HI

HOUSE OF INVESTMENTS, INC.

A YGC Member

DECLARATION OF AUTHENTICITY

Securities and Exchange Commission
Secretariat Building, PICC Complex
Roxas Blvd., Pasay City 1307

I, **Maria Teresa T. Bautista**, designated as **Vice President, Controller** of House of Investments, Inc., with contact number (632) 8815-9636 and office address at 9F Grepalife Building, 221 Sen. Gil Puyat Avenue, Makati City, 1200 Philippines do hereby certify the authenticity of the attached SEC 17-Q Quarterly Reports including attached consolidated financial statements for the periods ended September 30, 2020 and 2019 (unaudited) and December 31, 2019 (audited). We declare our commitment to submit physical versions of the exact same submitted documents to Securities and Exchange Commission.

Thank you.

Respectfully yours,

MARIA TERESA T. BAUTISTA
VP - Controller / Corporate Information Officer

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

SEC Registration Number

1	5	3	9	3							

C O M P A N Y   N A M E

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

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

9th Floor, Grepalife Building, 221 Sen. Gil J. Puyat Avenue, MaKati CITy, Metro Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	SEC	N/A

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

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	815-9636 to 38	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
385	Aug 17	September 30

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
Maria Teresa T. Bautista	mtbautista@hoi.com.ph	815-9636	N/A

CONTACT PERSON's ADDRESS

9th Floor, Grepalife Building, 221 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17 – Q

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

1. For the quarterly period ended September 30, 2020

2. SEC Identification Number 15393

3. BIR Tax Identification No. 000-463-069

4. Exact name of registrant as specified in its charter: HOUSE OF INVESTMENTS, INC.

5. Makati City, Philippines
Province, Country or other jurisdiction of incorporation or organization

6. /____/ (SEC Use Only)
Industry Classification Code:

7. 9th Floor, Grepalife Building, 221 Sen. Gil J. Puyat Avenue, Makati City — 1200
Address of principal office — Postal Code

+63 (2) 8940320; +63 (2) 8134537
Issuer's telephone number, including area code

9. Not Applicable
Former name, or former address, if changed.

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Section 4 and 8

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, P1.50 par value	776,465,281 shares of common stock
Preferred Stock, P0.40 par value	0 shares of preferred stock

Amount of debt as of September 30, 2020 P31.38 Billion

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

Yes (X) No ( )
Only the common stock is listed in the Philippine Stock Exchange

12. Check whether the registrant:

(a) has filled all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):

Yes (X) No ( )

(b) has been subject to such filing requirements for the past 90 days.
Yes (X) No ( )

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The interim consolidated financial statements of House of Investments, Inc. and Subsidiaries as of September 30, 2020 with comparative figures for the periods ended December 31, 2019 and September 30, 2019 and Schedule of Aging of Accounts Receivable are incorporated by reference as **Exhibit 1**.

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

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

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

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

None.

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

None.

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

EEI Corp.'s construction current project pipeline requires additional investments in new capital equipment in order for EEI to deliver its projects to its customers. This will be financed through a combination of internally generated funds and new borrowings.

iPeople, inc.'s subsidiary Malayan Education System, Inc. (MESI) (Operating under the name of Mapua University) is constructing a new campus on a 0.5-hectare property in Makati. Completion of the construction is expected in time for 2021. The total project is estimated at around P2.5 billion and will be funded partially by debt.

Except for the construction of new campus of MESI and the EEI's construction activities, there is no other material commitment on capital expenditures other than those performed in ordinary course of business.

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

The Philippine GDP contracted by 11.5% in the third quarter of 2020 compared to the previous quarter's growth rate of -16.9 percent on account of the COVID-19 pandemic. The industries that contributed the least to the GDP were Construction, -39.8 percent growth; real estate and ownership of dwellings, -22.5 percent growth; and manufacturing, -9.7 percent growth. On the other hand, the top three industries that posted positive growth were: financial and insurance activities, 6.2 percent; public administration and defense, compulsory social activities, 4.5 percent; and agriculture, forestry, and fishing, 1.2 percent.

The health, social and economic effects COVID-19 have material impacts in the third quarter 2020 consolidated financial results and its effects will continue to be felt throughout the rest of the year. Considering the evolving nature of this pandemic, the Group is evaluating in a continuing process the impact to its financial position, performance and cash flows. However, the Group at this time cannot yet determine with certainty the impact to its financial position. The Group will continue to monitor the situation.

- Construction and Engineering (EEI Corporation and subsidiaries)

  Construction activities stopped in our projects situated in the ECQ regions. The ECQ was only implemented in the latter half of March 2020, yet we expect the effects of the pandemic to business operations and the economy in general will continue to impact the industry for the rest of the year. Amidst all these, EEI's unworked portion of ongoing project contracts is level sufficient for the continuity of its operations in the next 2-3 years, if all projects will push through as planned. This gives EEI ample protection to sustain its business operations.

  Moreover, the government's build-build-build program is a material favorable opportunity. It has been given priority by the government as part of the country's plan for economic recovery.

  The construction activities of Al Rushaid Construction Company (ARCC) in the Kingdom of Saudi Arabia (KSA) had picked up during the first quarter of 2020 as a result of the contracts obtained in the past year. Despite this, the Company remains vigilant especially given the recent drop in oil prices and the continued effects of the pandemic.

- Education (iPeople, inc. and subsidiaries)

  Classes in all levels were suspended by the national government which started on March 09, 2020 and the declaration of the community quarantine in various municipalities and regions in the Philippines. This covered the Mapúa Schools (Mapúa University in Intramuros, Mapúa Extension Campus in Makati, Malayan High School Science in Paco, Malayan Colleges Laguna in Cabuyao, and Malayan Colleges Mindanao in Davao), National Teachers' College in Quiapo, University of Nueva Caceres in Naga, and all branches of APEC Schools in Metro Manila.

  Disruptions to the operations of iPeople and its schools during and beyond the quarantine period are mitigated through alternative means to continue the students' academic requirements, including adoption of on-line classes, coursework online, and independent projectized learning. Measures are also in place to address the risk to the health and safety of our employees, teachers, and communities.

- Car dealerships

  The closures of non-essential business activities will negatively impact vehicle sales in 2020. Dealerships covered under ECQ, including our own, closed shop during the ECQ preventing consumers from making purchasing new vehicles or even having their cars services for maintenance and repairs. Even though cars are classified as non-essential and consumers are expected to hold off spending on new vehicles, we continue to receive inquiries and generate interest through digital marketing and sales.

  The Group also conducted a careful and thorough assessment of the cars business operations, dealerships, and the needed manpower, machines, and process in an effort to streamline our operations. Pursuant to such assessment, the Group implemented business measures that will ensure over-all greater efficiency, particularly, the closure of the following car dealerships and implemented a redundancy program:

  1. Honda Fairview
  2. Honda Marikina
  3. Honda Marcos Highway
  4. Isuzu Greenhills
  5. Honda Kalookan

- Property Management Services (Landev Corporation and subsidiaries)

  The closure and reduced operations of our clients also limited the rendering of some of the Group's services. Nevertheless, facilities and property management and security services were continuously provided to our clients.

- Portfolio Investments

  The businesses of our portfolio investments were also impacted by the ECQ as their respective businesses slowed down because of the strict protocols instituted by the Inter-Agency Task Force (IATF).

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

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

None.

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

Income Statement Variances

As of 30 September 2020, the accumulated net loss of the Group has already reached P0.82 billion. This is attributable primarily to the community quarantine enforced by the government over NCR and various provinces to address the COVID-19 crisis.

Total consolidated revenues are at P16.61 billion, lower by P8.0 billion compared to last year. Revenues from services, which are mainly from the construction segment, dropped by 33% compared to last year. Construction activities slowed down because of the effect of eruption of Taal volcano and implementation of enhanced community quarantine in the major cities of the country. Sales of goods pertain primarily to the automotive segment, which showed a drop from P5.24 billion last year to P2.80 billion. The reduction was also brought about by the impact of the Taal volcano eruption and lockdown, which forced the dealerships to temporarily suspend operations and eventually close five dealerships. On the other hand, revenues from school operations showed a significant growth from last year as the freshmen enrolment picked up after the K-12 program transition period, coupled with the revenues from the new entities acquired by iPeople in May 2019 from the merger with AC Education Inc. This was tempered, however, by the financial effects of the suspension of classes and delay in the start of school year 2020-2021 due to the pandemic.

Cost of sales and services dropped by 23%. Whereas, general and administrative expenses (GAE) increased by 2%, from P2.17 billion to P2.21 billion as of this period. The Group implemented cost cutting measures to soften the impact of the lockdown.

Other income is lower because of higher foreign exchange losses recognized this year, coupled with lower dividend and interest income.

Equity in net earnings of associates grew by 65%, from P0.47 billion to P0.77 billion this year. This is primarily due to improved performance of a foreign affiliate of our construction group.

Interest and finance charges are lower by 11% because of the effect of lower average borrowing rates and timing of drawdown of loans.

Balance Sheet Variances

Total consolidated assets of the Group stood at P53.83 billion as of the period from P52.0 billion as of December 2019.

Total current assets increased from P22.83 billion to P24.07 billion, primarily attributable to the following accounts: (a) cash and cash equivalents, from net loan proceeds; (b) inventories, pertaining to additional construction materials of EEI; and (c) prepaid expenses and other current asset, due to additional unutilized creditable withholding and input taxes, and advances of EEI to its suppliers and sub-contractors.

Property and equipment at cost decreased from P8.81 billion to P8.53 billion due to disposal of assets and effect of depreciation as of the period.

Reduction in the right-of-use assets pertains to termination of lease agreements of closed branches of the automotive segment.

Increase in deferred tax assets pertains mainly to the recognized deferred tax provision of the net taxable losses incurred by EEI Group.

Increase in other noncurrent assets pertains to retention receivable from major infrastructure projects of EEI.

Total consolidated liabilities increased to P31.38 billion from P28.50 billion as of December 2019.

Total current liabilities increased from P20.30 billion to P23.86 billion primarily because of additional borrowings of the Group to finance EEI's new major domestic projects and on-going construction activities, to sustain the operating requirements of the automotive segment and to finance the construction of the new school building in Makati.

Accounts payable and accrued expenses increased due to timing of payment to suppliers and subcontractors.

Reduction in current portion of long-term debt pertains to the Group's regular amortization payment on its maturing obligations.

Reduction in due to related parties pertains to payment of EEI Limited to ARCC relative to its share in income tax and other fees.

Current portion of lease liabilities decreased as a result of the termination on the lease agreement of the closed automotive branches.

Contract liabilities pertain to unearned tuition fees and current construction contract obligations, which are reduced as the corresponding revenue is recognized during the period.

Total noncurrent liabilities decreased from P8.20 billion to P7.52 billion as of the period.

Long-term debt is reduced to P2.60 billion, as the Group regularly pays its maturing obligations.

Contract liabilities net of current portion refers to contract obligations of the Company for the projects classified as non-current with completion date beyond one year after balance sheet.

Reduction in lease liability pertains to the effect of monthly amortization coupled with the termination of the lease agreements of the closed automotive branches.

Total consolidated equity dropped from P23.49 billion to P22.44 billion while total consolidated retained earnings decreased from P10.11 billion to P9.65 billion. The reduction is mainly attributable to losses incurred by the Group.

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

During summer period, the school operations undergo a material change. For the purposes of this discussion, the summer period occurs two months from May to June or June to July of every year depending on each school's academic year. For this year, some schools had 3 months summer vacation because of the change in school calendar.

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

Financial Soundness Indicators

The company's top 11 key performance indicators as of the end of September 30, 2020 compared to September 30 and to December 31, 2019 are as follows:

Financial ratios		**Unaudited 30-Sep-20**	Unaudited 30-Sep-19	Audited 31-Dec-19
Current ratio Indicates the Group's ability to pay short-term obligations	Current Assets / Current Liabilities	**1.01:1**	0.99:1	1.12:1
Solvency Ratio Shows how likely a company will be to continue meeting its debt obligations	Net Income + Depreciation / Total Liabilities	**0.01:1**	0.07:1	0.11:1
Debt-to-equity ratio Measures the Group's leverage	Total Debt / Equity	**1.40:1**	1.13:1	1.21:1
Asset to Equity Ratio Shows how the company's leverage (debt) was used to finance the firm	Total Assets / Equity	**2.40:1**	2.13:1	2.21:1
Interest Rate Coverage Shows how easily a company can pay interest on outstanding debt	EBIT / Interest Expense	**(1.53:1)**	3.54:1	3.70:1
Return on Average Stockholders' Equity Reflects how much the Group's has earned on the funds invested by the stockholders	Net Income / Average Equity	**(3.58%)**	5.57%	7.92%
Return on Assets Measure the ability to utilize the Group's assets to create profits	Net Income / Total Assets	**(1.55%)**	2.59%	3.60%
Net Profit Margin Shows how much profit is made for every peso of revenue	Net Income / Total Revenues	**(5%)**	5%	5%
Asset Turnover Shows efficiency of asset used in operations	Total Revenues / Total Assets	**0.31**	0.50	0.66
Return on Equity Shows how much the business returns to the stockholders for every peso of equity capital invested	Net Income/Total Revenues xTotal Revenues / Total Assets x Total Assets /Total Equity	**(3.66%)**	4.96%	7.02%

- Current ratio is at 1.01 as of the period ended September 2020 compared with 0.99 as of September 2019. This is mainly attributable to the increase in contract assets of EEI as of the period.
- Solvency ratio is at 0.01 lower compared to 0.07 as of September 2019 due to losses incurred by the Group.
- Debt-to-equity ratio increased from 1.13 in September 2019 to 1.40 as of September 2020 because of increase in loans and contract liabilities coupled with the losses incurred thus reducing the equity of the Group.
- Asset to equity ratio went up from 2.13 in September 2019 to 2.40 this period due to the increase in assets and losses registered by the Group.
- Interest rate coverage ratio is lower at (1.53) times compared to 3.54 as of September 2019 due to losses incurred by the Group against net income earned last year.
- Return on equity is at (3.58%) against 5.57% as of September 2019. This is due to net losses incurred by the Group compared to net income last year.
- Return on assets (ROA) dropped from 2.59% last September 2019 to (1.55%) this period. This is attributable to net losses registered by the Group.
- Net profit margin dropped to (5%) against last year’s positive 5% due to lower revenues coupled with additional costs relative to pandemic.
- Asset turnover is 0.31 times compared to 0.50 times as of September 2019 because of lower revenues posted by the construction and car dealership segments as of the period.
- Return on average stockholders’ equity is at (3.66%), compared to 4.96% last September 2019 due to losses incurred of the Group as of the period.

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

PART II – OTHER INFORMATION

There is no significant information on the company which requires disclosure herein and/or were not included in SEC Form 17-C.

EXHIBIT 1

HOUSE OF INVESTMENTS, INC. and SUBSIDIARIES

Interim Condensed
Unaudited Consolidated Financial Statements

September 30, 2020 and 2019 (Unaudited)
and
December 31, 2019 (Audited)

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited September 30, 2020	Audited December 31, 2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱2,820,634,968**	₱2,686,669,074
Receivables (Note 7)	**5,343,409,294**	6,246,486,725
Contract assets (Note 8)	**10,823,665,000**	9,483,493,604
Inventories (Note 9)	**2,650,871,436**	2,362,277,465
Receivables from related parties	**63,873,022**	71,235,301
Prepaid expenses and other current assets (Note 10)	**2,366,595,742**	1,982,854,200
Total Current Assets	**24,069,049,462**	22,833,016,369
Noncurrent Assets		
Equity investments at fair value through other comprehensive income (FVOCI) (Note 11)	**1,094,204,419**	1,147,773,806
Investments in associates and joint ventures (Note 12)	**6,382,316,083**	6,193,051,356
Property and equipment (Note 13)		
At revalued amount	**9,190,925,482**	9,185,924,384
At cost	**8,531,886,194**	8,808,917,553
Right-of-use assets	**1,340,641,197**	1,605,726,653
Investment properties (Note 15)	**17,020,018**	17,689,018
Goodwill (Note 14)	**484,829,719**	484,829,719
Retirement assets	**17,628,494**	18,289,597
Deferred tax assets - net	**820,275,624**	195,020,389
Other noncurrent assets - net (Note 16)	**1,879,544,590**	1,505,524,395
Total Noncurrent Assets	**29,759,271,820**	29,162,746,870
Total Assets	**₱53,828,321,282**	₱51,995,763,239
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 17)	**₱8,832,221,436**	₱8,421,912,038
Loans payable (Note 18)	**11,481,477,701**	8,393,800,000
Current portion of long-term debt (Note 19)	**1,058,261,842**	1,385,714,285
Due to related parties	**9,454,373**	126,417,175
Current portion of contract liabilities (Note 8)	**2,274,563,199**	1,684,537,514
Current portion of lease liabilities	**139,441,092**	215,416,367
Income tax payable	**66,415,589**	74,755,176
Total Current Liabilities	**23,861,835,232**	20,302,552,555
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 19)	**2,603,334,634**	3,305,974,841
Contract liabilities - net of current portion (Note 8)	**1,995,967,885**	1,820,243,384
Lease liabilities - net of current portion	**1,177,375,851**	1,323,247,962
Retirement liabilities	**463,329,333**	457,836,487
Deferred tax liabilities - net	**1,015,486,670**	1,023,530,274
Other noncurrent liabilities (Note 17)	**266,760,452**	268,665,644
Total Noncurrent Liabilities	**7,522,254,825**	8,199,498,592
Total Liabilities	**31,384,090,057**	28,502,051,147

(Forward)

	Unaudited September 30, 2020	Audited December 31, 2019
Equity		
Attributable to equity holders of the Parent Company		
Preferred stock (Note 21)	**₱–**	₱6,710,402
Common stock (Note 21)	**1,162,540,326**	1,162,540,326
Additional paid-in capital	**154,578,328**	154,578,328
Equity reserve on acquisition of non-controlling interest	**1,623,004,873**	1,641,756,492
Revaluation increment on land - net (Note 13)	**1,298,881,074**	1,298,881,074
Cumulative translation adjustments	**124,472,814**	245,958,913
Fair value reserve of equity investments at FVOCI (Note 11)	**243,834,660**	311,094,152
Remeasurement loss on defined benefit plans	**(184,236,693)**	(188,329,963)
Retained earnings (Note 20)	**9,650,260,284**	10,111,285,659
	14,073,335,666	14,744,475,383
Non-controlling interests (Note 34)	**8,370,895,559**	8,749,236,709
Total Equity	**22,444,231,225**	23,493,712,092
	₱53,828,321,282	₱51,995,763,239

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	July 1 to September 30		
	2020	2019	2018
REVENUE (Note 24)	**₱6,152,082,987**	₱9,212,400,205	₱8,365,693,996
COSTS OF SALES AND SERVICES (Note 26)	**5,765,547,059**	7,669,587,956	7,045,662,581
GROSS PROFIT	**386,535,928**	1,542,812,249	1,320,031,415
OTHER INCOME - Net (Note 25)	**11,147,678**	51,685,214	62,961,559
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES (Note 12)	**238,766,012**	149,518,841	70,815,222
GENERAL AND ADMINISTRATIVE EXPENSES (Note 30)	**(804,107,061)**	(750,208,906)	(721,282,962)
INTEREST AND FINANCE CHARGES (Notes 18, 19 and 32)	**(180,341,501)**	(221,169,803)	(114,204,695)
INCOME BEFORE INCOME TAX	**(347,998,944)**	772,637,595	618,320,539
PROVISION FOR INCOME TAX	**(129,494,040)**	(161,771,230)	(209,123,397)
NET INCOME	**(218,504,904)**	610,866,365	₱409,197,142
Net income (loss) attributable to:			
Equity holders of the Parent Company	**(₱123,294,683)**	₱350,403,030	₱285,991,943
Non-controlling interests	**(95,210,221)**	260,463,335	123,205,199
	(₱218,504,904)	₱610,866,365	₱409,197,142
EARNINGS PER SHARE (Note 23)			
BASIC	**(₱0.1588)**	₱0.5688	₱0.4643
DILUTED	**(₱0.1588)**	₱0.4487	₱0.3662

See accompanying Notes to Consolidated Financial Statements.

