COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	5	3	9	3							

COMPANY NAME

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.hoi.com.ph	8815-9636 to 38	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
384	August 17	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Maria Teresa T. Bautista	mtbautista@hoi.com.ph	8815-9636	N/A

CONTACT PERSON's ADDRESS

3rd Floor, Grepalife Building, 219 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.*

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-A Annual Reports including attached consolidated financial statements for the years ended December 31, 2020, 2019 and 2018. We declare our commitment to submit versions of the exact same submitted documents to Securities and Exchange Commission once the Online Submission Tool (OST) uploading has been enabled.

Thank you.

Respectfully yours,

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

Outlook Search Sharon Fabi SF

Print Cancel

Fwd: HOUSE OF INVESTMENTS, INC._SEC Form 17-A Report (December 31, 2020)

MSRD COVID19 <msrd_covid19@sec.gov.ph>

Mon 5/17/2021 9:56 AM

To: [redacted]hoi.com.ph>

Cc: LOURVIC D. PACIS <ldpacis@sec.gov.ph>

1 attachments (4 MB)

2020 HI & Subsidiaries Conso SEC 17-A Report.pdf;

Dear Sir/Madam,

Acknowledging receipt of your email below with its attachments.

Thank you.

Regards,

MARKETS AND SECURITIES REGULATION DEPARTMENT
PHILIPPINE SECURITIES AND EXCHANGE COMMISSION

---------- Forwarded message ---------
From[redacted]@hoi.com.ph>
Date: Mon, May 17, 2021 at 9:52 AM
Subject: HOUSE OF INVESTMENTS, INC._SEC Form 17-A Report (December 31, 2020)
To: ICTD Submission <ictdsubmission@sec.gov.ph>, MSRD COVID19 <msrd_covid19@sec.gov.ph>
Cc: Maria Teresa Bautista <[redacted]@hoi.com.ph>, Ring Joven [redacted]@hoi.com.ph>

SECURITIES AND EXCHANGE COMMISSION
AMENDED SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE REVISED SECURITIES ACT AND SECTION 141
OF CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 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. **Manila, Philippines**
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. **9th Flr., Grepalife Bldg, 221 Sen. Gil Puyat Avenue, Makati City** **1200**
Address of principal office Postal Code

8. **(632) 8815-9636**
Registrant's telephone number, including area code

9. **Not Applicable**
Former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares Outstanding
Common, P1.5 par value	776,465,281
Preferred, P0.40 par value	-

Total Debt Outstanding as of December 31, 2020: P30,031,289,550 Billion

11. Are any or all of these securities listed on the Philippine Stock Exchange: **Yes/Common**

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);
Yes [x] No [ ]

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

13. As of March 31, 2021, within 30 days prior to the filing of SEC17-A, the aggregate market value of the voting stock held by non-affiliates of the Company is equivalent to Seven Hundred Thirty Nine Million, Eight Hundred Thirty-Eight Thousand, One Hundred Sixty Eight Pesos (P739,838,168) or Two Hundred Three Million, Two Hundred Fifty Two Thousand and Two Hundred Forty-Four (203,252,244) shares at P 3.64/share.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference:

(a) 2020 Audited Consolidated Financial Statements

TABLE OF CONTENTS

PART I – BUSINESS AND GENERAL INFORMATION

Item 1: Description of Business

1.1 Business Development

House of Investments, Inc. ("the Company") was incorporated in 1959 as an investment bank, the first of such bank to be organized in the Philippines. Through the years, the Company evolved into an investment holding and management company with a diversified portfolio and became one of the four major flagship corporations of the Yuchengco Group of Companies ("YGC").

The Company's core business focus is organized into four segments, namely: car dealership, construction, education and property management services. Its portfolio investments are in pharmaceuticals, energy, and deathcare.

CORE BUSINESS UNITS:

A. <u>CAR DEALERSHIP:</u>
House of Investments operates three car-retailing brands: Honda, Isuzu and Geely.

House of Investments owns and operates Honda dealerships in the following Metro Manila locations: Quezon Ave., Manila, Marikina, Fairview, and Marcos Highway and one service center in Tandang Sora. HI also owns a majority stake in Honda Cars Kalookan, Inc. that owns and operates dealerships in Kalookan and Greenhills.

The Company's Isuzu dealerships are in four locations: Manila, Commonwealth, Greenhills, and Leyte.

House of Investments owns a minority stake in Sojitz G Auto Philippines Corporation ("SGAP") which owns and operates the Geely distributorship and the flagship dealership in North Edsa.

B. <u>CONSTRUCTION</u>
House of Investments owns a majority stake in one of the largest Philippine construction and general contracting firms, EEI Corporation. EEI has international operations spanning from the Kingdom of Saudi Arabia to Africa and Asia. It is also a market leader in the domestic construction and contracting sector.

C. <u>EDUCATION</u>
House of Investments owns a significant stake in iPeople, inc. ("iPeople"), the vehicle for investments in education. iPeople wholly owns the Malayan Education System, Inc. (Operating under the name of Mapúa University) ("MES"). Mapúa University is widely considered to be the leading and largest private engineering and I.T. school in the country. Mapua University also owns and operates three other schools: Malayan Colleges Laguna (A Mapua School) Inc, Malayan Colleges Mindanao, A Mapua School and Malayan High School of Science.

The merger of Ayala Education Inc. (AEI) into iPeople which took effect in May 2019 brought in three more schools into the iPeople network, bringing the total number of operating schools to seven (7). The three new schools from the merger are as follows: The APEC Schools, University of Nueva Caceres (UNC) and National Teachers College (NTC).

D. <u>PROPERTY SERVICES</u>
House of Investments wholly owns Landev Corporation. Landev is primarily engaged in property, facilities, and project management for the YGC. It also provides comprehensive security services to leading institutions through its subsidiary Greyhounds Security and Investigation Agency Corporation ("GSIA").

House of Investments also owns a minority stake in RCBC Realty Corporation ("RRC"), which owns the RCBC Plaza. The operations of RCBC Plaza are managed by Landev Corporation.

In 2020, House of Investments acquired San Lorenzo Ruiz Investment Holdings and Services, Inc. which owns a property within the Makati Central Business District.

The operations of each core business, along with a discussion of risks and 2019 performance, will be discussed in the appropriate section.

PORTFOLIO INVESTMENTS:

A. ENERGY

House of Investments has investments in the energy sector through its stake in PetroEnergy Resources Corporation ("PERC") and EEI Power Corporation, a wholly-owned subsidiary of EEI.

PetroEnergy Resources Corporation (PERC) is a publicly listed Philippine energy company founded in 1994 to undertake upstream oil exploration and development. Since then, it has diversified into renewable energy and power generation. PetroEnergy, through its renewable energy arm, PetroGreen Energy Corporation (PGEC), has investments in the following joint venture companies: PetroSolar Corporation, PetroWind Energy Inc., and Maibarara Geothermal Incoporated.

EEI Power Corporation is involved in the business of power generation by way of its investments in renewable energy. It is also engaged in retail electricity supply and in the supply of electrical equipment and services, as well as electro-mechanical contracting works.

B. PHARMACEUTICALS

House of Investments owns 50% of HI-Eisai Pharmaceuticals, Inc. ("HEPI"), which is a joint venture with the Eisai Co. of Japan. HEPI imports pharmaceuticals from Japan, which it sells in the Philippine market through established drug distributors.

C. DEATHCARE

House of Investments owns a material stake in Manila Memorial Park Cemetery, Inc. ("MMPCI"). MMPCI is the recognized market leader in afterlife services. It sells memorial lots and owns, operates, and maintains memorial parks.

House of Investments, together with MMPCI jointly owns La Funeraria Paz-Sucat, Inc. ("LFPSI"). LFPSI provides mortuary services to the bereaved and their loved ones.

1.2 Business of the Issuer

THE HOLDING COMPANY

The executive management takes an active role in the management of the core businesses. In addition, the executive management monitors the business performance of the portfolio companies very closely. Through management meetings and regular review of actual results compared to budgets and previous year performance, House of Investments is able to direct corporate strategy and operations.

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

Executive management also engages in a continuous business development program. These business development activities range from identifying growth opportunities in existing businesses; helping develop new products and services that increase organic growth; or buying entire companies or controlling stakes in companies which show high growth potential.

Risks at the Holding Company Level

Risk management is an integral part of the Company's governance. Through the Risk Management Council ("RMC"), key risk exposures are identified, analyzed, and categorized; and then risk mitigation plans are developed. The RMC is composed of the following: Chief Executive Officer, Chief Operating Officer, Chief Finance Officer, Chief Risk Officer, Chief Audit Officer, Complaince Officer, and all Group Heads. The council is responsible for monitoring and evaluating the effectiveness of the organization's risk management processes and in communicating significant risks, control issues and risk mitigation plans to the Board Risk Oversight Committee ("BROC") which is composed of three non-executive directors.

The following covers the risk management policies at the holding company level. *For a discussion of risks faced by each core business unit, please refer to the appropriate section in this report.*

a. Interest Rate Risk
The Company is exposed to interest rate risk because it has borrowings from local banks. It is a company policy to use excess liquidity to pay down borrowings in order to decrease financing costs, and reduce exposure to rising interest rates. It is also a company policy to actively discuss with lending banks on how to lower financing costs. HI does not speculate on the direction of interest rates. The main objective is to lower financing costs as much as possible.

b. Liquidity Risk
The Company seeks to manage its liquidity to be able to service maturing debts, finance capital requirements, and pay for existing operations. House of Investments maintains a consistent level of funding to be able to pay for its day-to-day operations. The Company constantly monitors its projected cash flows. Close attention is paid to asset liability management.

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

d. Price Risk
Available for sale (AFS) financial instruments are subject to price risk due to changes in market values because of specific factors related to these securities, or because of factors related to the overall market for financial assets. These prices change depending on how market participants act in the market.

The Company has minimal non-core holdings in its AFS investments. For its non-core holdings, the Company's investment policy is to monitor developments in the market and these securities very closely. The Company regularly assesses the opportunity cost of holding these securities.

e. Business Continuity Risk
The Company is acutely conscious of the risks posed by natural disasters, acts of God, or other man-made actions that can have an adverse impact on the continuity of regular operations. The Company's Board through the Board Risk Oversight Committee and the management team ensures that the business continuity plans of each operating subsidiary are in place and is up to date. Further, the management works with the Yuchengco Group of Companies Business Continuity Management - Disaster Recovery Management (YGC BCM-DRM) Council to ensure that necessary precautionary measures are taken to mitigate risks that may cause disruptions to the operations of our various subsidiaries.

f. Pandemic Risk
Pandemics are large-scale outbreaks of infectious disease that can greatly increase morbidity and mortality over a wide geographic area and cause significant economic, social, and political disruption. The spread of the COVID-19 which originated from Wuhan, China could in 2019 have significant implications for businesses here in the Philippines and around the globe.

The businesses that the Company is invested in may be impacted by the government mandated Community Quarantines which resulted in lockdown of business operations and/or increased operating costs thereby affecting the profitability of our various operations. These lockdowns have resulted in a decline in revenues and income for our major businesses for 2020. Despite the setbacks, we continue to prepare our businesses to take advantage of a reopening economy.

Pandemic risk mitigation is by our respective companies with the assistance of the Business Continuity Management – Disaster Risk Management ("BCM-DRM") Council.

g. Competition
The company is subject to competition in the segments in which each of its core business units operates. *Please refer to the related section of each core business unit on the risks each group faces.*

h. Succession Risk
The Company knows that people are an important resource and that its executive management team is a significant contributor to the continuing growth of House of Investments' investment portfolio. In order to preserve the management chain of succession and institutional knowledge that comes with it, the executive management works with the executives of the operating subsidiaries to ensure continuous training and career development are in place.

i. Reputation Risk
As a holding company, events occurring at its subsidiaries may ultimately impact the HI brand. Through monthly Mancom and quarterly board committee meetings, HI continues to effectively oversee the affairs of its subsidiaries.

HI has a Board Risk Oversight Committee ("BROC"), an extension of the full Board of Directors, which meets every quarter to discuss key risks and opportunities of the company. One of the BROCs main role is to review management's effectiveness in managing risks. The BROC also provides direction and guidance on how the company will not only respond to risks, but also take advantage of opportunities. To support the BROC, the Risk Management Council ("RMC") which is composed of the HI top management, is also tasked to help execute the direction set by the BROC regarding strategic risks and opportunities. The Chief Risk Officer, with guidance from the RMC and BROC, oversees the implementation of HI Enterprise Risk Management Plan.

CAR DIVISIONS

House of Investments operates two car-retailing brands: Honda and Isuzu. Honda's vehicle line-up includes passenger cars and commercial vehicle categories while Isuzu's is purely commercial vehicles. The Company also holds a minority interest in SGAP, the distributor of Geely vehicles and the owner and operator of the flaghip dealership in North Edsa.

New vehicle unit sales are cyclical. Changes in unit sales are driven by factors like new models, manufacturer incentives, interest rates, fuel prices, unemployment, inflation, the level of personal discretionary spending, credit availability, consumer confidence and others.

Our dealerships also generate revenue through repair services, the sale of replacement and aftermarket parts, and the sale of third-party finance and insurance products. We believe our various income streams help to lower the impact of the cyclicality found in the automotive sector. Revenues from service and parts sales are typically less cyclical than retail vehicle sales.

In 2020, the Company took a long hard look at the future of its Cars business and closed down five of our least profitable auto dealerships, in an effort to reduce costs and better position the business for improved profitability.

Risk Factors at the Car Divisions

a. Macro-economic conditions
The Car Divisions' performance is impacted by general economic conditions overall, and in particular, by economic conditions in the markets in which we operate. These economic conditions include: availability of consumer credit; changes in consumer demand; consumer confidence levels; fuel prices; personal discretionary spending levels; interest rates; and unemployment rates.

b. Operational Risks
- Franchise Agreements with Honda, Isuzu, and Geely. Our dealerships operate under a franchise agreement with Honda Cars Philippines Inc.with Isuzu Philippines Corp. and Sojitz G Auto Philippines Corp., which authorizes our dealerships to sell new vehicles of the brands we carry or perform manufacturer authorized warranty service. These agreements govern almost every aspect of the operation of our dealerships, and give manufacturers the discretion to terminate or not renew our franchise agreements for a variety of reasons

- Information Technology and Cyber Security. Our information systems are fully integrated into our operations. If these systems go down, our business could be significantly disrupted. In addition, to the extent our systems are subject to intentional attacks or unintentional events that allow unauthorized access that disrupts our systems, our business could be significantly disrupted.

- Property loss, business interruption or other liabilities. Our operations can be hampered by property losses due to fire, adverse weather conditions, and militant activities e.g. rallies and strikes, among others. In addition, our business is subject to substantial risk of loss resulting from: the significant concentration of property values, including vehicle and parts inventories, at our operating locations; claims by employees, customers, and third parties for personal injury or property damage; and fines and penalties in connection with alleged violations of regulatory requirements.

c. Market Risk

- Overall success of the automotive industry and in particular on the success of the Honda, Isuzu, and Geely brands. Significant adverse events that may result in product recalls, product launch delays or general delays caused by import supply chain logistic issues may interrupt vehicle or parts supply to our dealerships. Such matters would likely have a significant and/or adverse impact in our car business if the events relate to any of the manufacturers whose franchises generate a significant percentage of our revenue.

- Competition. We compete with other automotive brands as well as other franchised automotive dealerships; private market buyers and sellers of imported and/or used vehicles; local service and repair shops and parts retailers; and automotive manufacturers (those that own their own dealerships).

  In addition to competing on car models, buying decisions by consumers when shopping for a vehicle are extremely price sensitive. The level of competition in the market can lead to lower selling prices and lower profits

d. Availability of financing and interest rate sensitivity

- To the Company. The operations rely heavily on loans to fund its working capital and cash flow. The car divisions access credit through the lines available to House of Investments, Inc. while Honda Cars Kalookan, Inc. has its own lines with Banks.

  A sustained or significant decrease in our operating cash flows could lead to an inability to meet our debt service requirements.

  The interest rates we are charged on a substantial portion of our debt are variable, increasing or decreasing based on changes in certain published interest rates. Increases to such interest rates would likely result in significantly higher interest expense for us, which would negatively affect our operating results.

- To our clients. A significant portion of vehicle sales in the Philippines is funded through bank financing. Access to credit for vehicle buyers and increased interest rates may also decrease vehicle sales, which would negatively affect our operating results.

e. Regulatory issues

We are subject to a wide variety of regulatory activities, including: government regulations, claims and legal proceedings. Government regulations affect almost every aspect of our business, including taxation, and the treatment of our employees.

Data Privacy Act. The Data Privacy Law requires that personal and sensitive information of the car dealerships' stakeholders held by the company be taken care of with utmost privacy. A breach of this requirement would mean stiff penalty and also possibly result to costly lawsuits that may tarnish our reputation. A committee has already been formed to spearhead the awareness for this requirement and implementation of necessary policies that protect personal data.

In the event of regulation restricting our ability to generate revenue from arranging financing for our customers, we could be adversely affected. We could also be susceptible to claims or related actions if we fail to operate our business in accordance with applicable laws. Claims arising out of actual or alleged violations of law which may be asserted against our dealers by individuals, through class actions, or by governmental entities in civil or criminal investigations and proceedings, may expose us to substantial monetary damages which may adversely affect us.

f. Environmental regulations
We are subject to a wide range of environmental laws and regulations, including those governing: discharges into the air and water; the operation and removal of storage tanks; and the use, storage; and disposal of hazardous substances.

In the normal course of our operations we use, generate and dispose of materials covered by these laws and regulations. We face potentially significant costs relating to claims, penalties and remediation efforts in the event of non-compliance with existing and future laws and regulations.

THE CONSTRUCTION SECTOR

EEI CORPORATION AND SUBSIDIARIES

EEI Corporation (EEI or the Company) was founded in 1931 as machinery and mills supply house for the mining industry. Over the past 88 years, aside from broadening the range of industrial machinery and systems it distributes, the Company also expanded into construction services, and in the supply of manpower in the Philippines and overseas. Today, EEI is one of the country's leading construction companies, with a reputable track record in general contracting and specialty works.

Driven by a commitment to Philippine development and to have greater presence in the economy, EEI continues to expand its core business to a wide array of construction competencies. The Company has also been engaged in doing construction projects overseas for more than forty years.

It has been involved in the installation, construction, and erection of power generating facilities; oil refineries; chemical production plants; cement plants; food and beverage manufacturing facilities; semiconductor assembly plants; roads, bridges, railroads, ports, airports, elevated expressways, metro rail transit system and other infrastructure; high rise residential and office towers, and hotel buildings. The Company also operates one of the country's modern steel fabrication plants.

Through its long years of working and collaborating with global contractors, EEI has achieved world class caliber project management and execution expertise with the use of better technologies in all disciplines of the construction industry.

EEI has been recognized by contractors worldwide for the quality of its work and for its safety records, and is certified as compliant with ISO 9001:2008, ISO 14001:2004 (Environmental Management System), and OHSAS 18001:2007 (Occupational Safety and Health Management System) standards. The Company stays abreast with the latest developments in technology, materials engineering, and construction methodologies while including its own innovation in the application of its work, making it a preferred provider of construction services to global Engineering, Procurement, and Construction companies.

EEI also owns five major subsidiaries:

- **Equipment Engineers, Inc.** engages in the supply and marketing of a broad range of industrial plant facilities, process equipment, systems, and parts to the industrial, commercial, and property development companies; and, engages also in supply management services.
- **EEI Power Corporation** is engaged in retail electricity supply and in the supply of electrical equipment and services, as well as electro-mechanical contracting works. It also has investments in renewable energy.
- **EEI Construction and Marine, Inc.** engages in structural fabrication works and light steel construction works such as storage tanks, pressure vessels, ducts and pipes.
- **GAIC Group** provides manpower services to both local and foreign markets.
- **EEI Realty Corporation** is engaged in the development of land, housing, and other properties.
- **JPSAI** is a provider of formworks and scaffolding.

Risk Factors at the Construction Sector

The risk management function is an important aspect of corporate governance. EEI has a Risk Management Program which has been in place since 2009. A Risk Management Council composed of the President and CEO, the Chief Risk Officer and key department heads meet regularly to discuss the new and emerging risks brought about by the peculiarities of new projects, changes in the market place, economic shifts, political upheavals, disasters, unusual events and probable impending events which had been identified in the various areas of company's business activities. The Risk Management Council is responsible for providing timely, relevant and comprehensive risk information to the Board through the Board Risk Oversight Committee which is composed of five directors.

EEI has identified the following major risks (in no particular order) and corresponding mitigating measures:

1. Pandemic Risk

The life, well-being, and mental health of EEI's people are at risk as the Covid-19 virus remains prevalent. Also, disruption to its operations is a possibility as the pandemic protocols may restrict the availability and movement of needed resources. Award of new projects in certain market segments (e.g. tourism and leisure oriented ones) may experience slowdown until the pandemic is resolved or sufficiently contained by a successful vaccine.

The Backlog from and expected subsequent rewards of new infrastructure projects can make up for any shortfall in the other portfolios. This is mainly driven by the government's infrastructure spending as part of its effort to stimulate the economy and the Company's reputation as a trusted partner in infrastructure construction. Their client's willingness to share with the cost of Covid-19 safety measures is a positive factor.

To further mitigate this risk, EEI has implemented improved Covid-19 safety protocols. Initiatives to have their own vaccination program (including purchase of Covid 19 vaccines) is being undertaken to complement the government's own program. EEI is exploring new programs to take care of the mental health of our workers.

2. Operational risks

Volatility in the availability of activities or areas executable in our projects, made more volatile due to the effects of the pandemic to the movement of resources, creates a higher probability of such resources being under-utilized that can contribute to project overruns.

To mitigate this risk, EEI anticipates executable project work-fronts are now more rigorously done; shift under-utilized resources to projects where it will be better utilized is part of our strategy; and drive to increase work productivity by 20% this year is now in-place and this includes further improvement in project controls

3. Liquidity risks

The natural pace of how construction projects are being executed (i.e. S-curve) tends to create temporary negative cashflows in the middle of project implementation. Moreover, the current weak economy tends to make some clients handle their cash flows a bit tighter possibly resulting to some delays in payment of our receivables.

To mitigate this risk, close monitoring of project cashflows and prompt billing are being done and cashflow projection models are being developed to determine the ample pace of our projects to minimize these temporary negative cashflows without compromising contractual commitments.

4. Geopolitical risks

Prevailing travel restrictions may hamper on-going diversification efforts to other foreign markets in the meantime as their governments are expected to prioritize local and already in-place businesses to support their economies. On the contrary, the Company's current presence in the Kingdom of Saudi Arabia (KSA) and developing presence in Qatar will benefit from this situation.

To mitigate this risk, EEI continues to build up capacity, partnership and competence to enter foreign markets in preparation for its anticipated opening when the pandemic is resolved; leverage talent in project management by offering services thru consultancy or online platforms locally and internationally; and look for other global players that would want to enter and are willing to work with us in KSA and Qatar.

5. Interest rate risk

The Company's debt increased mainly due to the effects of the Pandemic though the prevailing low interest rates did mitigate the impact. However, rates are expected to rise as the government will try to curb inflation when the economy recovers later this year.

To mitigate this risk, EEI has availed sufficient long-term loans to lock-in interest rates to help protect against its future anticipated increase.

6. Inflation and possible price shocks

Inflationary forces are expected to be a factor in 2021 as the economy stays afloat and then attempts to recover. Restrictions in supply and movement of goods together with the eagerness of some businesses to recover its losses due to the Pandemic are part of what drives inflation and may result to price shocks if not regulated properly by the government. The increase in demand for resources used in infrastructure projects may also play a part in these dynamics.

To mitigate this risk, contracts with suppliers and partners are being worked on in part to locked-in or make the possible upward price movements of project resources more predictable and subdued; provisions protecting the Company from price increases are included in their contracts as much as possible; and sufficient contingencies are included in the price of construction contracts to account for this risk when necessary.

7. Environmental risks: Acts of nature

EEI's ability to handle natural calamities may encounter some challenges as these events happen alongside the Covid 19 pandemic. Moreover, 2021 is a La Nina year for the Philippines and coupled with the effect of the climate change may result to a more pronounced rainy season ahead – which has the possibility of hampering the pace of our projects more than usual.

To mitigate this risk, EEI's crisis management and business continuity plans are being improved to take into account these combined threats; project schedules are being adjusted to mitigate the effects of inclement weather; and sufficient insurance coverage is in-place to protect the Company from possible financial impact of this risk.

8. Disruptive technologies and businesses

Emergence of new and possibly disruptive technologies and businesses that can threaten EEI's current business will continue in 2021. More so because of its necessity as the pandemic makes untenable some of the old ways of life – including our needs and ways of work.

Research, acquisition and deployment of latest tools and technology to improve or change our business are continuously being explored and deployed to mitigate this risk.

9. Fraud risk

Though fraud risk is not new, the pandemic has the potential to increase this risk. Economic hardships can provide unscrupulous entities the motivation and burdened control systems can provide the opportunity for fraud.

To mitigate this risk, EEI's internal audit team acquired improved expertise to handle fraud risks. Moreover, a dedicated council at management level is established to serve as the operating arm of the Board on its anti-fraud efforts and complement the internal audit team in fraud detection and mitigation.

10. Cybersecurity risks

As EEI relies heavily in the use of the internet in our way of work as part of our response to the challenges of the Pandemic, vulnerability to cyber threats (i.e. crimes and/or attacks) is seen to rise. Security of its data and continuity of business processes may be at risk.

To mitigate this risk, cybersecurity assets (e.g. firewalls, antiviruses, etc.) are being deployed coupled with awareness and education programs on cybersecurity threats for employees and engineering interventions are being employed such as eliminating the use of traditional less secured data storage devices (e.g. flash drives, external hard disks, etc.) and instead promote the use of more secured network/cloud drives. Moreover, EEI has started its migration to the use of more secured IT assets.

THE EDUCATION SECTOR

iPeople, inc. ('iPeople") is the holding company under House of Investments that drives investments in the education sector. iPeople is a publicly listed company on the Philippine Stock Exchange (PSE:IPO). iPeople wholly owns Mapúa University, which owns three other operating schools: Malayan Colleges Laguna, Malayan Colleges Mindanao and Malayan High School of Science.

On May 2, 2019, the merger by and between iPeople and Ayala Corporation's wholly-owned subsidiary, AC Education, Inc. ("AC Education") was completed. iPeople is be the surviving entity, with House of Investments and its affiliates, and AC, controlling 51.3% and 33.5%, respectively. With the merger, iPeople has become one of the leading education groups in the country, with almost 60,000 students. The merger folded into the iPeople network the three schools of AEI namely: Affordable Private Education Center, Inc. ("APEC Schools"), University of Nueva Caceres ("UNC") and National Teachers College ("NTC").

The operating schools under the iPeople network are as follows:

(1) **Malayan Education System, Inc. (Operating under the name of Mapúa University).** Mapúa University is widely considered as the leading and largest private engineering and technological university in the Philippines. Don Tomas Mapúa, the first registered Filipino architect, founded Mapúa Institute of Technology on January 25, 1925. It was acquired in 1999 by the YGC, which brought the school into the global and digital age. Mapúa operates in two (2) major campuses: its main campus in Intramuros and its extension campus in Makati. Mapúa University's commitment to its philosophy of Outcomes-Based Education and its judicious use of digital educational technologies have earned the institution the reputation of being the leader in providing quality education in the country, especially in the field of engineering and information technology.

(2) **Malayan Colleges Laguna, Inc., A Mapúa School ("MCL")** is a wholly-owned subsidiary of Mapúa University located in Cabuyao, Laguna, alongside several science and industrial parks. MCL was established to extend the brand of the Mapúa Institute of Technology to the south by offering programs in engineering and architecture, accountancy, business, communication, computer science, , information technology, maritime education, and multimedia arts to students who prefer to stay closer to home. With 22 baccalaureate programs of which 3 are fully online programs, MCL has five degree-offering colleges, namely College of Arts and Science, College of Computer and Information Science, E.T. Yuchengco College of Business, Mapúa Institute of Technology at Laguna, and the Mapúa-PTC College of Maritime Education and Training. In 2016, MCL also opened its doors to Senior High School (SHS) students, offering a total of six strands under the Academic and the Technical-Vocational-Livelihood Tracks. After thirteen years of operation, MCL was granted Autonomous Status by the Commission on Higher Education last October 2019, as per CHED Memorandum Order No. 12, Series of 2019. Given this, MCL offered two new programs, B.S. Business Administration and B.S. Psychology, starting Academic Year 2020-2021.MCL has achieved another milestone by obtaining a three-star overall rating in Quacquarelli Symonds (QS) Star Rating System from the United Kingdom last December 2020.To date, there are 5,028 students under both college and SHS with 44% percent of its college students enrolled in engineering programs.

(3) **Malayan Colleges Mindanao (A Mapúa School), Inc. ("MCM")** is a wholly-owned subsidiary of Mapúa University. Incorporated in 2015, MCM was established to offer Mapua-education in Davao and Mindanao. MCM looms along General Douglas MacArthur Highway in Matina, Davao City, and opened its doors to senior high school and college students last July 2, 2018. MCM has built a community of competent and innovative leaders who possess attributes that make them globally competitive and locally in-demand, distinguishing itself from the rest through these important facets in its educational system: Learner-Centered Outcomes-Based Education, Blended Online and Face-to-Face Learning Sessions, Industry Partnerships, Mindanao-Centric Learning, and Advanced Learning

Facilities. Within MCM's DNA is the academic excellence that Mapúa is known for, and MCM is committed to bring about the same level of excellence into its community in Mindanao.

(4) **Malayan High School of Science, Inc. ("MHSS")** is a wholly-owned subsidiary of Mapúa University. MHSS is a science- and math-oriented high school located in Pandacan, Manila. Modeled after similar but publicly funded science high schools, MHSS offers a rigorous academic program geared towards graduating hard-working, mathematical and scientific-trained students that will excel in their university studies and beyond. The school is focused on optimizing student-to-teacher time and currently has 237 students. MHSS has a top-notch faculty, state-of-the-art facilities, and a curriculum that will allow students to "fully express not only their scientific inclinations but also their artistic bent."

(5) **The University of Nueva Caceres (UNC),** the first university in Southern Luzon, traces its humble beginning with the benevolence of Dr. Jaime Hernandez, former Secretary of the Department of Finance, as his way of giving back to the Bicolano community. In February 1948, Dr. Hernandez together with other prominent Bicolanos, formed the Nueva Caceres College, and in 1953, the school attained University Status. In July 2015, the University of Nueva Caceres partnered with Ayala Corporation through Ayala Education, Inc to further enhance the quality of education through industry and technology driven innovations. Currently, the University offers complete basic education, four programs in the College of Arts and Sciences, thirteen in the College of Business and Administration, five in the College of Computer Studies, thirteen in the College of Education, six in the College of Engineering, Nursing Course, Criminal Justice Education, Juris Doctor, and three Doctorate and fifteen Masters Degree programs in the Graduate Studies department. UNC endeavors to fulfill its tri-focal function of instruction, research, and extension while making education accessible and affordable. The battle cry "from first to number one" summarizes UNC's goals of excellence in quality, access, relevance, and responsiveness. UNC aims to be known not only as the first university in Bicol, but to be the Number 1 university in terms of employability of graduates.

(6) The **National Teachers College (Doing Business Under the Name of the National Teachers College)** was founded by Dr. Segundo M. Infantado, Sr., a former Director of Public Instruction of the Philippines and Dr. Flora Amoranto-Ylagan, one of the country's leading educator. NTC was officially incorporated on September 29, 1928 and was authorized by the Department of Public Instruction on April 17, 1929 to operate as an educational institution. Its doors opened to the student public on June 10, 1929 and was granted government recognition on February 17, 1930. NTC was the first Higher Education Institution (HEI) in the Philippines to offer collegiate programs dedicated to teacher education. Among private educational institutions in the Philippines, it has attained a pre-eminent place in educational leadership, particularly in the field of teacher education. Its performance in the Licensure Examination for Teachers is always above the national passing rate. With a student population of close to 13,000, NTC continues to perform its share in educating and training teachers, administrators, supervisors, and other professionals who will serve in the interest of the Republic of the Philippines and the world at large.

(7) **Affordable Private Education Center, Inc. (Doing Business Under the Name of APEC Schools**) was founded in 2013 with the vision of providing affordable but quality private education to thousands of Filipinos. Its mission then was to prepare its students for college, employment or both. It is a chain of private high school that offers K-12 program of the Department of Education. Started with only 130 students in 2013, APEC Schools has expanded to 23 branches with more than 15,800 students and almost 800 employees. In 2016, APEC Schools offered Senior High School with the Accounting Business Management (ABM) strand, and Accelerated Career Experience, its own job immersion program developed with employer partners. In 2018, APEC Schools celebrated its 5th year anniversary and graduated the first batch of 2,000 Senior High School students. In 2020, APEC Schools offered two new programs suited for the education's new normal: APEC Agile Distance Learning program and APEC Flex Homeschool program to help students continue with their education despite the pandemic. In December of the same year, Google recognized APEC Schools as a Google Reference School - the first and only in the Philippines. Most students have gone on to top colleges and universities, while 15% have gone on to be employed within three months of graduation.

Risk Factors related to School Operations

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

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

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

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

- Changes in regulations. The Universal Access to Tertiary Education Act (RA10931) had its implementation in AY 2018-19. This resulted to notable decline in college freshman intake in private schools as large portion of the incoming freshman applied to SUCs/LUCs to avail of free education under the Act.

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

b. Competition

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

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

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

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

c. Credit Risk

As the schools increase their enrollment, the level of receivables also increases. Some of the students who cannot afford to make the full payment of tuition and miscellaneous fees during an academic term execute a Promissory Note and are expected to settle their accounts prior to the start of the next academic term. Majority of the senior high school students of APEC avail of the Senior High School Voucher Program (SHSVP) of the DepEd which results to a longer collection period for the school. The schools do not aggressively pursue collection of defaulted student debt given that the default rate is small. Regardless, the schools face a risk that a rise in student defaults on promissory notes would impact profits and cash flows negatively.

d. Operational Risk

The following may hamper the operations of the IPO schools:

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

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

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

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

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

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

e. Interest Rate Risk

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

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

f. Market Risk and Political Risk

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

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

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

PROPERTY SERVICES

LANDEV CORPORATION

House of Investments, Inc. wholly owns Landev Corporation. Landev Corporation is primarily engaged in property management and project management for the YGC. In 2019, Its large contracts include:

- Property management for RCBC Plaza, RCBC Savings Bank Corporate Center, Y Tower 1 and 2, and ETY Building;
- Facilities management for RCBC and RCBC Savings Bank branches nationwide; and
- Project management for the construction of the new Mapúa Makati campus and the renovations of National Teachers' College.

GREYHOUNDS SECURITY AND INVESTIGATION AGENCY CORPORATION

Landev wholly owns a subsidiary named Greyhounds Security and Investigation Agency. GSIA provides comprehensive security services to leading institutions like RCBC Plaza, RCBC Savngs Bank Corporate Center, all RCBC branches, and RCBC Savings Bank.

SAN LORENZO RUIZ INVESTMENT HOLDINGS & SERVICES, INC.

In December 2020, House of Investments purchased 100% of the issued and outstanding capital stock in San Lorenzo Ruiz Investment Holdings & Services, Inc. ("San Lorenzo Ruiz") which owns a property within the Makati Central Business District.

RCBC REALTY CORPORATION

House of Investments owns 10% of RCBC Realty Corporation, which owns the YGC flagship property, RCBC Plaza.

