

# COVER SHEET

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S.E.C. Registration Number

C E N T R O E S C O L A R U N I V E R S I T Y  
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(Company's Full Name)

9 M E N D I O L A S T . S A N M I G U E L  
M A N I L A \_\_\_\_\_

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

\_\_\_\_\_

Contact Person

8735-6861 to 71

Company Telephone Number

0 3    3 1  
Month    Day  
Fiscal Year

1 7 - A  
FORM TYPE

0 7    4<sup>th</sup> - Tuesday  
Month    Day  
Annual Meeting

\_\_\_\_\_

Secondary License Type, If Applicable

\_\_\_\_\_  
Dept. Requiring this Doc.

\_\_\_\_\_

Amended Articles Number/Section

\_\_\_\_\_

Total No. of Stockholders

Total Amount of Borrowings

\_\_\_\_\_

Domestic

\_\_\_\_\_

Foreign

To be accomplished by SEC Personnel concerned

\_\_\_\_\_

File Number

\_\_\_\_\_

LCU

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Document I.D.

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Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

# **CENTRO ESCOLAR UNIVERSITY**

Company's Full Name

**9 Mendiola Street  
San Miguel, Manila**

Company's Address

**735-68-61 to 71**

Telephone Number

**March 31**

Fiscal Year Ending  
(Month & Day)

**SEC FORM 17 – A, as Amended**

Form Type

**March 31, 2020**

Period Ended Date

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(Secondary License Type and File Number)

**cc: Philippine Stock Exchange**

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-A**

**ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SECTION 141 OF THE CORPORATION CODE**

1. For the fiscal year ended March 31, 2020
2. SEC Identification Number 1093
3. BIR Tax Identification No. 000-531-126-000
4. Exact name of issuer as specified in its charter **CENTRO ESCOLAR UNIVERSITY**
5. Province, Country or other jurisdiction of incorporation or organization Philippines
6. Industry Classification Code (SEC Use Only)
7. Address of Principal Office 9 Mendiola Street, San Miguel, Manila
- Postal Code 1005
8. Issuer's telephone number, including area code (02) 8735-68-61
9. Former name, former address and fiscal year, if changed since last report Not Applicable

10. Securities registered pursuant to Section 8 and 12 of the SRC, or Section 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
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Common Stock	372,414,400
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11. Are any or all these securities listed on a stock exchange?

Yes  No

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

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 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 twelve (12) months (or for such shorter period that the registrant was required to file such reports):

Yes [  ] No [  ]

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

Yes [  ] No [  ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within 60 days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

Number of non-affiliate shares as of June 30, 2020	372,414,400
Closing price per share as of June 30, 2020	₱ 6.30
Market value as of June 30, 2020	₱2,346,210,720 (price/share x 372,414,400)

## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1. Business

#### Description of Business

#### Business Development During the Past Three Fiscal Years (2017-2020)

Centro Escolar University (CEU), an institution of higher learning established in 1907 by Librada Avelino and Carmen de Luna, is committed to the furtherance of its founders' philosophy, Ciencia y Virtud (knowledge and virtue), and aims to cultivate the mind, the spirit, and the body for service to God, country and the family. It has ranked among the top ten institutions of higher education in the Philippines.

In pursuit of this philosophy, it seeks to educate students:

1. To develop wholesome values and attitudes;
2. To become intellectually, technologically, and globally proficient in their chosen professions; and
3. To be involved in the promotion of nationalism.

CEU, a stock corporation, was first incorporated in 1932 to exist for 50 years, or until 1982. On March 31, 1982 the corporate life was extended for another 12 years to last until 1994. On March 31, 1994, the Articles of Incorporation was amended extending the life of CEU for another 50 years.

There was no bankruptcy, receivership or similar proceeding that happened to the corporation.

Stock split was approved by SEC on March 31, 2000, effectively reducing the par value from ₱100 to ₱1 per share. PSE correspondingly adjusted the par value on August 3, 2000.

## **School Year 2017-2018**

### *Student Enrolment*

The University registered an enrollment of 12,929 for the first semester and 12,046 for the second semester of school year 2017-2018. The total enrolment for the three campuses for both the First and Second semesters decreased by 26.25% and 27.57%, respectively compared to that of SY 2016-2017. The decrease is due to the implementation of the K-12 wherein, the SY 2017-2018 has no first and second year students.

### *Foreign Student Enrolment*

Foreign student enrolment for SY 2017-2018 stood at 370 and 315 for the first and second semesters, respectively. A decrease of 26.15% for the First and 31.82% for the second semester was noted compared to the enrolment of the school year 2016-2017. The programs where most of the foreign students enrolled are in Dentistry and Graduate School.

### *Performance in Board Examination*

Escolarians ruled anew in the 2017 licensure examinations administered by the Professional Regulation Commission. The consistent outstanding performance of the graduates in the PRC exams affirms CEU's determination and commitment to an unrelenting pursuit of its vision to be the University of first choice, as well as indicative of its sincere effort and high intention to provide quality education among its clientele.

For three consecutive times, the CEU School of Dentistry has consistently set an excellent record of producing graduates who obtained the highest rating (topnotcher) in the 2017 Dentistry Licensure Examination. CEU Manila School of Dentistry scored five (5) spots (1<sup>st</sup>, 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup>, and 7<sup>th</sup> placers) in the May 2017 Board Exam and 4<sup>th</sup> placer in the December 2017-January 2018 Board Exam.

The CEU Medical Technology of CEU Manila and the Medical Technology program of CEU Makati both reaped the title as this year's two top performing schools in the licensure examination with their overall ratings of 92.06%. School of Medical Technology Manila campus was named as the 5<sup>th</sup> Top Performing School with a rating of 89.37% rating along with CEU Makati Medical Technology Department as the 10<sup>th</sup> place with 80.26% rating in the Medical Technology Board Examination. Furthermore, the School, both in Manila and

Makati, was chosen by the Professional Regulation Commission as one of the ten (1) Medical Technology schools in the Philippines, where Philippine registered Medical Technologists can be qualified to attain U.S.D. professional visa. This implies that Medical Technologists from CEU will be allowed by the Hawaii Department of Health to obtain the Hawaii Medical Technologists license though they have not complied with the mandatory one (1) year work in a U.S. clinical laboratory.

CEU Manila graduate of Bachelor of Science in Nursing ranked 10<sup>th</sup> out of 5,875 board passers in the November 2017 Board Examination. A Nursing graduate from the same campus ranked 9<sup>th</sup> in the June 2017 Nursing Board Examination.

The CEU School of Optometry posted an excellent performance grabbing five (3<sup>rd</sup>, 6<sup>th</sup>, 7<sup>th</sup>, 8<sup>th</sup> and 9<sup>th</sup>) of the top ten spots. The passing percentage of CEU graduates of 88.46% was higher than the national passing percentage of 81.66%.

The sterling performance of CEU graduates is an indication of the University's quest for academic excellence and quality education. Along with the exceptional ratings, CEU provides a training ground for its students to become globally competent imbued with character and wit.

#### Accreditation and Recognition

CEU's adherence to its quality objectives and principles, as well as its compliance to documentary requirements, urges the academic community to seek for continuous improvement.

For CEU Manila, the University's Business Administration program was granted its Level IV First Re-accreditation status, but still awaiting the results of the first reaccreditation for Level IV of the following programs: Doctor of Dental Medicine and B.S. Nutrition and Dietetics were both held on November 8-10, 2017. Furthermore, the B.S. Computer Engineering, B.S. Information Technology, and B.S. Computer Science programs visited last August 8-9, 2017 were likewise granted accreditation status for Level 1.

Centro Escolar University Pharmacy program was granted Level IV Re-accreditation status by the Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) as certified by the Federation of Accrediting Agencies of the Philippines (FAAP).

Centro Escolar University continues to build up its status as an institution of higher learning and as the University of first choice by bringing its academic standards on par with internationally recognized accrediting agencies. On January 29-31, 2018, four programs were subjected to AUN-QA accreditation. The university successfully earned the ASEAN University Network-Quality Assurance (AUN-QA) accreditation of Nursing, Nutrition and Dietetics and Optometry programs.

This recognition serves as another testament to the University's commitment to quality and excellence.

### International Linkages

CEU Manila School of Dentistry, is the first dental school peer reviewed by the SEAADE Peer Review Committee which reported areas of “Best Practice Situation”. Reports of SEAADE Peer Review Committee on their evaluation of the CEU in their official website. School of Dentistry established a linkage with the International Association for Dental Research-SEA (IADR-SEA) and the China ASEAN Forum on Dentistry (CAFD).

Six senior nursing students of Centro Escolar University joined the 3rd International Student Exchange Program of the School of Nursing with STIKes Budi Luhur in Cimahi, West Java, Indonesia from November 11 to 26, 2017. As part of their Intensive Nursing Practice, the students performed the complete family nursing process to selected families in Batujajar, Indonesia. They also participated in the International Competition wherein the CEU nursing students achieved several awards including third place in the Talent Competition, second in the CPR/BLS competition, first place in the Health Promotion Competition and first and second place in the Oral Presentation Competition. A cultural presentation capped the two-week student exchange program in Bandung, Indonesia where all participants had the opportunity to showcase their talent and respective national dances.

The Tourism Management Program of the School of Nutrition and Hospitality Management (SNHM) of the University has established International connections with different countries such as United States of America, Malaysia, Thailand and Vietnam, and CEU has been sending students for their international practicum training in conjunction with its goal of reinforcing the global competency of CEU students. The two of the Paradise group sectors, Paradise Suites and Paradise Hotels and Cruises, warmly received the second batch of interns from CEU Manila for their on-board training from November 2017 to April 2018. Paradise Suites and Paradise Hotels and Cruises, the most recognized and diverse hospitality groups, expressed continued assistance to CEU students and graduates becoming world-class service providers in the tourism industry.

Six (6) Tourism Management students were accepted by the premier hospitality group in Vietnam, with joint efforts of Paradise Group Vietnam’s General Manager Mr. Edgar Cayanan, CEU Tourism Management Coordinator, Ms. Janelle Villamor, and with the recommendation of SNHM Dean, Dr. Cecilia C. Uncad and the University President, Dr. Ma. Cristina D. Padolina. CEU’s international internship program is in accordance to the guidelines under the Student Internship Abroad program (SIAP) of the Commission on Higher Education.

The Psychology Department is presently doing research on Forgiveness in collaboration with Dr. Enright who represents the Department of Educational, University of Wisconsin.

The School of Medical Technology has an active Memorandum of Agreement with Daegu Health College, Daegu, South Korea, Khon Kaen University, Khon Kaen, Thailand and Kumamoto Health Science University, Kumamoto, Japan. Part of their linkage collaboration is an international symposium which is held on rotation among the four (4) countries. Likewise, research collaboration is one of the outputs.

### Quality Assurance

CEU earned anew an International Organization for Standardization (ISO) 9001:2015 certification. The certification applies to all academic and support services functions in CEU-Manila campus excluding School of Medicine and Senior High School, as well as all academic and support services and functions of the organization in CEU Makati and CEU Malolos campuses excluding Senior High School and CEIS, respectively. The ISO 9001:2015 certification granted to CEU attests that the University's sustained quality assurance system is in compliance with the SGS requirements and standards.

The continuous improvement program of CEU includes various programs coordinated by its Quality and Risk Management System Committee: Management Review, 7S, Quality Circle, Customer Feedback, CEU STARS. The majority of CEU work areas in the 3 campuses attained level 4 compliance in a scale of 5, in each component of the 7S program (Sort, Sweep, Systematize, Standardize, Safety, Security, Self Disciplined). To further improve service to various clientele, Customer Feedback was incorporated in the visitor's form to obtain feedback from external clients and the CEU Internal Customer Survey Instrument from internal clients/students was administered.

Risk assessments, updates on the stakeholders needs and SWOT analysis was conducted last April 17, 2017 as inputs in the management review and strategic planning.

To calibrate internal auditors' knowledge, skills and attitude, an Internal Quality Audit orientation and re-orientations was held last July 31, August 1 and 2, 2017 for Manila, Makati, and Malolos, respectively. The yearly orientation for Data and Document Custodian was conducted last October 9, 13 and November 21, 2017 for CEU Makati, Manila and Malolos respectively. The same activity was also held for 7S evaluators.

### Faculty Achievements

Dr. Ma. Cristina D. Padolina received the prestigious Juran Medal for promoting quality and excellence during the 2017 International Quality Conference Awards Night at Okada Manila Hotel. The Juran Medal Award is a tribute to Dr. Joseph Juran, renowned for his significant contributions in the promotion and advancement of quality management. This award is presented to a senior executive with remarkable contributions in promoting quality and quality management in the country. The Philippine Society for Quality (PSQ) chose to award the 2017 Juran Medal to Dr. Padolina to honor her exemplar quality and excellent management.

Dr. Erna V. Yabut, Vice-President for Research and Evaluation, is the current president of the Philippine Society for Educational Research and Evaluation, Inc. (PSERE), chair of the University Belt Consortium Research and Extension Linkages and the secretary of the National Research Council of the Philippines Research Foundation, Inc.

Dr. Carlito B. Olaer, the Vice President for Student Affairs is the present president of the Philippine Association of Administrators of Student Affairs, Inc. He is also the regional coordinator for ASIA and a contributor of the International Association of Student Affairs.



Vice-President for CEU-Makati and Dean of Studies, Dr. Olivia Limuaco is one of the five Vice-Presidents of FAPA for 2014-2018.

The dean of the School of Accountancy and Management (AM), Mr. Melito Salazar was awarded with the Golden Star Academic and Educational Excellence Award in Malaysia; World Association of Small and Medium Enterprises (WASME) for Outstanding Contribution in Service of SEMs at Miami, Florida, USA, Most Distinguished Alumnus in Government by UPCBA, and Professional Award in Business Administration –Management by UPAA. At present, he is the President of the Philippine Association of Collegiate Schools of Business (PACSB). Dr. Rosemarie So, the Assistant Dean of the School of AM is a fellow in Business Education and a board member of the PACSB. Dr. Leny Delloso, Dr. Zenaida Diola, and Mr. Edgar Tichepco are the National Winner in the Search for Outstanding PETRON-PCDEB, National Winner in the Search for Outstanding PETRON-PCDEB Business Educator in Marketing, and Regional Winner in the Search for Outstanding PETRON-PCDEB respectively. Dr. Rowell Antonio, a professional course teacher, is the chair of the Entrepreneurship of Wadhvani Foundation.

CEU Manila School of Dentistry School Dean Dr. Pearly Lim was elected Councilor of the International Association of Dental Researchers (IADR-SEA), Dr. Stephen Almonte is the Executive Vice President of the Philippine Dental Association, Dr. Joann Joven and Dr. Marie Fullante are elected Vice President and the Assistant Secretary of the Philippine Prosthodontic Society respectively; Dr. Aaron Neal Lu is the Board of Director of the Philippine Academy of Esthetic Dentistry, and Dr. Antonio Mirador is the P.R.O. of the Philippine College of Oral and Maxillofacial Surgeons.

The Head of the Guidance and Counseling Department, Dr. Carmencita Salonga is the elected P.R.O. of the Philippine Guidance and Counseling Association and the treasurer of the Psychological Association of the Philippines.

Centro Escolar University School of Medical Technology Dean, Dr. Charito Bermido represented the Philippines in the panel discussion on the Accreditation of Medical Technology/Medical Laboratory Science (MT/MLS) programs and certification of graduates during the recent 2017 ASEAN Medical Laboratory Science Education Stakeholders Summit and Research Conference at Sofitel Philippine Plaza, Pasay City on November 29-December 1, 2017. Mr. Rogelio Cruz, a faculty member of the same school is a member of the Board of Directors of the Philippine Association of Schools of Medical Technology and Public Health Inc. (PASMETH).

Dr. Maria Flordeliza Anastacio, VP for CEU Malolos, holds position as the Board of Adviser of the International Academy of Accountants for Business, Research, and Education (IAABRE) as well as the Treasurer of the Philippine Society for Educational Research and Evaluation (PSERE). Dr. Nilo V. Francisco, Dean of the College of Management and Technology at CEU Malolos is the Chairman of the Bulacan Chamber of Commerce and Industry, Inc. (BCCI) and he is also the Board of Adviser of the People Management Association of the Philippines-Bulacan Chapter (PMAP-Bulacan).

Mrs. Luzette T. Mijares, the program head of Hotel and Restaurant Management of CEU Makati is elected as one of the Board of Trustees for the Hospitality and Tourism Council of Deans and Program heads (Host Code) by the CHED-NCR.

Dr. Teresita I. Barcelo, dean of the Graduate School is the chair of the Arbitration Commission of the Philippine Nurses Association, Inc., while Dr. Maricar Ching, the assistant to the dean of the Graduate School is a board member of the DOST-PCHRD Scholars' Society and the elected secretary of the NRCP-Division 3 Medical Sciences. Dr. Eden Kelemen, a faculty member, is the director of the Philippine Association for Graduate Education, NCR.

Dr. Julieta Z. Dungca, dean of the School of Science and Technology is the elected secretary of the Philippine Society of Educational Research and Evaluation (PSERE) and treasurer of the Philippine Society of Parasitology, Inc. (PSP). The head of the Biological Sciences Department, Dr. Zenaida Los Baños, is a board member of the Philippine Association of Laboratory Animal Science. Dr. Agnes Magnaye is a board member of the Biology Teachers Association of the Philippines and Mrs. Marilou Lanto is the board member of the Philippine Society for Developmental Biology.

Dr. Cecilia D. Santiago, Dean of the School of Pharmacy is the Executive Vice President of the Philippine Association of Colleges of Pharmacy (PACOP).

Dr. Regina Jazul from CEU Malolos Pharmacy Department is the auditor of the Philippine Association of Colleges of Pharmacy (PACOP).

The Head of the Planning and Monitoring Department, Dr. Dolores Dela Cruz, is the present secretary of the Philippine Society for Quality (PSQ).

Ms. Aleli V. Lozano, head of the Physical Sciences Department, is the current auditor of the Philippine Association of Chemistry Teachers.

Dr. Christopher Jay Cortado is the secretary of the Speech Communication Organization of the Philippines, Inc., (SCOP), and Mr. Dante Gabano is the assistant treasurer.

### Student Achievements

CEU Singers Malolos scored three (3) silver awards and certificates in the Sacred Music, Mixed Choir and Mixed Voice categories in the 10<sup>th</sup> Orientele Concentus Chorale Competition in Singapore. The group's outstanding performance in Singapore earned them a Plaque of Recognition from the Mayor of the City of Malolos, Hon. Christian Natividad, a Resolution of Recognition from the City Council, and the Governor and Board Members of the province of Bulacan for their contribution in promoting Philippine culture and arts and more importantly, bringing honor to the City of Malolos and the province of Bulacan. Before their stint in Singapore, which was their first international feat, CEU Singers Malolos under the baton of Mr. German de Guzman has won numerous awards and citations from national chorale competitions such as NAMCYA and MBC, and musical festivals in Bulacan and other Central Luzon provinces.

Two (2) graduate school students was awarded Best Paper and an honorable mention in the 2<sup>nd</sup> ASEANnale 2018 and 2<sup>nd</sup> International Symposium on ASEAN Studies held at the University of the Philippines on February 28-March 2, 2018 for their paper entitled "Finding Foucault in the Rohingya Discourses" and Examining the Philippine's State in the

21<sup>st</sup> Century Maritime Silk Road: A Competition of Old and New Financial Players” respectively.

A Computer Engineering student from the School of Science and Technology was proclaimed as one of the Most Outstanding International Students in the Philippines for academic year 2017-2018 during the 48<sup>th</sup> Search for Three Most Outstanding International Students in the Philippines . This is organized by the Philippine Friendship International and Understanding Association (PIFUA).

CEU Manila School of Dentistry students research entry entitled “Characteristics of Sodium Bentonite as A Possible Root Canal Sealer” bagged first runner-up of the SIBOL(Creative Research) College Category 2017 Regional Invention Contest and Exhibits (RICE) organized by the Department of Science and Technology (DOST) held at Technological Institute of the Philippines, Quezon City. Finalist during the said activity is the research on “Nano-hydroxyapatite from Pink Salmon (*Oncorhynchus gorbuscha*) Fish Bone as a Direct Pulp Capping Material. During the Dentsply Sirona Asia University Country Level conducted at Dentsply Headquarters, Makati, Dentistry student won 1<sup>st</sup> place and 3<sup>rd</sup> place in the Clinical Case Contest Restorative Dentistry Case and Endodontic Case Contest respectively.

From the School of Nutrition, Hospitality and Management Philippine Association of Nutrition-DELTA (PAN-Delta Chapter) was awarded as the 2017 Most Outstanding PAN Student Chapter by the Philippine Association of Nutrition, Inc. Furthermore, a BS Nutrition and Dietetics student was named as the Outstanding Nutrition and Dietetics Student by the same professional organization.

A School of Accountancy and Management student was one of the finalists in the Business Leadership Program by the American Chamber of Commerce of the Philippines (AmCham).

Bachelor of Science in Psychology students hold position as the auditor of the Psychological Societies Association in Mental Health, Treasurer of the Tatsulok-Alyansa ng mga Mag-aaral sa Sikolohiyang Pilipino, Director for Human Resource Training for Youth for Mental Health Coalition and National Executive Committee for Membership for Junior People Management Association of the Philippines.

A student of BS Pharmacy from CEU Manila was awarded as the champion of the 2017 Poster Making during the FDA National Consciousness Week. Another student won 1<sup>st</sup> Place during the PAAW Antimicrobial Resistance Quiz Bee and 2<sup>nd</sup> Place during the 5<sup>th</sup> Intercollegiate Quiz Bee organized by San Beda College of Medicine. Students from the same school won 2<sup>nd</sup> Place in the FJCPPhA's Paligsahan 2018-Badminton and 3<sup>rd</sup> place in the volleyball.

The home of achievers, CEU athletes bagged numerous awards in the recently concluded 47<sup>th</sup> Women's National Collegiate Athletic Association (WNCAA) and 13<sup>th</sup> Men's National Collegiate Athletic Association (MNCAA) sports tournaments. In the WNCAA Athletics category, CEU teams were all hailed Champion in Badminton, Swimming and Taekwondo. For the individual recognitions, CEU students were named the Most Valuable Player (MVP) for Badminton, MVP for Swimming, and MVP for Taekwondo. CEU Badminton

Team for the Men's National Collegiate Athletic Association (MNCAA) also nabbed the Championship Award with Delos Santos as MVP.

Centro Escolar University Lady Scorpions remained undefeated with its 7-peat victory in the recent Women's National Collegiate Athletic Association (WNCAA) Seniors Basketball tournament held at the Rizal Memorial Coliseum.

For CEU Malolos, 2<sup>nd</sup> year students won as the overall champion for the Search for Radio Veritas Best Campus School Program, Best Program Counselling Segment and Best Anchor Person (Male).

## **School Year 2018-2019**

### **Student Enrolment**

The University had an enrollment of 12,270 for the first semester and 11,344 for the second semester of the school year 2018-2019. The total enrolment for the three campuses for both the first and second semesters decreased by 5.10% and 5.83%, respectively compared to that of SY 2017-2018. The school year 2018-2019 was the start of the regular offering of first year after the K-12 transition.

### **Foreign Student Enrolment**

Foreign student enrolment for SY 2018-2019 was 239 and 214 for the first and second semesters, respectively. A decrease of 35.41% and 32.06% for the first and second semesters, respectively, was noted compared to that of the previous school year. Dentistry and Graduate School are the programs where most of the foreign students enrolled.

### **Performance in Board Examination**

Through the years, CEU graduates have remarkably excelled in the various professional licensure examinations given by the Professional Regulation Commission (PRC).

With an outstanding overall passing rate of 87.23%, CEU was the top 3 performing school for July 2018 Optometry Licensure Examination. CEU Optometry graduates also nailed the top places in the July 2018 board examination as they captured the 2<sup>nd</sup>, 5<sup>th</sup>, and 7<sup>th</sup> places.

CEU's Pharmacy program was listed in the top performing schools with CEU Malolos campus in rank 6 garnering a rating of 88.75%, Makati campus on the 7<sup>th</sup> spot with 87.95%, and Manila campus on the 8<sup>th</sup> place with 83.90%. A Pharmacy graduate from CEU Manila seized the 2<sup>nd</sup> place in the August 2018 board examination.

On March 2019 Medical Technology Licensure Examinations, CEU Manila was the top 7 performing school having 92.31% passing rate while CEU Makati was the top 10 with 80.88% passing percentage.

CEU Malolos Dentistry program has 100 percent passing rate in the board examination both for written and practical for the past four years. CEU-Manila School of Dentistry dominated in the May-June 2018 board examination as it produced the top three placers while CEU Malolos graduate got the 6<sup>th</sup> placer. The university continued its superiority as CEU Manila graduate obtained the 7<sup>th</sup> placer while CEU Makati grabbed the 9<sup>th</sup> placer in December 2018 board examination.

Other programs of CEU that produced topnotch graduates are CEU Makati Nursing program which took the 6<sup>th</sup> and the 8<sup>th</sup> places in the board examination, CEU Manila Guidance and Counseling graduate school at 6<sup>th</sup> place in the Guidance Counseling Licensure Examination, and Bachelor of Elementary Education Specialization Special Education graduate at 9<sup>th</sup> place in the Licensure Examination for Teachers-Elementary Level.

The first timer examinees in almost all the programs in the three campus obtained a higher passing rate than the national passing percentage.

### **Accreditation and Recognition**

CEU prides itself in its continuous efforts to improve its academic programs that have resulted in its reaching another milestone in accreditation history. The CEU Manila graduate school programs Master of Science, Master of Arts, and Master of Business Administration were added to the list of highest level of accreditation, Level IV from the Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) as certified by the Federation of Accrediting Association of the Philippines (FAAP).

On the other hand, six (6) undergraduate programs of CEU Manila were reaccredited Level IV by the same accrediting agency: Nutrition and Dietetics, Dentistry, Bachelor of Secondary Education and the Elementary Education, Liberal Arts, and Medical Technology. Computer Science and Computer Engineering currently received Level I accreditation. Meanwhile, Biology and Psychology programs are awaiting for the results of their 2<sup>nd</sup> reaccredited Level IV and Hotel and Restaurant Management and Tourism Management programs for their Level II visit last September 24-25, 2018

CEU Makati's Hotel and Restaurant Management, Tourism Management, Business Administration, and Computer Science were reaccredited Level II by PACUCOA while Information Technology and Dentistry received Level I accreditation.

Meanwhile, CEU Malolos Bachelor of Elementary Education program was granted Level I accreditation.

The university successfully earned the ASEAN University Network-Quality Assurance (AUN-QA) accreditation of Psychology program based on 15 AUN-QA criteria: expected learning outcomes, program satisfaction, program structure and content, teaching and learning process, student assessment, academic staff quality, support staff quality, student quality, student advice and support, facilities and infrastructure, stakeholders' feedback, output, and stakeholders satisfaction.

This recognition serves as another testament to the University's commitment to quality and excellence.

## **International Linkages**

Determined to bring its academic programs up to international standards and to remain competitive, Centro Escolar University continues to expand its internationalizations thrusts.

For three consecutive years, the School of Science and Technology and the Biological Sciences Department join efforts in sending graduating students for international practicum. This school year 2018-2019, fourteen (14) students participated to complete the third batch for the international practicum held at Walailak University, Nakhon Si Thammarat, Thailand. Students were trained to engage in rigorous research works from sample collection, processing data gathering and analysis up to the writing of report. Their studies focus on waterborne protozoans and soil transmitted helminthes. Students were trained to do systematic review specifically in the area of Biology.

The CEU Manila and Makati School of Nursing sent five (5) graduating students in the 4<sup>th</sup> International Student Exchange Program at Sekolah Tinggi Ilmu Kesehatan Baiturrahim, Jambi, Indonesia last January 9 to 23, 2019. The program aimed to broaden the students' experience in giving nursing care in a community and hospital setting in another country like Indonesia and apply the concept of transcultural nursing. Furthermore, the program provided them excellent opportunity to gain new insights on the educational and health care delivery system of Indonesia.

Two students from CEU-Manila joined the Daegu's Health College's Global Student Leadership Program 2018. The activity provided students the opportunity to undertake a challenging extra-curricular program. The leadership program centered on the theme "Meeting the Global Challenge: Creativity, Profession, and Humanity," that targeted students who were interested to see their personal growth in inclusive environments and how student leadership could impact global issues and global change.

Together with two of the most recognized hospitality management establishments in Vietnam, the School of Nutrition and Hospitality Management of Centro Escolar University keeps up on committing with the standards for global competitiveness. Under the CHED Student Internship Abroad Program (SIAP), the School of NHM remains to be partner with Phu Hai Resort, a four-star hotel in Phan Thiet City and Paradise Suites, Hotels and Cruises and one of the top hospitality management companies in Halong Bay. With the support and approval of dean of the School of NHM and the University President and through the compassion and hard work of the Program Head of Tourism Management, the program provides a wide-range and world-class training that equips students with skills and knowledge as future professionals in the field of hospitality management. SIAP lasts for at least four to five months training for Tourism and HRM students. Furthermore, this international tie-up has given chances to student participants and alumni of CEU to work and be part of these two companies.

## **Quality Assurance**

To leverage the future of the University as the “University of first choice” and to strengthen its pursuit of its vision and mission, the CEU Management Council conducts a yearly review and strategic planning. The activity also serves as a venue for strengthening the working relationship among the different units of the University.

The annual Management Review for the SY 2017-2018 was held on April 24-26, 2018 and aimed to firm up CEU's strategic directions.. A Midyear Management Review was conducted on December 5, 2018 to review and improve the organizational performance and to apprise opportunities and threats for the next strategic planning. A periodic monitoring of the annual operation plan of the different units was conducted online by the Planning and Monitoring Office. A stakeholders' needs, and SWOT analysis workshop was held on January 30, 2019. It was followed by the risk assessment on February 14-15, 2019 and a pre-strategic planning on March 18, 2019.

An Internal Quality Audit orientation and re-orientation was held on August 14-16, 2018 to update and calibrate internal auditors' knowledge, skills and attitude. The same activity was also conducted for the Data and Document Custodian on September 4, 5, and 17 for Makati, Malolos, and Manila respectively. The orientation for the 7S evaluators was conducted on September 17, 19, and 21 for Manila, Malolos, and Makati campuses respectively.

To further improve service to various clientele, Customer Feedback Form (CFF) was incorporated in the visitor's form to obtain feedback from external clients. Collection and submission of the CFF to the Planning and Monitoring Office is done periodically. On the other hand, the CEU Internal Customer Survey Instrument and Student Personnel Services (SPS) Evaluation from internal clients/students are done annually.

SGS surveillance visit was conducted on May 2-3, 2019 and the auditors recommended that Centro Escolar University be certified with 9001:2015.

## **Faculty Achievements**

Mr. Ian Gabriel Torres Corpuz, a Conservatory of Music alumnus-faculty, is one of the 55 artists who were honored by the National Commission for Culture and the Arts (NCAA) at the Diamond Hotel on February 14, 2019. It was based on his winning the first prize award in the Busan Choral Composition held in South Korea in 2018.

Dr. Erna V. Yabut, Vice-President for Research and Evaluation, is the current president of the Philippine Society for Educational Research and Evaluation, Inc. (PSERE), the chair of the University Belt Consortium Research and Extension Linkages, and the secretary of the National Research Council of the Philippines Research Foundation, Inc.

Dr. Carlito B. Olaer, Vice President for Student Affairs, was elected President of Philippine Association of Practitioners of Student Affairs and Services (PAPSAS). Dr. Maria Corazon L. Andoy, head of the Student Affairs of CEU Makati is the elected President of PAPSAS-NCR Chapter while Mr. Dante Gabano, Asst. to the VP for Student Affairs (Campus Organization) is the Business Manager.

Dr. Julieta Z. Dungca, Dean of the School of Science and Technology, is the elected secretary of the Philippines Society of Research (PSERE), Inc. and the treasurer of the Philippine Society of Parasitology (PSP), Inc. Dr. Carmencita Salonga, head of the Guidance and Counseling Department is a board member of Psychological Association of the Philippines. Dr. Maria Dolores Delacruz, head of the Planning and Monitoring Department is the treasurer of the Philippine Society for Quality Assurance (PSQ). Dr. Maricar Ching, the Asst. Dean of the Graduate School, is the secretary of both the Biology Teachers Association of the Philippines and the National Research Council of the Philippines (NRCP) Division 3. Dr. Ching is also a board member of the Department of Science and Technology Philippine Council for Health Research and Development (DOST-PCHRD) Scholars Society. Ms. Aleli Lozano, head of the Mathematics and Physical Sciences Department is the Asst. Treasurer of the Philippine Association of Chemistry Teachers. Dr. Agnes Magnaye, a faculty from the Biological Sciences Dept. is a board member of BIOTA Philippines.

Awarded by the Philippine Pharmacists Association (PPhA) and United Laboratories, Inc. as Most Outstanding Pharmacist in Education was Dr. Cecilia D. Santiago, dean of the School of Pharmacy. Dr. Santiago, together with Dr. Maria Donnabelle U. Dean, CEU Makati Pharmacy program head are directors of Philippine Association of Colleges of Pharmacy while Ms. Regina A. Jazul, CEU Malolos Pharmacy program head is the elected P.R.O. and Dr. Olivia Limuaco, Vice President of CEU Makati is one of the Council of Advisers.

Dr. Elena Borromeo, dean of the School of Optometry, is the Vice President of the Philippine Cornea and Contact Lens Institute (PCCLI) while Dr. Gregeny Nivin Blanco is the secretary. On the other hand, Dr. Maria Concepcion Anda and Dr. Fides Masanga are presidents of the Quezon City and Pasig Chapters Integrated Philippine Association of Optometrist (IPAO).

Philippine Nursing Association's COMELEC Chair is the dean of CEU School of Nursing, Dr. Elvira Urgel; her faculty, Mr. Sonny Pura and Dr. Sofia Magdalena Robles are COMELEX Commissioners and another faculty, Dr. Pearl Ed G. Cuevas, is the Board of Director of Zone 1 Chapter. The other faculty members of CEU School of Nursing hold positions in Association of Diabetes Nurse Educators of the Philippines (ADNEP). Ms. Anjanette S. De Leon is the secretary and Chair of Education Committee, Mrs. May P. Mendinueto is the treasurer and Chair of the Research Committee, and Mrs. Joylyn L. Mejilla is the immediate past president and Chair of the Ethics Committee

Dr. Maria Rita D. Lucas, dean of the School of Education, Liberal Arts, Music and Social Work, is the asst. secretary of the Philippine Association for Teachers and Educators while Dr. Milagros Borabo, head of the PACE, is the executive director. Dr. Lolita D. Pablo, head of the Community Outreach Department is the ex-officio of the National Association for Social Work Education Incorporated, accreditor of PAASCU and a member of the CHED technical committee for Social Work program. Prof. Ricky Rosales, program head of the Mass Communication is a board member of the Philippine Association for Media and Information Literacy. Prof. Angelito E. Ayran Jr., Music program head, is the NCR coordinator of the Philippine Choral Directors Association. Dr. Arlene Salve-Opina, head of the Languages Department is the President and one of the founding members of the Global Educators' Organization. Mr. Dante Gabano is the assistant treasurer of the Speech Communication Organization of the Philippines, Inc. (SCOP) while Dr. Christopher Jay Cortado is one of the board of directors.



Dr. Pearly P. Lim, dean of the School of Dentistry is a councilor of the International Association for Dental Research. Some School of Dentistry faculty members have positions in professional organizations. Dr. Stephen Almonte is elected president of the Philippine Dental Association while Dr. Joann Joven and Dr. Marie France Fullante are vice president and asst. secretary of the Philippine Prosthodontic Society, respectively.

Dr. Rosemarie So, dean of the School of Accountancy and Management, is a board member of the Philippine Association of Collegiate Schools of Business (PACSB) and a fellow in Business Education. Prof. Zenaida S. Diola, a faculty of the same school a board member of the International Cooperative Alliance-Asia Pacific. Dr. Rowel Antonio is the Chair of the Entrepreneurship of Wadhvani Foundation.

### **Student Achievements**

A senior BS Medical Technology student from CEU Manila was chosen to represent the Philippines in the 9<sup>th</sup> University Scholars Leadership (#USLS2018) at the United Nations, Bangkok, Thailand. There were 1,057 delegates from 87 different countries. The symposium was creatively planned to help the student leaders discover their hidden potentials and actively engaged them in learning experiences beyond the conference rooms. The event let them acquire robust confidence, goal setting capabilities, self-reliance and independence. It allowed them to sharpen their cutting edge as the next generation of 21<sup>st</sup> century leaders.