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	July 1 to September 30		
	2020	2019	2018
NET INCOME	**(₱218,504,904)**	₱610,866,365	₱409,197,143
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustments	**(17,402,146)**	2,722,977	20,928,800
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods			
Changes in fair value of equity investments carried at FVOCI (Note 11)	**(409,949)**	2,512,039	(917,509)
Remeasurement gains (losses) on net retirement liability	**(136,534)**	(1,851,620)	–
Total other comprehensive income (loss)	**(17,948,629)**	3,383,396	20,011,291
TOTAL COMPREHENSIVE INCOME	**(236,453,533)**	₱614,249,761	₱429,208,434
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**(₱163,214,514)**	₱352,714,156	₱296,147,624
Noncontrolling interest in consolidated subsidiaries	**(73,239,019)**	261,535,605	133,060,809
	(₱236,453,533)	₱614,249,761	₱429,208,433

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	January 1 to September 30		
	2020	2019	2018
REVENUE (Note 24)	**₱16,611,708,685**	₱24,613,792,745	₱23,361,627,072
COSTS OF SALES AND SERVICES (Note 26)	**16,027,212,260**	20,912,622,642	20,306,704,096
GROSS PROFIT	**584,496,425**	3,701,170,103	3,054,922,976
OTHER INCOME - Net (Note 25)	**41,727,729**	129,151,759	236,185,117
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES (Note 12)	**773,268,428**	467,939,800	445,795,872
GENERAL AND ADMINISTRATIVE EXPENSES (Note 30)	**(2,213,634,031)**	(2,167,221,199)	(1,872,574,323)
INTEREST AND FINANCE CHARGES (Notes 18, 19 and 32)	**(533,336,128)**	(601,444,529)	(299,470,636)
INCOME BEFORE INCOME TAX	**(1,347,477,577)**	1,529,595,934	1,564,859,006
PROVISION FOR INCOME TAX	**525,474,937**	(376,452,047)	(368,149,090)
NET INCOME	**(822,002,640)**	₱1,153,143,887	₱1,196,709,916
Net income (loss) attributable to:			
Equity holders of the Parent Company	**(₱419,720,465)**	₱704,124,067	₱836,604,742
Non-controlling interests	**(402,282,175)**	449,019,820	360,105,174
	(₱822,002,640)	₱1,153,143,887	₱1,196,709,916
EARNINGS PER SHARE (Note 23)			
BASIC	**(₱0.5407)**	₱1.1108	₱1.3252
DILUTED	**(₱0.5406)**	₱0.9016	₱1.0713

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	January 1 to September 30		
	2020	2019	2018
NET INCOME	**(₱822,002,640)**	₱1,153,143,887	₱1,196,709,916
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustments	**(93,736,570)**	436,511	78,719,854
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods			
Changes in fair value of equity investments carried at FVOCI (Note 11)	**(33,111,000)**	4,391,922	571,759,026
Remeasurement gains (losses) on net retirement liability	**4,093,270**	(4,457,479)	(49,233)
Total other comprehensive income (loss)	**(122,754,300)**	370,954	650,429,647
TOTAL COMPREHENSIVE INCOME	**(₱944,756,940)**	₱1,153,514,841	₱1,847,139,563
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**(₱608,151,243)**	₱704,621,627	₱1,188,077,515
Noncontrolling interest in consolidated subsidiaries	**(336,605,697)**	448,893,214	659,062,048
	(₱944,756,940)	₱1,153,514,841	₱1,847,139,563

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the Group											
	Preferred Stock (Note 20)	**Common Stock** (Note 20)	**Additional Paid-in Capital**	**Premium on Acquisition of Noncontrolling Interest**	**Revaluation Increment on Land - Net**	**Cumulative Translation Adjustment**	**Changes in fair value of equity investments carried at FVOCI**	**Remeasurement losses on Net Retirement Liability**	**Retained Earnings**	**Total**	**Attributable to Noncontrolling Interest**	**Total**
						For the Period Ended September 30, 2020						
Balances as at January 1, 2020	**6,710,402**	**₱1,162,540,326**	**₱154,578,328**	**₱1,641,756,492**	**₱1,298,881,074**	**₱245,958,913**	**₱311,094,152**	**(₱188,329,963)**	**₱10,111,285,659**	**₱14,744,475,383**	**₱8,749,236,709**	**₱23,493,712,092**
Redemption of preferred shares	**(6,710,402)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,710,402)**	**–**	**(6,710,402)**
Acquisition of noncontrolling interest	**–**	**–**	**–**	**(18,751,619)**	**–**	**2,219,250**	**3,701,886**	**(2,142,679)**	**(41,218,381)**	**(56,191,544)**	**(3,778,456)**	**(59,970,000)**
	–	**1,162,540,326**	**154,578,328**	**1,623,004,873**	**1,298,881,074**	**248,178,163**	**314,796,038**	**(190,472,642)**	**10,070,067,278**	**14,681,573,437**	**8,745,458,253**	**23,427,031,690**
Net income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(419,720,465)**	**(419,720,465)**	**(402,282,175)**	**(822,002,640)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(123,705,349)**	**(70,961,378)**	**6,235,949**	**–**	**(188,430,778)**	**65,676,478**	**(122,754,300)**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(123,705,349)**	**(70,961,378)**	**6,235,949**	**(419,720,465)**	**(608,151,243)**	**(336,605,697)**	**(944,756,940)**
Dividends declared by Parent Company	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(86,529)**	**(86,529)**	**–**	**(86,529)**
Dividends declared by subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(37,956,997)**	**(37,956,997)**
Total dividends declared	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(86,529)**	**(86,529)**	**(37,956,997)**	**(38,043,526)**
Balances as at September 30, 2020	**₱–**	**₱1,162,540,326**	**₱154,578,328**	**1,623,004,873**	**₱1,298,881,074**	**₱124,472,814**	**₱243,834,660**	**(₱184,236,693)**	**₱9,650,260,284**	**₱14,073,335,665**	**₱8,370,895,559**	**₱22,444,231,224**
						For the Period Ended September 30, 2019						
Balances as at January 1, 2019	₱247,414,156	₱ 921,836,572	₱154,578,328	(₱179,954,180)	₱1,602,230,727	₱249,703,345	₱259,855,707	(₱27,924,073)	₱9,198,512,458	₱12,426,253,040	₱5,745,536,195	₱18,171,789,235
Impact of PFRS 16 adoption	–	–	–	–	–	–	–	–	(30,638,587)	(30,638,587)	–	(30,638,587)
Conversion of Preferred Stock	(16,853)	16,853	–	–	–	–	–	–	–	–	–	–
Acquisition and Disposal of subsidiary	–	–	–	–	–	–	–	(355,202)	(48,057,577)	(48,412,779)	(12,108,346)	(60,521,125)
Decrease in ownership interest in subsidiary	–	–	–	–	(368,409,408)	–	754,605	(7,968,770)	1,737,852,523	1,362,228,950	2,831,760,336	4,193,989,287
	247,397,303	921,853,425	154,578,328	(179,954,180)	1,233,821,319	249,703,345	260,610,312	(36,248,044)	10,857,668,816	13,709,430,624	8,565,188,185	22,274,618,809
Net income	–	–	–	–	–	–	–	–	704,124,067	704,124,067	449,019,820	1,153,143,887
Other comprehensive income	–	–	–	–	–	237,287	2,291,066	(2,030,793)	–	497,560	(126,606)	370,954
Total comprehensive income	–	–	–	–	–	₱237,287	₱2,291,066	(2,030,793)	704,124,067	704,621,627	448,893,214	1,153,514,841
Dividends declared by Parent Company	–	–	–	–	–	–	–	–	(59,907,103)	(59,907,103)	–	(59,907,103)
Dividends declared by subsidiaries	–	–	–	–	–	–	–	–	–	–	(122,003,073)	(122,003,073)
Total dividends declared	–	–	–	–	–	–	–	–	(59,907,103)	(59,907,103)	(122,003,073)	(181,910,176)
Balances as at September 30, 2019	₱247,397,303	₱921,853,425	₱154,578,328	(179,954,180)	₱1,233,821,319	₱249,940,632	₱262,901,378	₱(38,278,837)	₱11,501,885,780	₱14,354,145,148	₱8,892,078,327	₱23,246,223,475

					For the Period Ended September 30, 2018							
Balances as at January 1, 2018	₱253,758,109	₱ 921,836,572	₱154,578,328	(₱179,954,180)	₱ 1,329,730,248	₱ 224,366,002	₱ 87,185,459	(₱5,100,398))	₱8,407,828,501	₱11,194,228,641	₱ 5,157,194,941	₱16,351,423,582
Changes in adoption of PRSF 9 & 15	–	–	–	–	–	–	–	–	(188,263,019)	(188,263,019)	–	(188,263,019)
Redemption of preferred shares	(6,343,953)	–	–	–	–	–	–	–	–	(6,343,953)	–	(6,343,953)
	247,414,156	921,836,572	154,578,328	(179,954,180)	1,329,730,248	224,366,002	87,185,459	(5,100,398)	8,219,565,482	10,999,621,669	5,157,194,941	16,156,816,610
Net income	–	–	–	–	–	–	–	–	550,612,799	550,612,799	236,899,975	787,512,774
Other comprehensive income	–	–	–	–	–	31,415,217	309,934,618	(32,743)	–	341,317,092	289,101,264	630,418,356
Total comprehensive income	–	–	–	–	–	31,415,217	309,934,618	(32,743	550,612,799	891,929,891	526,001,239	1,417,931,130
Dividends declared by Parent Company	–	–	–	–	–	–	–	–	(2,949,050)	(2,949,050)	–	(2,949,050)
Dividends declared by subsidiaries	–	–	–	–	–	–	–	–	–	–	(42,050,122)	(42,050,122)
Total dividends declared	–	–	–	–	–	–	–	–	(2,949,050)	(2,949,050)	(42,050,122)	(44,999,172)
Balances as at September 30, 2018	₱247,414,156	₱921,836,572	₱154,578,328	(₱179,954,180)	₱1,329,730,248	₱255,781,219	₱397,120,077	(₱5,133,141)	₱8,767,229,231	₱11,888,602,510	₱5,641,146,058	₱17,529,748,568

See accompanying Notes to Consolidated Financial Statements

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Periods Ended September 30		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**(₱1,347,477,577)**	₱1,529,595,934	₱1,564,859,006
Adjustments for:			
Depreciation and amortization	**1,036,719,305**	603,493,201	557,833,085
Interest and finance charges	**533,336,128**	601,444,529	299,470,636
Changes in ownership of non-controlling interest	–	1,737,852,523	–
Dividend income	**(16,178,323)**	(29,015,498)	(931,917)
Interest income	**(24,637,768)**	(51,279,129)	(33,166,391)
Impact of PFRS 16 adoption	–	(30,638,587)	-
Prior period adjustments	–	-	122,838,849
Equity earnings in associates	**(773,268,428)**	(467,939,800)	(445,795,872)
Operating income working capital changes	**(591,506,663)**	3,893,513,173	2,065,107,396
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	**903,077,431**	(2,161,524,488)	1,176,806,134
Loans receivable	–	4,184,658	491,662
Contract assets	**(1,340,171,395)**	(1,091,261,380)	(4,211,198,555)
Inventories	**(288,593,971)**	(358,595,438)	(515,441,565)
Prepaid expenses and other current assets	**(383,741,542)**	(481,846,780)	(259,177,572)
Financial asset at FVPL	–	(9,275,289)	(158,422)
Increase (decrease) in:			
Accounts payable and accrued expenses	**410,309,396**	1,756,364,327	1,025,243,658
Customers' deposits	**–**	89,993	8,557,023
Contract liabilities	**765,750,185**	558,088,795	1,816,204,319
Accrued retirement liability	**9,586,116**	37,216,603	(22,978,607)
Net cash generated from (used for) operations	**(515,290,443)**	2,146,954,174	1,083,455,471
Interest received	**24,637,768**	51,279,129	33,166,391
Interest and finance charges paid	**(533,336,128)**	(601,444,529)	(299,470,636)
Income tax paid	**(118,068,682)**	53,829,885	(234,348,108)
Net cash flows provided by (used in) operating activities	**(1,142,057,485)**	1,650,618,659	582,803,118
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments received from (advances to) related parties	**(109,600,523)**	79,200,984	(5,022,221)
Investments in associates and joint ventures	**462,517,602**	(77,641,551)	(311,143,932)
Increase (decrease) in other noncurrent assets	**(107,604,636)**	2,697,522,312	45,670,282
Proceeds from disposals (acquisitions) of equity investments at FVOCI	**(13,690,105)**	(79,502,824)	(365,823,677)
Property, plant and equipment, net	**(764,689,044)**	(4,142,578,278)	(1,784,658,471)
Dividends received	**16,178,323**	29,015,498	931,917
Net Addition (deduction) to minority interest	**(36,028,975)**	(1,365,042,238)	256,906,754
Net cash flows used in investing activities	**(552,917,358)**	(2,859,026,097)	(2,163,139,348)

	Periods Ended September 30		
	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds (payments) from:			
Loans payable	**3,087,677,701**	(317,000,000)	964,000,000
Long-term debt	**(1,030,092,650)**	1,172,717,942	920,664,166
Other noncurrent liability	**(221,847,384)**	1,112,710,688	(109,326,803)
Redemption of preferred shares	**(6,710,402)**	–	(6,343,953)
Cash dividends paid	**(86,529)**	(59,907,104)	(60,323,561)
Net cash flows provided by (used in) financing activities	**1,828,940,736**	1,908,521,526	1,708,669,849
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**133,965,893**	700,114,088	128,333,619
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,686,669,074**	2,039,664,825	1,967,498,425
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱2,820,634,967**	₱2,739,778,913	₱2,095,832,044

See accompanying Notes to Consolidated Financial Statements

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

House of Investments, Inc. (the Parent Company) is a stock corporation incorporated under the laws of the Republic of the Philippines on May 21, 1959. On July 20, 2007, the Parent Company's corporate life was extended for another fifty (50) years starting May 21, 2009.

The Parent Company and its subsidiaries (collectively known as the Group) are primarily engaged in car dealership, construction, education, property services, afterlife services, consumer finance, and pharmaceuticals.

The Parent Company's common stock was listed with the Philippine Stock Exchange (PSE) on July 2, 1962, the Parent Company's initial public offering (IPO). The Parent Company's shares of stock are currently traded at the PSE. The ultimate parent company of the Group is Pan Malayan Management and Investment Corporation (PMMIC).

The registered office address and principal place of business of the Parent Company is at 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila. On March 30, 2020, the Board of Directors (BOD) approved its amended Articles of Incorporation to change its registered office address to its current address from 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila to 9th Floor, Grepalife Building, 221 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila. As of the report date, the stockholders have not yet approved the amended Articles of Incorporation.

Authorization of the Issuance of the Consolidated Financial Statements
The accompanying consolidated financial statements were authorized for issue in accordance with a resolution of the BOD on November 9, 2020.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The consolidated financial statements of the Group have been prepared under the historical cost basis, except for land, which is carried at revalued amount and financial assets at FVPL and FVOCI which are measured at fair value. The accompanying consolidated financial statements are presented in Philippine Peso (Php, ₱), which is also the Parent Company's functional currency. Except as indicated, all amounts are rounded off to the nearest peso.