The RCBC Plaza is the biggest and most modern office development in the Philippines today. Inaugurated in 2001, the complex consists of the 46-storey Yuchengco Tower, 41-storey Tower 2, and a three-level podium. Also housed in RCBC Plaza are the 450-seat Carlos P. Romulo Auditorium, the Yuchengco Museum, a 200-seat chapel, a VIP lounge, banking chambers, convenience and service shops, food court, seven-level basement parking, gym and health spa, and open-air courtyard. YGC members such as the RCBC and AY Foundation hold their offices here.

RCBC Plaza is the first IT zone in Makati designated by the Philippine Economic Zone Auhority.

In May 2018, RCBC Plaza received its Leadership in Energy and Environmental Design (LEED) EBOM Gold certification, making it the first multi-tenanted building in the Philippines to achieve the prestigious certification. LEED is a certification program designed by the US Green Building Council (USGBC) and has become the most widely used green building rating system to assess environmental compliance in terms of sustainability, energy conservation, water reduction, air quality and materials, and resources.

Risk Factors at the Property Services

a. General Economic Conditions
The success of our business is significantly related to general economic conditions and accordingly, our business could be harmed by an economic slowdown and downturn in commercial real estate. Periods of economic weakness or recession, significantly rising interest rates, declining employment levels, declining demand for commercial real estate, falling real estate values, or the public perception that any of these events may occur, may negatively affect the performance of some or all of our business lines.

These economic conditions can result in a general decline in disposition and leasing activity, as well as a general decline in the value of commercial real estate and in rents, which in turn reduces revenue from property management fees and commissions derived from property sales and leasing.

b. Credit Risk

Our business efficiency is highly dependent on our ability to manage our working capital well. If we experience delays in collections of accounts receivable, there will be a impact on the availability of funding for our day-to-day operations.

c. Operational Risk

The success of our business depends on how smoothly we manage the operations of the properties and projects under our management. If we do not successfully manage our existing operational and administrative staff, we may not be able to achieve the anticipated gross margins, service quality, overtime levels and other performance measures that are important to our business, financial condition and results of operations.

Our operations can be challenged by machinery breakdowns, obsolescent parts, logistics and/or manpower shortages or property losses due to fire, adverse weather conditions, earthquakes, and militant activities e.g. rallies and strikes, among others. In addition, our business is subject to substantial risk of loss resulting from: claims by employees, customers, and third parties for personal injury or property damage; and fines and penalties in connection with alleged violations of regulatory requirements. To mitigate these risks, the company ensures that both the client and the company have adequate insurance.

d. Litigation Risk

We are subject to litigation risks and may face liabilities and damage to our professional reputation as a result of litigation allegations and negative publicity.

In our property and facilities management business, we supervise third-party contractors to provide construction services for our managed properties. While our role is limited to that of an agent for the owner, we may be subject to claims for construction defects or other similar actions.

e. Competition

We compete across a variety of business disciplines within the commercial real estate services industry, including commercial property and corporate facilities management, leasing, and security services. We face competition from other commercial real estate and security service providers, including outsourcing companies that traditionally competed in limited portions of our facilities management business and have recently expanded their offerings, in-house corporate real estate departments, and developers.

- Service Contracts. Competitive pressures in the security services sector may prevent us from increasing our billing rates on contract anniversary or renewal dates. Our profitability will be adversely affected if, due to inflation or other causes, including increases in statutory payroll taxes, we are compelled to increase the wages, salaries and related benefits of our employees in amounts that exceed the amount that we can pass on to our customers through increased billing rates charged under our service contracts.

- Recruitment and Retention. Our business involves the labor-intensive delivery of our services. We derive our revenues through the services rendered by our employees. Our future performance depends in large part upon our ability to attract, train, motivate and retain our skilled operational and administrative staff.

  The loss of the services of, or the failure to recruit, the required complement of security, operational and administrative staff would have a material adverse effect on our business, financial condition and results of operations, including our ability to secure and complete security service contracts.

f. Regulatory Risk

If we fail to comply with laws and regulations applicable to us in our role as a property/facility manager, we may incur significant financial penalties.

We are also subject to a large number of national and local laws and regulations that apply to security agencies and their guards. Any liability we may have from our failure to comply with these regulations may materially and adversely affect our business by restricting our operations and subjecting us to potential penalties.

g. Environmental Liability
We may be subject to environmental liability as a result of our role as a property or facility manager or developer of real estate. Various laws and regulations impose liability on real property owners or operators for the cost of investigating, cleaning up or removing contamination caused by hazardous or toxic substances at a property.

If we fail to disclose environmental issues, we could also be liable to the owner or lessee of a property. Negligence or oversight leading to liabilities incurred by the property owner could adversely result to non-renewal of our contract.

h. Professional Liability
In many cases, our service contracts require us to indemnify our customers or may otherwise subject us to additional liability for events occurring on customer premises. To manage the risk, we ensure that our clients maintain Comprehensive Generail Liability Insurance.

i. Changes in Technology
Technological change that provides alternatives to property services or that decrease the number of personnel to effectively perform their services may decrease our customers' demand for our services. A decrease in the demand for our property services or our inability to effectively utilize such technologies may adversely affect our business, financial condition and results of operations.

Item 2: Properties

The office space used by House of Investments belongs to an affiliate. As a holding company, the Company does not use large amounts of office space. The car division uses leased properties to sell and service vehicles. Each dealership site has lease contracts with their respective landlords. The only exception to this is the property used by Honda Cars Quezon Avenue, which is owned by House of Investments.

The following summarizes information on House of Investments and subsidiaries real property ownership as of December 31, 2020.

PROPERTY DESCRIPTION	DATE ACQUIRED	TYPE
HOUSE OF INVESTMENTS, INC.		
Quezon Avenue	2002	Industrial
SAN LORENZO INVESTMENT HOLDINGS AND SERVICES, INC.		
Sen. Gil Puyat Ave., Makati	2019	School Campus
EEI CORPORATION		
Itogon, Benguet	1985	Residential (Monterazza)
Nueva Ecija	1997	Agricultural
Bulacan	1997	Agricultural
Golden Haven Memorial - Las Pinas	2003	Memorial Lots
San Jose, Sta Maria, Bulacan	2005	Industrial
Minuyan, San Jose del Monte, Bulacan	2005	Agricultural
Minuyan, San Jose del Monte, Bulacan	2005	Cogon/Agricultural
Bauan, Batangas	2012	Fabrication Shop
EEI CONSTRUCTION AND MARINE, INC.		
Silang, Cavite	2010	Fabrication Shop
EEI REALTY CORP.CORPORATION		
Trece Martires, Cavite	1995	Residential
Trece Martires, Cavite	1995	Industrial
Trece Martires, Cavite	1995	Developed Residential
Calamba, Laguna	1995-96	Residential
Marikina - Suburbia East	1999	Residential
EQUIPMENT ENGINEERS, INC.		
Irisan, Benguet	2009	Residential

PROPERTY DESCRIPTION	DATE ACQUIRED	TYPE
GULF ASIA INTERNATIONAL CORPORATION		
General Trias, Cavite	1998	Residential
MALAYAN EDUCATION SYSTEM, INC.		
Intramuros, Manila	1999	School campus
Intramuros, Manila	2013	Vacant lot for expansion
Sta. Cruz, Makati City	2018	School Campus
MALAYAN HIGH SCHOOL OF SCIENCE, INC.		
Paco, Manila	2002	School campus
MALAYAN COLLEGES LAGUNA, INC.		
Cabuyao, Laguna	2010	School campus
Cabuyao, Laguna	2012	Vacant lot
MALAYAN COLLEGES MINDANAO, INC.		
Ma-a, Davao	2015	School campus
Ma-a, Davao	2018	School campus
NATIONAL TEACHERS COLLEGE		
Quiapo, Manila	2019	School Campus
Quiapo, Manila	2019	School Campus
Quiapo, Manila	2019	School Campus
UNIVERSITY OF NUEAVA CACERES		
J. Hernandez Ave., Naga City	2019	School Campus
AC COLLEGE OF ENTERPRISE AND TECHNOLOGY, INC.		
San Jose del Monte City, Bulacan	2019	Vacant Lot

The following details the properties that House of Investments and subsidiaries have leased:

PROPERTY DESCRIPTION	LOCATION	LEASE EXPIRATION
HOUSE OF INVESTMENTS, INC.		
Dealership	Paco, Manila	2026
Dealership	Paco, Manila	2026
Dealership	Commonwealth, QC	2021
Service Center	Tandang Sora, QC	2028
Dealership	Leyte	2024
Warehouse	Leyte	2022
HONDA CARS KALOOKAN, INC.		
Dealership	Mandaluyong	2028
Stockyard	Kalookan	2022
AFFORDABLE PRIVATE EDUCATION CENTER, INC.		
Office	Head Office	2024
School campus	V. Luna	2030
School campus	Dona Juana	2021
School campus	North Fairview	2027
School campus	C. Raymundo	2027
School campus	Marikina Heights	2026
School campus	Grace Park West	2027
School campus	Tondo	2021
School campus	Tondo (Annex)	2025
School campus	Muntinlupa	2027
School campus	Sta. Rita Sucat	2025
School campus	Dasmariñas	2027
School campus	Bacoor-Molino	2029

PROPERTY DESCRIPTION	LOCATION	LEASE EXPIRATION
School campus	Roxas Boulevard	2029
School campus	Pateros	2028
School campus	Taytay	2022
School campus	Ortigas Ext., Cainta	2030
School campus	Calumpang-Annex	2028
School campus	JRU Lipa	2023
School campus	Las Pinas	2026
School campus	Concepcion Dos	2026
School campus	New Manila	2021
School campus	San Pablo	2029

Only MCM, a subsidiary of MESI, has existing mortgage on its property and building. For additional details on the Group's loans payable and long-term debt and the corresponding encumbrances on their assets, refer to the notes related to loans payable, and to the notes related to long term-debt in the Consolidated Financial Statements.

The principal assets reflected in the consolidated balance sheets are registered mainly under the Company and its main subsidiaries that are engaged in construction and infrastructure, education, and car dealership. As a holding company, House of Investment's indirect ownership on the said properties covers/applies only to the extent of, and is limited by the number of holdings it has in these subsidiaries.

Item 3 – Legal Proceedings

EEI has not been involved in any legal proceeding for petition for bankruptcy, insolvency, or receivership. No judgment or resolution have been issued against any Director or Officer which would materially affect their ability or put into question their integrity to serve in their current position. The Corporation in involved in various cases the final resolution of which will not have any material effect on the continued operation or financial position of the Corporation.

Mapúa University is involved in certain disputes that arise in the ordinary conduct of business. Management believes that these suits will ultimately be settled in the normal course of operations and will not adversely affect the subsidiary's financial position and operating results.

Item 4 - Submission of Matters to a Vote of Security Holders

There following matters were submitted to the vote of the security holders of House of Investments during the Annual Stockholders Meeting held on August 17, 2020.

(1) Approval of the amendment of Article First of the Articles of Incorporation and By-laws reflecting the change in corporate name of the Company

Article No.	FROM	TO
Article First	That the name of said corporation shall be: House of Investments, Inc. doing business also under the name of Honda Cars Quezon City, Honda Cars Manila, Honda Cars Marikina, Honda Cars Fairview, Honda Cars Tandang Sora, Honda Cars Marcos Highway, Isuzu Manila, Isuzu Commonwealth, Isuzu Greenhills, and Isuzu Leyte.	That the name of said corporation shall be: House of Investments, Inc.

(2) Approval of the amendment of Article Third of the Articles of Incorporation reflecting the change in the principal address of the Company

Article No.	FROM	TO
Article Third	That the PLACE where the principal office of the Corporation is to be established or located is at 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila, Philippines.	That the PLACE where the principal office of the Corporation is to be established or located is at 9th Floor, Grepalife Building, 221 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila, Philippines.

The voting procedure utilized for approval of corporate actions in which Stockholders' approval were required was by remotely in absentia or by proxy. The stockholders who voted remotely in absentia or by proxy were represented by 601,284,569 common shares or 77.44% of the total outstanding shares entitled to vote.

On April 7, 2021, the Securities and Exchange Commission informed the Company that the Commission has approved the amendment of the Articles of Incorporation and By-laws on March 30, 2021.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5 – Market for Issuer's common equity and related stockholder matters

The common stock (PSE: HI) is traded on the Philippine Stock Exchange.

PERIOD	STOCK PRICE HIGH	LOW
2021 First Quarter	4.10	3.40
2020 Fourth Quarter	4.63	3.16
2020 Third Quarter	3.40	2.77
2020 Second Quarter	3.95	3.20
2020 First Quarter	6.24	3.60
2019 Fourth Quarter	5.73	5.20
2019 Third Quarter	6.55	5.75
2019 Second Quarter	7.14	6.09
2019 First Quarter	7.14	5.75
2018 Fourth Quarter	7.80	5.75
2018 Third Quarter	9.00	5.70
2018 Second Quarter	7.23	5.96
2018 First Quarter	7.82	6.90

The market price of House of Investments' common stock as of May 11, 2021 (latest practicable trading date) is at P3.57 for high and for low.

Stockholders
The top 20 owners of common stock as of April 30, 2021 are as follows:

STOCKHOLDER	COMMON SHARES	% OF TOTAL
Pan Malayan Management & Investment Corp.*	356,632,809	45.93%
PCD Nominee Corp - Filipino	255,085,031	32.85%
Estate of Alfonso T. Yuchengco	90,123,032	11.61%
PCD Nominee Corp - Non-Filipino	22,730,836	2.93%
A.T. Yuchengco, Inc.	11,240,012	1.45%
Enrique T. Yuchengco, Inc.	5,181,612	0.67%
GDSK Development Corporation	5,064,840	0.65%
Go Soc & Sons and Sy Gui Huat, Inc.	4,019,890	0.52%
Y Realty Corporation	3,545,890	0.46%
Malayan Securities Corporation	2,790,000	0.36%
Seafront Resources Corp.	2,484,000	0.32%
Meer, Alberto M.	2,217,030	0.29%
Villonco, Vicente S.	803,800	0.10%
RP Land Development Corp.	726,720	0.09%
Lim, Tek Hui	627,000	0.08%
Ebc Securities Corporation	485,320	0.06%
Dee, Helen Y. ITF: Michelle	482,240	0.06%
Bardey, John C.	476,230	0.06%
Wilson, Cathleen Ramona	420,170	0.05%
Wilson, Claudia	420,170	0.05%
SUB TOTAL	765,556,632	98.60%
Others	10,908,649	1.40%
TOTAL	**776,465,281**	**100.00%**

House of Investments has a total of 384 common shareholders owning a total of 776,465,281shares as of April 30, 2021.
* Represents certificated shares only.

Dividends

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

The same right exists with respect to a stock dividend of which the declaration is subject to the approval of stockholders representing at least two-thirds (2/3) of the outstanding shares entitled to vote. The amount will depend on the Company's profits and its capital expenditure and investment requirements at the relevant time.

The company has declared cash dividends as follows:

YEAR	DIVIDEND PER COMMON SHARE	DIVIDEND PER PREFERRED SHARE	TOTAL AMOUNT
Q1 2020	N/A	P0.00516	P86.56 K
Q4 2019	N/A	P0.00512	P85.86 K
Q3 2019	N/A	P0.00542	P3.35 MM
Q2 2019	P0.065	P0.00721	P55.22 MM
Q1 2019	N/A	P0.00758	P4.69 MM
Q4 2018	N/A	P0.00719	P4.45 MM
Q3 2018	N/A	P0.00529	P3.27 MM
Q2 2018	P0.065	P0.02274	P54.10 MM
Q1 2018	N/A	P0.00465	P2.95 MM

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

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

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

Description of Registrant's Securities: Common Stock and Preferred Stock

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

	Common Stock	Preferred Stock
Authorized Capital	1,250,000,000	2,500,000,000
Issued	776,765,281	0
Paid Up Capital	P1,165,147,921,50	0
Par Value	P1.50	P0.40

Features	Common Stock	Preferred Stock
Dividends		
General	Dividends shall be declared only from the surplus profits and shall be payable at such time and in such manner and in such amounts as the Board of Directors shall determine. No dividends shall be declared which will impair the capital of the company.	
Other Features	Not Appplicable	Entitled to dividends at the rate of average 91-day T-Bill plus two percent; Fully participating as to distribution of dividends
Voting	All common and preferred shareholders shall have voting rights	
Liquidation Rights	Not Applicable	All preferred shareholders shall have preferences as to assets upon dissolution of the Parent Company over common shareholders.

Features	Common Stock	Preferred Stock
Conversion	Not Applicable	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 Php1.5 per common share subject to adjustments
Redemption and Sinking Fund Provision	Not Applicable	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 The Company shall provide for a sinking fund
Pre-emption Rights	All stockholders shall have no pre-emptive rights with respect to any shares of any other class or series of the present capital or on future or subsequent increases in capital	

Note: All the outstanding preferred shares of the Company were redeemed on May 20, 2020

Item 6 – Management Discussion and Analysis of Operations

Plan of Operations within the next twelve months

(a) The management believes that House of Investments can satisfy its cash requirements within the next twelve months without the need to raise additional funds;

(b) There are no product research and development that the Company will perform within the next twelve months;

(c) There are no expected purchase or sale of plant and significant equipment within the next twelve months; and

(d) After careful and thorough assessment of the cars business operations, dealerships, and the needed manpower, machines, and process in an effort to streamline the its operations, the Company implemented business measures that will ensure over-all greater efficiency, particularly, the closure of the five (5) or its car dealerships and implementation of a redundancy program covering 394 employees

Management Discussion and Analysis

CONSOLIDATED RESULTS

Year 2020 vs. 2019

INCOME STATEMENT

Results of Operations

The Group closed the year with an aggregate net loss of P1,693.71 million against last year's net income of P1,649.45 million.

The community quarantine implemented during the year had greatly affected the construction and automotive segments of the Group. During the lockdown period, the construction activities were cancelled and the car dealerships were closed. And during this period, the Group has continued to pay the salaries of its workers and its personnel. After the lockdown, operations had slowly picked up but nevertheless, the Group was able to operate only at 50-70% capacity. As a result, total revenues dropped by 38%, from P34,129.84 million to P21,176.05 million this year.

Costs of sales and services include the Group's lockdown costs. Administrative expenses increased by 10%, from P2,818.96 million to P3,098.57 million, mainly due to personnel related costs brought about by increase in manpower complement of the construction group.

Equity in net earnings of associates and joint ventures grew from P727.82 million to P1,368.43 million. Increase is attributable to improved performance of Al-Rushaid Construction Company, Ltd. ("ARCC", a foreign affiliate of EEI) and PetroSolar Corporation.

Interest and finance charges were lower, from P780.61 million to P712.57 million primarily due to lower borrowing rates.

BALANCE SHEET

Financial Position

Total assets stood at P51,885.47 million, slightly lower from P51,995.76 million in 2019.

Increase in cash and cash equivalents was largely due to collection of trade receivables from clients and net proceeds from bank loans. Reduction in receivables was due to lower revenues coupled with collection from clients and customers. Decrease in contract assets is largely attributable to low production of the construction arm of the Group. Inventories dropped from P2,362.28 million to P1,888.03 million due to lower purchases. Receivable from related parties was lower due to reduced manpower services relative to the lockdown. Increase in prepaid expenses and other current assets was due to increase in unutilized creditable withholding taxes and input tax (VAT), coupled with increase in advances to suppliers and contractors.

Reduction in equity investments at FVOCI pertains mainly to reclassification of investment in PetroGreen Energy Corporation (PGEC) to investment in associates due to indirect ownership of the Parent Company through EEI and PERC. Increase in investment property pertains to the property owned by the newly acquired subsidiary of the Parent Company. Decrease in right of use assets (as well as in lease liabilities) was mainly due to termination of lease contracts of closed car dealership branches. Increase in deferred tax asset pertains to recognition of EEI relative to its NOLCO. Increase in other noncurrent assets pertains to non-current portion of the contract assets of EEI.

Total liabilities increased from P28,502.05 million to P30,031.29 million.

Effectively, the total bank loans of the Group increased by P2,316.81 million, net of repayments. These were used to finance operations and investment activities of the Group. Reduction in contract liabilities pertain to application of deposits against progress billings for the period. The significant reduction in due to related parties was because of the settlement of EEI Limited's liability to ARCC. Increase in retirement liability was due to higher provisioning based on the recent valuation of the Group's actuary. Increase in other noncurrent liabilities pertain to additional retention on progress billings of EEI's subcontractors.

Total equity dropped from P23,493.71 million to P21,854.19 million. Decrease is primarily due to net losses recognized by the Group for the period which reduced its retained earnings from P10,111.28 million last year to P9,785.83 million this year. Change in fair value reserve of equity investments pertains to reclassification of investment in PGEC.

Year 2019 vs. 2018

INCOME STATEMENT

The Group registered a 42% growth in net income, from P1,164.28 million in 2018 to P1,649.45 million this year.

Total revenues grew by 6%, from P32,346.34 million to P34,129.84 million, primarily because of increase in construction revenues driven by the robust production levels of infrastructure projects of EEI; coupled with higher revenues from education segment brought about by (a) higher number of enrollees; (b) full 9-month operations of Malayan Colleges Mindanao ("MCM") compared to just 2 months last year; and (c) contributions from newly acquired subsidiaries of iPeople as a result of the merger effective May 2, 2019. On the other hand, the car dealerships registered an 8% drop in revenues due to increased competition which resulted to lower number of vehicle units sold.

Equity in net earnings of associates increased from P255.78 million to P727.82 million primarily because of higher intake from Al-Rushaid Construction Company, Ltd. (a foreign affiliate of EEI).

General and administrative expenses increased by 6%, from P2,651.24 million to P2,818.97 million, primarily attributable to (a) payment of Capital Gains Tax relative to the sale by the Parent Company of its direct investment in Mapua to iPeople; (b) increase in the number of personnel to support the growing business of the group; (c) depreciation of newly constructed/renovated school campuses; and (e) expenses of the newly acquired companies of iPeople group. Interest and finance charges increased due to new loans obtained by the Group to finance its existing projects and developments costs. Also, the adoption of the new accounting standard on Leases, PFRS 16, contributed P79.5 million in interest cost this year.

BALANCE SHEET

Consolidated total assets stood at P52.0 billion against P39.60 billion last year.

Total current assets increased by 42%, from P16.09 billion last year to P22.83 billion, whereas the total non-current assets increased by 24%, from P23.50 billion to P29.16 billion.

The significant movements of the balance sheet accounts are brought about by the Group's adoption of PFRS 16 (Leases) effective January 2019 and the consolidation of newly acquired subsidiaries resulting from the merger of AC Education into iPeople effective May 2, 2019.

Cash and cash equivalents increased from P2.04 billion to P2.69 billion mainly because of iPeople's new subsidiaries coupled with collection of progress billings and retention receivables from various completed domestic projects of EEI. Receivables were higher due to billed trade receivables of EEI, timing of start of classes of the schools and contribution of the newly acquired subsidiaries of iPeople. Contract assets, which is composed of unbilled production and net retention receivables, registered a significant growth this year due to higher construction activities of EEI. Receivable from related parties was lower by P74.73 million due to payment of an affiliate. Inventories dropped by 12% as a result of lower inventory held by car dealerships. Prepaid expense and other current assets, which includes unutilized input and creditable withholding taxes of the Group, increased from P1.46 billion to P1.98 billion primarily because of increased advances to suppliers and contractors of EEI.

Total noncurrent assets at P29.16 billion from P23.51 billion last year, includes assets of the entities acquired by iPeople.

Equity investments grew from P0.97 billion to P1.15 billion primarily because of the increase in the valuation of the unquoted shares of EEI in Hermosa Ecozone Development Corporation in compliance with PFRS 9. Investments in associates and joint ventures grew by 12% due to investment in Sojitz G Auto Philippines Corporation, wherein the Parent company has 20% stake, coupled with higher equity earnings intake for the period. Increase in property and equipment at cost and revalued pertains mainly to assets of the newly acquired subsidiaries of iPeople as a result of the merger with AC Education, Inc. Right of use asset is a result of adoption of the new accounting standard, PFRS 16. Retirement assets dropped due to higher cost recognized for the year as a result of higher headcount and lower discount rate. Deferred tax asset pertains mainly to the tax effect of remeasurement loss on defined benefit plans of the Group. The reduction in other noncurrent assets pertain mainly to collection of the outstanding receivables of EEI.

Consolidated total liabilities increased from P21.43 billion to P28.50 billion.

Total current liabilities increased from P18.58 billion to P20.30 billion. Loans payable dropped as a result of the conversion of loans of iPeople to a longer term, coupled with payments of matured loans. Increase in accounts payable and accrued expenses pertain to heightened production activities of EEI which resulted to increased billings from various subcontractors and suppliers. Income tax payable increased by P32 million as a result of higher taxable income of the Group. Due to related parties mainly pertains to foreign currency adjustment in relation to EEI's account in ARCC. Current portion of lease liability resulted from the new accounting standard, PFRS 16, wherein present value of operating leases is recorded in the books of the Company.

Total noncurrent liabilities increased from P2.85 billion to P8.20 billion. Increase in long term debt pertains mainly to reclassification of iPeople's short-term loan to long-term loan. Accrued retirement liability increased significantly due to higher actuarial losses recognized for the year as a result of lower discount rate compared to last year. Increase in deferred tax liabilities is related to the revaluation increment on land of the Group, including the properties of the newly acquired companies of iPeople. Noncurrent lease liability pertains to recognized liability on the remaining lease term of the group in compliance with PFRS 16. Other noncurrent liabilities pertain mainly to contract obligations of EEI on projects with completion date beyond one year after balance sheet date.

Consolidated equity grew from P18.17 billion to P23.49 billion, of which P14.744 billion is attributable to the Parent Company. Reduction in preferred stock and increase in common stock is attributable to the conversion of preferred shares of the Parent Company. Equity reserve on acquisition of noncontrolling interest pertains to the difference in acquisition cost and par value of the EEI shares acquired by the Parent Company, as well as the result of the dilution of its ownership interest in iPeople. Reduction in revaluation increment pertains to re-attribution of the Parent Company's share in iPeople to noncontrolling interest, as a result of the merger. Changes in fair value of equity investments carried at FVOCI is higher due to the increase in fair market value of investment in Hermosa Ecozone Development Coporation.

Total consolidated retained earnings increased from P9.20 billion to P10.11 billion.

Year 2018 vs. Year 2017

INCOME STATEMENT

The Group registered a net income after tax of P1.16 billion against P1.46 billion in 2017.

Total revenues grew by 17%, from P27.55 billion to P32.31 billion, primarily because of increase in construction revenues as a result of higher construction activities of on-going domestic projects of EEI. This was softened, however, by lower revenues from both the education and the car dealership segments. For the year, the car dealerships registered a 29% drop in revenues due to lower number of vehicle units sold. Likewise, the education segment showed a decline compared to last year due to combined effects of change in academic calendar year and lower average number of students.

Other income is lower this year primarily because of the following: (a) recognition of gain on sale of its investment property amounting to P270 million in 2017; (b) reversal of long outstanding payables amounting to P79 million, also in 2017; and (c) reclassification of the dealer's income and commission income to Revenues, as a result of adoption of PFRS 15 effective this year. Equity in net earnings dropped by 12% primarily because of the Group's share in the net losses of one of its associates, Al-Rushaid Construction Company, Ltd. (ARCC).

General and administrative expenses increased by 14% primarily due to: (a) provision for probable losses on consultancy fee receivable under the construction segment amounting to P325 million, (b) increase in taxes and licenses due to higher DST, resulting from additional loans obtained by the Group coupled with increase in tax rates upon implementation of the TRAIN law; and (c) increase in rent and utility expenses. Interest expenses increased by 65% due to increase in loan level coupled with increase in interest rates. Provision for income tax is higher by 26% due to higher taxable income posted by the Group during the year.

BALANCE SHEET

Consolidated total assets stood at P39.60 billion against P37.35 billion last year.

Total current assets dropped by 9%, from P17.73 billion last year to P16.09 billion, whereas the total non-current assets increased by 20%.

The significant movements in the following accounts are brought about by the Group's adoption of the new standards, PFRS 9 (Financial Instruments) and 15 (Revenue from Contracts with Customers), effective January 2018:

- Receivables, due to reclassification of retention receivables of EEI to a new account, Contract Assets (for the current portion) and to Other non-current assets (for the non-current portion);
- Contract assets, a new account upon adoption of PFRS 15, which represents all construction work-in-progress, including the portion retained by the customer;
- Costs and estimated earnings in excess of billings on uncompleted contracts, the old account description prior to adoption of PFRS 15, which included unbilled production and uninstalled materials;
- Inventories, which now includes uninstalled materials;

- Equity investments at fair value through other comprehensive income, formerly presented as Available for Sale Financial Assets, which represents the Group's total investments at its fair value. Prior to PFRS 9, the unquoted equity investments of the Group are measured at its cost.
- Deferred tax assets, due to the tax effect on the recognition of allowance for impairment on receivables relative to adoption of PFRS 9.

Receivable from related parties is lower compared to last year due to improved collections of an EEI subsidiary from other YGC entities. Prepaid expenses and other current assets increased due to higher unutilized input value added tax and creditable withholding taxes of the Group.

Investments in associates and joint ventures increased by 14% mainly due to the additional shares of Petroenergy Resources Corporation (PERC) purchased by the Parent Company amounting to P332.60 million. Increase in property and equipment pertains mainly to acquisition of machinery, tools and equipment intended for newly awarded domestic projects of EEI, and the increase in the market value of the Group's real properties.

Consolidated total liabilities increased from P21.0 billion to P21.43 billion.

The Group's adoption of PFRS 9 and 15 resulted to the following changes:

- Introduction of a new account, Contract Liabilities, which represents the consideration received by the Group before it transfers goods or services to its customers. For this period, the Contract Liabilities presented in the Group's Statement of Financial Position represent its unearned tuition fees and customers' deposits;
- Reclassification of Billings in Excess of Costs and Estimated Earnings to Contract Liabilities. This account represents the unrecouped portion of the down payment paid by the customers on construction contracts. For this period, the total transaction amount has been offset against the Contract Assets.
- Increase in deferred tax liabilities, which represent taxes related to change in measurement of the Group's investment in unquoted securities, from cost to fair value.

Total current liabilities increased from P18.10 billion to P18.58 billion primarily due to additional loans obtained by the Group to finance the new projects of EEI and the on-going construction in P. Ocampo property, as well as to settle the outstanding development costs of Malayan Colleges of Mindanao. Increase in accounts payable and accrued expenses pertain to increased production activities of EEI thereby incurring higher billings from subcontractors and suppliers. Current portion of long-term debt is higher due to additional borrowings of EEI to fund its operational requirements. Income tax payable increased by P20 million as result of higher taxable income incurred by the Group. Due to related parties mainly pertains to foreign currency adjustment in relation to EEI's share in ARCC's income tax and other administrative fees.

Total noncurrent liabilities decreased from P2.90 billion to P2.85 billion. Reduction in long term debt pertains mainly to net impact of the partial settlement of the Parent Company of its loans. Reduction in other noncurrent liabilities was due to reclassification of deferred VAT output to accounts payables and accrued expenses account.

Consolidated equity grew from P16.35 billion to P18.17 billion, of which P12.43 billion is attributable to the Parent Company. Reduction in preferred stock represents the regular redemption of the Parent Company. Revaluation increment represents the increase in the fair market value of the Group's real properties based on the recent valuation reports. Cumulative translation adjustment pertains mainly to exchange differences arising from the translation of financial statements of the foreign subsidiary, EEI BVI, whose functional currency is the United States dollar and foreign associate, ARCC with functional currency of Saudi Arabia Riyal. Retained earnings grew from P8.41 billion to P9.20 billion.

Financial Ratios

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

Financial ratios		**2020**	2019
Current ratio *Indicates the Group's ability to pay short-term obligation*	Current Assets / Current Liabilities	**1.02:1**	1.12:1
Solvency Ratio *Shows how likely a company will be to continue meeting its debt obligations*	Net Income+Depreciation / Total liabilities	**(0.011:1)**	0.11:1
Debt-to-equity ratio *Measures the Group's overall leverage*	Total Debt / Total Equity	**1.37:1**	1.21:1
Asset to Equity Ratio *Measures the group's leverage and long-term solvency*	Total Assets / Total Equity	**2.37:1**	2.21:1
Interest Rate Coverage *Shows how easily a company can pay interest on outstanding debt*	EBIT* / Interest Expense	**(3.16:1)**	3.70:1
Return on Assets *Measure the ability to utilize the Group's assets to create profits*	Net Income / Average Total Assets	**3:26%**	3.60%
Return on Equity *Reflects how much the Group's has earned on the funds invested by the stockholders*	Net Income / Average Total Equity	**(7.47%)**	7.92%

**Earnings before interest and taxes*

Current ratio went down from 1.12 in 2019 to 1.02 in 2020. This is mainly attributable to the decrease in contract assets and receivables of EEI in 2020 as a result of slowdown in production activities.

Solvency ratio decreased from 0.11 in 2019 to (0.011) in 2020 mainly because of losses incurred by construction and dealership segment brought by the pandemic.

Debt-to-Equity ratio measures the Group's leverage. It increased from 1.21 to 1.37 this year primarily due to loan availments made especially by EEI to finance its operations, coupled with losses incurred for the year.

Asset-to-Equity ratio increased from 2.21 to 2.37 attributable to net losses registered by the Group.

Interest Rate Coverage ratio shows how easily a company can pay interest on outstanding debt. It is lower at (3.16) times compared to last year due to losses incurred by the Group against net income earned of last year.

Return on Assets measures the ability to utilize the Group's assets to create profits. The Group's return on assets for the year 2020 decreased to 3.26% from 3.60% in 2019 because of net loss posted by the construction and car dealership segments for the year.

Return on Average Stockholders' Equity (ROAE) measures the profitability of the Company in relation to the average stockholders' equity. The ROAE for 2020 declined to (7.47%) from 7.92% in 2019 due to losses incurred of the Group for the year.

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

Other qualitative and quantitative factors

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

  a. House of Investments does not anticipate any cash flow or liquidity problems within the next twelve months;
  b. House of Investments is not in default or breach of any note, loan, lease, or other indebtedness or financing arrangement which will require the Company to make payments;
  c. There is no significant amount of trade payable that have not been paid within the stated terms; and
  d. House of Investments depends on dividends from its subsidiaries as its source of liquidity.

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

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

(iv) Below are the material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures.

iPeople, inc's subsidiary, Malayan Education System, Inc. (Operating under the name of Mapúa University) is constructing of a new campus on a 5,114 square-meter property in Makati. Completion is expected in time for the Academic Year 2020-2021. The entire project is estimated to cost around P2.5 billion and will be funded partially by debt.

(v) Below are the 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.

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) There are no significant elements of income or loss that did not arise from the House of Investments' continuing operations;

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

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

Item 7 – Financial Statements

The 2020 audited consolidated financial statements of House of Investments are incorporated herein by reference. The schedules listed in the accompanying index to Supplementary Schedules are filed as part of this Form 17-A.

Item 8 – Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

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

Pursuant to Memorandum Circular No. 8, series of 2003 (rotation of external auditors), the Company has engaged Ms. Wenda Lynn M. Loyola, as the engagement partner of SGV & Co. effective 2016. SEC rules mandate the compulsory rotation of audit partners after 5 years.

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

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

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

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

YEAR	AUDIT FEE BILLING
2020	P3,417,000
2019	P3,296,450
2018	P3,182,750

The Company has not engaged SGV & Co. for any other services aside from its annual audit for the last eight (8) years.