Centro Escolar University music student bagged the 3<sup>rd</sup> prize for the National Level-Guitar Category in the recent National Music Competitions for Young Artist (NAMCYA) at the Cultural Center of the Philippines on November 2018,

Education students joined and won in three competitions, EducGrid, Siklabang Talino, and EduQuiz. Two BSE English major students and a BSE major in Biological Science students were hailed champions in the Inter-University Competition EducGrid at National Teachers' College on October 19, 2018. They won 2<sup>nd</sup> runner-up in the group category and 1<sup>st</sup> runner-up in the individual category.

The entry of the students from the Communication and Media Program of School of Education, Liberal Arts, Music and Social Work "Balita" made it as one of the top eight out of the 123 entries in the student short film category. "Balita" is the first ever short-film entry of the Centro Escolar University in the Metro Manila Film Festival (MMFF). The chosen top 8 short films were shown in cinemas together with the other full-length official entries during the festival period from December 25, 2018 to January 7, 2019. The MMFF Student Short Film Competition which started in 2016 aims at encouraging students to harness their creativity and talents in storytelling through filmmaking. The short film entry of CEU students also received the Guild of Educators, Mentors and Students (GEMS) "Special Award" category for its concept. They were awarded as Best Students' Short Film for Tertiary Level.

After winning in the Global Clinical Case Contest Country Level for 2018-2019 on February 13, 2019, Centro Escolar University School of Dentistry's junior clinician represented the country in the Asia Regional Clinical Case contest last April 2019 in Hong Kong. Dentsply Sirona Global Clinical Case Contest is a worldwide contest for dental students that features esthetic case studies by documenting a patient case with photographs using Ceram X restorative materials. Ms. Santiago of the School of Dentistry, Manila

represented the Philippines in the Asia Regional Clinical Case contest after winning 1<sup>st</sup> place in the Dentsply Philippines Ceram X case contest held last February 2019 at Dentsply Philippines.

In the Asia Regional Clinical Case contest last, Ms. Cenry Santiago, won first place in the Dentsply Sirona Global Clinical Case Contest 2018-2019 Asia Regional Final held April 18, 2019 at Prince Philip Dental Hospital, The University of Hongkong. Five countries participated in this regional GCCC 2018/2019. Ms. Cenry will represent Asia in the global competition to be held in Constance, Germany in June 2019.

Another Dentistry student of CEU Manila won in the 3M University Direct Esthetic Restoration Competition held last March 27, 2019. He will represent the Philippines in the South East Asia Region Competition in Malaysia in July 2019. A group of students bagged the 3<sup>rd</sup> place in the Dentsply Sirona Regional Competition held on July 2018.

CEU Scorpions bagged the championship in the MNCAA for three straight years.

True to this season's theme, "Play Bold with a Heart of Gold," Centro Escolar University Lady Scorpions once again ruled the 49<sup>th</sup> Women's National Collegiate Athletic Association (WNCAA) League with three championship titles for Senior's Division in basketball, volleyball and hip hop dance competitions.

The CEU Basketball Team aced their 8<sup>th</sup> straight win with a CEU Basketball player as the Final's Most Valuable Player and another player as the Season's MVP.

The futsal team also bagged the 3<sup>rd</sup> place. Pumped up with their fierce yet graceful dance routines, the CEU Streetsquad also claimed the WNCAA's first- ever hip hop dance competition crown.

With great pride and honor, the squad bagged three major awards in the recent 12<sup>th</sup> Cheerleading Asia in International Open Competition in Takasaki Arena, Japan. Proudly representing the Philippines, the CEU Pep Squad won the Championship title and 1<sup>st</sup> Runner-up for the Group Students Co-Ed, and 2<sup>nd</sup> Runner-up for Team Cheer International. Five cheers for the CEU pep Squad for winning the championship on the 49<sup>th</sup> Season of the Women's National Collegiate Athletic Association (WNCAA). To date this is the squad's 5-peat championship.

## **School Year 2019-2020**

### **Student Enrolment**

The University had an enrollment of 12,290 for the first semester and 11,483 for the second semester of the school year 2019-2020. The total enrolment for the three campuses for the first semester increased by 0.12% while it decreased by 1.83% for the second semester compared to that of SY 2018-2019. The school year 2019-2020 was the second year of the regular offering of first year after the K-12 transition.

## **Foreign Student Enrolment**

Foreign student enrolment for SY 2019-2020 was 204 and 194 for the first and second semesters, respectively. A decrease of 15% and 9.77% for the first and second semesters, respectively, was noted compared to that of the previous school year. Dentistry is the program where most of the foreign students enrolled.

## **Performance in Board Examination**

Making excellence as its culture, CEU has proven once again its commitment to provide world-class quality education as its graduates garnered top spots in different licensure examinations conducted by the Professional Regulation Commission (PRC). Optometry graduates took the top 5 spots in the licensure examination (1st, 3rd, 6th, 7th and 9th ), CEU-Manila Pharmacy graduates snatched the 8th and the 9th places, and CEU – Makati Dentistry graduate placed 10th of Dentistry Licensure Examination for December 2019 Licensure Examinations.

CEU Optometry program was awarded 1st Rank in the Top Performing School in the Licensure Examination for Optometrists having a passing percentage of 90.91%. Nutrition and Dietetics program obtained a 92.19% passing percentage giving them Top 4 Rank in the Licensure Examination for Nutritionists and Dietitian. Pharmacy Manila and Makati were awarded 7th and 9th Top Performing School respectively with 50 or more examinees having a passing percentage of 86.48% and 86.09% passing percentage.

The passing percentage of CEU graduates was higher than the national passing percentage in almost all licensure examinations taken by the graduates in the previous year.

## **Accreditation and Recognition**

Commission on Higher Education granted Centro Escolar University Campuses, Manila, Makati, and Malolos the Autonomous Status along with the other private higher education institutions (PHEIs) in the Philippines as listed in the CHED Memorandum Order No. 12, Series of 2019, last October, 2019. The Commission on Higher Education issued CHED memorandum Order (CMO) No. 46, series of 2012, “The Policy- Standard to Enhance Quality Assurance (QA) in Philippine Higher Education through an Outcomes-based and Typology-based QA”, primarily to help higher education institutions (HEIs) develop a culture quality. Autonomous status or Autonomous HEI based on evaluation as defined by CHED are HEIs that “demonstrate EXCELLENT program outcomes through HIGH proportion of accredited programs, the presence of Centre of Excellence and/or, Development, and/or international certification. In particular, they show evidence of OUTSTANDING performance consistent with their horizontal type” (CHED, final draft, pp1,2019).

The Autonomous status allows HEIs to launch new courses/programs in the undergraduate and/or graduate levels including doctoral programs in areas of

expertise without securing a permit/authority but informing CHED of the programs to be offered. Because of their autonomy, such HEIs will be free from CHED's monitoring and evaluation activities while complying with the submission of requested data for CHED's data gathering and updating of its management information systems and projects. They also enjoy the privilege of increasing tuition fees without securing a permit from CHED provided, however, that they fully comply with the existing CHED policies, standards, and guidelines (PSGs) on increases in tuition and other school fees, especially those pertaining to the consultation process and other requirements. (CHED, CMO 19, pp2, 2016). This another milestone prove the University's undying endeavor to continue the unwavering commitment to work for excellence in providing the best and finest education to its students.

CEU's adherence to its quality objectives and principles, as well as its compliance to documentary requirements, urges the academic community to seek for opportunities for continuous improvement such as accreditation.

CEU Manila BS Biology and BS Psychology were granted Level IV 2nd Reaccredited Status while Hotel and Restaurant Management and Tourism received their Level II 1st Reaccredited Status. Graduate School programs that include Doctor of Philosophy in Pharmacy, Higher Education Management, Mathematics Education, and Southeast Asian Studies, Doctor of Education in Science Education, , Educational Management, and Curriculum and Supervision, and Doctor of Public Administration all underwent PACUCOA Level I visit and are waiting for the results.

CEU Makati Computer Science program was given Level II 1st Reaccredited Status.

The Information Technology program of CEU Malolos underwent Level I visit last and is waiting for the results.

The university engages itself for Institutional Sustainability Assessment (ISA) this school year. CEU Manila and Makati campuses submitted their documents for evaluation and were visited last November 13-15, 2019.

This recognition serves as another testament to the University's commitment to quality and excellence.

### **International Linkages**

Centro Escolar University academic and non-teaching officers visited the University of Wisconsin (UW) in Madison and University of Southern California (USC) to benchmark on their career services centers, last May 28, 2019 and June 7, 2019 respectively. Both universities gave the CEU team a view of their Career Service Center structures and operations where they maintain a central Career Services Center. This system allows Colleges/Programs carry out independently or in coordination with their main Career Services Center activities to enhance preparations for particular jobs and workplaces. Through this kind of benchmarking

efforts, CEU representatives were able to explore and assess international academic institutions' career center structures and functions to improve and strengthen the University's existing career and placement structure and services.

Three students from CEU-Manila joined the Daegu's Health College's Global Student Leadership Program 2019 conducted from August 11 to 20, 2019. The activity provided students the opportunity to undertake a challenging extra-curricular program. The leadership program which is centered on the theme "Meeting the Global Challenge: Creativity, Profession, and Humanity" targeted students who were interested to see their personal growth in inclusive environments and how student leadership could impact global issues and global change.

Association of Universities of Asia and the Pacific with the Panyapiwat Institute of Management organized a Global Leadership Program 2019 on August 25 to September 1, 2019 with the theme "Next Generation Leader in a Disruptive World." The program targets students who are interested to see their personal growth in comprehensive surroundings and how student leadership can impact global challenges and change. An Optometry student attended the program.

The German Academic Exchange Service (DAAD) under its program Dialogue on Innovative Higher Education Strategies (DIES) sponsored the International Deans' Course (IDC) – Philippines 2020, a national multiplication training course. The course was run by four partner institutions, Centro Escolar University, Philippine Normal University, De La Salle University and the University of San Carlos. The course was held on February 16-21, 2020 with participants from 25 higher education institutions from Luzon, Visayas and Mindanao. The opening program held at PNU was attended by Ambassador Anke Reiffenstuel of the Federal Republic of Germany and the IDC Program Director, Prof. Dr. Peter Mayer.

Dr. Flordeliza Anastacio, VP for CEU Malolos, is the South East Asian mentor of DIES-IDC. There were two participants from CEU, Dr. Donnabelle Dean, program head of Pharmacy of CEU Makati and Prof. Pilipino Ramos, program head of Accountancy of CEU Malolos.

CEU conducted a short-term course on stroke management for Nursing students of the Budi Luhur International Network for Education. The course aims to provide them with the necessary competencies in providing nursing care to patients who had suffered a stroke. There were 50 participants.

## **Quality Assurance**

To leverage the future of the University as the "University of first choice" and to strengthen its pursuit of its vision and mission, the CEU Management Council

conducts a yearly review and strategic planning. The activity also serves as a venue for strengthening the working relationship among the different units of the University.

In preparation for 2020 Strategic Plan, the Administrative Council together with the Deans and selected academic managers conducted a pre-planning session to review the University's vision and mission in the context of the stakeholders' needs, SWOT and Risk Assessment previously identified in workshop sessions. This was held in April 18, 2019 at the Manila Hotel.

The annual Management Review for the SY 2018-2019 was held on April 23-25, 2019 and aimed to firm up CEU's responses to the demands of a fast-changing world and to the current challenges and Requirements. A Midyear Management Review for SY 2019-2020 was conducted on March 4, 2020 to review the organizational performance on Strategic Plan 2015-2019 and update CEU's organizational context. A post strategic planning session was conducted on July 2, 2019. A periodic monitoring of the annual operation plan of the different units was conducted online by the Planning and Monitoring Office.

An Internal Quality Audit (IQA) orientation and re-orientation was conducted on July 29, August 1, and August 2, 2019 in CEU Makati, Manila, and Malolos respectively. The activity aimed at enhancing CEU's Quality Management System through an effective internal quality audit process delivered by competent and committed auditors. The same activity was also conducted for the Data and Document Custodian on September 4, 5, and 17 for Makati, Malolos, and Manila respectively. The orientation for the 7S evaluators was conducted on September 17, 19, and 21 for Manila, Malolos, and Makati campuses respectively.

To further improve service to various clientele, Customer Feedback Form (CFF) was incorporated in the visitor's form to obtain feedback from external clients. Collection and submission of the CFF to the Planning and Monitoring Office is done periodically. On the other hand, the CEU Internal Customer Survey Instrument and Student Personnel Services (SPS) Evaluation from internal clients/students are done annually.

SGS surveillance visit was conducted on May 2-3, 2019 and the auditors recommended that Centro Escolar University be certified with 9001:2015.

To recognize the quality service and exemplary efforts of both teaching and non-teaching personnel, Centro Escolar University held its annual Quality Awards Day last July 17, 2019. The event gives recognition to the deserving members of the University from the three campuses; Manila, Makati, and Malolos as The Teacher of the Year, Non-Teaching of the Year (Non-Supervisory and Supervisory Category), Research of the Year, 7s Model Work and Student Areas, Best Internal Quality Audit (IQA) Sub-Team, Best Quality Circle, and CEU STARS.

## Faculty Achievements

Emil Q. Javier, a member of Board of Directors of Centro Escolar University, now joins the roster of our country's National Scientists for his notable contributions in the field of agricultural science.

In an awards ceremony at the Dusit Thai Hotel last June 7, 2019, the Vice President and Dean of Studies of Centro Escolar University Malolos, Dr. Maria Flordeliza Anastacio; the Dean of School of Education, Liberal Arts, Music and Social Work, Dr. Maria Rita Lucas; and the Dean of School of Optometry, Dr. Elena Borromeo, were recognized as Philippines Education Leadership Awardees by the World Education Congress. Philippines Education Leadership Award is presented to individuals who are at the forefront of their respective institutions, fortifying it by synergizing leadership, academics, and industry linkage with the ultimate goal of rearing the world's future leaders.

Dr. Erna V. Yabut, Vice-President for Research and Evaluation, is the current president of the Philippine Society for Educational Research and Evaluation, Inc. (PSERE), the chair of the University Belt Consortium Research and Extension Linkages, and the secretary of the National Research Council of the Philippines Research Foundation, Inc.

Dr. Carlito B. Olaer, Vice President for Student Affairs, was elected President of Philippine Association of Practitioners of Student Affairs and Services (PAPSAS). Dr. Maria Corazon L. Andoy, head of the Student Affairs of CEU Makati is the elected President of PAPSAS-NCR Chapter while Mr. Dante Gabano, Asst. to the VP for Student Affairs (Campus Organization) is the Business Manager.

Dr. Julieta Z. Dungca, Dean of the School of Science and Technology, is the elected secretary of the Philippines Society of Research (PSERE), Inc. and the treasurer of the Philippine Society of Parasitology (PSP), Inc. Dr. Carmencita Salonga, head of the Guidance and Counseling Department is a board of director of Psychological Association of the Philippines. Dr. Maria Dolores Delacruz, head of the Planning and Monitoring Department is the treasurer of the Philippine Society for Quality Assurance (PSQ). Dr. Maricar Ching, the Asst. Dean of the Graduate School, is the secretary of both the Biology Teachers Association (BIOTA) of the Philippines and the National Research Council of the Philippines (NRCP) Division 3. Dr. Ching is also a board member of the Department of Science and Technology Philippine Council for Health Research and Development (DOST-PCHRD) Scholars Society. Ms. Aleli Lozano, head of the Physical Sciences and Math Department is the Asst. Treasurer of the Philippine Association of Chemistry Teachers. Dr. Agnes Magnaye, a faculty from the Biological Sciences Dept. is a board member of BIOTA Philippines.

The Vice President for CEU-Makati has been awarded the Association of Colleges of Pharmacy (PACOP) Lifetime Achievement. Elected officers in the Philippine Association of Colleges of Pharmacy (PACOP) are Dr. Maria Donnabelle Dean as Assistant Secretary, Mrs. Regina Jazul as PRO, and Dr. Cecilia Santiago as Board of Director. Dr. Dean and Mrs. Jazul are program heads of Makati and Malolos while Dr. Santiago is the Dean of the School of Pharmacy.

Dr. Elena Borromeo, dean of the School of Optometry, is the Vice President of the Philippine Cornea and Contact Lens Institute (PCCLI) while Dr. Roji. Soriano is the Vice President of the Philippine Society of Public Health and Occupational Optometry. On the other hand, Dr. Maria Concepcion Anda and Dr. Fides Masanga are presidents of the Quezon City and Pasig Chapters Integrated Philippine Association of Optometrist (IPAO).

Faculty members in the School of Nursing hold positions in Association of Diabetes Nurse Educators of the Philippines (ADNEP). Ms. Anjanette S. De Leon is the secretary and Chair of Education Committee, Mrs. May P. Mendinueto is the treasurer and Chair of the Research Committee, and Mrs. Joylyn L. Mejilla is the immediate past president and Chair of the Ethics Committee.

Dr. Maria Rita D. Lucas, Dean of the School of Education, Liberal Arts, Music and Social Work, is the Asst. Secretary, while Dr. Milagros Borabo, Head of the CEU PACE, is the Executive Director, of the Philippine Association for Teachers and Educators (PAFTE). Dr. Lolita D. Pablo, Head of the Community Outreach Department is the ex-officio of the National Association for Social Work Education Incorporated (NASWEI), accreditor of Philippine Accrediting Association of Schools, Colleges, and Universities (PAASCU) and a member of the Commission on Higher Education (CHED) Technical Committee for Social Work program. Prof. Ricky Rosales, Head of the Communication and Media Program is a Board Member of the Philippine Association for Media and Information Literacy (PAMIL). Prof. Angelito E. Ayran Jr., Music program Head, is the NCR coordinator of the Philippine Choral Directors Association (PCDA). Dr. Arlene Salve-Opina, Head of the Languages Department is the President and one of the founding members of the Global Educators' Organization (GEO). Mr. Dante Gabano is the Assistant Treasurer of the Speech Communication Organization of the Philippines, Inc. (SCOP) .

Dr. Pearly P. Lim, Dean of the School of Dentistry is a councilor of the International Association for Dental Research (IADR) - South East Asia Division. Some School of Dentistry faculty members have positions in professional organizations. Dr. Stephen Almonte is elected president of the Philippine Dental Association (2019-2020) while Dr. Joann Joven is the Vice President of the Philippine Prosthodontic Society. Dr. Marjorie Quieng is the Secretary of the Fil-Chi Dental Foundation Inc. as well as the Editor in Chief of the Fi-Chi Dental Foundation Inc Newsletter.

Dr. Rosemarie So, Dean of the School of Accountancy and Management, is a board member of the Philippine Association of Collegiate Schools of Business (PACSB) and the Philippine Society for Educational Research and Evaluation, Inc. (PSERE).. Dr. Rowel Antonio is a board member of the Entrepreneurship Educators of the Philippines.

Dr. Milagros Borabo, Program Head for Education and Head of the CEU Professional and Continuing Education (PACE) Program, was a recipient of the Philippine Normal University GAWAD SULO Award for Eminent Alumni.



## **Student Achievements**

Conquering international music scenes, Centro Escolar University Singers Manila bagged four gold prizes in their recent participation in the 8th Bali International Choir Festival in Indonesia. With 358 choir performances from ten countries and 26 provinces of Indonesia, the CEU Singers Manila brought home the Gold Prize in two categories, the Open Mixed and the Musica Sacra both in the elimination and championship rounds. The choir was also one of the Grand Prix finalists, the highest level category in the said music tilt.

After the CEU Singers Manila success in Bali, Indonesia, they flew to Singapore for the 12th Orientale Concentus where they were also declared as Gold Prize Winner for Open Mixed and Folklore categories.

Centro Escolar University (CEU) Scorpions clinched the first runner-up title in the 2019 Philippine Basketball Association (PBA) D-League best-of-five final series against the Cignal-Ateneo Blue Eagles on June 25, 2019 at the Ynares Sports Complex.

Centro Escolar University School of Accountancy (SAM) students landed 1st Runner-Up in the recent Philippine Chamber of Commerce and Industry-Business Idea and Development Award (PCCI-BIDA) 2019, Technology Category on September 27, 2019 at the Philippine Chamber of Commerce and Industry Plaza.

A group of SAM students also participated in the 5th Annual Monsoon SIM Enterprise Resource Management Competition (MERMC) 1st International Grand Final Hong Kong 2019 held at The Hong Kong Polytechnic University, Hong Kong in August 10 & 11.

A student from the School of Accountancy and Management was accepted to become a core participant among the 180 participants to the University Mobility in Asia and the Pacific Collaborative Online International Learning (UMAP-COIL) Program.

A Dentistry student represented Asia in the global competition held in Constance, Germany in June 2019.

## **Business of Issuer**

Thirteen programs in CEU-Manila have Level 4 accredited status PACUCOA (BS Pharmacy, BS Biology, BS Psychology, BS Business Administration, BS Medical Technology, Liberal Arts, Bachelor of Secondary Education, Bachelor of Elementary Education, Doctor of Dental Medicine, BS Nutrition and Dietetics, Master of Arts, Master of Business Administration and Master of Science). BS Pharmacy, BS Biology, BS Psychology, BS Business Administration, BS Medical Technology, Liberal Arts, Bachelor of Secondary Education, Bachelor of Elementary Education, Doctor of Dental Medicine, BS Nutrition and

Dietetics, are Level 4 reaccredited. Three programs have Level 3 status (Doctor of Optometry accredited by PACUCOA and, Nursing and Social Work accredited by PAASCU) Two programs are on Level 2 status (BS Hotel and Restaurant Management, BS Tourism Management), Four programs are on Level 1 status (BS Accountancy, BS Computer Engineering, BS Computer Science and BS Information Technology), and eight Graduate School programs in Ph.D./Ed.D. are on candidate status (Higher Education Management, Mathematics Education, Pharmacy, Public Administration, Curriculum and Supervision, Educational Management, Science Education and Southeast Asian Studies). These programs have met the FAAP's stringent requirements specifically, (a) reasonably high standard of instruction as manifested by the quality of its teachers, (b) highly visible community extension programs, (c) highly visible research tradition, (d) strong staff development, (e) highly creditable performance of graduates in licensure examinations, and (f) existence of working consortia or linkages with other schools/agencies.

For CEU-Malolos, three programs have Level 4 accredited status (BS Business Management, Liberal Arts, BS Psychology), five programs have Level 2 accredited status (BS Hotel and Restaurant Management, BS Tourism Management, Doctor of Dental Medicine, BS Pharmacy and BS Nursing), and Level 1 status for Bachelor of Elementary Education and BS Information Technology.

CEU-Makati has four Level 2 accredited status (BS Hotel and Restaurant Management, BS Tourism Management, BS Computer Science, BS Business Administration) and six Level 1 accredited status (BS Medical Technology, BS Psychology, BS Nursing and BS Pharmacy, Doctor of Dental Medicine and BS Information Technology) . The summary is as follows:

Accredited College/School Programs	Accreditation Level	Period Covered	Accrediting Agency
<b>CEU-MENDIOLA</b>			
B.S.Pharmacy	Level 4 1 <sup>st</sup> RA Level 4 2 <sup>nd</sup> RA Level 4 2 <sup>nd</sup> RA	April 2017-April 2022	PACUCOA
B.S. Biology		July 2019-July 2024	
B.S. Psychology			
Liberal Arts	Level 4 1 <sup>st</sup> RA Level 4 1 <sup>st</sup> RA Level 4 1 <sup>st</sup> RA Level 4 1 <sup>st</sup> RA Level 4 1 <sup>st</sup> RA Level 3 Level 4 1 <sup>st</sup> RA Level 4 1 <sup>st</sup> RA	Sept. 2018-Sept. 2023	
Bachelor of Secondary Education			
Bachelor of Elementary Education			

Doctor of Dental Medicine		Jan. 2018-Jan. 2023 Aug. 218-Aug. 2023	
B.S. Nutrition and Dietetics			
Doctor of Optometry			
B.S. Business Administration		Oct. 2017-Oct. 2022	
B.S. Medical Technology		March 2019-March 2024	
B.S. Nursing	Level 3 Level 3	May 2016-May 2021	PAASCU
B.S. Social Work			
B.S. Accountancy	Level 1 Level 2 Level 2	Oct. 2016-Oct. 2019	PACUCOA
BS Hotel and Restaurant Management	Level 1 Level 1 Level 1	July 201-July 2024	
BS Tourism Management			
BS Information Technology		Sept. 2017-Sept. 2020	
BS Computer Engineering		Mar. 2018 – Mar. 2021	
BS Computer Science			
<b>GRADUATE SCHOOL</b>			
Master of Arts	Level 4	March 2019-March 2024	PACUCOA
Master of Business Adm.			
Master of Science			
Ph.D. in Higher Education Management	Candidate Status	Feb. 2017-Feb. 2019	
Ph.D. in Mathematics Education			

Ph.D. in Pharmacy			
Doctor of Public Administration			
Ed D. in Curriculum & Supervision			
Ed.D. in Educational Management			
Ed.D. Science Education			
Ph.D. in Southeast Asian Studies			
<b>CEU-MALOLOS</b>			
Business Administration	Level 4 Level 4 Level 4	June 2015-June 2020	PACUCOA
Liberal Arts			
Science Program (BS Psychology)			
B.S. Tourism Management	Level 2 Level 2 Level 2 Level 2 Level 2	Nov. 2016-Nov. 2021	
B.S. Hotel & Restaurant Management			
Doctor of Dental Medicine B.S. Pharmacy B.S. Nursing			
B.S. Information Technology	Level 1	Nov. 2016-Nov. 2019	
Bachelor of Elementary Education	Level 1	Dec. 2018-Dec. 2021	
<b>CEU-MAKATI</b>			
B.S. Hotel & Restaurant Management	Level 2 Level 2	Aug. 2018-August 2023	PACUCOA

B.S. Tourism Management	Level 2 Level 2 Level 1 Level 1 Level 1 Level 1		
B.S. Computer Science		March 2019-March 2024 Aug. 2018-August 2023	
B.S. Business Administration			
B.S. Medical Technology		Mar. 2016-Mar. 2019 Sept. 2016-Sept. 2019	
B.S. Psychology			
B.S. Nursing			
B.S. Pharmacy		Aug. 2016-Aug. 2019	
Doctor of Dental Medicine	Level 1	Aug. 2018-Aug. 2021	
B.S. Information Technology			

CEU was awarded rank 4 on the top five universities with the highest number of accredited program during the PACUCOA's Annual General Assembly in December 2017.

Likewise, CEU got a special citation for producing a graduate who obtained the highest rating (Topnotcher) in the Licensure Examination for Optometrists in July 2019. CEU was also granted a Full Autonomous Status by CHED.

To build further its status as an institution of higher learning, the University continues to bring its academic standards at par with internationally recognized certifying bodies.

CEU successfully earned the AUN-QA Certification for the ten programs based on the 15 AUN-QA criteria: expected learning outcomes, program satisfaction, program structure and content, teaching and learning process, student assessment, academic staff quality, support staff quality, student quality student advice and support, facilities and infrastructure, stakeholder's feedback, output and stakeholder satisfaction. The programs with AUN-QA certification are BS Biology, BS Hotel and Restaurant Management, BS Pharmacy, BS Tourism Management, Dentistry, BS Business Administration, BS Nutrition and Dietetics, BS Nursing, BS Psychology and Optometry.

CEU also reached an overall rating of 3 Stars in its self-benchmarking through the Regional Rating System-University Performance Metrics (UPM). UPM assesses the responsiveness of the Third Generation Universities in the Industrial Revolution 4.0 (4IR) era. UPM provides a detailed look at an institution, to identify university's strength, like its strategic governance; education & training; research; innovation; innovation ecosystem; IT infrastructure & digital learning resource; internationalization and community service. UPM

score, which ranges from 1 to 5 stars corresponds to the sum of the points achieved for the 54 indicators and 8 categories. CEU, being a 3-Star university has a role in national higher education system and can facilitate student mobility in ASEAN countries. CEU got 4 Stars in Education, Strategic governance, IT infrastructure and Community Services categories.

The University entered into a 25-year lease contract with Philtrust Bank on July 29, 2004. The lease covers the use of Philtrust Bank's land, building and improvements thereon located at 259-263 Sen. Gil Puyat Avenue and Malugay Street, Makati City. The lease commenced on January 1, 2005 for the operation of the CEU-Makati Extension Campus for school year 2005-2006.

CEU complies with environmental laws. Its buildings are inspected regularly by the Office of the Mayor of Manila for sanitation and other safety measures, and the University pays the corresponding regulatory fees.

### **Contribution of Product Services to Revenues**

	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>
Liberal Arts	5,258,247	5,713,384	5,658,007
Science	42,259,982	42,626,636	32,325,786
ACS/AMT	45,034,441	31,149,597	37,038,689
Dentistry	162,528,766	172,935,835	144,597,042
Education	2,610,965	1,572,953	958,613
Medical Technology	47,448,519	60,187,004	69,861,414
Music	1,591,159	1,934,734	1,978,682
Nursing	6,053,099	16,401,487	25,118,631
Nutrition/HE/Tourism/HRM	56,901,723	42,595,356	39,254,546
Optometry	24,778,920	25,980,655	30,679,390
Pharmacy	66,263,798	64,947,848	51,071,267
Social Work	1,270,248	1,273,515	1,780,521
Graduate School	13,653,794	18,732,049	13,124,663
Law	10,048,777	11,332,206	8,830,169
Medicine	4,853,510	17,468,000	23,197,725
CEU-Senior High	141,865,798	124,747,433	-
CEIS and CELP	89,706,544	93,326,688	213,915,697
<b>TOTAL</b>	<b>722,128,289</b>	<b>732,326,688</b>	<b>699,390,839</b>

### **Tuition Fee Increase**

There was a 5% increase in tuition fees and other fees for SY 2016-2017, 2017-2018 and 5% in tuition fees, 10% in other fees for SY 2018-2019, and 5% increase in tuition fees and other fees for SY 2019-2020.

## **Effect of Government Regulation with Respect to Increase in Tuition Fees**

The Commission on Higher Education (CHED) promulgates guidelines to be followed by Higher Educational Institutions (HEIs) intending to increase their tuition and other fees. The guidelines provide, among others:

“A Certificate of Intended Compliance (COIC) stating that (70%) of the proceeds to be derived from the tuition fee increase shall be used for the payment of the salaries, wages, allowances and other benefits of its teaching and non-teaching personnel and other staff x x x.

“The 20% shall go to the improvement of the following:

1. Modernization of buildings
2. Equipment
3. Libraries
4. Laboratories
5. Gymnasium and similar facilities and
6. Payment of other cost of operations.

“Only 10% is left for return on investment.”

The University has consistently distributed 70% of the increase in tuition fees to its employees on a semestral basis. The 70% increase in tuition fees is distributed in the form of the benefit known as incremental proceeds, employee development programs, and other benefits.

The University regularly spends on capital expenditures to improve its facilities. These expenditures are sourced from internally-generated funds and generally exceed the allotted 20% of the tuition fee increase for the year.

Except for competition from other schools and universities, the rising cost of goods and materials and adverse economic situation which can affect operational costs and enrollment figures, there are no other major risks involved in the business of the University.

### **Item 2. Properties**

CEU's main campus site, which houses 13 buildings, is located on a two-hectare prime real estate in Mendiola, Manila. Its campus in Malolos, Bulacan is located on a seven-hectare property along McArthur Highway.

The properties in Manila campus are covered by TCT Nos. 11919, 69761, 76251, 76252, 76253, 92437, 99602 and 171233. The Malolos property is covered by TCT No. T87162.

The University has no property that is subject to any mortgage, lien or encumbrance.

In connection with the establishment of CEU-Makati Campus, the University has been leasing the Philtrust Bank Building since 2004 for ₱2M fixed rental per month for 25 years plus a percentage of the annual income for its CEU-Makati, Gil Puyat Campus.

Pursuant to the authority granted by the Board of Directors and as part of the University's expansion program for CEU-Makati Campus, the University purchased on July 5, 2006 Seaboard Centre Condominium on Esteban Street, Legaspi Village, Makati City on installment basis through internally generated funds. The CEU-Makati, Legaspi Village Campus is covered by CCT Nos. 99424, 99167, 99410, 99425, 99426, 99427, 99411, 99428, 99429, 99430, 99431, 99432, 99168, 99408, 99169, 99170, 99433, 99434, 99435, 99436, 99437, and 99438. The University is currently working on the consolidation of these titles.

### Item 3. Legal Proceedings

CEU is not a party nor is any of the University's principal properties subject to any pending legal proceeding that could be expected to have a material adverse effect on the results of its operations.

### Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

#### Market Information

The University's common equity is traded at the Philippine Stock Exchange. Following are the high and low prices for each quarter within the last two (2) fiscal years:

		High	Low
Fiscal Year Ended 2019			
April 2018 – June 2018	First Quarter	₱ 9.00	₱ 8.60
July 2018 – September 2018	Second Quarter	8.99	6.14
October 2018 – December 2018	Third Quarter	8.15	7.03
January 2019 – March 2019	Fourth Quarter	8.39	7.60
Fiscal Year Ended 2020			
April 2019 – June 2019	First Quarter	₱ 8.12	₱ 6.96
July 2019 – September 2019	Second Quarter	7.23	6.56
October 2019 – December 2019	Third Quarter	7.20	6.90
January 2020 – March 2020	Fourth Quarter	7.08	5.50



The closing price per share of the University's common shares as of June 30, 2020 was ₱6.30.

## Holders

As of June 30 2020, there are 1,021 common shareholders. The name of the top twenty (20) shareholders and the number of shares and the percentage of total shares outstanding held by each are as follows:

Stockholder	Number of Common Shares Held	Percentage of Total Shares (5)
1. USAUTOOCO, Inc.	126,620,891	34.0000
2. PCD Nominee Corp. – Filipino/Others	88,520,366	23.7693
3. U.S. Automotive Co., Inc.	55,963,803	15.0273
4. Jose M. Tiongco	13,439,614	3.6088
5. Corazon M. Tiongco	10,115,904	2.7163
6. Erlinda T. Galeon	9,252,982	2.4846
7. Generosa T. Cabrera	9,190,225	2.4677
8. Marie T. Sands	9,186,138	2.4666
9. Security Bank Corporation TA# 1090	8,072,299	2.1676
10. Alvin Anton C. Ong	1,344,308	0.3610
11. Fredrick C. Ong	1,000,000	0.2685
12. Maria Concepcion I. Donato	994,465	0.2670
13. Emma de Santos Oboza	758,190	0.2036
14. Alicia de Santos Villarama	758,190	0.2036
15. Estate of Trinidad V. Javellana	713,666	0.1916
16. Manuel M. Paredes	650,107	0.1746
17. Amado R. Reyes	650,107	0.1746
18. Ma. Alexa J. Intengan	634,621	0.1704
19. Leland &/or Melita Villadolid	560,523	0.1505
20. Angelo A.S. Suntay	453,186	0.1217

There are no transactions that relate to an acquisition, business combination or other reorganization which will affect the amount and percentage of shareholdings of any of the University's directors, officers (as a group) or any person owning more than 5% of the University's outstanding capital stock.

## Dividends

Dividends declared for the two most recent fiscal years, i.e., Fiscal Year ended March 31, 2019 and Fiscal Year ended March 31, 2020, are as follows:

### **Fiscal Year Ended March 31, 2019**

(April 1, 2018– March 31, 2019)

1. Cash dividend of ₱0.20 per share was declared on June 20, 2018 in favor of stockholders of record as of July 12, 2018, payable on August 6, 2018.

### **Fiscal Year Ended March 31, 2020**

(April 1, 2019 – March 31, 2020)

2. Cash dividend of ₱0.20 per share was declared on June 28, 2019 in favor of stockholders of record as of August 5, 2019, payable on August 29, 2019.

Dividends shall be declared only from retained earnings.

There are no restrictions that limit the ability to declare dividends on common equity.

### **Recent Sales of Unregistered or Exempt Securities**

The University did not sell any unregistered or exempt securities in the past three (3) years.