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

Basis of Consolidation

The consolidated financial statement include the Parent Company and the following companies that it controls:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership Sep 2020 Direct	Sep 2020 Indirect	Dec 2019 Direct	Dec 2019 Indirect
Investment Managers, Inc. (IMI)	Philippines	Insurance agent, financing, trading and real estate	Philippine Peso	100.00	–	100.00	–
Landev Corporation	Philippines	Property management	Philippine Peso	100.00	–	100.00	–
Xamdu Motors, Inc. (XMI)	Philippines	Car dealership	Philippine Peso	100.00	–	100.00	–
Zamboanga Carriers, Inc. (ZCI)	Philippines	Transportation	Philippine Peso	100.00	–	100.00	–
Zambowood Realty and Development Corporation (ZRDC)	Philippines	Real estate	Philippine Peso	100.00	–	100.00	–
Greyhounds Security and Investigation Agency Corp.	Philippines	Security agency	Philippine Peso	–	100.00	–	100.00
Hexagon Lounge, Inc.	Philippines	Restaurant	Philippine Peso	–	100.00	–	100.00
Secon Professional Security Training Academy Inc.	Philippines	Training service provider	Philippine Peso	–	100.00	–	100.00
Honda Cars Kalookan, Inc. (HCKI)	Philippines	Car dealership	Philippine Peso	55.00	–	55.00	–
La Funeraria Paz Sucat, Inc. (LFPSI)[(a)]	Philippines	Memorial services	Philippine Peso	50.00	13.00	50.00	13.00
Zamboanga Industrial Finance Corporation (ZIFC)[(b)]	Philippines	Consumer finance	Philippine Peso	–	–	–	–
EEI Corporation (EEI)[(c)]	Philippines	Construction	Philippine Peso	55.34	–	54.65	–
Bagumbayan Equipment & Industrial Products, Inc.	Philippines	Consultancy services	Philippine Peso	–	100.00	–	100.00
Clear Jewel Investments, Ltd.	British Virgin Islands	Holding company	US Dollar	–	100.00	–	100.00
EEI Limited	British Virgin Islands	Holding company	US Dollar	–	100.00	–	100.00
EEI (PNG), Ltd	Papua New Guinea	Holding company	US Dollar	–	100.00	–	100.00
EEI Corporation (Guam), Inc.	United States of America	Construction	US Dollar	–	100.00	–	100.00
EEI Construction and Marine, Inc.	Philippines	Construction	Philippine Peso	–	100.00	–	100.00
EEI Realty Corporation (EEI Realty)	Philippines	Real estate	Philippine Peso	–	100.00	–	100.00
EEI Subic Corporation	Philippines	Construction	Philippine Peso	–	100.00	–	100.00
Equipment Engineers, Inc. (EE)	Philippines	Construction	Philippine Peso	–	100.00	–	100.00
EEI Power Corporation (EPC)	Philippines	Power generation	Philippine Peso	–	100.00	–	100.00
Gulf Asia International Corporation (GAIC)	Philippines	Manpower services	Philippine Peso	–	100.00	–	100.00
GAIC Professional Services, Inc. (GAPSI)	Philippines	Manpower services	Philippine Peso	–	100.00	–	100.00
GAIC Manpower Services, Inc. (GAMSI)	Philippines	Manpower services	Philippine Peso	–	100.00	–	100.00
Nimaridge Investments, Limited	British Virgin Islands	Holding company	US Dollar	–	100.00	–	100.00
Philmark, Inc.	Philippines	Construction	Philippine Peso	–	100.00	–	100.00
Philrock Construction and Services, Inc.	Philippines	Manpower services	Philippine Peso	–	100.00	–	100.00
JP Systems Asia Inc. (JPSAI)	Philippines	Rental of scaffolding and formworks	Philippine Peso	–	60.00	–	60.00
BiotechJP Corporation[(d)]	Philippines	Manufacturing food and therapeutic food	Philippine Peso	–	60.00	–	–
Learn JP Corp[(e)]	Philippines	Service for improvement in language proficiency	Philippine Peso	– -	60.00	–	–
Shinbayanihan Heavy Equipment Corp.[(f)]	Philippines	Rental of construction equipment	Philippine Peso	–	40.00	–	–
iPeople, Inc. (IPO)[(g)]	Philippines	Education and Information Technology	Philippine Peso	48.18	–	48.18	–
Malayan Education System, Inc. (MESI) (formerly Malayan Colleges, Inc.)[(h)]	Philippines	Education and Information Technology	Philippine Peso	–	100.00		
Mapua Information Technology Center, Inc. (MITC)	Philippines	Education and Information Technology	Philippine Peso	–	100.00	–	100.00
Mapua Techserv, Inc. (MTI)	Philippines	Consultancy	Philippine Peso	–	100.00	–	100.00
San Lorenzo Ruiz Investment Holdings and Services Inc. (formerly San Lorenzo Ruiz Institute of Health Sciences, Inc.) (SLRHSI)	Philippines	Education and Information Technology	Philippine Peso	–	100.00	–	100.00
Malayan High School of Science, Inc. (MHSSI)	Philippines	Education and Information Technology	Philippine Peso	–	100.00	–	100.00
Malayan Colleges Laguna, Inc. (MCLI)	Philippines	Education and Information Technology	Philippine Peso	–	100.00	–	100.00
Malayan Colleges Mindanao, Inc. (MCMI)	Philippines	Education and Information Technology	Philippine Peso	–	100.00	–	100.00
Mapua Techpower, Inc.	Philippines	Consultancy	Philippine Peso	–	75.00	–	75.00
Affordable Private Education Center, Inc (APEC)[(i)]	Philippines	Education and Information Technology	Philippine Peso	–	100.00	–	100.00

Forward

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership Sep 2020 Direct	Sep 2020 Indirect	Dec 2019 Direct	Dec 2019 Indirect
AC College of Enterprise and Technology, Inc[i]	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	**100.00**
LINC Institite, Inc[i]	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	**100.00**
People eServe Corporation	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	**100.00**
Pan Pacific Computer Center, Incorporated (PPCCI)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	**100.00**
National Teachers College[i]	Philippines	Education and Information Technology	Philippine Peso	**–**	**99.79**	–	**99.79**
University of Nueva Caceres[i]	Philippines	Education and Information Technology	Philippine Peso	**–**	**83.62**	–	**83.6**2

(a) Consolidated starting March 2019
(b) Sold in July 2019
(c) Purchased additional shares in November 2019
(d) Consolidated starting September 2019
(e) Consolidated starting December 2019
(f) Consolidated starting July 2019
(g) Effective last May 2019 due to merger of IPO and Ayala Education Inc. (AEI) (Note 5)
(h) Sold to IPO in May 2019
(i) Acquired in May 2019 through business combination
(j) Ceased operation in July 2017

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

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

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

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

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

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

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

Non-controlling interest represents the portion of profit or loss and net assets not held by the Parent Company. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Losses within a subsidiary are attributed to the non-controlling interest until the balance is reduced to nil. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Reclassifies to profit or loss, or transfer directly to retained earnings if required by other PFRSs, the amounts recognized in other comprehensive income in relation to the subsidiary; and recognizes any resulting difference as a gain or loss in profit or loss attributable to the Parent Company

3. **Changes in Accounting Policies**

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 January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- PFRS 16, *Leases*

  PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation 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 statement of financial position. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

  Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  The Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at January 1, 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application.

Under the modified retrospective approach, a lessee will apply PFRS 16 with cumulative effect of initial application recognized in retained earnings or other component of equity, as appropriate, at date of initial application, and will not restate any comparative information. Under this approach, the Group recognizes a lease liability at date of initial application at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at date of initial application. At the same time, the Group recognizes a right-of-use (ROU) asset at date of initial application, measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases') and lease contracts for which the underlying asset is of low value ('low-value leases').

The effect of adoption of PFRS 16 as at January 1, 2019 is, as follows:

Assets	Increase
Right-of-use assets (Note 14)	₱1,378,023,041
Total Assets	₱1,378,023,041
Liabilities	
Current portion of lease liabilities (Note 14)	₱245,915,345
Lease liabilities - net of current portion (Note 14)	1,190,214,802
Total Liabilities	₱1,436,130,147

Lease previously accounted for as an operating lease
The Group recognized right-of-use assets and lease liabilities for its lease previously classified as an operating lease. The right-of-use assets for its lease was recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application

Operating lease commitments as at December 31, 2018	₱1,443,987,002
Weighted average incremental borrowing rate as at January 1, 2019	7.24%
Discounted operating lease commitments as at January 1, 2019	790,969,939
Less: Commitments relating to short-term leases and low-value	(25,919,076)
Add: Lease payments relating to renewal periods not included in operating lease commitments as at December 31, 2018	671,079,284
Lease liabilities as at January 1, 2019	₱1,436,130,147

Due to the adoption of PFRS 16, the Group's operating profit in 2019 improved, while its interest expense increased. 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 equity in 2019, since the Group elected to measure the right-of-use assets at an amount equal to the lease liability , adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application. The Group's weighted average incremental borrowing rate applied to the lease liabilities recognized at the date of application. Any difference between the result of discounting the operating lease commitments reported under PAS 17 at the end of the annual reporting preceding the date of application and lease liabilities recognized on the statement of financial position immediately after posting the cumulative catch-up adjustment on the date of initial application.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:
    - Whether an entity considers uncertain tax treatments separately;
    - The assumptions an entity makes about the examination of tax treatments by taxation authorities;
    - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
    - How an entity considers changes in facts and circumstances.

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The adoption of Philippine Interpretation IFRIC-23 did not have material impact on the financial statements.

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

Standards Issued But Not Yet Effective

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

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3*, Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

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

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

  The core of PFRS 17 is the general model, supplemented by:
    - A specific adaptation for contracts with direct participation features (the variable fee approach)
    - A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

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 amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. Summary of Significant Accounting Policies

Leases - *Group as a lessee*, Effective starting January 1, 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, 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 short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date ease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives (EUL) of the assets, as follows:

	Years
Land	5 to 66
Building	2 to 10

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of non-financial assets.

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

Lease liabilities that are expected to be settled for no more than 12 months after reporting period are classified as current liabilities presented as current portion of lease liabilities. Otherwise, these are classified as noncurrent liabilities.

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 liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of property and equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases - *Company as a lessee*, Prior to January 1, 2019

Operating Leases
Operating leases represent those leases under which substantially all risks and rewards of ownership of the leased assets remain with the lessors. Lease receipts (payments) under operating lease agreements are recognized as income (expense) on a straight-line basis over the term of the lease.

Revenue Recognition Effective starting January 1, 2018

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 or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Revenue from construction contracts
The Group assessed that there is only one performance obligation for each construction agreement that it has entered and that revenue arising from such agreements qualify for recognition over time because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced by applying par. 35(b) of PFRS 15. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. The customer, having the ability to specify the design (or any changes thereof) of the asset, controls the asset as it is being constructed. Furthermore, the Group builds the asset on the customer's land (or property controlled by the customer), hence, the customer generally controls any work in progress arising from the Group's performance. The Group also recognized as part of its construction revenue, the effects of variable considerations arising from various change orders and claims, to the extent that they reflect the amounts the Group expects to be entitled to and to be received from the customers, provided that it is highly probable that a significant reversal of the revenue recognized in connection with these variable considerations will not occur in the future. For unpriced change orders and claims, the Group uses the "most likely amount" method to predict the amounts the Group expects to be entitled to and to be received from the customers.

The Group elected to use the input method to measure the progress of the fulfilment of its performance obligation, which is based on the actual costs incurred to date relative to the total estimated cost to complete the construction projects because there is a direct relationship between the Group's effort (i.e., costs incurred) and the transfer of service to the customer. The Group excludes the effect of any costs incurred that do not contribute to the Group's performance in transferring control of goods or services to the customer (such as unexpected amounts of wasted materials, labor or other resources) and adjusts the input method for any costs incurred that are not proportionate to the Group's progress in satisfying the performance obligation (such as uninstalled materials).

Revenue from sale of goods
Revenue from sale of goods is recognized at a point in time when control of the asset is transferred to the customer, generally on delivery and acceptance of the inventory item.

Revenue from tuition and other related fees
Revenue from tuition fees and other matriculation fees are recognized over time as revenue over the corresponding school term using the output method (i.e., time lapsed over the service period such as semester or school year, depending on the curriculum registered). Upon enrollment, students have the option to pay the tuition and other matriculation fees in full or installment.

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

Revenue from power generation
The Group's power supply agreement with its customer requires the Group to deliver certain units of electricity (in kWh) to the customer per month. As delivery of electricity constitutes a series of distinct good or services that are substantially the same and have the same pattern of transfer to the customer (i.e., the good or service would be recognized over time using the same measure of progress), this was treated by the Group as a single performance obligation. Because electricity is simultaneously provided and consumed, the Group's performance obligation to deliver electricity qualifies for revenue recognition over time by applying par. 35(a) of PFRS 15. The Group recognizes revenue from power generation by applying the "right to invoice" practical expedient

since the Group's right to payment is for an amount that corresponds directly with the value to the customer of the Group's performance to date.

Revenue from manpower services
Under the Group's service agreements with its customers, the Group is required to provide manpower services (including but not limited to janitorial, messengerial and other allied services). As provision of these services constitutes a series of distinct good or services that are substantially the same and have the same pattern of transfer to the customer (i.e., the good or service would be recognized over time using the same measure of progress), this was treated by the Group as a single performance obligation. Because the services are simultaneously provided and consumed by the customer, the Group's performance obligation to render such services qualifies for revenue recognition over time by applying par. 35(a) of PFRS 15. The Group recognizes revenue from manpower supply services by applying the "right to invoice" practical expedient since the Group's right to payment is for an amount that corresponds directly with the value to the customer of the Group's performance to date.

Contract balances arising from revenue with customer contracts
Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

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

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to 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 under the contract.

Revenue Recognition Prior to January 1, 2018

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria must also be met before revenue is recognized:

Revenue from construction contracts
Revenue from construction contracts are recognized using the percentage-of-completion method of accounting. Under this method, revenue is generally measured on the basis of estimated completion of the physical proportion of the contract work.

Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. The amount of such loss is determined irrespective of whether or not work has commenced on the contract; the stage of completion of contract activity; or the amount of profits expected to arise on other contracts, which are not treated as a single construction contract. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements that may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined. Profit incentives are recognized as revenue when their realization is reasonably assured.

The asset "Costs and estimated earnings in excess of billings on uncompleted contracts" represents total costs incurred and estimated earnings recognized in excess of amounts billed. The liability "Billings in excess of costs and estimated earnings on uncompleted contracts" represents billings in excess of total costs incurred and estimated earnings recognized. Contract retentions are presented as part of "Trade receivables" under the "Receivables" account in the consolidated statement of financial position.

Revenue from sale of goods
Revenue from sale of merchandise is recognized immediately upon the buyer's acceptance of delivery when the installation process is simple in nature, as applicable, otherwise, revenue is recognized when the buyer accepts delivery and when installation and inspection are complete.

*Revenue from s*chool and related operations:
Revenues from school operations are recognized as income over the corresponding school term. Unearned revenues are shown as unearned tuition fees in the consolidated statement of financial position and will be recognized as revenues when the educational service has been fulfilled in the applicable school term.

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

Revenue from power generation
Revenue derived from the generation and/or supply of electricity is recognized based on the actual delivery of electricity as agreed upon between parties.

<u>Interest Income</u>
Interest income is recognized as it accrues taking into account the effective yield on the asset.

<u>Rent Income</u>
Rent income is recognized as revenue on a straight-line basis over the lease term.

<u>Dividend Income</u>
Dividend income is recognized when the Group's right to receive the payment is established.

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

Cost of sales and services
Cost of sales is recognized as an expense when the related goods are sold. Cost of services include all direct materials and labor costs and those indirect costs related to contract performance which are recognized as incurred.

General and administrative expenses
Administrative expenses constitute costs of administering the business and are expensed as incurred.

<u>Current versus Non-current Classification</u>
The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and deferred tax liabilities are classified as non-current assets and liabilities.

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

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

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

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the 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; and
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

Financial Instruments - Initial Recognition and Subsequent Measurement Effective

<u>Financial Assets</u>
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss (FVPL).

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 a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, 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 in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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.

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

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

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

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

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

The Group's financial assets at amortized cost includes Cash and cash equivalents, Receivables, and Due from related parties.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI 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 profit or loss. Dividends are recognized as other income in the consolidated statement 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 fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably all its equity investments under this category.

The Group does not have any debt financial assets at fair value through OCI and financial assets at fair value through profit or loss as of September 30, 2020 and December 31, 2019.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. 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 next 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 the timing of the default (a lifetime ECL).

For trade receivables and contract assets, 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 loss allowance was adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group generally considers a financial asset in default when contractual payments are 90 days past due. For a financial asset that arises from long-term construction contracts, the Group considers the asset to be in default if contractual payments are not settled within 30 days from the completion of the construction project. 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 amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities
The accounting for the Group's financial liabilities remains the same as it was under PAS 39. The Group initially measures a financial liability at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs. The Group has no financial liabilities at FVPL.

Subsequent to initial recognition, the Group's financial liabilities are carried at amortized cost. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of income. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

This category generally applies to the Group' Accounts payable and other current liabilities, Loans payable, Long-term debt, Lease liabilities and Due to related parties.

Derecognition of Financial Instruments

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when: (a) the rights to receive cash flows from the asset have expired; or (b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and

the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Other financial liabilities
Other financial liabilities are nonderivative financial liabilities with fixed or determinable payments that are not quoted in an active market. These liabilities are carried at amortized cost in the consolidated statement of financial position. Amortization is determined using the effective interest method. Gains and losses are recognized in the consolidated statement of comprehensive income, when the liabilities are derecognized as well as through the amortization process.

Other financial liabilities are classified as current liabilities when it is expected to be settled within twelve (12) months from the financial reporting date or the Group does not have an unconditional right to defer settlement for at least 12 months from financial reporting date. Otherwise, these are classified as noncurrent liabilities. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized.

The Group's other financial liabilities consist of Loans payable, Accounts payable and other current liabilities, Due to related parties and Long-term debt.