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

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

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9 – Directors and Executive Officers of the Issuer

House of Investments' Board of Directors has eleven (11) members elected by and from among the stockholders. The Board is accountable for providing overall management and direction of the firm. Board meetings are held on a regular basis or as often as required to discuss the Company's operations, business strategy, policies, and other corporate matters. The information below includes positions currently held by the directors and executive officers, as well as positions held during the past five years.

DIRECTORS		
Name	**Position**	**Length of Service**
Ms. Helen Y. Dee	Chairperson	18 Years
Mr. Lorenzo V. Tan	Director President & CEO	4 Years as Director 1 Year and 9 Months as President & CEO
Mr. Medel T. Nera	Director	9 Years
Atty. Wilfrido E. Sanchez	Director	20 Years
Mr. Gil A. Buenaventura	Director	1 Year
Ms. Yvonne S Yuchengco	Director	19 Years
Mr. Lorenzo Andres T. Roxas	Director	7 months

INDEPENDENT DIRECTORS		
Name	**Position**	**Length of Service**
Dr. Roberto F. de Ocampo	Director	20 Years
Mr. John Mark Frondoso	Director	4 Years
Mr. Francisco H. Licuanan III	Director	13 Years
Mr. Juan B. Santos	Director	6 Years

EXECUTIVE OFFICERS			
Name	**Position**	**Age**	**Citizenship**
Ms. Helen Y. Dee	Chairperson	76	Filipino
Mr. Lorenzo V. Tan	President & CEO	59	Filipino
Ms. Gema O. Cheng	EVP – COO, CFO & Treasurer	56	Filipino
Mr. Alexander Anthony G. Galang	SVP – Internal Audit	60	Filipino
Mr. Joselito D. Estrella	SVP – Chief Information Officer	56	Filipino
Mr. Philippe John S. Fetalvero	SVP – Operations Head, Cars Division	52	Filipino
Ms. Ma. Esperanza F. Joven	VP – Finance	50	Filipino
Ms. Ma. Elisa E. Delara	VP – Internal Audit	52	Filipino
Ms. Maria Teresa T. Bautista	VP – Corporate Controller	48	Filipino
Mr. Edgardo Augusto R. Grau Jr.	VP – Chief Risk Officer	54	Filipino
Atty. Lalaine P. Monserate	AVP – Legal & Compliance Officer	57	Filipino
Atty. Samuel V. Torres	Corporate Secretary	56	Filipino
Atty. Ma. Elvira Bernadette G. Gonzalez	Asst. Corporate Secretary	44	Filipino

POSITION AND BACKGROUND WITHIN THE LAST 5 YEARS

HELEN Y. DEE, 76 years old, Filipino, has been **Chairperson of the Board** since 2001 to present. She was also President and CEO of the company from 2001-2011. She is the **Chairperson** of EEI Corporation, House of Investments, Inc., PetroEnergy Resources Corporation, Rizal Commercial Banking Corporation, all of which are PSE-listed companies. She is the Chairperson, Vice Chairperson or a director of several companies engaged in banking, insurance, and real property businesses. Ms. Dee received her Master's Degree in Business Administration from De La Salle University.

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

YVONNE S. YUCHENGCO, 67, Filipino, is a **Director** from 1999-2006, 2008 to present. She is also the **President, Chairman and Director** of Philippine Integrated Advertising Agency, Inc.; **Director and Chairman** of Y Realty Corporation and Yuchengco Museum, Inc.; **Chairperson and President** of Royal Commons, Inc. Y Tower II Office Condominium Corp. and Yuchengco Tower Office Condominium Corp.; **Director and Vice Chairperson** of Malayan Insurance Co., Inc.; **Director and Chairperson** of RCBC Capital Corporation; **Chairperson** of XYZ Assets Corporation; **Director, Treasurer and CFO** of Pan Malayan Management & Investment Corp.; **Director, Vice President and Treasurer** of Pan Managers Inc.; **Director and President** of Alto Pacific Corporation, MICO Equities, Inc. and RCBC Land, Inc.; **Director and Treasurer** of Water Dragon, Inc., Honda Cars Kalookan, Inc., Malayan High School of Science, Inc., Mona Lisa Development Corp. and Petro Energy Resources Corp.; **Director and Vice-President** of AY Holdings, Inc.; **Director and Corporate Secretary** of MPC Investment Corporation**; Trustee and Chairperson** of The Malayan Plaza Condominium Owners**; Director** of Annabelle Y. Holdings & Management Corporation, A.T. Yuchengco, Inc., Enrique T. Yuchengco, Inc., DS Realty, Inc., GPL Holdings, Inc., HYDee Management & Resources Corp., iPeople inc., La Funeraria Paz-Sucat, Inc., Luisita Industrial Park Corp., Malayan Colleges Inc., Malayan International Insurance Corp., Manila Memorial Park Cemetery, Inc., Mapua University, National Reinsurance Corp. of the Philippines, Pan Malayan Express, Inc., Pan Malayan Realty Corp., Seafront Resources Corp., Shayamala Corporation, YGC Corporate Services, Inc. and Yuchengco Center, Inc**.; Trustee** of Phil-Asia Assistance Foundatio, Inc**.**; **Advisory Member** of Rizal Commercial Banking Corporation**. *Educational Background:*** Bachelor of Arts in Interdisciplinary Studies from Ateneo De Manila University, Philippines.

MEDEL T. NERA, **65**, **Filipino**, is a **Director** from 2011 to present. He is also a **Director** of iPeople inc., EEI Corp., Seafront Resources Corp., National Reinsurance Corporation of the Philippines, Inc., Generika Pharmaceutical Group, Ionics, Inc. and Holcim Philippines, Inc. His past experiences include: **President & CEO** of House of Investments, Inc.; President of Honda Cars Kalookan, Inc., **Director and President** of RCBC Realty Corp.; **Chairman of the Board** of Greyhounds Security & Investigation Agency Corp., Zamboanga Industrial Finance Corporation; **Director and Chairman of Risk Committee** of Rizal Commercial Banking Corp.; **Director and Treasurer** of CRIBS Foundation, Inc., and **Senior Partner** at Sycip Gorres Velayo & Co. ***Educational Background***: Master of Business Administration (MBA) from Stern School of Business, New York University, USA and Bachelor of Science in Commerce from Far Eastern University, Philippines, International Management Program at Manchester Business School, UK, Pacific Rim Program at the University of Washington, USA. Mr. Nera is a Certified Public Accountant.

ATTY. WILFRIDO E. SANCHEZ, 84, Filipino, is a **Director** from 2000 to present. He is also a **Tax Counsel** of Quiason Makalintal Barot Torres Ibarra Sison and Damaso Law Firm**; Director** in Asiabest Group International Inc. ("ABG"), Asia Brewery, Inc., Asian Institute of Management (AIM) EEI Corporation, EMCOR, Inc., Eton Properties Philippines, Inc. Gokongwei Brothers Foundation, J-DEL Investments and Management Corporation, JVR Foundation, Inc., K-Servico, Inc., Kawasaki Motor Corporation, LT Group, Inc., Magellan Capital Holdings Corp., Tanduay Distillers, Inc. Trimotors Technology Corp. and Universal Robina Corporation**.** ***His past experiences include:*** Mr. Sanchez once worked in an accounting firm in the Philippines for almost thirty (30) years as tax consultant and headed its tax practice before his retirement. SGV was at one time the largest accounting firm in Asia until its affiliation with Arthur Andersen and Ernst & Young. He headed the tax practice in the firm for several years until his retirement after almost thirty (30) years of tax practice. While in the firm, he also acted as a business advisor to various entities. With this experience in SGV and QMBTISD, he has collected more than fifty (50) years of Tax and Corporate practice. ***Educational Background:*** Masters of Law from Yale Law School, USA; Bachelor of Laws and Bachelor of Arts from Ateneo de Manila University, Philippines.

ROBERTO F. DE OCAMPO, 75, Filipino, former Secretary of Finance, is an **Independent Director** from 2000 to present. He is a **former President** of the Asian Institute of Management (AIM); **Chairman** of the

Philippine Veterans Bank and Foundation for Economic Freedom (FEF); **Chairman of the Board of Advisors** of the RFO Center for Public Finance and Regional Economic Cooperation (an ADB Regional Knowledge Hub); **Vice Chairman** of the Makati Business Club; **Member /Advisory Board Member** of a number of important global institutions including The Conference Board, the Trilateral Commission, the BOAO Forum for Asia and the Emerging Markets Forum, and The Global Reporting Initiative (GRI). ***His past experiences***: **President** of Management Association of the Philippines (MAP); **Chairman and Chief Executive Officer** of the Development Bank of the Philippines during the presidency of Cory Aquino; **Chairman** of the Land Bank during the Ramos Administration; **Member** of the Board Governors of the World Bank, IMF, and ADB. He was awarded by Queen Elizabeth the Most Excellent Order of the British Empire (OBE), by France as a Chevalier (Knight) of the Legion d'Honneur, and by the Vatican as Knight of the Holy Sepulchre of Jerusalem. He is the recipient of many other awards including Philippine Legion of Honor, ADFIAP Man of the Year, Ten Outstanding Young Men Award, CEO Excel Award, several Who's Who Awards and the 2006 Asian HRD Award for Outstanding Contribution to Society. ***Educational Background***: Dr. de Ocampo graduated from De La Salle College and Ateneo de Manila University, received an MBA from the University of Michigan, holds a post-graduate diploma in Development Administration from the London School of Economics, and has four doctorate degrees (Honoris Causa) conferred by the De La Salle University in Business Administration, by the University of Angeles City in Public Administration, by the Philippine Women's University in Laws, and by the San Beda College in Humane Letters.

JUAN B. SANTOS, 82, Filipino, was elected as an **Independent Director** in 2014. He is also a **Director** of First Philippine Holdings Inc., Allamanda Management Corporation, Philippine Investment Management, Inc., Philippine Investment Management Corp., Rizal Commercial Banking Corporation, Sunlife Grepa Financial, Inc.; **Trustee** of Dualtech Training Center Foundation, Inc. and St. Luke's Medical Center; **Member of the Board of Advisors** of East-West Seeds Co., Mitsubishi Motor Phil. Corporation; **Consultant** of Marsman-Drysdale Group of Companies. ***His past experiences include:*** **Chairman** of Social Security System; **Secretary** of Trade and Industry, Philippines; **Chairman and CEO** of Nestle Philippines, Singapore and Thailand; **Director** of Philex Mining Corporation, Philippine Long Distance Telephone Company (PLDT), San Miguel Corporation; ***Educational Background:*** Advanced Management from International Institute of Management Development (IMD), Lausanne, Switzerland; Post-graduate studies on Foreign Trade from Thunderbird School of Global Management, Arizona, USA; and Bachelor of Science in Business Administration from Ateneo De Manila University, Philippines.

GIL A. BUENAVENTURA, 68, Filipino is a **Director** from 2019 to present**.** He is also a **Director** in Malayan Insurance Co., Manila Memorial Park Cemetery, Inc. and Rizal Commercial Banking Corporation. ***His past experiences include:*** **President, Chief Executive Officer and Executive Director** of Rizal Commercial Banking Corporation. As RCBC President, CEO and Executive Director, he led the re-launch and re-branding of the bank to stay relevant amidst the changing banking landscape; **President and Chief Executive Officer** of Development Bank of the Philippines; **Member** of Makati Business Club, Management Association of the Philippines and Investment Committee, De La Salle Philippine School System; **Board Member** of Banker Association of the Philippines, BANCNET and Philippine Payments Management Inc. ***Educational Background:*** Mr. Buenaventura holds a Master of Business Administration in Finance from University of Wisconsin, Madison, Wisconsin.

FRANCISCO H. LICUANAN III, 77, Filipino, is an **Independent Director** since 2006 to present. He is also **Chairman & CEO** of Battery Park Investment, Inc., Geo EState Development Corporation and New Pacific Resources Management Inc.; **President & CEO** of Innovative Property Solutions, Inc.; **President** of Stonebridge Corporation ***Educational Background:*** Master of Business Administration from Harvard Business School, USA; Bachelor of Arts in Economics (cum laude) from Ateneo De Manila University, Philippines.

JOHN MARK S. FRONDOSO, 46, Filipino, was elected as an **Independent Director** in December 2016. He is the **President** of FSG Technology Ventures, Inc. (Digipay); **President** of Star Two Holdings, Inc.; **Trustee and Chairman of the Investment Committee** of the Philippine Public School Teachers Association; **Director** of HC Consumer Finance Philippines, Inc. (Home Credit); **Chairman & President** of FSG Capital, Inc. ***His Past experiences include:*** **Philippine Chief Representative & Executive Director** of Morgan Stanley (Singapore) Holdings Pte Ltd.; **Associate Director** of Barclays Capital (Investment Banking Division of Barclays Bank PLC). ***Educational Background:*** Bachelor of Science in Industrial Management (University Honors) from Carnegie Mellon University, USA.

LORENZO ANDRES T. ROXAS, 57, Filipino, is a **Director** from 2020 to present. He is the **Managing Director & Nominee** at Philippine Equity Partners, Inc.; **Director** of RCBC Capital Corporation, RCBC Bankard Services Corporation, ATRAM Investment Management Partners Corporation, and ATR Holdings, Inc.; **Advisory Board Member** of PhilExcel Corporation; **Board of Governors and Treasurer** of Philippine

Association of Securities Brokers and Dealers, Inc., and **Chairman and President**, LTR Holdings, Inc. ***His past experiences include*: Chairman** of Manila House Private Club, Inc.; **Director** of Asian Life & General Assurance Corporation, Tullett Prebon (Philippines), Inc. and Maybank ATR Kim Eng Capital Partners, Inc.; **Board of Governors** of the Philippine Association of Securities Brokers and Dealers, Inc.; and **Chairman of the Board, President, and Director** of Maybank ATR Kim Eng Securities, Inc. ***Educational Background:*** Masters in Business Administration, Northwestern University's Kellogg School of Management and The Hong Kong University of Science and Technology and Bachelor of Arts Degree in Interdisciplinary Study, Ateneo de Manila University.

EXECUTIVE OFFICERS:

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

ALEXANDER ANTHONY G. GALANG, 60, Filipino, is the **Senior Vice President for Internal Audit** since 2009. He was **Vice President** of the company from 2004 to 2009. He is a Certified Public Accountant (CPA) having placed 12^{th} in the 1981 licensure exams. He has a Global Certification as a Certified Fraud Examiner (CFE) and a Certification in Risk Management Assurance (CRMA). ***Educational Background:*** Bachelor of Science in Business Administration Major in Accounting (Cum Laude) from University of Sto. Tomas, Philippines.

JOSELITO D. ESTRELLA, 56, Filipino, is the **Senior Vice President - Chief Information Officer**. ***His past experiences include:*** **Senior Vice President – Chief Information Officer** of iPeople inc., **President** of Pan Pacific Computer Center Inc., **Vice President for Sales & Marketing** of AGD Infotech Inc. ***Educational Background:*** Bachelor of Science in Commerce Major in Management from San Beda College; Master of Science in Information Technology from De La Salle University.

PHILIPPE JOHN S. FETALVERO, 52, Filipino, is the SVP – Business Operations Head for the Cars Division. ***His past experiences include***: **General Manager** of Honda Cars Kalookan, Inc. where he started as Sales Manager in 1994. He also served as a faculty member at the De la Salle University Impact Center. ***Educational Background*:** Bachelor of Science in Computer Science from the De La Salle University.

MA. ESPERANZA F. JOVEN, 50, Filipino, is the **Vice President for Finance**. She is also the **Vice President & Treasurer** in HI-Eisai Pharmaceutical, Inc.; and a **Director** in Manila Memorial Park Cemetery, Inc., La Funeraria Paz-Sucat, Inc., and San Lorenzo Ruiz Investment Holdings & Services, Inc. ***Her past experiences include:*** **Vice President for Finance** of iPeople, inc.; **Director** of Zamboanga Industrial Finance Corporation; **MSCF Program Coordinator** and **Assistant Professional Lecturer** at De La Salle University. She also held the Series 7, 63, and 24 licenses with the Financial Industry Regulatory Authority (FINRA), The Nasdaq Stock Market, and in the 52 states and territories of the USA. ***Educational Background:*** Master of Science in Computational Finance and Bachelor of Science in Applied Mathematics from De La Salle University-Manila.

MARIA ELISA E. DE LARA, 51, Filipino, is the **Vice President for Internal Audit** since 2013. She joined the company in October 2010 and was appointed as **Assistant Vice President** for Group Internal Audit effective January 2011. She is a Certified Public Accountant and holds a Global Certification in Risk Management Assurance (CRMA). ***Educational Background:*** Bachelor of Science in Business Administration Major in Accounting (Magna Cum Laude) from the Philippine Women's University.

MARIA TERESA T. BAUTISTA, 48, Filipino, is the **Vice President - Controller** since July, 2017. She is also the **Controller** of Landev Corporation; **CFO and Treasurer** of Investment Managers Inc., Xamdu Motors, Inc., Zamboanga Carriers, Inc. and Zambowood Realty and Development Corp. and Hexagon Lounge, Inc.; **Treasurer** of Greyhounds Security and Investigation Agency Corp. and Secon Professional Security. She is a Certified Public

Accountant, holds a Global Certification for Internal Auditors (CIA) and has completed the Six Sigma Green Belt Program. ***Educational Background:*** Bachelor of Science in Commerce, major in Accounting, from St. Paul College, Philippines.

EDGARDO AUGUSTO R. GRAU, JR., **54**, **Filipino**, is the **Vice President – Chief Risk Officer**. He was appointed to the position in July 9, 2019. ***His previous affiliations include***: Examiner, Financial Analyst and Policy Developer at the Office of The Comptroller of the Currency (an agency under the US Department of Treasury). In this capacity, he provided supervisory monitoring of local and regional financial institutions, both healthy and distressed. He has expertise in mortgage banking, real estate lending, asset securitization, risk management, consumer compliance, and holding company oversight. He has consulting experience with startups as well as small-to-medium sized enterprises. ***Educational Background:*** Bachelor of Business Administration (Magna Cum Laude) from Seton Hall University, USA.

LALAINE P. MONSERATE, 57, Filipino, joined the Company in November, 2016 as **Assistant Vice President – Legal and Compliance Officer**. She was appointed **Data Privacy Officer** for the Company on June 2017 up to the present. She is also the Corporate Secretary of Greyhounds Security and Investigation Agency Corporation from August 2018 to present. ***Her past experiences include:*** **Assistant Director** of the Investigation and Prosecution Division, Enforcement and Investor Protection Department of the Securities and Exchange Commission (SEC). She spent 12 years at the SEC, rising from the ranks, i.e. from Securities Investigator, Securities Counsel, Chief Counsel, Division Head and Assistant Director. ***Educational Background***: Bachelor of Laws and Bachelor of Arts in Political Science from the University of Nueva Caceres in Naga City. She passed the Bar Examinations in 1999.

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

MA. ELVIRA BERNADETTE G. GONZALEZ, 44, Filipino, is the **Assistant Corporate Secretary**. She is also the **Assistant General Counsel** of Pan Malayan Management & Investment Corporation and **Corporate Secretary** of Blackhounds Security and Investigation Agency, Inc. and the **Assistant Corporate Secretary** of iPeople, inc., Malayan Colleges Mindanao (A Mapua School), Inc., Affordable Private Education, Inc. doing business under the name of APEC SCHOOLS, Yuchengco Tower Office Condominium Corp., Y Tower II Office Condominium Corp., and GPL Holdings, Inc. ***Educational Background:*** Juris Doctor, Ateneo De Manila University School of Law; Bachelor of Arts in Political Science, Ateneo De Manila University.

RESIGNATION OF DIRECTORS

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

ELECTION OF DIRECTORS

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

APPOINTMENT AND RESIGNATION OF OFFICERS
Officers are appointed or elected annually by the Board of Directors at its first meeting following the Annual Meeting of Stockholders, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been elected, appointed or shall have qualified.

SIGNIFICANT EMPLOYEE
There is no person who is not an executive officer that is expected by the issuer to make a significant contribution to the business.

FAMILY RELATIONS
Mrs. Helen Y. Dee and Ms. Yvonne S. Yuchengco are siblings.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS
The Company is not aware of the following events during the past 5 years up to March 31, 2021:

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

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

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

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

Item 10 – EXECUTIVE COMPENSATION

Information as to the aggregate compensation paid or accrued during the last two fiscal years and to be paid in the ensuing fiscal year to the Company's Chief Executive Officer and other officers follows:

NAME AND POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION
The top 5 executives of the Company are as follows: 1. Lorenzo V. Tan, President & CEO 2. Gema O. Cheng, EVP – Chief Operating Officer, Chief Financial Officer & Treasurer 3. Alexander Anthony G. Galang, SVP – Internal Audit 4. Joselito D. Estrella, SVP – Chief Information Officer 5. Edgardo R. Grau, Jr., VP – Chief Risk Officer	2021	P 40.6M (est)	P0	P0
	2020	P 38.7M	P0	P0
	2019	P 31.8M	P0	P0
All other officers and directors as group unnamed.	2021	P42.2M (est)	P0	P1.2M (est)
	2020	P41.0M	P0	P1.1M
	2019	P43.0M	P0	P0.9M
TOTALS	2021	P82.8M(est)	P0	P1.2M (est)
	2020	P79.7M	P0	P1.1M
	2019	P74.8M	P0	P0.9M

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

Directors are paid a per diem of P25,000 for attendance in a Board meeting. Board meetings are scheduled every quarter in a year. A director is also paid a per diem of P10,000 for participation in Audit and Risk committee meetings and P5,000 in other committee meetings.

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

Item 11 – Security Ownership of Certain Beneficial Owners and Management

Owners of more than 5% of voting securities as of April 30, 2021.
The following table shows the beneficial owners directly or indirectly owning more than 5% of the Company's capital stock as of March 31, 2021:

COMMON STOCK

SHARE CLASS	NAME AND ADDRESS OF RECORD OWNER	NAME OF BENEFICIAL OWNER & RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NUMBER OF SHARES BENEFICIALLY OWNED	% OF TOTAL
Common	**PAN MALAYAN MANAGEMENT & INVESTMENT CORPORATION** 48/F, Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City *Principal Stockholder*	**Ms. Helen Y. Dee** *Chairperson* is authorized to direct voting of the shares held by Pan Malayan Management & Investment Corporation	Filipino	397,166,274*	51.15%
Common	**ESTATE OF ALFONSO T. YUCHENGCO** 48/F, Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City *Principal Stockholder*	**Ms. Helen Y. Dee** *In her capacity as Administrator* is authorized to direct voting of the shares held the Estate of Alfonso T. Yuchengco	Filipino	90,123,082	11.61%
Common	**RCBC SECURITIES, INC.** *7/F Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City*	**Mr. Raul M. Leopando** *Nominee* **Mr. Raul Ruiz** *VP - Research* are authorized to direct voting of the shares held by RCBC Securities	Filipino	95,009,131	12.31%
Common	**BPI SECURITIES CORPORATION** *8/F BPI Head Office Bldg., Ayala Ave., cor. Paseo de Roxas Makati City*	**Mr. John Kennard T. Fajardo** *Nominee-Applicant* is authorized to direct voting of the shares held by BPI Securities Corporation	Filipino	45,845,948	5.90%
Common	**GPL Holdings, Inc.**	**Ms. Helen Y. Dee** *President* is authorized to direct voting of the shares held by GPL Holdings, Inc.	Filipino	41,170,360	5.30%

* *Represents direct and indirect owenship.*

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

SECURITY OWNERSHIP OF MANAGEMENT
Securities beneficially owned by the directors, nominees, officers, other than qualifying shares, as of April 30, 2020 according to the records of its stock and transfer agent, Rizal Commercial Banking Corporation (RCBC):

COMMON STOCK

NAME OF BENEFICIAL OWNER	CITIZENSHIP	NATURE OF OWNERSHIP	SHARES OWNED	% OF CLASS
Ms. Helen Y. Dee	Filipino	Direct Indirect	1,125,345 770,780	0.1449% 0.0993%
Mr. John Mark S. Frondoso	Filipino	Direct	5	0.0000%
Mr. Francisco H. Licuanan III	Filipino	Direct	500	0.0006%
Mr. Emilando Napa	Filipino	Direct	5	0.0000%
Mr. Medel T. Nera	Filipino	Direct	5	0.0000%
Dr. Roberto F. de Ocampo	Filipino	Direct	5	0.0000%
Atty. Wilfrido E. Sanchez	Filipino	Direct	5	0.0000%
Mr. Juan B. Santos	Filipino	Direct	5	0.0000%
Mr. Lorenzo V. Tan	Filipino	Direct	5	0.0000%
Mr. Gil A. Buenaventura	Filipino	Direct	5	0.0000%
Ms. Yvonne S Yuchengco	Filipino	Direct Indirect	45 90,210	0.0000% 0.0116%
Sub-Total			**1,986,920**	**0.2559%**
Total Common Shares			**776,465,281**	**100%**

Item 12 – Certain Relationships and Related Transactions

There is no director, executive officer, nominee for director, beneficial holder, or any family member involved in any business transaction with HI and subsidiaries.

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

Please refer to Note 22 to the consolidated financial statements for the details of related party transactions. As discussed in the notes, in the normal conduct of business, other transactions with certain affiliates include sharing in general and administrative expenses and cash advances.

PART IV – CORPORATE GOVERNANCE

Item 13 – Corporate Governance

(a) Evaluation System to Measure Compliance with the Manual on Corporate Governance

The Company has monitored its compliance with Securities and Exchange Commission (SEC) Memorandum Circulars as well as all relevant Philippine Stock Exchange (PSE) Circulars on Corporate Governance. The Company continues to comply with the leading practices and principles on good corporate governance and appropriate self-rating assessment and performance evaluation to determine and measure its compliance with the Company's Manual on Corporate Governance.

The Company has submitted its Integrated Annual Corporate Governance Report (IACGR) for the period covering the years 2017, 2018 and 2019. For the period covering the year 2020, the Company will submit its IACGR on or before May 30, 2021.

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

In its 2017, 2018 and 2019 Integrated Annual Corporate Governance Reports (IACGRs), the Company has complied with majority of all recommendations specified in the said Report. In 2019, except for two recommendations, the Company is compliant with all of the recommendations. In its 2020 I-ACGR, the Company will endeavor to comply with the said two un-complied recommendations.

(c) Deviation from the Manual on Corporate Governance

There is no deviation from the Manual on Corporate Governance. This can be gleaned from the Integrated Annual Corporate Governance Report (IACGR) where majority of the recommendations were complied by the Company. In 2019, while there were two (2) recommendations which the Company cannot comply, the Company provided for substantial explanation (pursuant to the "comply or explain" approach required by SEC) including the fact that the principles recommended were still being achieved by the Company despite its non-compliance. In its 2020 report, the Company will endeavor to comply with the said two un-complied recommendations in 2019, however, if it cannot, despite its efforts, then it will provide substantial explanation to the effect that the principles recommended were still achieved by the Company despite its non-compliance.

(d) Plans to Improve Corporate Governance

In order to improve the performance of the Chairperson, the Board of Directors and its officers, the Company required them to submit an Annual Self-Assessment Questionnaire which is composed of varying statements on their roles, functions and responsibilities under the Manual on Corporate Governance. Likewise, the Company, as required under its Policy on Related Party Transactions, implemented the annual submission of Related Party Questionnaire in order to elicit information about any potential or actual related party transactions entered into by the Chairperson, the Board of Directors, the Company and its officers on the said year. In addition, the Company also required them to submit a Biographical Data containing their personal information, work experience, family relations, and others, to determine their relatives within the third-degree of consanguinity and their related party transactions with the Company, if there is any. The Committee on Corporate Governance, Nominations and Related Party Transactions has been monitoring their submissions.

The Company continuously monitors all relevant PSE and SEC Circulars on Corporate Governance that maybe used to improve compliance with the Manual on Corporate Governance. With the pandemic (COVID 19), the PSE and SEC have issued numerous Circulars and Advisories which the Company have complied.

The Company continues to adhere to the leading practices in good corporate governance as well as the Manual on Corporate Governance by requiring its Chairperson, Directors and Officers to attend the annual seminar on Corporate Governance conducted by entities accredited by the Securities and Exchange Commission (SEC).

PART V – EXHIBITS AND SCHEDULES

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

SUMMARY OF SEC FORM 17-C

August 17, 2020

- Approval of the Second Quarter Consolidation Report (SEC 17-Q) of House of Investments, Inc.
- 2019 Audited Consolidated Financial Statements and Management Report of House of Investments, Inc. and its subsidiaries
- Approval of the amendment of Article First of the Company's Articles of Incorporation and By-Laws to reflect the amendment in the corporate name of the company
- Approval of the amendment of Article Third of the Company's Articles of Incorporation to reflect the change in the principal office address of the Company
- Election of members of the board of directors for the year 2020-2021
- Re-appointment of SGV & Co., as external auditors for the year ending 2020.
- Election of officers of House of Investments, Inc. and the appointment of Chairmen/members of the various committees.

November 10, 2020

- Approval of the Third Quarter Consolidation Report (SEC 17Q) of House of Investments, Inc.

December 4, 2020

- Acquisition of outstanding common stock of San Lorenzo Ruiz Investment Holdings and Services, Inc.

April 12, 2021

- Approval of the Sustainability Report
- Approval of the 2020 Audited Consolidated Financial Statements of House of Investments and Subsidiaries
- Approval of the postponement of the date of the Annual Stockholders' Meeting from July 16, 2021 to August 6, 2021

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Makati on May 14, 2021.

IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this 14th day of May, 2021 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

SUBSCRIBED AND SWORN to before me this ____ day of MAY 1 4 2021 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. 97;
Page No. 11;
Book No. 700;
Series of 2021.

RUBEN T. M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2021
IBP NO. 142536 / 01-04-21 CY 2021
ROLL NO. 28947/ MCLE 6 / 3-22-19
PTR NO. MKT. 8533046/1-4-21 APPT NO. M-168

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
SEC FORM 17-A

HI

HOUSE OF INVESTMENTS, INC.

A YGC Member

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of House of Investments, Inc. and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2020, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

HELEN Y. DEE
Chairman of the Board

LORENZO V. TAN
President and Chief Executive Officer

GEMA O. CHENG
EVP - COO/Chief Financial Officer & Treasurer

Doc. No. 49
Page No. 11
Book No. 100
Series of 2021

RUBEN T. M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2021
IBP NO. 142536 / 01-04-21 CY 2021
ROLL NO. 28947/ MCLE 6 / 3-22-19
PTR NO. MKT. 6533046/1-4-21 APPT NO. M-168

Signed this 30th day of April, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
House of Investments, Inc.

Opinion

We have audited the consolidated financial statements of House of Investments, Inc. (the Parent Company) and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

Recognition of revenue from construction contracts

The Group's revenue from construction projects on electro-mechanical works, industrial, buildings and infrastructure accounts more than 60% of the total revenue of the Group. Under PFRS 15, *Revenue from Contracts with Customers*, the Group assessed that there is only one performance obligation for each construction agreement that it has entered and that the revenue arising from such agreements qualify for recognition over time. 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. 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.

Aside from the significance of the amount involved, we consider this as a key audit matter because the revenue recognition process involves significant judgment and estimates, particularly, with respect to the estimation of the variable considerations arising from the change orders and claims and calculation of estimated cost to complete construction projects (i.e., determination of the quantity of the inputs such as materials, labor and equipment needed to complete the construction), which requires the technical expertise of the Group's engineers.

The Group's disclosures about construction revenue are included in Notes 4 and 23 to the consolidated financial statements.

Audit response

We inspected sample contracts and supplemental agreements and reviewed management's assessment on the identification of performance obligation within the contract and the timing of revenue recognition. For construction revenue which includes significant effects of the variable considerations, we obtained an understanding and tested the relevant controls over the management's process to estimate the amount of consideration expected to be received from the customers. For change orders and claims of sample contracts, we compared the amounts recognized as revenue to the change orders and claims approved by the customers and other relevant documentary evidences supporting the management's estimate of revenue recognized.

For the measurement of progress of the construction projects, we obtained an understanding of the Group's process to accumulate actual costs incurred and to estimate the expected cost to complete and tested relevant controls. We also tested actual costs incurred by examining sample invoices and other supporting third party correspondences. We also considered the competence, capabilities and objectivity of the Group's cost engineers by referring to their qualifications, experience and reporting responsibilities. We examined the approved total estimated completion costs, any revisions thereto, and the cost variance analysis with supporting details. We conducted ocular inspections on selected sample projects and discussed the status of the projects under construction with the Group's engineers. We also inspected the related project documentation and inquired about the significant deviations from the targeted completion.

Accounting for investment in Al-Rushaid Construction Company Ltd.

The Group owns 49% equity interest in Al-Rushaid Construction Company Ltd. (ARCC), associate accounted for under the equity method. As of December 31, 2020, ARCC recognized deferred tax asset on net operating loss carryover of ₱330.10 million. We consider the accounting for the investment in ARCC as a key audit matter because the Group's share in ARCC's net earnings and the carrying value of the investment represents 43% of Group's consolidated net loss and 3% of the Group's total assets, respectively. The Group's share in ARCC's net earnings is significantly affected by ARCC's revenue recognition from its construction contracts. In addition, management's assessment process on the recognition of deferred tax asset is based on assumptions, which are affected by expected future market or economic conditions.

The Group's disclosures about the investment in ARCC are included in Note 12 to the consolidated financial statements.

Audit response

We sent instructions to statutory auditors of ARCC to perform an audit on the relevant financial information of ARCC for the purpose of the Group's consolidated financial statements. These audit instructions cover their scope of work, risk assessment procedures, audit strategy and reporting responsibilities. We discussed with ARCC's statutory auditors about their key audit areas, planning and execution of audit procedures, significant areas of estimation and judgment. We also reviewed their working papers and obtained relevant conclusion statements related to their audit procedures. We reviewed their working papers, focusing on the procedures performed on ARCC's revenue recognition and obtained relevant conclusion statements related to their audit procedures. Furthermore, we evaluated management's assumptions on the recognition of deferred tax assets and inquired with the Group's management on the basis of the financial forecast. We also evaluated management's forecast against historical performance of ARCC.

We also obtained the financial information of ARCC for the year ended December 31, 2020 and recomputed the Group's share in net earnings for the year ended December 31, 2020.

Valuation of unquoted equity investments carried at fair value through other comprehensive income

The Group has investments in unquoted equity securities of Hermosa Ecozone Development Corporation (HEDC) carried at fair value through other comprehensive income. As of December 31, 2020, the investments' carrying values amounted to ₱440.75 million. In determining the fair values of these investments, the Group engaged external valuers and exercised judgments in selecting the appropriate valuation methodology. This includes using assumptions and inputs taking into consideration the industry where the investee operates. This matter is significant to our audit because estimating the fair value of an unquoted equity instrument involves the use of valuation inputs that are not observable in the market.

The Group's disclosures about its unquoted equity investments are included in Notes 11 and 38 to the consolidated financial statements.

Audit response

We evaluated the competence, capabilities and qualifications of the external valuers by considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in the review of the methodology and assumptions used in the valuation of unquoted equity investment valued, which include sales price of comparable properties with reference to market data and cost to develop the parcels of land of HEDC. We also reviewed the Group's disclosures about those assumptions to which the outcome of the valuation is most sensitive; specifically, those that have the most significant effect on the determination of the fair value of the unquoted equity investments.

Valuation of land classified as property and equipment

The Group accounts for its land, where the school buildings and other facilities are located, using the revaluation model. As at December 31, 2020, the carrying value of the Group's land amounted to ₱7,957.66 million, representing 15% of the Group's total assets. The valuation of the land requires the assistance of external appraisers whose calculations involve certain assumptions, such as sales price of similar properties and adjustments to sales price based on internal and external factors. This matter is significant to our audit because it involves significant judgment and estimates.