## **Item 6. Management 's Discussion and Analysis or Plan of Operation**

### **Financial Performance (2019-2020;2018-2019; 2017-2018)**

Tuition and Other School Fees decreased by 7.97% from the previous year's ₱1,428,330,595 to this year's ₱1,314,456,816 as compared to last year's increase by 4.17% to ₱1,428,330,595 from ₱1,371,104,081 in 2018. This account consists of Tuition Fees, Other Fees, and Income from Other School Services. Other fees are comprised of fees for electricity, registration materials, miscellaneous classroom expenses, laboratory materials, health services fees, library fees and development fees. Income from Other School Services comprised of fees for diploma and certificates, transcript of records, entrance examinations and various collections for specific items or activities. Other Revenues such as rental income, donation income and dividend income amounting to ₱19,586,895, ₱15,433,000 and nil respectively, were reported separately in the financial statements in 2020. Interest income were reported at ₱4,717,701 in 2020, ₱5,258,829 in 2019, and ₱3,405,522 in 2018.

The total revenues from contracts with customers decreased to ₱1,351,672,511 in 2020 from ₱1,473,275,857 last year and ₱1,414,254,996 in 2018 while the Operating Expenses were reported at ₱1,304,580,130 in 2020 from ₱1,308,549,798 in 2019 and from ₱1,256,717,449 in 2018.

Net income of the University for 2020 was ₱66,934,583 from ₱187,111,756 in 2019 and from ₱110,216,392 in 2018..

### **Change in Academic Year**

The University implemented a change in the academic year (i.e from June ending March to August ending May of each year). This started in August 2019 and was reported under this fiscal year ended March 31, 2020. This change in the academic year had an effect on the net income reported for Fiscal Year 2020 due to the non-inclusion of April and May 2020 realized tuition and other fees, as well as related expenses, which will be reported under Fiscal Year 2021.

## Financial Condition

The University reported a healthy cash position as of March 31, 2020. Cash and cash equivalents were at ₱349,589,928 as compared to last year's balance of ₱312,995,338 and ₱290,181,009 in 2018. Tuition and other receivables were at ₱322,195,587 as compared to ₱123,286,977 last year and ₱121,410,647 in 2018. The University's receivables consist of tuition receivables, interest receivables, and employee and lessee receivables (classified as Other Receivables). There are no receivables from unconsolidated subsidiaries or related parties.

Inventories, consisting of materials, uniforms and supplies, were at ₱13,317,885. Other current assets, which consist largely of Advances to Suppliers, Creditable withholding Taxes and Prepayments stood at ₱58,470,121.

The current assets of the University as of fiscal year ended March 31, 2020 were ₱743,573,521 as compared to ₱503,710,405 for March 31, 2019 and ₱446,896,736 for March 31, 2018.

Property and Equipment were reported at 4,999,659,087 from ₱4,807,822,273 in 2019 and ₱3,275,715,343 in 2018.

Total non-current assets were at ₱5,244,918,504 and Total Assets were at ₱5,988,492,025 at the end of the fiscal year.

Accounts payable and other current liabilities increased to ₱572,226,528 from ₱404,436,505 last year and ₱355,306,220 in 2018. Dividends payable were at ₱105,755,874 compared to ₱104,576,634 last year and ₱107,787,994 in 2018. Total current liabilities were at ₱762,302,649 at fiscal year end.

Total noncurrent liabilities as of March 31, 2020 increased to ₱791,861,056 from ₱575,077,660 last year and ₱361,670,607 in 2018. Because schools are allowed to claim 10% of its capital assets as an advanced tax credit, it can no longer claim the depreciation on these capital assets as tax deduction. Instead, the unamortized portion of these tax credits are lodged under deferred tax liability, and is amortized yearly in congruence with the depreciation of the capital assets. Deferred tax liabilities were at ₱410,250,106. Upon adoption of PFRS 16 on April 1, 2019, the University recognized right-of-use asset and lease liability. The Lease Liability - net of current portion for 2020 was at ₱179,142,644. Retirement liability refers to the portion of the Retirement Fund that needs to be funded over the course of the expected working lives of the employees. As of March 2020, retirement liability was at ₱191,361,485.

The University's stockholder's equity stood at ₱4,434,328,320 as of March 2020 as compared to ₱4,450,852,846 as of March 2019.

## Key Performance Indicators

Key	2020	2019	2018	Manner of Computation	Significance
Revenue Growth	-7.97%	4.17%	-10.68	Difference between current and last year's tuition and other school fees divided by last year's revenues	Measures Revenue growth
Return on Revenue	5%	13%	8%	Net income divided by Tuition and other school fees	Shows how much profit is derived from every pesos of tuition and other school fees
Dividend Pay-out Ratio	111 %	40%	68%	Dividends divided by net income	Indicates how earnings support dividend payment
Return on Equity	2%	4%	4%	Net profit divided by average total stockholders' equity	Measures extent of profit earned
Return on Assets	1%	3%	7%	Net profit divided by average total assets	Measures use of assets to generate income

## Liquidity

The University relies on internally generated cash to fund its working capital needs, capital expenditures and cash dividends. It can satisfy the cash requirements and have no plan to raise additional funds.

Cash flows provided by operating activities were at ₱242,709,073 for fiscal year ended March 31, 2020 as compared to cash flows provided by operating activities of ₱269,485,064 for the previous fiscal year and ₱268,201,397 in 2018.

Cash used in investing activities was ₱107,441,764 during the fiscal year ended March 31, 2020, as compared to cash used in investing activities of ₱167,111,098 for the previous fiscal year and ₱339,150,879 in March 2018.

Cash used in financing activities was at ₱98,803,640 during the current fiscal year. This was primarily used for the payment of dividends. Cash used for financing activities was at ₱79,319,240 for the fiscal year ended March 31, 2019 and ₱74,920,501 for the fiscal year ended March 31, 2018.

## **Segment Reporting**

The University operates in four geographical segments – Mendiola, Malolos, Makati-Gil Puyat and Makati-Legaspi campus. The financial information on the operations of these segments are disclosed in terms of segment assets, segment property and equipment (net), segment liabilities, segment revenues, operating expenses and net income/loss.

The segment report is included in Note 21 of the financial statements.

## **Known Trends**

### **Effect of Government Regulation with Respect to Increase in Tuition Fees**

The Commission on Higher Education (CHED) promulgates guidelines to be followed by Higher Education Institutions (HEIs) intending to increase their tuition and other fees. Notable among them follows:

“A Certificate of Intended Compliance (COIC) stating that (70%) of the proceeds to be derived from the tuition fee increase shall be used for the payment of the salaries, wages, allowances and other benefits of its teaching and non-teaching personnel and other staff xxx.

“The 20% shall go to the improvement of the following:

1. Modernization of buildings
  2. Equipment
  3. Libraries
  4. Laboratories
  5. Gymnasium and similar facilities and
  6. Payment of other costs of operations.
- “Only 10% is left for return on investment.”

## **Education Trends**

For school years 2019-2020, 2018-2019 and 2017-2018, the University registered downward trends in enrollment due to the K-12 program of the government. This downward trend was exacerbated in the school year 2019-2020 due to the free tuition program of the government, which caused a lot of potential enrollees to enroll in State Universities and Colleges instead.

## **Key Variable and Other Qualitative and Quantitative Factors**

Currently, there are no known trends, events, or uncertainties that have a material impact on the University’s liquidity.

The Registrant does not know of any event that will trigger any direct or contingent financial obligation that may be material to the company, including default or acceleration of an obligation.

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

For school year 2017-2018, there are commitments for capital expenditures such as improvements and renovations of existing laboratories, repairs and repainting of administration offices, improvements and maintenance of information and communications technology and procurement of computer for Computer Education Department and different offices which is being done every year which funding shall be derived from the increase in tuition fees in accordance with the guidelines of the Commission of Higher Education (CHED). For the school year 2019-2020, the University made further appropriations for building construction and facilities renovations/improvements.

Currently, there are no known trends, events or uncertainties that have material impact on sales, aside from downward enrollment on the nursing, tourism, and hotel and restaurant management programs. In the last month of the fiscal year (March), the world suffered the COVID 19 Global Pandemic. As of the writing of this report, the scale of the effect of this Pandemic is not fully determined.

All income is derived from the normal course of operations or through interest income on money market placements. There are no significant elements of income or loss.

Material changes from FY 2019 to FY 2020 include a decrease of 7.42% in total revenues, including other revenues, which resulted from the decrease in tuition and other school fees and miscellaneous fees of 7.97% and 17.20% respectively. For costs and expenses, posted was a 3.50% decrease in cost of services resulting from decreased cost of light and water, student-related and academic services, library expenses, materials processing and rental expense. General and administrative expenses increased by 17.21% due to increases in the janitorial and security services, provision for doubtful accounts, transportation and communication expenses, taxes and licenses, program expenses, membership dues, and advertisement. On other income and expenses, 10.29% decrease in interest income was reported due to lower placements and lower interest rates. Interest expense was reported this fiscal year at 11.4 million arising from lease liability due to the adoption of PFRS 16 on April 1, 2019. There was an increase of 154% in foreign exchange gains because of higher foreign currency placements, and an increase of 80.3% in loss on retirement/disposal of assets due to the value of condemned furniture and equipment. These material changes resulted in a decrease of 64.23% in net income after tax.

### **New Accounting Standards**

The University presented its consolidated financial statements to comply with accounting principles generally accepted in the Philippines (Philippine GAAP) as set forth in Philippine Financial Reporting Standards (PFRS). New and revised accounting standards, consisting of Philippine Accounting Standards (PAS) and PFRS became effective for financial reporting purposes.

The consolidated financial statements include the financial statements of the University, Centro Escolar University Hospital, Inc. (the Hospital), a wholly owned subsidiary,

Centro Escolar Las Pinas (CELPI) and Centro Escolar Integrated School (CE-IS) (collectively referred to as the Group).

The financial statements of the Hospital are prepared for the same reporting year as the University.

Subsidiary is consolidated when control is transferred to the Group and ceases to be consolidated when control is transferred out of the Group. Control is presumed to exist when the University owns more than 50% of the voting power of an entity unless in exceptional cases, it can be clearly demonstrated that such ownership does not constitute control. The consolidated financial statements are prepared using uniform accounting policies for the like transactions and other events in similar circumstances. All intercompany balances and transactions, intercompany profits and unrealized gains and losses have been eliminated in the consolidation.

### **Changes in Accounting Policies and Disclosures**

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting April 1, 2019. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance, unless otherwise discussed.

- PFRS 16, *Leases*

PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases; operating and finance leases.

The Group adopted PFRS 16 using the modified retrospective approach with an initial application date of April 1, 2019 and did not restate comparative amounts for the year prior to first adoption. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at April 1, 2019. Instead, the Group applied the standard only to IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemption to the lease contracts for which the underlying asset is of low value (low-value asset) and for leases with a lease term of 12 months or less (short-term leases).

The impact of adoption of PFRS 16 as at April 1, 2019 is as follows:

	March 31, 2019, as previously reported	Impact from adoption of PFRS 16	April 1, 2019 as restated
Right-of-use asset	₱-	₱205,121,481	₱205,121,481
Lease liability - current	-	(12,619,721)	(12,619,721)
Lease liability - noncurrent	-	(192,501,760)	(192,501,760)

Before the adoption of PFRS 16, the Group classified each of its leases (lessee) at the inception date as operating lease. Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases except for the leases of low-value assets and short-term leases. For the detailed disclosures, refer to Note 19.

The Group has a lease contract for the land and building of Philtrust Bank for its Makati-Buendia Campus which qualifies as a lease contract under PFRS 16. The Group also has lease contracts for its water services and billboard placement which qualify as leases of low-value assets and short-term leases.

*Leases previously accounted for as operating leases*

The Group recognized right-of-use asset and lease liability for the lease previously classified as operating leases, except for the leases of low-value assets and short-term leases. The right-of-use asset was recognized based on the amount equal to the lease liability. Lease liability was recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The lessee's incremental borrowing rate applied to the lease liability on March 31, 2019 and April 1, 2019 was 5.71%. The lease commitments as of March 31, 2019 reconciled to the lease liability as of April 1, 2019 is as follows.

Operating lease commitment as at April 1, 2019	₱282,000,000
Weighted average incremental borrowing rate as at April 1, 2019	5.71%
<hr/>	
Lease liability as at April 1, 2019	₱205,121,48
<hr/>	

Due to the adoption of PFRS 16, the Group's net income decreased. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under PAS 17.

The adoption of PFRS 16 did not have an impact on beginning retained earnings in 2020 since the Group elected to measure the right-of-use asset an amount equal to the lease liability.

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

The Interpretation addresses the accounting for income taxes when tax



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

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

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

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined based on its assessment that it is probable that its uncertain tax treatment will be accepted by the taxation authorities. Accordingly, the Interpretation did not have an impact on the financial statements of the Group.

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

The Registrant has no knowledge of any seasonal aspects that had a material effect on the financial condition or results of the operations.

The University engaged the services of Sycip Gorres Velayo & Co. (SGV) in SY 2007-2008 to undertake the external quality assessment review of its internal audit activity in compliance with the International Standards for the Professional Practice of Internal Auditing (ISPPIA), specifically Standard 1312 – External Assessments. The purpose of said external

quality assessment review was to determine and, as appropriate, to improve the internal audit activity's compliance with ISPPA.

SGV completed the external quality assessment review of the University's internal audit activity last January 28, 2008 and rendered the overall opinion that "the internal audit activity of CEU Partially Complies to the Standards. 'Partially Complies' means that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organization."

The audit was completed in the last fiscal year and the University is committed to move in the direction of the risk-based auditing process. The plan will be set forth by the University's Quality Management Systems Group along with the Internal Audit Department.

## **Item 7. Financial Statement**

The audited financial statements and supplementary schedules to the financial statements duly submitted to BIR\* are attached as Exhibit 1 hereto.

## **Item 8. Changes in and Disagreements with External Accountants on Accounting and Financial Disclosure**

### **1. External Audit Fees and Services**

#### **Audit Fees and Related Fees**

The appointment of Sycip, Gorres, Velayo and Co. (SGV) as external auditor of the University for the fiscal year ending March 31, 2020 was approved by the stockholders during the annual meeting on July 24, 2019.

In compliance with Securities Regulation Code (SRC) Rule 68, Ms. Djole S. Garcia was designated as partner in-charge in FY 2020, FY 2019 and FY 2018 while Ms. Josephine Adrienne A. Abarca and Mr. Christian Lauron were designated as partner in-charge in FY 2016 to FY 2017 and FY 2014 to FY 2015 respectively. Ms. Janet Alvarado-Paraiso has been the partner in-charge for five years. Her appointment started in 2009.

In 2020 and 2019, the University paid ₱1,005,000 per fiscal year, VAT exclusive, to Sycip, Gorres, Velayo and Co. (SGV) for the audit of the University's annual financial statements, as well as assistance in the preparation of the annual income tax returns.

There is no other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the University financial statements.

## **Tax Fees**

In 2011, the University paid ₱240,000, VAT exclusive to Sycip, Gorres, Velayo and Co. (SGV) for the performance of a tax compliance review for the fiscal year ended March 31, 2010 covering income tax, expanded withholding tax, fringe benefit tax and withholding tax on wages. The review involved a study of the University's opposition and practices and procedures in relation to specific tax laws, regulations and rulings. The objectives were to determine whether or not the tax position, practices and procedures adopted and maintained are in compliance with the tax laws and regulations; to identify areas where non-compliance are noted and quantify, if possible, the extent of the University's exposure thereon, and to provide recommendations to improve or correct the University's tax practices and procedures in compliance with the tax laws and BIR regulations.

## **Other Fees**

There are no other services provided by the external auditor, other than the services reported.

## **Audit Committee Pre-approval Policy**

CEU's Audit Committee is composed of the Chairman, Dr. Emil Q. Javier, (independent director) and members, Dr. Angel C. Alcala, Dr. Alejandro C. Dizon and Atty. Sergio F. Apostol.

The Audit Committee is required to pre-approve all audit and non-audit services rendered and approve the engagement fees and other compensation to be paid to the external auditor.

The Audit Committee found the services and fees for external audit reasonable and approved the same following a conference with the external auditors and the University's financial officers to clarify the scope, extent and details of the audit.

## **Changes in and Disagreements with External Accountants on Accounting and Financial Disclosure**

There was no change in nor disagreement with External Accountants on accounting and financial disclosures.

### PART III. CONTROL AND COMPENSATION INFORMATION

#### Item 9. Directors and Executive Officers of the University

##### Directors and Executive Officers

	Name	Age	Citizen ship	Positions	Term of Office	Directorship Held in Other Companies
1	Basilio C. Yap	70	Filipino	Chairman of the Board – April 25, 2014	Yearly	Chairman, President & Director – U.S. Automotive Co., Inc., USAUTOCO, Inc., Philtrust Realty Corporation, Manila Prince Hotel, Cocusphil Development Corporation, U.N. Properties Development Corporation and Seebreeze Enterprises - Vice Chairman – Philtrust Bank - Chairman, Manila Hotel Corporation - Chairman, Manila Bulletin Publishing Corporation - Chairman, CEU Hospital, Inc. and Centro Escolar Las Pinas, Inc.
2	Ma. Cristina D. Padolina	74	Filipino	Director - July 25, 2006 President/Chief Academic Officer - Aug. 18, 2006	Yearly	- Professor Emeritus, University of the Philippines, Los Baños - Director, Centro Escolar University Hospital, Inc. - Vice Chairman & President, Centro Escolar Las Pinas, Inc.
3	Angel C. Alcala**	91	Filipino	Director - July 22, 2008	Yearly	- Chairman, Silliman University-Angelo King Center for Research and Environmental Management (SUAKCREM), PATH Foundation Philippines, National Network of Quality Assurance Agencies, Inc. - Professor Emeritus, Silliman University - Member, Board of Trustees, Silliman University - President, Cap College Makati
4	Emil Q. Javier**	79	Filipino	Director - July 10, 2002	Yearly	- Trustee, Asia Rice Foundation, Head Advisor, Biotech Coalition of the Phils., - - Academician, National Academy of Science & Technology (Phil)

						<ul style="list-style-type: none"> <li>- Board Member, International Service for the Acquisition of Agri-Biotech Applications (South East Asia Center)</li> <li>- Chairman, Coalition for Agricultural Modernization of the Phils.</li> <li>- Chairman, Nutrition Center of the Philippines</li> <li>- Director: CEU Hospital, Inc. Del Monte Pacific Ltd. Centro Escolar Las Pinas, Inc.</li> <li>- Member, Advisory Com. Japan International Coop. Agency, Phils.</li> </ul>
5	Benjamin C. Yap	72	Filipino	Director - July 22, 2014	Yearly	<ul style="list-style-type: none"> <li>- President and Chairman, Benjamin Favored Son, Inc.,</li> <li>- Chairman, House of Refuge</li> <li>- Director, USAUTOOCO, Inc</li> <li>- Director, Manila Hotel Corp.</li> <li>- Director, CEU Hospital, Inc.</li> </ul>
6	Alejandro C. Dizon	60	Filipino	Director - Aug. 31, 2007	Yearly	<ul style="list-style-type: none"> <li>- Vice President – Quality &amp; Patient Safety &amp; Chief Quality Officer; St. Lukes Medical Center</li> <li>- Active Consultant, General Surgery, Institute of Surgery, St. Lukes Medical Center</li> <li>- Fellow and President, Philippine College of Surgeons</li> <li>- Fellow, American College of Surgeons</li> <li>- Examiner &amp; Member, Chairman Board of Directors &amp; Governors, Philippine Board of Surgery,</li> <li>- Asst. Professor, UERMMMC Department of Surgery College of Medicine</li> </ul>
7	Emilio C. Yap III	49	Filipino	Directors - Sept. 1, 2009	Yearly	<ul style="list-style-type: none"> <li>- Chairman, Manila Prime Holdings</li> <li>- Director, Manila Bulletin Corporation, Manila Hotel, Philtrust Bank and US Automotive Co., Inc.</li> </ul>
8	Corazon M. Tiongco	71	Filipino	Director - July 25, 2000 Assistant Treasurer since Aug. 12, 2005	Yearly	<ul style="list-style-type: none"> <li>- Director, Centro Escolar University Hospital, Inc.</li> <li>- Director, Centro Escolar Integrated School, Inc.</li> </ul>
9	Johnny C. Yap	48	Filipino	Director - Oct. 26, 2007	Yearly	<ul style="list-style-type: none"> <li>- Vice Chairman &amp; Treasurer, Euromed Laboratories Philippines, Inc.</li> <li>- Director, Philtrust Bank</li> <li>- Director, Las Piñas College</li> <li>- Chairman, Café France Corp.</li> </ul>

### Executive Officers Who Are Not Directors

	Name	Age	Citizen ship	Position	Term of Office	Directorship Held in Other Companies
1	Sergio F. Apostol	85	Filipino	Corporate Secretary - Feb. 26, 2010	Yearly	- Chairman, Kaytrix Agri-Aqua Corp. - Director, Manila Hotel
2	Cesar F. Tan	66	Filipino	Treasurer - April 17, 2006 Asst. Corp. Sec. - Oct. 1, 2009	Yearly	- Treasurer, Centro Escolar University Hospital, Inc., Centro Escolar Integrated School, Inc., Centro Escolar Las Piñas, Inc.
3	Jayson O'S. Ramos	39	Filipino	University Legal Counsel - July 2017 Compliance Officer - July 2019	Yearly	Corporate Secretary, Centro Escolar Integrated School, Inc.
3	Maria Clara Perlita Erna V. Yabut	55	Filipino	VP-Research & Evaluation – Jan. 29, 2010 AVP- Research & Evaluation - Aug. 18, 2006 Head, EDP Department – Aug. 1, 2001	Yearly	None
4	Teresa R. Perez	58	Filipino	VP-Academic Affairs – Jan. 29, 2010 AVP- Academic Affairs - July 25, 2008 Acting AVP-Academic Affairs - July 27, 2007	Yearly	- Vice President, Centro Escolar Integrated School, Centro Escolar Las Piñas, Inc.
5	Olivia M. Limuaco	63	Filipino	VP-Makati Campus - August, 2013	Yearly	- Secretary-General, Federation of Asian Pharmaceutical Association (FAPA) - President, Philippine Pharmacists Association (PphA) - Member, Council of Advisers of Philippines Association of Colleges of Pharmacy (PACOP)
6	Rhoda C. Aguilar	47	Filipino	University Registrar - July 25, 2014 Acting University Registrar – June 1, 2013	Yearly	None
7	Ma. Flordeliza L. Anastacio	60	Filipino	VP-Malolos Campus - July 25, 2014 -Officer-in-Charge, CEU Malolos - November, 2013	Yearly	None

8	Carlito B. Olaer	56	Filipino	VP-Student Affairs – July 30, 2010 Acting AVP- Student Affairs, Student Affairs Office - since July 25, 2008 OIC, Student Affairs Office – - since May 3, 2008	Yearly	None
9	Ma. Rolina S. Servitillo	51	Filipino	VP-Administration & Accounting – Jan. 2017	Yearly	- Vice President, Centro Escolar Integrated School, Centro Escolar Las Piñas, Inc., Centro Escolar University Hospital, Inc.
10	Jericho P. Orlina	54	Filipino	AVP- Business Affairs – Jan. 2017	Yearly	AVP, Centro Escolar University Hospital, Inc.
11	Bella Marie L. Fabian	57	Filipino	AVP-Administration – Jan. 2017	Yearly	None
12	Bernardita T. Traje	59	Filipino	Assistant Controller – Aug. 18, 2006 Assistant Treasurer – March 8, 1995 to Aug. 18, 2006	Yearly	None

### Significant Employees

All employees are expected to make reasonable contribution to the success of the business of the University. There is no “significant employee” as defined in Part IV(A)(2) of the SRC Rule 12 (i.e., a person who is not an executive officer of the registrant but who is expected to make a significant contribution to the business).

### Deans

	Name and Address*	Position*	Term of Office*	Directorship Held in Other Companies
1.	Maria Dinna P. Aviñante 088 San Juan Apalit Pampanga	Dean (OIC)	1 year	None
2.	Josue N. Bellosillo No. 13 Doña Ines, Alabang Hills, Muntinlupa City	Dean	-	None
3.	Charito M. Bermido 33-C 11 <sup>th</sup> Ave., Murphy, Quezon City	Dean	3 years	None
4.	Elena C. Borromeo 8-A Kool Street East Fairview Subd. Quezon City	Dean	2 years and 6 months	None
5.	Julieta Z. Dungca Makabakle, Bacolor, Pampanga	Dean	3 years	None
6.	Pearly P. Lim 48B Pangasinan St., Quezon City	Dean	3 years	None
7.	Ma. Rita D. Lucas 584-C San Andres St., Malate, Manila	Dean	3 years	None

8.	Elizabeth C. Roces 339 A & V Subdivision, Panginay, Balagtas, Bulacan	Dean	2 years	None
9	Cecilia D. Santiago 973 Bambang St., Bocaue, Bulacan	Dean	3 years	None
10.	Rosemarie I. So 839 M. Dela Fuente Sampaloc, Manila	Dean	3 years	None
11.	Christine S. Tinio 39 J. de Ocampo St., DBP Village Alamanza, Las Piñas City	Dean	3 years	None
12.	Cecilia G. Uncad 11 Gladiola Mall, Gardenville Condo Sta. Mesa, Manila	Dean	3 years	None
13.	Elvira L. Urgel 7 Sinag St., Mandaluyong City	Dean	3 years	None
14.	Dr. Erna V. Yabut 1408 Instruccion Street Brgy. 498, Sampaloc Sta. Mesa Manila	Dean (OIC)	1 year	None

#### Assistant Deans

	Name and Address*	Position*	Term of Office*	Directorship Held in Other Companies
1.	Amelita M. Borlongan Bldg. 2 DE-I GSIS City, Pureza St., Sta. Mesa, Manila	Assistant Dean	3 years	None
2.	Maricar W. Ching 1158 Masangkay Street, Manila	Assistant Dean (Acting Capacity)	1 year	None
3.	Mary Iodine Lacanienta P29-11 7th Street Villamor Airbase Pasay City	Assistant Dean	3 years	None
4.	Aileen C. Patron 54B Faith St., Goodwill 1, San Bartolome, Novaliches, Quezon City	Assistant Dean	3 years	None

#### Associate Deans

	Name and Address*	Position*	Term of Office*	Directorship Held in Other Companies
1.	Alex J. Bienvenido Alip, Jr.	Associate Dean		None
2.	Josephine Carnate 2533 Lemery Street Sinaglong Manila	Associate Dean	2 years and 8 months	None
3.	Rita Linda V. Jimeno 110 W. Vinzons St. B.F. Homes, Parañaque City	Associate Dean	3 years	None



### Academic Department Heads

	Name and Address*	Position*	Term of Office*	Directorship Held in Other Companies
1.	Elisa B. Ayo 989 Algeciras St., España, Manila	Head	3 years	None
2.	Jonathan P. Catapang 2 Sto. Niño St. Barangay Holy Spirit Quezon City	Head	3 years	None
3.	Dorothea C. Dela Cruz Blk 24A, Lot 3, Phase 3D Silvestre Street, Sto. Niño, Meycauayan, Bulacan	Head	3 years	None
4.	D'Ariel J. Javellana 1322-A Maceda St., Sampaloc, Manila	Head	3 years	None
5.	Zenaida R. Los Baños Morning Glory St., Ridgemont Village Cainta, Rizal	Head	2 years	None
6.	Aleli V. Lozano 847 Inosentes Street, Mandaluyong City	Head	3 years	None
7.	Arlene S. Opina U411, M86, BCDA, Diego Silang Village Ususan, Taguig City	Head	3 years	None

### Program Heads 2

	Name and Address*	Position*	Term of Office*	Directorship Held in Other Companies
1.	Maria Donnabel U. Dean 1920 C, Luzon Avenue, Sampaloc Manila	Program Head	3 years	None
2.	Maria Carmen S. Dizon Block 30, Lot 11, Phase 1C, San Lorenzo South, Sta. Rosa, Laguna	Program Head	3 years	None
3.	Regina A. Jazul L24 B530 Phase 5, Rose St., Heritage Homes, Loma de Gato, Marilao, Bulacan	Program Head	3 years	None
4.	Mae Angeline M. Lontoc 033 Arabejo St., Gatchalian Subd., Phase 2, Brgy. Manuyo, Dos Las Pinas City	Program Head	3 years	None
5.	Maria Wanda I. Martinez 8 Liverpool Merville Park, Parañaque City	Program Head	3 years	None
6.	Pilipino A. Ramos 66 M. Santiago Street Sta. Ines Plaridel Bulacan	Program Head	1 year	None
7.	Ricky R. Rosales 123 Villa Europa Royale Subdivision Panay Ave., Quezon City	Program Head	3 years	None
8.	Cresencia M. Santos L-6, B-5 Queensland Village Novaliches, Quezon City	Program Head	3 years	None

9.	Maricar A. Veranga B4, L35, Sampaguita St., Sta. Rita Village, Guiguinto, Bulacan	Program Head	3 years	None
10.	Shirley S. Wong 27 Scout Madrinan St., South Triangle Quezon City	Program Head	3 years	None

### Non-Teaching Department Heads

	Name and Address*	Position*	Term of Office*	Directorship Held in Other Companies
1.	Maria Corazon L. Andoy 2055 C, Paseo de Carlos, Candido St., Mapulang Lupa, Malinta, Valenzuela City	Head	3 years	None
2.	Salvacion M. Arlante 1621 UP Bliss, Diliman, Quezon City	Head	1 year	None
3.	Lolita M. Balboa 16 I. Esteban St., Mandaluyong City	Head	3 years	None
4.	Milagros L. Borabo 39 R. Magsaysay St., Potrero, Malabon, Metro Manila	Program Director	1 year and 3 months	None
5.	Raul J. Caparas 91 Hipolito St., Caingin, Malolos City	Head	3 years	None
6.	Cecilia C. Catahan Dream Crest Home Subdivision, Phase 5B Longos, Malolos City	Head	3 years	None
7.	Emma C.Castor 28-3 Phase 2, Durlan St., Pacita 2, San Vicente, San Pedro, Laguna	Administrative Officer	3 years	None
8.	Ma. Dolores E. Delacruz 6 Michael Angelo St., SAE Barangay Dalig, Antipolo City	Head	5 months	None
9.	Ma. Eleanor C. Espinas #164 P. Castillo St., San Diego Subd., Caloocan City	Head	3 years	None
10.	Nicanor Jerry A. Griño Mc-26, Unit 405 Pamayanang Diego Silang Village, BCDA, Taguig City	Head	3 years	None
11.	Rommel N. Jotic Unit 5-E, Talas Apartment Condominium 301 Kapilya St., San Miguel, Manila	Head	3 years	None
12.	Frederick R. Llanera 242 Los Angeles St., Brookside Hills, Cainta, Rizal	Head	3 years	None
13.	Rosario Donalyne L. Manigbas 22 Queen's Road, Project 8, Q.C.	Head	3 years	None
14.	Ivan Perry B. Mercado 199 Barangay Santor, Tanauan, Batangas	Head	3 years	None
15.	Teresita S. Mijares 2943 Lorenzo dela Paz St., Pandacan, Manila	Head	3 years	None
16.	Lolita D. Pablo 4012-A Dangal St., Bacood, Sta. Mesa	Head	3 years	None

	Manila			
17.	Eufrecina Jean DR. Ramirez 806A Marquitos Street Sampaloc Manila	Head (Acting Capacity)	1 year	None
18.	Carmencita H. Salonga 82 12th Ave., 4th St., Grace Park, Caloocan City	Head	-	None
19.	Engr. Ronie U. Siniguian 01 Buenconsejo St., Planview, Mandaluyong City	Head	3 years	None
20.	Maria Corazon C. Tiongco 1231 T. San Luis Street Pandacan, Manila	Head	-	None
21.	Bernardita T. Traje B-34, L-10 Adelita St., Evergreen Exec. Village, Bo. Bagumbong, Caloocan City	Head	3 years	None
22.	Amelita T. Valencia L-25, B-4, Heritage Homes, Longos Malolos City	Head	3 years	None

#### Assistant Heads

	Name and Address*	Position*	Term of Office*	Directorship Held in Other Companies
1.	Benjamin M. Roman 341 Basilan St., DM2 Subdivision Brgy. San Roque, Cainta, Rizal	Asst. Head	3 years	None
2.	Nelia PL. Sacopon Lot 23, Block 20, Phase 1 Jerusalem St. Golden City Arabu II-F, Imus, Cavite City	Asst. Head	3 years	None

#### University Legal Counsel

	Name and Address*	Position*	Term of Office*	Directorship Held in Other Companies
1.	Jayson O'S. Ramos 470 Boni Ave. New Zaniga Mandaluyong City	Legal Counsel	-	None

#### Family Relationships

Mr. Basilio C. Yap and Mr. Benjamin C. Yap are relatives within the second degree of consanguinity, Dr. Emilio C. Yap III and Dr. Johnny C. Yap are relatives within the second degree of consanguinity. Mr. Basilio C. Yap and Mr. Benjamin C. Yap who are relatives within the second degree of consanguinity and Dr. Emilio C. Yap III and Dr. Johnny C. Yap who are also within the second degree of consanguinity are relatives within the third degree of consanguinity.

## Involvement in Certain Legal Proceedings

The University is not aware of any legal proceeding in the past five (5) years to date involving its directors and officers which are material to the evaluation of the ability and integrity of any director or officer of the University.

No director or officer has been convicted by final judgment during the last five (5) years up to the present of any offense punishable by Philippine laws or by the laws of any other country.

Likewise, the University has no knowledge of pending legal proceedings against any of its directors or executive officers involving: (a) any bankruptcy petition filed by or against any business of which its directors or executive officers is subject; or (b) any judgment or decree permanently or temporarily limiting or suspending their involvement in any type of business, securities, commodities or banking activities; or, (c) any violation of a securities or commodities law or regulation and the judgment has not been reversed, suspended or vacated.

## Item 10. Executive Compensation

### Salaries and Benefits of Executive Officers

Name and Position	Fiscal Year	Annual Salary	Bonus	Other Annual Compensation	Total Compensation
PRES. PADOLINA	2018-2019	11,185,995.22	1,581,274.73	N/A	12,767,269.95
VP LIMUACO	2019-2020	11,044,514.21	1,583,232.54	N/A	12,627,746.75
VP PEREZ	2020-2021***	11,044,514.21	1,583,232.54	N/A	12,627,746.75
VP YABUT					
VP OLAER					

### All Officers and Directors as a Group

Name and Position	Fiscal Year	Annual Salary	Bonus	Other Annual Compensation	Total Compensation
All Officers and Directors As a Group	2018-2019				33,401,558.89
	2019-2020				32,649,505.98
	2020-2021***				32,649,505.98

\*\*\*Figures are estimated amounts.

The Directors do not receive compensation for services provided as a director other than reasonable per diems for attendance at meetings of the Board or any of its committees.<sup>3</sup>

There are no bonuses, profit sharing stock options warrants, rights of other compensation plans or arrangements with directors or officers that will result from their resignation, retirement, termination of employment or change in the control of the University.

The duties and responsibilities of the elected corporate officers are specified in the University's By-laws and/or Manual of Corporate Governance.

Other officers whose duties and responsibilities are set by Management are considered regular employees of the University.

There are no outstanding warrants or options held by the University's President, executive officers and directors.

### Item 11. Security Ownership of Certain Beneficial Owners and Management

#### 1. Security Ownership of Certain Record and Beneficial Owners

Owners of record of more than 5% of the University's shares of stock as of May 31, 2020 were as follows:

Title of Class	Name & Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Number of Shares held	Percent (%)
Common	USAUTOOCO, Inc. 1000 UN Ave., Ermita, Manila Authorized Representative- Basilio C. Yap Relationship to Registrant - Stockholder	USAUTOOCO, Inc Authorized Representative – Basilio C. Yap Position - President	Filipino	126,620,891	34.00
Common	U.S. Automotive Co., Inc. 1000-1046 U.N. Ave. cor. San Marcelino Ermita, Manila Authorized Representative Basilio C. Yap Relationships to Registrant – Stockholder	U.S. Automotive, Co., Inc. Authorized Representative Basilio C. Yap Position – President	Filipino	55,963,803	15.02
Common	PCD Nominee Corp. – Filipino	Alejandro C. Dizon Beneficial Owner	Filipino	49,981,575	13.43
Aggregate Number of Shares and Percentage of All Beneficial/ Record Owners as a Group				262,304,399	70.43%

<sup>3</sup>During the stockholders' meeting on July 27, 2004, the stockholders approved the grant of annual medical allowance and related bonuses to the members of the Board of Directors.