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

Jointly Controlled Operations
A jointly controlled operation involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer uses its own property, plant and equipment and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). NRV is the selling price in the ordinary course of business, less the estimated costs of completion of inventories and the estimated costs necessary to sell.

Cost includes purchase price and other costs directly attributable to its acquisition such as non-refundable taxes, handling and transportation cost.

The cost of real estate inventories includes (a) land cost; (b) freehold and leasehold rights for land; (c) amounts paid to contractors for construction; (d) borrowing costs, planning and design cost, cost of site preparation, professional fees, property taxes, construction overheads and other related costs.

Cost of inventories is generally determined primarily using the moving-average method, except for automotive units of the car dealerships and real estate inventories of EEI Realty, which are accounted for using the specific identification method.

Value-Added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position up to the extent of the recoverable amount.

Prepaid Expenses
Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments of insurance premiums, rents and others. It is included as part of other current assets in the consolidated statement of financial position.

Other Current Assets
Other current assets pertain to other resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group within the reporting period.

Investments in Associates and Joint Venture
An associate is an entity in which the Group has significant influence. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint venture are accounted for using the equity method of accounting. Under this method, the investment amount is increased or decreased to recognize the Group’s share in the profit or loss of the investee after the date of acquisition. Dividends received from the investee reduces the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group’s proportionate interest in the investee arising from changes in the investee’s other comprehensive income.

Gains and losses resulting from ‘upstream’ and ‘downstream’ transactions between the Group and its associate or joint venture are recognized in the consolidated financial statements only to the extent of unrelated investors’ interests in the associate or joint venture.

The reporting dates and the accounting policies of the associates and joint venture conform to those used by the Group for like transactions and events in similar circumstances.
The Group discontinues applying the equity method when their investment in investee company is reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee company. When the investee company subsequently reports net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee company and the Group are identical and the investee companies’ accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group’s investment in its associates and joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associates and joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the impairment loss in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associates or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of income.

The Group's associates and joint venture accounted for using the equity method as of September 30 follows:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership	
				Sep 2020	Dec 2019
Associates:					
Hi-Eisai Pharmaceutical, Inc. (HEPI)	Philippines	Pharmaceutical	Philippine peso	**50.00**	50.00
Petroenergy Resources Corporation (PERC)	Philippines	Renewable energy	Philippine peso	**29.10**	28.36
T'boli Agro-Industrial Development, Inc.	Philippines	Agriculture	Philippine peso	**28.47**	28.47
Manila Memorial Park Cemetery, Inc. (MMPC)	Philippines	Funeral service	Philippine peso	**25.98**	25.98
Sojitz G Auto Philippines Corporation (SGAPC)	Philippines	Automotive distributor	Philippine peso	**20.00**	20.00
RCBC Realty Corporation (RRC)	Philippines	Realty	Philippine peso	**10.00**	10.00
Al-Rushaid Construction Company Limited (ARCC)	Saudi Arabia	Construction	Saudi riyal	**49.00**	49.00
PetroSolar Corporation (PSOC)	Philippines	Renewable energy	Philippine peso	**44.00**	44.00
Joint venture:					
Shinbayanihan Heavy Equipment Corporation (SHEC)	Philippines	Equipment rental	Philippine peso	**40.00**	40.00
PetroWind Energy, Inc. (PWEI)	Philippines	Renewable energy	Philippine peso	**20.00**	20.00

On November 8, 2019, the Group purchased 2,500,000 shares of SGAPC from Sojitz Corporation amounting to ₱50.00 million or equivalent to 20.00% ownership equity.

In July 2019, the Group acquired 40.00% stake in SHEC and was accounted for as joint venture (Note 12).

On April 16 and 30, 2019, the Group purchased additional 2,913,090 and 1,240,561 PERC shares, respectively, resulting to an increase in ownership interest from 28.36% to 29.10%.

On March 1, 2019, the Group purchased additional 90,000 shares of LFPSI for ₱25.00 million resulting to an increase in direct ownership from 37.50% to 50.00%. The Group's total effective interest in LFPSI as of December 31, 2019 is 63.00%, including its 13.00% indirect ownership.

On February 2, 2018, the Group purchased additional 69.3 million PERC shares from stock rights offering for ₱332.6 million resulting to an increase in ownership interest from 22.41% to 28.36%.

<u>Property and Equipment</u>
Property and equipment are stated at cost, less accumulated depreciation, amortization and impairment loss, if any, except for land which is carried at revalued amount based on the latest appraisal conducted by independent appraisers. The appraisal increment resulting from the revaluation is treated as a separate component in the Group's equity.

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

Depreciation is computed using the straight-line method over the following average EUL:

	Years
Buildings and improvements	5 to 40
Machinery, tools and construction equipment	2 to 20
Transportation and service equipment	5
Furniture, fixtures and office equipment	3 to 10

Amortization of improvements is computed over the EUL of the improvement or term of the lease, whichever is shorter.

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

Minor repairs and maintenance costs are charged to consolidated statement of income as incurred; significant renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the cost or revalued amount, appraisal increase and related accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are reflected in the consolidated statement of income.

Construction in progress represents property and equipment under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

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 on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

Upon disposal of land, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

The asset’s residual values, useful lives and methods of depreciation and amortization are reviewed, and adjusted if appropriate, at each financial year-end.

<u>Investment Properties</u>
Investment properties are measured at cost less accumulated depreciation and impairment loss, if any, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Investment properties are depreciated on a straight-line basis over its estimated useful life of fifteen (15) to twenty years (20). Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment in value.

Investment properties are derecognized when they either have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Software Costs
Software costs are stated at cost less accumulated amortization and any impairment in value. Costs related to software purchased by the Group for use in the operations are amortized on a straight-line basis over a period of three (3) years.

Costs associated with developing and maintaining computer software programs are recognized as an expense when incurred. Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and provision for impairment losses, if any.

Impairment of Nonfinancial Assets
For investments in Associate and joint venture, Property and equipment, Right-of-use asset, Investment properties and Computer software costs, the Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An assets' recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

Impairment losses are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognized in equity up to the amount of any previous revaluation.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset including property and equipment while the qualifying asset is under construction are capitalized as part of the cost of that asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Capitalization of borrowing cost should commence when: (i) expenditures for the asset and borrowing costs are being incurred; and (ii) activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalization ceases when the asset is substantially ready for its intended use or sale. If active development is interrupted for an extended period, capitalization is suspended. When construction occurs piecemeal and use of each part is possible as construction continues, capitalization of each part ceases upon substantial completion of that part. For borrowing of funds associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used. All other borrowing costs are expensed as incurred. However, if the carrying amount of the asset after capitalization of borrowing costs exceeds its recoverable amount, an impairment loss is recognized.

Business Combination 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 measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets.

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

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

PFRS 3 provides that if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree’s identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. Before recognizing a gain on a bargain purchase, the Group assesses whether it has correctly identified all of the assets acquired an all of the liabilities assumed, and recognize any additional assets or liabilities that are identified in that review.

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, 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, *Operating Segments*

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall recognize immediately in the consolidated statement of income any excess remaining after reassessment.

<u>General and Administrative Expenses</u>
The Group's general and administrative expenses constitute costs of administering the business. General and administrative expenses are recognized as incurred.

<u>Foreign Currency-denominated Transaction and Translation</u>
The consolidated financial statements are presented in Philippine Peso. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate at the reporting date. All differences are taken to consolidated statement of income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of 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.

As at reporting date, the assets and liabilities of subsidiaries whose functional currency is not the Philippines Peso are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date, and the consolidated statement of income accounts are translated at monthly weighted average exchange rate. Likewise, the the financials of the Group's associate whose functional currency is not the Philippine Peso that is accounted for under equity method are translated to the presentation currency of the Parent Company in a similar manner. The exchange differences arising on the translation are taken directly to a separate component of equity under "Cumulative translation adjustments" account.

Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of income.

Retirement Cost

Defined benefit plan

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

Defined benefit costs on the Group's defined benefit retirement plan are actuarially computed using the projected unit credit (PUC) valuation method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to the services rendered in the current period.

Defined benefit costs comprise the following:
(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) remeasurements of net defined benefit liability or asset.

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

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

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

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

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Income Tax

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused MCIT and NOLCO can be utilized.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associate and interest in joint venture. With respect to investments in foreign subsidiaries, associate and interest in joint venture, deferred tax liabilities are recognized except where 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.

The carrying amount of deferred tax assets is reviewed by the end of each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be used. Unrecognized deferred tax assets are reassessed at the end of each financial reporting date and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the financial reporting date.

Deferred tax relating to items recognized outside profit or loss are recognized in correlation to the underlying transactions either in other comprehensive income or directly in equity.

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

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to equity holders of the Group adjusted for the after-tax amounts of dividends on preferred stock by the weighted average number of common stock outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits.

Diluted EPS is computed by adjusting the net income for the year attributable to equity holders of the Group and the weighted average number of common stock outstanding during the year after giving retroactive effect for any stock dividends, stock splits or reverse stock splits and adjusted for the effects of all dilutive potential common stock.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingencies

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

Stock Option Plan

No benefit expense is recognized relative to the shares issued under the stock options plan. When the shares related to the stock option plans are subscribed, these are treated as capital stock issuances. The stock option plan is exempt from PFRS 2, *Share-based Payment*.

Segment Reporting

The Group's operating business are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 37.

Capital Stock

The Group records common stocks at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity shares. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. When the Group purchases the Group's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in equity (Note 21).

Equity Reserve

Equity reserve consist of equity transactions other than capital contributions, such as equity transactions arising from transactions with NCI and combination or entities under common control.

Retained Earnings

Retained earnings represent accumulated earnings of the Group and any adjustment arising from application of new accounting standards, policies or corrections of errors applied retroactively less dividends declared. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by subsidiaries. Appropriated retained earnings are those that are restricted for planned investments and business expansion. Unappropriated retained earnings are those that can be allocated for specific purposes and can be distributed as dividend. Retained earnings are further restricted for the payment of dividends to the extent of the cost of treasury shares (Note 20).

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

5. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRSs requires the Group to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the consolidated financial statements as they become reasonably determinable.

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

Judgment
Determining control over an entity in which Parent Company holds less than majority of voting rights
The Parent Company has determined that it is the largest stockholder of IPO with 48.18% equity interest and also has control over IPO by virtue of the Parent Company's power to nominate majority of the members of the BOD of IPO and for the Parent Company to exercise control and supervision on IPO's operations as well as financial policy. Accordingly, the Parent Company assessed that it controls IPO even though it owns less than 50% equity interest over IPO and accounts for its equity interest over IPO as investment in subsidiary.

Determination of functional currency
PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the following were considered:
- The currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
- The currency in which funds from financing activities are generated; and
- The currency in which receipts from operating activities are usually retained.

The functional currency is Philippine peso as disclosed in Note 2.

Determination of lease term of contracts with renewal and termination options – Group as a lessee
The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group included the renewal period as part of the lease term for leases with shorter non-cancellable period (i.e., three to ten years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of land and office spaces with longer non-cancellable periods are not included as part of the lease term as these are not reasonably certain to be exercised.

Recognition of revenue from construction contracts
Under PFRS 15, the Group assessed that there is only one performance obligation for each construction agreement that it has entered and that revenue arising from such agreements qualify for recognition over time. The Group elected to use the input method to measure the progress of the fulfilment of its performance obligation, which is based on the actual costs incurred to date relative to the total estimated cost to complete the construction projects. The Group believes that this method faithfully depicts the Group's performance towards satisfaction of its performance obligation because there is a direct relationship between the Group's effort (i.e., costs incurred) and the transfer of service to the customer (Notes 4 and Note 8).

Recognition of tuition and other matriculation fees over time
The Group determined that tuition and other matriculation fees are to be recognized over time using the output method on the basis of time lapsed over the service period since it provides a faithful depiction of the Group's performance in transferring control of the services to the students. The fact that another entity would not need to re-perform the service that the Group has provided to date demonstrates that the customer or the student simultaneously receives and consumes the benefits of the Group's performance as it performs (Note 8).

Determination of significant influence on investment in an associate if ownership is less than 20%
Holding of less than 20% of voting rights is presumed not to give rise to significant influence unless it can be clearly demonstrated that there is in fact significant influence. The Parent Company is able to exercise significant influence for ownership less than 20% because it has an active participation in the policy-making process including operating decisions of the investee.

The Parent Company holds 10% of interest in RRC. The Parent Company exercises significant influence in RRC since the Parent Company's President is the concurrent president of RRC. The president is also a member of the BOD. As such, the president of the Parent Company effectively has a participation in the policy-making process of RRC. Hence, the Parent Company is able to exercise significant influence even if ownership is less than 20%.

Assessment of joint control
Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group assesses their rights and obligations arising from the arrangement and specifically considers:

- the structure of the joint arrangement - whether it is structured through a separate vehicle
- when the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
- the legal form of the separate vehicle
- the terms of the contractual arrangement other facts and circumstances, considered on a case by case basis

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

Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. 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 subsidiary’s stand-alone credit rating).

The Group’s lease liabilities amounted to ₱1.32 billion and ₱1.54 billion as of September 30, 2020 and December 31, 2019, respectively.

Estimating variable considerations arising from change orders and claims (applicable beginning January 1, 2018)
The Group frequently agrees to change orders that modify the scope of its work previously agreed with customers and regularly submits claims to customers when unanticipated additional costs are incurred because of delays or changes in scope caused by the customers. PFRS 15 requires the Group to recognize, as part of its revenue from construction contracts, the estimated amounts the Group expects to be entitled to and to be received from customers due to these change orders and claims (otherwise known as variable considerations), provided that it is highly probable that a significant reversal of the revenue recognized in connection with these variable considerations will not occur in the future. For these unpriced change orders and claims, the Group uses the “most likely amount” method to predict the amount to which it will be entitled and expected to be received from the customers.

The aggregate carrying values of receivables and contract assets arising from construction contracts amounted to ₱16.17 billion and ₱15.73 billion as of September 30, 2020 and December 31, 2019, respectively (Notes 7 and 8).

Fair value measurement of unquoted equity investments at FVOCI (applicable beginning January 1, 2018)
The Group uses valuation techniques such as discounted cash flow approach and adjusted net asset method with significant unobservable inputs to calculate the fair value of its unquoted equity investments at FVOCI. These inputs include revenue growth assumptions, discount rates, appraised value of real properties, among others. Changes in assumptions relating to these factors could affect the reported fair value of these unquoted equity financial instruments.

The fair value of unquoted equity investments amounted to ₱1.00 billion and ₱1.04 billion as of September 30, 2020 and December 31, 2019, respectively (Note 11).

Provision for expected credit losses of trade receivables and contract assets (applicable beginning January 1, 2018)
The Group uses the simplified approach in calculating the ECL of its trade receivables and contract assets wherein the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The model is based on the Group’s historical observed default rates and adjusted to include forward looking information. At every

reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. 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 customer's actual default in the future.

As of September 30, 2020, and December 31, 2019, the aggregate carrying values of receivables and contract assets are disclosed in Notes 7 and 8 to the consolidated financial statements.

Estimation of allowance for doubtful accounts (applicable prior to January 1, 2018)
The Group maintains an allowance for impairment at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. For education segment, the evaluation factors will include the number of days the receivables are outstanding, year level of students and historical experience. For other segments the evaluation of collectability considers the length of the Group's relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis or those with existing allowances needing reversals.

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

The merger resulted in the recognition of student relationship, intellectual property rights and goodwill from the excess of the acquisition cost over the fair value of net assets acquired (Notes 14 and 16).

Valuation of land under revaluation basis
The Group's parcel of land are carried at revalued amounts. The valuations of these parcels of land were performed by SEC accredited independent appraisers and were determined using the market approach. Significant adjustments to inputs used in determining the fair value of land such as location and utility could affect the appraised value of the assets.

Land carried under revaluation basis amounted to ₱9.19 billion as of September 30, 2020 and December 31, 2019,.

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

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

Impairment of goodwill and intellectual property rights are assessed at least on an annual basis. In assessing the impairment, the Group determines the recoverable amount using value in use with detailed disclosures made in Note 15. There is no impairment loss recognized on these assets in 2020 and 2019. As at September 30, 2020 and December 31, 2019, the carrying value of goodwill amounted to ₱484.83 million, respectively (Notes 14).

As to the Group's property and equipment, student relationship and noncurrent assets, impairment loss amounting to ₱21.00 million was recognized for the year ended December 31, 2019.

Estimation of retirement benefits
The determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates were disclosed in Note 32. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

Retirement assets amounted to ₱17.63 million and ₱18.29 million as of September 30, 2020 and December 31, 2019, respectively whereas retirement liabilities amounted to ₱463.33 million and ₱457.84 million as of September 30, 2020 and December 31, 2019, respectively.

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

Provisions and contingencies
The Group is currently involved in various proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Management does not believe that these proceedings will have a material adverse effect on the Group's financial statement because management and its legal counsels believe that the Group has substantial legal and factual bases for its position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 33).

6. **Cash and Cash Equivalents**

This account consists of:

	Unaudited September 2020	Audited December 2019
Cash on hand and in banks	**₱2,071,782,690**	₱1,676,600,484
Short-term investments	**748,852,278**	1,010,068,590
	₱2,820,634,968	₱2,686,669,074

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn annual interest at the respective short-term investment rates.

Interest income from cash in banks and short-term investments amounted to ₱18.41 million, ₱29.34 million and ₱10.99 million for the periods ended September 30, 2020, 2019 and 2018, respectively (Note 25).