Refer to Notes 4 and 13 to the consolidated financial statements for the detailed disclosures.

Audit response

With the assistance of our internal specialist, we reviewed the scope, bases, methodology and results of the work done by the Group's external appraisers whose professional qualifications and objectivity were also taken into consideration. We compared the relevant information supporting the sales price of similar properties and the adjustments made to the sales price against real estate industry data and made inquiries to the external appraisers as to the basis. We also reviewed the Group's disclosures with respect to the fair value of the land.

Recoverability of nonfinancial assets

The Group has nonfinancial assets attributable to the acquisition of Malayan Education System which are considered significant to the consolidated financial statements. Under PFRSs, the Group is required to annually test for impairment the goodwill amounting to ₱137.85 million and intellectual property rights with infinite life amounting to ₱523.10 million. In addition, management's assessment process involves judgments and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic. The assumptions used in estimating the discounted cash flow projections include forecasted revenue, long-term growth rates, royalty rates, and discount rates.

The Group's disclosures about nonfinancial assets are included in Notes 4, 15 and 17 to the consolidated financial statements.

Audit response

We involved our internal specialist in evaluating the methodology and assumptions used. We obtained an understanding of the Group's impairment model and the assumptions on the key business drivers of the cash flow forecasts such as the revenue from number of forecasted students and related tuition and other matriculation fees. We checked if the Group has considered the impact of the K to 12 Basic Education Program implementation and the coronavirus pandemic on these key assumptions and also compared them against historical performance. We compared the long-term growth rates and royalty rates against relevant published market information. We tested the parameters used in the determination of discount rates against market data. In addition, we reviewed the Group's disclosures about those assumptions to which the outcome of the impairment tests is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of these assets.

Adequacy of allowance for expected credit loss (ECL)

The Group applies simplified approach in calculating expected credit loss (ECL) on its receivables derived from education segment. Under this approach, the Group establishes a provision matrix that is based on its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment. Allowance for ECL and the provision for ECL as of and for the year ended December 31, 2020 amounted to ₱168.98 million and ₱48.76 million, respectively.

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

The disclosures on the allowance for ECL are included in Notes 4 and 7 to the consolidated financial statements.

Audit response

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

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place and management's assessment of the impact of the coronavirus pandemic on the counterparties; (c) tested historical loss rates by inspecting historical recoveries including the write-offs; (d) checked the classification of outstanding exposures to their corresponding aging buckets; and (e) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios and industry practices, including the impact of the coronavirus pandemic.

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

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

Other Information

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is
Narciso T. Torres, Jr.

SYCIP GORRES VELAYO & CO.

Narciso T. Torres, Jr.
Partner
CPA Certificate No. 84208
SEC Accreditation No. 1511-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 102-099-147
BIR Accreditation No. 08-001998-111-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534374, January 4, 2021, Makati City

April 30, 2021

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

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱3,218,733,775**	₱2,686,669,074
Receivables (Note 7)	**5,346,073,837**	6,246,486,725
Contract assets (Note 8)	**7,605,270,420**	9,483,493,604
Inventories (Note 9)	**1,888,033,691**	2,362,277,465
Receivables from related parties (Note 22)	**53,415,133**	71,235,301
Prepaid expenses and other current assets (Note 10)	**2,544,943,848**	1,982,854,200
Total Current Assets	**20,656,470,704**	22,833,016,369
Noncurrent Assets		
Equity investments at fair value through other comprehensive income (FVOCI) (Note 11)	**547,076,494**	1,147,773,806
Investments in associates and joint ventures (Note 12)	**7,092,623,906**	6,193,051,356
Property and equipment (Note 13)		
At cost	**8,450,819,862**	8,808,917,553
At revalued amount	**7,957,658,100**	9,185,924,384
Investment properties (Note 16)	**1,977,608,213**	17,689,018
Deferred tax assets - net (Note 33)	**1,580,396,762**	195,020,389
Right-of-use assets (Note 14)	**1,271,074,183**	1,605,726,653
Goodwill (Note 15)	**484,829,719**	484,829,719
Retirement assets (Note 32)	**4,726,582**	18,289,597
Other noncurrent assets - net (Note 17)	**1,862,191,461**	1,505,524,395
Total Noncurrent Assets	**31,229,005,282**	29,162,746,870
Total Assets	**₱51,885,475,986**	₱51,995,763,239

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 18)	**₱8,778,272,881**	₱8,412,082,541
Loans payable (Note 19)	**7,982,000,000**	8,393,800,000
Current portion of long-term debt (Note 20)	**2,302,998,099**	1,385,714,285
Current portion of contract liabilities (Note 8)	**898,322,177**	1,694,367,011
Current portion of lease liabilities (Note 14)	**164,647,368**	215,416,367
Income tax payable	**44,134,970**	74,755,176
Due to related parties (Note 22)	**10,214,099**	126,417,175
Total Current Liabilities	**20,180,589,594**	20,302,552,555
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 20)	**5,117,304,037**	3,305,974,841
Contract liabilities - net of current portion (Note 8)	**1,658,679,655**	1,820,243,384
Lease liabilities - net of current portion (Note 14)	**1,085,685,479**	1,323,247,962
Deferred tax liabilities - net (Note 33)	**1,047,739,837**	1,023,530,274
Retirement liabilities (Note 32)	**611,599,429**	457,836,487
Other noncurrent liabilities (Note 38)	**329,691,519**	268,665,644
Total Noncurrent Liabilities	**9,850,699,956**	8,199,498,592
Total Liabilities	**₱30,031,289,550**	₱28,502,051,147

(Forward)

	December 31	
	2020	2019
Equity		
Attributable to equity holders of the Parent Company		
Preferred stock (Note 39)	**₱–**	₱6,710,402
Common stock (Note 39)	**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 (Note 36)	**1,623,004,873**	1,641,756,492
Revaluation increment on land - net (Note 13)	**1,294,577,413**	1,298,881,074
Cumulative translation adjustments	**225,033,109**	245,958,913
Fair value reserve of equity investments at FVOCI (Note 11)	**175,482,889**	311,094,152
Remeasurement loss on retirement (Note 32)	**(259,954,684)**	(188,329,963)
Retained earnings: (Note 40)		
Unappropriated	**3,280,479,055**	3,605,930,659
Appropriated	**6,505,355,000**	6,505,355,000
	14,161,096,309	14,744,475,383
Non-controlling interests (Note 36)	**7,693,090,127**	8,749,236,709
Total Equity	**21,854,186,436**	23,493,712,092
	₱51,885,475,986	₱51,995,763,239

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2020	2019	2018
REVENUE (Note 23)	**₱21,176,075,057**	₱34,129,841,303	₱32,346,342,322
COSTS OF SALES AND SERVICES (Note 25)	**21,825,884,505**	29,374,547,818	28,052,537,041
GROSS PROFIT (LOSS)	**(649,809,448)**	4,755,293,485	4,293,805,281
GENERAL AND ADMINISTRATIVE EXPENSES (Note 29)	**(3,098,567,525)**	(2,818,964,302)	(2,651,245,784)
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES (Note 12)	**1,368,427,558**	727,820,626	255,783,370
INTEREST AND FINANCE CHARGES (Notes 19, 20, 22 and 31)	**(712,571,097)**	(780,610,257)	(455,751,589)
OTHER INCOME - Net (Note 24)	**128,768,133**	225,287,334	219,968,414
INCOME (LOSS) BEFORE INCOME TAX	**(2,963,752,379)**	2,108,826,886	1,662,559,692
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 33)			
Current	**126,237,181**	429,672,494	485,226,256
Deferred	**(1,396,274,909)**	29,704,330	13,050,924
	(1,270,037,728)	459,376,824	498,277,180
NET INCOME (LOSS)	**(₱1,693,714,651)**	₱1,649,450,062	₱1,164,282,512
Net income (loss) attributable to:			
Equity holders of the Parent Company	**(₱824,954,066)**	₱974,033,430	₱848,267,992
Non-controlling interests	**(868,760,585)**	675,416,632	316,014,520
	(₱1,693,714,651)	₱1,649,450,062	₱1,164,282,512
EARNINGS (LOSS) PER SHARE (Note 34)			
Basic	**(₱1.0626)**	₱1.2244	₱1.3369
Diluted	**(₱1.0626)**	₱1.2244	₱1.0862

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2020	2019	2018
NET INCOME (LOSS)	**(₱1,693,714,651)**	₱1,649,450,062	₱1,164,282,512
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent periods:			
Share in other comprehensive income (loss) of an associate (Note 12)	**(46,303,277)**	(8,684,333)	7,750,939
Cumulative translation adjustments	**58,977,308**	(95,749,469)	229,125,040
Items not to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity investments carried at FVOCI (Note 11)	**(149,929,175)**	110,696,848	(7,435,251)
Revaluation increment on land (Note 13)	**(72,695,173)**	124,414,373	470,581,594
Remeasurement gain (loss) on net retirement (Note 32)	**(148,660,020)**	(317,906,260)	48,180,540
Income tax effect relating to items that will not be reclassified	**(18,077,259)**	34,004,702	(124,153,319)
	(376,687,596)	(153,224,139)	624,049,543
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱2,070,402,247)**	₱1,496,225,923	₱1,788,332,055
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	**(₱1,061,197,972)**	₱861,192,841	₱1,128,371,055
Non-controlling interests	**(1,009,204,275)**	635,033,082	659,961,000
	(₱2,070,402,247)	₱1,496,225,923	₱1,788,332,055

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	Attributable to Equity Holders of the Parent Company												
	Capital stock (Note 39)								**Retained earnings**				
	Preferred stock	**Common stock**	**Additional paid-in capital**	**Equity reserve on acquisition of non-controlling interest**	**Revaluation increment on land - net** (Note 13)	**Cumulative translation adjustments** (Notes 12 and 38)	**Fair Value reserve of equity investments at FVOCI** (Note 11)	**Remeasurement loss on retirement** (Note 32)	**Unappropriated** (Note 40)	**Appropriated** (Note 40)	**Subtotal**	**Non-controlling interests** (Note 36)	**Total**
BALANCES AT JANUARY 1, 2018	**₱253,758,109**	**₱921,836,572**	**₱154,578,328**	**(₱179,954,180)**	**₱1,329,730,248**	**₱224,366,002**	**₱254,766,791**	**(₱5,100,398)**	**₱8,414,417,152**	**₱600,000**	**₱11,368,998,624**	**₱5,157,194,941**	**₱16,526,193,565**
Net income	–	–	–	–	–	–	–	–	848,267,992	–	848,267,992	316,014,520	1,164,282,512
Other comprehensive income	–	–	–	–	272,500,479	25,337,343	5,088,916	(22,823,675)	–	–	280,103,063	343,946,480	624,049,543
Total comprehensive income	–	–	–	–	272,500,479	25,337,343	5,088,916	(22,823,675)	848,267,992	–	1,128,371,055	659,961,000	1,788,332,055
Redemption of preferred stock	(6,343,953)	–	–	–	–	–	–	–	–	–	(6,343,953)	–	(6,343,953)
Reversal of appropriated retained earnings	–	–	–	–	–	–	–	–	600,000	(600,000)	–	–	–
Appropriation of retained earnings	–	–	–	–	–	–	–	–	(6,105,300,000)	6,105,300,000	–	–	–
Dividend declaration	–	–	–	–	–	–	–	–	(64,772,686)	–	(64,772,686)	(71,619,746)	(136,392,432)
BALANCES AT DECEMBER 31, 2018	**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)**	**3,093,212,458**	**6,105,300,000**	**12,426,253,040**	**5,745,536,195**	**18,171,789,235**
Net income	–	–	–	–	–	–	–	–	974,033,430	–	974,033,430	675,416,632	1,649,450,062
Other comprehensive income	–	–	–	–	(4,360,837)	(4,702,267)	49,199,478	(152,976,963)	–	–	(112,840,589)	(40,383,550)	(153,224,139)
Total comprehensive income	–	–	–	–	(4,360,837)	(4,702,267)	49,199,478	(152,976,963)	974,033,430	–	861,192,841	635,033,082	1,496,225,923
Conversion of preferred to common stock	(240,703,754)	240,703,754	–	–	–	–	–	–	–	–	–	–	–
Reversal of appropriated retained earnings	–	–	–	–	–	–	–	–	5,300,000	(5,300,000)	–	–	–
Appropriation of retained earnings	–	–	–	–	–	–	–	–	(405,355,000)	405,355,000	–	–	–
Acquisition and disposal of subsidiary	–	–	–	–	–	–	–	(355,202)	2,081,876	–	1,726,674	(12,108,346)	(10,381,672)
Changes in non-controlling interest	–	–	–	1,821,710,672	(298,988,816)	957,835	2,038,967	(7,073,725)	–	–	1,518,644,933	2,505,603,852	4,024,248,785
Dividend declaration	–	–	–	–	–	–	–	–	(63,342,105)	–	(63,342,105)	(124,828,074)	(188,170,179)
BALANCES AT DECEMBER 31, 2019	**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)**	**3,605,930,659**	**6,505,355,000**	**14,744,475,383**	**8,749,236,709**	**23,493,712,092**
Net loss	–	–	–	–	–	–	–	–	(824,954,066)	–	(824,954,066)	(868,760,585)	(1,693,714,651)
Other comprehensive loss	–	–	–	–	(11,714,131)	(23,145,055)	(139,313,149)	(69,482,041)	–	–	(243,654,376)	(133,033,220)	(376,687,596)
Total comprehensive loss	–	–	–	–	(11,714,131)	(23,145,055)	(139,313,149)	(69,482,041)	(824,954,066)	–	(1,068,608,442)	(1,001,793,805)	(2,070,402,247)
Redemption of preferred stock	(6,710,402)	–	–	–	–	–	–	–	–	–	(6,710,402)	–	(6,710,402)
Changes in non-controlling interest	–	–	–	(18,751,619)	7,410,470	2,219,251	3,701,886	(2,142,680)	499,588,991	–	492,026,299	(11,396,980)	480,629,319
Dividend declaration	–	–	–	–	–	–	–	–	(86,529)	–	(86,529)	(42,955,797)	(43,042,326)
BALANCES AT DECEMBER 31, 2020	**₱–**	**₱1,162,540,326**	**₱154,578,328**	**₱1,623,004,873**	**₱1,294,577,413**	**₱225,033,109**	**₱175,482,889**	**(₱259,954,684)**	**₱3,280,479,055**	**₱6,505,355,000**	**₱14,161,096,309**	**₱7,693,090,127**	**₱21,854,186,436**

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱2,963,752,379)**	₱2,108,826,886	₱1,662,559,692
Adjustments for:			
Depreciation and amortization (Notes 13, 14, 16 and 30)	**1,369,129,177**	1,366,140,404	990,169,507
Interest and finance charges (Notes 19, 20, 22 and 31)	**712,571,097**	780,610,257	455,751,589
Movements in net retirement liabilities	**167,325,957**	326,588,991	(39,709,903)
Unrealized foreign exchange loss (gain) (Note 24)	**49,676,282**	38,607,477	(44,861,160)
Provision for impairment loss on investment properties	–	–	1,800,309
Loss on write-off of an investment	–	–	58,218
Market gain on financial asset at fair value through profit or loss (FVPL)	**(893,359)**	(650,289)	(237,925)
Gain on sale of:			
Investment properties (Notes 16 and 24)	**(204,500)**	(409,952)	(5,534,890)
Property and equipment (Notes 13 and 24)	**(14,855,241)**	(101,530,669)	(16,966,241)
Interest income (Note 24)	**(36,588,692)**	(60,989,962)	(50,382,962)
Dividend income (Notes 4 and 24)	**(37,855,583)**	(54,808,659)	(954,613)
Equity in net earnings of associates and joint venture (Note 12)	**(1,368,427,558)**	(727,820,626)	(255,783,370)
Operating income (loss) before working capital changes	**(2,123,874,799)**	3,674,563,858	2,695,908,251
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**900,412,888**	1,115,872,772	4,416,078,195
Contract assets	**1,878,223,184**	(4,517,058,820)	(5,691,810,971)
Inventories	**474,243,774**	331,894,833	(1,568,407,114)
Receivables from related parties	**17,820,168**	74,730,911	3,963,793
Prepaid expenses and other current assets	**(562,089,649)**	(329,011,292)	881,044
Other noncurrent assets	**485,219,530**	313,316,724	(922,345,269)
Increase (decrease) in:			
Accounts payable and other current liabilities	**366,190,340**	1,617,078,355	1,273,162,720
Contract liabilities	**(957,608,563)**	3,189,833,408	209,301,128
Due to related parties	**(116,203,076)**	(8,432,236)	(36,669,306)
Other noncurrent liabilities	**(311,025,872)**	351,354,972	–
Net cash generated from (used for) operations	**51,307,925**	5,814,143,485	380,062,471
Interest received	**36,588,692**	60,989,962	50,112,827
Income tax paid, including creditable withholding taxes	**(60,723,415)**	(397,585,443)	(566,863,820)
Interest and finance charges paid	**(712,571,097)**	(765,077,674)	(412,440,353)
Net cash flows provided by (used in) operating activities	**(685,397,895)**	4,712,470,330	(549,128,875)

(Forward)

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Property and equipment (Note 13)	**₱583,053,137**	₱642,741,320	₱13,695,944
Equity investments at FVOCI (Note 11)	**26,632,056**	17,481,928	–
Investment properties (Note 16)	**873,500**	450,500	154,877,235
Dividends received	**37,855,583**	25,141,851	49,006,541
Acquisitions of:			
Investments in associates and joint ventures (Note 12)	**(450,000)**	(261,944,096)	(508,135,581)
Computer software (Note 17)	**(4,515,025)**	(8,195,665)	(7,670,451)
Property and equipment (Note 13)	**(1,386,009,107)**	(4,969,429,584)	(1,775,895,109)
Equity investments at FVOCI (Note 11)	**–**	(79,849,592)	(22,877,652)
Investment property (Note 16)	**–**	–	(3,250,000)
Deposit for future stock subscription (Note 17)	**–**	–	(80,999,919)
Net cash flows used in investing activities	**(742,559,856)**	(4,633,603,338)	(2,181,248,992)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loans payable (Note 19)	**16,524,230,000**	15,760,000,000	17,624,000,000
Long-term debt (Note 20)	**4,116,506,064**	2,862,403,404	1,815,476,193
Changes in non-controlling interests (Note 36)	**(59,970,000)**	1,291,500,000	–
Cash dividends paid (Note 39)	**(86,529)**	(67,705,370)	(142,094,297)
Redemption of preferred shares (Note 39)	**(6,710,402)**	–	(6,343,953)
Payments of:			
Lease liabilities (Note 14)	**(287,547,391)**	(420,761,700)	–
Long-term debt (Note 20)	**(1,387,893,054)**	(965,952,374)	(1,703,608,061)
Loans payable (Note 19)	**(16,936,030,000)**	(17,885,200,000)	(14,790,000,000)
Net cash flows provided by financing activities	**1,962,498,688**	574,283,960	2,797,429,882
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(2,476,235)**	(6,146,703)	5,114,385
NET INCREASE IN CASH AND CASH EQUIVALENTS	**532,064,701**	647,004,249	72,166,400
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 YEAR (Note 6)	**₱3,218,733,775**	₱2,686,669,074	₱2,039,664,825

See accompanying Notes to Consolidated Financial Statements.

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

1. Corporate Information and Authorization for Issuance of Consolidated Financial Statements

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.

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

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, 2021, the Philippine Securities and Exchange Commission (SEC) 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.

Authorization for Issuance of Consolidated Financial Statements
The consolidated financial statements were approved for issuance and filing by the Board of Directors (BOD) on April 30, 2021.

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, included as part of "Prepaid expenses and other current assets," 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			
				2020		2019	
				Direct	**Indirect**	Direct	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	–
San Lorenzo Ruiz Investment Holdings and Services Inc. (formerly San Lorenzo Ruiz Institute of Health Sciences, Inc.; SLRHSI) [(a)]	Philippines	Holding company	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)	Philippines	Memorial services	Philippine Peso	**50.00**	**13.00**	50.00	13.00
EEI Corporation (EEI) [(b)]	Philippines	Construction	Philippine Peso	**55.34**	**–**	54.65	–
EEI Limited	British Virgin Islands	Holding company	US Dollar	**–**	**100.00**	–	100.00
Clear Jewel Investments, Ltd.	British Virgin Islands	Holding company	US Dollar	**–**	**100.00**	–	100.00
Nimaridge Investments, 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
JP Systems Asia Inc. (JPSAI)	Philippines	Rental of scaffolding and formworks	Philippine Peso	**–**	**60.00**	–	60.00
BiotechJP Corporation	Philippines	Manufacturing food and therapeutic food	Philippine Peso	**–**	**60.00**	–	60.00
Learn JP Corp	Philippines	Service for improvement in language proficiency	Philippine Peso	**–**	**60.00**	–	60.00
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
Bagumbayan Equipment & Industrial Products, Inc.	Philippines	Consultancy services	Philippine Peso	**–**	**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
EEI Energy Solutions Corporation (EESC) [(c)]	Philippines	Retail electricity supplier	Philippine Peso	**–**	**100.00**	–	–
iPeople, inc. (IPO)	Philippines	Education and Information Technology	Philippine Peso	**48.18**	**–**	48.18	–
Malayan Education System, Inc. (MESI) (Operating Under the Name of Mapua University)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
Malayan Colleges Laguna, Inc., A Mapua School (MCLI)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
Malayan Colleges Mindanao (A Mapua School), Inc. (MCMI)	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

(Forward)

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership 2020 Direct	2020 Indirect	2019 Direct	2019 Indirect
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
Mapua Techpower Inc.	Philippines	Consultancy	Philippine Peso	–	**75.00**	–	75.00
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
Affordable Private Education Center, Inc doing business under the name of APEC Schools (APEC)	Philippines	Education and Information Technology	Philippine Peso	–	**100.00**	–	100.00
National Teachers College doing business under the name/s and style/s of The National Teachers College	Philippines	Education and Information Technology	Philippine Peso	–	**99.79**	–	99.79
University of Nueva Caceres	Philippines	Education and Information Technology	Philippine Peso	–	**83.62**	–	83.62
AC College of Enterprise and Technology, Inc	Philippines	Education and Information Technology	Philippine Peso	–	**100.00**	–	100.00
LINC Institite, Inc doing business under the Name and Style of LINC Academy	Philippines	Education and Information Technology	Philippine Peso	–	**100.00**	–	100.00

(a) Acquired from MESI in December 2020 (Note 13)
(b) Purchased additional shares in February 2020
(c) On February 14, 2020, EESC was incorporated as a wholly owned subsidiary of EPC. EESC is engaged in the business of a retail electricity supplier pursuant to Republic Act (RA) No. 9136, otherwise known as Electric Power Industry Reform Act of 2001. EESC's financial reporting period is December 31

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.

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

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.

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 Parent Company 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

Non-controlling interests (NCI) represent the portion of equity not attributable to the Parent Company. Profit or loss and each component of other comprehensive income (OCI) 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. Non-controlling interests are presented separately in the consolidated statements of comprehensive income and within the equity section of the consolidated statements of financial position and consolidated statements of changes in equity, separately from the equity attributable to equity holders of the Parent Company.

3. **Changes in Accounting Policies and Disclosures**

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2020. Adoption of these pronouncements did not have any significant impact on the Group’s financial statements unless otherwise indicated.

The Group did not early adopt any other standard, interpretation or amendment that has been issued but is not yet effective. The adoption of these pronouncements does not have a significant impact on the Group’s consolidated financial statements unless otherwise indicated.

- Amendments to PFRS 3, *Business Combinations, 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.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- 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.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  The amendments were early adopted by the Group beginning July 1, 2020 and properly reflected in the consolidated financial statements as at December 31, 2020.

The Group as a lessee accounted for COVID-19 related lease concessions (e.g. rent holidays) as negative variable lease expense in the period when changes in facts and circumstances on which the variable lease payments are based occur (Note 14). The amendments did not significantly impact the consolidated financial statements as at December 31, 2020.

New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2020

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. The adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2021

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

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group shall also disclose information about:
  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods. The Group is still assessing the impact of the amendments to the consolidated financial statements.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. The Group is still assessing the impact of the amendments to the consolidated financial statements.

- Amendments to PAS 16 , *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

  The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

  The amendments are not expected to have a material impact on the Group.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group. The Group is still assessing the impact of the amendments to the consolidated financial statements.

Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

<u>Effective beginning on or after January 1, 2023</u>

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- 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. The amendments are not expected to have a material impact on the Group.

Deferred Effectivity

- Amendments to PFRS 10 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, *Business Combinations*. 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.

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

<u>Operating Leases</u>
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.

Leases - *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.

Revenue Recognition

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 updates its estimate of the transaction price at the end of each reporting period to reflect any changes in circumstances that would result to changes in amount of variable consideration.

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 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.

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.

Onerous contracts
If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognizes any impairment loss that has occurred on assets dedicated to that contract. An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

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.

The Group presents each contract with customer in the consolidated statement of financial position either as a contract asset or a contract liability.

Expenses
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.

Current versus Non-current Classification
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, respectively.

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

Fair Value Measurement

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the 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.

'Day 1' difference

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

Financial Instruments
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. The Group follows the settlement date accounting where an asset to be received and liability to be paid are recognized on the settlement date and derecognition of an asset that is sold and the recognition of a receivable from the buyer are recognized on the settlement date.

Financial Instruments - Initial Recognition and Subsequent Measurement

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.

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 Receivables from related parties.

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

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

Included in this classification is the peso-denominated investment in UITF in Rizal Commercial Banking Corporation (RCBC) under Prepaid expenses and other current assets account.

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 equity investments other than those classified to fair value through profit or loss under this category.

The Group does not have any debt financial assets at fair value through OCI as of December 31, 2020 and 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, due to related parties and lease liabilities.

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.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is 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.

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.

NRV is the estimated selling price in the ordinary course of the business less the estimated costs necessary to make the sale.

Prepaid Expenses
These are recorded as asset before they are utilized and apportioned over the period covered by the payment and charged to the appropriate account in the consolidated statement of income when incurred.

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

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.

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 December 31 follows:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership 2020	2019
Associates:					
Hi-Eisai Pharmaceutical, Inc. (HEPI)	Philippines	Pharmaceutical	Philippine peso	**50.00**	50.00
Petroenergy Resources Corporation (PERC) [(a)]	Philippines	Renewable energy	Philippine peso	**29.10**	29.10
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:					
PetroWind Energy, Inc. (PWEI)	Philippines	Renewable energy	Philippine peso	**20.00**	20.00
Shinbayanihan Heavy Equipment Corporation (SHEC)	Philippines	Equipment rental	Philippine peso	**40.00**	40.00
BEO Distribution and Marketing Corporation (BEO DMC) [(b)]	Philippines	Distribution and marketing	Philippine peso	**30.00**	–
Shimizu-Fujita-Takenaka-EEI Joint Venture (SFTE) [(b)]	Philippines	Construction	Philippine peso	**5.00**	–
Acciona-EEI Joint Venture (AE) [(b)]	Philippines	Construction	Philippine peso	**30.00**	–

(a) Effective ownership in PERC is 32.24% after considering the Group's 10% indirect investment in PetroGreen Energy Corporation (PGEC), a 90%-owned subsidiary of PERC (Note 12)
(b) Entered into in 2020

Property and Equipment

Property and equipment, except for land, are stated at cost, less accumulated depreciation, amortization and impairment loss, if any. 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.

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

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

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

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

Upon disposal 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.

Investment Properties

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.

For a transfer from owner-occupied property to investment property, the deemed cost for subsequent accounting is the fair value at the date of change in use. Upon transfer of an asset accounted for under revaluation model to asset accounted for under cost model, any revaluation reserve relating to such particular asset is transferred to retained earnings.

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.

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.

Foreign Currency-denominated Transaction and Translation
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 benfits 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 Parent Company 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 attributable to ordinary equity holders of the Parent Company to reflect any changes from dilutive potential shares divided 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 and adjusted for the effects of all dilutive potential common stock.

The calculation of diluted EPS does not assume conversion, redemption, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share. Potential ordinary shares are antidilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share. As there are no potential dilutive ordinary shares, basic and diluted EPS are stated at the same amount.

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 39).

Equity Reserve
Equity reserve consist of equity transactions other than capital contributions, such as equity transactions arising from transactions with NCI.

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 40).

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 still the largest stockholder of IPO with 48.18% equity interest and continues to have control over IPO by virtue of the its power to nominate majority of the members of the BOD of IPO thereby exercising control and supervision on IPO's operations as well as financing activities. Accordingly, the Parent Company assessed that IPO continues to be a subsidiary even though it owns less than 50% equity interest over IPO after the merger.

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 (Note 14).

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 23).

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 23).

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.

As of December 31, 2020 and 2019, 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

Refer to Note 12 for details of the Group's investment in joint venture.

Distinguishing investment property from owner-occupied property
The Group distinguishes between investment property, owner-occupied property and property held for sale in the ordinary course of business based on the actual use of the property (i.e. earn rentals or for capital appreciation, owner-occupation or commencement of development with a view to sale).

Management reclassified the land transferred from Property and equipment to Investment property amounting to ₱1,946.6 million due to change in the intended use of the land (Note 13).

Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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 ₱1.25 billion and ₱1.54 billion as of December 31, 2020 and 2019, respectively (Note 14).

Estimating variable considerations arising from change orders and claims
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 Group also updates its estimate of the transaction price to reflect any changes in circumstances that would result to changes in amount of variable considerations and corresponding increase or decrease in the contract assets.

The aggregate carrying values of receivables and contract assets amounted to ₱12.95 billion and ₱15.73 billion as of December 31, 2020 and 2019, respectively (Notes 7, 8 and 17).

Fair value measurement of unquoted equity investments at FVOCI
The Group uses valuation techniques such as adjusted net asset method to estimate the fair value of investment in Hermosa Ecozone Development Corporation (HEDC). These valuation techniques require significant unobservable inputs to calculate the fair value of the Group's unquoted equity investments at FVOCI. These inputs include 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 estimate of fair value of unquoted equity investments at FVOCI considered the effects of COVID-19 in the selling price of comparable listings of real estate properties related to investment in HEDC and were not accounted for separately.

The fair value of unquoted equity investments amounted to ₱0.46 billion and ₱1.04 billion as of December 31, 2020 and 2019, respectively (Note 11).

Provision for expected credit losses of trade receivables and contract assets
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 December 31, 2020 and 2019, the aggregate carrying values of receivables and contract assets are disclosed in Notes 7, 8, 17 and 22 to the consolidated financial statements.

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 15 and 17).

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. The estimate of fair value of land carried at revalued amounts considered the effects of COVID-19 in its net selling price by adjustments made to external factors, and these were not accounted for separately.

Land carried under revaluation basis amounted to ₱7.96 billion and ₱9.19 billion as of December 31, 2020 and 2019, respectively. The key assumptions used to determine the fair value of the parcels of land are disclosed in Note 13.

Impairment of nonfinancial assets
The Group assesses impairment on its property and equipment, right-of-use assets, 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, student relationship 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, 2019 and 2018. As at December 31, 2020 and 2019, the carrying value of goodwill amounted to ₱484.83 million (Note 15).

As to the Group's property and equipment, student relationship and noncurrent assets, no impairment loss was recognized for the years ended December 31, 2020, 2019 and 2018 except for the provision for impairment in value of land recognized in 2019 amounting to ₱21.00 million (Notes 13 and 17).

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 which 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 retirement and other obligations.

Retirement assets amounted to ₱4.73 million and ₱18.29 million as of December 31, 2020 and 2019, respectively whereas retirement liabilities amounted to ₱611.6 million and ₱457.84 million as of December 31, 2020 and 2019, respectively (Note 32).

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.

Deferred tax assets recognized and unrecognized by the Group are disclosed in Note 33 to the consolidated financial statements.

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 (Notes 18 and 35).

Estimation of impact of coronavirus pandemic
The impact of coronavirus pandemic to the Group's business operations relates to any potential interruptions or disruptions. The Group ensure that the impact of COVID-19 pandemic is appropriately reflected in its consolidated financial statements, and currently assessed the impact on its assets and liabilities as follows:

- Collectability of accounts with customers continues to be closely monitored. A material change in the provision for impairment of trade receivables has not been identified.

- There were no onerous contracts or additional provisions that have been recognized resulting from the direct impact of coronavirus pandemic.

- Additional costs incurred by the Group due to COVID-19 pandemic that do not represent satisfaction of performance obligation are excluded in the measurement of progress on the Group's contracts with customers.

- The Group has also considered the increased uncertainty in determining key assumptions within the assessment of future taxable income of the Group upon which recognition of deferred tax assets is assessed, including forecast of revenue and expenses, among others.

The Group continues to monitor the risks and the ongoing impacts of COVID-19 pandemic on its business.

6. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand and in banks	**₱1,924,416,281**	₱1,676,600,484
Short-term investments	**1,294,317,494**	1,010,068,590
	₱3,218,733,775	₱2,686,669,074

Cash in banks earns interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earns annual interest at the respective short-term investment rates.

Interest income from cash in banks and short-term investments amounted to ₱25.10 million, ₱37.19 million and ₱17.53 million for the years ended December 31, 2020, 2019 and 2018, respectively (Note 24).

7. Receivables

This account consists of:

	2020	2019
Trade		
Construction and infrastructure	**₱3,460,003,600**	₱4,132,893,711
Education	**1,166,226,739**	901,585,558
Car dealership	**469,628,623**	708,660,520
Other services	**189,255,856**	114,165,831
Other receivables		
Receivables from plant	**38,118,335**	56,369,572
Receivable from EEI RFI	**38,000,000**	55,000,000
Advances to officers and employees	**29,425,653**	103,349,773
Receivable from sale of investment properties	**21,280,648**	22,790,885
Receivable from customers	**20,479,281**	35,174,526
Accrued referral incentives	**17,817,943**	29,334,923
Dividends receivable (Note 22)	**3,236,665**	29,666,808
Rent receivable	**111,322**	626,549
Others	**259,425,599**	342,911,593
	5,713,010,264	6,532,530,249
Less allowance for impairment	**366,936,427**	286,043,524
	₱5,346,073,837	₱6,246,486,725

Trade receivables
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 education
Receivables from education represent amounts arising from tuition and other matriculation fees which are normally collected at end of every school term before the students can proceed to the next term. This also includes receivable from Department of Education amounting to ₱138.8 million and ₱131.1 million as at December 31, 2020 and 2019, respectively, arising from the Senior High School (SHS) Voucher Program wherein qualified SHS students are given assistance on tuition fees. These receivables are noninterest-bearing and are generally collectible within one year.

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 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 December 31, 2020 and 2019.

Other receivables

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 shall bear annual interest rate of 5%. In 2016, the Group agreed to extend the term of the payment of receivables based on scheduled payments until April 30, 2021 (Note 17).

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

Receivable from sale of investment properties
On December 11, 2017, the Group through EEI, 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%.

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. As of December 31, 2020 and 2019, the current portion of receivable amounted to ₱20.5 million and ₱35.2 million, respectively, while the noncurrent portion of receivable as of December 31, 2020 and 2019 amounted to ₱2.8 million and ₱51.5 million, respectively (Note 17).

Accrued referral incentives pertain to income from accredited bank institutions earned by the car dealership branches through referrals made to customers who obtained bank financing in the acquisition of vehicles.