The proxy designated by the Board of Directors votes for the corporation.

## 2. Security Ownership of Management

Owners of record of CEU shares among Management as of May 31, 2020 are as follows:

Title of Class	Directors	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Basilio C. Yap (Chairman since April 7)	1001 (d)	Filipino	0.0003
Common	Ma. Cristina D. Padolina	38,316 (d)	Filipino	0.0102
Common	Angel C. Alcala*	1 (d)	Filipino	Nil
Common	Emil Q. Javier*	1 (d)	Filipino	Nil
Common	Benjamin C. Yap	800 (d)	Filipino	0.0002
Common	Alejandro C. Dizon**	50,033,412 (d)	Filipino	13.4348
Common	Emilio C. Yap III	344,833 (d)	Filipino	0.0925
Common	Corazon M. Tiongco	10,115,904 (d)	Filipino	2.7163
Common	Johnny C. Yap	1,000 (d)	Filipino	0.0002
<b>Total</b>		60,535,268 (d)		16.25%

Title of Class	Officers	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Ma. Cristina D. Padolina	38,316 (d)	Filipino	0.0102
Common	Cesar F. Tan	19,735 (d)	Filipino	0.0052
Common	Olivia M. Limuaco	12,153 (d)	Filipino	0.0033
Common	Ma. Flordeliza L. Anastacio	1,302 (d)	Filipino	0.0003
Common	Maria Clara Perlita Erna V. Yabut	4,000 (d)	Filipino	0.0010
Common	Teresa R. Perez	3,226 (d)	Filipino	0.0040
Common	Corazon M. Tiongco	10,115,904 (d)	Filipino	2.7163
Common	Bernardita T. Traje	753 (d)	Filipino	0.0001
-	Ma. Rolina S. Servitillo	0 (d)	Filipino	0
-	Carlito B. Olaer	0 (d)	Filipino	0
-	Rhoda C. Aguilar	0 (d)	Filipino	0
-	Jericho P. Orlina	0 (d)	Filipino	0
-	Bella Marie L. Fabian	0 (d)	Filipino	0
-	Jayson O'S. Ramos	0 (d)	Filipino	0
Total (excluding shares of Ma. Cristina D. Padolina, and Corazon M. Tiongco)		41,169 (d)		0.0110
Aggregate Number of Shares and Percentage of All Security Ownership of Management as a Group		60,494,099 (d)		16.24%

\*Independent Director

\*\*Dr. Alejandro C. Dizon has 51,837 shares registered in his name in addition to 49,981,575 shares lodged with PCD Nominee Corporation.

To the best knowledge of the University, the above lists include shares beneficially owned by the directors and officers.

## Item 12. Certain Relationship and Related Transactions

The University entered into a 25-year lease contract with Philtrust Bank on July 29, 2004. The lease covers the use of Philtrust Bank's land, building and improvements thereon located at 259-263 Sen. Gil Puyat Avenue and Malugay Street, Makati City. The lease

commenced on January 1, 2005 for the operation of the CEU-Makati Extension Campus for the school year 2005-2006. Lease of the building from Philtrust Bank Building is for the exclusive purpose of maintaining and operating an extension campus in Makati City, and to conduct therein all such activities necessary to provide adequate educational instruction and other services to its students, including authorized extra-curricular activities.

The consideration for the lease was principally based on the valuation of the property by Asian Appraisal, Inc. and on the financial advisory by Buenaventura, Echauz and Partners. Except for the respective parties' covenants under said lease contract between CEU and Philtrust Bank, there is no further contractual or other commitment resulting from the arrangement that would pose any risk or contingency. There are no other parties involved in this transaction.

The University, in line with its expansion program and for marketing purposes, avails of advertising services of Manila Bulletin Publishing Corporation. The terms of said advertising transactions are based on terms similar to those offered to non-related parties.

For a more detailed discussion on related party transactions, please see Note 22 of the attached Audited Financial Statements for fiscal year ending March 31, 2020.

## **PART IV – CORPORATE GOVERNANCE**

### **Item 13. Corporate Governance**

The University has complied with the provisions of its Manual on Corporate Governance. Continuous monitoring is being done by the Compliance Officer, Audit Committee, President and Chief Financial Officer and Internal Auditor to assure compliance.

On September 30, 2017, the Board of Directors attended a seminar on Corporate Government conducted by the Institute of Corporate Directors.

On October 20, 2018, the Board of Directors attended a seminar on Corporate Government conducted by the Institute of Corporate Directors.

On October 12, 2019, the Board of Directors attended a seminar on Corporate Government conducted by the Institute of Corporate Directors.

CEU adheres to governance principles and best practices to attain its objectives. A system has been established to monitor and evaluate the performance of the University and its Management and CEU is committed. The University is committed to consistently abide by and ensure improved compliance with the requirements of good corporate governance.

## PART V – EXHIBITS AND SCHEDULES

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

#### Exhibits:

	Sustainability Report
Exhibit 1	Consolidated Financial Statements and Schedules
Exhibit 2	Quarterly Report (SEC Form 17-Q) (Please refer to the SEC Form 17-Q previously filed with the SEC.)

#### Reports on SEC Form 17-C:

(Please refer to the SEC Form 17-C previously filed with the SEC for the following disclosures.)

	Nominees for Independent Directors
September 1, 2020	Integrated Annual Corporate Governance Report
June 28, 2019	Change in Fiscal Year
July 1, 2019	Declaration of Cash Dividend
July 24, 2019	Results of Annual Stockholders' Meeting
	Results of Organizational Meeting



## Item 15. CEU Sustainability Report for Fiscal Year 2019-2020

### Contextual Information

#### Company Details

Name of Organization:	<b>Centro Escolar University</b>
Location of Headquarters:	<b>9 Mendiola Street San Miguel Manila</b>
Location of Operations:	<b>Philippines</b>
Report Boundary:	<b>Philippines</b>
Legal entities (e.g. subsidiaries) included in this report* -	<b>None for the meantime, but the Board of Directors will explore including CEU's subsidiaries in future reports</b>
Business Model, including Primary Activities, Brands, Products, and Services	<b>– Educational Institution</b>
Reporting Period	<b>Fiscal Year ending beginning 01 April 2019 – 31 March 2020</b>
Highest Ranking Person responsible for this report:	<b>Vice Chairman</b>

\*If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.

#### Materiality Process:

**In determining which topics are material and will be included in the initial Sustainability Report to be submitted by CEU, the University Management adopted the “Stakeholders Areas of Concern” approach wherein the various stakeholders of the University are identified, and the topics deemed material for these stakeholders are matched.**

#### The following stakeholders are identified:

- **Stockholders**
- **Government**
- **Management**
- **Employees, including the employees' union**
- **Students**
- **Alumni**
- **Communities**

**The foregoing stakeholders were then matched and after which, the management has identified the following topics as the most material and shall be reported in its first Sustainability Report.**

- 1. Economic Performance**
  - **Direct Economic Value Generated and Distributed**
- 2. Social**
  - **Employee Management**
    - **Employee hiring and benefits**
    - **Employee training and development**
    - **Labor management relations**

- **Workplace Conditions, etc.**
- **Relationship with community**
- **Data Security**

The determination of the above-listed topics as material does not necessarily mean that the other topics will be disregarded; the management will include these topics in future reports.

## Economic

### Economic Performance

#### Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	1,351,672,511	PHP
Direct economic value distributed:		PHP
a. Operating costs	1,304,580,130	PHP
b. Employee wages and benefits	657,809,862	PHP
c. Payments to suppliers, other operating costs	607,569,022	PHP
d. Dividends given to stockholders and interest payments to loan providers	74,482,880	PHP
e. Taxes given to government	71,985,196	PHP
f. Investments to community (e.g. donations, CSR)	1,314,400	PHP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
CEU, being an Institution of Higher Learning, provides quality education that prepares an individual to be the best in one's chosen field. The direct economic impact of the University is its accomplishment of its task in providing a steady stream of professionals in allied health services such as Dentists, Optometrists, Pharmacists, Nurses, Medical Technologists, Nutritionists, and other professionals.	Government, Community, Students, Alumni	Recent shifts in the educational system have resulted in a temporary but substantial "speed bump" that needs to be hurdled by all Private Educational Institutions in the country.
Direct economic value is distributed as a result of the operations of the University through the payment of taxes, payments to suppliers and salaries to employees.	Employees, Suppliers, Environment	The University has systems in place to ensure the timely fulfillment of these obligations.

What are the risk/s identified?	Which stakeholders are affected?	Management Approach
<p>The economic condition currently affecting all the citizens of the country also tend to affect their choices when it comes to career and educational choices.</p> <p>The current hurdles, such as the shift to the K-12 and the Free Tuition for State Colleges and Universities poses a considerable threat that would amount to a reduction in revenue which, in turn, might result to a reduction in the University's direct economic value.</p>	Management, Employees, Suppliers, Government	The University has developed and will continue to develop courses of action that are designed to eliminate and/or minimize the effect of these risks. Examples of these courses of action are the introduction of the Senior High School Program, and the Strengthening of the Graduate School.

What are the opportunities identified?	Which stakeholders are affected	Management Approach
Health awareness has increased and hence, an increase in the demand for Health Professionals	Government, Community, Students, Alumni	The University will continue increasing and improving its capability in fulfilling its role as a Higher Education Institution.

### Procurement Practices

#### Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers *based on purchases approved by the BOD (>1M) or reported to them (<1M).	90	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	What stakeholders are affected?	Management Approach
The service provided by the University and to a certain extent its operations is affected by the timely services rendered by its suppliers and service provided, as well as the quality of the supplies delivered.	Suppliers/Employees/ Management/Students	<p>The University has a rating system for suppliers in order to ensure that there will be no interruptions in the supply chain.</p> <p>The University likewise has an internal procurement policy and computerized procurement system that ensures timely requests and payment.</p>

What are the risks identified?	Which stakeholders are affected	Management Approach
The service provided by the University and to a certain extent its operations is affected by the timely services rendered by its suppliers and service provided, as well as the quality of the supplies delivered.	Suppliers/Employees/ Management/Students	The University currently have the following policies designed to avoid or minimize the risk: <ul style="list-style-type: none"> <li>- Supplier accreditation</li> <li>- Identification of back up suppliers</li> <li>- Continuous performance evaluation of suppliers.</li> </ul>

What are the opportunity/ies identified?	Which stakeholders are affected?	Management Approach
Technology keeps on evolving and better supplies and materials are getting more and more accessible.	Students, Suppliers	The University management encourages innovation proposals that would lead to the use of the state of the art technology and materials necessary for the fulfillment by the University of its duty to provide quality and relevant education. This program helps expose the University to the latest technology that may be used and or acquired by the latter.

### Anti-corruption

#### Training on Anti-Corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti corruption policies and procedures have been communicated to.	100	%
Percentage of business partners whom the organization's anti-corruption policies and procedures have been communicated to	NA – The current policies are limited internally but management will explore involving external suppliers in these trainings and orientations.	%
Percentage of directors and management that have received anti-corruption training	100	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
As an educational institution, CEU observes the values "Scientia y virtud" or "Science and Virtue", and shall never tolerate corruption in its affairs.	Management, employees, investors, suppliers, students, alumni.	The University has its Code of Ethics for Management. It also adopts the respective Codes of Ethics of the various professionals the University employs.  As an educational institution, corruption shall never be tolerated in CEU.

What are the risks identified?	Which stakeholders are affected?	Management Approach
Corrupt practices have somewhat become deeply ingrained in society	Management, employees, investors, suppliers, students, alumni.	CEU will do its role as an educational institution in curbing corruption and in making a difference in society.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Opportunity to further strengthen the University's anti corruption policies and the existence of various support groups that advocate against corruption.	Management, Government, Students	The University will explore participating in the various support groups advocating against corruption.

### Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
No impact identified because of the existence of zero cases as disclosed above. The university will revisit this for the succeeding periods.		

What are the risks identified?	Which stakeholders are affected?	Management Approach
No impact identified because of the existence of zero cases as disclosed above. the university will revisit this for the succeeding periods.		

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
No impact identified because of the existence of zero cases as disclosed above. the university will revisit this for the succeeding periods.		

## ENVIRONMENT

*\*Nota Bene: as stated in the materiality process discussion, the Management, as allowed by the Guidelines, had, for the meantime, decided to choose the following topics to be the most material and shall be part of this report: 1) Economic; and 2) Social. As such, the University, for the time being, will limit this report to said topics. The Topic on Environment shall be included in the subsequent reports to be submitted by the University.*

Resource Management  
Energy consumption within the organization

Disclosure	Quantity	Units
Energy Consumption – renewable resources	Data was not available for the relevant period covered by this report. The University will come up with a means to measure these items and will include it in its future reports	N/A for now
Energy Consumption - Gasoline		
Energy Consumption - Diesel		
Energy Consumption – LPG		
Energy Consumption - Electricity		

Reduction of energy consumption

Disclosure	Quantity	Units
Energy Consumption – renewable resources	Data was not available for the relevant period covered by this report. The University will come up with a means to measure these items and will include it in its future reports	N/A for now
Energy Consumption - Gasoline		
Energy Consumption - Diesel		
Energy Consumption – LPG		
Energy Consumption - Electricity		

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
No significant impact determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

What are the risks identified?	Which stakeholders are affected?	Management Approach
No significant impact determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

What are the opportunities identified?	Which stakeholders are affected?	Management Approach
No significant impact determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

### Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	Data was not available for the relevant period covered by this report. The University will come up with a means to measure these items and will include it in its future reports	
Water consumption		
Water recycled and reused		

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
No significant impact determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

What are the risks identified?	Which stakeholders are affected?	Management Approach
No significant impact determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

What are the opportunities identified?	Which stakeholders are affected?	Management Approach
No significant impact determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

Material used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume <ul style="list-style-type: none"> <li>• Renewable</li> <li>• Non-renewable</li> </ul>	Due to the nature of its activities, the University is not engaged in manufacturing and thus the data was not available for the relevant period covered by this report.  The University will come up with a means to customize and measure these items in a University context and will include it in its future reports	
Percentage of recycled input materials used to manufacture the organization's primary product and services.		

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
No significant impact determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

What are the risks identified?	Which stakeholders are affected?	Management Approach
No significant impact determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

What are the opportunities identified?	Which stakeholders are affected?	Management Approach
No significant impact determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected areas	None identified	
Habitats protected or restored		
IUCN Red List species and national conservation list species with habitats in areas affected by operations		



What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
No significant impact determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

What are the risks identified?	Which stakeholders are affected?	Management Approach
No significant impact determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

What are the opportunities identified?	Which stakeholders are affected?	Management Approach
No significant impact determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

## Environmental Impact Assessment

### Air Emissions

#### GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	Data was not available for the relevant period covered by this report. The University will come up with a database and will include it in its future reports	
Energy indirect (Scope 2) GHG Emissions		
Emissions of ozone-depleting substances (ODS)		

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The operations of any enterprise will inevitably have an impact on the environment. Relevant laws such as the clean air act, the clean water act, and other laws implemented by the DENR will make sure that entities eliminate or at the very least mitigate these effects.  CEU is among those who comply with these requirements.	Management, employees, investors, suppliers, students, alumni.	All the requirements are complied with by CEU and the University has an Environmental Compliance Officer who serves as the contact person with the DENR. The ECC of the University is updated.

What are the risks identified?	Which stakeholders are affected?	Management Approach
No significant risks determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

What are the opportunities identified?	Which stakeholders are affected?	Management Approach
No significant opportunities determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

#### Air pollutants

Disclosure	Quantity	Units
NO	Data was not available for the relevant period covered by this report. The University will come up with a database and will include it in its future reports	
SO		
Persistent Organic Pollutants		
Volatile organic compounds		
Hazardous air pollutants		
Particulate Matter		

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The operations of any enterprise will inevitably have an impact on the environment. Relevant laws such as the clean air act, the clean water act, and other laws implemented by the DENR will make sure that entities eliminate or at the very least mitigate these effects.  CEU is among those who comply with these requirements.	Management, employees, investors, suppliers, students, alumni.	All the requirements are complied with by CEU and the University has an Environmental Compliance Officer who serves as the contact person with the DENR. The ECC of the University is updated.

What are the risks identified?	Which stakeholders are affected?	Management Approach
No significant risks determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

What are the opportunities identified?	Which stakeholders are affected?	Management Approach
No significant opportunities determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

## Solid and Hazardous Wastes

### Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	Data was not available for the relevant period covered by this report. The University will come up with a data base and will include it in its future reports	
Reusable		
Recyclable		
Composted		
Incinerated		
Residual/Landfilled		

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>The operations of any enterprise will inevitably have an impact on the environment. Relevant laws such as the clean air act, the clean water act, and other laws implemented by the DENR will make sure that entities eliminate or at the very least mitigate these effects.</p> <p>CEU is among those who comply with these requirements.</p>	Management, employees, investors, suppliers, students, alumni.	All the requirements are complied with by CEU and the University has an Environmental Compliance Officer who serves as the contact person with the DENR. The ECC of the University is updated.

What are the risks identified?	Which stakeholders are affected?	Management Approach
<p>No significant risks determined for the meantime. The university will revisit this and discuss the matter in its future reports.</p>		

What are the opportunities identified?	Which stakeholders are affected?	Management Approach
<p>Students are now more environment conscious</p> <p>Digital documents are gaining widespread acceptance</p>	Students, Management, Suppliers, Community, Government	<p>Various programs on recycling and reducing single use materials are currently being introduced by the University.</p> <p>The University is also working towards the digitization of several document-based transactions that would drastically reduce paper waste.</p>

**Hazardous Waste**

Disclosure	Quantity	Units
Total weight of hazardous waste generated	Data was not available for the relevant period covered by this report. The University will come up with a database and will include it in its future reports	
Total weight of hazardous waste transported		

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>The operations of any enterprise will inevitably have an impact on the environment. Relevant laws such as the clean air act, the clean water act, and other laws implemented by the DENR will make sure that entities eliminate or at the very least mitigate these effects.</p> <p>CEU is among those who comply with these requirements.</p>	<p>Management, employees, investors, suppliers, students, alumni.</p>	<p>All the requirements are complied with by CEU and the University has an Environmental Compliance Officer who serves as the contact person with the DENR. The ECC of the University is updated.</p> <p>The University also has contracts with several accredited waste disposal entities to ensure that waste is properly processed.</p>

**Effluents**

Disclosure	Quantity	Units
Total Volume of water discharges	Data was not available for the relevant period covered by this report. The University will come up with a data base and will include it in its future reports	
Percent of wastewater recycled		

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>The operations of any enterprise will inevitably have an impact on the environment. Relevant laws such as the clean air act, the clean water act, and other laws implemented by the DENR will make sure that entities eliminate or at the very least mitigate these effects.</p> <p>CEU is among those who comply with these requirements.</p>	<p>Management, employees, investors, suppliers, students, alumni.</p>	<p>All the requirements are complied with by CEU and the University has an Environmental Compliance Officer who serves as the contact person with the DENR. The ECC of the University is updated, as well as all the necessary water permits.</p>

What are the risks identified?	Which stakeholders are affected?	Management Approach
<p>No significant risks determined for the meantime. The university will revisit this and discuss the matter in its future reports.</p>		

What are the opportunities identified?	Which stakeholders are affected?	Management Approach
<p>No significant opportunities determined for the meantime. The university will revisit this and discuss the matter in its future reports.</p>		

## Environmental Compliance

### Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations.	0	PHP
No. of non-monetary fines for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>The operations of any enterprise will inevitably have an impact on the environment.</p> <p>In line with its values "Science and Virtue", environmental concern is part of accountability which the University strives to deeply ingrain in all its activities.</p>	<p>Management, employees, investors, suppliers, students, alumni.</p>	<p>All the requirements are complied with by CEU and the University has an Environmental Compliance Officer who serves as the contact person with the DENR. The ECC of the University is updated, as well as all the necessary water permits.</p>

What are the risks identified?	Which stakeholders are affected?	Management Approach
<p>No significant risks determined for the meantime. The university will revisit this and discuss the matter in its future reports.</p>		

What are the opportunities identified?	Which stakeholders are affected?	Management Approach
<p>People are now more environment conscious</p>	<p>Students, Management, Suppliers, Community, Government</p>	<p>The University as an Institution of Higher Learning can help raise awareness on environmental accountability and conservation.</p>

## SOCIAL

### Employee Management

#### Employee Hiring and Benefits

##### Employee data

Disclosure	Quantity	Units
Total number of employees	1095	#
a. Number of Female Employees	659	#
b. Number of Male Employees	436	#
Attrition rate	Data for relevant period not available. The university will create a database and will include this in future reports	%
Ratio of lowest paid employee against minimum wage	1:1 Lowest rate is Minimum Wage	ratio

##### *Employee benefits*

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	<b>2.56%</b>	<b>0.64%</b>
PhilHealth	Y	<b>0</b>	<b>0</b>
Pag-ibig	Y	<b>0</b>	<b>0</b>
Parental leaves	Y	<b>0.18%</b>	<b>0%</b>
Vacation leaves	Y	<b>36.89%</b>	<b>18.36%</b>
Sick leaves	Y	<b>26.58%</b>	<b>12.88%</b>
Medical benefits (aside from PhilHealth)	Y	<b>1.00%</b>	<b>0.55%</b>
Housing assistance (aside from Pag-ibig)	Y	<b>0</b>	<b>0</b>
Retirement fund (aside from SSS)	Y	<b>0.18%</b>	<b>0%</b>
Further education support	Y	<b>4.66%</b>	<b>2.74%</b>
Company stock options	N	<b>N/A</b>	<b>N/A</b>
Telecommuting	N	<b>N/A</b>	<b>N/A</b>
Flexible-working Hours	N	<b>53</b>	<b>18</b>
(Others)	Y	<b>0</b>	<b>0</b>

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>The employees themselves are considered as stakeholders. Without them, the University will not be able to carry out its functions.</p>	<p>Management, employees, investors, suppliers, students, alumni.</p>	<p>The University recognizes the role played by its employees. As such, the University strives to comply with all the requirements of law with respect to labor standards.</p> <p>In addition to the minimum labor standards, additional benefits are also introduced by management <i>motu proprio</i> and/or through negotiations with the Union via the CBA.</p>

What are the risks identified?	Which stakeholders are affected?	Management Approach
<p>Employees attrition for various reasons.</p>	<p>Management, Students</p>	<p>The University is designing a succession plan where any change in the employee structure will not result to a significant disruption in operations.</p>

What are the opportunities identified?	Which stakeholders are affected?	Management Approach
<p>No significant opportunities determined for the meantime. The university will revisit this and discuss the matter in its future reports.</p>		



## Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	<b>244</b>	hours
b. Male employees	<b>244</b>	hours
Average training hours provided to employees		
a. Female employees	<b>10</b>	hours/employee
b. Male employees	<b>9</b>	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Having agile employees is indispensable in this volatile, uncertain, complex and ambiguous environment.	Employees, Management, Investors and Students	The University recognizes the importance of employee training and development. Programs providing for responsive training and development are continuously being developed by my management.

What are the risks identified?	Which stakeholders are affected?	Management Approach
Employees attrition may take place for any reason after the employee have already undergone several trainings.	Management, Students, Investors	<p>Employee attrition is inevitable. The University cannot compel an employee to stay simply because he or she underwent several trainings. This is a risk that the University takes because the latter cannot afford to have untrained employees.</p> <p>The University is designing a succession plan where any change in the employee structure will not result to a significant disruption in operations.</p>

What are the opportunities identified?	Which stakeholders are affected?	Management Approach
No significant opportunities determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

### Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	<b>659</b>	%
% of male workers in the workforce	<b>436</b>	%
Number of employees from indigenous communities and/or vulnerable sector*	<b>Elderly – 131 Solo Parent – 5</b>	#

*\*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
There is no observable impact with the current ratio of employees as they are all treated equally without discrimination as to their gender, status, race, religion etc.		

### Workplace Conditions, Labor Standards, and Human Rights Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man Hours	Exact amount not available. The University will start counting the safe man hours and will attempt to include the date in future reports	Hours
No. of work-related injuries	5	#
No. of work-related fatalities	0	#
No. of work-related ill health	0	#
No. of safety drills	2	#

<p>What is the impact and where does it occur? What is the organization's involvement in the impact?</p>	<p>Management Approach</p>
<p>The injuries reported are all minor injuries that has no significant impact to operations.</p>	<p>Policies are included in the Quality Management System Manual of the University to ensure the health and safety of the workforce such as:</p> <ul style="list-style-type: none"> <li>● SAM 19.01 Handling of Non-Emergency Cases</li> <li>● SAM 19.02 Handling of Emergency Cases</li> <li>● SAM 19.04 Conducting Routine Physical Examination</li> <li>● SAM 19.07 Ensuring Food and Water Safety</li> <li>● SAM 19.08 Providing Health Information and Wellness Activities</li> <li>● SAM 19.09 Procuring and Disbursing Medicines and Medical/Dental Supplies</li> </ul> <p>Management is committed to the implementation of these Quality Management System processes as well as to the University's Occupational Safety and Health Program.</p>

What are the risks identified?	Management Approach
<p>Risk assessment of the University Health Services as of October 23, 2019 includes the following:</p> <ul style="list-style-type: none"> <li>● Food and water safety</li> <li>● Infectious disease outbreak</li> <li>● Accidents</li> </ul>	<p>Controls are created to manage occupational health and safety risks such as:</p> <p>Food and water safety:</p> <ul style="list-style-type: none"> <li>● Food and water analysis</li> <li>● Sanitary permit of canteens</li> <li>● Canteen visits</li> </ul> <ul style="list-style-type: none"> <li>· Canteen and Food Inspection for Safety and Healthfulness</li> <li>● Health certificates of canteen personnel</li> </ul> <p>Infectious disease outbreak:</p> <ul style="list-style-type: none"> <li>· Health and Safety Committee</li> <li>· Medical consultations</li> <li>· Monitoring of diseases</li> <li>· Monthly Summary Report</li> <li>· READINESS (Relevant Education and Advisories on Diseases and Injuries for Wellness)</li> <li>· Sick leave credits</li> <li>· Medical consultations</li> <li>· Health and Safety Committee</li> </ul> <p>Accidents:</p> <ul style="list-style-type: none"> <li>● Medical consultations</li> <li>● Emergency care</li> <li>● Referrals</li> <li>● Accident benefits</li> <li>● Reimbursement scheme</li> <li>● Personal protective equipment</li> <li>· First aid kits</li> <li>● Medical Report</li> <li>● Health and Safety Committee</li> <li>● Code FLASH (Fast, Life-saving, Accurate, Safe Rescue, Hospital-Ready)</li> </ul>

## Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g.harassment, bullying) in the workplace?

Topic	Y/N	If yes, cite reference to company policy
Forced Labor	N	No specific policy, but since the University's policies are compliant with the Labor Code, forced labor is an impossibility.
Child Labor	Y	The University only hires as employees those who are of legal age.
Human Rights	Y	The University has an explicit policy against sexual harassment. Bullying, as a form of disrespect towards others, is punished under the employee code of conduct.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
There is no observable impact with the current policies vis-a-vis child labor, forced labor, and violation of human rights. All company policies are compliant with the requirements of the law and as such, the commission of child labor, forced labor, and violation of human rights are impossible.		

What are the risks identified?	Which stakeholders are affected?	Management Approach
No significant risks determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

What are the opportunities identified?	Which stakeholders are affected?	Management Approach
No significant opportunities determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

## Supply Chain Management

Do you have a supplier accreditation policy?

**Yes, the University has a supplier accreditation policy. The policy, however, is currently under review and is undergoing modifications. The University undertakes to attach said policy in future reports.**

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If yes, cite reference in the supplier policy
Environmental performance	N/A	
Forced Labor	N/A	
Child Labor	N/A	
Human Rights	N/A	
Bribery and Corruption	Y	Anti corruption clauses are included in supplier contracts.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The way a supplier deals with society has an indirect effect to the University	The University is aware of its indirect effect to society through its suppliers. Hence, the University is in the process of coming up with a means of selecting only the most socially and ethically responsible suppliers.

What are the risks identified?	Which stakeholders are affected?	Management Approach
<p>No significant risks determined for the meantime. The university will revisit this and discuss the matter in its future reports.</p>		

What are the opportunities identified?	Which stakeholders are affected?	Management Approach
<p>No significant opportunities determined for the meantime. The university will revisit this and discuss the matter in its future reports.</p>		

**Relationship with Community  
Significant Impacts on Local Communities**

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)	Does the particular operation have impacts on indigenous peoples (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Please refer to the attached copy of the nature and type of community outreach projects and activities and the number of vulnerable individuals and groups served  (next table)	Bry. 836, Zone 91, Pandacan, Manila	Children and Youth Elderly Solo parents Base of the Pyramid (Class D and E)	No Impact	Children's Rights (based on PD 603) For the Elderly- (based on RA 1994 – Expanded Senior Citizens Act of 2010) For Solo Parents (based on RA 8972 - Solo Parents Welfare Act of 2020) Poor Families – Class D and E (based on RA 11310 - Pantawid Pamilyang Pilipino Program or 4Ps)	Enhancement Measures: 1. Very good work relationship of the outreach volunteers with the elected barangay officials; 2, Accessibility of the school to the community; 3. A systematic approach used by the university in assisting the community, based on the people's identified and expressed needs; 4. A strong culture of volunteerism among the students, faculty and non-teaching personnel of the university; 5. Regular monitoring and evaluation of community projects to validate how the efforts of the outreach volunteers impact on people's lives; 6. Strong and sustained support of the CEU management in the implementation of outreach projects and activities.

**NATURE AND TYPE OF COMMUNITY OUTREACH PROJECTS AND ACTIVITIES AND  
NUMBER OF VULNERABLE INDIVIDUALS AND GROUPS SERVE**

<b>NATURE/TYPE OF COMMUNITY OUTREACH PROJECT/ACTIVITY</b>	<b>CHILDREN</b>	<b>YOUTH</b>	<b>SENIOR CITIZENS</b>	<b>SOLO PARENTS</b>
<b>A. Health and Nutrition</b> <b>1. Operation “ Zero Bungi”</b> <b>2. Operation “Zero Labo Mata”</b> <b>3. Deworming</b> <b>4. Peri-anal Swabbling</b> <b>5. Operation Tuli</b> <b>6. Nutritional Assessment and Nutrition Education</b> <b>7. Cooking Demonstration</b>				
<b>B. Education and Values Development</b> <b>1. Alternative Learning System Program</b> <b>2. Computer Literacy Program</b> <b>3. Day Care Program</b> <b>4. Teen Summer Olympics</b> <b>5. Community Drama</b>				

\*Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: **N/A**



Certificates	Quantity	Units
FPIC process is still undergoing	N/A	#
CP Secured	N/A	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Every one has a role in helping those in the vulnerable sectors to be included in all the affairs of society.	As an educational institution, the University acknowledges its role in the forming of a more inclusive society.

What are the risks identified?	Which stakeholders are affected?	Management Approach
No significant risks determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

What are the opportunities identified?	Which stakeholders are affected?	Management Approach
Members of the vulnerable sectors may benefit from the research program of the University	Students, Community	Subject to safeguards and the rules on research ethics, the University can integrate in its research programs aimed at helping the vulnerable sectors.

## Customer Management

### Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study?
Customer Satisfaction	Exact figure not available. The current system identifies various customers (i.e. students, alumni, internal customers) which involves different metrics. The University shall come up with a way to consolidate data and undertake to include this in future reports.	No

What is the impact and where does it occur? What is the organization's involvement in the impact?	Stakeholders affected	Management Approach
Customer satisfaction ratings reflect the overall quality of service that customers experience within the University	Investors. Management, Students, employees, Alumni	The University shall continuously improve its customer satisfaction measurement system in order to arrive at a more responsive feedback response system.

What are the risks identified?	Which stakeholders are affected?	Management Approach
No significant risks determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

What are the opportunities identified?	Which stakeholders are affected?	Management Approach
Technology provides an avenue for easy collection of data	Investors. Management, Students, employees, Alumni	The University shall continuously improve its customer satisfaction measurement system in order to arrive at a more responsive feedback response system. In doing so, state of the art technology shall be explored.

#### Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety	0	N/A
No. of complaints addressed	N/A	N/A

Note: The lack of data with respect to this is due to the nature of the activity of the corporation. As an educational institution, its product (rendering of educational services) does not necessarily have health and safety issues. The university will revisit this and discuss the matter in its future reports.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
There is no observable impact with the current policies. As an educational institution, its product (rendering of educational services) does not necessarily have health and safety issues. The university will revisit this and discuss the matter in its future reports.		

What are the risks identified?	Which stakeholders are affected?	Management Approach
No significant risks determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

What are the opportunities identified?	Which stakeholders are affected?	Management Approach
No significant opportunities determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

#### Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling	0	#
No. of complaints addressed	0	#

Note: The lack of data with respect to this is due to the nature of the activity of the corporation. As an educational institution, its product (rendering of educational services) does not necessarily have marketing and labelling issues. The university will revisit this and discuss the matter in its future reports.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
There is no observable impact with the current policies. As an educational institution, its product (rendering of educational services) does not necessarily have marketing and labeling issues. The university will revisit this and discuss the matter in its future reports.		

What are the risks identified?	Which stakeholders are affected?	Management Approach
No significant risks determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

What are the opportunities identified?	Which stakeholders are affected?	Management Approach
No significant opportunities determined for the meantime. The university will revisit this and discuss the matter in its future reports.		

#### Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy	0	#
No. of complaints addressed	0	#
No. of customers, users, and account holders whose information is used for secondary purposes	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Customer privacy is an important component of their rights.	Students, Alumni, Employees	The University strictly adheres to Data Privacy and also respects matters that are not covered by the Data Privacy Law. The University shall continuously improve its policies to protect such.

What are the risks identified?	Which stakeholders are affected?	Management Approach
Digitization of data increases the risk of vulnerability to hackers.	Students, Alumni, Employees	The University shall continue improving its data systems and safeguards.

What are the opportunities identified?	Which stakeholders are affected?	Management Approach
High-spec data protection devices are now more accessible.	Students, Alumni, Employees	The University shall continue evaluating available technology and its suitability to the needs of the University.

#### Data Security

Disclosure	Quantity	Units
No. of data breaches , including leaks, thefts, and losses of data.	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Gaining customer trust by keeping personal data secure and private is a key component of the University's Data Protection Program	The University strictly adheres to the provisions of the Data Privacy Act. In all its frontline service offices, all the necessary disclosures are being made and consents are obtained. CEU only uses data collected in the furtherance of its legitimate purposes and nothing more.

What are the risks identified?	Management Approach
Digitization of data increases the risk of vulnerability to hackers.	The University shall continue improving its data systems and safeguards.

What are the opportunities identified?	Management Approach
High-spec data protection devices are now more accessible.  Free data privacy trainings are always available from the National Privacy Commission	The University shall continue evaluating available technology and its suitability to the needs of the University. It shall also take advantage of available trainings in order to increase capability.

## **UN SUSTAINABLE DEVELOPMENT GOALS**

### Product or Service Contribution to UN SDGs

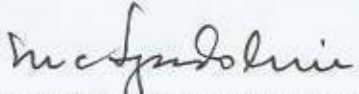
Key Products and Services	Societal Value	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Education/ Providing a Steady Stream of Professionals such as Doctors, Nurses, Pharmacists, Dentists, Optometrists, Psychologists, Medical Technicians, Nutritionists, Lawyers, Social Workers and other fields.	Goal 3 – Good health and well-being  Goal 4 – Quality Education  Goal 8 – Decent growth and economic growth	A societal tendency to lean towards these fields of education might result in the disregard of other fields such which is actually also important in a holistic society.	The University shall continue improving its programs and shall also continue to explore the introduction of other degree programs that are responsive to the needs of society.

\*None/not applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.