7. **Receivables**

This account consists of:

	Unaudited September 2020	Audited December 2019
Trade		
Construction and infrastructure	**₱3,051,191,087**	₱4,132,893,711
Education	**1,352,267,979**	901,585,558
Car dealership	**539,024,457**	708,660,520
Other services	**115,120,859**	114,165,831
Other receivables		
Receivable from customers	**55,423,589**	35,174,526
Receivable from EEI RFI (Note 16)	**54,664,167**	55,000,000
Advances to officers and employees	**48,417,346**	103,349,773
Receivables from plant	**46,958,223**	56,369,572
Receivable from sale of investment properties	**21,222,188**	22,790,885
Dividends receivable	**8,986,496**	29,666,808
Rent receivable	**114,159**	626,549
Others	**370,486,158**	372,246,516
	5,663,876,708	6,532,530,249
Less allowance for impairment	**320,467,414**	286,043,524
	₱5,343,409,294	₱6,246,486,725

<u>Trade receivables</u>
The trade receivables are noninterest-bearing and collectible within one (1) year which consists of the following:

Receivable from construction and infrastructure
Receivables from construction and infrastructure mainly represent amounts arising from domestic construction contracts which are generally on a 30-day credit term.

Receivables from car dealership
Receivables from car dealership represent amounts arising from the sale of car, parts and accessories and services collectible within 30 days.

Receivables from education
Receivables from education and information technology represent amounts arising from tuition and other fees generally collectible within 90 days and from computer and service sales collectible within 30 days.

Receivables from other services
Receivables from other services represent amounts arising from management and consultancy services provided by the Group generally collectible within 30 days.

No trade receivables were used as collaterals to secure obligations as of September 30, 2020 and December 31, 2019.

Other receivables
Advances to officers and employees are interest-bearing and repaid on a monthly basis through salary deductions.

Receivables from plant pertain to noninterest-bearing receivables from Honda Cars Philippines, Inc. and Isuzu Philippines Corporation, for promotional subsidy and fleet discounts. Receivables from plant are collectible within a year in the normal course of Group's business.

Receivable from EEI RFI pertains to the Group's sale of land to EEI RFI, a trustee of the Group's employee retirement fund in previous years. Both parties agreed the selling price will be repaid in installments and bear annual interest rate of 5%. In 2016, the Group and the Fund agreed to extend the term of the payment until April 30, 2021 (Note 22).

Receivable from customers
In 2017, certain trade receivables were reclassified as interest-bearing trade receivables after the Group and the customers agreed to extend the credit terms. These receivables bear interest of 5% per annum and will be repaid in five (5) years' time.

Details of the abovementioned receivables follow:

	Unaudited September 2020	Audited December 2019
Receivable from sale of investment properties		
Current portion	**₱21,222,188**	₱22,790,885
Noncurrent portion (Note 16)	**–**	–
Receivable from EEI RFI		
Current portion	**54,664,167**	55,000,000
Noncurrent portion (Note 16)	**23,000,000**	23,000,000
Interest-bearing trade receivables		
Current portion	**55,423,589**	35,174,525
Noncurrent portion (Note 16)	**14,184,151**	51,479,840

Receivable from sale of investment properties
On December 11, 2017, the Group sold a parcel of land located in Batangas for ₱466.7 million. Both parties agreed the selling price will be settled in eight (8) semi-annual installments and shall bear annual interest rate of 2%.

Receivables classified as "Others" consist of interest, commission, insurance and various receivables.

8. **Contract Assets and Liabilities**

Contract Assets

The Group presents contract receivable and retentions withheld by customer as contract assets as the Group's right for consideration is conditioned on the lapse of the defect and liability period and the receipt of customer certification that there are no defects on the constructed asset. These are reclassified as receivables upon the lapse of the defect and liability period and final customer acceptance.

The Group's contract assets amounted to ₱11.76 billion and ₱9.98 billion as of September 30, 2020 and December 31, 2019, respectively. The increase in this account is largely caused by construction works already performed by the Group.

Details of the Group's contract assets as of September 30, 2020 and December 31, 2019 are shown below (Note 17).

	September 30, 2020		
	Current	**Noncurrent** (Note 17)	**Total**
Contract asset	**₱10,823,665,000**	**₱937,941,267**	**₱11,761,606,267**

	December 31, 2019		
	Current	Noncurrent (Note 17)	Total
Contract asset	₱9,483,493,604	₱493,848,199	₱9,977,341,803

Contract Liabilities

Contract liabilities mainly consist of down payments received in relation to construction contracts, unearned tuition fees and accounts payable to students that will be recognized as revenue in the future as the Group satisfies its performance obligations. Payables to students are advance collections from students to be applied to the next school year.

Details of the Group's contract liabilities as of September 30, 2020 are shown below.

	Construction and Infrastructure	Education	Total
Current	₱1,154,123,495	₱1,120,439,704	₱2,274,563,199
Non-current	1,995,967,885	–	1,995,967,885
	₱3,150,091,380	₱1,120,439,704	₱4,270,531,084

The increase in the contract liabilities from construction and infrastructure is largely caused by the deposits and payments from new projects where the related performance obligation has not yet been performed. The increase in contract liabilities from education and information is due mainly from the unearned tuition fees from new subsidiaries acquired due to the merger of IPO and AEI in 2019.

9. **Inventories**

This account consists of:

	Unaudited September 2020	Audited December 2019
Construction materials	**₱1,701,850,822**	₱1,309,202,556
Merchandise	**714,697,848**	812,826,521
Real estate:		
Land and land development	**151,860,214**	152,110,988
Subdivision lots and contracted units for sale	**38,907,997**	44,305,060
Raw lands	**42,584,391**	43,121,391
	233,352,602	239,537,439
Spare parts and supplies	**108,008,626**	108,306,374
	2,757,909,898	2,469,872,890
Less: Allowance for inventory obsolescence	**107,038,462**	107,595,425
	₱2,650,871,436	₱2,362,277,465

The Group recognizes inventory write-down whenever the NRV of the existing inventories is lower than its cost.

The total cost of goods sold recognized in the Group's statements of comprehensive income amounted to ₱2.63 million, ₱4.88 million and ₱5.31 million in 2020, 2019 and 2018 respectively (Notes 26 and 27).

The rollforward of allowance for inventory obsolescence is as follows:

	Unaudited September 2020	Audited December 2019
Balance at beginning of year	**₱107,595,425**	₱96,442,347
Provisions (Note 29)	**–**	21,533,760
Reversals (Note 29)	**(556,963)**	–
Write-off	**–**	(10,380,682)
Balances at end of year	**₱107,038,462**	₱107,595,425

The summary of the movement in real estate inventories is set out below:

	Unaudited September 2020	Audited December 2019
Balances at beginning of year	**₱239,537,439**	₱274,748,124
Construction/development costs incurred	**9,919,514**	25,703,794
Cost of real estate sales	**(16,104,351)**	(60,914,479)
Transfer to property and equipment (Note 13)	**–**	–
Balances at end of year	**₱233,352,602**	₱239,537,439

A parcel of land with lot size of 183,316 sqm located in Tanza, Cavite previously classified as real estate inventory was transferred to property and equipment as this is being used by the Group to store its construction materials as of September 30, 2020 and December 31, 2019.

No inventories were pledged as security to obligations as of September 30, 2020 and December 31, 2019.

10. Prepaid Expenses and Other Current Assets

This account consists of:

	Unaudited September 2020	Audited December 2019
Advances to suppliers and contractors	**₱960,570,550**	₱925,755,733
Creditable withholding taxes	**822,663,881**	561,513,235
Prepaid expenses	**163,749,443**	143,786,446
Miscellaneous deposits	**119,098,156**	108,700,012
Input value added tax (VAT)	**64,962,886**	29,585,878
Advances to officers and employees	**60,703,128**	51,264,303
Restricted cash investment	**27,286,370**	27,006,721
Restricted funds	**21,029,868**	21,029,868
Unused office supplies	**11,907,994**	7,602,766
Prepaid taxes	**4,170,314**	10,012,749
Others	**115,363,190**	101,506,527
	2,371,505,780	1,987,764,238
Less allowance for impairment	**4,910,038**	4,910,038
	₱2,366,595,742	₱1,982,854,200

Advances to suppliers and contractors represent down payment to subcontractors for the contract work to be performed and advance payment for the purchase of various construction materials and machineries and equipment items.

Creditable withholding taxes pertain to the tax withheld at source by the Group's customer and is creditable against the income tax liability.

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

Miscellaneous deposits mainly represent the Group's refundable rental, utilities and guarantee deposits on various machinery and equipment items.

11. Equity Investments at Fair value through Other Comprehensive Income (FVOCI)

This account consists of:

	Unaudited September 2020	Audited December 2019
Quoted equity investments	**₱93,788,621**	₱107,292,675
Unquoted equity investments	**1,000,415,798**	1,040,481,131
	₱1,094,204,419	₱1,147,773,806

Rollforward analysis of the account follow:

	Unaudited June 2020	Audited December 2019
Balance at beginning of year	**₱1,147,773,806**	₱974,709,294
Additions	**–**	79,849,592
Disposals	**–**	(17,481,928)
Fair value changes recognized in other comprehensive income	**(53,569,387)**	110,696,848
Balance at end of year	**₱1,094,204,419**	₱1,147,773,806

In 2019 and 2018, the Group invested additional ₱79.8 million and ₱22.4 million, respectively, in various quoted and unquoted equity instruments.

In May 2019, IPO sold it shares in PetroEnergy Resources Corporation for ₱17.5 million and the loss on disposal was recorded at ₱1.3 million.

Movements in the fair value reserve recognized in other comprehensive income are as follows:

	Unaudited September 2020	Audited December 2019
Attributable to equity holders of the parent:		
Balance at beginning of year	**₱311,094,152**	₱259,855,707
Income recognized in OCI	**(67,259,492)**	51,238,445
Balance at end of year	**243,834,660**	311,094,152
Non-controlling interests:		
Balance at beginning of year	**240,945,407**	202,090,420
Income recognized in OCI	**34,148,493**	38,854,987
Balance at end of year	**275,093,900**	240,945,407
	₱518,928,560	₱552,039,559

The Group elected to present the fair value changes of all its equity investments in other comprehensive income because it does not intend to hold these investments for trading.

The fair value of the Group's unquoted equity investments is either determined using the adjusted net asset approach wherein the assets are adjusted from cost to their fair value or using the discounted cash flow model. The valuation was performed by an independent SEC-accredited appraiser/third party professional services firm as of December 31, 2019.

Dividends earned from equity investments at FVOCI amounted to P15.70 million and ₱28.59 million in 2020 and 2019, respectively. Dividends earned from AFS financial assets amounted to ₱0.09 million and ₱0.42 million in 2020 and 2019, respectively.

No equity investments at fair value through other comprehensive income (FVOCI) were pledged as security to obligations as of September 30, 2020 and December 31, 2019.

12. Investments in Associates and Joint Venture

The rollforward analysis of this account follows:

	Unaudited September 2020	Audited December 2019
Acquisition cost:		
Balances at beginning of year	**₱4,841,636,714**	₱4,622,763,779
Additions	**450,000**	261,944,096
Reclassification	**–**	(43,071,161)
Balance at end of year	**4,842,086,714**	4,841,636,714
Accumulated impairment loss	**74,536,609**	74,536,609
Accumulated equity in net earnings:		
Balance at beginning of year	**1,262,916,499**	742,132,503
Equity in net earnings	**773,268,428**	727,820,627
Reclassification	**(423,329,639)**	(14,936,750)
Dividends received	**(72,959,920)**	(192,099,881)
Balance at end of year	**1,539,895,368**	1,262,916,499
Subtotal	**6,307,445,473**	6,030,016,604
Share in other comprehensive income of an associate	**13,862,510**	55,887,540
Cumulative translation adjustment	**61,008,100**	107,147,212
	₱6,382,316,083	₱6,193,051,356

As of September 30, 2020, and December 31, 2019, no investments in associates were pledged as security to obligations.

13. Property and Equipment

Property and equipment at revalued amount
Movements in the revalued land are as follows:

	Unaudited September 2020	Audited December 2019
Balance at beginning of year	**₱9,185,924,384**	₱7,023,425,494
Additions:		
Acquisition	**–**	2,038,084,517
Appraisal increase	**–**	124,414,373
Capitalizable costs	**5,001,098**	–
Balance at end of year	**₱9,190,925,482**	₱9,185,924,384

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

The Parent Company owns a parcel of 7,304 sqm land located in Quezon Avenue, Quezon City wherein the car dealership showroom was erected.

Property and equipment at cost

The rollforward analysis of this account follows:

	Unaudited September 2020	Audited December 2019
At Cost		
Land, Buildings and Improvements	**₱5,994,999,370**	₱5,960,522,318
Machinery, Tools and Construction Equipment	**5,610,596,422**	6,252,252,633
Furniture, Fixtures and Office Equipment	**1,318,868,884**	1,438,748,721
Transportation and Service Equipment	**3,029,101,474**	2,893,989,150
	15,953,566,150	16,545,512,822
Less: Accumulated Depreciation	**(8,956,357,426)**	(8,614,354,793)
	6,997,208,724	7,931,158,029
Construction in Progress	**1,534,677,470**	877,759,524
Net book value at Cost	**₱8,531,886,194**	₱8,808,917,553

Construction in progress mainly includes the general cost of construction of MCI's school building in Makati City and other direct cost.

14. **Goodwill**

The carrying amount of goodwill allocated to each of the CGUs follows:

	Unaudited September 2020	Audited December 2019
EEI Corporation and Subsidiaries	**₱300,859,305**	₱300,859,305
IPO	**32,644,808**	32,644,808
Malayan Education System, Inc. (MESI) (formerly Malayan Colleges, Inc.)	**137,853,346**	137,853,346
Business combination of IPO and AEI	**13,472,260**	13,472,260
	₱484,829,719	₱484,829,719

Assets acquired from AEI includes investments in the following subsidiaries:

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

The goodwill arising from the merger between IPO and AEI on May 2, 2019 amounted to ₱13.47 million.

15. Investment Properties

The rollforward analysis of this account follows:

	Unaudited September 2020		
	Land Held for Capital Appreciation	**Condominium Units and Parking Slots**	**Total**
Cost			
Balances at beginning of year	**₱17,211,238**	**₱4,392,917**	**₱21,604,155**
Disposals	**(669,000)**	**–**	**(669,000)**
Balances at end of year	**16,542,238**	**4,392,917**	**20,935,155**
Accumulated Depreciation			
Balances at beginning of year	**–**	**3,915,137**	**3,915,137**
Depreciation (Note 29)	**–**	**–**	**–**
Disposals	**–**	**–**	**–**
Balances at end of year	**–**	**3,915,137**	**3,915,137**
Net Book Value	**₱16,608,238**	**₱477,780**	**₱17,020,018**

	Audited December 2019		
	Land Held for Capital Appreciation	Condominium Units and Parking Slots	Total
Cost			
Balances at beginning of year	₱17,399,238	₱4,742,917	₱22,142,155
Disposals	(188,000)	(350,000)	(538,000)
Balances at end of year	17,211,238	4,392,917	21,604,155
Accumulated Depreciation			
Balances at beginning of year	–	3,985,137	3,985,137
Depreciation (Note 29)	–	17,500	17,500
Disposals	–	(87,500)	(87,500)
Balances at end of year	–	3,915,137	3,915,137
Net Book Value	₱17,211,238	₱477,780	₱17,689,018

Investment properties represent various parcels of land, condominium units and parking slots held for capital appreciation and rental, respectively.

None of the investment properties were pledged as a security to obligations as of September 30, 2020 and December 31, 2019.

16. **Other Noncurrent Assets**

This account consists of:

	Unaudited September 2020	Audited December 2019
Contract asset- net of current portion (Note 8)	**₱937,941,267**	₱493,848,199
Intellectual property rights (Note 16)	**523,103,000**	523,103,000
Deferred input VAT	**156,136,675**	181,103,198
Student relationship (Note 16)	**84,402,479**	101,135,343
Miscellaneous deposit	**30,321,502**	27,489,054
Receivable from EEI-RFI - net of current portion (Notes 7)	**23,000,000**	23,000,000
Interest-bearing trade receivables- net of current portion (Note 7)	**14,184,151**	51,479,840
Computer software	**13,406,126**	15,872,318
Deposit for future subscription of shares of stock	**–**	450,000
Others	**97,049,390**	88,043,443
	₱1,879,544,590	₱1,505,524,395

Intellectual property rights and student relationship are the intangible assets acquired in May 2019 through the merger between IPO and AC Education, Inc. (AEI), the wholly owned education arm of Ayala Corporation (Note 15).

Miscellaneous deposits include rental and security deposits.

Rollforward of computer software follows:

	Unaudited September 2020	Audited December 2019
Cost		
Balance at the beginning of the year	**₱139,735,882**	₱131,540,217
Additions	**3,459,547**	8,195,665
Balance at the end of the year	**143,195,429**	139,735,882
Accumulated Amortization		
Balance at the beginning of the year	**123,863,564**	117,241,991
Amortization (Note 30)	**5,925,739**	6,621,573
Balance at the end of the year	**129,789,303**	123,863,564
Net Book Value	**₱13,406,126**	₱15,872,318

17. **Accounts Payable and Accrued Expenses**

This account consists of:

	Unaudited September 2020	Audited December 2019
Accounts payable	**₱7,675,031,938**	₱7,215,918,280
Accrued expenses	**412,999,730**	334,851,087
Deferred output taxes	**338,014,868**	470,071,993
Provisions (Note 33)	**154,307,388**	154,307,388
Withholding taxes and others	**88,995,493**	82,850,499
Output tax payable	**34,752,461**	69,703,441
Dividends payable	**25,727,830**	378,640
SSS and other contributions	**17,887,220**	10,937,385
Subscriptions payable	**13,125,000**	13,125,000
Chattel mortgage payable	**9,808,184**	12,906,807
Deferred income	**3,619,858**	2,348,003
Payable to Land Transportation Office	**3,600,584**	4,427,438
Others	**54,350,882**	50,086,077
	₱8,832,221,436	₱8,421,912,038

Accounts payable pertains to the Group's obligation to local suppliers. The normal trade credit terms of accounts payable and accrued expenses of the Group are expected to be settled within the next twelve (12) months.