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

The movements in allowance for impairment for the years ended December 31 follow:

	2020					
	Construction and Infrastructure	**Car Dealership**	**Education and Information Technology**	**Other Services**	**Other Receivables**	**Total**
Balance at beginning of year	**₱51,189,642**	**₱39,310,600**	**₱131,164,201**	**₱7,709,751**	**₱56,669,330**	**₱286,043,524**
Provisions - net of recoveries (Note 29)	**11,500,671**	**1,718,005**	**48,755,470**	**2,753,111**	**40,896,344**	**105,623,601**
Write-offs	**–**	**(4,477,424)**	**(5,038,602)**	**(787,503)**	**(14,427,169)**	**(24,730,698)**
Balance at end of year	**₱62,690,313**	**₱36,551,181**	**₱174,881,069**	**₱9,675,359**	**₱83,138,505**	**₱366,936,427**

	2019					
	Construction and Infrastructure	Car Dealership	Education and Information Technology	Other Services	Other Receivables	Total
Balance at beginning of year	₱52,855,392	₱39,310,600	₱61,347,299	₱7,835,959	₱71,505,921	₱232,855,171
Provisions - net of recoveries (Note 29)	(1,665,750)	–	69,816,902	14,141	(14,836,591)	53,328,702
Write-offs	–	–	–	(140,349)	–	(140,349)
Balance at end of year	₱51,189,642	₱39,310,600	₱131,164,201	₱7,709,751	₱56,669,330	₱286,043,524

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 ₱8.6 billion and ₱10.0 billion as of December 31, 2020 and 2019, respectively. The decrease in this account is largely caused by low production in construction works due to the COVID-19 pandemic restrictions and changes in the estimate of variable component of transaction price amounting to ₱1.3 billion.

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

	2020		
	Current	**Noncurrent**	**Total**
Contract assets	**₱7,642,055,723**	**₱993,635,397**	**₱8,635,691,120**
Less: Allowance for expected credit losses	**36,785,303**	**15,154,047**	**51,939,350**
	₱7,605,270,420	**₱978,481,350**	**₱8,583,751,770**

	2019		
	Current	Noncurrent	Total
Contract assets	₱9,492,566,375	₱494,075,106	₱9,986,641,481
Less: Allowance for expected credit losses	9,072,771	226,907	9,299,678
	₱9,483,493,604	₱493,848,199	₱9,977,341,803

Movement in the allowance for expected credit losses for the years ended December 31, 2020 and 2019 follows:

	2020		
	Current	**Noncurrent**	**Total**
Balance at beginning of year	**₱9,072,771**	**₱226,907**	**₱9,299,678**
Provision (Note 29)	**27,712,532**	**14,927,140**	**42,639,672**
Balance at end of year	**₱36,785,303**	**₱15,154,047**	**₱51,939,350**
	2019		
	Current	Noncurrent	Total
Balance at beginning of year	₱13,257,601	₱1,624,975	₱14,882,576
Reclassification to current portion	1,398,068	(1,398,068)	–
Recoveries	(5,582,898)	–	(5,582,898)
Balance at end of year	₱9,072,771	₱226,907	₱9,299,678

Contract Liabilities
Details of the Group's contract liabilities as of December 31, 2020 and 2019 are shown below.

	2020	2019
Total contract liabilities	**₱2,557,001,832**	₱3,514,610,395
Less current portion	**898,322,177**	1,694,367,011
	₱1,658,679,655	₱1,820,243,384

Contract liabilities from construction and infrastructure segment consist of down payments received in relation to construction contracts that will be recognized as revenue in the future as the Group satisfies its performance obligations while contract liabilities from education segment represent the unearned tuition fees and accounts payable to students and will be recognized as revenue when the related educational services are rendered.

Contract liabilities related to the remaining performance obligations of the education segment are generally recognizable within one (1) year.

9. Inventories

This account consists of:

	2020	2019
Construction materials	**₱1,042,419,432**	₱1,309,202,556
Merchandise	**624,248,970**	812,826,521
Real estate:		
Land and land development	**151,725,740**	152,110,988
Raw lands	**42,584,391**	43,121,391
Subdivision lots and contracted units for sale	**36,460,877**	44,305,060
	230,771,008	239,537,439
Spare parts and supplies	**72,729,484**	108,306,374
	1,970,168,894	2,469,872,890
Less: Allowance for inventory obsolescence	**82,135,203**	107,595,425
	₱1,888,033,691	₱2,362,277,465

Merchandise includes automotive units, parts and accessories, food and beverages, among others. The summary of the movement in real estate inventories is set out below:

	2020	2019
Balance at beginning of year	**₱239,537,439**	₱274,748,124
Construction/development costs incurred	**13,698,819**	25,703,794
Cost of real estate sales (Note 25)	**(22,465,250)**	(60,914,479)
Balance at end of year	**₱230,771,008**	₱239,537,439

The total cost of goods sold recognized in the Group's statements of comprehensive income amounted to ₱3,646.8 million, ₱6,604.4 million and ₱7,281.9 million in 2020, 2019 and 2018 respectively (Note 25).

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

The rollforward of allowance for inventory obsolescence is as follows:

	2020	2019
Balance at beginning of year	**₱107,595,425**	₱96,442,347
Provision (Note 29)	**21,960,851**	21,533,760
Write-off	**(47,421,073)**	(10,380,682)
Balance at end of year	**₱82,135,203**	₱107,595,425

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

10. Prepaid Expenses and Other Current Assets

This account consists of:

	2020	2019
Advances to suppliers and contractors	**₱1,004,942,386**	₱925,755,733
Creditable withholding taxes (CWTs)	**929,043,644**	561,513,235
Prepaid expenses	**190,085,167**	161,401,961
Miscellaneous deposits	**120,704,511**	108,700,012
Advances to officers and employees	**58,475,817**	51,264,303
Input value added tax (VAT)	**55,371,913**	29,585,878
Restricted funds	**30,960,042**	21,029,868
Restricted cash investment	**27,747,232**	27,006,721
Others	**144,071,804**	101,506,527
	2,561,402,516	1,987,764,238
Less allowance for impairment	**16,458,668**	4,910,038
	₱2,544,943,848	₱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.

CWTs pertain to unutilized creditable withholding tax which will be used as tax credit against income taxes due. The Group determines that taxes withheld can be recovered in future periods.

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.

Others include payments made on certain claims that are under protest (Note 35), financial assets at FVPL, various deposits, other supplies, among others.

Movements in allowance for impairment for the years ended December 31 are shown below:

	2020			
	Miscellaneous deposits	**Advances to officers and employees**	**Advances to suppliers and subcontractors**	**Total**
Balance at beginning of year	**₱3,335,193**	**₱29,516**	**₱1,545,329**	**₱4,910,038**
Provisions for ECL (Note 29)	–	–	**11,548,630**	**11,548,630**
Balance at end of year	**₱3,335,193**	**₱29,516**	**₱13,093,959**	**₱16,458,668**

	2019			
	Miscellaneous deposits	Advances to officers and employees	Advances to suppliers and subcontractors	Total
Balance at beginning of year	₱3,335,193	₱242,793	₱–	₱3,577,986
Provisions for ECL (Note 29)	–	–	1,545,329	1,545,329
Recoveries (Note 29)	–	(213,277)	–	(213,277)
Balance at end of year	₱3,335,193	₱29,516	₱1,545,329	₱4,910,038

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

This account consists of:

	2020	2019
Quoted equity investments	**₱91,603,168**	₱107,292,675
Unquoted equity investments	**455,473,326**	1,040,481,131
	₱547,076,494	₱1,147,773,806

In 2020, the Group's equity investment in PGEC, a 90%-owned subsidiary of PERC, amounting to ₱560.68 million was reclassified to investments in associate considering the significant influence exercised by the Group on PERC. PERC is the parent company of PGEC.

In 2019, the Group invested additional ₱79.8 million in various quoted and unquoted equity instruments. In 2020, there were no additional investment made in quoted and unquoted equity instruments.

In May 2019, IPO sold it shares in PERC 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 (net of tax effect) are as follows:

	2020	2019
Attributable to equity holders of the parent:		
Balance at beginning of year	**₱311,094,152**	₱259,855,707
Income (loss) recognized in OCI	**(135,611,263)**	51,238,445
Balance at end of year	**175,482,889**	311,094,152
Non-controlling interests:		
Balance at beginning of year	**240,945,407**	202,090,420
Income (loss) recognized in OCI	**(8,449,929)**	38,854,987
Balance at end of year	**232,495,478**	240,945,407
	₱407,978,367	₱552,039,559

The Group elected to present the fair value changes of these 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 in HEDC is determined using the adjusted net asset approach wherein the assets of investee are adjusted from cost to their fair value. The valuation was performed by an independent SEC-accredited appraiser as of December 31, 2020.

Dividends earned from equity investments at FVOCI amounted to ₱37.9 million, ₱54.8 million and ₱1.0 million in 2020, 2019 and 2018, respectively (Note 24).

No equity investments at FVOCI were pledged as security to obligations as of December 31, 2020 and 2019.

12. Investments in Associates and Joint Venture

The rollforward analysis of this account follows:

	2020	2019
Acquisition cost:		
Balance at beginning of year	**₱4,841,636,714**	₱4,622,763,779
Additions	**450,000**	261,944,096
Return of investment in ARCC	**(575,959,276)**	–
Reclassification from investment in FVOCI (Note 11)	**424,136,082**	–
Reclassification to subsidiary (Note 36)	**–**	(43,071,161)
Balance at end of year	**4,690,263,520**	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	**1,368,427,558**	727,820,626
Dividends received	**(171,616,331)**	(207,036,630)
Balance at end of year	**2,459,727,726**	1,262,916,499
Subtotal	**7,075,454,637**	6,030,016,604
Share in other comprehensive income (loss) of an associate	**(46,303,277)**	55,887,540
Cumulative translation adjustment	**63,472,546**	107,147,212
	₱7,092,623,906	₱6,193,051,356

The details of significant investments accounted for under the equity method are as follows:

(Amounts in millions)

	2020										
	RRC	**PERC**	**PGEC**	**MMPC**	**SGAPC**	**ARCC**	**PSOC**	**PWEI**	**SHEC**	**BEO DMC**	**SFTE**
Acquisition cost:											
Balance, January 1	**₱959**	**₱889**	**₱–**	**₱120**	**₱50**	**₱1,626**	**₱690**	**₱257**	**₱21**	**₱–**	**₱–**
Additions (Advances)	**–**	**–**	**470**	**–**	**–**	**–**	**–**	**–**	**–**	**1**	**–**
Return of investments	**–**	**–**	**–**	**–**	**–**	**(576)**	**–**	**–**	**–**	**–**	**–**
Balance, December 31	**959**	**889**	**470**	**120**	**50**	**1,050**	**690**	**257**	**21**	**1**	**–**
Accumulated equity in net earnings (losses):											
Balance, January 1	**479**	**452**	**–**	**431**	**–**	**(472)**	**267**	**130**	**(1)**		
Equity in net earnings (losses)	**147**	**95**	**46**	**82**	**(18)**	**741**	**182**	**55**	**(1)**	**(1)**	**4**
Dividends declared	**(110)**	**–**	**–**	**(24)**	**–**	**–**	**(55)**	**(20)**	**–**	**–**	**–**
Balance, December 31	**516**	**547**	**46**	**489**	**(18)**	**269**	**394**	**165**	**(2)**	**(1)**	**4**
Subtotal	**1,475**	**1,436**	**516**	**609**	**32**	**1,319**	**1,084**	**422**	**19**	**–**	**4**
Accumulated share in other comprehensive income:											
Balance, January 1	**603**	**72**	**–**	**–**	**–**	**(8)**	**–**	**–**	**–**	**–**	**–**
Share in other comprehensive loss	**–**	**(6)**	**(46)**	**–**	**–**	**(14)**	**–**	**–**	**–**	**–**	**–**
Balance, December 31	**603**	**66**	**(46)**	**–**	**–**	**(22)**	**–**	**–**	**–**	**–**	**–**
Equity in cumulative translation adjustments	**–**	**–**	**–**	**–**	**–**	**63**	**–**	**–**	**–**	**–**	**–**
	₱2,078	**₱1,502**	**₱470**	**₱610**	**₱32**	**₱1,360**	**₱1,084**	**₱422**	**₱19**	**₱–**	**₱4**

	2019							
	RRC	PERC	MMPC	SGAPC	ARCC	PSOC	PWEI	SHEC
Acquisition cost:								
Balance, January 1	₱959	₱871	₱120	₱–	₱1,626	₱542	₱257	₱–
Additions	–	18	–	50	–	148	–	21
Balance, December 31	959	889	120	50	1,626	690	257	21
Accumulated equity in net earnings (losses):								
Balance, January 1	419	307	337	–	(685)	212	114	–
Equity in net earnings (losses)	147	81	116	–	213	88	46	(1)
Dividends declared	(79)	–	(22)	–	–	(33)	(30)	–
Balance, December 31	487	388	431	–	(472)	267	130	(1)
Subtotal	1,446	1,277	551	50	1,154	957	387	20
Accumulated share in other comprehensive income:								
Balance, January 1	603	72	–	–	1	–	–	–
Share in other comprehensive loss	–	–	–	–	(9)	–	–	–
Balance, December 31	603	72	–	–	(8)	–	–	–
Equity in cumulative translation adjustments	–	–	–	–	144	–	–	
	₱2,049	₱1,349	₱551	₱50	₱1,290	₱957	₱387	₱20

RRC

RRC was incorporated on July 29, 1997 and is presently engaged in developing real estate and leasing condominium units for commercial and/or residential purposes.

PERC

In April 2019, the Parent Company purchased additional 4,153,651 shares of PERC, an entity listed with PSE, amounting to ₱17.8 million, resulting to an increase in ownership interest from 28.36% to 29.10%.

On February 2, 2018, the Parent Company purchased additional 69,285,418 shares amounting for ₱332.6 million on ₱4.8 per share resulting to an increase in ownership interest from 22.41% to 28.36%.

Its share price amounted to ₱3.7 per share and ₱4.1 per share as of December 31, 2020 and 2019 respectively.

PGEC

PGEC was incorporated on March 31, 2010 primarily to carry on the general business of generating, transmitting, and/or distributing power derived from renewable and conventional sources of power.

MMPC

MMPC was incorporated and registered with the SEC on September 26, 1962 primarily to engage in development and sale of memorial lots.

SGAPC

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

ARCC

In 2020, ARCC repaid investment amounting to ₱576.0 million. The transaction did not result to a change in the 49% ownership of EEI Limited over ARCC.

In 2017, the stockholders of ARCC extended advances amounting to ₱1,620.8 million (SAR121.75 million) to ARCC to refinance the associate's maturing bank loan and other funding requirements. The amount of the extended loan is proportionate to the ownership interests of the stockholders. Subsequently, the stockholders agreed to treat the ₱1,591.5 million (SAR121.75 million) loan as non-refundable Shareholders' funding in the statement of equity of ARCC. Consequently, the ₱794.2 million (SAR59.66 million) advances extended by the Group to ARCC was reclassified as additional investment in ARCC.

EEI Limited made additional investment of ₱294.9 million in ARCC in 2016.

<u>PSOC</u>
In 2020 and 2019, the Group, through EEI made an additional investment of nil and ₱148.3 million respectively, in PSOC. These transactions did not result to a change in the % ownership of the Group over PSOC.

<u>PWEI</u>
In 2013, the Group, through EEI Power acquired 20% stake in PWEI for ₱118.75 million. PWEI has a wind energy project in Nabas, Aklan.

PWEI is owned 40% by PERC, 40% by BCPG Wind Cooperatief U.A. and 20% by EEI. BCPG Wind Cooperatief U.A. bought out the other shareholder (CapAsia ASEAN Wind Holdings Cooperatief U.A.) on May 16, 2017.

<u>SHEC</u>
In 2020, the Group, through EEI, acquired 40% stake in Shinbayanihan Heavy Equipment Corporation (SHEC) and was accounted as investment in joint venture. SHEC was incorporated on July 26, 2019 primarily to engage in the business of managing the operation of used and new construction equipment rental and used and new construction equipment wholesale business in the Philippines and import and export of used and new construction equipment without engaging in retail trading.

<u>BEO DMC</u>
In 2020, the Group, through EEI, acquired 30% stake in BEO Distribution and Marketing Corporation (BEO DMC) and was accounted as joint venture. BEO DMC was incorporated on September 20, 2019 primarily to engage in the business of distributing and marketing goods, products and items of commerce without engaging in retail activity.

<u>SFTE JV</u>
On September 12, 2020, the Group entered into a joint venture agreement with Shimizu Corporation, Fujita Corporation, Takenaka Civil Engineering & Construction Co. Ltd. (SFTE JV) to contract with the Department of Transportation (DOTr) of the Republic of the Philippines for the Metro Manila Subway Project (MMSP)-Phase 1, Contract Package 101. In the joint venture, the Group acquired a proportionate share of 5% with regard to the assets, liabilities, costs, profits and losses arising out of the execution of the Works as identified in the contract with DOTr.

<u>ACCIONA-EEI JV</u>
On October 13, 2020, the Group entered into a joint venture agreement with Acciona Construction Philippines, Inc. to undertake the construction of the Malolos-Clark Railway Project-Package No. CP N-04. The Group's participating interest in the joint venture is 30%. Since the project is still on its pre-operating phase, the Group has not yet recognized its share in the operating results of the joint venture.

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

The reconciliation of the net assets of the associates and joint ventures to the carrying amounts of the interests in significant associates and joint ventures recognized in the consolidated financial statements is as follows (in millions):

	2020											
	RRC	**PERC**	**PGEC**	**MMPC**	**SGAPC**	**ARCC**	**PSOC**	**PWEI**	**SHEC**	**BEO DMC**	**SFTE**	**AE**
Net assets*	**₱14,750**	**₱4,935**	**₱4,700**	**₱2,344**	**₱160**	**₱2,776**	**₱2,465**	**₱2,111**	**₱47**	**₱0.53**	**₱84**	**(₱37)**
Proportionate ownership in the associate	**10.00%**	**29.10%**	**10.00%**	**25.98%**	**20.00%**	**49.00%**	**44.00%**	**20.00%**	**40.00%**	**30.00%**	**5.00%**	**30.00%**
Share in net identifiable assets	**1,475**	**1,436**	**470**	**609**	**32**	**1,360**	**1,084**	**422**	**19**	**–**	**4**	**–**
Premium	**603**	**66**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Carrying value	**₱2,078**	**₱1,502**	**₱470**	**₱609**	**₱32**	**₱1,360**	**₱1,084**	**₱422**	**₱19**	**₱0.16**	**₱4**	**₱–**

**Excluding treasury shares and non-controlling interest*

	2019							
	RRC	PERC	MMPC	SGAPC	ARCC	PSOC	PWEI	SHEC
Net assets*	₱14,460	₱4,388	₱2,120	₱250	₱2,633	₱2,176	₱1,935	₱50
Proportionate ownership in the associate	10.00%	29.10%	25.98%	20%	49.00%	44.00%	20.00%	40.00%
Share in net identifiable assets	1,446	1,277	551	50	1,290	957	387	20
Premium	603	72	–	–	–	–	–	–
Carrying value	₱2,049	₱1,349	₱551	₱50	₱1,290	₱957	₱387	₱20

**Excluding treasury shares and non-controlling interest*

Summarized financial information of the Group's significant associates and joint venture are as follows: *(in millions)*

	2020											
	RRC	**PERC**	**PGEC**	**MMPC**	**SGAPC**	**ARCC**	**PSOC**	**PWEI**	**SHEC**	**BEO DMC**	**SFTE**	**AE**
Current assets	**₱1,301**	**₱2,281**	**₱1,990**	**₱1,980**	**₱1,324**	**₱5,216**	**₱727**	**₱740**	**₱42**	**₱2**	**₱15,481**	**₱2,250**
Noncurrent assets	**6,104**	**11,125**	**10,054**	**1,423**	**442**	**1,669**	**3,568**	**3,502**	**26**	**–**	**–**	**–**
Total assets	**₱7,405**	**₱13,406**	**₱12,044**	**₱3,403**	**1766**	**₱6,885**	**₱4,295**	**₱4,242**	**₱68**	**₱2**	**₱15,481**	**₱2,250**
Current liabilities	**₱2,046**	**₱1,246**	**₱967**	**₱903**	**₱1,474**	**₱2,912**	**₱268**	**₱342**	**₱4**	**₱1**	**₱15,397**	**₱2,287**
Noncurrent liabilities	**2,835**	**4,328**	**4,264**	**425**	**214**	**1,198**	**1,562**	**1,787**	**–**	**–**	**–**	**–**
Total liabilities	**₱4,881**	**₱5,574**	**₱5,231**	**₱1,328**	**₱1,688**	**₱4,110**	**₱1,830**	**₱2,129**	**₱4**	**₱1**	**₱15,397**	**₱2,287**
Revenues	**₱2,733**	**₱2,332**	**₱2,040**	**₱856**	**₱2,221**	**₱11,093**	**₱879**	**₱808**	**₱1**	**–**	**₱84**	**₱200**
Cost	**(716)**	**(1,179)**	**(910)**	**(112)**	**(1,971)**	**(8,969)**	**(268)**	**(350)**	**–**	**–**	**–**	**(48)**
Gross margin	**2,017**	**1,153**	**1,130**	**744**	**249**	**2,124**	**611**	**458**	**1**	**–**	**84**	**152**
Selling and administrative, and other expenses	**(168)**	**(211)**	**(126)**	**(303)**	**(341)**	**(308)**	**(163)**	**(181)**	**(4)**	**(1)**	**–**	**(284)**
Pre-tax income (loss)	**₱1,849**	**₱942**	**₱1,004**	**₱441**	**(₱92)**	**₱1,816**	**₱448**	**₱277**	**(₱3)**	**(₱1)**	**₱84**	**(₱132)**
Proportionate ownership in the associate	**10%**	**29.10%**	**10%**	**25.98%**	**20%**	**49%**	**44%**	**20%**	**40%**	**30%**	**5%**	**30%**
Share in pre-tax income (loss)	**185**	**274**	**100**	**115**	**(18)**	**890**	**197**	**55**	**(1)**	**–**	**4**	**(40)**
										–	**–**	
Income tax	**(38)**	**(9)**	**(3)**	**(33)**	**–**	**(149)**	**(15)**	**–**	**–**			**–**
Non-controlling interest	**–**	**(170)**	**(51)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Equity in net earnings (losses)	**₱147**	**₱95**	**₱46**	**₱82**	**₱18**	**₱741**	**₱182**	**₱55**	**(₱1)**	**₱–**	**₱4**	**(₱40)**
Dividends received	**₱110**	**₱–**	**₱–**	**₱24**	**₱–**	**₱–**	**₱55**	**₱-**	**₱-**	**₱–**	**₱–**	**₱–**

	2019							
	RRC	PERC	MMPC	SGAPC	ARCC	PSOC	PWEI	SHEC
Current assets	₱1,318	₱2,150	₱1,730	₱270	₱4,638	₱504	₱790	₱43
Noncurrent assets	6,170	11,204	1,384	507	1,398	3,707	3,629	26
Total assets	₱7,488	₱13,354	₱3,114	₱777	₱6,036	₱4,211	₱4,419	₱69
Current liabilities	₱2,012	₱1,573	₱831	382	₱2,165	₱278	₱466	₱2
Noncurrent liabilities	3,322	4,518	438	224	1,239	1,757	2,018	–
Total liabilities	₱5,334	₱6,091	₱1,269	₱606	₱3,404	₱2,035	₱2,484	₱2
Revenues	₱2,851	₱2,122	₱1,135	₱114	₱8,752	₱642	₱796	₱–
Cost	(804)	(1,106)	(419)	(96)	(7,778)	(115)	(154)	–
Gross margin	2,047	1,016	716	18	974	527	642	–
Selling and administrative, and other expenses	(121)	(471)	(143)	(20)	(430)	(316)	(410)	(2)
Pre-tax income (loss)	₱1,926	₱545	₱573	(₱2)	₱544	₱211	₱232	(₱2)
Proportionate ownership in the associate	10.00%	29.10%	25.98%	20.00%	49.00%	44.00%	20.00%	20.00%
Share in pre-tax income (loss)	193	159	149	–	266	93	46	(1)
Income tax	(42)	(5)	(33)		(53)	(5)	–	–
Non-controlling interest	–	(235)	–	–	–	–	–	–
Equity in net earnings (losses)	₱151	₱81	₱116	–	₱213	₱88	₱46	(₱1)
Dividends received	₱90	₱–	₱22	₱–	₱–	₱33	₱30	₱–

The Group's share in the net income of ARCC is subject to 20% income tax rate in Saudi Arabia.

Other relevant financial information of RRC are as follows:

	2020	2019
Cash and cash equivalents	**₱968,680,271**	₱993,625,880
Current financial liabilities *	**994,389,407**	1,084,26,551
Noncurrent financial liabilities *	**2,835,462,778**	3,322,405,448
Depreciation and amortization	**181,476,361**	195,496,683
Interest income	**58,110,467**	48,549,717
Interest expense	**(252,078,899)**	(274,642,995)

**Excluding trade and other payables and provisions*

Other relevant financial information of PGEC are as follows:

	2020	2019
Cash and cash equivalents	**₱1,213,491,771**	₱887,023,563
Current financial liabilities *	**79,488,730**	948,030,061
Noncurrent financial liabilities *	**4,192,981,639**	4,421,138,351
Depreciation and amortization	**433,298,347**	418,053,028
Interest income	**15,774,504**	35,664,103
Interest expense	**369,768,105**	391,393,590

**Excluding trade and other payables and provisions*

Other relevant financial information of PERC are as follows:

	2020	2019
Cash and cash equivalents	**₱1,267,332,044**	₱1,066,698,077
Current financial liabilities *	**870,673,420**	1,216,530,061
Noncurrent financial liabilities *	**4,192,981,639**	4,421,138,351
Depreciation and amortization	**524,500,435**	481,425,080
Interest income	**18,362,302**	44,025,392
Interest expense	**386,788,348**	409,690,469

**Excluding trade and other payables and provisions*

Other relevant financial information of MMPC are as follows:

	2020	2019
Cash and cash equivalents	**₱216,283,088**	₱81,751,894
Current financial liabilities *	**25,266,411**	21,815,222
Noncurrent financial liabilities *	**425,226,349**	437,648,210
Depreciation and amortization	**40,794,840**	40,300,480
Interest income	**152,536,077**	125,682,782
Interest expense	**6,345,593**	9,217,411

**Excluding trade and other payables and provisions*

Other relevant financial information of SGAPC are as follows:

	2020	2019
Cash and cash equivalents	**₱350,025,000**	₱75,363,491
Current financial liabilities *	**501,424,000**	36,988,932
Noncurrent financial liabilities *	**214,292,000**	224,458,423
Interest income	**337,923**	25,997

**Excluding trade and other payables and provisions*

Other relevant financial information of PWEI are as follows:

	2020	2019
Cash and cash equivalents	**₱146,374,970**	₱359,036,098
Current financial liabilities *	**235,934,771**	240,000,000
Noncurrent financial liabilities *	**1,787,557,500**	1,998,726,542
Depreciation and amortization	**199,496,579**	192,496,481
Interest income	**6,792,292**	17,931,614
Interest expense	**(161,083,658)**	205,142,642

**Excluding trade and other payables and provisions*

Other relevant financial information of SHEC are as follows:

	2020	2019
Cash and cash equivalents	**₱36,954,405**	₱42,654,519
Current financial liabilities *	**3,756,956**	1,428,916
Depreciation and amortization	**1,457,940**	–
Interest income	**44,801**	24,629

**Excluding trade and other payables and provisions*

Other relevant financial information of BEO are as follows:

	2020
Cash and cash equivalents	₱1,501,854
Current financial liabilities *	672,106
Interest income	1,854

Excluding trade and other payables and provisions

Other relevant financial information of SFTE are as follows:

	2020
Cash and cash equivalents	₱13,907,484,052
Interest income	83,969,837

Other relevant financial information of AE are as follows:

	2020
Cash and cash equivalents	₱1,626,763,861
Current financial liabilities *	(605,001,690)
Depreciation and amortization	508,081

Excluding trade and other payables and provisions

13. Property and Equipment

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

	2020	2019
Balance at beginning of year	**₱9,185,924,384**	₱7,023,425,494
Additions (deductions):		
Reversal of impairment	**5,237,506**	–
Acquisition	–	2,038,084,517
Appraisal increase	**(72,695,173)**	124,414,373
Reclassification to investment properties - net	**(1,160,808,617)**	–
Balance at end of year	**₱7,957,658,100**	₱9,185,924,384

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

In December 2020, MESI (a wholly-owned subsidiary of IPO), sold its investment in SLRHSI, its subsidiary, to the Parent Company for ₱1,946.6 million (Note 16). The only asset of SLRHSI is the parcel of land in Makati. The selling price represents the fair value of the land classified as owner-occupied property and equipment which was accounted for using the revaluation model. The sale is eliminated in the consolidated financial statements.

Upon transfer to the Parent Company, the land was reclassified to investment property which is accounted for using the cost model. Accordingly, the corresponding revaluation increment in IPO, amounting to ₱785.8 million, was transferred to retained earnings.

As of December 31, 2020 and 2019, the appraised values of the parcels of land were determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on size, shape and terrain and location among others. The significant unobservable valuation input is price per square meter (level 3 - Significant unobservable inputs). The parcels of land were valued in terms of their highest and best use. The valuation was performed by an independent SEC-accredited appraiser as of December 31, 2020.

Below is a listing of the properties owned by the Group together with the description of the valuation techniques used and key inputs to valuation of land:

Location	Valuation Techniques	Unobservable Inputs Used	Range (Weighted Average)	
			2020	2019
Quezon and Panay Avenue, Quezon City	Market Approach	Price per square meter	**₱92,032 to ₱125,000 (₱107,000)**	₱120,000 to ₱250,000 (₱94,800)
Barangay Tuding, Itogon, Benguet	Market Approach	Price per square meter	**₱6,864 to ₱7,220 (₱7,000)**	₱6,864 to ₱7,220 (₱7,000)
Barangay Sta. Maria, Itogon and Bolo Bauan, Batangas	Market Approach	Price per square meter	**₱4,980to ₱6,413, (₱5,400)**	₱4,275 to ₱6,413 (₱5,400)
Barangay Biga I, Silang, Province of Cavite	Market Approach	Price per square meter	**₱7,600 to ₱8,479 (₱8,000)**	₱7,600 to ₱8,479 (₱8,000)
Makati and Intramuros, Manila	Market Approach	Price per square meter	**₱40,500 to ₱250,000**	₱40,500 to ₱273,125
Cabuyao, Laguna	Market Approach	Price per square meter	**₱8,640 to ₱16,200**	₱8,016 to ₱14,963
Davao City, Davao Del Sur	Market Approach	Price per square meter	**₱13,553 to ₱40,800**	₱12,339 to ₱39,738
Pandacan, Metro Manila	Market Approach	Price per square meter	**₱51,300 to ₱85,500**	₱51,300 to ₱76,950
San Jose Del Monte City, Bulacan	Market Approach	Price per square meter	**₱50,468 to ₱59,993**	₱47,025 to ₱58,500
Naga City, Camarines Sur	Market Approach	Price per square meter	**₱15,750 to ₱31,050**	₱2,748 to ₱6,804
Quiapo, Manila	Market Approach	Price per square meter	**₱81,300 to ₱116,500**	₱72,896 to ₱113,797

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

Net adjustment factors arising from external and internal factors (i.e. market conditions, competitiveness, size/shape/terrain, and development) affecting the subject properties as compared to the market listing of comparable properties ranges from -30% to +35% in 2020 and from -20% to +20% in 2019.

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

In 2020, 2019 and 2018, the Group revalued its land based on the appraisals made by SEC accredited appraisers.

As of December 31, 2020 and 2019, the cost of the parcels of land carried at revalued amounts amounted to ₱4,723 million and ₱5,757 million, respectively.

Property and equipment at cost
The rollforward analysis of this account follows:

	2020					
	Buildings and Improvements	**Machinery, Tools and Construction Equipment**	**Transportation and Service Equipment**	**Furniture, Fixtures, and Office Equipment**	**Construction in Progress**	**Total**
Cost						
Balance at beginning of year	**₱5,960,522,318**	**₱6,252,252,633**	**₱1,438,748,721**	**₱2,893,989,150**	**₱877,759,524**	**₱17,423,272,346**
Acquisitions	**272,520,314**	**205,385,165**	**43,846,508**	**259,721,051**	**604,536,069**	**1,386,009,107**
Disposals	**(39,090,804)**	**(1,044,781,123)**	**(61,925,902)**	**(63,391,487)**	**–**	**(1,209,189,316)**
Reclassifications	**23,798,923**	**–**	**8,839,678**	**(8,839,678)**	**(23,798,923)**	**–**
Balance at end of year	**6,217,750,751**	**5,412,856,675**	**1,429,509,005**	**3,081,479,036**	**1,458,496,670**	**17,600,092,137**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**2,222,853,623**	**3,353,773,460**	**845,446,285**	**2,192,281,425**	**–**	**8,614,354,793**
Depreciation and amortization (Note 30)	**296,631,558**	**404,382,653**	**148,764,510**	**292,165,201**	**–**	**1,141,943,922**
Disposals/retirements	**(18,866,789)**	**(478,615,067)**	**(50,678,558)**	**(58,866,026)**	**–**	**(607,026,440)**
Reclassifications	**–**	**–**	**5,109,414**	**(5,109,414)**	**–**	**–**
Balance at end of year	**2,500,618,392**	**3,279,541,046**	**948,641,651**	**2,420,471,186**	**–**	**9,149,272,275**
Net Book Value at Cost	**₱3,717,132,359**	**₱2,133,315,629**	**₱480,867,354**	**₱661,007,850**	**₱1,458,496,670**	**₱8,450,819,862**

	2019					
	Buildings and Improvements	Machinery, Tools and Construction Equipment	Transportation and Service Equipment	Furniture, Fixtures, and Office Equipment	Construction in Progress	Total
Cost						
Balance at beginning of year	₱4,290,357,917	₱6,204,616,227	₱1,389,379,772	₱2,658,177,122	₱89,872,543	₱14,632,403,581
Acquisitions/additions from business combination	1,641,996,921	193,959,362	92,836,246	707,343,091	860,976,223	3,497,111,843
Disposals	(42,306,460)	(615,422,065)	(43,467,297)	(5,047,256)	–	(706,243,078)
Reclassifications	70,473,940	469,099,109	–	(466,483,807)	(73,089,242)	–
Balance at end of year	5,960,522,318	6,252,252,633	1,438,748,721	2,893,989,150	877,759,524	17,423,272,346
Accumulated Depreciation and Amortization						
Balance at beginning of year	1,745,169,128	2,560,444,812	760,429,142	2,034,942,044	–	7,100,985,126
Depreciation and amortization (Note 30)	204,356,049	520,587,890	139,710,197	247,981,182	–	1,112,635,318
Disposals/retirements	89,566,980	(132,371,472)	(62,348,393)	(59,879,542)	–	(165,032,427)
Additions from business combination	183,761,466	–	7,655,339	374,349,971	–	565,766,776
Reclassifications	–	405,112,230	–	(405,112,230)	–	–
Balance at end of year	2,222,853,623	3,353,773,460	845,446,285	2,192,281,425	–	8,614,354,793
Net Book Value at Cost	₱3,737,668,695	₱2,898,479,173	₱593,302,436	₱701,707,725	₱877,759,524	₱8,808,917,553

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

The distribution of the depreciation and amortization expenses of the Group's property and equipment follows:

	2020	2019	2018
Cost of sales and services			
Construction contracts (Note 27)	**₱446,829,677**	₱505,054,894	₱533,700,871
Tuition and other fees (Note 28)	**367,983,710**	273,365,949	187,605,487
Manpower and other services (Note 27)	**13,483,485**	85,027,698	48,899,277
Capitalized as part of cost of inventories	**–**	–	554,093
	828,296,872	863,448,541	770,759,728
General and administrative expenses (Note 29)	**313,647,050**	249,186,777	212,215,132
	₱1,141,943,922	₱1,112,635,318	₱982,974,860

Gain on sale of property and equipment amounted to ₱14.86 million, ₱101.53 million and ₱16.97 million in 2020, 2019 and 2018, respectively.