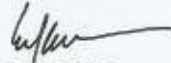
**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Manila on 19 SEP 2020

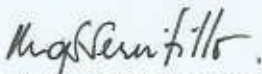
By:



**MA. CRISTINA D. PADOLINA**  
Principal Executive Officer



**CESAR F. TAN**  
Principal Financial Officer



**MA. ROLINA S. SERVITILLO**  
Principal Operation Officer



19 SEP 2020

SUBSCRIBED AND SWORN TO before me this \_\_\_\_\_ day of \_\_\_\_\_, affiants exhibiting to me their respective Philippine Passport Numbers, as follows:

NAME	PASSPORT	DATE ISSUED	PLACE OF ISSUE
Ma. Cristina D. Padolina	P3754596A	July 22, 2017	DFA, NCR West
Cesar F. Tan	EC1088843	May 14, 2014	Manila
Ma. Rolina S. Servitillo	EC8240893	July 9, 2016	DFA, NCR West

DOC NO. 387  
PAGE NO. 78  
BOOK NO. XVI  
SERIES OF 2020

  
ATTY. LEONARDO B. ARMIENTO III  
NOTARY PUBLIC - MANILA  
NOTARIAL COMM. NO. 2020-049 until 12-31-2021  
ROLL OF ATTY. NO. 55618  
MCLE NO. VI-0022748-04/02/2019  
PTR NO. 9298818-01/03/2020-MLA  
IBP NO. 094679-11/12/2020-MLA  
517 Lakandula St., Tdo. Mla.

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

The Management of Centro Escolar University (CEU) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended March 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

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

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

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

Signed this 30<sup>th</sup> day of July, 2020.

  
**BASILIO C. YAP**  
Chairman

  
**MA. CRISTINA D. PADOLINA**  
President/Vice Chairman


  
**CESAR F. TAN**  
Treasurer

SEP 18 2020

SUBSCRIBED AND SWORN TO before me this \_\_\_\_\_ day of \_\_\_\_\_, 2020, affiants exhibiting to me their respective Philippine Passports as follows:

	<u>Passport No.</u>	<u>Date and Place of Issue</u>
BASILIO C. YAP	EC3334678	February 2, 2015, Manila
MA. CRISTINA D. PADOLINA	P3754596A	July 22, 2017, Manila
CESAR F. TAN	P9759990A	November 29, 2018, Manila

Doc. No. 167  
Page No. 25  
Book No. 00000  
Series of 2020

  
**ATTY. JOEL E. PANER**  
NOTARY PUBLIC COMMISSION NO. 2020-018  
Issued on 01/20/20 Until 12/31/2021 MANILA  
UNIT 237 TMR 2 TAFT AVE., MALATE, MANILA  
Roll No. 44009 \* IBP Lifetime No. 2020/15-12-00  
No. 9120231/01-02-2020 MANILA / TIN 10405331  
ANAL. COMPLIANCE No. VI-0013321/04-14-2022



ASEAN University Network (AUN) Quality Assurance certified: Dentistry, Pharmacy, Biology, Business Administration, Hotel and Restaurant Management, Tourism Management, Nursing, Nutrition and Dietetics and Optometry Programs • CHED Center of Excellence in Teacher Education • CHED Center of Development in Business Education • CHED Center of Development in Optometry Education • HIGHEST LEVEL of accreditation, LEVEL IV, by PACUCOA as certified by FAAP: Biology, Psychology, Pharmacy, Business Administration, Dentistry, Optometry, Nutrition and Dietetics, Liberal Arts (Mass Communication and Political Science), Education, and Medical Technology



# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P	W	1	0	9	3				
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**COMPANY NAME**

C	E	N	T	R	O	E	S	C	O	L	A	R	U	N	I	V	E	R	S	I	T	Y	A	N	D
S	U	B	S	I	D	I	A	R	I	E	S														

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

9	M	E	N	D	I	O	L	A	S	T	R	E	E	T	,	S	A	N	M	I	G	U	E	L	,
M	A	N	I	L	A																				

Form Type

A	C	F	S
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Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

	N	A	
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**COMPANY INFORMATION**

Company's Email Address	Company's Telephone Number	Mobile Number
<b>Not applicable</b>	<b>8735-5991</b>	-
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
<b>1,013</b>	<b>7/23</b>	<b>3/31</b>

**CONTACT PERSON INFORMATION**

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
<b>Cesar F. Tan</b>	<b>cftan@ceu.edu.ph</b>	<b>8735-5991</b>	-

**CONTACT PERSON'S ADDRESS**

<b>9 Mendiola Street, San Miguel, Manila</b>
--

**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.



### ***Adequacy of Allowance for Expected Credit Loss (ECL)***

The Group uses provision matrix to calculate the allowance for ECL using the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information.

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

The disclosures on the allowance for ECL are included in Notes 2, 3 and 6 to the consolidated financial statements.

### ***Audit Response***

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

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) checked the methodology used in applying the simplified approach by evaluating the key inputs, assumptions, and formulas used; (c) compared the definition of default against historical analysis of accounts; (d) tested loss given default by inspecting historical recoveries including the write-offs; and (e) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's lending portfolios and broader industry knowledge.

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

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

### ***Impairment Testing of Property and Equipment Valued at Cost***

The Group's market capitalization is lower compared to its net book value. This is an impairment indicator that requires an assessment of the recoverability of the Group's non-financial assets, particularly its property and equipment. As at March 31, 2020, the carrying value of the Group's property and equipment valued at cost amounted to ₱1,512 million representing 25% of the Group's consolidated total assets. The determination of the recoverable amount of the property and equipment requires significant judgment and involves estimation and is based on assumptions such as tuition fee rates, number of students and long-term growth rate, as well as discount rate, an external input.



## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
Centro Escolar University  
9 Mendiola Street  
San Miguel, Manila

### Opinion

We have audited the consolidated financial statements of Centro Escolar University (the “University”) and its subsidiaries (the “Group”), which comprise the consolidated statements of financial position as at March 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended March 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended March 31, 2020, in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

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

### Key Audit Matters

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

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



### ***Adequacy of Allowance for Expected Credit Loss (ECL)***

The Group uses provision matrix to calculate the allowance for ECL using the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information.

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

The disclosures on the allowance for ECL are included in Notes 2, 3 and 6 to the consolidated financial statements.

### ***Audit Response***

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

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) checked the methodology used in applying the simplified approach by evaluating the key inputs, assumptions, and formulas used; (c) compared the definition of default against historical analysis of accounts; (d) tested loss given default by inspecting historical recoveries including the write-offs; and (e) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's lending portfolios and broader industry knowledge.

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

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

### ***Impairment Testing of Property and Equipment Valued at Cost***

The Group's market capitalization is lower compared to its net book value. This is an impairment indicator that requires an assessment of the recoverability of the Group's non-financial assets, particularly its property and equipment. As at March 31, 2020, the carrying value of the Group's property and equipment valued at cost amounted to ₱1,512 million representing 25% of the Group's consolidated total assets. The determination of the recoverable amount of the property and equipment requires significant judgment and involves estimation and is based on assumptions such as tuition fee rates, number of students and long-term growth rate, as well as discount rate, an external input.



The disclosures on the property and equipment valued at cost are included in Notes 2, 3 and 9 to the consolidated financial statements.

*Audit Response*

We involved our internal specialist in evaluating the methodology and the assumptions used. These assumptions include tuition fee rates, number of students, long-term growth rate and discount rate. We compared the tuition fee rates and number of students against the historical performance of the cash-generating unit and other relevant external data. We tested the long-term growth rate and the parameters used in the determination of the discount rate against market data. We reviewed further the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of property and equipment valued at cost.

***Impact of Adoption of PFRS 16, Leases***

Effective April 1, 2019, the Group adopted Philippine Financial Reporting Standard (PFRS) 16, *Leases*, under the modified retrospective approach which resulted in significant changes in the Group's accounting policy for leases. The Group's adoption of PFRS 16 is significant to our audit because the recorded amounts are material to the consolidated financial statements and adoption involves application of significant judgment in determining the incremental borrowing rate. This resulted in the recognition of right-of-use asset and lease liability amounting to ₱205.12 million and ₱205.12 million, respectively, as of April 1, 2019, and the recognition of depreciation expense and interest expense of ₱17.46 million and ₱11.38 million, respectively, for the year ended March 31, 2020. As of March 31, 2020, right-of-use asset amounted to ₱187.66 million, representing 3% of the consolidated total assets, and lease liability amounted to ₱192.50 million, representing 12% of the consolidated total liabilities.

The disclosures related to the adoption of PFRS 16 are included in Note 2 to the consolidated financial statements.

*Audit Response*

We obtained an understanding of the Group's process in implementing the new standard on leases, including the determination of the population of the lease contracts covered by PFRS 16, the application of the short-term and low value assets exemption, the selection of the transition approach and any election of available practical expedients.

We inspected the lease agreements (i.e., lease agreements existing prior to the adoption of PFRS 16 and new lease agreements), identified their contractual terms and conditions, and traced the contractual term and condition to the lease calculation prepared by management, which covers the calculation of financial impact of PFRS 16, including the transition adjustment.

We tested the parameters used in the determination of the incremental borrowing rate by reference to market data. We recomputed the lease calculation prepared by management, including the transition adjustments.

We reviewed the disclosures related to the transition adjustments based on the requirements of PFRS 16 and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. Other disclosure pertaining to PFRS 16 is included in Notes 3 and 19 to the consolidated financial statements.



## **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended March 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended March 31, 2020 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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



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

The engagement partner on the audit resulting in this independent auditor's report is Djole S. Garcia.

SYCIP GORRES VELAYO & CO.



Djole S. Garcia

Partner

CPA Certificate No. 0097907

SEC Accreditation No. 1768-A (Group A),

September 3, 2019, valid until September 2, 2022

Tax Identification No. 201-960-347

BIR Accreditation No. 08-001998-102-2018,

October 18, 2018, valid until October 17, 2021

PTR No. 8125240, January 7, 2020, Makati City

September 11, 2020





**CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	March 31	
	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 5)	₱349,589,928	₱312,995,338
Tuition and other receivables (Note 6)	322,195,587	123,286,977
Inventories (Note 7)	13,317,885	13,813,863
Other current assets (Note 8)	58,470,121	53,614,227
<b>Total Current Assets</b>	<b>743,573,521</b>	<b>503,710,405</b>
<b>Noncurrent Assets</b>		
Property and equipment (Note 9)		
At revalued amount	3,487,593,002	3,335,613,002
At cost	1,512,066,085	1,472,209,271
Investment property (Note 10)	–	151,980,000
Right-of-use asset (Note 19)	187,664,334	–
Goodwill (Note 4)	47,605,695	47,605,695
Other noncurrent assets (Note 11)	9,989,388	25,886,486
<b>Total Noncurrent Assets</b>	<b>5,244,918,504</b>	<b>5,033,294,454</b>
<b>TOTAL ASSETS</b>	<b>₱5,988,492,025</b>	<b>₱5,537,004,859</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities (Note 12)	₱572,226,528	₱404,436,505
Deferred revenue (Notes 14 and 15)	62,471,635	–
Dividends payable (Note 13)	105,755,874	104,576,634
Current portion of lease liability (Note 19)	13,359,116	–
Income tax payable	8,489,496	2,061,214
<b>Total Current Liabilities</b>	<b>762,302,649</b>	<b>511,074,353</b>
<b>Noncurrent Liabilities</b>		
Deferred tax liabilities - net (Note 18)	410,250,106	415,466,126
Lease liability - net of current portion (Note 19)	179,142,644	–
Retirement liability (Note 17)	191,361,485	159,611,534
Other noncurrent liability (Note 12)	11,106,821	–
<b>Total Noncurrent Liabilities</b>	<b>791,861,056</b>	<b>575,077,660</b>
<b>TOTAL LIABILITIES</b>	<b>1,554,163,705</b>	<b>1,086,152,013</b>
<b>Equity</b>		
<b>Equity Attributable to Equity Holders of the University</b>		
Capital stock (Note 13)	372,414,400	372,414,400
Additional paid-in capital	664,056	664,056
Retained earnings (Note 13)		
Appropriated	740,000,000	996,000,000
Unappropriated	721,203,044	477,339,788
Revaluation increment on land - net (Notes 9 and 25)	2,655,373,698	2,655,373,698
Remeasurement loss on retirement obligation (Note 17)	(63,939,002)	(56,965,653)
Revaluation reserve on financial assets at FVOCI (Note 11)	(331,939)	(329,059)
Effect of transactions with non-controlling interest (Note 13)	2,042,246	–
	<b>4,427,426,503</b>	<b>4,444,497,230</b>
<b>Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries</b>		
	<b>6,901,817</b>	<b>6,355,616</b>
<b>Total Equity</b>	<b>4,434,328,320</b>	<b>4,450,852,846</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱5,988,492,025</b>	<b>₱5,537,004,859</b>

*See accompanying Notes to Consolidated Financial Statements.*



**CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

	<b>Years Ended March 31</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>REVENUES FROM CONTRACTS WITH CUSTOMERS</b>			
Tuition and other school fees (Note 14)	<b>₱1,314,456,816</b>	₱1,428,330,595	₱–
Miscellaneous fees (Notes 14 and 15)	<b>37,215,695</b>	44,945,262	–
	<b>1,351,672,511</b>	1,473,275,857	–
<b>REVENUES</b>			
Tuition and other school fees (Note 14)	–	–	1,371,104,081
Miscellaneous fees (Note 15)	–	–	43,150,915
	–	–	1,414,254,996
<b>OTHER REVENUES</b>			
Rental income (Notes 10 and 19)	<b>19,586,895</b>	17,390,887	–
Donation income (Note 9)	<b>15,433,000</b>	7,091,000	–
Dividend income (Note 11)	–	3,226	–
	<b>35,019,895</b>	24,485,113	–
<b>COSTS AND EXPENSES (Note 16)</b>			
Costs of services	<b>1,067,852,428</b>	1,106,573,806	1,073,840,325
General and administrative expenses	<b>236,727,702</b>	201,975,992	182,877,124
	<b>1,304,580,130</b>	1,308,549,798	1,256,717,449
<b>INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX</b>			
	<b>82,112,276</b>	189,211,172	157,537,547
<b>OTHER INCOME (EXPENSES)</b>			
Interest expense (Notes 19 and 20)	<b>(11,453,819)</b>	–	(12,940,762)
Interest income (Note 5)	<b>4,717,701</b>	5,258,829	3,405,522
Loss on retirement/disposal of assets (Note 9)	<b>(417,723)</b>	(2,125,719)	(333,821)
Foreign currency exchange gains (losses) - net	<b>130,921</b>	(240,397)	254,235
Fair value changes in investment property (Note 10)	–	(771,487)	–
Other income (Notes 5 and 6)	<b>778,376</b>	2,573,276	–
	<b>(6,244,544)</b>	4,694,502	(9,614,826)
<b>INCOME BEFORE INCOME TAX</b>			
	<b>75,867,732</b>	193,905,674	147,922,721
<b>PROVISION FOR INCOME TAX (Note 18)</b>			
	<b>8,933,149</b>	6,793,918	37,706,329
<b>NET INCOME</b>			
	<b>₱66,934,583</b>	₱187,111,756	₱110,216,392
Attributable to:			
Equity holders of the University	<b>₱62,346,136</b>	₱184,163,109	₱107,772,975
Non-controlling interests	<b>4,588,447</b>	2,948,647	2,443,417
	<b>₱66,934,583</b>	₱187,111,756	₱110,216,392
<b>Basic/Diluted Earnings Per Share (Note 24)</b>			
	<b>₱0.17</b>	₱0.49	₱0.29

*See accompanying Notes to Consolidated Financial Statements.*



**CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Years Ended March 31</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>NET INCOME</b>	<b>₱66,934,583</b>	<b>₱187,111,756</b>	<b>₱110,216,392</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<b>Item to be reclassified to profit or loss</b>			
Change in revaluation reserve on available-for-sale investments (Note 11)	–	–	(12,672)
<b>Items not to be reclassified to profit or loss</b>			
Change in revaluation reserve on financial assets at FVOCI (Note 11)	(2,880)	(23,040)	–
Revaluation increment on land (Note 9)	–	1,450,411,919	–
Income tax effect (Note 18)	–	(145,041,192)	–
	–	1,305,370,727	–
Remeasurement gain (loss) on retirement obligation (Note 17)	(7,748,166)	(89,593,541)	89,575,563
Income tax effect (Note 18)	774,817	8,959,354	(8,957,556)
	(6,973,349)	(80,634,187)	80,618,007
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>(6,976,229)</b>	<b>1,224,713,500</b>	<b>80,605,335</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱59,958,354</b>	<b>₱1,411,825,256</b>	<b>₱190,821,727</b>
Attributable to:			
Equity holders of the University	<b>₱55,369,907</b>	<b>₱1,408,876,609</b>	<b>₱188,378,310</b>
Non-controlling interests	<b>4,588,447</b>	<b>2,948,647</b>	<b>2,443,417</b>
	<b>₱59,958,354</b>	<b>₱1,411,825,256</b>	<b>₱190,821,727</b>

*See accompanying Notes to Consolidated Financial Statements.*



**CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED MARCH 31, 2020 AND 2019**

	Equity Attributable to Equity Holders of the University										Equity	
	Capital Stock (Note 13)	Additional Paid-in Capital	Retained Earnings (Note 13)	Unappropriated	Revaluation Increment on Land - net (Notes 9 and 18)	Remeasurement Gain (Loss) on Retirement Obligation (Notes 17 and 18)	Revaluation Reserve on Available- for-sale Investments (Note 11)	Financial assets at FVOCI (Note 11)	Effect of transactions with non- controlling interest	Total	Attributable to Non-controlling Interests in Consolidated Subsidiaries	Total Equity
<b>Balances at</b>												
March 31, 2017	₱372,414,400	₱664,056	₱786,000,000	₱554,210,386	₱1,350,002,971	₱56,949,473	₱112,970	₱-	₱-	₱3,006,455,310	₱2,588,552	₱3,009,043,862
Net income	-	-	-	107,772,975	-	-	-	-	-	107,772,975	2,443,417	110,216,392
Other comprehensive income (loss)	-	-	-	-	-	80,618,007	(12,672)	-	-	80,605,335	-	80,605,335
Cash dividends	-	-	-	(74,482,880)	-	-	-	-	-	(74,482,880)	-	(74,482,880)
Appropriation for business expansion	-	-	210,000,000	(210,000,000)	-	-	-	-	-	-	-	-
<b>Balances at</b>												
March 31, 2018	₱372,414,400	₱664,056	₱996,000,000	₱377,500,481	₱1,350,002,971	₱23,668,534	₱100,298	₱-	₱-	₱3,120,350,740	₱5,031,969	₱3,125,382,709
<b>Balances at</b>												
March 31, 2018	₱372,414,400	₱664,056	₱996,000,000	₱377,500,481	₱1,350,002,971	₱23,668,534	₱100,298	₱-	₱-	₱3,120,350,740	₱5,031,969	₱3,125,382,709
Effect of adoption of new accounting standards	-	-	-	(9,840,922)	-	-	(100,298)	(306,019)	-	(10,247,239)	-	(10,247,239)
<b>Balances at April 1, 2018,</b>												
as restated	372,414,400	664,056	996,000,000	367,659,559	1,350,002,971	23,668,534	-	(306,019)	-	3,110,103,501	5,031,969	3,115,135,470
Net income	-	-	-	184,163,109	-	-	-	-	-	184,163,109	2,948,647	187,111,756
Other comprehensive income (loss)	-	-	-	-	-	(80,634,187)	-	(23,040)	-	1,224,713,500	-	1,224,713,500
Cash dividends	-	-	-	(74,482,880)	-	-	-	-	-	(74,482,880)	(1,625,000)	(76,107,880)
<b>Balances at</b>												
March 31, 2019	₱372,414,400	₱664,056	₱996,000,000	₱477,339,788	₱2,655,373,698	₱56,965,653	₱-	₱(₱329,059)	₱-	₱4,444,497,230	₱6,355,616	₱4,450,852,846
<b>Balances at</b>												
March 31, 2019	₱372,414,400	₱664,056	₱996,000,000	₱477,339,788	₱2,655,373,698	₱56,965,653	₱-	₱(₱329,059)	₱-	₱4,444,497,230	₱6,355,616	₱4,450,852,846
Net income	-	-	-	62,346,136	-	-	-	-	-	62,346,136	4,588,447	66,934,583
Other comprehensive loss	-	-	-	-	-	(6,973,349)	-	(2,880)	-	(6,976,229)	-	(6,976,229)
Cash dividends	-	-	-	(74,482,880)	-	-	-	-	-	(74,482,880)	(1,500,000)	(75,982,880)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	2,042,246	2,042,246	(2,542,246)	(500,000)
Expiration of appropriation	-	-	(336,000,000)	336,000,000	-	-	-	-	-	-	-	-
Appropriation for business expansion	-	-	80,000,000	(80,000,000)	-	-	-	-	-	-	-	-
<b>Balances at</b>												
March 31, 2020	₱372,414,400	₱664,056	₱740,000,000	₱721,203,044	₱2,655,373,698	₱63,939,002	₱-	₱(₱331,939)	₱2,042,246	₱4,427,426,503	₱6,901,817	₱4,434,328,320

See accompanying Notes to Consolidated Financial Statements.



# CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended March 31		
	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱75,867,732</b>	₱193,905,674	₱147,922,721
Adjustments for:			
Depreciation and amortization (Notes 9, 11, 16 and 19)	<b>115,951,592</b>	94,214,963	93,974,351
Movement in retirement liability (Note 17)	<b>24,001,785</b>	(14,580,797)	3,871,823
Donation income (Note 9)	<b>(15,433,000)</b>	(7,091,000)	–
Interest expense (Notes 19 and 20)	<b>11,453,819</b>	–	12,940,762
Interest income (Note 5)	<b>(4,717,701)</b>	(5,258,829)	(3,405,522)
Loss on retirement/disposal of assets (Note 9)	<b>417,723</b>	2,125,719	333,821
Unrealized foreign exchange losses (gains) - net	<b>(130,921)</b>	240,397	(254,235)
Fair value adjustment in investment property (Note 10)	–	771,487	–
Provision for impairment losses (Notes 9 and 16)	–	–	813,551
Operating income before changes in operating assets and liabilities	<b>207,411,029</b>	264,327,614	256,197,272
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Tuition and other receivables	<b>(199,652,312)</b>	(1,504,456)	(34,345,783)
Inventories	<b>495,978</b>	(933,309)	(4,809,873)
Other current assets	<b>(4,446,697)</b>	(10,922,293)	4,723,919
Increase (decrease) in:			
Accounts payable and other current liabilities	<b>178,896,844</b>	29,686,914	74,699,813
Deferred revenue	<b>62,471,635</b>	–	–
Net cash generated from operations	<b>245,176,477</b>	280,654,470	296,465,348
Income taxes paid	<b>(7,355,267)</b>	(16,056,361)	(18,703,506)
Interest received	<b>4,961,403</b>	4,886,955	3,380,317
Interest paid	<b>(73,540)</b>	–	(12,940,762)
Net cash from operating activities	<b>242,709,073</b>	269,485,064	268,201,397
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Acquisitions of:			
Property and equipment (Note 9)	<b>(121,508,304)</b>	(168,250,269)	(147,732,202)
Software cost (Note 11)	<b>(105,000)</b>	(105,000)	(105,000)
Investment property (Note 10)	–	–	(152,751,487)
Decrease (increase) in other noncurrent assets	<b>14,094,885</b>	2,051,761	(18,101,616)
Proceeds from sale of property and equipment (Note 9)	<b>76,655</b>	367,201	60,715
Payment for additions to land (Note 9)	–	(1,174,791)	(20,521,289)
Net cash used in investing activities	<b>(107,441,764)</b>	(167,111,098)	(339,150,879)
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>			
Payments of cash dividends (Note 27)	<b>(74,803,640)</b>	(79,319,240)	(74,920,501)
Payments of leases (Notes 19 and 27)	<b>(24,000,000)</b>	–	–
Net cash used in financing activities	<b>(98,803,640)</b>	(79,319,240)	(74,920,501)
<b>EFFECT OF FOREIGN CURRENCY RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
	<b>130,921</b>	(240,397)	254,235
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>36,594,590</b>	22,814,329	(145,615,748)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>312,995,338</b>	290,181,009	435,796,757
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)</b>	<b>₱349,589,928</b>	₱312,995,338	₱290,181,009

*See accompanying Notes to Consolidated Financial Statements.*



# CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Corporate Information

The consolidated financial statements include the financial statements of Centro Escolar University (the “University”) and the following subsidiaries (collectively referred to as the “Group”):

Subsidiary	Percentage of Ownership		
	2020	2019	2018
Centro Escolar University Hospital, Inc. (the “Hospital” or CEUHI)	<b>100.00%</b>	100.00%	100.00%
Centro Escolar Las Piñas, Inc. (CELPI) (formerly Las Piñas College [LPC])	<b>99.90%</b>	99.90%	99.90%
Centro Escolar Integrated School, Inc. (CE-IS)	<b>94.00%</b>	90.00%	90.00%

The University, a publicly listed entity, was organized in the Philippines on June 3, 1907 to establish, maintain and operate an educational institution or institutions for the instruction and training of the youth in all branches of the arts and sciences, offering classes in tertiary level.

In accordance with the Commission on Higher Education (CHED) Memorandum Order No. 32, the University’s Mendiola and Makati campuses were granted autonomous status to be in force and in effect for five years from November 15, 2007 to November 14, 2012 per Resolution Nos. 087-2012 and 148-2012. Private Higher Education Institutions (HEIs) which were granted with autonomous status in 2007 to 2009 and deregulated status in 2009 and 2010 shall retain their respective status until December 31, 2015 by virtue of CHED Memorandum Order No. 21, series of 2015. On May 16, 2016, the CHED extended the autonomous status of these two campuses until May 31, 2019. The CHED further extended the autonomous status of these two campuses until May 31, 2021 by virtue of CHED Memorandum Order No. 12 series of 2019 issued on October 24, 2019.

The University’s Malolos campus was granted autonomous status for a period of five years effective November 15, 2009 to November 14, 2014 per Resolution Nos. 087-2012 and 148-2012. Such autonomous status was extended until December 31, 2015 by virtue of CHED Memorandum Order No. 21, series of 2015. On May 16, 2016, the CHED extended the autonomous status of the University’s Malolos campus until May 31, 2019. The autonomous status of the University’s Malolos campus is also further extended until May 31, 2021 on October 24, 2019.

Under this autonomous status, the University is free from monitoring and evaluation of activities of the CHED and has the privilege to determine and prescribe curricular programs, among other benefits, as listed in the memorandum order. The three general criteria used by the CHED for the selection and identification of institutions which shall receive autonomous status are as follows:

- a. Institutions established as centers of excellence or centers of development and/or with Federation of Accrediting Agencies of the Philippines Level III Accredited programs;
- b. With outstanding overall performance of graduates in the government licensure examinations; and
- c. With long tradition of integrity and untarnished reputation.

The registered principal office of the University is at 9 Mendiola Street, San Miguel, Manila.

The University incorporated the Hospital on June 10, 2008. The primary purpose of the Hospital is to establish, maintain and operate a hospital, medical and clinical laboratories and such other



facilities that shall provide healthcare or any method of treatment for illnesses or abnormal physical or mental health in accordance with advancements in modern medicine and to provide education and training facilities in the furtherance of the health-related professions. The registered principal office of the Hospital is at 103 Esteban corner Legaspi Streets, Legaspi Village, Makati City. In January 2016, the Hospital entered into an agreement with Hemotek Renal Center (Hemotek), a dialysis clinic, for the former to provide laboratory examinations to Hemotek patients. As at March 31, 2020, the Hospital is operating nine Renal Centers, one of which is operated by the Hospital starting the first quarter of the fiscal year 2020.

CE-IS was incorporated on July 24, 2013 and is a learning institution which offers pre-school, primary and secondary education. The principal place of business of CE-IS is located at Km 44 MacArthur Highway, Longos, Malolos City. On December 31, 2019, the University purchased additional 2,000 shares of CE-IS increasing its ownership to 94%.

CELPI was incorporated on June 1, 1975 and is primarily engaged as an educational institution offering a full range of programs from Kindergarten to Graduate school. The principal place of business of CELPI is located at Dr. Faustino Uy Avenue, Pillar Village, Las Piñas City.

The consolidated financial statements were approved and authorized for issuance by the University's BOD on September 11, 2020.

#### Change in Academic Year

The University implemented a change in the academic year (i.e., from June ending March to August ending May). This started in August 2019 and was reported under this fiscal year ended March 31, 2020. This change in the academic year had an effect on the net income reported for fiscal year 2020 due to the non-inclusion of the April and May 2020 realized tuition and other fees, as well as related expenses, which will be reported in fiscal year 2021.

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## **2. Summary of Significant Accounting and Financial Reporting Policies**

#### Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for land classified under 'Property and equipment' which is measured at revalued amount, and financial assets at fair value through other comprehensive income (FVOCI) and equity investments included under 'Other noncurrent assets' and investment property which are measured at fair value.

The consolidated financial statements are presented in Philippine Peso (₱ or Peso), which is also the Group's functional currency. All values are rounded to the nearest Peso, unless otherwise stated.

#### Statement of Compliance

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

#### Presentation of Consolidated Financial Statements

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

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for trading;
- Expected to be realized within 12 months after the statement of financial position date; or



- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least 12 months after the statement of financial position date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for trading;
- It is due to be settled within 12 months after the statement of financial position date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the statement of financial position date.

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent.

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the University and its subsidiaries. Control is achieved when the University 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 University controls an investee if, and only if, the University has:

- Power over the investee (that is, 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.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the University has less than a majority of the voting or similar rights of an investee, the University 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 University's voting rights and potential voting rights.

The University reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the University obtains control over the subsidiary and ceases when the University loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the University gains control until the date the University ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the University's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the Group are eliminated in full on consolidation.

The financial statements of the subsidiaries were prepared for the same reporting years as the Group which were presented as at and for the years ended March 31, 2020 and 2019 and using consistent accounting principles and policies except for CE-IS. CE-IS prepared its financial statements as at December 31, 2019 and 2018 in accordance with PFRS for Small and Medium-sized Entities. For consolidation purposes, adjustments to the financial statements of CE-IS are recorded to align with the reporting year and accounting principles and policies of the Group.





A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. In such circumstances, the carrying amount of the controlling and non-controlling interests are adjusted by the Group to reflect the changes in its relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the University.

When a change in ownership interest in a subsidiary occurs, which results in loss of control over the subsidiary, the University:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Derecognizes the other comprehensive income (OCI) and recycle the same to the profit or loss to retained earnings;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained; and
- Recognizes any surplus or deficit in the consolidated statement of income.

#### Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and the net assets not held by the University and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to the equity holders of the University. Transactions with non-controlling interest are accounted for using the equity concept method, whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as an equity transaction. Any losses applicable to the non-controlling interests are allocated against the interests of the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting April 1, 2019. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance, unless otherwise discussed.

- PFRS 16, *Leases*

PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

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

The Group adopted PFRS 16 using the modified retrospective approach with an initial application date of April 1, 2019 and did not restate comparative amounts for the year prior to first adoption. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at April 1, 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation



IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemption to the lease contracts for which the underlying asset is of low value (low-value asset) and for leases with a lease term of 12 months or less (short-term leases).

The impact of adoption of PFRS 16 as at April 1, 2019 is as follows:

	March 31, 2019, as previously reported	Impact from adoption of PFRS 16	April 1, 2019, as restated
Right-of-use asset	₱–	₱205,121,481	₱205,121,481
Lease liability – current	–	(12,619,721)	(12,619,721)
Lease liability – noncurrent	–	(192,501,760)	(192,501,760)

Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as operating lease. Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases except for the leases of low-value assets and short-term leases. For the detailed disclosures, refer to Note 19.

The Group has a lease contract for the land and building of Philtrust Bank for its Makati-Buendia Campus which qualifies as a lease contract under PFRS 16. The Group also has lease contracts for its water services and billboard placement which qualify as leases of low-value assets and short-term leases.

*Leases previously accounted for as operating leases*

The Group recognized right-of-use asset and lease liability for the lease previously classified as operating leases, except for the leases of low-value assets and short-term leases. The right-of-use asset was recognized based on the amount equal to the lease liability. Lease liability was recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The lessee's incremental borrowing rate applied to the lease liability on March 31, 2019 and April 1, 2019 was 5.71%. The lease commitments as of March 31, 2019 reconciled to the lease liability as of April 1, 2019 is as follows.

Operating lease commitment as at April 1, 2019	₱282,000,000
Weighted average incremental borrowing rate as at April 1, 2019	5.71%
<u>Lease liability as at April 1, 2019</u>	<u>₱205,121,481</u>

Due to the adoption of PFRS 16, the Group's net income decreased. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under PAS 17.

The adoption of PFRS 16 did not have an impact on beginning retained earnings in 2020 since the Group elected to measure the right-of-use asset at an amount equal to the lease liability.



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

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

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

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

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined based on its assessment that it is probable that its uncertain tax treatments will be accepted by the taxation authorities. Accordingly, the Interpretation did not have an impact on the financial statements of the Group.

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

#### Foreign Currency Translation

Transactions denominated in foreign currencies are recorded in Peso based on the exchange rates prevailing at the transaction dates. Foreign currency-denominated monetary assets and liabilities are translated in Peso based on the Bankers' Association of the Philippines closing rate prevailing at the reporting date in 2020 and 2019, respectively. Foreign exchange differences between rate at transaction date and rate at settlement date or reporting date of foreign currency-denominated monetary assets or liabilities are credited to or charged against profit or loss in the period in which the rates changed. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.



### 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 by 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 nonfinancial 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 reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of 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 and the level within the fair value hierarchy as explained above (see Note 25).

### Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term deposits which are highly liquid investments readily convertible to known amounts of cash with original maturities of three months or less from dates of placements and are subject to insignificant risks of changes in value. Cash and cash equivalents are carried at face value in the consolidated statement of financial position.

### Financial Instruments (Effective April 1, 2018/FY2019)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.



## Financial assets

### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (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. With the exception of trade receivables that do not contain significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or which the Group has applied the practical expedient are measured at transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows 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 to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

### *Subsequent measurement*

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at FVOCI without recycling (equity instruments)
- Financial assets at FVTPL (debt and equity instruments)

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

This category is most relevant to the Group. 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 closely 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 the consolidated statement of income when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash in banks and short-term deposits, tuition and other receivables and refundable security deposits.



*Financial assets at FVOCI (equity instruments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to consolidated statement of income. Dividends are recognized as income in the consolidated statements of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investments in quoted equity instruments under this category.

*Derecognition*

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 consolidated 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.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

*Impairment of financial assets*

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. 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).



For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment.

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

The Group considers a financial asset in default when contractual payments are past due i.e., when the semester is over. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual cash flows in full before considering 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 FVTPL, loans and borrowings, other financial liabilities carried at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable and other current liabilities (excluding contract liabilities and statutory payables), dividends payable and lease liability.

##### *Subsequent measurement*

##### *Other financial liabilities carried at amortized cost*

These are issued financial instruments or their components, which are not designated as at FVTPL and where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, financial liabilities not qualified and not designated as at FVTPL are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issuance and fees that are an integral part of the effective interest rate.

This accounting policy applies primarily to the Group's accounts payable and other current liabilities (excluding contract liabilities and statutory payables), dividends payable and lease liability.

##### *Derecognition*

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 consolidated statement of income.

*Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Financial Instruments (Effective before April 1, 2018/FY2019)

*Date of recognition*

The Group recognizes financial instruments when, and only when, it becomes a party to the contractual terms 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. Settlement date accounting refers to:

- a. The recognition of an asset on the day it is received by the Group; and
- b. The derecognition of an asset and recognition of any gain or loss on disposal on the day that such asset is delivered by the Group.

*Initial recognition*

All financial instruments are initially measured at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments which are classified at fair value at profit or loss (FVPL). The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities carried at amortized cost. The classification depends on the purpose for which the financial instruments are acquired and whether they are quoted in an active market, and for HTM financial assets, the ability and intention to hold the investment until maturity. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every statement of financial position date.

*'Day 1' difference*

Where the transaction price in a non-active market is different with 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 an observable market, the Group recognizes the difference between the transaction price and fair value ('Day 1' difference) in the profit or loss. In cases where the transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the 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.

*Loans and receivables*

These are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market other than those:

- That the Group intends to sell immediately or in the near term and those that the Group, upon initial recognition, designates as at FVPL;
- That the Group, upon initial recognition, designates as AFS; and
- For which the Group may not cover substantially all of its investments, other than because of credit deterioration.





After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for doubtful accounts. Amortization is determined using the effective interest method and is included under “Interest income” in the consolidated statement of income. Losses arising from impairment are recognized in “Provision for credit losses” under “General and administrative expenses” in the consolidated statement of income.

*AFS investments*

AFS investments are those which are designated as such or do not qualify to be classified as financial assets at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirement or changes in market conditions.