Accrued expenses consist of:

	Unaudited September 2020	Audited December 2019
Accrued salaries and wages	**₱121,338,333**	₱99,784,432
Accrued interest	**62,723,512**	25,193,482
Accrued professional fees	**36,633,283**	15,210,248
Accrued insurance	**26,764,598**	24,387,237
Accrued security services	**24,557,773**	10,673,278
Accrued utilities	**5,289,635**	8,453,023
Others	**135,692,596**	151,149,387
	₱412,999,730	₱334,851,087

Other accrued expenses mainly consist of accrual for professional fees, outside services, utilities and other expenses that are expected to be settled within one year.

Provisions were provided for claims by third parties in the ordinary course of business. As allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only a general description is provided as the disclosure of additional details beyond the present disclosures may prejudice the Group's position and negotiation strategies with respect to these matters.

Other noncurrent liabilities consist of:

	Unaudited September 2020	Audited December 2019
Retention payable - net of current portion	**₱209,419,557**	₱210,282,764
Others	**57,340,895**	58,382,880
	₱266,760,452	₱268,665,644

18. **Loans Payable**

This account consists of:

	Unaudited September 2020	Audited December 2019
Unsecured bank loans	**₱11,165,407,099**	₱8,085,000,000
Secured bank loans	**316,070,602**	308,800,000
	₱11,481,477,701	₱8,393,800,000

Unsecured

Unsecured bank loans are obtained from local banks and related party financial institutions with annual interest rates ranging from 3.86% to 5.25% and 3.40% to 6.25% in 2020 and 2019, respectively.

Movements in loans payable during the periods ended are as follows:

	Unaudited September 2020	Audited December 2019
Beginning balance	**₱8,393,800,000**	₱10,519,000,000
Availments	**10,744,057,701**	15,760,000,000
Payments	**(7,656,380,000)**	(17,885,200,000)
Ending balance	**₱11,481,477,701**	₱8,393,800,000

19. **Long-term Debt**

This pertains to the long-term debt of the following companies:

	Unaudited September 2020	Audited December 2019
Parent Company		
Peso-denominated five (5) year term loan, payable in twenty (20) equal quarterly installments starting March 2016 with interest of 5.11% per annum	**₱25,000,000**	₱100,000,000
EEI		
Fixed-rate corporate promissory notes with interest rate of 4.80% per annum	**1,535,714,285**	2,446,428,571
EEI Power		
Peso-denominated seven (7) year term loan, payable in equal quarterly installments and will mature on August 27, 2022 with interest of 4.80% per annum.	**142,857,143**	196,428,571
BIOTECH JP		
Yen-denominated five (5) year, 4.5-year term and 6 months term loan, with interest rate of 0.05% per annum, 0.30% per annum and 2.45% per annum, respectively	**86,343,088**	78,928,577
IPO		
Ten (10) year unsecured term loan, payable in 28 quarterly payments starting May 2022	**380,000,000**	380,000,000
Ten (10) year secured term loan, payable in 20 equal quarterly installments to start at the end of 21st quarter from the initial drawdown	**1,491,681,960**	1,489,903,407
	3,661,596,476	4,691,689,126
Less current portion of long-term debt	**1,058,261,842**	1,385,714,285
	₱2,603,334,634	₱3,305,974,841

Movements in the account follow:

	Unaudited September 2020	Audited December 2019
Balance at beginning of year	**₱4,691,689,126**	₱2,795,238,096
Availments	**9,193,063**	2,862,403,404
Payments	**(1,039,285,713)**	(965,952,374)
Balance at end of year	**3,661,596,476**	4,691,689,126
Less current portion	**(1,058,261,842)**	(1,385,714,285)
	₱2,603,334,634	₱3,305,974,841

The aforementioned loans require the Group to maintain certain financial ratios such as debt to equity ratio, current ratio and debt service coverage ratio. As of September 30, 2020, and December 31, 2019, the Group was in compliance with the loan covenants.

20. Retained Earnings

On December 31, 2019 and 2018, the Company's BOD approved additional appropriation of retained earnings amounting to ₱400 million and ₱2,100 million, respectively, for planned investments and business expansion that the Parent Company intends to carry out for 2-3 years.

Retained earnings include ₱2,524.4 million as of September 30, 2020 and December 31, 2019, respectively, representing treasury shares, appropriated retained earnings and deferred tax assets that are not available for dividend declaration. After reconciling items, the retained earnings of the Parent Company that are available for dividend declaration amounted to ₱1,290.7 million and ₱1,305.4 million as of September 30, 2020 and December 31, 2019, respectively.

Under the Tax Code, publicly-held Corporations are allowed to accumulate retained earnings in excess of capital stock and are exempt from improperly accumulated earnings tax.

Restrictions

The Group's retained earnings include accumulated earnings of subsidiaries, associate and joint venture amounting to ₱5,859.6 million and ₱6,305.9 million as of September 30, 2020 and December 31, 2019, respectively, not declared as dividends to the Group. Accordingly, these are not available for dividend declaration.

As of September 30, 2020, and December 31, 2019, Group's retained earnings is restricted to payment of dividends to the extent of the cost of shares held in treasury and deferred tax asset amounting to ₱24.4 million and ₱16.1 million, respectively.

21. Capital Stock

The authorized preferred stock is 2,500,000,000 shares at ₱0.40 par value. A reconciliation of the number of preferred shares outstanding as at September 30, 2020, December 31, 2019 and 2018 follows:

	2020		2019		2018	
	Amount	**Shares**	Amount	Shares	Amount	Shares
Beginning of the year	**₱6,710,402**	**16,776,001**	247,414,156	618,535,387	₱253,758,109	634,395,272
Redemption of preferred stock	**(6,710,402)**	**(16,776,001)**			(6,343,953)	(15,859,885)
Conversion of preferred stock to common stock	–	–	(240,703,754)	(601,759,386)	–	–
	₱–	–	₱6,710,402	16,776,001	₱247,414,156	618,535,387

The authorized common stock is 1,250,000,000 shares at ₱1.50 par value. A reconciliation of the number of common shares outstanding as at September 30, 2020 and December 31, 2019 and 2018 follows:

	2020		2019		2018	
	Amount	**Shares**	Amount	Shares	Amount	Shares
Beginning of the year	**₱1,165,147,926**	**776,765,281**	₱924,444,172	616,296,114	₱924,444,172	616,296,114
Treasury stock	**(2,607,600)**	**(300,000)**	(2,607,600)	(300,000)	(2,607,600)	(300,000)
Conversion of preferred stock	–	–	240,703,754	160,469,167	–	–
	₱1,162,540,326	**776,465,281**	₱1,162,540,326	776,465,281	₱921,836,572	615,996,114

On May 24, 2013, the Parent Company repurchased 300,000 shares held as treasury stock at ₱8.69 per share for ₱2.61 million.

Details of the capital redemption and conversion follow:

Date of Redemption	Amount		Record Date	Payment Date
March 30, 2020	₱6,710,402	₱0.40	April 27, 2020	May 20, 2020
April 6, 2018	₱6,343,953	₱0.40	May 3, 2018	May 30, 2018
March 31, 2017	₱7,020,070	₱0.40	April 28, 2017	May 21, 2017
July 21, 2017	6,844,569	0.40	August 18, 2017	September 12, 2017
September 29, 2017	6,673,454	0.40	October 27, 2017	November 24, 2017
December 8, 2017	6,506,618	0.40	January 4, 2018	January 30, 2018
	₱27,044,711			

The Parent Company's preferred shares have the following features:

a) Entitled to dividends at the rate of average 91-day T-Bill plus two percent;
b) Fully participating as to distribution of dividends;
    a. Convertible into common shares at the option of the holders thereof from the date of issue at the conversion rate of 3 and 3/4 preferred shares to 1 common share for a price of ₱1.50 per common share subject to adjustments;
c) Redeemable at any one time or from time to time, at the option of the BOD of the Parent Company, subject to availability of funds; and
d) With voting rights and preferences as to assets upon dissolution of the Parent Company over common shareholders.

Below is the summary of the outstanding number of shares and holders of security as at September 30, 2020:

Year	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities
Preferred shares:				
January 31, 2018	634,395,272			48
Movement	(15,859,885)	0.40	April 6, 2018	
December 31, 2018	618,535,387			48
Movement	(601,759,386)			
December 31, 2019	16,776,001			42
Movement	16,776,001			
September 30, 2020	–			
Common Shares:				
January 31, 2018	615,996,114			394
No Movement	–	–		
December 31, 2018	615,996,114			386
Movement	160,469,167			
December 31, 2019	776,465,281			384
Movement	–			
September 30, 2020	**776,465,281**			**385**

SEC approved the registration of the Parent Company's authorized capital stock before its listing date with the PSE, which was on July 2, 1962. The actual number of shares initially listed were 584,085 at an offer price of ₱10.0 per share. Total number of common shareholders was at 385, as of September 30, 2020.

22. **Cash Dividends**

Cash Dividends

The BOD declared cash dividends in 2020, 2019 and 2018 as follows:

		Amount per share			
Date of BOD Approval	**Amount**	**Preferred Shares**	**Common Shares**	**Record Date**	**Payment Date**
March 30, 2020	₱86,529	₱0.00515	₱–	April 27, 2020	May 20, 2020
April 5, 2019	₱4,688,498	₱0.00758	₱–	May 2, 2019	May 28, 2019
July 19, 2019	4,459,640	0.00721	–	August 15, 2019	September 10, 2019
July 19, 2019	50,758,965	0.01733	0.065	August 15, 2019	September 10, 2019
October 4, 2019	3,349,141	0.005415	–	October 31,2019	November 20, 2019
December 6, 2019	85,860	0.005118	–	January 2, 2020	January 28, 2020
	₱63,342,105				
April 6, 2018	₱2,949,050	₱0.005	₱–	May 3, 2018	May 29, 2018
July 20, 2018	3,342,256	0.005	–	August 16, 2018	September 11, 2018
July 20, 2018	50,758,966	0.017	0.065	August 16, 2018	September 11, 2018
September 28, 2018	3,273,289	0.005	–	October 25, 2018	November 21, 2018
December 18, 2018	4,449,125	0.007	–	January 11, 2019	February 6, 2019
	₱64,772,686				

23. **Earnings Per Share**

Basic and diluted earnings per share amounts attributable to equity holders of the Group are computed as follows:

Unaudited basic earnings per share

	January to September 30		
	2020	2019	2018
Net income attributable to equity holders of parent company	**(₱419,720,465)**	₱704,124,067	₱836,604,742
Less dividends attributable to preferred shares (Note 21)	**86,529**	19,867,357	20,283,813
Net income applicable to common shares	**(419,806,994)**	684,256,710	816,320,929
Divided by the weighted average number of common shares	**776,465,281**	616,007,349	615,996,114
Basic earnings per share	**(₱0.5407)**	₱1.1108	₱1.3252

Unaudited diluted earnings per share

	January to September 30		
	2020	2019	2018
Net income applicable to common shares	**(419,806,994)**	684,256,710	816,320,929
Add dividends attributable to preferred shares	**86,529**	19,867,357	20,283,813
Net income applicable to common shares for diluted earnings per share	**(419,720,465)**	704,124,067	836,604,742
Weighted average number of common shares	**776,465,281**	616,007,349	615,996,114
Dilutive shares arising from convertible preference shares	–	164,931,534	164,942,770
Weighted average number of common shares for diluted earnings per share	**776,465,281**	780,938,883	780,938,884
Diluted earnings per share	**(₱0.5406)**	₱0.9016	₱1.0713

24. **Revenue from Contracts with Customers**

Set out below is the disaggregation of the Group's revenue from contracts with customers for the period ended September 30, 2020, 2019 and 2018:

	January to September 30		
	2020	2019	2018
Revenue from construction contracts	**₱10,317,283,472**	₱15,313,113,469	14,594,055,901
Sales of goods	**2,801,576,938**	5,239,996,089	5,654,122,220
Sales of services	**1,304,969,427**	2,059,320,872	1,838,461,661
Schools and related operations	**2,187,878,848**	2,001,362,315	1,274,987,290
	₱16,611,708,685	₱24,613,792,745	₱23,361,627,072

25. **Other Income**

This account consists of:

	January to September 30		
	2020	2019	2018
Interest income	**₱24,637,768**	₱ 51,279,129	₱40,312,102
Dividend income	**16,178,323**	29,015,498	726,350
Rental income	**13,220,938**	22,813,677	14,858,751
Gain on sale from property and equipment	**11,708,283**	3,330,885	19,921,741
Insurance income	**–**	–	15,417,516
Tax refund/discount	**–**	762,369	–
Reversal of provision	**–**	–	6,017,289
Commission income	**–**	–	1,711,761
Foreign exchange gain (loss)	**(40,239,107)**	(13,574,385)	81,523,509
Miscellaneous	**16,221,524**	35,524,586	55,696,098
	₱41,727,729	₱129,151,759	₱236,185,117

Administrative fee pertains to fees received by the Parent Company as compensation for the services they performed as a third party for the processing of bills of PLDT, SMART and regular purchases of its affiliates in the Yuchengco Group of Companies (YGC). Effective 2018, administrative fees were recognized under revenue from contracts with customers.

Interest income consists of income from:

	January to September 30		
	2020	2019	2018
Cash in banks and short-term investments	**₱18,415,820**	₱29,345,390	₱10,991,597
Installment contract receivable	**1,426,747**	9,200,942	19,626,469
Receivable from EEI-RFI	**–**	4,502,604	6,022,321
Others	**4,795,201**	8,230,193	3,671,715
	₱24,637,768	₱51,279,129	₱40,312,102

Miscellaneous include income from sale of sludge and used oil and rebate from purchase of fuel, among others.

26. Costs of Sales and Services

This account consists of:

	January to September 30		
	2020	2019	2018
Cost of services (Note 28)			
Cost of construction contracts	**₱11,042,157,461**	₱13,284,526,417	₱12,799,529,865
Cost of manpower and other services	**853,798,671**	1,363,231,035	1,258,353,578
	11,895,956,132	14,647,757,452	14,057,883,443
Cost of goods sold			
Cost of merchandise sold (Note 27)	**2,615,660,169**	4,859,603,754	5,278,701,987
Cost of real estate sold	**16,104,351**	25,697,265	28,437,470
	2,631,764,520	4,885,301,019	5,307,139,457
Cost of school and related operations (Note 27)	**1,499,491,608**	1,379,564,171	941,681,196
	₱16,027,212,260	₱20,912,622,642	₱20,306,704,096

27. Costs of Merchandise Sold

This account consists of:

	January to September 30		
	2020	2019	2018
Inventory, beginning	**₱2,150,097,182**	₱2,446,781,331	₱ 809,783,825
Purchases	**2,877,183,504**	5,216,344,485	5,804,447,657
Total goods available for sale	**5,027,280,686**	7,663,125,816	6,614,231,482
Less inventory end	**2,417,518,834**	2,813,695,172	1,341,435,106
Cost of inventories sold	**2,609,761,852**	4,849,430,644	5,272,796,376
Personnel expenses	**3,781,562**	6,526,324	3,765,204
Others	**2,116,755**	3,646,786	2,140,407
	₱2,615,660,169	₱4,859,603,754	₱5,278,701,987

28. Costs of Services

This account consists of:

	January to September 30		
	2020	2019	2018
Cost of construction contracts			
Labor	**₱3,437,525,761**	₱6,268,364,307	₱4,883,615,205
Materials	**3,180,125,170**	2,998,408,418	1,876,549,541
Equipment costs and others	**4,034,453,346**	3,710,549,471	5,645,931,912
Depreciation and amortization	**390,053,184**	307,204,221	391,464,007
	11,042,157,461	13,284,526,417	12,797,560,665
Cost of manpower and other services			
Personnel expenses	**477,703,031**	605,155,817	571,120,901
Materials	**91,401,608**	257,231,972	228,603,202
Parts and accessories	**178,212,515**	345,477,945	325,637,203
Depreciation and amortization	**3,445,915**	392,123	684,356
Others	**103,035,602**	154,973,178	134,277,116
	853,798,671	1,363,231,035	1,260,322,778
	₱11,895,956,132	₱14,647,757,452	₱14,057,883,443

29. Tuition and other fees

This amount consists of:

	January to September 30		
	2020	2019	2018
Personnel expenses	**₱787,718,364**	₱634,119,719	₱445,069,722
Depreciation and amortization	**282,452,722**	183,259,701	146,993,265
Management and other professional fees	**107,643,307**	102,746,989	84,884,530
Student-related expenses	**75,018,229**	139,492,827	79,522,236
Utilities	**51,220,057**	91,514,178	62,124,515
Periodicals	**63,155,731**	24,094,883	15,717,102
IT Expense - Software License	**43,803,945**	32,886,034	25,333,168
Tools and library books	**19,224,147**	30,613,343	20,377,798
Accreditation cost	**10,030,229**	11,310,641	6,741,739
Advertising	**9,344,949**	11,166,594	6,041,224
Repairs and maintenance	**9,101,855**	20,935,795	11,622,838
Research and development	**7,894,570**	10,541,304	8,267,622
Insurance	**7,402,873**	7,954,555	4,286,767
Taxes and licenses	**6,934,822**	1,874,743	1,254,282
Seminar	**5,464,888**	13,320,907	11,585,750
Office supplies	**4,870,827**	10,950,554	5,888,716
Laboratory supplies	**3,452,771**	5,095,290	3,126,133
Entertainment, amusement and recreation	**891,910**	1,499,594	107,890
Transportation and travel	**710,950**	1,332,871	1,044,158
Rent	**218,218**	32,314,688	369,175
Miscellaneous	**2,936,244**	12,538,961	1,322,566
	₱1,499,491,608	₱1,379,564,171	₱941,681,196

30. General and Administrative Expenses

This account consists of:

	January to September 30		
	2020	2019	2018
Personnel expenses	**₱951,184,609**	₱807,546,352	₱691,794,739
Depreciation and amortization	**360,767,484**	295,896,857	165,684,722
Taxes and licenses	**158,727,671**	269,931,708	137,104,830
Rent, light and water	**82,982,250**	95,460,146	193,653,623
Advertising and promotions	**75,652,340**	112,017,898	56,991,259
Management and other fees	**69,133,131**	56,032,525	32,922,778
Securities and utilities	**57,004,059**	48,353,934	39,524,948
Transportation and travel	**55,462,548**	69,204,090	65,759,205
Professional fees	**52,214,108**	59,133,857	61,505,046
Provision (recovery) for probable losses	**41,688,335**	(20,972,349)	142,621,753
Insurance	**24,119,599**	22,450,485	17,766,513
Entertainment, amusement and recreation	**23,740,270**	39,943,307	36,573,232
Repairs and maintenance	**20,454,707**	59,516,980	32,932,071
Seminars	**16,236,936**	12,057,653	2,159,865
Commissions	**15,636,522**	15,953,260	17,675,268
Donations and contributions	**14,559,198**	13,103,360	4,301,760
Office expenses	**12,913,707**	20,357,324	16,686,015
Direct expenses	**11,398,043**	25,603,554	21,529,493
Accreditation cost	**-**	114,027	35,000
Provision (recovery) for inventory obsolescence	**-**	-	(800,000)
Miscellaneous	**169,758,514**	165,516,231	136,152,203
	₱2,213,634,031	₱2,167,221,199	₱1,872,574,323

Miscellaneous expense includes dues and subscriptions, periodicals, training and seminar, bank charges, legal and notarial fees and other contracted services.