14. Leases

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

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

	2020	2019
Within one year	**₱869,675**	₱790,614
More than one year but not more than five years	**4,036,164**	4,036,164
Later than five years	**106,108**	1,273,292
	₱5,011,947	₱6,100,070

Group as a lessee
The Group has lease contracts for various items of land, improvements, office spaces, warehouses, school sites and annexes and other equipment used in its operations, among others. Leases of land, improvements and school sites generally have lease terms between 4 and 66 years, while other equipment generally have lease terms between 1 and 3 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has certain leases with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

a. The Parent Company's lease contract term is one (1) year and includes renewal option for another year subject to mutual agreement of the Compay and lessor. Management exercises significant judgement in determining whether the renewal option is reasonably certain to be exercised.

b. Starting January 2007, EEI and EEI Retirement Fund, Inc. (RFI) entered into a lease agreement for the lease of land and improvements. The lease terms are for one year and renewable every year with 5% increase effective January 1, 2014.

c. EEI Group leases a staff house which it occupies for its operations for a period of two years, both parties has the option to renew as per agreement. EEI Group entered into a lease contract covering the period of July 2, 2019 to July 2, 2020.

d. EEI Group leases a lot and offices which it occupies for its operations during the period of the projects of the Group with option to renew as per agreement. The Group entered into a lease contract covering the period of October 16, 2011 to October 15, 2014. The contract has a rate of ₱450 per square meter for the first two years and ₱460 per square meter for the third year.

e. In May 2016, EEI Group entered into a lease agreement for a period of five (5) years commencing on July 7, 2016 and expired on July 6, 2021. The leased premises has an escalation of 10% on the rent starting the second year. The lease contract has a rate of ₱630 per square meter for the first year and 5% yearly increase thereafter.

f. IPO Group leases staffhouses for a period of one (1) year that are renewable annually upon mutual agreement of IPO Group and its lessors. Monthly lease payments range from ₱14,000 to ₱65,000.

g. Landev Corporation entered into lease agreements that are renewable upon mutual agreement of Landev Corporation and the lessors:

Lessor	**Commencement date**	**Term**	**Monthly Rental**
Grepa Realty Holdings Corporation	January 1, 2020	1 year	₱324,802
Rizal Commercial Banking Corporation	July 25, 2020	3 years	129,975*
Rizal Commercial Banking Corporation	July 25, 2017	3 years	93,756*
Grepa Realty Holdings Corporation	January 1, 2020	1 year	7,252
RCBC Savings Bank	January 1, 2015	5 years	6,300*

**subject to 5% annual escalation rate*

Rent expense recognized in 2020 and 2019 amounted ₱5.66 million and ₱6.45 million, respectively.

Future minimum lease payments of above lease agreements as at December 31 are as follows:

	2020	2019
Within one year	**₱1,512,585**	₱728,554
After one year but not more than five years	**2,417,638**	–
	₱3,930,223	₱728,554

h. The Greyhounds Security and Investigation Agency Corporation entered into an agreement with Grepa Realty Holdings Corporation for the lease of office space. The lease is renewable annually upon mutual agreement by both parties. Rent expense recognized in 2020 and 2019 amounted to ₱0.66 million and ₱0.64 million, respectively.

i. In 2011, IMI entered into lease agreements with Mapua Information Technology Centers, Inc., Malayan Colleges, Inc. and Malayan High School of Science for canteen spaces. In 2016, the Company started to lease a canteen space from Malayan Colleges Laguna, Inc. These lease agreements cover a period of one year with monthly lease payments ranging from ₱4,464 to ₱165,934.

j. Hexagon Lounge, Inc. entered into a lease agreement for the lounge and office space it occupies. The lease is renewable annually as may be mutually agreed upon by the parties with monthly minimum lease payments of ₱10,000 or 2% of net restaurant sales, whichever is higher.

k. In 2020, the Group pre-terminated the lease contracts of property used by the following closed car dealership branches:

Closed Branches	**Contract Date**	**Contract End Date**	**Date Terminated**
Honda Cars Kalookan	December 26, 2018	December 25, 2023	June 30, 2020
Honda Cars Fairview	April 24, 2014	April 23, 2020	June 30, 2020
Honda Cars Marikina	January 1, 2009	June 15, 2020	June 30, 2020
Honda Cars Marcos Highway	June 1, 2013	May 31, 2023	July 30, 2020
Isuzu Greenhills	January 26, 2009	January 25, 2024	June 30, 2020

The carrying amount of right-of-use assets and the movement for the years ended December 31 follow:

	2020	2019
Balance at beginning of year	**₱1,605,726,653**	₱1,378,023,041
Additions	**41,738,517**	474,569,625
Derecognition	**(136,826,253)**	–
Amortization of right-of-use asset	**(239,564,734)**	(246,866,013)
Balance at end of year	**₱1,271,074,183**	₱1,605,726,653

The distribution of the amortization of the Group's right-of-use assets follow:

	2020	2019
Cost of sales and services		
Construction contracts (Note 27)	**₱71,004,873**	₱43,008,349
Tuition and other fees (Note 28)	**4,628,679**	63,477,198
	75,633,552	106,485,547
General and administrative expenses	**163,931,182**	140,380,466
	₱239,564,734	₱246,866,013

The carrying amount of lease liability and the movement for the years ended December 31 follow:

	2020	2019
Balance at beginning of year	**₱1,538,664,329**	₱1,436,130,147
Interest expense	**107,042,613**	79,459,539
Additions	**94,311,240**	443,836,343
Derecognition	**(202,137,944)**	–
Payments	**(287,547,391)**	(420,761,700)
Balance at end of year	**1,250,332,847**	1,538,664,329
Less: Current portion	**164,647,368**	215,416,367
Noncurrent portion	**₱1,085,685,479**	₱1,323,247,962

Derecognition pertains to termination of lease contracts of closed car dealership branches. The difference between right-of-use asset and lease liability is accounted for under miscellaneous expense of General and administrative expenses in the 2020 consolidated statement of income (Note 29).

The following are the amounts recognized in consolidated statement of income:

	2020	2019
Amortization of right-of-use assets under cost of sales and services (Notes 27, 28, and 30)	**₱75,633,552**	₱106,485,547
Amortization of right-of-use assets under general and administrative expenses (Notes 29 and 30)	**144,513,052**	140,380,466
Gain on derecognition of right-of-use assets and lease liabilities	**(65,311,691)**	–
Interest expense on lease liabilities	**107,042,613**	79,459,539
Expenses relating to short-term leases and low value assets	**526,005,056**	25,919,076
	₱787,882,582	₱352,244,628

The COVID-19-related lease concessions amounting to ₱19.42 million were accounted as negative variable lease expense charged against depreciation and amortization under General and administrative expense account in the 2020 consolidated statement of income.

15. **Goodwill**

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

	2020	2019
EEI Corporation and Subsidiaries	**₱300,859,305**	₱300,859,305
MESI	**137,853,346**	137,853,346
IPO	**32,644,808**	32,644,808
Business combination of IPO and AEI	**13,472,260**	13,472,260
	₱484,829,719	₱484,829,719

Goodwill of EEI and IPO
The Group performed impairment testing on goodwill arising from acquisition of EEI and IPO. For purposes of impairment testing, EEI and IPO are considered as the CGUs.

Management determined that the recoverable amount of the goodwill balances of EEI and IPO were fair values less costs of disposal wherein the fair values are the quoted prices of the shares of stocks of EEI and IPO in the Philippine Stock Exchange as of December 31, 2020 and 2019 and incorporated control premium in the said fair values (Level 3 - Significant unobservable inputs). Management assessed that the costs of disposal, which mainly consist of the stock transaction tax, brokers' commission and transaction fee with the stock exchange to be insignificant.

In 2020, 2019 and 2018, Management assessed that the recoverable amount of the goowill balances exceed their carrying values, thus, no impairment loss should be recognized.

Goodwill of MESI
The goodwill recognized in the consolidated statement of financial position amounting ₱137.85 million as at December 31, 2020 and 2019 pertains to the excess of the acquisition cost over the fair values of the net assets of MESI acquired by the Group through IPO in 1999.

The Group performed impairment testing on goodwill arising from acquisition of MESI wherein MESI was considered as the CGU.

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

- Future revenues and revenue growth rates. Cash flow projections based on financial budgets approved by management covering a five-year period and considers the impact of the K to 12 Basic Education Program on MESI's financial performance effective 2016 and the coronavirus pandemic.
- Long-term growth rates (3.78% for 2020 and 3.73% for 2019). The Long-term growth rate is the expected growth rate in the education industry sector.

- Discount rate (10.9% for 2020 and 8.3% for 2019). The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to Parent Company's capital structure.

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

In 2020, 2019 and 2018, Management assessed that no impairment loss should be recognized.

Goodwill arising from Business Combination
On October 1, 2018, the BOD of IPO executed a MOA for a proposed Plan of Merger between IPO and AEI with IPO as the surviving entity with HI and AC owning 48.18% and 33.5%, respectively. The merger would bring together the educational groups of HI and AC.

On April 24, 2019, the SEC approved the merger between IPO and AEI, with IPO as the surviving entity, and to take effect five business working days thereafter or May 2, 2019. On said date, IPO issued 295,329,976 common shares from its unissued capital stock to AC, the parent company of AEI. IPO being the surviving corporation is deemed to have acquired all the assets and to have assumed all the liabilities of AEI in a business combination accounted for under the acquisition method. In exchange for the transfer of the net assets of AEI to IPO, the latter issued to AC an aggregate of 295,329,976 shares with par value of ₱1.0 per share for a total fair value of ₱3.6 billion based on IPO's quoted closing rate per share as of May 2, 2019. The excess of the fair value of shares issued over the par value was recognized as additional paid-in capital by IPO.

Assets acquired from AEI includes investments in the following subsidiaries:

Subsidiaries	Ownership Interest
APEC	100.00%
NTC	99.79%
UNC	58.63%
ACCET	100.00%
LINC	100.00%

The fair values of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition follows (amounts in thousands):

Assets	
Cash and cash equivalents	₱1,291,500
Trade and other receivables	231,421
Other current assets	188,222
Land	2,038,085
Property, plant and equipment	725,681
Right-of-use assets	363,029
Intellectual property rights	523,103
Student relationship	116,009
Other noncurrent assets	102,717
	₱5,579,767

Liabilities	
Accounts and other payables	₱319,124
Loans payable	260,000
Deferred tax liabilities	432,946
Leased liabilities	374,622
Other liabilities	77,815
	1,464,507
Total identifiable net assets at fair value	4,115,260
Non-controlling interest	(537,520)
Goodwill	13,472
Cost of acquisition	₱3,591,212

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

The goodwill arising from the merger between IPO and AEI on May 2, 2019 amounted to ₱13.47 million. No impairment testing was done on the goodwill as the Group assessed it as not material to the consolidated financial statements.

The merger between IPO and AEI resulted to the Group identifying other intangible assets such as the intellectual property rights with infinite life and student relationship with an estimated useful life of 5 years to 7 years based on the contractual relationship between the school entities and its students. These assets are attributed from the acquisition of operating schools NTC, APEC and UNC. The carrying value and movement of student relationship as of and for the year ended December 31 follows (amount in thousands):

	2020	2019
Cost from business combination	**₱116,009**	₱116,009
Accumulated amortization:		
Balance at beginning of year	**(14,874)**	–
Amortization for the year	**(22,310)**	(14,874)
Balance at end of year	**(37,184)**	(14,874)
Balance at end of year (Note 17)	**₱78,825**	₱101,135

The carrying value of intellectual property rights amounted to ₱523.10 million as of December 31, 2020 and 2019 (Note 17). As of December 31, 2020 and 2019, the Group performed impairment testing on intellectual property rights using the income approach. Key assumptions used are as follows:

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

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

16. **Investment Properties**

The rollforward analysis of this account follows:

	2020	2019
Cost		
Balance at beginning of year	**₱17,689,018**	₱18,157,018
Reclassification	**1,961,065,975**	–
Disposals	**(1,146,780)**	(468,000)
Balance at end of year	**₱1,977,608,213**	₱17,689,018

Land classified as investment properties include the following:

- Parcel of land located in Makati owned by SLRHSI (Note 13). The carrying value of land reclassified from property and equipment to investment properties in 2020 amounted to ₱1,961.1 million as of December 31, 2020, which represents its fair value at the date of transfer amounting to ₱1,946.6 million (Note 13) and ₱14.50 million costs directly attributable to the transfer.

- Other parcels of land owned by EEI located in Benguet, Cavite, Nueva Ecija, Bulacan and memorial lots in Las Piñas with carrying values of ₱6.6 million, ₱0.5 million, ₱0.2 million, ₱7.0 million and ₱0.2 million, respectively, as of December 31, 2020 and ₱6.6 million, = ₱0.5 million, ₱0.2 million, ₱7.0 million and ₱0.9 million, respectively, as of December 31, 2019.

- Heritage lots held for capital appreciation of the Parent Company amounted to ₱2.0 million as of December 31, 2020 and 2019.

As of December 31, 2020, the aggregate fair values of land amounted to ₱1.98 billion, which was determined based on valuation performed by an independent SEC accredited appraiser in 2020. The fair value of the land was determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on size, and shape (Level 3 - Significant unobservable inputs).

Rental income derived from the investment properties amounted to ₱1.2 million, ₱0.3 million, and ₱6.8 million in 2020, 2019 and 2018, respectively. Total direct operating expenses incurred in relation to these investment properties amounted to ₱0.1 million in 2020, ₱0.1 million in 2019 and ₱0.4 million in 2018.

In 2020, the Group sold parcels of land located in Las Pinas City for ₱0.9 million. The Group recognized a gain of ₱0.2 million in related to the sale.

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

17. **Other Noncurrent Assets**

This account consists of:

	2020	2019
Contract asset- net of noncurrent portion (Note 8)	**₱978,481,350**	₱493,848,199
Intellectual property rights (Note 15)	**523,103,000**	523,103,000
Deferred input VAT	**150,221,650**	181,103,198
Student relationship (Note 15)	**78,824,857**	101,135,343
Miscellaneous deposit	**29,321,863**	27,489,054
Computer software	**13,234,817**	15,872,318
Interest-bearing trade receivables - net of current portion (Note 7)	**2,768,265**	51,479,840
Receivable from EEI-RFI - net of current portion (Note 7)	**–**	23,000,000
Others	**86,235,659**	88,493,443
	₱1,862,191,461	₱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:

	2020	2019
Cost		
Balance at beginning of year	**₱139,735,882**	₱131,540,217
Additions	**4,515,025**	8,195,665
Reclassification	**(113,875)**	–
Balance at end of year	**144,137,032**	139,735,882
Accumulated Amortization		
Balance at beginning of year	**123,863,564**	117,241,991
Amortization (Note 30)	**7,038,651**	6,621,573
Balance at end of year	**130,902,215**	123,863,564
Net Book Value	**₱13,234,817**	₱15,872,318

As of December 31, 2020, the average remaining useful of the software is two (2) year.

18. **Accounts Payable and Other Current Liabilities**

This account consists of:

	2020	2019
Accounts payable	**₱7,725,459,889**	₱7,206,088,780
Deferred output taxes	**411,024,600**	470,071,993
Accrued expenses	**239,891,188**	334,851,087
Provisions (Note 35)	**159,266,271**	154,307,388
Withholding taxes and others	**89,598,081**	82,850,499

(Forward)

	2020	2019
Output tax payable	**₱47,586,547**	₱69,703,441
Dividends payable	**19,613,877**	378,640
Subscriptions payable	**13,125,000**	13,125,000
SSS and other contributions	**11,840,694**	10,937,385
Chattel mortgage payable	**10,249,382**	12,906,807
Payable to Land Transportation Office	**4,919,430**	4,427,438
Deferred income	**3,707,011**	2,348,003
Others	**41,990,911**	50,086,080
	₱8,778,272,881	₱ 8,412,082,541

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:

	2020	2019
Accrued salaries and wages	**₱70,658,629**	₱99,784,432
Accrued interest	**36,148,858**	25,193,482
Accrued insurance	**24,094,116**	24,387,237
Accrued professional fees	**21,514,578**	15,210,248
Accrued security services	**18,711,311**	10,673,278
Accrued utilities	**7,762,397**	8,453,023
Others	**61,001,299**	151,149,387
	₱239,891,188	₱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.

19. Loans Payable

This account consists of:

	2020	2019
Unsecured bank loans	**₱7,607,000,000**	₱8,085,000,000
Secured bank loans	**375,000,000**	308,800,000
	₱7,982,000,000	₱8,393,800,000

<u>Unsecured</u>
Unsecured bank loans are obtained from local banks and related party financial institutions with annual interest rates ranging from 3.50% to 5.50% and 3.40% to 6.25% in 2020 and 2019, respectively.

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

The Group, through MCMI, also obtained short-term loans from Land Bank of the Philippines (LBP) in 2020 and 2019 amounting to ₱57.3 million and ₱15.0 million, respectively, with annual interests ranging from 4.70% to 6.25%. The loans are secured by the land owned by MCMI (Note 13).

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

Movements in loans payable during the years ended December 31 follow:

	2020	2019
Balance at beginning of year	**₱8,393,800,000**	₱10,519,000,000
Availments	**16,574,230,000**	15,760,000,000
Payments	**(16,986,030,000)**	(17,885,200,000)
Balance at end of year	**₱7,982,000,000**	₱8,393,800,000

Interest expense incurred on these loans amounted to ₱434.3 million, ₱561.6 million and ₱309.3 million in 2020, 2019 and 2018, respectively.

20. Long-term Debt

This account consists of:

	2020	2019
Fixed-rate corporate promissory notes	**₱5,204,857,924**	₱2,446,428,571
Fixed-rate term loan	**2,215,444,212**	2,245,260,555
	7,420,302,136	4,691,689,126
Less current portion of long-term debt	**2,302,998,099**	1,385,714,285
	₱5,117,304,037	₱3,305,974,841

Parent Company
On December 16, 2015, the Parent Company acquired from BPI loan amounting ₱500.0 million, payable within five (5) years. The proceeds of the loan were used for general financing requirements and working capital purposes. In 2020, the loan was fully settled.

EEI
In 2014, the Group through EEI received ₱500.0 million proceeds from the issuance of unsecured fixed-rate corporate promissory notes to a local bank that bear annual interest of 5.20%. Subsequently, the bank reduced the interest rate to 4.80% effective May 26, 2015 until maturity. The promissory notes mature within seven (7) years from the date of issuance.

On June 15, 2015, the Group received ₱1,000 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 4.80%. The promissory note matures within seven (7) years from the date of issuance.

On May 23, 2018, the Group received ₱2,000 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 4.80%. The promissory note matures within five (5) years from the date of issuance.

On November 11, 2019, the Group received ₱909 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 3.90%. The promissory note matures within three (3) years from the date of issuance. The proceeds from the promissory notes were used for general corporate and project financing requirements.

On October 15, 2020, the Group received ₱3,000.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 3.5%. The promissory note matures within three (3) years from the date of issuance.

On November 23, 2020, the Group received ₱1,000.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 3.25%. The promissory note matures within three (3) years from the date of issuance.

The proceeds from the promissory notes were used for general corporate and project financing requirements.

EEI Power Corporation
On August 28, 2015, EEI Power availed an unsecured ₱500.0 million long-term loan from a local bank that bears an annual interest of 4.80%. The loan is payable in equal quarterly installments and will mature on August 27, 2022.

Biotech JP
On August 12, 2016, Biotech JP obtained an unsecured five-year long-term loan from Biotech Japan Corporation that bears an annual interest rate of 0.05%. The loan is payable at maturity date, including accrued interest.

On October 1, 2018, the Biotech JP obtained an unsecured 4.5 year long-term loan from Biotech Japan Corporation that bears an annual interest rate of 0.30%. The loan is payable in five equal annual installments and will mature on March 31, 2021.

In 2019, Biotech JP obtained an unsecured ₱47.60 million long-term loan from Biotech Japan Corporation that bears an annual interest of 2.45%.

On April 24, 2020, BiotechJP availed an unsecured ₱21.8 million long-term loan from a foreign bank that bears an annual interest of 0.80%. The loan is payable in 18 equal semi-annual installments and will mature on September 13, 2030.

On September 25, 2020, BiotechJP availed an unsecured ₱92.3 million long-term loan from Biotech Japan Corporation that bears an annual interest of 3.0%. The loan is payable in equal semi-annual installments and will mature on March 31, 2030.

Interest expense incurred on these corporate notes amounted to ₱9.6 million, ₱12.3 million and ₱15.7 million in 2020, 2019 and 2018, respectively.

IPO

IPO, through NTC, entered into a 10-year unsecured term loan facility with a third party local bank for ₱650.0 million to finance its building refurbishment and/or expansion. The principal payments will be made in 28 quarterly payments starting May 2022. Total drawdown from the long-term loan facility amounted to ₱380.0 million in 2019, which are subject to annual interest rate of 4.675% with annual repricing based on higher of 5.5% or the prevailing one year benchmark rate or done rate of a liquid/active security, as agreed by the parties, with the same tenor if benchmark rate is not reflective of market rate, plus interest spread.

In 2019, the IPO Group, through MCMI, entered into a ten-year secured long-term loan agreement with a local bank for ₱1,500.0 million to refinance the construction of MCMI's school buildings and facilities that were initially funded by short-term loans. MCMI made partial drawdowns against this agreement amounting to ₱680.0 million, ₱350.0 million and ₱470.0 million in January, June and July 2019, respectively. The loans were subject to prevailing borrower's rate, plus a minimum spread of 0.50% per annum, but in no case lower than 4% per annum, subject to quarterly repricing. MCMI shall repay the loan in 20 equal quarterly installments to start at the end of 21st quarter from the initial drawdown date. The loans were secured by the land and related improvements owned by MCMI with carrying value of ₱2,361.5 million and ₱2,376.8 million as of December 31, 2020 and 2019, respectively, and suretyship of MESI.

Movements in the account follow:

	2020	2019
Balance at beginning of year	**₱4,691,689,126**	₱2,795,238,096
Availments	**4,114,134,660**	2,862,403,404
Payments	**(1,387,893,054)**	(965,952,374)
Amortization of transaction costs	**2,371,404**	–
Balance at end of year	**7,420,302,136**	4,691,689,126
Less current portion	**(2,302,998,099)**	(1,385,714,285)
	₱5,117,304,037	₱3,305,974,841

Interest expense incurred on these loans amounted to ₱159.4 million, ₱124.1 million and ₱139.4 million in 2020, 2019 and 2018, respectively.

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

21. EEI's Stock Option Plan

The EEI's stock option plan, as amended (Amended Plan), had set aside 35 million common shares for stock options available to regular employees, officers and directors of the Parent Company and its subsidiaries.

Under the Amended Plan, the option or subscription price must be equal to the book value of the EEI's common stock but not less than 80% of the average market price quoted in PSE for five trading days immediately preceding the grant, but in no case less than the par value. The option or subscription price should be paid over a period of five years in 120 equal semi-monthly installments. Shares acquired under the Amended Plan are subject to a holding period of one year.

A summary of the plan availments is shown below:

	Number of Shares
Shares allocated under the Original Stock Option Plan	19,262,500
Shares allocated under the Amended Stock Option Plan	15,737,500
Total shares allocated	35,000,000
Shares subscribed under the Original Stock Option Plan	19,365,815
Shares subscribed under the Amended Stock Option Plan	10,886,188
Total shares subscribed	30,252,003
Shares allocated at end of year	4,747,997

The EEI opted to avail the exemption in PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*, from applying PFRS 2 upon adoption on January 1, 2005 as it allows non-adoption of PFRS 2 for equity instruments that were granted on or before November 7, 2002. Since 2000, there were no shares under the stock option plan that were granted, forfeited, exercised and expired.

No benefit expense is recognized relative to the shares issued under the stock option plan. When options are exercised, these are treated as capital stock issuances.

22. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or the party is an associate or a joint venture. Related parties may be individuals or corporate entities.

Related parties include entities under common control, which pertains to other subsidiaries of PMMIC, which is the Group's ultimate parent company.

The year-end balances and transactions with respect to related parties included in the consolidated financial statements are as follows (amounts in thousands):

	2020			
Category	**Amount/ Volume**	**Outstanding Balance Receivable (Payable)**	**Terms**	**Conditions**
Parent Company - PMMIC				
a. Accounts payable	**₱3,513**	**(₱3,284)**	Noninterest-bearing	Unsecured
Miscellaneous expenses incurred	**3,513**	–		
Associates				
c. Dividends earned	**152,760**	**3**	Noninterest-bearing	Unsecured, no impairment
d. Receivables from related parties	–	**1,702**	Noninterest-bearing	Unsecured
Rendering management and audit services	**1,854**	**–**		
Rendering of services	–	**33,357**		
e. Due to related parties	**126,**417	–	Noninterest-bearing	Unsecured

(Forward)

Category		Amount/ Volume (2020)	Outstanding Balance Receivable (Payable)	Terms	Conditions
f.	Subscriptions payable	**₱–**	**(₱9,375)**	Noninterest-bearing	Unsecured
Other affiliates					
g.	Sale of property	**3,238**	**38,000**	Interest-bearing, 5% per annum	Unsecured
	Lease of property	**(70,918)**	–	Non-interest bearing	Unsecured
Entities under common control					
h.	Cash and cash equivalents	–	**2,713,594**	Interest-bearing at prevailing bank deposit rates	Unrestricted
	Interest earned	**18,656**	–		
	Trust fees	**5,670**	–		
i.	Accounts receivable - Trade	**310,209**	**64,733**	Noninterest-bearing	Unsecured, no impairment
	Sale of vehicles	**77,514**	–		
	Agency fee income earned	**53,330**	–		
j.	Dividends earned	**306**	–		
k.	Receivables from related parties	**2,690**	**51,982**	Noninterest-bearing	Unsecured, no impairment
	Rendering janitorial service	**225,921**	–		
	Other income earned	**(382)**	**357**		
	Audit fee income earned	**2,690**	–		
l.	Management fee receivable	–	**55,290**	Noninterest-bearing	Unsecured, no impairment
	Rendering management services	**104,582**	–		
m.	Accounts payable and accrued expenses	–	**171**	Noninterest-bearing	Unsecured, no impairment
	Rental of office space	**6,500**	–		
n.	Insurance expense	**12,803**	–		
Entities with significant influence					
o.	Management fee receivable	**10,530**	–		
	Due to related parties	–	**10,214**	Noninterest-bearing	Unsecured, no impairment

Category		Amount/ Volume (2019)	Outstanding Balance Receivable (Payable)	Terms	Conditions
Parent Company - PMMIC					
a.	Accounts payable	₱989	(₱357)	Noninterest-bearing	Unsecured
	Miscellaneous expenses incurred	989	–		
b.	Dividends declared	27,868	–		
Associates					
c.	Dividends receivable		30,000	Noninterest-bearing	Unsecured, no impairment
	Dividends earned	129,100	–		
d.	Receivables from related parties	–	305	Noninterest-bearing	Unsecured
	Rendering management and audit services	1,755	2,999		
	Rendering of services	–	23,952		
	Extension of advances	797,451	3,402		
e.	Due to related parties	(126,417)	(126,417)	Noninterest-bearing	Unsecured
f.	Subscriptions payable	–	(9,375)	Noninterest-bearing	Unsecured

(Forward)

Category	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
	2019			
Other affiliates				
g. Rendering of construction services	₱7,058	₱76,112	Interest-bearing, 5% per annum	Unsecured
Sale of property	5,678	78,000	Interest-bearing, 5% per annum	Unsecured
Lease of property	(67,541)	–	Non-interest bearing	Unsecured
Extension of advances	–	68		
Entities under common control				
h. Cash and cash equivalents	–	2,073,885	Interest-bearing at prevailing bank deposit rates	Unrestricted
Interest earned	32,582	–		
i. Accounts receivable	–	108,582	Noninterest-bearing	Unsecured, no impairment
Sale of vehicles	161,898	–		
Agency fee income earned	55,584	–		
j. Dividends earned	29	–		
k. Commission receivable	–	392	Noninterest-bearing	Unsecured, no impairment
Commission earned	133	–		
l. Receivables from related parties	–	70,930	Noninterest-bearing	Unsecured, no impairment
Rendering janitorial service	392,037	–		
Other income earned	416	–		
Audit fee income earned	2,858	–		
m. Management fee receivable	–	55,985	Noninterest-bearing	Unsecured, no impairment
Rendering management services	131,559	–		
n. Accounts payable and accrued expenses	–	96	Noninterest-bearing	Unsecured
Rental of office space	7,312	–		
o. Insurance expense	12,577	–		

<u>Parent Company - PMMIC</u>

a. Accounts payable to PMMIC pertains to unpaid expenses on shared costs such as legal expenses which are included under "Miscellaneous expense". Accounts payable to PMMIC as at December 31, 2020 and 2019 amounted to ₱3.3 million and P0.4 million, respectively.

b. Dividends declared in 2020 and 2019 by the Parent Company amounted to ₱0.01 million and ₱63.3 million, respectively (Note 40). There were no outstanding dividends payable to PMMIC as at December 31, 2020 and 2019.

<u>Associates</u>

c. In 2020 and 2019, dividend income earned from associates amounted to ₱152.8 million and ₱129.1 million, respectively. Outstanding dividends receivable from associates as at December 31, 2020 and 2019 amounted to ₱14.3 million and ₱30.0 million, respectively.

d. Receivable from related parties arises from services rendered by the Parent Company and EEI to its associates. These services include management consultancy, internal audit fees and extension of advances. As at December 31, 2020 and 2019, the Group has an outstanding receivable from its associates amounting ₱35.1 million and ₱123.2 million, respectively. Management fee income charged to associates is fixed per month while audit fee income depends on the audit engagement letter agreed by both parties.

e. Due to related parties pertains to advances extended by EEI Limited to ARCC. As at December 31, 2020 and 2019, the Group has an outstanding payable to its associates amounting nil and ₱126.4 million, respectively.

f. Outstanding subscription payable to an associate amounted to ₱9.4 million as at December 31, 2020 and 2019.

Other affiliates

g. In 2013, EEI was contracted by PWEI for the construction of 18 units WTG foundations, roadways and temporary landing pad intended for the 36MW Nabas Wind Power Project (NWPP) in Nabas, Aklan for ₱1,100.0 million. The project was completed on April 30, 2015.

   The outstanding receivables amounted to nil and ₱76.1 million as of December 31, 2020 and 2019, respectively.

   In 2006, EEI sold parcels of land to EEI Retirement Fund, Inc. (EEI-RFI), a trustee of the EEI employees retirement fund. EEI-RFI is managed by RCBC Trust and Investment Division. The parcels of land sold are located in Manggahan, Quezon City and Bauan, Batangas (Note 13). Interest income recognized from the receivables from EEI-RFI is disclosed in Note 24. The receivables bear interest of 5% per annum in 2020, 2019 and 2018.

   Starting January 2007, EEI and EEI-RFI entered into operating lease agreements for the said land and improvements. The terms are for one year and renewable every year with 5% increase effective January 1, 2014.

   In 2013, the receivable from the EEI-RFI amounting to ₱390.0 million was restructured and reclassified to other noncurrent assets with fixed 5% interest rate per annum. In 2016, the Parent Company and the Fund agreed to extend the term of the payment until April 30, 2021.

   Outstanding receivables amounted to ₱38.0 million and ₱78.0 million as of December 31, 2020 and 2019 respectively (Notes 7 and 17). Interest income earned from receivable from EEI-RFI amounted to ₱3.2 million, ₱5.7 million and ₱7.7 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Entities under common control of PMMIC

h. The Group maintains cash and cash equivalents with RCBC, an entity under common control. As at December 31, 2020 and 2019, cash and cash equivalents with RCBC amounted to ₱2,713.6 million and ₱2,073.9 million, respectively. The related deposits earn interest at the prevailing bank deposit rates. Interest income earned from cash and cash equivalents amounted to ₱18.7million, ₱32.6 million and ₱17.7 million in 2020, 2019 and 2018, respectively.

i. The Group generates income by providing security services at a 20% mark-up to entities under common control. In 2020, 2019 and 2018, the Group's agency fee income is attributable to security services provided to majority of RCBC branches in the country. As at December 31, 2020 and 2019, the Group's accounts receivable from RCBC amounted to ₱43.9 million and ₱50.8 million, respectively. Agency fees amounted to ₱53.3 million, ₱55.6 million and ₱49.2 million in 2020, 2019 and 2018, respectively.

   The Group sold vehicle units to various entities under common control of PMMIC with terms ranging from 30-60 days. The outstanding receivable from the sale amounted to ₱20.8 million and ₱57.8 million as at December 31, 2020 and 2019 respectively. Revenues from motor vehicle sales amounted to ₱77.5 million, ₱161.9 million and ₱85.4 million in 2020, 2019 and 2018, respectively.

j. Dividend income earned in 2020, 2019 and 2018 from entities under common control of PMMIC amounted to ₱0.31 million , ₱0.03 million and ₱0.03 million, respectively. Dividends were all collected in 2020 and 2019.

k. The Group earns commission income from insurance referrals to all insurance affiliate. As at December 31, 2020 and 2019, commission receivables amounted to nil and ₱0.39 million, respectively. Commission income amounted to nil, ₱0.1 million and ₱0.1 million in 2020, 2019, and 2018, respectively.

l. Receivable from related parties arises mainly from janitorial services rendered by EEI (GAMSI) to the Group's affiliates. The service revenue earned from janitorial serviced rendered in 2020, 2019 and 2018 amounted to ₱225.9 million, ₱392.0 million and ₱429.2 million, respectively.

m. One of the subsidiaries entered into various agreements with entities under common control to perform property and project management services. Receivable from this transaction is accounted under "Management fee receivable". The Group's outstanding receivable from property and project management fees amounted to ₱55.3 million and 55.9 million as at December 31, 2020 and 2019, respectively. Services fees amounted to ₱104.6 million, ₱131.6 million and ₱133.3 million in 2020, 2019 and 2018, respectively.

n. Payable to an entity under common control pertains to rental of office space and share in the utilities expense of the Group amounting to ₱0.1 million and ₱0.1 million as at December 31, 2020 and 2019, respectively.

o. IPO and EEI obtains property and personnel insurance from its affiliated insurance company, Malayan Insurance Company, Inc. (MICO). Insurance contract coverage pertains to Group's fire, accident, group and other insurance policies. No outstanding payable in 2020 and 2019.

p. In 2020, payable to an entity with significant influence mainly pertains to management fees charged for the administration of the operations of IPO amounting to ₱10.2 million.

The Group maintains its retirement fund with RCBC trust division. As at December 31, 2020 and 2019, the fair values of the plan assets of the retirement fund amounted to ₱1,620.4 million and ₱1,548.9 million, respectively (Note 32). Trust fees amounting to ₱6.2 million, ₱5.1 million and ₱5.0 million were recognized by the retirement plan arising from its transactions with RCBC for the years ended December 31, 2020, 2019 and 2018, respectively.