After initial measurement, AFS investments are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS investments are recognized, net of tax, in the consolidated statement of comprehensive income as “Change in revaluation reserve on available-for-sale investments.”

When the fair value of AFS investments cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted AFS investments, these investments are carried at cost, less any allowance for impairment losses. When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in “Others” under “Miscellaneous income” in the consolidated statement of income. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a weighted average basis.

Dividends earned on holding AFS investments are recognized in “Others” under “Miscellaneous income” in the consolidated statement of income when the right of the payment has been established. Losses arising from impairment of such investments are recognized as “Provision for credit losses” under “General and administrative expenses” in the consolidated statement of income.

*Other financial liabilities carried at amortized cost*

These are issued financial instruments or their components, which are not designated as at FVPL and where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, financial liabilities not qualified and not designated as at FVPL are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issuance and fees that are an integral part of the effective interest rate (EIR).

As at March 31, 2018, other financial liabilities carried at amortized cost include accounts payable and other current liabilities (excluding statutory payables) and dividends payable.



#### *Impairment of Financial Assets*

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

#### *Loans and receivables*

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the consolidated statement of income.

Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. If a write-off is later recovered, the recovery is credited to "Others" under "Miscellaneous income" in the consolidated statement of income.

The Group impairs its receivables through the use of an allowance account.

#### *AFS investments*

In the case of equity investments classified as AFS investments, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in the consolidated statement of comprehensive income.



### *Derecognition of Financial Instruments*

#### *Financial assets*

A financial asset (or, when applicable, a part of a financial asset or part of a group of financial assets) is derecognized (that is, removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Group has transferred its rights to receive cash flows from the asset; 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.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### *Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

### *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

### Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less marketing and distribution costs. The cost includes the invoice amount, freight in and other incidental costs and is determined using the first-in, first-out method.

### Property and Equipment

Property and equipment, except for land, is carried at cost, less accumulated depreciation and amortization and accumulated allowance for impairment losses. The initial cost of property and



equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the assets to their working condition and location for their intended use.

Land is carried at revalued amount. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus, net of tax effect, is presented in OCI, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the consolidated statement of income, in which case, the increase is recognized in the consolidated statement of income. A revaluation decrease is recognized in the consolidated statement of income, except to the extent that it offsets an existing surplus on the same asset presented in OCI. Upon disposal, any revaluation surplus, net of tax effect, relating to the land being sold is transferred to retained earnings.

Construction in progress, included in property and equipment, is stated at cost.

Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged against the consolidated statement of income 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.

The useful life and depreciation and amortization method are reviewed at least every reporting date and adjusted prospectively, if appropriate.

Depreciation of property and equipment is computed on a straight-line basis over the following estimated useful lives of the assets:

	Number of Years
Land Improvements	10
Building	50
Furniture, transportation, auxiliary and library equipment	5
Library Books	10
Leasehold Improvements	10 or lease term whichever is shorter

Construction in progress is not depreciated until such time that the relevant assets are completed and become available for intended use.

Fully depreciated property and equipment are retained in the accounts until these are no longer used and no further depreciation and amortization is charged to the consolidated statement of income.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset by sale (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) and by write off, is recognized under "Miscellaneous fees" and "Loss on



retirement/disposal of assets,” respectively, in the consolidated statement of income in the year the asset is derecognized.

#### Investment Property

Investment property is measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired, unless the fair value of such an asset cannot be measured, in which case, the investment properties acquired are measured at the carrying amount of the asset given up. Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to the consolidated statement of income in the year in which the costs are incurred.

The investment property of the Group comprises of land being leased to a third party.

Subsequent to initial recognition, land is stated at fair value, which reflects the prevailing market conditions at the end of reporting period. Gains and losses from changes in the fair value of the land are recognized in the consolidated statement of income under “Fair value changes in investment property.”

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the cost and the carrying amount of the property transferred do not change. If an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the accounting policy on property and equipment up to the date of change in use.

Investment property is derecognized when it has either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

#### Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. 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 elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share in the recognized amounts of the acquiree’s identifiable net assets. Acquisition-related costs incurred are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of income.

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 in the consolidated statement of income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.



When the seller agrees to contractually indemnify the acquirer for the outcome of a contingency or uncertainty related to a specific asset or liability, the acquirer recognizes an indemnification asset with an equivalent amount deducted from the consideration transferred for the business combination. Indemnification asset recognized at the acquisition date continues to be measured on the same basis as the related indemnified item subject to collectability and contractual terms until the asset is collected, sold, cancelled or expires in the post-combination period. The Group measures the indemnification asset on the same basis as the related item, subject to any restrictions in the contractual terms.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating unit (CGU), or group of CGU's, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated should:

- Represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Not be larger than an operating segment determined in accordance with PFRS 8.

When goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill allocated with disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation.

#### Impairment of Nonfinancial Assets

An assessment is made at each reporting date whether there is any indication of impairment of nonfinancial assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated at the higher of the asset's or CGU's value-in-use or its fair value less cost to sell. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is assessed as part of the CGU to which it belongs.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU). In determining fair value less cost to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

An impairment loss is recognized only if the carrying amount of an asset (or CGU) exceeds its recoverable amount. An impairment loss is charged against the consolidated statement of income



in the period in which it arises, unless the asset (or CGU) is carried at a revalued amount, in which case, the impairment loss is charged against the revaluation increment of the said asset (or CGU).

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset (or CGU), but not to an amount higher than the carrying amount that would have been determined (net of any depreciation and amortization) had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is credited to current consolidated statement of income, unless the asset (or CGU) is carried at revalued amount, in which case, the reversal of the impairment loss is credited to the revaluation increment of the said asset (or CGU).

The following criteria are also applied in assessing impairment of specific assets:

*Property and equipment and right-of-use asset*

The carrying values of property and equipment and right-of-use asset are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and when the carrying values exceed the estimated recoverable amounts, the assets or CGUs are written down to their recoverable amounts.

*Goodwill*

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

Other Assets

*Advances to suppliers*

Advances to suppliers, included under “Other current assets”, represent amounts paid to suppliers for purchases not yet received as at the reporting date. This is subsequently reversed to an expense account when the goods or services are received.

*Prepayments*

Prepayments, included under “Other current assets”, are initially measured at the amounts paid and subsequently recognized as expense over the period in which the prepayments apply.

*Creditable withholding tax (CWT)*

CWT, included under “Other current assets”, pertains to the tax withheld at source by the Group’s lessees and is creditable against its income tax liability.

*Advances to contractors*

Advances to contractors, included under “Other noncurrent assets”, represent amounts paid to contractors for purchases not yet received as at the reporting date. This is subsequently reversed to an asset account when the goods or services are received.



*Software costs*

Software cost, included under “Other noncurrent assets”, includes all software which are currently used by the Group which is carried at cost, less accumulated amortization and accumulated allowance for impairment losses.

*Cost to fulfill the contract*

Cost to fulfill the contract, included under “Other current assets”, are initially measured at amounts paid and subsequently recognized as expense upon performance of the related services to the students. The Group amortizes capitalized cost to fulfill a contract to “Expenses for co-curricular activities” under “Cost of services”.

Equity

Capital stock is measured at par value for all shares issued. When the University issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to “Additional paid-in capital.” When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received.

Retained earnings represent accumulated earnings of the Group less dividends declared.

Revenue from Contracts with Customers (Effective April 1, 2018/FY2019)

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods, excluding the related taxes. The Group assesses its revenue arrangement 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 its all of its revenue arrangements.

*Tuition and other school fees, including income from other school services*

Tuition and other school fees, including income from other school services except for the sale of books and uniforms, are recognized over time as revenue over the corresponding school term using 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 school fees in full or in installment. Tuition and other fees, including income from other school services except for the sale of books and uniforms, to be recognized in the remaining months after statement of financial position date or next school term which are not yet due for collection are deferred and is shown under “Deferred revenue” account in the statement of financial position.

*Contract Balances*

*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 liability*

A contract liability is the obligation to transfer goods 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 the 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 the obligations under the contract. The Group’s contract liabilities represent advance collections for culminating and





yearbook fees and for revenues expected to be earned until end of the academic year presented under “Accounts payable and other current liabilities” and will be recognized as revenue when the related services are rendered.

Other Revenues (Effective April 1, 2018/FY2019)

*Interest income*

Interest income is recognized as the interest accrues taking into account the effective yield on the asset.

*Rental income*

Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms.

*Donation income*

Donation income is recognized as revenue when the right to receive, whether in money or in kind, is established.

*Dividend income*

Dividend income is recognized when the right to receive the payment is established.

Revenue Recognition (Effective before April 1, 2018/FY2019)

Revenue is recognized when it is probable that future economic benefits will flow to the Group and these benefits can be measured reliably. Revenue is measured at the fair value of consideration received. The following specific recognition criteria must also be met before revenue is recognized:

*Tuition and other school fees, excluding income from other school services, and rental income*

Tuition and other school fees, excluding income from other school services, and rental income are recognized as income when earned on a straight-line basis over the corresponding school term.

*Interest income*

Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

*Income from other school services and miscellaneous income*

Revenue is recognized when services are rendered or goods are delivered.

*Rental income*

Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms and is recorded in the consolidated statement of income under “Miscellaneous fees.”

Expense Recognition

Expenses are recognized in the consolidated statement of income when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Expenses are recognized in the consolidated statement of income:

- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.



### Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### Retirement Benefits

The Group operates a defined benefit retirement plan which requires contribution to be made to a separately administered fund.

The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method.

Retirement expense comprises the following:

- Service cost; and
- Net interest on the retirement liability.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by the independent qualified actuary.

Net interest on the retirement liability is the change during the period in the retirement liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the retirement liability. Net interest on the retirement liability is recognized as an expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on the retirement liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods.

The retirement liability is the aggregate of the present value of defined benefit obligation at the reporting date reduced by the fair value of plan assets, adjusted for any effect of limiting a net retirement 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. The 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

Income tax on income or loss for the year comprises current and deferred tax. Income tax is determined in accordance with Philippine tax laws. Income tax is recognized in the consolidated statement of income, except to the extent that it relates to items recognized directly in equity, in which case, the tax effect is recognized in the consolidated statement of comprehensive income.



### *Current tax*

Current tax assets and current tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the statement of financial position date.

### *Deferred tax*

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

Deferred tax assets are recognized for all deductible temporary differences and unused net operating loss carryover (NOLCO). Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and NOLCO can be utilized, except:

- a. When the deferred tax asset relating to the deductible temporary difference 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; or
- b. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- a. When the deferred tax liability arises from the initial recognition of goodwill or 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; or
- b. In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

### Leases

#### *Group as lessor*

Leases where the Group does not transfer all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and are recognized over the lease term on the same basis as the rental income. Operating lease payments are recognized in the consolidated statement of income. Any rental payments are accounted for on a straight-line basis over the lease term. Rental income in 2020 and 2019 is presented as a separate line item in the consolidated statement of



income while rental income in 2018 is presented under “Miscellaneous income”. Contingent rentals are recognized as revenue in the period in which they are earned.

Leases (Effective April 1, 2019/FY2020)

The Group assesses at contract inception whether a contract is, or contains, a lease (i.e., if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration).

*Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for its leases of low-value asset and short-term leases. The Group recognizes lease liability to make lease payments and right-of-use asset representing the right to use the underlying asset.

*Right-of-use asset*

The Group recognizes right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use asset is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. The cost of right-of-use asset includes the amount of lease liability recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. 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 asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use asset is subject to impairment. Refer to the accounting policies in section *Impairment of Nonfinancial Assets*.

*Lease liability*

At the commencement date of the lease, the Group recognizes lease liability 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 the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate 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 liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liability 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.

*Leases for low value assets and short-term leases*

Payments for leases for low value assets and short-term leases and are recognized as “Rental” under “Cost of services”.

Leases (Effective Prior to April 1, 2019/FY2020)

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;



- b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d, and at the date of renewal or extension period for scenario b.

#### *Group as lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as “Rental” under “Cost of services” in the consolidated statement of income on a straight-line basis over the lease term. Contingent rental payable is recognized as expense in the period in which it is incurred.

#### Segment Reporting

The Group’s operating businesses are organized and managed separately according to the geographic locations, designated as the Group’s campuses, with each segment representing a strategic business unit that offers varying courses depending on demands of the market. Financial information on business segments is presented in Note 21.

#### Basic and Diluted Earnings Per Share (EPS)

Basic EPS amounts are calculated by dividing net income by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive potential common shares.

#### Provisions

A provision is recognized only when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and, 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 assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### Contingencies

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

#### Events after Report Date

Post year-end events up to the date of approval of the BOD of the consolidated financial statements that provide additional information about the Group’s position reporting date (adjusting events) are reflected in the consolidated financial statements, if any. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material



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### 3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRSs 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 continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Judgments

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

#### *Recognition of tuition and other fees over time*

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

#### *Operating leases (effective prior to April 1, 2019/FY2020)*

- Group as lessor  
The Group has entered into commercial property leases on its Mendiola, Malolos, Makati and Las Piñas campuses. The Group has determined, based on an evaluation of the terms and conditions of the arrangements (that is, the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties. Thus, the leases are classified as operating leases.
- Group as lessee  
The Group has entered into a lease on premises it uses for its Makati-Buendia campus. The Group has determined, based on an evaluation of the terms and conditions of the arrangement (that is, the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and the lease term is not for the major part of the asset's economic life), that not all significant risks and rewards of ownership of the properties have been transferred to the Group. Thus, the lease is classified as operating lease (see Note 19).

#### Estimates and Assumptions

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



*Estimating the incremental borrowing rate (effective April 1, 2019/FY2020)*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liability. The IBR is the rate of interest that the Group 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 Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. 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 Group's stand-alone credit rating).

The carrying value of the Group's lease liability as at March 31, 2020 is disclosed in Note 19.

*Estimation of allowance for expected credit losses*

The Group uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecasted economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analyzed.

The segmentation of the Group's receivable, identification and definition of default and the assessment of the correlation between historically observed default rates, forecast economic conditions and ECLs are significant estimates. The Group also applied weights to various scenarios in the computation of the allowance for ECL as of March 31, 2020 to incorporate impact of uncertainty due to the current economic conditions. The amount of ECLs 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

The carrying values of tuition and other receivables and allowance for ECL as at March 31, 2020 and 2019 are disclosed in Note 6.

*Determination of NRV of inventories*

The Group's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made and the amount at which the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the reporting date. A new assessment is made of NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

No write-down of inventories is recognized in 2020 and 2019. The carrying value of inventories of the Group is disclosed in Note 7.



*Estimation of useful lives of property and equipment*

The useful lives of property and equipment are estimated based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological and environmental changes and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in factors mentioned. Any reduction in the estimated useful lives of the property and equipment would increase depreciation and amortization expense.

The estimated useful lives of property and equipment is discussed in Note 2 to the consolidated financial statements. There is no change in the estimated useful lives of property and equipment as of March 31, 2020 and 2019.

The carrying values of depreciable property and equipment (i.e., excluding land and construction in progress) are disclosed in Note 9.

*Impairment of property and equipment and right-of-use asset*

The Group assesses at each reporting date whether there is any indication that its property and equipment and right-of-use asset are impaired. Determining the fair value of these noncurrent non-financial assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Group's financial position and financial performance. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

The Group's market capitalization is lower as compared to its net book value is an impairment indicator on the Group's property and equipment as of March 31, 2020 and 2019. Hence, the Group performed impairment analysis as of March 31, 2020 and 2019. The Group's value-in-use calculation involves significant management judgment in the use of assumptions, particularly tuition fee rates, number of students, long-term growth rate and discount rate. The carrying values of property and equipment are disclosed in Note 9. There are no impairment indicators on the Group's right-of-use asset as of March 31, 2020 and 2019. The carrying value of right-of-use asset as of March 31, 2020 and 2019 is disclosed in Note 19.

As at March 31, 2020 and 2019, the recoverable amount of the CGU has been determined based on the value-in-use calculation using cash flow projections from the five-year strategic plan for the University. Tuition fee rates and number of students assumed to project revenues were based on approved tuition fee increase and the University's historical data and performance. The impact of the current economic conditions was also considered in the assessment made by incorporating it to the cash flow projections based on the expected results of operations for FY 2020-2021.

The discount rate used for the computation of the net present value is the cost of the equity and was determined by reference to comparable entities. In 2020 and 2019, the pre-tax discount rate applied to cash flow projections is 10.30% and 10.33%, respectively, while the long-term growth rate to project cash flows beyond the five-year period is nil.





*Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. The Group's value-in-use calculation involves significant management judgment in the use of assumptions, particularly the tuition fee rates, number of students, long-term growth rate and the discount rate.

The carrying value of goodwill of the Group is disclosed in Note 4.

*Revaluation of land*

The fair value of the Group's land at revalued amount was based on a third party appraisal with effective date of valuation of March 31, 2019, using sales comparison approach. Based on comparison of recent sale transactions or offerings of similar properties done by the Group as at March 31, 2020, management assessed that there were no significant movements in the fair value of the land from date of last valuation until March 31, 2020. Key assumptions used by the independent appraiser are disclosed in Note 25.

The revalued amount of land included under "Property and equipment" and "Investment property" in the consolidated statement of financial position is disclosed in Notes 9 and 10, respectively.

*Retirement liability*

The cost of the defined benefit retirement plan and the present value of defined benefit obligation are determined using an actuarial valuation. The actuarial valuation involves making assumptions about employee turnover rates, discount rates, prospective salary increases and mortality rate. Due to the complexity of the actuarial valuation, the underlying assumptions and long-term nature of this plan, such estimates are subject to significant uncertainty. All significant assumptions are reviewed at each reporting date.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at the reporting date. Future salary increases are assumed for all future years within the duration of the plan and take into account the inflation, seniority, promotion, merit, productivity and other market factors. Employee turnover rates are based on the probability of voluntary separation of service from the University prior to their retirement date.

The present value of defined benefit obligation and details about the significant assumptions used are disclosed in Note 17.

*Recognition of deferred income taxes*

Deferred tax assets are recognized for all deductible temporary differences and unused NOLCO to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and unused NOLCO can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Unrecognized deferred tax assets of the Group are disclosed in Note 18.



#### 4. Business Combination

On August 24, 2015, the University entered into an agreement with the previous owners of CELPI (the “Sellers”) to purchase their interest in CELPI shares, and real and other properties consisting of parcels of land and buildings and improvements which are owned directly by the Sellers but are used by CELPI.

Accordingly, the University obtained control of CELPI through the execution of the agreements on September 1, 2015 as outlined below.

	Amount
Deed of Absolute Sale for the purchase of parcels of land, buildings and improvements	₱270,200,000
Deeds of Assignment for the purchase of CELPI shares representing 90% equity interest	3,600,000
	<u>₱273,800,000</u>

It was also agreed that the University will pay the Sellers the amount of ₱7.34 million to liquidate all liabilities of CELPI, including but not limited to, retirement/separation of all CELPI employees. The acquisition provides the University the opportunity to expand its operations in the Southern part of Metro Manila.

The fair values of the identifiable assets and liabilities of CELPI as at the date of acquisition is shown below:

	Fair value recognized on acquisition
<b>Assets</b>	
Cash	₱108,234
Receivables	10,000
Property and equipment	836,314
Other assets	6,650
	<u>961,198</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	197,496
Advances from officers	2,870,473
	<u>3,067,969</u>
<b>Net liabilities</b>	<u>(₱2,106,771)</u>

In addition to the above identifiable assets and liabilities, the Group recognized the fair value of real and other properties acquired as a result of the business combination amounting to ₱229.46 million and the related deferred tax asset of ₱4.07 million (see Note 18).

The fair values of land and buildings and improvements as at September 1, 2015 have been determined based on the valuation done by a professionally qualified appraiser accredited by the SEC. The fair values of these assets were derived based on sales comparison approach. Under this approach, the fair value of the land was determined considering sales and listings of comparable property in the same area as the land, also taking into account the economic conditions prevailing at the time the valuation was made. The actual sales and listings regarded as comparable are adjusted to account for differences in a property’s location, size and time element. For buildings and improvements, the significant input considered in the valuation is the



reproduction cost, which is the estimated cost to create a virtual replica of the existing structure, employing the same design and similar building materials.

The University has elected to measure the non-controlling interest in CELPI at their proportionate share of CELPI's net identifiable assets.

Goodwill from the acquisition is computed as follows:

Consideration transferred	₱281,140,000
Fair value of net liabilities assumed	2,106,771
Less:	
Fair value of real and other properties acquired	(229,460,339)
Deferred tax asset on excess of acquisition cost over fair value of real and other properties acquired	(4,073,966)
Indemnification asset	(2,106,771)
<u>Goodwill</u>	<u>₱47,605,695</u>

The goodwill arising from the acquisition can be attributed mainly to expected synergies and increase in geographical presence and customer base.

The Sellers have contractually agreed to indemnify the University for all known liabilities until March 31, 2016, and consequently, the University recognized indemnification asset of ₱2.11 million at acquisition date.

#### Impairment Testing of Goodwill

As at March 31, 2020 and 2019, the carrying amount of goodwill amounted to ₱47.61 million. Management assessed that no impairment losses need to be recognized in 2020 and 2019.

#### *Key assumptions used in the value-in-use calculation*

As at March 31, 2020 and 2019, the recoverable amount of the CGU has been determined based on a value-in-use calculation using cash flow projections from the five-year strategic plan for CELPI. Tuition fee rates and number of students assumed to project revenues were based on externally available industry data and the Group's historical data and performance. The discount rate used for the computation of the net present value is the cost of equity and was determined by reference to comparable entities. In 2020 and 2019, the pre-tax discount rate applied to cash flow projections is 10.30% and 11.14%, respectively, while the long-term growth rate to project cash flows beyond the five-year period is nil for both years.

#### *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 the goodwill to materially exceed its recoverable amount.

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## 5. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand and in banks (Note 22)	₱167,042,053	₱139,825,626
Short-term deposits (Note 22)	182,547,875	173,169,712
	<u>₱349,589,928</u>	<u>₱312,995,338</u>



Cash in banks earned interest rates ranging from 0.10% to 0.375% in 2020, 0.10% to 0.50% in 2019, and 0.10% to 0.50% in 2018. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earned interest rates ranging from 1.50% to 5.75% in 2020, 1.25% to 5.75% in 2019 and 1.25% to 2.75% in 2018. Interest income from cash in banks and short-term deposits amounted to ₱4.72 million in 2020, ₱5.26 million in 2019 and ₱3.41 million in 2018.

Miscellaneous receipts and cash overage amounting to ₱0.01 million in 2020 and ₱1.28 million in 2019 (nil in 2018) are recorded as part of other income.

## 6. Tuition and Other Receivables

This account consists of:

	2020	2019
Tuition fee receivables	<b>₱378,943,371</b>	₱140,644,059
Advances to employees	<b>18,408,504</b>	18,556,882
Nontrade receivables	<b>10,135,580</b>	10,363,852
Accrued rent receivable (Note 22)	<b>4,607,245</b>	3,432,362
Advances to CE-IS's stockholders	<b>750,000</b>	1,250,000
Accrued interest receivable	<b>273,749</b>	517,451
Other receivables	<b>480,036</b>	724,023
	<b>413,598,485</b>	175,488,629
Less allowance for ECL	<b>91,402,898</b>	52,201,652
	<b>₱322,195,587</b>	₱123,286,977

Tuition fee receivables are noninterest-bearing and are generally on a 120-day term. Advances to employees comprise of noninterest-bearing advances which are collectible through salary deduction and are generally on a 6 to 12-month term.

Recoveries from previously written-off tuition fee receivables amounting to ₱0.78 million in 2020 and ₱1.29 million in 2019 (nil in 2018) are recorded as part of other income.

The allowance for ECL pertains to the Group's tuition fee receivables, which were impaired through collective assessment. The rollforward of allowance for ECL follows:

	2020	2019
Balance at beginning of year	<b>₱52,201,652</b>	₱45,354,755
Provision (Note 16)	<b>39,201,246</b>	6,846,897
Balance at end of year	<b>₱91,402,898</b>	₱52,201,652

As at March 31, 2020 and 2019, the aging analysis of tuition and other receivables follows:

	2020					Total
	Neither Past Due nor Impaired	Past Due but not Impaired			Past Due and Impaired	
		1-30 Days	Over 30 Days	Over 60 Days		
Tuition fee receivables	<b>₱62,471,635</b>	₱-	₱-	<b>₱225,068,838</b>	<b>₱91,402,898</b>	<b>₱378,943,371</b>
Advances to employees	<b>18,408,505</b>	-	-	-	-	<b>18,408,505</b>
Nontrade receivables	<b>10,135,580</b>	-	-	-	-	<b>10,135,580</b>
Accrued rent receivable	<b>4,607,245</b>	-	-	-	-	<b>4,607,245</b>
Advances to CE-IS's stockholders	<b>750,000</b>	-	-	-	-	<b>750,000</b>
Accrued interest receivable	<b>273,749</b>	-	-	-	-	<b>273,749</b>
Other receivables	<b>480,036</b>	-	-	-	-	<b>480,036</b>
	<b>₱97,126,749</b>	<b>₱-</b>	<b>₱-</b>	<b>₱225,068,838</b>	<b>₱91,402,898</b>	<b>₱413,598,486</b>



	2019					
	Neither Past Due nor Impaired	Past Due but not Impaired			Past Due and Impaired	Total
		1-30 Days	Over 30 Days	Over 60 Days		
Tuition fee receivables	P-	P-	P-	P88,442,407	P52,201,652	P140,644,059
Advances to employees	18,556,882	-	-	-	-	18,556,882
Nontrade receivables	10,363,852	-	-	-	-	10,363,852
Accrued rent receivable	3,432,362	-	-	-	-	3,432,362
Advances to CE-IS's stockholders	1,250,000	-	-	-	-	1,250,000
Accrued interest receivable	517,451	-	-	-	-	517,451
Other receivables	724,023	-	-	-	-	724,023
	<b>P34,844,570</b>	<b>P-</b>	<b>P-</b>	<b>P88,442,407</b>	<b>P52,201,652</b>	<b>P175,488,629</b>

## 7. Inventories

This account consists of:

	2020	2019
Uniforms and outfits	<b>P9,843,843</b>	P9,632,474
Supplies	<b>1,257,273</b>	1,506,867
Materials	<b>2,216,769</b>	2,674,522
	<b>P13,317,885</b>	<b>P13,813,863</b>

The cost of uniforms and outfits charged to "Cost of services - Uniforms and outfits" amounted to P24.94 million in 2020, P13.73 million in 2019 and P8.64 million in 2018 (see Note 16).

The cost of materials and supplies charged to "Cost of services - Material processing" amounted to P1.43 million in 2020, P5.59 million in 2019 and P8.49 million in 2018 (see Note 16).

## 8. Other Current Assets

This account consists of:

	2020	2019
Advances to suppliers	<b>P38,553,266</b>	P30,214,631
Creditable withholding taxes	<b>13,582,518</b>	13,173,321
Prepaid insurance and licenses	<b>6,334,337</b>	2,509,333
Cost to fulfill a contract	-	7,716,942
	<b>P58,470,121</b>	<b>P53,614,227</b>

Advances to suppliers are advances paid to suppliers for library subscriptions, classroom materials and supplies.

Movement in cost to obtain the fulfill a contract follows:

	2020	2019
Beginning balances	<b>P7,716,942</b>	P8,436,212
Additions	-	7,716,942
Amortization (Note 16)	<b>(7,716,942)</b>	(8,436,212)
	<b>P-</b>	<b>P7,716,942</b>



9. **Property and Equipment**

The composition of and the movements in this account follow:

	2020								
	At Cost								
	Land (At Revalued Amount)	Land Improvements	Buildings and Leasehold Improvements	Furniture, Transportation and Auxiliary Equipment	Laboratory Equipment	Library Books	Construction in Progress	Subtotal	Total
<b>Cost</b>									
Balances at beginning of year	₱3,335,613,002	₱31,963,832	₱1,762,186,596	₱570,861,312	₱378,290,570	₱132,936,700	₱115,679,725	₱2,991,918,735	₱6,327,531,737
Additions	-	38,800	29,356,730	32,171,799	25,181,184	8,791,119	41,401,672	136,941,304	136,941,304
Retirements/disposals	-	-	-	(13,630,660)	(1,298,403)	-	-	(14,929,063)	(14,929,063)
Reclassification	-	-	50,429,417	-	-	-	(50,429,417)	-	-
Transfer from investment property (Note 10)	151,980,000	-	-	-	-	-	-	-	151,980,000
Balances at end of year	3,487,593,002	32,002,632	1,841,972,743	589,402,451	402,173,351	141,727,819	106,651,980	3,113,930,976	6,601,523,978
<b>Accumulated depreciation and amortization</b>									
Balances at beginning of year	-	29,827,457	686,594,147	437,716,741	273,044,715	92,526,404	-	1,519,709,464	1,519,709,464
Depreciation and amortization (Note 16)	-	283,824	40,021,118	25,295,087	23,118,346	7,871,737	-	96,590,112	96,590,112
Retirements/disposals	-	-	-	(13,136,472)	(1,298,213)	-	-	(14,434,685)	(14,434,685)
Balances at end of year	-	30,111,281	726,615,265	449,875,356	294,864,848	100,398,141	-	1,601,864,891	1,601,864,891
<b>Net book values</b>	<b>₱3,487,593,002</b>	<b>₱1,891,351</b>	<b>₱1,115,357,478</b>	<b>₱139,527,095</b>	<b>₱107,308,503</b>	<b>₱41,329,678</b>	<b>₱106,651,980</b>	<b>₱1,512,066,085</b>	<b>₱4,999,659,087</b>



2019

	At Cost										Total	
	Land (At Revalued Amount)	Land Improvements	Buildings and Leasehold Improvements	Furniture, Transportation and Auxiliary Equipment	Laboratory Equipment	Library Books	Construction in Progress	Subtotal				
<b>Cost</b>												
Balances at beginning of year	₱1,884,026,292	₱31,828,832	₱1,693,362,253	₱544,753,287	₱370,305,687	₱125,401,951	₱81,773,774	₱2,847,425,784	₱4,731,452,076			
Revaluation increment	1,450,411,919	-	-	-	-	-	-	-	1,450,411,919			
Additions	1,174,791	135,000	14,810,308	33,726,924	31,214,302	7,534,749	87,919,986	175,341,269	176,516,060			
Retirements/disposals	-	-	-	(7,566,159)	(23,282,159)	-	-	(30,848,318)	(30,848,318)			
Reclassification	-	-	54,014,035	-	-	-	(54,014,035)	-	-			
Balances at end of year	3,335,613,002	31,963,832	1,762,186,596	570,914,052	378,237,830	132,936,700	115,679,725	2,991,918,735	6,327,531,737			
<b>Accumulated depreciation and amortization</b>												
Balances at beginning of year	-	29,556,332	648,140,933	421,019,685	266,252,423	84,659,085	-	1,449,628,458	1,449,628,458			
Depreciation and amortization (Note 16)	-	271,125	38,453,214	23,901,920	21,834,551	7,867,319	-	92,328,129	92,328,129			
Retirements/disposals	-	-	-	(7,204,864)	(15,042,259)	-	-	(22,247,123)	(22,247,123)			
Balances at end of year	-	29,827,457	686,594,147	437,716,741	273,044,715	92,526,404	-	1,519,709,464	1,519,709,464			
<b>Accumulated allowance for impairment losses</b>												
Balance at beginning of the year	-	-	-	-	6,108,275	-	-	6,108,275	6,108,275			
Disposal of equipment with impairment allowance	-	-	-	-	(6,108,275)	-	-	(6,108,275)	(6,108,275)			
Balances at end of the year	-	-	-	-	-	-	-	-	-			
<b>Net book values</b>	₱3,335,613,002	₱2,136,375	₱1,075,592,449	₱133,197,311	₱105,193,115	₱40,410,296	₱115,679,725	₱1,472,209,271	₱4,807,822,273			

Major developments accounted under construction in progress are as follows:

As at March 31, 2020

- Construction of 5-storey building for CE-IS amounting to ₱96.55 million
- Installation of the new payroll and purchasing system amounting to ₱10.10 million

As at March 31, 2019

- Construction and renovation of 5-storey building for CE-IS amounting to ₱65.25 million
- Construction of Centro Mall in Malolos campus amounting to ₱50.43 million



As at March 31, 2020, the Group's construction in progress pertaining to the Centro Mall in Malolos Campus was completed and the related cost was transferred to buildings and leasehold improvements. As at March 31, 2019, the Group's construction in progress pertaining to the 3-storey building in Malolos campus for Health Science courses was completed and the related cost was transferred to buildings and leasehold improvements.

The Group received laboratory equipment with a total value of ₱15.43 million in 2020 and ₱7.09 million in 2019 (nil in 2018) as donation from various third parties.

The impairment loss recognized in 2018 pertains to the Hospital's laboratory equipment which amounted to ₱0.81 million.

As at March 31, 2020 and 2019, the Group retired/disposed certain properties with aggregate cost amounting to ₱14.93 million and ₱30.85 million, respectively. Loss on retirement/disposal of these properties amounted to ₱0.41 million in 2020, ₱2.13 million in 2019 and ₱0.33 million in 2018. Proceeds from sale of property and equipment amounted to ₱0.08 million in 2020, ₱0.37 million in 2019 and ₱0.06 million in 2018.

#### Revaluation of Land

As at March 31, 2020 and 2019, land at revalued amounts consists of:

	2020	2019
<b>Cost</b>		
Beginning balance	<b>₱385,197,782</b>	₱384,022,991
Transfer from investment property (Note 10)	<b>151,980,000</b>	–
Additions	–	1,174,791
Ending balance	<b>537,177,782</b>	385,197,782
<b>Revaluation increment - gross</b>		
Beginning balance	<b>2,950,415,220</b>	1,500,003,301
Revaluation during the year	–	1,450,411,919
Ending balance	<b>2,950,415,220</b>	2,950,415,220
	<b>₱3,487,593,002</b>	₱3,335,613,002

Based on the University's policy, the appraisal of its properties is done within three to five years. The latest appraisal was done in May 2019 by a professionally qualified appraiser accredited by the SEC (see Note 25). This is also the fair values of the parcels of land as of March 31, 2020 which were validated by checking the current prices of the commercial properties nearby the areas posted on guaranteed property advertisement sites.

With the expiration of the contract agreement between the University and the lessee, the land previously classified as "Investment Property" was reclassified as "Property and equipment". The deemed cost of the transferred property is the fair value of the land as of March 31, 2019, which is not materially different from the fair value as of March 31, 2020 validated by checking the current prices of the commercial properties nearby the area posted on guaranteed property advertisement sites (see Note 10).

The fair value of the land as at March 31, 2020 and 2019 amounted to ₱3,487.59 million and ₱3,335.61 million, respectively (see Note 25).





Deferred tax liability related to the revaluation surplus amounted to ₱295.04 million as at March 31, 2020 and 2019 (see Note 18).

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

As at March 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 (2020-2024) and considers the impact of COVID-19 on their estimates.
- Long-term growth rates. Management does not include a long-term growth rate in the VIU calculation for conservative purposes as this is difficult to predict.
- Discount rate (10.30% for 2020 and 10.33% 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 property and equipment to materially exceed its recoverable amount.

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## 10. Investment Property

On July 5, 2017, the University purchased a parcel of land for a total consideration of ₱152.75 million. At the time of the purchase, the parcel of land is under an operating lease agreement with a third party that will end in fiscal year 2022. On January 5, 2018, the lease agreement was amended to change the lessor from the previous owner to the University and the end of lease term from fiscal year 2022 to fiscal year 2019.

On November 15, 2019, the agreement between the University and the lessee has already expired. Excavation and fencing have already been started in the property to be developed into a school facility, thus, the investment property was reclassified as property and equipment starting on that date.

As at March 31, 2020 and 2019, investment property consists of:

	2020	2019
Beginning balance	₱151,980,000	₱152,751,487
Transfer to property and equipment (Note 9)	(151,980,000)	–
Fair value changes	–	(771,487)
Ending balance	₱–	₱151,980,000

The rental income arising from this lease amounted to ₱1.63 million in 2020, ₱2.05 million in 2019, ₱0.85 million in 2018. “Rental income” in 2020 and 2019 is presented as a separate line item in the consolidated statements of income while “Rental income” in 2018 is presented under “Miscellaneous income” (see Note 15).

The latest appraisal was done in May 2019 by a professionally qualified appraiser accredited by the SEC (see Note 25).