31. Depreciation and amortization

This account consists of:

	January to September 30		
	2020	2019	2018
Cost of construction contracts (Note 28)	**₱390,053,184**	₱307,204,221	₱ 391,464,007
General and administrative expenses (Note 30)	**360,767,484**	295,896,857	165,684,722
Cost of school and related operations (Note 29)	**282,452,722**	183,259,701	146,993,265
Cost of manpower and other services (Note 28)	**3,445,915**	392,123	684,356
	₱1,036,719,305	₱786,752,902	₱704,826,350

32. Interest and Finance Charges

This account consists of:

	January to September 30		
	2020	2019	2018
Loans payable	**₱338,087,358**	₱486,546,910	₱207,085,668
Long-term debt	**107,536,080**	54,274,077	89,524,239
Interest on lease liabilities	**79,834,507**	54,001,892	-
Advances to affiliates and other finance charges	**7,878,183**	6,621,650	2,860,729
	₱533,336,128	₱601,444,529	₱299,470,636

33. Contingencies and commitments

Provisions and Contingencies

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

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

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

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

   As at December 31, 2018, total accumulated payments to faculty members amounted to ₱230.78 million. Management assessed that the liability already prescribed after applying the 10-year prescription period which ended in March 2018 (Note 17).

34. Noncontrolling Interest

Noncontrolling interest in consolidated subsidiaries represents shareholdings in subsidiaries not held by the Group.

Dividends paid to noncontrolling interest in consolidated subsidiaries amounted to ₱37.96 million, ₱122.00 million and ₱42.05 million as at September 30, 2020, 2019 and 2018, respectively.

Material Partly-Owned Subsidiaries
In May 2019, the Parent Company sold the 281,642 shares of Malayan Education Systems, Inc. (MESI) to IPO, which represents 7% ownership in MESI. With this acquisition, MESI became 100% indirectly-owned subsidiary of the Parent Company through IPO. Subsequently, IPO issued 295,329,976 common shares from its unissued capital stock to AC, the parent company of AEI, in exchange for the merger of IPO and AEI, with IPO being the surviving corporation. Upon merger, the Parent Compay's ownership interest over IPO was reduced from 67.34% to 48.18%. The non-controlling interest increased from 32.66% to 51.82% or an increase of ₱2.52 billion.

In February 2020 and March 2020, the Parent Company purchased additional 6,600,000 and 500,000 EEI shares for ₱56.0 million and ₱3.9 million at ₱8.50 and P7.80 per share, respectively, resulting to an increase in ownership interest from 54.65% to 55.34%. The non-controlling interest decreased from 45.35% to 44.66% or a decrease of ₱45.0 million.

In November 2019, the Parent Company purchased additional 3,000,000 EEI shares for ₱40.0 million or 10.32 per share resulting to an increase in ownership interest from 54.36% to 54.65%. The non-controlling interest decreased from 45.64% to 45.35% or a decrease of ₱40.38 million.

In March 2019, the Parent Company purchased additional 90,000 shares of LFPSI for ₱25.0 million resulting to an increase in direct ownership from 37.50% to 50.00%. The Parent Company's effective interest including its indirect ownership through MMPC is 63.00% in 2019. As a result, Parent Company has obtained control over LFPSI and started accounted for the investee as a subsidiary using consolidation method under PFRS 10. The non-controlling interest in 2019 is 27.00% or ₱38.45 million.

In July 2019, the Parent Company sold its 50% shares in ZIFC to various individuals amounting to ₱6.8 million resulting to a loss of ownership interest from 50% to 0%. The non-controlling interest disposed in 2019 is ₱12.10 million.

The Group recognized equity reserve from the changes in ownership without loss of control amounting to ₱1,821.7 million. This was included in "Equity reserve" representing the excess consideration paid for the carrying amount of the non-controlling interest.

35. **Other Matters**

a. In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 31, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

   <u>Risks and Impacts of COVID-19</u>
   The Group, in cooperation with the Yuchengco Group of Companies Business Continuity Management - Disaster Recovery Management ("YGC BCM-DRM) Council have taken the

necessary precautionary measures to mitigate the risks that may cause disruptions to its various businesses.

1. Risk to the health and safety of employees, clients, suppliers, and communities. House of Investments and its subsidiaries have adopted the Department of Health guidelines and regularly give advisories on COVID-19 precautionary measures to ensure compliance with the Inter-Agency directives on Community Quarantine. The Group has also adopted its own protocols, including, but not limited to regular and frequent disinfection of buildings and office premises, temperature checks at all entry points and restricting entry of visitors to office premises. To further minimize the risk of person-to-person transmission, the Group has limited the assembly of people by conducting meetings via video- and/or tele-conferencing. The Group also implemented a combination of Four-day Work Week and Work-from-Home arrangements while ensuring that service interruptions to its clients are minimized.

2. Disrupted business operations. The Group is compliant with national and local ordinances. To ensure minimal service interruptions and that its operations are not hampered, its various businesses have identified and designated essential and non-essential employees and wherever appropriate, have setup skeletal workforce.

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

   The Group's Property Management team enhanced their services being at the forefront of the crisis management operations. The team is working hand-in-hand with the YGC BCM-BRM Council on the Group's group-wide risk mitigation initiatives.

4. Disrupted supply chain management. The Group, its construction business in particular, is conducting assessments on all resources expected to come in and those expected to be ordered, particularly on the supply of resources coming from infected areas while taking into consideration the community quarantine declared in Metro Manila. In coordination with their respective planning groups, each business unit is working on making adjustments to minimize the impact of such disruption. This includes focusing on activities that have no issues with the supply of resources and looking for alternative suppliers from "virus-free" areas.

36. **Operating Segment Information**

For management purposes, the Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Segment financial information is reported on the basis that it is used internally for evaluating segment performance and allocating resources to segments.
The Group derives its revenues from the following reportable segments:

<u>Construction and Infrastructure</u> - mainly consists of revenues from EEI Corporation and subsidiaries as a general contractor and trader of construction equipment and parts. The subsidiaries of EEI are mainly involved in the provision for manpower services, construction, trading of equipment, power generation, steel fabrication, real estate and others.

<u>Property Services</u> - represents property and project management services of the Group.

<u>Education</u> - primarily consists of revenues from iPeople and its subsidiaries.

<u>Car Dealership</u> - represents automotive dealerships of the Group.

<u>Other Services</u> - represent support services which cannot be directly identified with any of the reportable segments mentioned above. These include sale of pharmaceutical products, trading of consumer goods and rendering various services to the consumers.

Segment assets and liabilities exclude deferred income tax assets and liabilities. Inter-segment income arises from transactions that were made on terms equivalent to those that prevail in an arm's-length transaction.

Management monitors construction revenue and segment net income for the purpose of making decisions about resource allocation. Segment performance is evaluated based on net income and construction revenue.

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

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

House of Investments Inc and Subsidiaries
Unaudited Operating Segment
For the Periods Ended September 30, 2020 and 2019 and December 31, 2018

	Construction and Infrastructure		**Car Dealership**		**Education**		**Property Services**		**Others**		**Eliminations**		**Consolidated**	
	2020	2019	**2010**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Revenues	**11,346,992,046**	16,837,049,737	**3,053,659,806**	5,695,976,770	**2,187,878,848**	2,001,362,315	**167,683,722**	194,331,098	**369,651,101**	563,493,853	**(514,156,837)**	(678,421,027)	**16,611,708,685**	24,613,792,745
Net Income (Loss)	**(912,135,976)**	800,418,084	**(248,547,513)**	(38,091,266)	**108,225,903**	147,226,120	**44,985,291**	67,652,015	**318,593,728**	1,196,668,323	**(133,124,072)**	(1,020,729,389)	**(822,002,640)**	1,153,143,887
Other Information														
Segment Assets	**29,489,597,223**	28,046,789,561	**2,861,600,357**	3,135,711,899	**16,984,660,258**	16,273,066,727	**266,895,607**	201,832,722	**5,552,809,106**	5,571,930,445	**(1,327,241,271)**	(1,233,568,114)	**53,828,321,279**	51,995,763,239
Segment Liabilities	**21,858,942,712**	19,442,012,828	**1,859,233,146**	1,855,841,320	**7,216,889,394**	6,540,273,990	**206,709,947**	151,632,393	**415,614,622**	584,016,738	**(173,299,767)**	(71,726,121)	**31,384,090,054**	28,502,051,147
Investments in Associates	**2,742,633,548**	2,654,532,769	-	-	-	-	**5,750,000**	5,750,000	**4,463,289,515**	4,403,319,515	**(829,356,980)**	(870,550,928)	**6,382,316,083**	6,193,051,356

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68 AS AMENDED

September 30, 2020

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

Below are the additional information and schedules required by SRC Rule 68, as Amended (2011), that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets in Equity Securities
The following is the detailed schedule of equity in investments at FVOCI as at September 30, 2020.

Name of Issuing Entities	Number of shares	Amount Shown in the Statement of Financial Position
Quoted:		
Sta Elena Golf Club Inc	3	₱16,500,000
Seafront Resources Corp - A	4,697,614	8,549,657
Philippine Long Distance Telephone Co.	38,867	6,545,884
Benguet Corporation - A	2,848,637	7,406,456
Manila Southwood Golf & Country Club	2	2,600,000
The Orchard Golf and Country Club	3	1,650,000
Rizal Commercial Banking Corp	64,986	1,072,269
Valle Verde Country Club	2	900,000
Solid Group, Inc.	340,000	333,200
Holcim Phils., Inc.	30,000	169,200
BDO Unibank, Inc.	2,550	219,938
Sherwoods Hills Golf Club	1	250,000
Fairways & Blue Water Resort Golf	1	250,000
Roxas Holdings Inc.	129,792	218,051
Club Filipino	1	180,000
Forest Hill golf share	1	180,000
Royale North Woods	1	121,856
Cebu Holdings, Inc.	15,625	93,750
Canyon Woods	1	70,000
Royale Tagaytay Country Club	1	60,000
Eagle Ridge Golf & Country Club	1	60,000
Lorenzo Shipping Corp	62,500	46,250
Filinvest Land, Inc.	24,687	22,465
BDO Leasing and Finance, Inc.	15,000	47,400
Roxas and Company Inc.	11,476	13,656
Empire East Land Holdings Inc.	32,430	8,756
Vitarich Corp	10,000	7,700

Lopez Holdings Corp.	154	351.12
Lepanto Consolidated Mining Co	28,982	2,968.00
Name of Issuing Entities	**Number of shares**	**Amount Shown in the Statement of Financial Position**
Unquoted:		
Hermosa Ecozone Development Corporation	1,000,000	₱517,097,533
Petrogreen Energy Corporation	258,144,888	464,163,305
Brightnote Assets Corporation	11,000,000	7,099,604
Sta. Elena Properties	1	8,475,548
YGC Corporate Services Inc	14,026	2,684,355
Tower Club (Philam Properties Corp)	1	500,000
Phil. Long Distance Tel-Pref. (Series V)	527	87,333
Integrated Properties	700	68,137
Menzi Industries	1,066	45,478
Architectural Center Club, Inc (ACCI)	1	32,000
Alsons Cement Corp.	37	18,750
Phillipne Contractors Association	10,000	10,000
RCBC Realty Corporation	169,999	8,232
Philippine Exporters Traiding Corp.	5,000	5,000
Menzi & Co., Inc.	106	4,522
Zamboanga Industrial Group		3,800
Pilipino Telephone Company	150	675
Others (LFPSI)		
Government Securities		6,483,147
Other Securities and Debt Instruments		31,787,005
Equity Securities	98,271	8,050,186
TOTAL	**278,769,109**	**₱1,094,204,419**

<u>Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)</u>
As at September 30, 2020, the Group has no receivable above P1 million or 1% of the total assets, whichever is lower.

<u>Schedule C. Amounts Receivable from/Payable to Related Parties which are eliminated during the Consolidation of Financial Statements</u>
Below is the schedule of receivables with subsidiaries, which are eliminated in the consolidated financial statements as at September 30, 2020:

Name and designation of debtor	**Balance at beginning of period**	**Additions**	**Amounts collected**	**Amounts written off**	**Balance at end of period**
Landev Corporation					
Due from affiliates	₱720,065	₱75,853,728	(₱1,525,555)	₱–	₱ 75,048,237
Dividends receivable	35,000,145	–	(5,000,000)	–	30,000,145
	35,720,210	75,853,728	(6,525,555)	–	105,048,382

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Balance at end of period
Greyhounds Security and Investigation Agency Corporation					
Due from affiliates	545,854	1,172,993	(1,292,489)	–	426,358
Investment Managers, Inc.					
Due from affiliates	₱441,975	₱3,488,957	(₱3,228,405)	–	₱702,527
Dividends receivable	–	–	–	–	–
	441,975	2,527,769	(1,546,424)	–	702,527
iPeople, inc. and subsidiaries					
Due from affiliates	7,341,817	145,775,010	(125,151,987)	–	27,964,840
Dividends receivable	–	35,209,553	35,209,553	–	–
	7,341,817	91,832,046	(81,081,085)	–	18,092,779
EEI Corporation and subsidiaries					
Due from affiliates	400,041	4,324,146	(4,076,571)	–	647,615
Dividends receivable	–	–	–	–	–
	400,041	1,562,469	(1,182,858)	–	647,615
La Funeraria Paz Sucat, Inc					
Due from affiliates	2,383,664	6,157,973	(8,077,411)	–	₱464,226
Dividends receivable	–	–	–	–	–
	2,383,664	6,157,973	(8,077,411)	–	464,226
Zambowood Realty and Development Corp					
Due from affiliates	1,742	122,774	(2,192)	–	122,324
Honda Cars Kalookan					
Due from affiliates	–	520,116	(202,561)	–	317,556
Zamboanga Carrier Inc					
Due from affiliates	2,543	142,186	–	–	144,729
Xamdu Motors, Inc.					
Due from affiliates	390	171,853	(740)	–	171,503
	₱46,838,235	₱274,419,561	(₱269,660,298)	–	₱ 51,597,498

These receivables are non-interest bearing and are expected to be settled within the next twelve months.

Schedule D. Intangible Asset - Other Noncurrent Assets

As at September 30, 2020, the Group's intangible assets consist of goodwill and computer software. Goodwill in the Group's consolidated statements of financial position arose from the acquisition of EEI and iPeople. Details of the Group's intangible assets are as follows:

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	₱484,829,719	₱–	₱–	₱–	₱–	₱484,829,719
Computer Software	15,872,318	3,459,547	(5,925,739)	–	–	13,406,126
	₱500,702,037	₱3,459,547	(5,925,739)	₱–	₱–	₱498,235,845

Schedule E. Long-term Debt

Below is the schedule of long-term debt of the Group:

Type of Obligation	**Amount**	**Current**	**Noncurrent**
Parent Company			
Peso-denominated five (5) year term loan, payable quarterly starting March 2016 with interest of 5.11% per annum	₱25,000,000	₱25,000,000	₱–
EEI			
Fixed-rate corporate promissory notes with effective interest of 4.8% per annum for seven (7) years	1,535,714,286	976,190,475	559,523,810
EEI Power			
Peso-denominated seven (7) year term loan, with interest of 5.0526% per annum inclusive of two-year grace period on principal amortization	142,857,143	53,571,429	89,285,714
Biotech JP			
Yen-denominated five (5) year, four and half (4.5) year term and six (6) month term loan, with interest rate of 0.05% p.a., 0.30% p.a. and 2.45% p.a., respectively	86,343,088	3,499,938	82,843,150
MCM			
Peso-denominated ten (10) year term loan, payable in 20 equal quarterly payments which will to start at the end of 21st quarter from the initial drawdown date. Interest is subject to quarterly repricing	1,491,681,960	–	1,491,681,960
NTC			
Peso-denominated ten (10) year term loan, payable in 28 quarterly payments starting May 2022 with interest subject to annual repricing based on higher of 5.5% or prevailing 1-year rate plus interest spread	₱380,000000	₱–	₱380,000,000
	₱3,661,596,477	₱1,058,261,842	₱2,603,334,634

Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)

As at September 30, 2020, the Group has no long-term loans from its related parties.

Schedule G. Guarantees of Securities of Other Issuers

There are no guarantees of securities of other issuing entities by the Group as at September 30, 2020.