Remuneration of key management personnel
The remuneration of directors and other members of key management of the Group are as follows:

	2020	2019	2018
Compensation and short-term benefits	**₱422,792,086**	₱328,537,483	₱295,874,351
Post-employment benefits	**28,962,153**	52,506,507	13,748,867
	₱451,754,239	₱381,043,990	₱309,623,218

Terms and conditions of transactions with related parties
Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. These mainly consist of advances and reimbursement of expenses. The Group has not recognized any impairment on

amounts due from related parties for the years ended December 31, 2020 and 2019. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

Identification, review and approval of related party transactions
Material related party transactions (MRPT) refers to any related party transactions, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the Group's total consolidated assets based on its latest audited financial statements.

All material related party transactions shall be reviewed by the Group's Corporate Governance Committee and approved by the BOD with at least 2/3 votes of BOD, with at least a majority vote of the independent directors. In case that the vote of a majority of the independent directors is not secured, the material related party transactions may be ratified by the vote of the stockholders representing at least 2/3 of the outstanding capital stock.

23. Revenue from Contracts with Customers

Set out below is the disaggregation of the Group's revenue from contracts with customers for the years ended December 31:

	2020	2019	2018
Revenue from construction contracts	**₱12,631,990,026**	₱21,360,242,366	₱20,262,488,228
Sales of goods	**3,810,574,547**	7,040,475,333	7,884,084,729
Schools and related operations	**3,017,106,523**	2,996,772,925	1,807,593,037
Manpower	**555,262,502**	669,811,598	625,826,773
Power generation	**118,446,748**	348,840,955	411,113,436
Others	**1,042,694,711**	1,713,698,126	1,355,236,119
	₱21,176,075,057	₱34,129,841,303	₱32,346,342,322

Others comprised mainly of revenues from property management and car repairs and maintenance services.

Disaggregation of Revenues from construction contracts:

	2020	2019	2018
Infrastructure	**₱6,503,627,515**	₱11,344,227,918	₱10,657,941,730
Building	**4,113,537,063**	6,479,980,648	5,843,255,741
Electro-mechanical	**1,570,133,485**	2,685,576,381	2,412,682,797
Industrial	**444,691,963**	850,457,419	1,348,607,960
	₱12,631,990,026	₱21,360,242,366	₱20,262,488,228

Disaggregation of Revenues from sale of goods:

	2020	2019	2018
Merchandise sales	**₱3,777,839,060**	₱6,951,914,939	₱7,820,392,682
Real estate sales	**32,735,487**	87,899,956	63,237,940
Rent income	–	660,438	454,107
	₱3,810,574,547	₱7,040,475,333	₱7,884,084,729

Disaggregation of Revenue from schools and related operations:

	2020	2019	2018
Tuition and other matriculation fees	**₱2,950,748,493**	₱2,829,934,217	₱1,671,496,122
Other student-related income:			
Bookstore sales	**7,589,123**	50,654,978	39,828,321
Seminar fee income	**4,352,513**	16,572,886	14,335,836
Others	**54,416,394**	99,610,844	81,932,758
	₱3,017,106,523	₱2,996,772,925	₱1,807,593,037

Performance obligations

The Group recognized revenue amounting to ₱12.2 billion and ₱16.5 billion in 2020 and 2019, respectively, from performance obligations partially satisfied in the previous periods.

Information about the Group's performance obligations are summarized below:

The transaction price allocated to the remaining performance obligations of the Group (unsatisfied or partially unsatisfied) that have an original expected duration of more than one year as at December 31 are as follows:

	2020	2019	2018
Within one year	**₱12,653,212,583**	₱8,803,236,672	₱4,646,334,288
More than one year	**30,942,788,536**	47,698,616,553	2,379,773
	₱43,596,001,119	₱56,501,853,225	₱4,648,714,061

24. **Other Income -** Net

This account consists of:

	2020	2019	2018
Dividend income	**₱37,855,583**	₱54,808,659	₱954,613
Interest income	**36,588,692**	60,989,962	59,012,581
Gain on sale of assets	**15,059,741**	101,940,621	24,981,758
Space and car rental	**8,658,371**	–	–
Commission income	**7,142,857**	–	–
Rental income	**6,418,072**	25,194,574	42,195,891
Income from reversal of impairment	**5,237,506**	–	40,702
Tax refund/discount	**249,490**	4,804,879	392,721
Foreign exchange gain (loss)	**(49,676,282)**	(38,607,477)	56,505,871
Miscellaneous	**61,234,103**	16,156,116	35,884,277
	₱128,768,133	₱225,287,334	₱219,968,414

Gain on sale of assets arose from the sale of the following assets:

	2020	2019	2018
Property and equipment (Note 13)	**₱14,855,241**	₱101,530,669	₱17,058,635
Investment properties (Note 16)	**204,500**	409,952	7,923,123
	₱15,059,741	₱101,940,621	₱24,981,758

Interest income consists of income from:

	2020	2019	2018
Savings deposit and short-term investments (Note 6)	**₱25,104,821**	₱37,191,409	₱17,532,694
Receivable from EEI-RFI (Notes 7, 17 and 22)	**3,237,599**	5,677,703	7,671,131
Installment contract receivable	**2,288,438**	10,647,486	19,396,680
Others	**5,957,834**	7,473,364	14,412,076
	₱36,588,692	₱60,989,962	₱59,012,581

In 2020, 2019 and 2018, certain payables that were long-outstanding amounting to ₱5.24 million, nil, and ₱0.04 million, respectively, were written-off and recognized as other income. Based on management's assessment, the settlement of these payables are remote.

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

25. Costs of Sales and Services

This account consists of:

	2020	2019	2018
Cost of services (Note 27)			
Cost of construction contracts	**₱15,038,354,818**	₱18,825,368,263	₱17,774,856,638
Cost of manpower and other services	**1,125,289,917**	1,905,955,718	1,716,344,334
	16,163,644,735	20,731,323,981	19,491,200,972
Cost of goods sold			
Cost of merchandise sold (Note 26)	**3,624,366,462**	6,543,465,005	7,243,611,097
Cost of real estate sold (Note 9)	**22,465,250**	60,914,479	38,321,997
	3,646,831,712	6,604,379,484	7,281,933,094
Cost of tuition and other fees (Note 28)	**2,015,408,058**	2,038,844,353	1,279,402,975
	₱21,825,884,505	₱29,374,547,818	₱28,052,537,041

26. Cost of Merchandise Sold

This account consists of (Notes 9 and 25):

	2020	2019	2018
Inventory, beginning	**₱2,122,740,026**	₱2,465,032,904	₱809,783,825
Purchases	**3,149,623,135**	6,185,829,667	8,890,747,762
Total goods available for sale	**5,272,363,161**	8,650,862,571	9,700,531,587
Less inventory end	**1,657,262,683**	2,122,740,026	2,465,032,904
Cost of inventories sold	**3,615,100,478**	6,528,122,545	7,235,498,683
Personnel expenses	**5,957,078**	7,547,944	5,171,961
Others	**3,308,906**	7,794,516	2,940,453
	₱3,624,366,462	₱6,543,465,005	₱7,243,611,097

27. **Cost of Services**

	2020	2019	2018
Cost of construction contracts (Note 25)			
Labor	**₱6,592,720,054**	₱5,918,411,505	₱6,725,263,743
Materials	**4,745,558,101**	6,909,445,920	2,669,585,470
Equipment costs and others	**3,182,242,113**	5,449,447,595	7,846,306,554
Depreciation and amortization (Notes 13, 14 and 29)	**517,834,550**	548,063,243	533,700,871
	15,038,354,818	18,825,368,263	17,774,856,638
Cost of manpower and other services (Note 25)			
Personnel expenses	**626,705,529**	808,871,227	779,402,074
Materials	**238,395,229**	460,667,622	432,461,177
Parts and accessories	**98,867,614**	319,374,007	277,309,550
Depreciation and amortization (Notes 13, 14 and 29)	**13,483,485**	85,027,698	48,899,227
Others	**147,838,060**	232,015,164	178,272,306
	1,125,289,917	1,905,955,718	1,716,344,334
	₱16,163,644,735	₱20,731,323,981	₱19,491,200,972

28. **Cost of Tuition and Other Fees**

This amount consists of:

	2020	2019	2018
Personnel expenses	**₱1,037,807,796**	₱927,213,682	₱608,761,306
Depreciation and amortization (Notes 13, 14, 16 and 17)	**372,612,389**	336,843,147	187,605,487
Management and other professional fees	**129,207,556**	166,467,504	113,974,424
Student-related expenses	**100,529,199**	216,292,493	110,314,055
Periodicals	**89,553,547**	40,197,909	21,693,225
IT expense - software license	**76,467,455**	45,668,629	36,622,759
Utilities	**61,547,432**	128,761,390	84,042,240
Accreditation cost	**31,681,806**	11,121,935	8,951,062
Repairs and maintenance	**20,049,447**	34,663,605	15,720,212
Advertising	**18,478,261**	19,696,101	19,901,017
Tools and library books (Note 13)	**17,587,086**	33,969,025	26,333,830
Research and development fund	**10,738,408**	16,210,975	8,806,118
Insurance	**10,600,753**	10,100,644	7,350,745
Taxes and licenses	**7,320,662**	2,880,056	1,527,092
Seminar	**7,266,635**	16,769,308	12,667,874
Office supplies	**6,437,394**	16,083,800	7,405,855
Laboratory supplies	**3,727,810**	7,955,109	3,810,433
Entertainment, amusement and recreation	**1,209,702**	1,375,485	510,375
Transportation and travel	**917,313**	2,162,552	1,844,524
Rent	**183,544**	430,020	205,301
Miscellaneous	**11,483,863**	3,980,984	1,355,041
	₱2,015,408,058	₱2,038,844,353	₱1,279,402,975

29. General and Administrative Expenses

This account consists of:

	2020	2019	2018
Personnel expenses	**₱1,349,418,384**	₱1,118,817,633	₱929,513,234
Depreciation and amortization (Notes 13, 14, 17 and 30)	**465,198,753**	396,206,316	219,409,779
Taxes and licenses	**313,930,251**	315,799,454	203,665,580
Rent, light and water	**107,830,247**	132,347,524	256,172,009
Provision for probable losses on loans and accounts receivables and contract assets (Notes 7, 8 and 22)	**148,263,273**	47,745,804	331,816,497
Management and other fees	**87,769,526**	67,963,961	47,631,687
Repairs and maintenance	**84,500,850**	96,939,658	44,588,159
Professional fees	**80,527,537**	73,134,515	77,936,754
Transportation and travel	**74,627,404**	100,003,901	92,599,351
Securities and utilities	**72,986,778**	56,933,309	51,715,038
Advertising and promotions	**41,805,526**	41,208,673	59,361,741
Insurance	**31,513,021**	29,347,397	24,814,252
Entertainment, amusement and recreation	**28,478,722**	57,880,809	56,707,083
Commissions	**23,715,324**	22,199,733	22,686,652
Provision for inventory obsolescence (Note 9)	**21,960,851**	21,533,760	25,567,947
Seminars	**19,061,446**	14,838,297	3,176,366
Office expenses	**14,611,586**	25,505,879	21,738,960
Donations and contributions	**12,020,323**	13,182,360	12,200,117
Selling expenses	**4,266,581**	6,327,424	18,647,870
Provision for impairment	**3,001,773**	45,474,203	2,301,307
Loss on damaged properties	**16,410**	–	–
Accreditation cost	**–**	60,313	89,679
Miscellaneous	**113,062,959**	135,513,379	148,905,722
	₱3,098,567,525	₱2,818,964,302	₱2,651,245,784

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

Below are the details of net provision for probable losses on loans receivable and accounts receivable (Note 7):

	2020	2019	2018
Provision			
Receivable	**₱105,623,601**	₱53,328,702	₱1,012,516
Write-off of consultancy fee receivable	**–**	–	330,335,559
Loans receivable	**–**	–	468,422
	₱105,623,601	₱53,328,702	₱331,816,497

30. **Depreciation and Amortization**

This account consists of depreciation and amortization included in Notes 13, 14 and 17:

	2020	2019	2018
Cost of sales and services			
Construction contracts (Note 27)	**₱517,834,550**	₱548,063,243	₱533,700,871
Tuition and other fees (Note 28)	**372,612,389**	336,843,147	187,605,487
Manpower and other services (Note 27)	**13,483,485**	85,027,698	48,899,277
Capitalized as part of cost of inventories	–	–	554,093
	903,930,424	969,934,088	770,759,728
General and administrative expenses (Note 29)	**465,198,753**	396,206,316	219,409,779
	₱1,369,129,177	₱1,366,140,404	₱990,169,507

Depreciation and amortization for the different assets follow:

	2020	2019	2018
Property and equipment (Note 13)	**₱1,141,943,922**	₱1,112,635,318	₱982,974,860
Right-of-use asset (Note 14)	**220,146,604**	246,866,013	–
Computer software (Note 17)	**7,038,651**	6,621,573	6,848,413
Investment property (Note 16)	**–**	17,500	346,234
	₱1,369,129,177	₱1,366,140,404	₱990,169,507

31. **Interest and Finance Charges**

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

	2020	2019	2018
Long-term debt (Note 20)	**₱159,410,033**	₱124,062,908	₱92,904,155
Loans payable (short-term) (Note 19)	**434,306,860**	561,555,227	358,786,552
Lease liabilities (Note 14)	**107,042,613**	79,459,539	–
Advances to affiliates and other finance charges (Note 22)	**11,811,591**	15,532,583	4,060,882
	₱712,571,097	₱780,610,257	₱455,751,589

32. **Retirement Plan**

The Group has funded, noncontributory retirement plans (the Plans) for all of its regular employees, in compliance with RA No. 7641, The New Retirement Pay Law. The Plans provide for normal, early retirement, death and disability benefits. The most recent actuarial valuation was made for the Group's retirement plans as of December 31, 2020.

The following tables summarize the components of the benefit expense recognized in the consolidated statements of comprehensive income and amounts recognized in the consolidated statements of financial position for the retirement plans.

	2020	2019
Retirement liabilities	**₱611,599,429**	₱457,836,487
Retirement assets	**4,726,582**	18,289,597
Net retirement liabilities	**606,872,847**	439,546,890
Net retirement expenses	**186,330,471**	124,715,271

The net retirement expenses recognized by the Group (included in personnel expense in the consolidated statements of comprehensive income) are as follows:

	2020	2019	2018
Current service cost	**₱180,066,728**	₱117,938,111	₱128,964,699
Net interest cost	**19,356,338**	6,777,160	5,152,317
Past service cost	**(7,488,530)**	–	(1,779,531)
Actuarial gain on settlement	**(5,604,065)**	–	–
	₱186,330,471	₱124,715,271	₱132,337,485

The amounts recognized in the consolidated statements of financial position follow:

Net retirement liabilities	**2020**	2019
Present value of defined benefit obligation	**₱2,175,645,385**	₱1,948,334,688
Fair value of plan assets	**(1,564,045,956)**	(1,490,498,201)
	₱611,599,429	₱457,836,487

Net retirement assets	**2020**	2019
Present value of defined benefit obligation	**₱51,603,000**	₱37,445,007
Fair value of plan assets	**(56,484,000)**	(57,957,371)
Effect of asset ceiling	**154,418**	2,222,767
	(₱4,726,582)	(₱18,289,597)

The movements in the net retirement liability follow:

	2020	2019
Balance at beginning of year	**₱439,546,890**	₱112,957,899
Net retirement expense	**186,330,471**	135,946,303
Remeasurement loss	**148,660,020**	317,906,260
Adjustment to defined benefit obligation	**17,576,834**	23,278,771
Derecognition	**(224,503)**	–
Benefit paid	**(5,630,563)**	–
Contributions	**(179,386,302)**	(147,248,479)
Withdrawal of plan asset	–	(3,293,864)
Balance at end of year	**₱606,872,847**	₱439,546,890

The movements in the present value of defined obligation follow:

	2020	2019
Balance at beginning of year	**₱1,988,485,244**	₱1,399,830,973
Current service cost	**181,473,856**	119,094,029
Remeasurement loss	**164,004,573**	323,703,290
Interest cost on obligation	**94,231,893**	104,910,736
Gain on settlement	**(5,604,065)**	–
Past service cost	**(7,488,530)**	–
Reversal of defined benefit obligation	**(14,785,084)**	–
Derecognition	**(16,690,967)**	–
Benefits paid	**(156,378,535)**	(137,046,331)
New subsidiaries	–	174,483,709
Transfer from affiliates	–	3,508,838
Balance at end of year	**₱2,227,248,385**	₱1,988,485,244

The movements in the fair value of plan assets follow:

	2020	2019
Balance at beginning of year	**₱1,548,938,354**	₱1,286,873,075
Contributions	**183,270,404**	142,695,168
Asset return in net interest cost	**75,324,201**	99,112,880
Remeasurement gain	**15,344,553**	5,797,030
Derecognition	**(16,446,464)**	–
Adjustments to plan assets	**(33,573,288)**	117,605
Benefits paid	**(152,482,222)**	(127,654,322)
New subsidiaries	–	139,088,080
Transfer from affiliates	–	3,508,838
Withdrawal of plan assets	–	(600,000)
Balance at end of year	**₱1,620,375,538**	₱1,548,938,354

The Group derecognized the present value of defined benefit obligation and fair value of plan asset of the closed car dealership branches namely Honda Cars Fairview, Honda Cars Marikina, and Honda Cars Kalookan.

The major categories of plan assets and its fair value are as follows:

	2020	2019
Cash	**₱473,097,185**	₱312,759,829
Investment in government securities	**727,163,282**	785,172,322
Investments in shares of stock	**327,580,235**	311,852,866
Investments in other securities and debt instruments	**82,941,015**	134,693,827
Interest receivables and other receivables	**14,856,362**	13,268,786
Accrued trust fees and other payables	**(5,262,541)**	(8,809,276)
	₱1,620,375,538	₱1,548,938,354

The Group expects to contribute ₱181.91 million to its defined benefit retirement plans in 2021.

The Retirement fund (Fund) of the Group is being maintained and managed, in trust, by RCBC Trust and Investment Group (TIG), an affiliate financial institution.

Trust fees paid in 2020, 2019 and 2018 amounted to ₱6.17 million, ₱5.20 million and ₱5.00 million, respectively.

The composition of the fair value of the trust fund includes:

Investment in government securities - include investment in Philippine Retail Treasury Bonds (RTBs) and Fixed Rate Treasury Notes (FXTNs).

Cash - include savings and time deposit with affiliated bank and special deposit account with Bangko Sentral ng Pilipinas (BSP SDA).

Investment in equity securities - include investment in common and preferred shares traded in the Philippine Stock Exchange.

Investment in debt and other securities - include investment in long-term debt notes and retail bonds.

Interest and other receivables - pertain to interest and dividends receivable on the investments in the fund.

In 2020, the Fund has investment in equity securities of related parties with fair values and accumulated loss of ₱93.17 million and ₱10.1 million, respectively.

In 2019, the Fund has investment in equity securities of related parties with fair values and accumulated gain of ₱99.0 million and ₱60.1 million, respectively.

In 2018, the Fund has investment in equity securities of related parties with fair values and accumulated gain of ₱120.2 million and ₱60.5 million, respectively.

The voting rights of the above equity securities were assigned to RCBC TIG, being the investment manager who manages and administers the investments and reinvestments of the fund.

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

	2020	2019
Discount rate		
Beginning	**4.79%-5.54%**	7.26%-7.38%
End	**3.42%-6.00%**	4.79%-5.54%
Future salary increases		
Beginning	**3.00%-6.61%**	3.00%-6.50%
End	**3.00%-6.50%**	3.00%-6.61%

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

	2020		2019	
	Increase (decrease)	**Effect on defined benefit obligation**	Increase (decrease)	Effect on defined benefit obligation
Discount rates	+50bps to +100bps	**(₱227,516,665)**	+50bps to +100bps	(₱329,123,394)
	-50bps to -100bps	**396,070,475**	-50bps to -100bps	388,635,316
Salary increase rates	+50bps to +100bps	**415,504,646**	+50bps to +100bps	474,793,299
	-50bps to -100bps	**(239,653,997)**	-50bps to -100bps	(386,285,183)

33. **Income Taxes**

The reconciliation between the statutory and effective income tax rates follows:

	2020	2019	2018
Statutory income tax rate	**(30.00%)**	30.00%	30.00%
Add (deduct) reconciling items:			
Equity in net loss (earnings) of associates and joint venture	**(13.86)**	(0.66)	4.62
Movement of deferred income tax assets not recognized	**(1.01)**	(1.59)	–
Others	**2.02**	(5.97)	(4.62)
Effective income tax rate	**(42.85%)**	21.78%	30.00%

All companies in the Group are subject to the RCIT rate of 30%, except for MESI, MHSSI MCLI, MCMI, UNC, NTC and APEC which are subject to a lower tax rate of 10%.

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

	2020	2019
Net deferred income tax assets on a per subsidiary level:		
NOLCO	**₱1,305,283,658**	₱9,550,041
Remeasurement loss on defined benefit plans	**155,273,331**	129,563,769
Allowance for ECL, inventory, obsolescence and other expenses	**79,197,282**	36,120,706
Unrealized foreign exchange loss	**10,554,361**	9,192,817
Retirement	**6,926,610**	3,238,393
MCIT	**26,234,789**	10,440,784
Excess of right-of-use-assets over lease liability	**(15,357,951)**	(43,623,303)
Others	**12,284,682**	40,537,182
	₱1,580,396,762	₱195,020,389
Net deferred income tax liabilities on a per subsidiary level:		
Revaluation increment on land	**₱1,055,891,512**	₱795,578,682
Accrued expenses	**(15,430,739)**	89,474,043
Retirement	**(32,125,335)**	(18,883,312)
Others	**39,404,399**	157,360,861
	₱1,047,739,837	₱1,023,530,274

The reconciliation of the Group's net deferred tax liabilities (assets) follow:

	2020	2019
Balance at beginning of year	**₱828,509,885**	₱405,471,104
Tax expense (income) recognized in:		
Other comprehensive income	**35,108,099**	452,743,111
Profit and loss	**(1,396,274,909)**	(29,704,330)
	(₱532,656,925)	₱828,509,885

The Group did not recognize deferred tax assets on the following temporary differences because the Group believes that it may not be probable that sufficient taxable income will be available in the near foreseeable future against which the tax benefit can be realized.

	2020	2019
Allowance for ECL, inventory obsolescence and other expenses	**₱169,436,196**	₱119,304,699
NOLCO	**160,333,661**	85,601,553
MCIT	**6,090,550**	6,239,920
Accrued retirement expense	**1,005,000**	6,466,559
Others	**41,000**	794,385

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 25-2020 implementing Section 4 (bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2020, the Group has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year incurred	Amount	Applied/Expired	Balance	Expiry Year
2020	₱4,372,873,806	₱–	₱ 4,372,873,806	2025

As of December 31, 2020, the amount of NOLCO incurred before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years:

Year incurred	Amount	Applied/Expired	Balance	Expiry Year
2019	₱30,586,211	₱436,657	₱30,149,554	2022
2018	46,936,501	22,168	46,914,333	2021
2017	31,932,649	31,932,649	–	2020
	₱109,455,361	₱32,391,474	₱77,063,887	

As of December 31, 2020, the amounts of MCIT still allowable as tax credit consist of:

Year incurred	Amount	Applied/Expired	Balance	Expiry Year
2020	₱15,757,849	₱–	₱15,757,849	2023
2019	14,444,622	–	14,444,622	2022
2018	2,122,868	–	2,122,868	2021
2017	113,214	113,214	–	2020
	₱32,438,553	₱113,214	₱32,325,339	

RA No. 11534 otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. RA No. 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

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

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020. This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020, which will be reflected in the Group's 2020 annual income tax return but will only be recognized for financial reporting purposes in its 2021 consolidated financial statements. This will result in lower deferred tax assets and liabilities as of December 31, 2020 and provision for deferred tax for the year then ended by ₱259.25 million. These reductions will be recognized in the 2021 consolidated financial statements.

34. **Earnings Per Share**

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

Basic earnings (loss) per share

	2020	2019	2018
Net income (loss)	**(₱824,954,066)**	₱974,033,430	₱848,267,992
Less dividends attributable to preferred shares	**86,529**	23,302,357	24,732,938
Net income (loss) applicable to common shares	**(825,040,595)**	950,731,073	823,535,054
Divided by the weighted average number of common shares	**776,465,281**	776,465,281	615,996,114
Basic earnings (loss) per share	**(₱1.0626)**	₱1.2244	₱1.3369

Diluted earnings (loss) per share

	2020	2019	2018
Net income (loss) applicable common share for basic earnings per share	**(₱825,040,595)**	₱950,731,073	₱823,535,054
Add dividends attributable to preferred shares	**–**	–	24,732,938
Net income (loss) applicable to common stockholders for diluted earnings per share	**(825,040,595)**	950,731,073	848,267,992
Weighted average number of shares of common stock	**776,465,281**	776,465,281	615,996,114
Dilutive shares arising from convertible preferred stock	–	–	164,942,770
Weighted average number of shares of common stock for diluted earnings per share	**776,465,281**	780,938,881	780,938,884
Diluted earnings (loss) per share	**(₱1.0626)**	₱1.2244	₱1.0862

In 2020 and 2019, the preferred stock conversion to common share has significantly reduced the number of potential common stock outstanding as of December 31, 2020 and 2019 making the options anti-dilutive, hence, no diluted earnings per share calculated. Thus, basic and diluted EPS are stated at the same amount.

The weighted average number of shares of common stock is computed as follows:

	2020	2019	2018
Number of shares of common stock issued	**776,765,281**	776,765,281	616,296,114
Less treasury shares	**300,000**	300,000	300,000
	776,465,281	776,465,281	615,996,114

35. 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 18).

36. Non-controlling Interests

The summarized financial information attributable to non-controlling interests for significant subsidiaries as of and for the years ended December 31, 2020, 2019 and 2018 are as shown below:

	Honda Cars Kalookan, Inc. (HCKI)[(a)]			iPeople, inc. (IPO) and Subsidiaries[(b)]			EEI Corporation (EEI) and Subsidiaries[(c)]			La Funeraria Paz Sucat, Inc. (d)	
	2020	2019	2018	**2020**	2019	2018	**2020**	2019	2018	**2020**	2019
Assets											
Current assets	**₱380**	₱671	₱777	**₱2,662**	₱2,316	₱1,007	**15,938**	₱18,223	₱12,536	**₱37**	₱29
Noncurrent assets	**122**	235	95	**13,050**	13,957	8,965	**10,955**	9,824	9,919	**97**	127
	502	906	872	**15,712**	16,273	9,972	**26,893**	28,047	22,455	**134**	156
Liabilities and Equity											
Current liabilities	**₱462**	₱665	₱739	**₱2,298**	₱3,464	₱3,310	**14,374**	₱15,023	₱12,514	**₱15**	₱29
Noncurrent liabilities	**58**	135	11	**2,922**	3,076	248	**6,111**	4,419	2,229	**34**	37
	520	800	750	**5,220**	6,540	3,558	**20,485**	19,442	14,743	**49**	66
Revenue	**₱1,175**	₱2,717	₱2,966	**₱3,017**	₱2,997	₱1,809	**13,881**	₱23,581	₱22,148	**₱84**	₱141
Net income (loss)	**(₱121)**	(₱6)	₱11	**₱242**	274	237	**(2,072)**	₱1,155	₱529	**₱4**	₱14
Total comprehensive income (loss)	**(₱124)**	(₱8)	₱9	**₱832**	232	581	**(2,197)**	₱1,070	₱1,081	**₱4**	₱15
Share of NCI in net assets	**(₱11)**	₱48	₱55	**₱4,336**	₱5,044	₱2,095	**3,083**	₱3,902	₱3,520	**₱32**	₱35
Share of NCI in net income (loss)	**(₱54)**	(₱3)	₱5	**₱127**	₱142	₱77	**(914)**	₱524	₱241	**₱2**	₱8
Dividends paid	**₱–**	₱3	₱11	**₱38**	₱23	₱59	**₱–**	₱94	₱–	**₱5**	₱5
Operating	**₱117**	₱142	₱109	**₱95**	₱988	₱556	**(2,418)**	₱991	(₱1,538)	**₱34**	₱31
Investing	**96**	(10)	4	**1,220**	(1,073)	(1,819)	**778**	(235)	(677)	**(15)**	(15)
Financing	**(205)**	(210)	(112)	**(1,152)**	651	1,218	**1,824**	(633)	2,581	**(17)**	(14)

(a) Proportion of ownership owned by non-controlling interests as of December 31, 2020 and 2019: 45.00%
(b) Proportion of ownership owned by non-controlling interests as of December 31, 2020 and 2019: 51.82%
(c) Proportion of ownership owned by non-controlling interests as of December 31, 2020 and 2019: 44.66% and 45.35%, respectively
(d) Proportion of ownership owned by non-controlling interests as of December 31, 2020 and 2019: 37.00%

Material Partly-Owned Subsidiaries
In February 2020, the Parent Company purchased additional 7,100,000 EEI shares for ₱59.97 million resulting to an increase in ownership interest from 54.65% to 55.34%. The non-controlling interest decreased from 45.35% to 44.66%.

In May 2019, the Parent Company sold the 281,642 shares of 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 November 2019, the Parent Company purchased additional 3,000,000 EEI shares for ₱40.00 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 ₱25.00 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 ₱6.80 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 amounting to a decrease by ₱18.75 million and an increase by ₱1,821.7 million in 2020 and 2019, respectively. This was included in "Equity reserve" representing the excess consideration paid for the carrying amount of the non-controlling interest.

37. **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 revenue from the following reportable segments:

<u>Construction and Infrastructure</u> - mainly consists of revenues from EEI 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.

Property management - represents property and project management services of the Group.

Education - primarily consists of revenues from IPO and subsidiaries in education and other related support services.

Car Dealership - represents automotive dealerships of the Group.

Other Services - 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 arise from transactions that were made on terms equivalent to those that prevail in an arms-length transactions.

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.

In 2020, revenues from two (2) customers from the construction and infrastructure segment each represents 10% or more of the Group's revenue. Following are the revenue contributed by each of these customers: ₱2,668 million and ₱2,384 million.

In 2019, revenues from two (2) customers from the construction and infrastructure segment each represents 10% or more of the Group's revenue. Following are the revenue contributed by each of these customers: ₱4,557 million and ₱3,144 million.

In 2018, revenues from two (2) customers from the construction and infrastructure segment each represents 10% or more of the Group's revenue. Following are the revenue contributed by each of these customers: ₱10,193 million and ₱2,667 million.

(Amounts in Millions)

	Construction and Infrastructure			Education			Car Dealerships			Property Management			Other Services			Elimination			Consolidation		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
Revenue	₱13,881	₱23,582	₱22,148	₱3,017	₱2,997	₱1,809	₱4,155	₱7,542	₱8,445	₱225	₱266	₱233	₱322	₱373	₱539	(₱424)	(₱629)	(₱866)	₱21,176	₱34,130	₱32,309
Net Income attributable to share of parent	(₱2,046)	₱1,156	₱533	₱246	₱255	₱211	(₱114)	(₱64)	₱41	₱61	₱89	₱90	₱131	₱1,033	₱319	₱897	(₱1,495)	(₱346)	(₱825)	₱974	₱848
Other Information																					
Segment assets	₱26,893	₱28,047	₱22,454	₱15,712	₱16,273	₱9,972	₱2,686	₱3,145	₱3,227	₱223	₱202	₱186	₱9,165	₱5,289	₱4,819	(₱2,792)	(₱959)	(₱1,058)	₱51,885	₱51,996	₱39,601
Deferred tax assets	(1,471)	(117)	(70)	(32)	(20)	(5)	(26)	(19)	(18)	(4)	(2)	(2)	(79)	(4)	(78)	32	(33)	34	(1,580)	(195)	(140)
Net segment assets	₱25,422	₱27,930	₱22,384	₱15,680	₱16,253	₱9,967	₱2,660	₱3,126	₱3,209	₱219	₱200	₱184	₱9,086	₱5,285	₱4,741	(₱2,760)	(₱992)	(₱1,024)	₱50,305	₱51,801	₱39,461
Segment liabilities	₱20,485	₱19,442	₱14,743	₱5,220	₱6,540	₱3,559	₱1,505	₱1,579	₱1,176	₱176	₱152	₱133	₱2,835	₱1,092	₱2,055	(₱189)	(₱303)	(₱236)	₱30,031	₱28,502	₱21,429
Income tax payable	(23)	(43)	(28)	(12)	(21)	(11)	(6)	(4)	–	(2)	(4)	(3)	–	(3)	(1)	–	–	–	–	(75)	(42)
Deferred tax liabilities	(90)	(93)	(76)	(477)	(658)	(209)	(173)	(156)	(147)	–	–	–	(166)	18	(2)	(141)	(134)	(110)	(1,048)	(1,023)	(545)
Net segment liabilities	₱20,371	₱19,306	₱14,639	₱4,730	₱5,861	₱3,339	₱1,326	₱1,419	₱1,029	₱174	₱148	₱130	₱2,669	₱1,107	₱2,052	(₱331)	(₱437)	(₱346)	₱28,939	₱27,404	₱20,842
Investments in associates and joint ventures	₱2,890	₱2,655	₱2,255	₱–	₱–	₱–	₱-	₱–	₱–	₱7	₱6	₱6	₱5,066	₱4,403	₱4,369	(₱871)	(₱871)	(₱1,124)	₱7,093	₱6,193	₱5,506
Equity in net earnings (losses) of associates	₱981	₱346	(₱127)	₱–	₱–	₱–	₱-	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱388	₱382	₱382	₱1,368	₱728	₱256
Cash flows arising from:																					
Operating activities	(₱2,418)	₱991	(₱1,604)	₱95	₱1,477	₱557	₱397	(₱170)	(₱6)	₱78	₱77	₱87	(₱495)	(₱790)	₱4	(₱620)	₱644	₱413	(₱2,963)	₱2,229	(₱549)
Investing activities	778	(235)	(649)	1,220	(1,561)	(1,820)	170	327	(9)	–	(6)	(2)	1,373	(186)	1	(2,361)	6,962	298	1,180	(5,301)	(2,181)
Financing activities	(1,824)	(633)	2,581	(1,152)	649	1,218	(290)	(270)	(137)	53	(74)	(90)	5,634	99	1,069	–	3,361	(1,844)	2,315	3,590	2,797
Capital expenditures	(489)	(512)	(803)	(881)	(1,997)	(2,107)	(73)	–	(40)	–	(6)	(2)	53	449	35	–	5,595	599	(1,391)	7,661	(2,318)
Interest income	17	26	35	11	23	11	2	1	–	–	1	–	8	10	10	(2)	–	(106)	37	61	(50)
Interest expense	466	564	300	178	107	36	69	90	62	1	–	–	–	20	–	(2)	–	57	713	781	456
Provision for income tax	(1,285)	343	435	33	68	28	4	4	5	20	26	27	(42)	18	12	(1)	–	(9)	(1,270)	459	498
Earnings before income tax	(3,358)	1,499	964	275	342	265	(295)	(60)	45	81	115	117	274	1,051	332	59	(838)	(60)	(2,964)	2,109	1,663
Earnings before income tax and depreciation and amortization	(2,592)	2,865	1,672	738	509	484	(203)	165	103	85	87	120	326	1,123	339	50	(846)	(65)	(1,595)	3,902	2,653
Noncash items:																					
Additional revaluation increment on land	₱–	₱–	₱–	₱312	₱2	₱389	₱62	₱42	₱22	₱–	₱–	₱–	₱–	₱80	₱–	₱177	(₱82)	(₱3)	(₱73)	₱124	₱408
Depreciation and amortization	766	809	708	463	902	219	92	135	58	4	3	3	53	9	7	(9)	(492)	(5)	1,369	1,366	990

38. **Financial Instruments and Financial Risk Management Objectives and Policies**

Financial Risk Management Objectives and Policies
The main purpose of the Group's financial instruments is to raise finances for the Group's operations.

