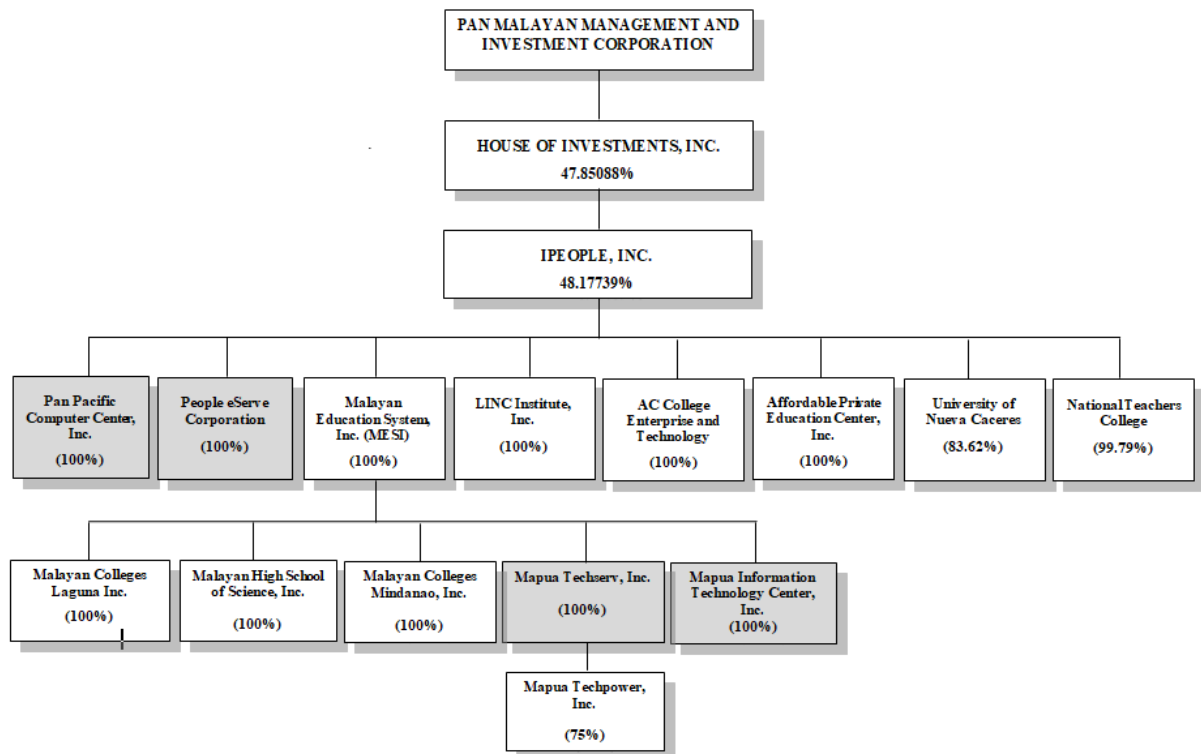
As at March 31, 2021, the Group does not guarantee any securities.

Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common Shares	2,000,000,000	1,044,262,925	-	885,453,681	168,775	158,640,469

**IPEOPLE, INC. AND SUBSIDIARIES****GROUP STRUCTURE****MARCH 31, 2021***Group Structure*

Below is a map showing the relationship between and among the Group and its ultimate parent company and subsidiaries as at March 31, 2021:



## SCHEDULE I

**iPeople, inc. and Subsidiaries**
**ANNEX 68-D: RECONCILIATION OF RETAINED EARNINGS AVAILABLE  
FOR DIVIDEND DECLARATION\*  
MARCH 31, 2021**

Items	Amount	
Unappropriated retained earnings, <i>as adjusted to available for distribution, beginning</i>		<b>P982,640</b>
<b>Add: Net income actually earned/realized during the period</b>		
Net income (loss) during the period closed to retained earnings	<b>P489</b>	
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	—	
<b>Net income actually realized during the period</b>		<b>489</b>
Add (Less):		
Dividends declaration during the year	—	
Appropriations of retained earnings during the period	—	
Reversal of appropriations	—	
Effects of appropriations	—	
Effects of prior period adjustments	—	
Treasury shares	<b>(0.21)</b>	
Transfer to retained earnings of fair value reserve of equity instruments	—	
		<b>489</b>
<b>Total Retained Earnings, End Available for Dividend</b>		<b>P983,129</b>

**iPeople, inc. and Subsidiaries**  
**Aging of Accounts Receivable**  
**For the quarter ended March 31, 2021**

	No. of days due			
	0-30	31-60	Over 61 days	Total
Education	<b>₱642,896,982</b>	<b>₱56,149,984</b>	<b>₱351,154,814</b>	<b>₱1,050,201,780</b>
Parent and others	<b>66,299,139</b>	<b>116,673,544</b>	<b>18,624,347</b>	<b>201,597,030</b>
Total	<b>709,196,122</b>	<b>172,823,528</b>	<b>369,779,161</b>	<b>1,251,798,811</b>
Less: Allowance for doubtful accounts	<b>(4,381,348)</b>	<b>(6,694,263)</b>	<b>(176,291,050)</b>	<b>(187,366,661)</b>
	<b>₱704,814,774</b>	<b>₱166,129,265</b>	<b>₱193,488,111</b>	<b>₱1,064,432,150</b>

## SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Makati on May 17, 2021.

IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this day of May, 2021 at Makati City.

By:

**Reynaldo B. Veja**  
President

*Reynaldo B. Veja*

**Gema O. Cheng**  
EVP and CFO

*Gema O. Cheng*

**Jonathan M. Lopez**  
Controller

*Jonathan M. Lopez*

**Atty. Samuel V. Torres**  
Corporate Secretary

*Atty. Samuel V. Torres*

**17 MAY 2021**

**MAKATI CITY**

SUBSCRIBED AND SWORN to before me this 17 day of May 2021, at MAKATI CITY.  
Affiant exhibited to me their Residence Certificate Numbers indicated below each name.

Names	Document No.	Date & Place of Issue/Expiration
Reynaldo B. Veja	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

Doc. No. 199  
Page No. 4  
Book No. 18  
Series of 2021

**RUBEN M. RAMIREZ**  
NOTARY PUBLIC  
UNTIL DEC. 31, 2021

IBP NO. 142536 / 01-04-21 CY 2021  
ROLL NO. 28947 / MCLE 6 / 3-22-19  
PTR NO. MXI.8533046 / 4-21 APPT NO. M-16

**From:** ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>  
**Sent:** Monday, 17 May 2021 12:14 PM  
**To:** Tin Alejandria  
**Subject:** Re: iPeople SEC 17-Q report 2021 - Q1

Dear Customer,

SUCCESSFULLY ACCEPTED  
(subject to verification and review of the quality of the attached document)

Thank you.

SEC ICTD.