## 11. Other Noncurrent Assets

This account consists of:

	2020	2019
Advances to contractors	₱7,512,236	₱19,852,685
Refundable security deposits	1,316,266	1,012,012
Noncurrent portion of advances to employees	1,019,716	3,078,406
Financial assets at FVOCI	79,920	82,800
Software costs	61,250	1,860,583
	<b>₱9,989,388</b>	<b>₱25,886,486</b>

The effect of discounting noncurrent portion of advances to employees and refundable security deposits is immaterial.

Advances to contractors pertain to advances paid to contractors for planned construction of various facilities.

Software costs represent the costs incurred by the Group for its accounting and school management software. The composition of and movements in this account is presented below:

	2020	2019
<b>Cost</b>		
Balance at beginning of year	₱5,608,000	₱5,503,000
Additions	105,000	105,000
Balance at end of year	5,713,000	5,608,000
<b>Accumulated amortization</b>		
Balance at beginning of year	3,747,417	1,860,583
Amortization (Note 16)	1,904,333	1,886,834
Balance at end of year	5,651,750	3,747,417
	<b>₱61,250</b>	<b>₱1,860,583</b>

Financial assets at FVOCI investments pertain to quoted equity securities held by the Group.

Quoted equity securities pertain to the Group's investments in listed shares of stocks and are valued at the closing stock price as at March 31, 2020 and 2019.

Cost of quoted equity investments and dividend income pertaining to these follows:

	2020	2019	2018
Cost of quoted equity investments	₱5,542	₱5,542	₱5,542
Dividend income	-	3,226	7,778

Movements in carrying value of financial assets at FVOCI investments follows:

	2020	2019
Balance at beginning of year	₱82,800	₱512,157
Impact of adoption of PFRS 9	-	(406,317)
Fair value losses	(2,880)	(23,040)
Balance at end of year	<b>₱79,920</b>	<b>₱82,800</b>



Changes in revaluation reserve on financial assets at FVOCI in 2020 and 2019 follows:

	2020	2019
Balance at beginning of year	(P329,059)	(P306,019)
Change in revaluation reserve on financial assets at FVOCI	(2,880)	(23,040)
<b>Balance at end of year</b>	<b>(P331,939)</b>	<b>(P329,059)</b>

Changes in revaluation reserve on AFS investments in 2018 (nil in 2020 and 2019) follows:

	2018
Balance at beginning of year	P112,970
Change in revaluation reserve on AFS investments	(12,672)
<b>Balance at end of year</b>	<b>P100,298</b>

## 12. Accounts Payable and Other Current Liabilities

This account consists of:

	2020	2019
Accounts payable	P299,894,521	P255,767,880
Accrued expenses:		
Employee benefits	37,663,432	46,527,614
Rent (Note 22)	5,021,421	26,795,573
Utilities	1,899,513	7,790,071
Others	15,658,873	9,020,215
Contract liabilities		
Due but not yet collected	130,768,381	-
Due and collected	46,127,750	25,849,599
Payable to students	16,516,181	19,650,162
Deposits	14,173,546	8,231,391
Alumni fees payable	4,502,910	4,804,000
	<b>P572,226,528</b>	<b>P404,436,505</b>

Accounts payable are noninterest-bearing and are generally on 30 to 60-day terms.

Accrued rent pertains to the contingent rent payable to its affiliate equivalent to 40% of the annual income derived from the leased premises (see Note 22).

Other accrued expenses pertain to accrued purchases, accruals for audit fees, janitorial and security services, advertising services and other services.

Payable to students are advanced collections from students or refunds of miscellaneous fees to students to be applied to the next school year or semester.

Deposits include refundable deposits for toga rentals and security deposits on leases.

Alumni fees payable includes graduating students' payments for alumni registration and identification cards which are remitted to the alumni foundation.



As at March 31, 2020, contract liabilities amounting to ₱176.90 million will be recognized as revenue in the following year. Contract liabilities amounting to ₱25.85 million as of March 31, 2019 were recognized as revenue in fiscal year 2020. The increase in contract liabilities and payable to students in 2020 is due to the change in the academic year for the college students of the University from ending March of each year to ending May of each year.

As at March 31, 2020, other noncurrent liability pertains to contract liability which are collected in advance that is estimated to be recognized as revenue within two to five years.

### 13. Equity

#### Capital Stock

The University's shares are listed and traded in the Philippine Stock Exchange.

Details of capital stock as at March 31, 2020 and 2019 is presented below.

Shares Authorized	Shares Issued and Outstanding	Par Value	Amount
800,000,000	372,414,400	₱1	₱372,414,400

Below is the summary of the University's track record of registration of securities under the Revised Securities Regulation Code (SRC):

Date	Number of Shares	Issue Price
November 10, 1986	305,000	₱100
August 9, 1988	152,500	100
February 23, 1994	297,375	100
September 18, 1995	993,174	100
March 17, 1998	2,237,356	100

As at March 31, 2020 and 2019, the total number of shares registered under the SRC are 372,414,400 shares being held by 1,013 and 1,019 stockholders, respectively.

#### Cash Dividends

The University's BOD approved the declaration of the following cash dividends:

Date of Declaration	Date of Record	Date of Payment	Amount	Dividend per Share
June 28, 2019	August 5, 2019	August 29, 2019	₱74,482,880	₱0.20
June 20, 2018	July 12, 2018	August 6, 2018	74,482,880	0.20
September 29, 2017	October 20, 2017	November 17, 2017	74,482,880	0.20

As at March 31, 2020 and 2019, the carrying value of dividends payable amounted to ₱105.76 million and ₱104.58 million, respectively.



### Retained Earnings

On June 28, 2019, the University's BOD approved the appropriation of ₱80.00 million for the construction of the following:

- Eight (8)-storey building in Mendiola Campus;
- Construction of swimming pools and renovation of classroom in Malolos campus; and
- Extension of the expansion projects of the University.

On June 28, 2019, the University's BOD approved the re-appropriation of ₱450.00 million for the development of the Malolos campus. These projects include the construction of a 3-storey building for the setting up of a pre-school, elementary and high school in preparation for the K-12 program and to support the five-year development plan for Malolos campus.

The estimated date of completion of the above projects as set by the Group is within 2 years.

On June 23, 2017, the University's BOD approved the expansion projects of the University relating to the additional appropriated retained earnings amounting to ₱210.00 million. These projects include the planned construction of the following:

- 3-storey building for Science-related courses in CEU Malolos;
- Additional investments in CEIS for construction of building in anticipation of increased number of students in S.Y. 2020-2021;
- Additional investment in CELPI for construction of building in anticipation of increased number of students in S.Y. 2020-2021; and
- Modernization of CEU Manila campus.

The estimated date of completion of the above projects as set by the University is within five years.

On March 27, 2015, the University's BOD approved the detailed expansion program and projects of the University relating to the additional appropriated retained earnings amounting to ₱336.00 million. The University estimated that these projects will be completed within 5 years. These projects include the budget for capital expenditures for the fiscal year April 2015 to March 2016 and the following in the Malolos Campus:

- Planned construction of a 5-storey dormitory for the students, faculty and employees of the University;
- Planned construction of a 2-storey building for the School of Dentistry;
- Planned construction of a 2-storey building to house a food court with students' area in the ground floor and commercial spaces in the second floor;
- Renovation of the Centrodome;
- Planned construction of a multi-purpose activity center and swimming pool for use of students; and
- Renovation and extension of buildings and various laboratories.

This appropriation above amounting to ₱336.00 million was reversed by the University on March 31, 2020.

In accordance with Revised Securities Regulation Code Rule 68, Annex 68-D, the University's retained earnings available for dividend declaration as at March 31, 2020 amounted to ₱608.68 million.

The consolidated retained earnings include the deficit of the CEUHI amounting to ₱34.13 million and ₱33.63 million as of March 31, 2020 and 2019, respectively.



Effect of transactions with non-controlling interest

In April 1, 2019, the University purchased an additional 4% ownership to CE-IS using the advances to CE-IS stockholders amounting to ₱0.50 million. This resulted to a transfer of non-controlling interest to equity reserve amounting to ₱2.04 million.

**14. Tuition and Other Fees**

This account consists of:

	<b>2020</b>	2019	2018
Tuition fees	<b>₱699,390,839</b>	₱732,925,380	₱722,128,289
Other fees	<b>375,789,105</b>	412,093,331	379,217,716
Income from other school services	<b>239,276,872</b>	283,311,884	269,758,076
	<b>₱1,314,456,816</b>	₱1,428,330,595	₱1,371,104,081

Other fees include registration fees, health services fees, library fees, laboratory fees, development fees, practicum fees, internship fees and review fees.

Income from other school services comprise of fees for diploma and certificates, transcript of records, student handbooks, identification cards, entrance, qualifying and special examinations, laboratory materials, application fees for foreign students, uniforms and outfits, and various collections for specific items or activities.

Revenue from contracts with customers for tuition and other fees and miscellaneous fees are as follows:

<b>Timing of Recognition</b>	<b>2020</b>		2019	
	<b>Tuition fees</b>	<b>Miscellaneous fees (Note 15)</b>	Tuition fees	Miscellaneous fees (Note 15)
Over time	<b>₱1,251,511,561</b>	<b>₱20,956,951</b>	₱1,338,264,208	₱25,405,671
Point in time	<b>62,945,255</b>	<b>16,258,744</b>	90,066,387	19,539,591
	<b>₱1,314,456,816</b>	<b>₱37,215,695</b>	₱1,428,330,595	₱44,945,262

Receivables and contract liabilities are disclosed in Notes 6 and 12, respectively.

Deferred tuition fees amounting to ₱49.78 million as of March 31, 2020 (nil as of March 31, 2019) pertains to the tuition and other fees to be recognized as revenue after the reporting date or next school term.



## 15. Miscellaneous Fees

This account consists of:

	2020	2019	2018
Dental materials	<b>₱11,483,573</b>	₱11,964,983	₱12,275,920
Dental pre-board fees	<b>5,452,500</b>	5,349,000	4,679,821
Swimming fees	<b>4,564,590</b>	4,060,700	309,762
Laboratory fees	<b>4,296,367</b>	3,000,284	2,609,218
Locker fees	<b>4,064,610</b>	4,312,653	3,634,239
Photograph fees	<b>2,177,691</b>	3,182,403	1,308,858
Professional and continuing education	<b>1,802,290</b>	5,632,709	1,602,747
Service commissions	<b>449,978</b>	532,326	464,732
Handling fees	<b>300,636</b>	347,590	276,622
Insurance fees	<b>268,807</b>	351,018	305,385
Rental (Notes 10 and 19)	-	-	12,772,671
Others	<b>2,354,653</b>	6,211,596	2,910,940
	<b>₱37,215,695</b>	₱44,945,262	₱43,150,915

Deferred miscellaneous fees amounting to ₱12.69 million as of March 31, 2020 (nil as of March 31, 2019) pertains to income from other school services, except for the sale of books and uniforms, to be recognized as revenue in the remaining months after statement of financial position date or next school term.

Others include income from sale of promotional items, sale of scrap and penalty from students.

## 16. Costs and Expenses

This account consists of:

### Cost of Services

	2020	2019	2018
Salaries and wages	<b>₱404,249,056</b>	₱399,427,584	₱391,064,847
SSS contributions and other employee benefits	<b>253,560,806</b>	279,448,632	276,711,692
Depreciation and amortization (Notes 9, 11 and 19)	<b>115,951,592</b>	94,214,963	93,974,351
Light and water	<b>84,000,611</b>	99,200,147	91,230,363
Sports and academic development	<b>40,418,831</b>	45,284,465	40,211,374
Expenses for co-curricular activities (Notes 8 and 22)	<b>34,757,845</b>	36,975,458	33,332,094
Uniforms and outfits (Note 7)	<b>24,940,726</b>	13,726,712	8,635,048
Retirement expense (Note 17)	<b>24,001,785</b>	17,419,203	25,871,823
Management information	<b>22,439,754</b>	15,517,879	21,482,519
Stationery and office supplies	<b>16,136,544</b>	15,670,727	15,009,300
Recruitment and placement (Note 22)	<b>12,501,286</b>	10,631,637	9,017,264
Library	<b>8,261,563</b>	10,136,360	9,398,087
Professional fees	<b>7,352,470</b>	7,225,512	6,428,059

(Forward)



	2020	2019	2018
Directors' and administrative committee	<b>₱3,792,878</b>	₱4,504,696	₱4,909,006
Affiliation	<b>3,589,564</b>	3,479,050	3,441,087
Laboratory	<b>3,106,366</b>	3,075,171	1,638,403
Comprehensive and oral examinations	<b>2,840,598</b>	3,443,191	2,144,421
Instructional and academic expenses	<b>2,067,166</b>	2,288,378	3,206,907
Material processing (Note 7)	<b>1,433,711</b>	5,590,648	8,493,574
Registration expenses of students	<b>922,651</b>	1,154,494	1,754,338
Rental (Notes 19 and 22)	<b>610,812</b>	36,834,273	24,693,403
Guidance and counseling	<b>425,251</b>	782,731	825,530
University chapel expenses	<b>338,080</b>	363,315	302,623
Publications	<b>152,482</b>	178,580	64,212
	<b>₱1,067,852,428</b>	₱1,106,573,806	₱1,073,840,325

#### General and Administrative Expenses

	2020	2019	2018
Janitorial and security services	<b>₱55,075,673</b>	₱53,068,870	₱48,583,407
Repairs and maintenance	<b>45,925,001</b>	62,261,044	48,382,962
Provision for ECL/doubtful accounts (Note 6)	<b>39,201,246</b>	6,846,897	5,849,704
Transportation and communication	<b>30,838,167</b>	25,735,383	25,282,392
Taxes and licenses	<b>25,261,276</b>	19,534,158	20,438,362
Clinical expenses	<b>13,422,079</b>	16,342,991	16,235,509
Entertainment, amusement and recreation	<b>7,710,975</b>	6,758,604	6,874,009
Program expenses	<b>7,055,004</b>	2,651,173	–
Insurance	<b>4,092,442</b>	4,187,939	4,127,403
Membership fees and dues	<b>1,657,959</b>	1,394,294	3,036,415
Advertisement	<b>619,181</b>	420,683	414,455
Bank charges	<b>140,741</b>	237,339	301,408
Impairment loss (Note 9)	–	–	813,551
Miscellaneous	<b>5,727,958</b>	2,536,617	2,537,547
	<b>₱236,727,702</b>	₱201,975,992	₱182,877,124

#### **17. Retirement Plan**

The University has a funded, noncontributory defined benefit retirement plan which provides for death, disability and retirement benefits for all of its permanent employees. The annual contributions to the retirement plan consist of a payment covering the current service cost for the year plus payments toward funding the unfunded actuarial liabilities. Benefits are based on the employees' years of service and final plan salary.

The fund is administered by two trustee banks under the supervision of the Board of Trustees (BOT) of the plan. The BOT is responsible for the investment strategy of the plan.

In 2015, the University approved a new collective bargaining agreement with its employees with changes in the increments on employee retirement benefits.

The latest actuarial valuation study of the defined benefit retirement plan of the University was made as at March 31, 2020.





Changes in the retirement liability are as follows:

		2020				2019				
		Retirement Expense in the Consolidated Statements of Income				Remeasurements in OCI				
Balance at Beginning of Year	Current Service Cost	Net Interest	Subtotal	Benefits Paid	Return on Plan Assets (Excluding Amount Included in Net Interest)	Experience Adjustments	Actuarial Changes from Changes in Financial Assumptions	Actuarial Changes from Changes in Demographic Assumptions	Subtotal	Contribution by Employer
Present value of defined benefit obligation	₱371,334,774	₱15,728,573	₱20,212,176	₱35,940,749	(₱35,713,284)	(₱31,308,296)	₱19,771,098	₱369,506	(₱11,167,692)	₱-
Fair value of plan assets	(211,723,240)	-	(11,938,964)	(11,938,964)	35,713,284	-	-	-	18,915,858	-
	₱159,611,534	₱15,728,573	₱8,273,212	₱24,001,785	₱-	(₱31,308,296)	₱19,771,098	₱369,506	₱7,748,166	₱-

		2020				2019				
		Retirement Expense in the Consolidated Statements of Income				Remeasurements in OCI				
Balance at Beginning of Year	Current Service Cost	Net Interest	Subtotal	Benefits Paid	Return on Plan Assets (Excluding Amount Included in Net Interest)	Experience Adjustments	Actuarial Changes from Changes in Financial Assumptions	Actuarial Changes from Changes in Demographic Assumptions	Subtotal	Contribution by Employer
Present value of defined benefit obligation	₱287,058,834	₱12,638,979	₱19,117,317	₱31,756,296	(₱32,549,474)	₱54,406,118	₱27,708,847	₱2,954,153	₱85,069,118	₱-
Fair value of plan assets	(202,460,044)	-	(14,337,093)	(14,337,093)	32,549,474	-	-	-	4,524,423	(32,000,000)
	₱84,598,790	₱12,638,979	₱4,780,224	₱17,419,203	₱-	₱54,406,118	₱27,708,847	₱2,954,153	₱89,593,541	(₱32,000,000)

The number of plan members as at March 31, 2020 and 2019 is 695 and 706, respectively.

Actual return on plan assets as at March 31, 2020 and 2019 amounted to (₱6.98 million) and ₱9.81 million, respectively.



The fair value of plan assets as at March 31, 2020 and 2019 follows:

	2020	2019
Long-term investments:		
Debt securities	<b>₱95,750,204</b>	₱98,164,293
Equity securities	<b>70,130,910</b>	79,309,471
Cash and cash equivalents	<b>2,435,653</b>	33,677,457
Others assets	<b>496,482</b>	527,212
Loans and receivables	<b>463,671</b>	458,593
	<b>169,276,920</b>	212,137,026
Liabilities	<b>(243,858)</b>	(413,786)
	<b>₱169,033,062</b>	₱211,723,240

All plan assets do not have quoted prices in an active market, except for equity and debt securities. Cash and cash equivalents are with reputable financial institutions and are deemed to be standard grade.

The plan assets pertain to diversified investments and are not exposed to concentration risk.

The overall investment policy and strategy of the University's defined benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay retirement benefits as they fall due while also mitigating the various risks of the retirement plan.

The Group expects to contribute ₱31.96 million to the defined benefit retirement plan in fiscal year 2021.

The cost of defined retirement plan, as well as the present value of defined benefit obligation, is determined using actuarial valuation. The actuarial valuation involves making various assumptions. The principal assumptions used in determining the pension for the defined benefit retirement plan are shown below:

	2020	2019	2018
Discount rates	<b>4.97%</b>	5.77%	6.95%
Future salary increases	<b>3.00%</b>	3.00%	3.00%
Mortality rate	<b>2017 Philippine Intercompany Mortality</b>	2017 Philippine Intercompany Mortality	2017 Philippine Intercompany Mortality
Average expected future years of service	<b>11</b>	11	14
Turnover rate	<b>A scale ranging from 9% at age 18 to 0% at age 65</b>	A scale ranging from 9% at age 18 to 0% at age 65	A scale ranging from 6% at age 18 to 0% at age 65



The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the reporting date, assuming all other assumptions were held constant:

	<b>Increase (Decrease) in Defined Benefit Obligation</b>	
	<b>2020</b>	<b>2019</b>
Discount rates		
+1.00%	<b>(₱24,314,152)</b>	(₱28,054,670)
-1.00%	<b>27,625,153</b>	31,845,247
Future salary increases		
+1.00%	<b>29,706,978</b>	35,276,472
-1.00%	<b>(26,552,274)</b>	(31,534,347)

The methods and types of assumptions used in preparing the sensitivity analysis did not change as at March 31, 2020 and 2019.

Shown below is the maturity analysis of the undiscounted benefit payments:

	<b>2020</b>	<b>2019</b>
Less than 1 year	<b>₱33,707,130</b>	₱47,971,037
More than 1 year to 5 years	<b>146,820,406</b>	173,265,490
More than 5 years to 10 years	<b>181,018,955</b>	215,498,040
More than 10 years to 15 years	<b>197,262,187</b>	243,417,566
More than 15 years to 20 years	<b>114,213,577</b>	174,611,571
More than 20 years	<b>209,304,914</b>	261,709,286

## 18. Income Taxes

All domestic subsidiaries qualifying as private educational institutions are subject to tax under Republic Act No. 8424 (RA 8424), *An Act Amending the National Internal Revenue Code, as amended, and For Other Purposes*, which was passed into law effective January 1, 1998. Title II Chapter IV - Tax on Corporation - Sec 27(B) of the said Act defines and provides that: a "Proprietary Educational Institution" is any private school maintained and administered by private individuals or groups with an issued permit to operate from Department of Education, or CHED, or Technical Education and Skills Development Authority, as the case may be, in accordance with the existing laws and regulations and shall pay a tax of 10.00% on its taxable income. Regular corporations, which include the Hospital, is subject to regular corporate income tax of 30%.

The provision for income tax consists of:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Current			
10% income tax on special corporations	<b>₱13,364,937</b>	₱3,313,698	₱11,720,943
MCIT	<b>9,415</b>	1,512	-
Deferred	<b>(4,441,203)</b>	3,478,708	25,985,386
	<b>₱8,933,149</b>	₱6,793,918	₱37,706,329

The reconciliation of income before tax computed at statutory income tax rate to provision for income tax in the consolidated statements of income is shown on the next page.



	2020	2019	2018
Statutory provision for income tax	<b>₱7,586,200</b>	₱19,390,567	₱14,792,272
Tax effects of:			
Nondeductible expenses*	<b>1,930,337</b>	92,525	12,134,233
Interest income subjected to final tax	<b>(680,598)</b>	(525,883)	(340,552)
Deductible temporary difference and carry forward benefits of NOLCO and MCIT for which no deferred income tax was recognized	<b>87,795</b>	(12,162,243)	11,190,115
Effect of higher tax rate of the Hospital	<b>9,415</b>	(725)	(68,961)
Dividend income exempt from tax	-	(323)	(778)
Effective provision for income tax	<b>₱8,933,149</b>	₱6,793,918	₱37,706,329

\* Includes interest arising from deficiency VAT on the purchase of parcel of land in 2018 (Note 20).

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

	2020	2019
<b>Deferred tax liabilities on:</b>		
Revaluation gain on land	<b>₱295,041,522</b>	₱295,041,522
Undepreciated cost of property and equipment	<b>163,549,662</b>	161,539,171
Unrealized foreign currency exchange gain	<b>13,092</b>	-
Cost to fulfill a contract	-	771,695
	<b>458,604,276</b>	457,352,388
<b>Deferred tax assets on:</b>		
Retirement liability*	<b>19,136,149</b>	15,961,153
Allowance for ECL	<b>9,906,746</b>	5,986,621
Accrued expenses	<b>5,390,526</b>	8,528,398
Nonrefundable contract liability	<b>4,612,775</b>	2,584,960
Excess of acquisition cost over fair value of net assets acquired from business combination	<b>4,073,966</b>	4,073,966
Unamortized excess of contribution over the normal cost	<b>3,486,136</b>	4,404,105
NOLCO	<b>1,238,278</b>	297,168
Difference between the actual lease payments and PFRS 16 related accounts	<b>483,743</b>	-
Unrealized foreign currency exchange loss	-	24,040
Others	<b>25,851</b>	25,851
	<b>48,354,170</b>	41,886,262
<b>Net deferred tax liabilities</b>	<b>₱410,250,106</b>	₱415,466,126

\*Net of deferred income tax asset from Other Comprehensive Income amounting to ₱7,104,334 and ₱6,329,517 as of March 31, 2020 and 2019, respectively.

As allowed under RA 8424, being a private educational institution, the Group claims the tax deductions of capital expenditures for tax purposes in the year incurred. The Group recognized deferred tax liability on the undepreciated cost of property and equipment which pertains to the remaining cost of property and equipment of the University and CELPI not yet depreciated but was already recognized as tax deduction.



The details of NOLCO which can be claimed in the future by the University and the Hospital as credit against the regular corporate income are shown below.

Inception Year	2019	Amount	Application	Expiration	2020	Expiry Year
2020	₱-	₱9,411,103	₱-	₱-	₱9,411,103	2023
2019	6,768,983	-	-	-	6,768,983	2022
2018	7,256,852	-	-	-	7,256,852	2021
2017	1,018,303	-	(257,250)	(761,053)	-	2020
	<b>₱15,044,138</b>	<b>₱9,411,103</b>	<b>(₱257,250)</b>	<b>(₱761,053)</b>	<b>₱23,436,938</b>	

The details of MCIT which can be claimed in the future by the Hospital used as credit against income tax due are shown below.

Inception Year	2019	Amount	Application	Expiration	2020	Expiry Year
2020	₱-	₱9,415	₱-	₱-	₱9,415	2023
2019	1,512	-	-	-	1,512	2022
	<b>₱1,512</b>	<b>₱9,415</b>	<b>₱-</b>	<b>₱-</b>	<b>₱10,927</b>	

As at March 31, 2020 and 2019, the Group did not recognize deferred tax assets on the following temporary differences deemed to be not recoverable:

	2020	2019
NOLCO	<b>₱11,054,153</b>	₱12,072,456
MCIT	<b>10,927</b>	1,512
	<b>₱11,065,080</b>	<b>₱12,073,968</b>

## 19. Leases

### Group as Lessor

The Group leases out portions of its spaces to concessioners which are renewable every two years. Total rent income recognized amounted to ₱17.96 million in 2020, ₱15.34 million in 2019 and ₱11.92 million in 2018 (see Notes 15 and 22).

As lessor, future minimum rentals under operating leases are as follows:

	2020	2019
Within 1 year	<b>₱9,957,055</b>	₱4,571,713
After 1 year but not more than 5 years	<b>5,721,316</b>	9,664,883
More than 5 years	<b>1,165,413</b>	1,810,526
	<b>₱16,843,784</b>	<b>₱16,047,122</b>

### Group as Lessee

On July 29, 2004, the Group entered into a 25-year operating lease, which commenced on January 1, 2005, with Philtrust Bank for the lease of its land and building in Makati. The contract requires for ₱24.00 million fixed annual rentals plus 40.00% of the annual net income before tax of the Group's Makati-Buendia campus.



Upon adoption of PFRS 16 on April 1, 2019, the Group recognized right-of-use asset and lease liability. The rollforward analysis of right-of-use asset follows:

<b>Cost</b>	
At April 1, 2019, as previously reported	P—
Effect of adoption of PFRS 16 (Note 2)	205,121,481
At April 1, 2019, as restated	205,121,481
<b>Accumulated Depreciation and Amortization</b>	
At April 1, 2019	—
Effect of adoption of PFRS 16	—
At April 1, 2019, as restated	—
Depreciation	17,457,147
At March 31, 2020	17,457,147
<b>Net Book Value</b>	<b>₱187,664,334</b>

The rollforward analysis of lease liability follows:

As at April 1, 2019, as previously reported	P—
Effect of adoption of PFRS 16 (Note 2)	205,121,481
At April 1, 2019, as restated	205,121,481
Interest expense (Note 20)	11,380,279
Payments	(24,000,000)
As at March 31, 2020	₱192,501,760
Lease liability - current	₱13,359,116
Lease liability - noncurrent	179,142,644
	₱192,501,760

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

Within one year	₱24,000,000
After 1 year but not more than 5 years	96,000,000
More than 5 years	138,000,000
	₱258,000,000

Prior to adoption of PFRS 16, the Group's rental expense for its Makati-Buendia campus follows:

	2019	2018
Minimum lease payments	₱24,000,000	₱24,000,000
Contingent rents	12,140,116	—
	₱36,140,116	₱24,000,000

Future minimum rentals under the operating lease as of March 31, 2019 are as follows:

	2019	2018
Within one year	₱24,000,000	₱24,000,000
After 1 year but not more than 5 years	96,000,000	96,000,000
More than 5 years	162,000,000	186,000,000
	₱282,000,000	₱306,000,000



*Other leased assets*

In addition, the Group entered into a one-year operating lease with Kooler Industries for water services which will automatically be renewed for another year under the same terms and conditions. The University's rental expense arising from this contract amounted to ₱0.61 million, ₱0.69 million and ₱0.69 million in 2020, 2019 and 2018, respectively. The Group applies the 'short-term lease' recognition exemption and low-value asset recognition exemption for this lease.

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**20. Interest Expense**

The account consists of the following:

	<b>2020</b>	2019	2018
Interest from lease liability (Note 19)	<b>₱11,380,279</b>	₱-	₱-
Interest from deficiency documentary stamp taxes and other percentage taxes	<b>73,540</b>	-	-
Interest arising from deficiency VAT (Note 18)	-	-	12,940,762
	<b>₱11,453,819</b>	₱-	₱12,940,762



## 21. Segment Reporting

The Group operates in geographical segments. Financial information on the operations of these segments are summarized as follows:

	2020							Total
	Mendiola	Matolos	Makati-Buendia	Makati-Legaspi	Makati-Legaspi Hospital (Pre-operating)	CE-IS	CELPI	
Segment assets	₱3,426,479,902	₱1,392,200,840	₱287,877,250	₱637,385,357	₱30,107,854	₱111,014,391	₱55,820,736	₱5,988,492,025
Segment liabilities	519,228,548	35,237,779	243,534,598	15,737,135	317,159	18,418,692	5,832,833	1,554,163,705
Capital expenditures	50,609,689	61,295,098	4,885,739	8,134,116	-	5,125,012	6,891,650	136,941,304
Segment revenues	842,584,088	104,761,707	103,426,747	105,820,894	3,182,483	185,832,076	46,711,409	1,392,319,404
Expenses	774,072,840	155,920,896	166,062,303	112,292,283	3,848,819	58,645,785	45,608,746	1,316,451,672
Depreciation and amortization expense	61,396,211	12,163,116	26,623,330	12,383,717	-	344,788	3,040,430	115,951,592
Net income (loss)	68,584,788	(51,159,189)	(62,635,556)	(6,471,389)	(666,335)	127,186,291	1,029,122	(8,933,149)

	2019							Total
	Mendiola	Matolos	Makati-Buendia	Makati-Legaspi	Makati-Legaspi Hospital (Pre-operating)	CE-IS	CELPI	
Segment assets	₱3,310,049,758	₱1,321,616,096	₱92,015,250	₱620,797,222	₱27,035,274	₱ 73,572,417	₱44,313,147	₱5,537,004,859
Segment liabilities	328,725,209	18,502,181	37,674,376	9,120,326	224,726	5,742,102	4,447,585	1,086,152,013
Capital expenditures	48,230,194	94,125,355	4,772,337	18,008,263	-	715,646	10,664,265	176,516,060
Segment revenues	1,023,828,509	108,304,327	183,608,011	83,445,373	3,682,327	60,088,549	42,635,979	1,505,593,075
Expenses	826,814,003	140,616,709	166,883,443	103,071,672	3,829,461	27,446,384	43,025,729	1,311,687,401
Depreciation and amortization expense	57,314,910	11,908,419	9,186,497	13,026,560	-	106,630	2,671,947	94,214,963
Net income (loss)	197,014,507	(32,312,382)	16,724,568	(19,626,299)	(147,134)	32,642,164	(389,750)	187,111,756

	2018							Total
	Mendiola	Matolos	Makati-Buendia	Makati-Legaspi	Makati-Legaspi Hospital (Pre-operating)	CE-IS	CELPI	
Segment assets	₱2,278,456,577	₱815,083,267	₱118,033,770	₱569,715,990	₱25,208,884	₱58,354,360	₱40,660,156	₱3,953,118,699
Segment liabilities	310,022,464	14,393,552	19,332,607	6,520,030	259,134	3,037,387	1,741,046	827,735,990
Capital expenditures	137,806,312	6,939,123	4,438,337	8,092,415	-	313,039	10,664,265	168,253,491
Segment revenues	943,026,170	101,841,524	167,359,081	106,133,160	2,917,475	53,847,131	42,790,212	1,417,914,753
Expenses	820,509,771	128,020,019	166,162,536	89,262,725	6,138,352	20,778,492	39,120,137	1,269,992,032
Depreciation and amortization expense	56,461,024	11,054,496	9,115,635	14,735,034	734,874	14,688	1,858,600	93,974,351
Net income (loss)	122,516,399	(26,178,495)	1,196,545	16,870,435	(3,220,877)	33,068,639	3,670,075	110,216,392





In 2020, 2019 and 2018, there were no intersegment revenues and all revenues are made to external customers.

As at March 31, 2020 and 2019, segment assets for each segment do not include “Goodwill” amounting to ₱47.61 million.

Segment liabilities for each segment do not include the following:

	2020	2019	2018
Deferred tax liabilities - net	<b>₱410,250,106</b>	₱415,466,126	₱277,071,817
Retirement liability	<b>191,361,485</b>	159,611,534	84,598,790
Dividends payable	<b>105,755,874</b>	104,576,634	107,787,994
Income tax payable	<b>8,489,496</b>	2,061,214	2,971,169
	<b>₱715,856,961</b>	₱681,715,508	₱472,429,770

Net income for each segment does not include “Provision for income tax” amounting to ₱8.93 million in 2020, ₱6.79 million in 2019 and ₱37.71 million in 2018.

## 22. Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions; and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Affiliates are entities that are subject to common control.

Significant transactions with related parties include the following:

Category	Amount/Volume	2020	
		Outstanding Balance	Terms and Conditions/Nature
<b>Affiliates</b>			
<i>PhilTrust Bank</i>			
Cash	<b>₱25,144,377</b>	<b>₱102,235,730</b>	Savings deposit with interest rate at 0.50%
Interest income	<b>373,661</b>	-	
Short-term deposits	<b>17,705,067</b>	<b>180,402,700</b>	Money market placements at 6 to
Interest income	<b>4,453,791</b>	<b>273,546</b>	53 days with interest ranging from 2.08% to 3.20%
Rent	<b>43,713,055</b>	<b>5,021,421</b>	Unsecured; Rent of building in Makati
<i>Manila Hotel</i>			
Expenses for co-curricular activities (Note 16)	<b>924,067</b>	-	Rental of room and facilities for commencement exercises
<i>Manila Bulletin Publishing Corporation</i>			
Recruitment and placement (Note 16)	<b>2,409,532</b>	-	Advertising services, terms vary as to type and frequency of advertisements
<i>TH Coffee Services Philippine Corp.</i>			
Rental income (Note 19)	<b>1,737,794</b>	-	Payable the following month. Rental of commercial space
<i>Karate Kid Japanese Fastfood</i>			
Rental income (Note 19)	<b>513,000</b>	<b>151,200</b>	Payable the following month. Rental of commercial space



2019			
Category	Amount/Volume	Outstanding Balance	Terms and Conditions/Nature
<b>Affiliates</b>			
<i>PhilTrust Bank</i>			
Cash	₱43,517,975	₱76,717,692	Savings deposit with interest rate at 0.50%
Interest income	1,813,736	-	
Short-term deposits	73,559,819	168,802,716	Money market placements at 6 to
Interest income	3,979,997	249,697	53 days with interest ranging from 2.08% to 3.20%
Rent	36,827,492	26,795,573	Unsecured; Rent of building in Makati
<i>Manila Hotel</i>			
Expenses for co-curricular activities (Note 16)	1,211,700	-	Rental of room and facilities for commencement exercises
<i>Manila Bulletin Publishing Corporation</i>			
Recruitment and placement (Note 16)	4,049,267	-	Advertising services, terms vary as to type and frequency of advertisements
<i>TH Coffee Services Philippine Corp.</i>			
Rental income (Note 19)	1,547,839	1,547,839	Payable the following month. Rental of commercial space
<i>Karate Kid Japanese Fastfood</i>			
Rental income (Note 19)	405,000	45,000	Payable the following month. Rental of commercial space

Generally, related party transactions are settled in cash.

#### Transactions with Retirement Plans

Under PFRSs, certain post-employment benefit plans are considered as related parties. The University's retirement plan is in the form of a trust administered by two trustee banks. The carrying value of the fund, which approximates its fair value, amounted to ₱169.03 million and ₱211.72 million as at March 31, 2020 and 2019, respectively (see Note 17).

As at March 31, 2020 and 2019, the retirement fund has 8,072,299 shares or 2.17% interest in the University. The total unrealized gains (losses) recognized from these investments amounted to (₱19.00 million) and ₱12.46 million as at March 31, 2020 and 2019, respectively. No limitations and restrictions are provided and voting rights over these shares are exercised by a trust officer.

There are no other transactions by the Group or its related parties with the retirement fund as at March 31, 2020 and 2019.