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares held by related parties	Directors, Officers and Employees	Others
Common shares	1,250,000,000	776,465,281	487,289,351	2,286,920	286,889,010
Preferred shares	2,500,000,000	–	–	–	–

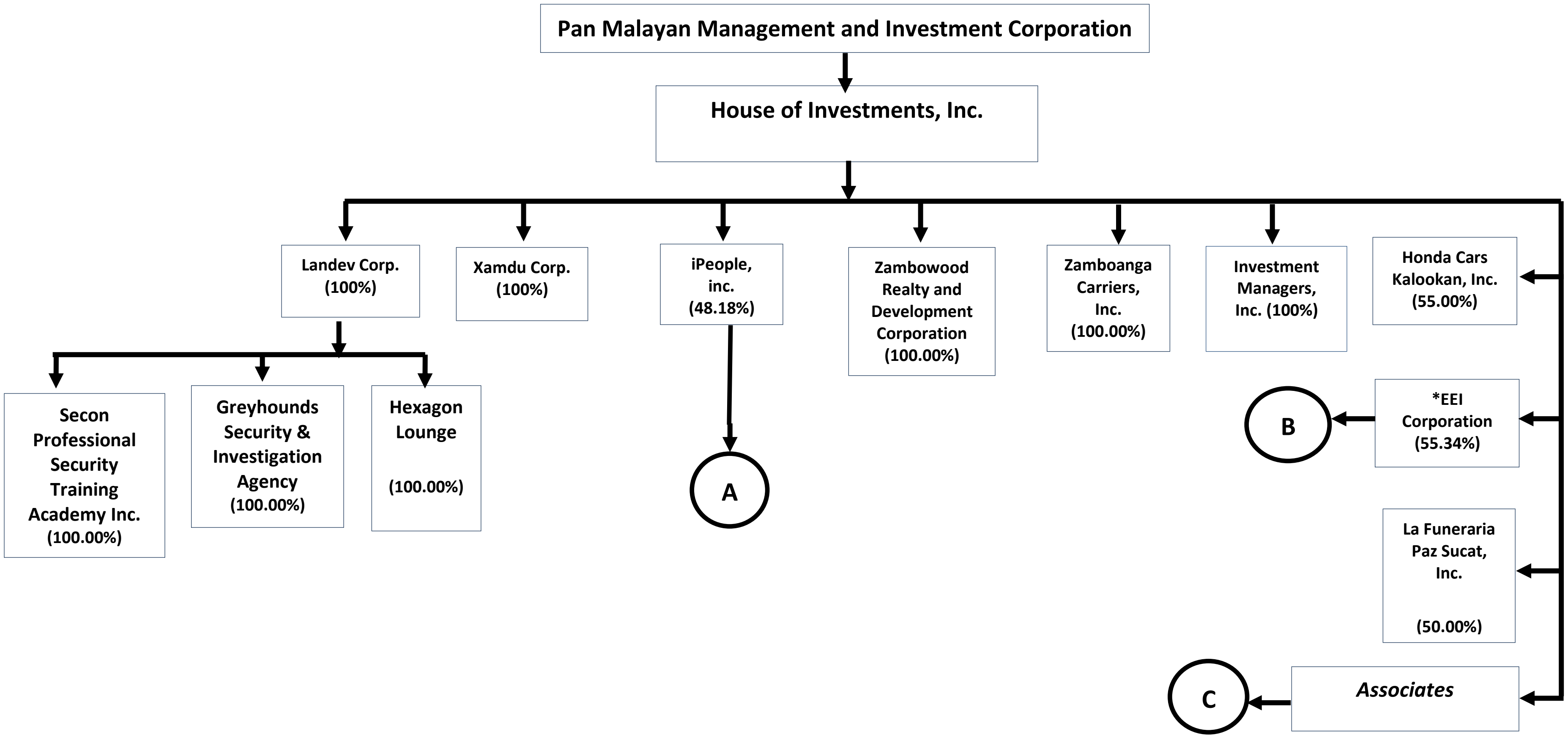
HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

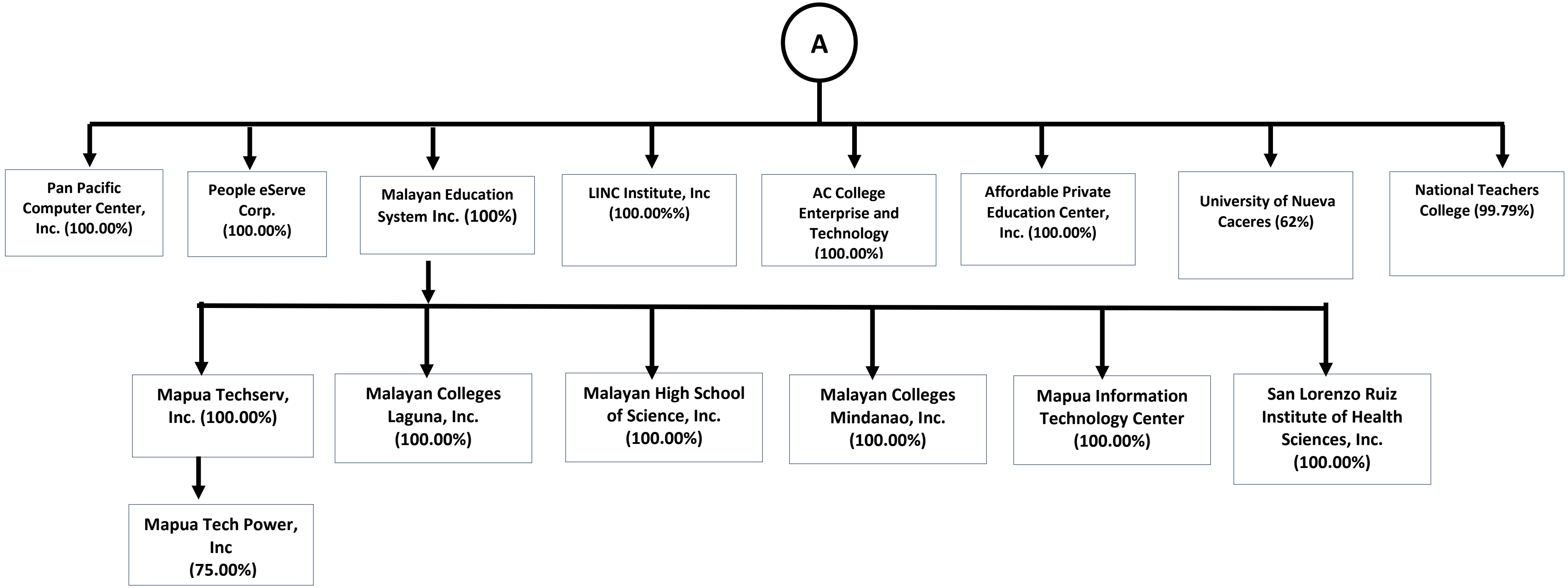
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE PERIOD ENDED SEPTEMBER 30, 2020

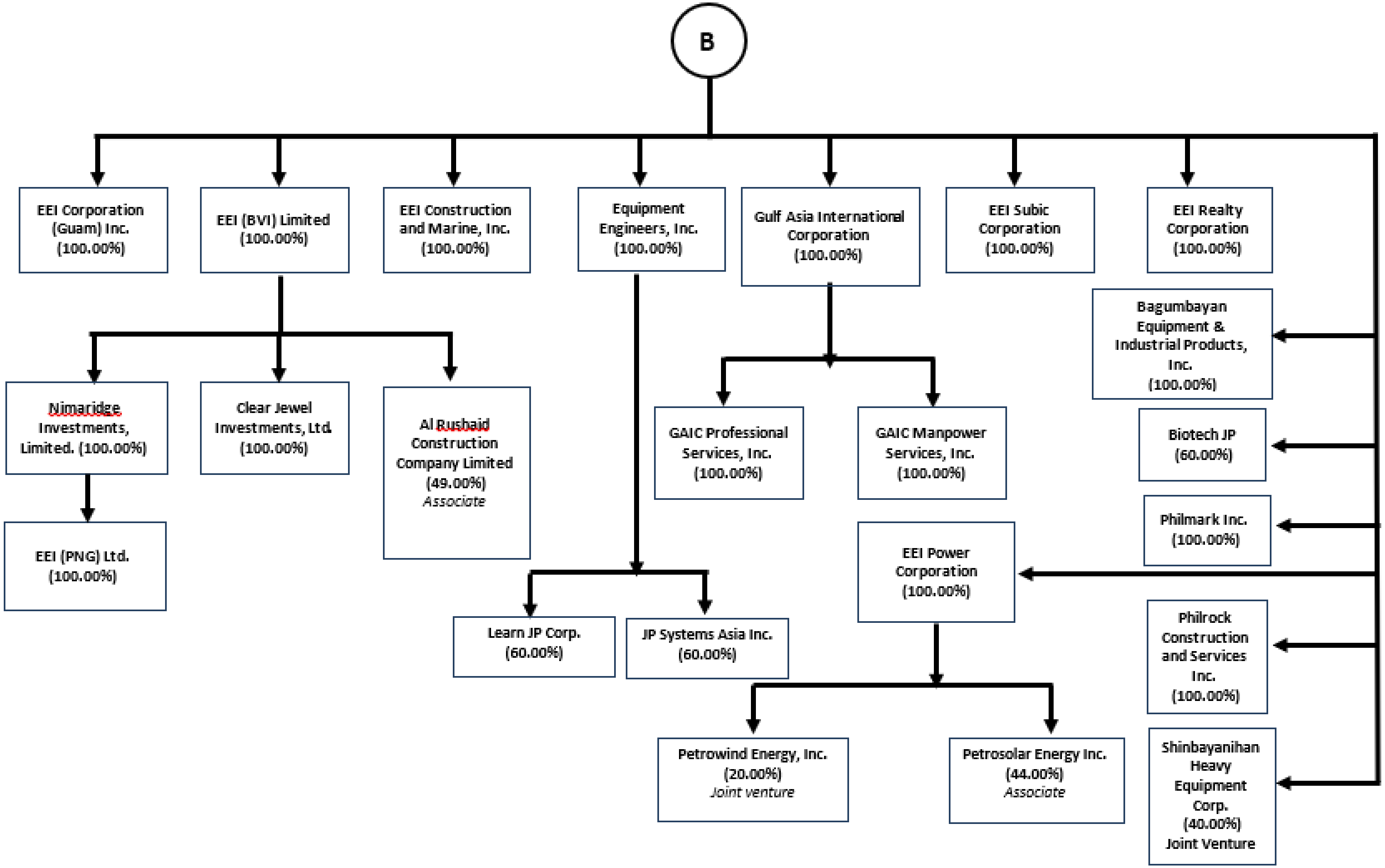
Unappropriated retained earnings, beginning	₱1,307,987,401
Less: Deferred tax asset	-
Treasury shares	(2,607,600)
Add: Impact of PFRS 16 adoption	-
Unappropriated retained earnings, as adjusted to amount available for dividend declaration, beginning	1,305,379,801
Appropriation	-
Net income during the year closed to retained earnings	(14,640,161)
Less movement in deferred tax asset that increased net income	-
Net income actually earned during the period	(14,640,161)
Dividend declared	(86,529)
UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, ENDING	₱1,290,653,111

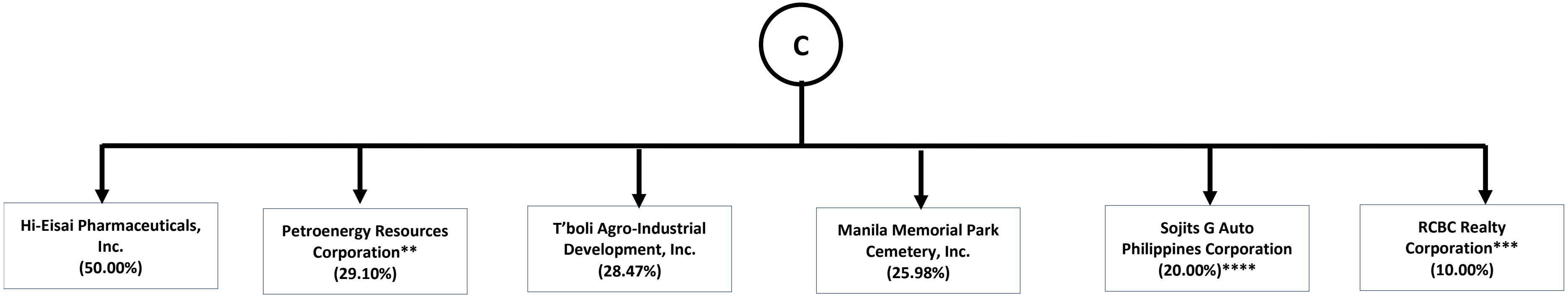
HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

Group Structure
Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of September 30, 2020:




A
Pan Pacific Computer Center, Inc. (100.00%)
People eServe Corp. (100.00%)
Malayan Education System Inc. (100%)
LINC Institute, Inc (100.00%%)
AC College Enterprise and Technology (100.00%)
Affordable Private Education Center, Inc. (100.00%)
University of Nueva Caceres (62%)
National Teachers College (99.79%)
Mapua Techserv, Inc. (100.00%)
Malayan Colleges Laguna, Inc. (100.00%)
Malayan High School of Science, Inc. (100.00%)
Malayan Colleges Mindanao, Inc. (100.00%)
Mapua Information Technology Center (100.00%)
San Lorenzo Ruiz Institute of Health Sciences, Inc. (100.00%)
Mapua Tech Power, Inc (75.00%)


B
EEI Corporation (Guam) Inc. (100.00%)
EEI (BVI) Limited (100.00%)
EEI Construction and Marine, Inc. (100.00%)
Equipment Engineers, Inc. (100.00%)
Gulf Asia International Corporation (100.00%)
EEI Subic Corporation (100.00%)
EEI Realty Corporation (100.00%)
Bagumbayan Equipment & Industrial Products, Inc. (100.00%)
Nimaridge Investments, Limited. (100.00%)
Clear Jewel Investments, Ltd. (100.00%)
Al Rushaid Construction Company Limited (49.00%) Associate
GAIC Professional Services, Inc. (100.00%)
GAIC Manpower Services, Inc. (100.00%)
Biotech JP (60.00%)
Philmark Inc. (100.00%)
EEI (PNG) Ltd. (100.00%)
EEI Power Corporation (100.00%)
Learn JP Corp. (60.00%)
JP Systems Asia Inc. (60.00%)
Philrock Construction and Services Inc. (100.00%)
Petrowind Energy, Inc. (20.00%) Joint venture
Petrosolar Energy Inc. (44.00%) Associate
Shinbayanihan Heavy Equipment Corp. (40.00%) Joint Venture



** In November 2019, Parent purchased additional 3 million shares resulting to an increased ownership interest from 54.36 to 54.65%. In February 2020 and March 2020, the Parent Company purchased additional 6,600,000 and 500,000 EEI shares for P56.0 million and P3.9 million at P8.50 and P7.80 per share, respectively, resulting to an increase in ownership interest from 54.65% to 55.34%.*

*** On February 21, 2013, significant influence was obtained through piecemeal acquisition. In 2014, the Group purchased additional 6.6 million shares of PERC increased ownership interest from 20.00% to 22.41%. In 2018, the Parent purchased additional 69,285,418 shares amounting to P332.6M from stock rights offering, which increased ownership to 28.36%. In 2019, Parent purchased additional 4.2 million shares resulting to an increased ownership to 29.10%*

**** On September 17, 2013, the Group acquired 10.00% ownership in RRC. The Group was able to exercise significant influence since it has the capacity to participate in the financial and operating decisions of RRC through common key management and representation to the Board of Directors*

*****On November 8, 2019, the Parent purchased 2,500,000 shares of Sojitz G Auto Philippines Corporation from Sojitz Corporation amounting to P50,000,000 equivalent to 20% ownership equity.*

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

AGING OF ACCOUNTS RECEIVABLE
FOR THE PERIOD ENDED SEPTEMBER 30, 2020

		No. of days due		
	TOTAL	**0-30**	**31-60**	**Over 61 days**
Construction	**₱3,051,191,087**	**₱1,353,148,000**	**₱306,513,000**	**₱1,391,530,087**
Car Dealership	**539,024,457**	**232,440,921**	**151,258,673**	**155,324,863**
Education	**1,352,267,979**	**1,136,688,979**	**107,199,000**	**108,380,000**
Parent and Others	**721,393,185**	**424,574,697**	**146,226,778**	**150,591,710**
Total	**5,663,876,708**	**3,146,852,597**	**711,197,451**	**1,805,826,660**
Less: Allowance for doubtful accounts	**(320,467,414)**	**–**	**–**	**(320,467,414)**
	₱5,343,409,294	**₱3,146,852,597**	**₱711,197,451**	**₱1,485,359,246**

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Makati on November 13, 2020.

IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this 13th day of November, 2020 at Makati City.

By:

Lorenzo V. Tan
President & CEO

Gema O. Cheng
EVP- COO, CFO & Treasurer

Maria Teresa T. Bautista
VP –Controller

Atty. Samuel V. Torres
Corporate Secretary

NOV 13 2020

SUBSCRIBED AND SWORN to before me this ____day of November, 2020, at MAKATI CITY. Affiant exhibited to me their Residence Certificate Numbers indicated below each name.

Names	Document No.	Date & Place of Issue/Expiration
Lorenzo V. Tan	P4549834A	09-29-2017 Manila / 09-28-2022
Gema O. Cheng	DL#N06-84-036923	12-14-2017 Mandaluyong / 12-08-2022
Maria Teresa T. Bautista	DL#6-92-094899	11-23-2017 Makati / 11-23-2022
Atty. Samuel V. Torres	DL#13-83-001463	11-08-2017 QC / 11-10-2022

Doc. No. 205;
Page No. 42;
Book No. 223;
Series of 2020

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