#### Remuneration of Key Management Personnel

The Group's key management personnel include all management committee officers. The summary of compensation of key management personnel follows:

	2020	2019
Short-term employee salaries and benefits	<b>₱18,267,668</b>	₱14,165,374
Post-employment benefits	<b>4,441,697</b>	4,168,921
	<b>₱22,709,365</b>	₱18,334,295

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's retirement plan.



Approval requirements and limits on the amount and extent of related party transactions

The Board of Directors shall approve all material related party transactions before their commencement. Material related party transactions shall be identified taking into account the related party registry. Transactions amounting to ten percent (10%) or more of the total assets of the Group that were entered into with an unrelated party that subsequently becomes a related party may be excluded from the limits and approval process requirement.

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**23. Notes to Consolidated Statements of Cash Flows**

Noncash investing activities pertain to the following:

- a. Retirement/disposal of assets - In 2020, 2019 and 2018, the University retired/disposed furniture and fixtures and laboratory equipment with aggregate cost of ₱14.93 million, ₱30.85 million and ₱13.66 million, respectively, and accumulated depreciation of ₱14.43 million, ₱22.25 million and ₱13.26 million, respectively (see Note 9).
- b. Donation income - In 2020 and 2019, the University received various laboratory and optical equipment from third parties as donations amounting to ₱15.43 million and ₱7.09 million, respectively (see Note 9).
- c. Revaluation increment on the land - In 2019, the University engaged the services of an independent appraiser and obtained valuation for its land in Mendiola, Malolos and Makati-Legaspi, Makati-Malugay and Las Piñas. The appraisal resulted in the recognition of increases in revaluation increment on land of ₱1.45 billion, gross of deferred income tax of ₱145.04 million (see Note 9).
- d. Reclassification from investment property to property and equipment - In 2020, the contract between the lessee and the University expired, thus, the investment property amounting to ₱151.98 million was reclassified as property and equipment (see Notes 9 and 10).
- e. Capitalization of advances to stockholders - In 2020, advances to stockholders recorded under "Tuition and other receivables" amounting to ₱0.50 million was used to purchase an additional 4% ownership over CE-IS (see Note 13).

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**24. Basic/Diluted EPS**

The income and share data used in the basic/diluted EPS computations are as follows:

	2020	2019	2018
Net income (a)	<b>₱62,346,136</b>	₱184,163,109	₱107,772,975
Weighted average number of outstanding common shares (b)	<b>372,414,400</b>	372,414,400	372,414,400
Basic/diluted earnings per share (a/b)	<b>₱0.17</b>	₱0.49	₱0.29

There were no potential dilutive financial instruments in 2020, 2019 and 2018.



## 25. Fair Value Measurement

The Group uses a hierarchy for determining and disclosing the fair value of its assets and liabilities.

The tables below summarize the carrying amounts and the fair values of the Group's financial and nonfinancial assets and liabilities as at March 31.

	2020			
	Carrying Value	Fair Value Measurement Using		Total Fair Value
		Quoted Prices in Active Markets (Level 1)	Significant Unobservable Inputs (Level 3)	
<b>Assets measured at fair value:</b>				
Financial assets				
Financial assets at FVOCI	₱79,920	₱79,920	₱–	₱79,920
Nonfinancial assets				
Land classified as property and equipment valued under revaluation model	3,487,593,002	–	3,487,593,002	3,487,593,002
	<b>₱3,487,672,922</b>	<b>₱79,920</b>	<b>₱3,487,593,002</b>	<b>₱3,487,672,922</b>

	2019			
	Carrying Value	Fair Value Measurement Using		Total Fair Value
		Quoted Prices in Active Markets (Level 1)	Significant Unobservable Inputs (Level 3)	
<b>Assets measured at fair value:</b>				
Financial assets				
Financial assets at FVOCI	₱82,800	₱82,800	₱–	₱82,800
Nonfinancial assets				
Land classified as property and equipment valued under revaluation model	3,335,613,002	–	3,335,613,002	3,335,613,002
Land classified as investment property under fair value model	151,980,000	–	151,980,000	151,980,000
	<b>₱3,487,675,802</b>	<b>₱82,800</b>	<b>₱3,487,593,002</b>	<b>₱3,487,675,802</b>

The methods and assumptions used by the University in estimating the fair value of the financial and nonfinancial assets and liabilities are as follows:

Cash and Cash Equivalents, Tuition and Other Receivables, Accounts Payable and Other Current Liabilities (Excluding Statutory Obligations), Dividends Payable

Fair values approximate carrying amounts given the short-term nature of these accounts.

Property and Equipment and Investment Property

The tables below summarize the valuation techniques and the significant unobservable inputs used in the valuation of land recorded as property equipment and investment property:

	Valuation Techniques	Significant Unobservable Inputs	Range (Weighted Average)
Land	Sales Comparison Approach/Market Approach	<i>Internal factors:</i> Location Improvements Elevation Corner Influence	+10% to -20% +0% to -20% +0% to +20% +0% to +5%



<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Range (Weighted Average)</b>
	Use	-20% to +20%
	Development	+10% to +20%
	Size	-20% to +20%
	Time Element	+0%

The range of the prices per square meter used in the valuation is shown below.

<b>Valuation techniques</b>	<b>Location</b>	<b>Range (Weighted Average)</b>
Land Sales Comparison Approach/Market Approach	Comparable analysis: External factor (net price)	
	Manila - Site 1 and 2	₱133,178 to ₱157,729 per square meter (sqm)
	Makati - Malugay	₱247,500 to ₱360,000 per sqm
	Makati - Legaspi	₱270,000 to ₱500,000 per sqm
	Malolos, Bulacan	₱8,550 to ₱16,200 per sqm
	Las Piñas	₱19,655 to ₱25,200 per sqm

The description of the valuation technique and inputs used in valuation of the University's land follows:

<b>Market Data Approach</b>	A comparable method where the value of the property is based on sales and listings of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. Comparison would be premised on the factors of location, size and shape of the lot, and time element.
<b>Location</b>	For a tract of land designated for a purpose or site occupied or available for occupancy, one of the key factors in land valuation is the location or area of preference.
<b>Improvements and developments</b>	Renovations in the land including the construction of building and installation of machineries and equipment should not be included in the valuation.
<b>Corner Influence</b>	Enhancement in usefulness accrues to those lots located or near street corners especially in retail business districts.
<b>Use</b>	Includes considerations factored in such as zoning, water and riparian rights, environmental issues, building codes and flood zones.
<b>Elevation</b>	Height of the property above or below a fixed reference point.



<b>Size</b>	Physical magnitude, extent or bulk, relative or proportionate dimensions. The value of the lot varies in accordance to the size of the lots. Basic rule of thumb is the bigger the lot size the lower the value, the smaller the lot size the higher the value.
<b>Time Element</b>	The measured or measurable period during action or condition exist. It is usually associated with the period in which the property can be sold in an open market within reasonable time.

Sensitivity analyses to the significant changes in unobservable inputs are shown below:

- Significant increases (decreases) in the price (per sqm) would result in a significantly higher (lower) fair value measurement.
- Significant factor in the location of the property (e.g., closer to a main road or secondary road) would result in a significantly higher (lower) fair value measurement
- Significant improvements and developments (deterioration) in the location would result in a significantly higher (lower) fair value measurement.
- Significant increases (decreases) in the influence of the corners of the property would result in a significantly higher (lower) fair value measurement.
- Significant increases (decreases) in the use of the property would result in a significantly lower (higher) fair value measurement.
- Significant increases (decreases) in the elevation of the property would result in a significantly lower (higher) fair value measurement.
- Significant increases (decreases) in the size of the property would result in a significantly lower (higher) fair value (per sqm) measurement.
- Significant increases (decreases) in the period in which the property can be sold in an open market would result in a significantly lower (higher) fair value measurement.

The appraiser considers the highest and best use of the asset which takes into account the use of the asset that is physically possible, legally permissible and financially feasible.

#### Quoted Equity Securities Classified as Investments at FVOCI

Fair value is based on quoted prices.

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## 26. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to fund the Group's operations and capital expenditures. The Group has various other financial instruments such as tuition and other receivables, refundable deposits, equity investments, accounts payable and accrued expenses excluding statutory payables and dividends payable that arise directly from operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk.

### Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss.

The Group's risk management policy to mitigate credit risk on its receivables from students include the refusal of the Group to release pertinent records like examination permit, transcript of records and transfer credentials, if applicable, until the student's account is cleared/paid. As at the reporting date, there are no significant concentrations of credit risk.



As at March 31, 2020 and 2019, the analysis of financial assets is show below:

	2020			
	Neither Past Due nor Impaired	Past Due	ECL	Net of ECL
Loans and receivables:				
Cash and cash equivalents*	₱349,234,428	₱-	₱-	₱349,234,428
Tuition and other receivables				
Tuition fee receivables	62,471,635	316,471,736	(91,402,898)	287,540,473
Accrued interest receivable	273,749	-	-	273,749
Advances to employees, including noncurrent portion	19,428,220	-	-	19,428,220
Accrued rent receivable	4,607,245	-	-	4,607,245
Advances to CE-IS's stockholders	750,000	-	-	750,000
Other receivables	10,615,616	-	-	10,615,616
Refundable security deposits	1,316,266	-	-	1,316,266
Investments at FVOCI	79,920	-	-	79,920
	<b>₱448,777,079</b>	<b>₱316,471,736</b>	<b>(₱91,402,898)</b>	<b>₱673,845,917</b>

\* Excluding cash on hand

	2019			
	Neither Past Due nor Impaired	Past Due	ECL	Net of ECL
Loans and receivables:				
Cash and cash equivalents*	₱312,651,838	₱-	₱-	₱312,651,838
Tuition and other receivables				
Tuition fee receivables	-	140,644,059	(52,201,652)	88,442,407
Accrued interest receivable	517,451	-	-	517,451
Advances to employees, including noncurrent portion	21,635,288	-	-	21,635,288
Accrued rent receivable	3,432,362	-	-	3,432,362
Advances to CE-IS's stockholders	1,250,000	-	-	1,250,000
Other receivables	11,087,875	-	-	11,087,875
Refundable security deposits	1,012,012	-	-	1,012,012
Investments at FVOCI	82,800	-	-	82,800
	<b>₱351,669,626</b>	<b>₱140,644,059</b>	<b>(₱52,201,652)</b>	<b>₱440,112,033</b>

\* Excluding cash on hand

The Group's neither past due nor impaired receivables are high grade receivables which, based on experience, are highly collectible.

As at March 31, 2020 and 2019, the age of the entire Group's past due but not impaired tuition fee receivables is disclosed in Note 6.

#### *Tuition Fee Receivables*

The Group uses a provision matrix to calculate ECL for tuition fee receivables. The provision rates are determined based on the Group's historical observed default rates analyzed in accordance to days past due by grouping of customers based on customer type. The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factors affecting each customer segment. At each reporting date, the observed historical default rates are updated and changes in the forward-looking estimates are analyzed.

Set out in the next page is the information about the credit risk exposure on the Group's tuition fee receivables using a provision matrix as of March 31, 2020 and 2019.



As of March 31, 2020:

	Current	Days Past Due			Total
		< 1 quarter	1 to less 3 quarters	Over 3 quarters	
Estimated tuition fee receivable at default	₱199,939,692	₱-	₱79,199,402	₱99,804,277	₱378,943,371
Expected credit losses	₱11,671,992	₱-	₱10,744,283	₱60,228,468	₱82,644,743
Expected credit losses - lifetime	₱-	₱-	₱-	₱8,758,155	₱8,758,155
Expected credit losses rates	5.84%	0.00%	13.57%	60.35%	21.81%

As of March 31, 2019:

	Current	Days Past Due			Total
		< 1 quarter	1 to less 3 quarters	Over 3 quarters	
Estimated tuition fee receivable at default	₱-	₱43,533,993	₱22,072,204	₱75,037,862	₱140,644,059
Expected credit losses	₱-	₱4,076,828	₱6,923,516	₱41,201,308	₱52,201,652
Expected credit losses - rates	0.00%	9.36%	31.37%	54.91%	37.12%

### Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial assets and financial liabilities. Liquidity risk may result from a counterparty failing on repayment of a contractual obligation or inability to generate cash inflows as anticipated.

The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and maturing debts. As an inherent part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and external financing, if needed.

The maturity profile of the Group's financial assets and financial liabilities as at March 31, 2020 and 2019 based on contractual undiscounted receipts and payments follows:

	2020				Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year	
Cash on hand	₱355,500	₱-	₱-	₱-	₱355,500
<b>Financial assets:</b>					
Cash in banks and cash equivalents	166,686,553	182,547,875	-	-	349,234,428
Tuition and other receivables:					
Tuition fee receivables	287,540,473	-	-	-	287,540,473
Accrued interest receivable	-	273,749	-	-	273,749
Others:					
Advances to employees, including noncurrent portion	18,408,504	-	-	1,019,716	19,428,220
Nontrade	10,135,580	-	-	-	10,135,580
Accrued rent receivable	4,607,245	-	-	-	4,607,245
Advances to CE-IS's stockholders	750,000	-	-	-	750,000
Other receivables	480,036	-	-	-	480,036
Refundable security deposits	-	-	-	1,316,266	1,316,266
Financial assets at FVOCI	-	-	-	79,920	79,920
	488,963,891	182,821,624	-	2,415,902	674,201,417

(Forward)





	2020				Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year	
Accounts payable and accrued expenses:					
Accounts payable*	₱277,081,005	₱-	₱-	₱-	₱277,081,005
Accrued expenses	25,925,785	34,317,454	-	-	60,243,239
Payable to students	16,516,181	-	-	-	16,516,181
Deposits	14,173,546	-	-	-	14,173,546
Alumni fees payable	4,502,910	-	-	-	4,502,910
Lease liability**	-	-	24,000,000	234,000,000	258,000,000
Dividends payable	105,755,874	-	-	-	105,755,874
	443,955,301	34,317,454	24,000,000	234,000,000	736,272,755
<b>Net undiscounted financial assets (liabilities)</b>	<b>₱45,008,590</b>	<b>₱148,504,170</b>	<b>(₱24,000,000)</b>	<b>(₱231,584,098)</b>	<b>(₱62,071,338)</b>

\* Excluding statutory payables

\*\*Including interest to maturity amounting to ₱65,498,240

	2019				Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year	
Cash on hand	₱343,500	₱-	₱-	₱-	₱343,500
Financial assets:					
Cash in banks and cash equivalents	139,482,126	173,169,712	-	-	312,651,838
Tuition and other receivables:					
Tuition fee receivables	88,442,407	-	-	-	88,442,407
Accrued interest receivable	-	517,451	-	-	517,451
Others:					
Advances to employees, including noncurrent portion	18,556,882	-	-	3,078,406	21,635,288
Nontrade	10,363,852	-	-	-	10,363,852
Accrued rent receivable	3,432,362	-	-	-	3,432,362
Advances to CE-IS's stockholders	1,250,000	-	-	-	1,250,000
Other receivables	724,023	-	-	-	724,023
Refundable security deposits	-	-	-	1,012,012	1,012,012
Financial assets at FVOCI	-	-	-	82,800	82,800
	262,595,152	173,687,163	-	4,173,218	440,455,533
Financial liabilities:					
Accounts payable and accrued expenses:					
Accounts payable*	229,040,721	-	-	-	229,040,721
Accrued expenses	44,310,552	45,822,921	-	-	90,133,473
Payable to students	19,650,162	-	-	-	19,650,162
Deposits	8,231,391	-	-	-	8,231,391
Alumni fees payable	4,804,000	-	-	-	4,804,000
Dividends payable	104,576,634	-	-	-	104,576,634
	410,613,460	45,822,921	-	-	456,436,381
<b>Net undiscounted financial assets (liabilities)</b>	<b>(₱148,018,308)</b>	<b>₱127,864,242</b>	<b>₱-</b>	<b>₱4,173,218</b>	<b>(₱15,980,848)</b>

\* Excluding statutory payables

The Group relies on internally-generated cash to fund its working capital needs, capital expenditures and cash dividends. The Group will continuously assess its overhead costs to determine opportunities to decrease them. As laid down in the Group's strategic plan, the Group is committed to attain its goal on sound financial position by accomplishing the objectives to implement cost saving measures, increase income of existing revenue generating programs and activities and expand revenue generating activities.



### Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's principal transactions are carried out in Peso and its exposure to foreign currency risk arises primarily from cash in banks and short-term deposits that are denominated in United States dollar (\$ or USD).

To mitigate the Group's exposure to foreign currency risk related to foreign currency-denominated accounts, management keeps the amount of these assets at a low level.

The following table shows the foreign currency-denominated accounts of the Group as at March 31, 2020 and 2019 in USD:

	2020	2019
Cash in banks	<b>\$20,389</b>	\$12,608
Short-term deposits	<b>\$117,171</b>	115,900
	<b>\$137,560</b>	\$128,508

In translating the foreign currency-denominated accounts to Peso amounts, the exchange rate used was ₱50.68 to \$1.00 and ₱52.50 to \$1.00 as at March 31, 2020 and 2019, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Peso/USD exchange rate, with all other variables held constant, of the Group's net income before tax. There is no impact on the Group's equity.

	2020		2019	
Percentage change in exchange rate	<b>-4.86%</b>	<b>4.86%</b>	-5.07%	5.07%
Effect on net income before tax	<b>(₱338,817)</b>	<b>₱338,817</b>	(₱342,056)	₱342,056

### Interest Rate Risk

The Group's exposure to market risk for changes in interest rates is not significant to the consolidated financial statements. The financial instruments of the Group are either noninterest-bearing or has minimal interest rate exposure due to the short-term nature of the account (that is, cash equivalents).

### Capital Management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

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 dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives and policies or processes during the years ended March 31, 2020, 2019 and 2018.

The Group monitors capital using a debt-to-equity ratio which is debt divided by total equity. Debt includes accounts payable and other current liabilities and lease liability.

The table in the next page shows how the Group computes for its debt-to-equity ratio as at March 31, 2020 and 2019.



	2020	2019
Accounts payable and other current liabilities (Note 12)	P572,226,528	P404,436,505
Lease liability (Note 19)	192,501,760	–
Total debt (a)	P764,728,288	P404,436,505
Total equity (b)	P4,434,328,320	P4,450,852,846
Debt-to-equity ratio (a/b)	P0.17:1	P0.09:1

As of March 31, 2020 and 2019, the Group was able to meet its capital management objectives and was successful in achieving its capital management policies.

## 27. Changes in Liabilities Arising from Financing Activities

Changes in the Group's liabilities arising from financing activities are presented below:

	2019	Adoption of PFRS 16 (Notes 2 and 19)	Interest Expense (Notes 19 and 20)	Declaration of Dividends including dividends to NCI (Note 13)	Cash Payments	2020
Dividends payable (Note 13)	P104,576,634	P–	P–	P75,982,880	(P74,803,640)	P105,755,874
Lease liabilities (Note 19)	–	205,121,481	11,380,279	–	(24,000,000)	192,501,760
Total liabilities from financing activities	P104,576,634	P205,121,481	P11,380,279	P75,982,880	(P98,803,640)	P298,257,634

	2019	Declaration of Dividends including dividends to NCI (Note 13)	Cash Payments including dividends to NCI	2020
Dividends payable (Note 13)	P107,787,994	P76,107,880	(P79,319,240)	P104,576,634

## 28. Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption to have a significant impact on its consolidated financial statements.

### Effective beginning on or after January 1, 2020

- Amendments to PFRS 16, *Covid-19-related Rent Concessions*
- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

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

- PFRS 17, *Insurance Contracts*

### Deferred effectivity

- Amendments to PFRS 10, *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 March 31, 2020 on the Group's financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the financial statements when these amendments are adopted.

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## 29. Events after the Reporting Date

On August 28, 2020, the University's BOD approved and authorized the re-appropriation of P336.00 million for the detailed expansion program and projects of the Group. These projects include the planned construction of the following in the Malolos Campus:

- 5-storey dormitory for the students, faculty and employees of the University;
- 2-storey building for the School of Dentistry;
- 2-storey building to house a food court with students' area in the ground floor and commercial spaces in the second floor;
- Renovation of the Centrodome;
- Multi-purpose activity center and swimming pool for use of students; and
- Renovation and extension of buildings and various laboratories.

The estimated date of completion of the above projects as set by the University is within five years.

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## 30. Other Matters

### Impact of COVID-19 Outbreak

In a move to contain the COVID-19 outbreak, Presidential Proclamation No. 929 was issued on March 16, 2020 declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposing an enhanced community quarantine (ECQ) throughout the island of Luzon from midnight of March 17 to April 12, 2020, which was subsequently extended to May 15, 2020. Under ECQ, there are no economic activities except those involved in utility services, food, water, and other essential sectors. On May 16, 2020, the National Capital Region (NCR) and certain locations were put on Modified ECQ allowing certain industries to operate until May 31, 2020. Beginning June 1, 2020, NCR was put on general community quarantine (GCQ) which is a more relaxed quarantine measure allowing more offices or industries to operate at full or partial capacity. On August 2, 2020, the Metro Manila, Cavite, Laguna, Rizal and Bulacan were put on Modified ECQ effective August 4 until 18, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. As of September 11, 2020, the Group has been offering online classes to its students.

The Group considered the events surrounding the outbreak in its cash flow forecasts and in the assessment of allowance for ECL and impairment of property and equipment.

The outbreak could have a material impact on its 2021 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its financial position, performance and cash flows in 2021 and periods thereafter. On the other hand, the Group revisited its plan and programs in 2021 to address the requirements of the 'new normal' and to fulfill the changing needs of its students.



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
Centro Escolar University  
9 Mendiola Street  
San Miguel, Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Centro Escolar University and Subsidiaries (the "Group") as at March 31, 2020, and for each of the three years in the period ended March 31, 2020, included in this Form 17-A and have issued our report thereon dated September 11, 2020. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

  
Djole S. Garcia

Partner

CPA Certificate No. 0097907

SEC Accreditation No. 1768-A (Group A),  
September 3, 2019, valid until September 2, 2022

Tax Identification No. 201-960-347

BIR Accreditation No. 08-001998-102-2018,  
October 18, 2018, valid until October 17, 2021

PTR No. 8125240, January 7, 2020, Makati City

September 11, 2020



## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors  
Centro Escolar University  
9 Mendiola Street  
San Miguel, Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Centro Escolar University and Subsidiaries (the "Group") as at March 31, 2020 and for each of the three years in the period ended March 31, 2020, and have issued our report thereon dated September 11, 2020. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at March 31, 2020 and for each of the three years in the period ended March 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

  
Djole S. Garcia

Partner

CPA Certificate No. 0097907

SEC Accreditation No. 1768-A (Group A),

September 3, 2019, valid until September 2, 2022

Tax Identification No. 201-960-347

BIR Accreditation No. 08-001998-102-2018,

October 18, 2018, valid until October 17, 2021

PTR No. 8125240, January 7, 2020, Makati City

September 11, 2020



**CENTRO ESCOLAR UNIVERSITY****ANNEX 68-E: SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**

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<b>Ratio</b>	<b>Formula</b>	<b>Current Year</b>	<b>Prior Year</b>
Current	Current assets over current liabilities	<b>0.98:1.00</b>	0.99:1.00
Acid-test ratio	Quick assets (Current assets less inventories and other current assets) over current liabilities	<b>0.88:1.00</b>	0.85:1.00
Solvency ratio	Earnings after tax plus non-cash expenses over total liabilities	<b>0.17:1.00</b>	0.27:1.00
Debt-to-equity ratio	Total liabilities over total equity	<b>0.35:1.00</b>	0.24:1.00
Asset-to-equity ratio	Total assets over total equity	<b>1.35:1.00</b>	1.24:1.00
Interest rate coverage ratio	Income before tax over interest payments	<b>N/A</b>	N/A
Return on equity	Net income over total equity	<b>2%</b>	4%
Return on assets	Net income over total assets	<b>1%</b>	3%
Net profit margin	Net income over total revenue	<b>5%</b>	12%

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## **CENTRO ESCOLAR UNIVERSITY**

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### **INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

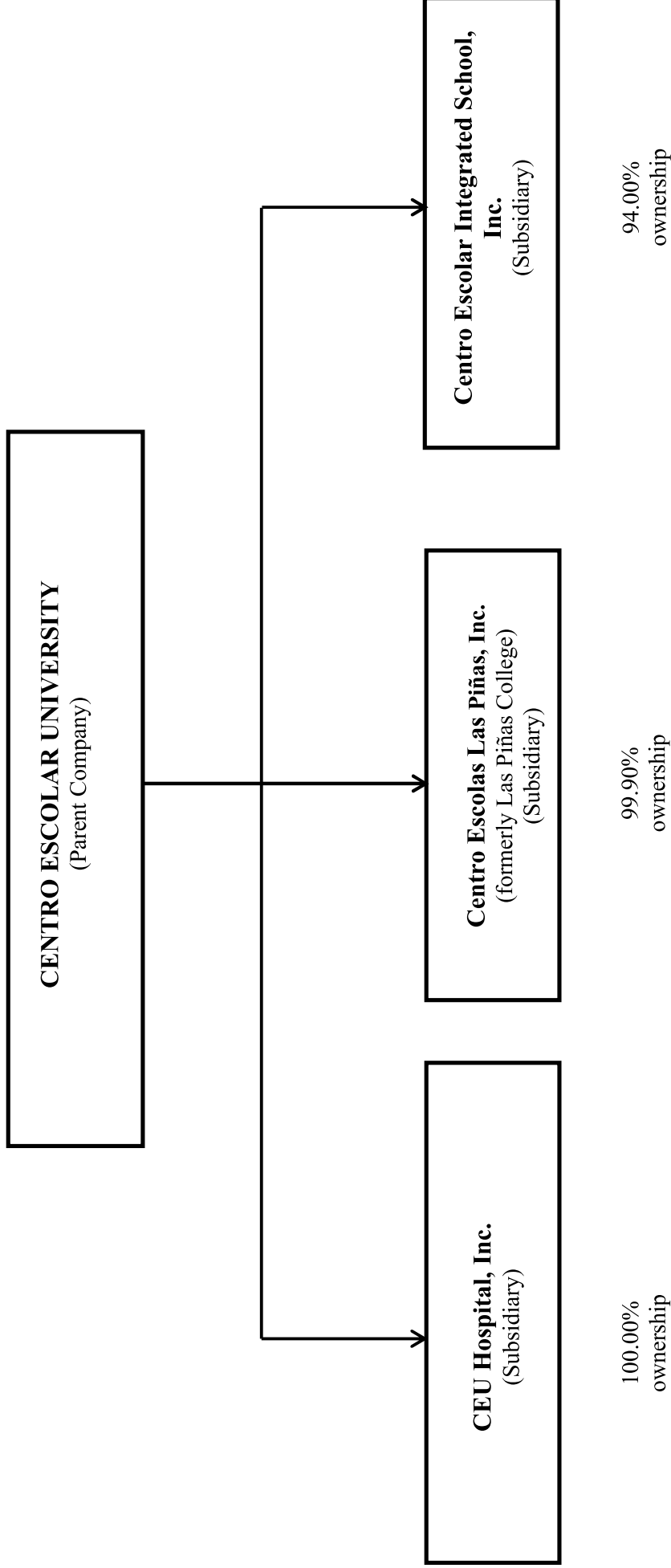
Annex I: The map showing the relationships between and among the University and its subsidiaries

Annex II: Supplementary schedules to consolidated financial statements



**UNIVERSITY AND SUBSIDIARIES**

**THE MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE UNIVERSITY AND ITS SUBSIDIARIES  
MARCH 31, 2020**



Centro Escolar University  
*Schedule A - Financial Assets*  
 March 31, 2020

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end of reporting period	Loss incurred (Income received)
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*Investments at FVOCI*

PLDT- Common	9,953	₱79,020	₱79,020	₱2,880
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Centro Escolar University  
*Schedule B - Amounts Receivable from Directors, Officers, Employees and Principal Stockholders (Other than Affiliates)\**  
 March 31, 2020

Name and Designation of debtor	Balance at beginning of period	Additions	Deductions		Ending Balance		Balance at end of period
			Amounts collected	Amounts written off	Current	Not current	
<b>Housing Loan</b>							
Agno, Cirila - Non-teaching Staff	₱62,500	₱-	₱50,000	₱-	₱12,500	₱-	₱12,500
<b>Travel Loan</b>							
Quita, Jennifer - Faculty	151,722	-	54,239	-	61,568	35,915	97,483
Gaviola, Gertrudes - Faculty	151,722	-	151,722	-	-	-	-
Borlongan, Amelita - Faculty	126,068	-	126,068	-	-	-	-
Cruz, Bessie - Faculty	121,722	-	24,239	-	61,568	35,915	97,483
Fajardo, Erlinda - Faculty	151,722	-	54,239	-	61,568	35,915	97,483
Nuguid, Virginia - Faculty	113,722	-	16,239	-	61,568	35,915	97,483
Guerrero, Edna - Faculty	99,722	-	2,239	-	61,568	35,915	97,483
Lumarque, Lilian - Faculty	102,287	-	2,239	-	61,568	38,480	100,048
Co, Welyn - Faculty	151,722	-	54,239	-	61,568	35,915	97,483
Separo, Perla - Faculty	151,722	-	54,239	-	61,568	35,915	97,483
Suto, Vivian - Faculty	151,722	-	54,239	-	61,568	35,915	97,483
Villamor, Janelle - Faculty	151,722	-	38,847	-	61,568	51,307	112,875
So, Rosemarie - Faculty	151,722	-	20,890	-	61,568	69,264	130,832
Albano, Heidi Rosario - Faculty	124,232	-	54,288	-	54,288	15,656	69,944
De Leon, Julius - Faculty	115,360	-	54,288	-	54,288	6,784	61,072
Galang, Sharon - Faculty	115,360	-	54,288	-	54,288	6,784	61,072
Kuhutan, Sagira - Faculty	115,360	-	115,360	-	-	-	-
Reyes, Ruth - Faculty	128,932	-	128,932	-	-	-	-
Duad, Nadine - Faculty	115,360	-	54,288	-	54,288	6,784	61,072
Ramirez, Eufrécima - Faculty	115,360	-	47,502	-	54,288	13,570	67,858
Raqueño, Avelina - Faculty	115,360	-	54,288	-	54,288	6,784	61,072
Anacio, Marcial - Faculty	117,622	-	54,288	-	54,288	9,046	63,334
Villanueva, Jean Marie - Faculty	117,622	-	54,288	-	54,288	9,046	63,334

(Forward)

Name and Designation of debtor	Balance at beginning of period	Additions	Deductions		Ending Balance		Balance at end of period
			Amounts collected	Amounts written off	Current	Not current	
Villanueva, Angelina - Faculty	₱117,622	₱-	₱54,288	₱-	₱54,288	₱9,046	₱63,334
Dee, Annabelle - Faculty	117,622	-	54,288	-	54,288	9,046	63,334
Mijarez, Luzette - Faculty	117,622	-	54,288	-	54,288	9,046	63,334
Clemente, Maria Luisa - Faculty	115,360	-	54,288	-	54,288	6,784	61,072
Recto, Perpetua Socorro - Faculty	115,360	-	54,288	-	54,288	6,784	61,072
Cortado, Christopher Jay - Faculty	115,360	-	73,375	-	41,985	-	41,985
Andoy, Maria Corazon - Faculty	115,360	-	54,288	-	54,288	6,784	61,072
Dizon, Maria Carmen - Faculty	115,360	-	54,288	-	54,288	6,784	61,072
Fabian, Bella Marie - AVP Admin	115,360	-	54,288	-	54,288	6,784	61,072
Orlina, Jericho AVP - Business Affairs	115,360	-	54,288	-	54,288	6,784	61,072
Olaer, Carlito - VP Student Affairs	115,360	-	54,288	-	54,288	6,784	61,072
Huan, Edwin - Faculty	140,553	-	-	-	54,288	86,265	140,553
Grino, Nicanor Jerry Head - Security Dept.	207,501	-	97,648	-	97,647	12,206	109,853
Roldan, Rita - Faculty	98,542	-	47,614	-	47,614	3,314	50,928
Garcia, Nancy - Faculty	207,501	-	97,647	-	97,648	12,206	109,854
Martinez, Claire - Faculty	207,501	-	97,647	-	97,648	12,206	109,854
Chny, Cynthia - Faculty	33,979	-	33,979	-	-	-	-
Flores, Jocelyn Sofia - Faculty	204,863	-	97,648	-	97,648	9,567	107,215
Fule, Jocelyn Andrea - Faculty	204,863	-	97,648	-	97,648	9,567	107,215
Martinez, Maria Wanda - Faculty	208,932	-	97,648	-	97,648	13,636	111,284
<b>CE-IS Stockholders</b>							
Ma. Cristina D. Padolina - President	250,000	-	-	-	250,000	-	250,000
Corazon M. Tiongco	250,000	-	-	-	250,000	-	250,000
	<b>₱6,310,346</b>	<b>₱-</b>	<b>₱2,659,224</b>	<b>₱-</b>	<b>₱2,946,706</b>	<b>₱754,418</b>	<b>₱3,651,124</b>

Note: \*This schedule pertains to advances originally made amounting to ₱100,000 and above only.

Centro Escolar University  
*Schedule C - Amounts Receivable from Related Parties which are eliminated during the Consolidation of financial assets*  
 March 31, 2020

Name of Related Companies	Balance at beginning of period	Additions	Deductions		Ending balance	
			Amounts collected	Amounts written off	Current	Not current
Centro Escolar University Hospital, Inc.	₱6,334,200	₱3,782,655	₱-	₱-	₱10,116,855	₱-
Centro Escolar Las Piñas, Inc.	34,999,371	57,739,688	-	-	92,739,059	-
Centro Escolar Integrated School, Inc.	9,543,474	5,736,936	-	-	15,280,410	-
<b>TOTAL</b>	<b>₱50,877,045</b>	<b>₱67,259,279</b>	<b>₱-</b>	<b>₱-</b>	<b>₱118,136,324</b>	<b>₱-</b>

Centro Escolar University  
*Schedule D - Intangible Assets - Other Assets*  
 March 31, 2020

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes Additions (deductions)	Ending balance
Goodwill	P47,605,695	P-	P-	P-	P-	P47,605,695
Software	1,860,583	105,000	1,904,333	-	-	61,250
<b>TOTAL</b>	<b>P49,466,278</b>	<b>P105,000</b>	<b>P1,904,333</b>	<b>P-</b>	<b>P-</b>	<b>P47,666,945</b>

Centro Escolar University  
*Schedule E - Long-term Debt*  
 March 31, 2020

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under caption "Current portion of Long-term debt" in related consolidated statement of financial position	Amount shown under caption "Long-term Debt" in related consolidated statement of financial position
Lease liability	Not applicable	₱13,359,116	₱179,142,644

Centro Escolar University  
*Schedule F - Indebtedness to Related Parties (Long-Term Loans from Related Companies)*  
 March 31, 2020

Name of Related Companies	Balance at beginning of period	Additions	Deductions		Ending balance	
			Amounts paid	Amounts written off	Current	Not current

The University does not have long-term loans from related parties.



Centro Escolar University  
*Schedule G - Guarantees of Securities of Other Issuers*  
 March 31, 2020

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by persons for which statement is filed	Nature of guarantee
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As at March 31, 2020, the University has no guaranteed securities by other issuers.

Centro Escolar University  
*Schedule H - Capital Stock*  
 March 31, 2020

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related statement of financial position caption	Number of shares held by			
			Number of shares reserved for options, warrants, conversion and other rights	Related parties	Directors, officers and employees	Others
Centro Escolar University	800,000,000	372,414,400	-	212,270,987	60,576,437	99,566,976

**CENTRO ESCOLAR UNIVERSITY****SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE  
FOR DIVIDEND DECLARATION****MARCH 31, 2020**

Unappropriated parent company retained earnings, beginning of year	₱456,428,715
Less: Net loss actually earned/realized during the fiscal year	(29,269,622)
<hr/>	
Unappropriated parent company retained earnings, as adjusted before dividend declaration	427,159,093
Add (Deduct):	
Dividends declared during the fiscal year	(74,482,880)
Appropriation of retained earnings during the period	(80,000,000)
Reversal of appropriations during the period	336,000,000
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Unappropriated parent company retained earnings, as adjusted to available for dividend declaration, end of year	₱608,676,213
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*Note: In accordance with SEC Financial Reporting Bulletin No. 14, the reconciliation is based on the separate/parent company financial statements of Centro Escolar University.*