The main risks arising from the Group's financial instruments are liquidity risk, market risk, and credit risk. The BOD reviews and agrees on the policies for managing these risks, as well as approving and authorizing risk limits set by management, summarized below. There were no changes in the policies for managing these risks.

a. *Liquidity risk*
Liquidity risk is the risk that the Group will be unable to meet its payment obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and service maturing debts. As an inherent part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. To cover its short-term and funding requirements, the Group intends to use internally generated funds and available short-term and long-term credit facilities.

The tables below summarize the maturity profile of the Group's financial assets and financial liabilities as at December 31 based on undiscounted contractual cash flows.

	2020				
	On demand	**< 1 year**	**1 to < 2 years**	**> 2 years**	**Total**
Financial Liabilities					
Accounts payable and accrued expenses*(Note 18)	**₱3,036,692,938**	**₱4,468,332,570**	**₱184,227,979**	**₱524,050,042`**	**₱8,213,303,529**
Bank loans					
Peso loan (Note 19)	–	**7,982,000,000**	–	–	**7,982,000,000**
Interest	–	**13,656,359**	–	–	**13,656,359**
Long-term debt (Note 20)					
Peso loan	–	**4,592,878,361**	**1,796,899,021**	**1,030,524,754**	**7,420,302,136**
Interest	–	**1,063,784,192**	**89,117,343**	**33,048,487**	**1,185,950,022**
Due to related parties	**10,214,099**	–	–	–	**10,214,099**
Lease liabilities	–	**177,919,491**	**374,385,470**	**721,828,452**	**1,274,133,413**
	3,046,907,037	**15,995,572,874**	**2,444,629,813**	**2,309,451,735**	**23,796,561,459**
Financial Assets					
Cash (Note 6)					
Cash on hand and in banks	**1,924,416,281**	–	–	–	**1,924,416,281**
Short-term investments	**1,294,317,494**	–	–	–	**1,294,317,494**
Accounts receivables (Note 7)					
Trade receivables	**2,714,027,149**	**2,233,481,387**	**316,110,180**	**21,496,102**	**5,285,114,818**
Receivables from plant	**38,118,335**	–	–	–	**38,118,335**
Others	**389,777,111**	–	–	–	**389,777,111**
Receivable from related parties	**53,415,133**	–	–	–	**53,415,133**
	6,414,071,503	**2,233,481,387**	**316,110,180**	**21,496,102**	**8,985,159,172**
Liquidity gap (position)	**(3,367,164,466)**	**₱13,762,091,487**	**₱2,128,519,633**	**₱2,287,955,633**	**₱14,811,402,287**

**Excluding statutory liabilities*

	2019				
	On demand	< 1 year	1 to < 2 years	> 2 years	Total
Financial Liabilities					
Accounts payable and accrued					
expenses*(Note 18)	₱7,215,918,280	₱503,148,490	₱204,393,465	₱498,451,803	₱8,421,912,038
Bank loans					
Peso loan (Note 19)	45,000,000	8,348,800,000	–	–	8,393,800,000
Interest	–	27,271,246	–	–	27,271,246
Long-term debt (Note 20)					
Peso loan	–	1,385,714,285	–	3,305,974,841	4,691,689,126
Interest	–	106,453,849	62,701,214	15,200,650	184,355,713
Due to related parties	126,417,175	–	–	–	126,417,175
Lease liabilities	95,243,839	190,789,312	450,434,491	2,318,570,760	3,055,038,402
	7,482,579,294	9,176,462,897	717,529,170	6,138,198,054	23,514,769,415
Financial Assets					
Cash (Note 6)					
Cash on hand and in banks	1,676,600,484	–	–	–	1,676,600,484
Short-term investments	1,010,068,590	–	–	–	1,010,068,590
Accounts receivables (Note 7)					
Trade receivables	4,132,893,711	1,724,411,909	–	–	5,857,305,620
Receivables from plant	56,369,572	–	–	–	56,369,572
Others	604,245,744	–	13,809,313	–	618,055,057
Receivable from related parties	71,235,301	–	–	–	71,235,301
	7,551,413,402	1,724,411,909	13,809,313	–	9,289,634,624
Liquidity gap (position)	(68,834,108)	₱7,452,050,988	₱703,719,857	₱6,138,198,054	₱14,225,134,791

**Excluding statutory liabilites*

As of December 31, 2020, the Group has available undrawn committed borrowing facilities with local banks totaling to ₱15.9 billion.

b. *Market risk*
Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in equity prices, foreign currency exchange rates and interest rates.

c. *Equity price risk*
The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as available-for-sale securities.

Quoted available-for-sale securities assets are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector.

The analysis below is performed for reasonably possible movements in the market index with all other variables held constant, showing the impact on equity.

	2020		2019	
Market Index	**Change in variable**	**Effect on equity**	Change in variable	Effect on equity
PSE	**20.76%**	**4,152,303**	7.94%	₱1,340,776
	(20.76%)	**(4,152,303)**	(7.94%)	(1,340,776)
Others	**33.24%**	**2,027,396**	14.40%	863,858
	(33.24%)	**(2,027,396)**	(14.40%)	(863,858)

The percentage of increase and decrease in market price is based on the movement in the Philippine Stock Exchange Index (PSEI) and other market index pertaining to golf and country club shares from beginning to end of the year. The sensitivity analyses shown above are based on the assumption that the movement in PSE composite index and other quoted equity securities will be most likely be limited to an upward or downward fluctuation of in 2020, respectively, of 5% and 26% in 2019, respectively.

The impact of sensitivity of equity prices on the Group's equity already excludes the impact on transactions affecting the consolidated statements of income.

Foreign currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's currency risk arise mainly from cash and receivables which are denominated in a currency other than the Group's functional currency or will be denominated in such a currency.

Foreign currency risk is monitored and analyzed systematically and is managed centrally by the central finance department. The Group's policy is to maintain foreign currency exposure within existing internal regulations, and within acceptable risk limits as approved by the BOD.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar (USD, US$), Singaporean dollar (SGD, S$), Euro (EUR, €), Japanese yen (JPY, ¥) and British pound (GBP, £) currency rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	2020		2019	
	Percentage increase/ decrease in foreign currency	**Effect on profit before tax**	Percentage increase/ decrease in foreign currency	Effect on profit before tax
USD	**3.00%**	**6,261,228**	2.70%	2,383,953
SGD	**1.50%**	**9,403**	2.00%	13,564
EUR	**0.50%**	**1,154**	1.50%	73,079
JPY	**3.70%**	**60,623**	2.10%	1,658,631
GBP	**4.10%**	**–**	0.10%	–
USD	**-3.00%**	**(6,261,228)**	-2.70%	(2,383,953)
SGD	**-1.50%**	**(9,403)**	-2.00%	(13,564)
EUR	**-0.50%**	**(1,154)**	-1.50%	(73,079)
JPY	**-3.70%**	**(60,623)**	-2.10%	(1,658,631)
GBP	**-4.10%**	**–**	-0.10%	–

The forecasted movements in percentages used were sourced by management from an affiliated bank. These are forecasted movements in the next twelve months.

The foreign currency-denominated financial assets and financial liabilities in original currencies and equivalents to the functional and presentation currency are as follows:

			2020			
	SD[1]	**SGD[2]**	**EUR[3]**	**JPY[4]**	**GBP[4]**	**Equivalents in PHP**
Financial assets						
Cash and cash equivalents	**US$4,108,867**	**S$ 17,680**	**€3,797**	**¥ 2,101,739**	**£**	**₱199,207,883**
Receivables	**1,191,113**	**–**	**–**	**–**		**57,881,225**
	5,299,980	**17,680**	**3,797**	**2,101,739**	**–**	**257,089,108**
Financial liabilities						
Accounts payable and accrued expenses	**–**	**–**	**–**	**–**	**–**	**–**
	US$ 5,299,980	**S$ 17,680**	**€3,797**	**¥ 2,101,739**	**(£–)**	**₱257,089,108**

[1] Exchange rate used - ₱48.02 to US$1
[2] Exchange rate used - ₱36.12 to S$1
[3] Exchange rate used - ₱58.69 to €1
[4] Exchange rate used - ₱0.46 to ¥1
[5] Exchange rate used - ₱64.62 to £1

			2019			
	SD[1]	SGD[2]	EUR[3]	JPY[4]	GBP[4]	Equivalents in PHP
Financial assets						
Cash and cash equivalents	US$844,322	S$18,222	€19,803	¥291,383	£–	₱15,430,509
Receivables	1,321,728	-	530	1,439,193	–	67,765,856
	2,166,050	18,222	20,333	1,730,576	–	83,196,365
Financial liabilities						
Accounts payable and accrued expenses	419,565	–	106,431	170,508,916	–	106,216,482
	US$1,746,485	S$18,222	(€86,098)	¥168,778,340	(£–)	(23,020,117)

[1] Exchange rate used - ₱50.74 to US$1
[2] Exchange rate used - ₱37.49 to S$1
[3] Exchange rate used - ₱56.35 to €1
[4] Exchange rate used - ₱0.46 to ¥1
[5] Exchange rate used - ₱65.99 to £1

There are no other effects of the foreign currency sensitivity on the Group's equity other than those already affecting the consolidated statements of income.

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short-term and long-term obligations.

In order to effectively manage its interest rate risk and its financing costs, the Group closely monitors the movements of interest rates, as well as, economic factors affecting the trends of these movements. In certain cases, depending on its assessment of future movements of interest rates, the Group would pre-terminate its debt and obtain a new loan facility which provides for either floating or fixed interest rates. This is intended to minimize its financing costs.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings):

	2020		2019	
	Increase/decrease in basis points	**Effect on profit before tax**	Increase/decrease in basis points	Effect on profit before tax
Peso floating rate borrowing	**+690**	**(55,442,960)**	+405	(₱16,905,088)
	-690	**55,442,960**	-405	16,905,088

The forecasted movements in percentages of interest rates used were sourced by management from an affiliated bank. These are forecasted movements in the next twelve months.

There are no other impact on the Group's equity other than those already affecting the consolidated statements of income.

d. *Credit risk*

The Group's exposure to credit risk on its receivables relates primarily to the inability of the debtors to pay and fully settle the unpaid balance of receivables owed to the Group. The Group manages its credit risk in accordance with its credit risk policies which requires the evaluation of the creditworthiness of the debtors. The Group's exposure to credit risk on its other receivables from debtors and related parties is managed through close account monitoring and setting limits.

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 90 days from the completion of the construction project. The Group's normal credit terms for construction projects is within 90 days based on its historical experience. 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. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Group's maximum credit risk exposure for its secured loans receivables is equal to its carrying value amounting nil in 2020 and 2019. The Group holds collateral against these loans receivables in the form of mortgage interests over property. The fair values of the collateral amounts to nil in 2020 and 2019. This resulted to a nil net exposure as at December 31, 2020 and 2019.

With respect to credit risk arising from cash and cash equivalents, unsecured loans receivables, accounts receivable, due from related parties, available-for-sale securities and receivables from EEI- RFI, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

As at December 31, the analysis of financial assets that were past due but not impaired follows:

	2020						
	Neither past due nor impaired	Past due but not impaired: < 30 days	30 - 60 days	60 - 90 days	> 90 days	Impaired Assets	Total
Cash in bank and cash equivalents	₱1,294,317,494	₱–	₱–	₱–	₱–	₱–	₱1,294,317,494
Loans receivable	–	–	–	–	–	–	–
Receivables from:							
Construction and infrastructure	1,323,692,706	853,996,629	343,941,192	98,625,659	777,057,101	62,690,313	3,460,003,600
Education	442,657,670	485,318,000	–	–	63,370,000	174,881,069	1,166,226,739
Car dealership	284,537,041	59,387,719	29,190,097	11,173,166	48,789,419	36,551,181	469,628,623
Other services	118,230,929	46,770,635	6,512,836	3,985,111	4,080,986	9,675,359	189,255,856
Other receivables:							
Receivables from plant	38,118,335	–	–	–	–	–	38,118,335
Others	192,392,007	10,134,622	4,455,633	2,354,850	46,517,764	75,442,955	331,297,831
Miscellaneous deposits	15,579				114,370,736	3,335,193	117,721,508
Due from related parties	53,415,133	–	–	–	–	–	53,415,133
Receivable from a customer	20,479,281	–	–	–	–	–	20,479,281
Receivable from EEI Retirement Fund, Inc.	38,000,000	–	–	–	–	–	38,000,000
	₱3,805,856,175	₱1,455,607,605	₱384,099,758	₱116,138,786	₱1,054,186,006	₱363,660,390	₱7,178,464,400

	2019						
	Neither past due nor impaired	Past due but not impaired: < 30 days	30 - 60 days	60 - 90 days	> 90 days	Impaired Assets	Total
Cash in bank and cash equivalents (Note 6)	₱2,686,669,074	₱–	₱–	₱–	₱–	₱–	₱2,686,669,074
Loans receivable	–	–	–	–	–	–	14,289,823
Receivables from:							
Construction and infrastructure	1,785,815,920	870,870,584	327,501,827	359,077,073	745,111,512	20,364,075	4,108,740,991
Car dealership	579,405,679	114,017,406	45,531,488	16,583,070	18,445,791	39,310,600	708,660,520
Education	225,366,564	10,615,569	2,047,423	3,418,382	–	61,347,299	901,585,558
Other services	38,337,095	40,363,272	4,800,174	2,180,059	4,080,986	7,835,959	114,165,831
Other receivables:							
Receivables from plant	47,222,895					5,304,918	56,369,572
Others	351,175,500	21,430,714	3,812,160	10,475,684	80,703,350	56,505,314	524,102,722
Miscellaneous deposits	4,876,749	6,650,647	476,098	4,132,224	89,229,103	3,335,193	108,700,014
Due from related parties	71,235,301	–	–	–	–	–	71,235,301
Receivable from a customer	35,174,526	–	–	–	–	–	35,174,526
Receivable from EEI Retirement Fund, Inc.	78,000,000	–	–	–	–	–	78,000,000
	₱4,424,384,481	₱236,723,814	₱468,889,691	₱259,742,941	₱1,894,931,081	₱236,427,322	₱7,521,099,330

There are no past due financial assets other than those stated above.

The following table provides information regarding the credit quality by class of financial assets (amounts gross of allowance for credit losses) based on the Group's credit rating system.

	2020			
	Neither past due nor impaired		**Past due or Individually**	
	High Grade	**Standard**	**Impaired**	**Total**
Cash in banks and cash equivalents	**₱1,294,317,494**	**₱–**	**₱–**	**₱1,294,317,494**
Receivables from:				
Construction and infrastructure	**3,385,424,855**	**11,888,432**	**62,690,313**	**3,460,003,600**
Education	**956,186,073**	**35,159,597**	**174,881,069**	**1,166,226,739**
Car dealership	**433,077,442**	**–**	**36,551,181**	**469,628,623**
Other services	**179,580,497**	**–**	**9,675,359**	**189,255,856**
Other receivables:				
Rent receivable	**111,322**	**–**	**–**	**111,322**
Others	**398,350,317**	**26,642,336**	**79,372,795**	**504,365,448**
Due from related parties	**53,415,133**	**–**	**–**	**53,415,133**
Receivables from EEI-RFI	**38,000,000**	**–**	**–**	**38,000,000**
Receivable from sale of investment properties	**21,280,648**	**–**	**–**	**21,280,648**
Receivable from a customers	**20,479,281**	**–**	**–**	**20,479,281**
Miscellaneous deposits	**15,579**	**–**	**3,335,193**	**3,350,772**
	₱6,780,238,641	**₱73,690,365**	**₱366,505,910**	**₱7,220,434,916**

	2019			
	Neither past due nor impaired		Past due or Individually	
	High Grade	Standard	Impaired	Total
Cash in banks and cash equivalents	₱2,686,669,074	₱–	₱–	₱2,686,669,074
Receivables from:				
Construction and infrastructure	2,504,001,799	600,891,778	52,855,392	3,157,748,969
Car dealership	773,983,434	–	39,310,600	813,294,034
Education	206,288,341	35,159,597	61,347,299	302,795,237
Other services	47,599,315	42,162,271	7,835,959	97,597,545
Other receivables:				
Rent receivable	202,463	88,818	430,517	721,798
Others	537,478,609	29,825,901	71,075,404	638,379,914
Due from related parties	126,417,175	–	–	126,417,175
Miscellaneous deposits	83,051,923	571,340	3,572,151	87,195,414
Receivables from EEI-RFI	78,000,000	–	–	78,000,000
Receivable from a customers	35,174,525	–	–	35,174,525
Receivable from sale of investment properties	22,790,885	–	–	22,790,885
	₱6,877,808,585	₱708,699,705	₱236,427,322	₱7,822,935,612

Neither past due nor impaired accounts receivables, other receivables are classified into 'high grade' and 'standard grade'. Neither past due nor impaired cash and cash equivalents, loans receivable, due from related parties, receivable from a customer and receivables from EEI-RFI are normally 'high grade' in nature. The Group sets financial assets as 'high grade' based on the Group's positive collection experience. On the other hand, 'standard grade' are those which have credit history of default in payments.

The Company has the following financial assets that are subject to the expected credit loss model under PFRS 9:

- Cash and cash equivalents;
- Receivables;
- Contract assets
- Advances to officers and employees

The ending loss allowances as of December 31, 2020 and 2019 reconcile to the opening loss allowances as follows:

	2020	2019
Balance at beginning of year	**₱286,043,524**	₱232,855,171
Provisions	**105,623,601**	53,328,702
Write off (Note 7)	**(24,730,698)**	(140,349)
Balance at end of year	**₱366,936,427**	₱286,043,524

Credit Quality
The Group maintains internal credit rating system. Neither past due nor impaired financial assets are graded as either "A" or "B" based on the following criteria:

- Grade A are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

- Grade B are active accounts with minimal to regular instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to the Group's collection efforts and update their payments accordingly.

Cash in banks and cash equivalents are short-term placements and working cash fund placed, invested or deposited in reputable foreign and local banks in the Philippines. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency.

Receivables and receivables from related parties are Grade A because they are from related parties, employees and accredited customers who are highly reputable, progressive and consistently pay their accounts.

Security and other deposits and construction bond are Grade A since these were paid to creditworthy third parties.

The Group's financial assets considered as neither past due nor impaired are all graded "A" based on the Group's assessment.

A summary of Group exposure to credit risk under general and simplified approach as of December 31, 2020 and 2019 follows:

2020

	General Approach			Simplified
	Stage 1	Stage 2	Stage 3	Approach
Amortized cost				
Cash and cash equivalents	**₱3,218,733,775**	**₱–**	**₱–**	**₱–**
Trade receivables	**–**	**–**	**–**	**5,285,114,818**
Nontrade receivables	**427,895,446**	**–**	**–**	**–**
Contract asset	**–**	**–**	**–**	**7,642,055,723**
FVOCI	**547,076,494**	**–**	**–**	**–**
Total gross carrying amounts	**4,193,705,715**	**–**	**–**	**12,927,170,541**
Less allowance	**–**	**–**	**–**	**403,721,730**
	₱4,193,705,715	**₱–**	**₱–**	**₱12,523,448,811**

2019

	General Approach			Simplified
	Stage 1	Stage 2	Stage 3	Approach
Amortized cost				
Cash and cash equivalents	₱2,686,669,074	₱–	₱–	₱–
Trade receivables	–	–	–	5,857,305,620
Nontrade receivables	675,224,629	–	–	–
Contract asset	–	–	–	9,492,566,375
FVOCI	1,147,773,806	–	–	–
Total gross carrying amounts	4,509,667,509	–	–	15,349,871,995
Less allowance	–	–	–	295,116,295
	₱4,509,667,509	₱–	₱–	₱15,054,755,700

In 2020 and 2019, there were no movements between stage 1, 2 and 3.

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

The Group which is composed of diversified operations (i.e. construction and infrastructure operations, education and finance and leasing activities) manages its capital on a per entity basis. Each entity manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2020 and 2019.

As at December 31, 2020 and 2019, the Group is subject to externally imposed capital requirements from its debt covenants including maintaining a maximum debt-to-equity structure ratio of 3:1 on NTC's unsecured bank loan and debt-to-equity structure ratio of 2.5:1 on the Parent Company's unsecured bank loan (Note 20). As of December 31, 2020 and 2019, the Group has complied with the provisions of the debt covenants. The Group considers total equity as its capital.

Parent Company, EEI and IPO
The Parent Company, EEI (construction and infrastructure operations) and IPO (education) monitor capital using gearing ratio. The Parent Company, EEI and IPO's policies are to keep the gearing ratio up to a maximum of 2:1, 3:1 and 2:1, respectively.

	2020	2019
Current liabilities	**₱19,847,587,457**	₱15,026,914,112
Noncurrent liabilities	**9,570,310,084**	4,421,638,989
Total liabilities (a)	**29,417,897,541**	19,448,553,101
Equity (b)	**22,581,715,462**	8,614,509,528
Debt to Equity Ratio (a/b)	**1.29:1**	2.26:1

Fair Value Information
The Group uses the following hierarchy in determining and disclosing the fair value of financial instruments by valuation techniques:

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

- *Level 3* - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

- *Cash and cash equivalents, receivables, due from related parties, accounts payable and other current liabilities, short-term loans and due to related parties*
  Carrying amounts approximate fair values due to the short-term nature of these accounts.

- *Receivable from EEI RFI* (Notes 7 and 17)
  The fair values of the receivable amounting to ₱38.0 million and ₱78.0 million as of December 31, 2020 and 2019, respectively, were estimated as the present value of all future cash flows discounted using the applicable rates for similar types of loans (Level 2 - significant observable inputs). Discount rates used in 2020 and 2019 were 1.41% and 3.74%, respectively.

- *Interest-bearing trade receivables* (Notes 7 and 17)
  The fair value of interest-bearing trade receivables amounting to ₱23.2 million and ₱86.7 million as of December 31, 2020 and 2019, respectively, was estimated as the present value of all future cash flows discounted using the applicable rates for similar types of loans (Level 2 - significant observable inputs). Discount rate used in 2020 and 2019 was 1.41% and 3.74%, respectively.

- *Receivable from sale of investment properties* (Notes 7)
  The fair value of the receivable from sale of investment property amounting to ₱21.3 million and ₱22.8 million as of December 31, 2020 and 2019, respectively, was estimated as the present value of all future cash flows discounted using the applicable rates for similar types of loans (Level 2 - significant observable inputs). Discount rate used in 2020 and 2019 was 1.41% and 3.74%, respectively.

- *Equity investments at FVOCI* (Note 11)
  Quoted investments
  Fair value of investments in equity shares listed with Philippine Stock Exchange amounting to ₱91.6 million and ₱107.3 million as of December 31, 2020 and 2019, respectively, were determined by reference to the quoted price in the stock exchange at the end of the reporting period (Level 1 - quoted prices in active market).

  Fair values of investments in club/golf shares amounting to ₱16.9 million and ₱18.5 million as of December 31, 2020 and 2019, respectively, were determined by reference to the price of the most recent transaction at the end of the reporting period (Level 2 - significant observable inputs).

  Hermosa Ecozone Development Corporation
  The fair value of the Group's investment in HEDC is determined using the adjusted net asset approach wherein the assets of HEDC consisting mainly of parcels of land are adjusted from cost to their fair value. The valuation was performed by an independent SEC-accredited appraiser as of December 31, 2020.

The significant unobservable inputs (Level 3) used in the fair value measurement of HEDC are as follows:

The fair values of the land were determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on size (20%), location (20%) and facilities and utilities (5%). Significant favorable (unfavorable) adjustments to the aforementioned factors based on the professional judgment of the independent appraisers would increase (decrease) the fair value of land. Depending on the status of the development, the value of the land per sqm ranges from ₱460 to ₱5,820 in 2020.

A 5% increase (decrease) in the appraised value of the land per sqm could increase (decrease) the Group's investment by ₱15.7 million.

- *Long-term debt* (Note 20)
  The carrying value approximates the fair value using the EIR method because future payments are discounted based on interest at market rate.

  The fair values of the interest-bearing long-term debt amounting to ₱7,420.3 million and ₱4,691.7 million as of December 31, 2020 and 2019, respectively, were estimated as the present value of all future cash flows discounted using the applicable rates for similar types of loans (Level 2 -significant observable inputs). Discount rates used in 2020 and 2019 were and 4.31% to 5.11%, respectively.

- *Long-term retention payable*
  The fair values of the retention payable which is included in other noncurrent liabilities amounting to ₱273.6 million and ₱210.3 million as of December 31, 2020 and 2019, respectively, were estimated as the present value of all future cash flows discounted using the applicable rates for similar types of loans (Level 2 - significant observable inputs). Discount rates used in 2020 and 2019 were 1.41% and 3.74%, respectively.

As at December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements. There are no financial assets and financial liabilities recognized at fair value based on Level 3 and there are no transfers in and out of Level 3 categories in 2020 and 2019. No financial instrument fall within Level 3.

There were no transfers between levels of fair value measurements in 2020 and 2019. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.

39. 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 December 31, 2020, 2019 and 2018 follows:

	2020		2019		2018	
	Amount	**Shares**	Amount	Shares	Amount	Shares
Balance at beginning of 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)	–	–
Balance at end of year	**₱–**	–	₱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 December 31, 2020, 2019 and 2018 follows:

	2020		2019		2018	
	Amount	**Shares**	Amount	Shares	Amount	Shares
Balance at beginning of year	**₱1,165,147,926**	**776,765,281**	₱924,444,172	616,296,114	₱924,444,172	616,296,114
Conversion of preferred stock	**–**	**–**	240,703,754	160,469,167	–	–
Balance at end of year	**1,165,147,926**	**776,765,281**	1,165,147,926	776,765,281	924,444,172	616,296,114
Treasury stock	**(2,607,600)**	**(300,000)**	(2,607,600)	(300,000)	(2,607,600)	(300,000)
	₱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			
March 31, 2016	₱7,768,247	₱0.40	April 28, 2016	May 24, 2016
July 15, 2016	7,574,040	0.40	August 12, 2016	September 8, 2016
September 30, 2016	7,384,690	0.40	October 28, 2016	November 24, 2016
December 2, 2016	7,200,072	0.40	December 29, 2016	January 23, 2017
	₱29,927,049			

On March 30, 2020, after the declaration of cash dividends (Note 40), the BOD approved the redemption of 16,766,001 preferred shares at par value with a total amount of ₱6.71 million to the stockholders of the Parent Company's preferred shares on record as of April 27, 2020, payable on May 20, 2020.

In 2019, the Parent Company issued 160,169,167 common shares at ₱1.50 per share for the conversion of 601,759,386 preferred shares at 0.40 per share or ₱240,703,754. There was no capital redemption made during 2019.

In 2019 and prior years, 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;
   - 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 December 31, 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)**			
December 31, 2020	**–**			
Common Shares:				
December 31, 2018	615,996,114			386
No Movement	–			
December 31, 2018	615,996,114			394
Movement	160,469,167			
December 31, 2019	776,465,281			384
Movement	–			
December 31, 2019	**776,465,281**			**384**

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 preferred and common shareholders was nil and 384 , respectively, as of December 31, 2020 and 42 and 384, respectively, as of December 31, 2019.

40. Retained Earnings

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
	₱63,342,104				
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				

On March 30, 2020, the BOD approved the declaration of cash dividends of ₱0.00516 per share with a total amount of ₱0.09 million to the stockholders of the Parent Company's preferred shares on record as of April 27, 2020, payable on May 20, 2020.

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

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

On June 22, 2018, the BOD of EEI approved the appropriation of retained earnings of ₱4.0 billion for purchase of property and equipment as business expansion and manpower training program for the next three to five years. On December 4, 2020, the BOD of EEI approved the reversal of the said appropriation to make funds available for the ongoing projects, particularly in infrastructure.

Retained earnings include ₱2,580.1 million and ₱2,524.4 million as of December 31, 2020 and 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 ₱1,359.3 million and ₱1,305.4 million as of December 31, 2020 and 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 ₱5,846.8 million and ₱6,281.5 million as of December 31, 2020 and 2019, respectively, not declared as dividends to the Group. Accordingly, these are not available for dividend declaration.

41. **Other Matters**

On March 11, 2020, the World Health Organization has declared COVID-19 outbreak a global pandemic. In the Philippines, 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 May 15, 2020. Effective May 16, 2020, some provinces in Luzon was placed under general community quarantine while National Capital Region (NCR) was placed under modified enhanced community quarantine. Effective June 1, 2020, NCR wass placed under general community quarantine (GCQ). On August 4, 2020, the Philippine Government has placed NCR back to modified enhanced community quarantine (MECQ) until it was placed to general community quarantine starting August 19, 2020 until August 31, 2020. On September 1, 2020, the Office of the President of the Philippines declared GCQ until September 30, 2020. The GCQ over NCR and other risk areas was further extended until January March 29, 2021 while the rest of the country was put under MGCQ. From March 29, 2021 to April 4, 2021, following spike in the number of new COVID-19 cases, the Philippine Government has placed NCR back to ECQ and was later extended to April 11, 2021. From April 12, 2021 to April 30, 2021, NCR is placed under MECQ. The Government has been easing quarantine measures in key areas in the Philippines. Further, the rollout of the national vaccination program starting first quarter of 2021 is expected to further improve market activities in the Philippines.

Risks and Impacts of COVID-19

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.

3. Disrupted supply chain management. The Group 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.

4. Disruption in Construction Segment. The outbreak of COVID-19 in 2020 disrupted the business of the Group in 2020. This includes the temporary stoppage of construction activities during the period of enhanced community quarantine (ECQ) in adherence to Government's directive and incurrence of additional construction cost.

   At the end of 2020, the construction segment's unworked portion of existing contracts stood at ₱60.4 billion, including ARCC's backlog of ₱17.38 billion. The Group considers this backlog of projects as healthy and sustainable. The Group expects an overall strong performance in its domestic operations driven by the current buildings, infrastructure, electromechanical, and industrial projects in its pipeline as production continues to pick-up. Despite the delays in operations caused by the COVID-19 pandemic, the backlog was preserved and will be realized as construction works resume.

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and the Stockholders
House of Investments, Inc.
3rd Floor, Grepalife Building
219 Sen. Gil J. Puyat Avenue
Makati City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of House of Investments, Inc. and its Subsidiaries (the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, included in this Form 17-A, and have issued our report thereon dated April 30, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Narciso T. Torres, Jr.
Partner
CPA Certificate No. 84208
SEC Accreditation No. 1511-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 102-099-147
BIR Accreditation No. 08-001998-111-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534374, January 4, 2021, Makati City

April 30, 2021

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

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

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

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and the Stockholders
House of Investments, Inc.
3rd Floor, Grepalife Building
219 Sen. Gil J. Puyat Avenue
Makati City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of House of Investments, Inc. and its Subsidiaries (the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated April 30, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Narciso T. Torres, Jr.
Partner
CPA Certificate No. 84208
SEC Accreditation No. 1511-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 102-099-147
BIR Accreditation No. 08-001998-111-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534374, January 4, 2021, Makati City

April 30, 2021

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON REVISED SRC RULE 68
DECEMBER 31, 2020

Philippine Securities and Exchange Commission (SEC) issued the Revised Securities Regulation Code (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 Revised SRC Rule 68 that are relevant to the Group. This information is presented for the purpose of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets in Equity Securities
The Group is not required to disclose the financial assets in equity securities as the equity investments at fair value through other comprehensive income (FVOCI) amounting ₱547.08 million do not constitute 5% or more of the total current assets of the Group as at December 31, 2020.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)
As at December 31, 2020, the Group has no receivable above P1 million or 1% of the total assets, whichever is lower from directors, officers, employees, and principal stockholders (other than related parties).

Schedule C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements

Below is the schedule of receivables with subsidiaries, which are eliminated in the consolidated financial statements as at December 31, 2020:

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Balance at end of year
Landev Corporation					
Due from affiliates	₱720,065	₱78,042,552	(₱77,493,985)	₱–	**₱1,268,632**
Dividends receivable	35,000,145	40,000,000	(15,000,000)	–	**60,000,145**
	35,720,210	118,042,552	(92,493,985)	–	**61,268,777**
Greyhounds Security and Investigation Agency Corporation					
Due from affiliates	165,206	1,307,542	(1,371,002)	–	**101,746**
Investment Managers, Inc.					
Due from affiliates	441,975	5,159,260	(4,927,535)	–	**673,700**
iPeople, inc. and subsidiaries					
Due from affiliates	7,341,817	210,876,377	(196,611,638)	–	**21,606,556**
Dividends receivable	–	35,209,553	(35,209,553)	–	**–**
	7,341,817	246,085,930	(231,821,191)	–	**21,606,556**
EEI Corporation and subsidiaries					
Due from affiliates	400,041	5,448,125	(4,327,205)	–	**1,520,961**
La Funeraria Paz Sucat, Inc					
Due from affiliates	2,383,664	8,643,307	(9,472,370)	–	**1,554,601**
Zambowood Realty and Development Corp					
Due from affiliates	1,742	122,874	(120,274)	–	**4,342**
Xamdu Motors Inc.					
Due from affiliates	390	171,953	(168,343)	–	**4,000**
Zamboanga Carrier Inc					
Due from affiliates	2,543	142,286	(137,886)	–	**6,943**
Honda Cars Kalookan					
Due from affiliates	–	734,366	(308,421)	–	**425,945**
	₱46,457,588	₱385,858,195	₱273,688,561	₱–	**₱65,549,730**

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

Description	Balance at beginning of year	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Balance at end of year
Goodwill	₱484,829,719	₱–	₱–	₱–	₱–	₱484,829,719
Intellectual property rights	523,103,000	–	–	–	–	523,103,000
Student relationship	101,135,343	–	–	–	22,310,486	78,824,857
Computer software	15,872,318	4,515,025	(7,038,651)	–	–	13,348,692
	₱1,124,940,380	₱4,515,025	(₱7,038,651)	₱–	₱22,310,486	₱1,100,106,268

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	₱–	₱–	₱–
EEI			
Fixed-rate corporate promissory notes with effective interest of 4.8% per annum for seven (7) years	5,229,964,088	2,160,714,286	3,069,249,802
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	125,000,000	71,428,571	53,571,429
Biotech JP			
Yen-denominated five (5) year with interest of 0.05% per annum, yen denominated four and half (4.5) year term with interest of 0.98% per annum, yen denominated four and half (4.5) year term loan with interest of 0.30% per annum, USD-denominated April 2020 – Nov. 2029, with interest of floating rate plus margin (0.075%), Yen-denominated ten (10) year term loan with interest of 0.30% per annum and Yen-denominated ten (10) year term with interest of 2.975% per annum, respectively	193,063,237	70,855,242	122,207,995
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	1,492,274,811	–	1,492,274,811
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
	₱7,420,302,136	₱2,302,998,099	₱5,117,304,037

Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)
As at December 31, 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 December 31, 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.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Unappropriated retained earnings, January 1, 2020	₱1,307,987,401
Less: Deferred tax asset	21,799,403
Less: Treasury stock	2,607,600
Unappropriated retained earnings, January 1, 2020, as adjusted	1,283,580,398
Add: Net income during the period closed to Retained Earnings	131,514,348
Movement in deferred tax asset	(55,694,882)
Net income actually earned during the period	75,819,466
Less: Dividend declarations during the period	(86,529)
Appropriations of retained earnings during the year	–
	(86,529)
Unappropriated retained earnings available for dividend distribution, December 31, 2020	**₱1,359,313,335**

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS AS OF DECEMBER 31, 2020 AND 2019

Financial Soundness Indicator

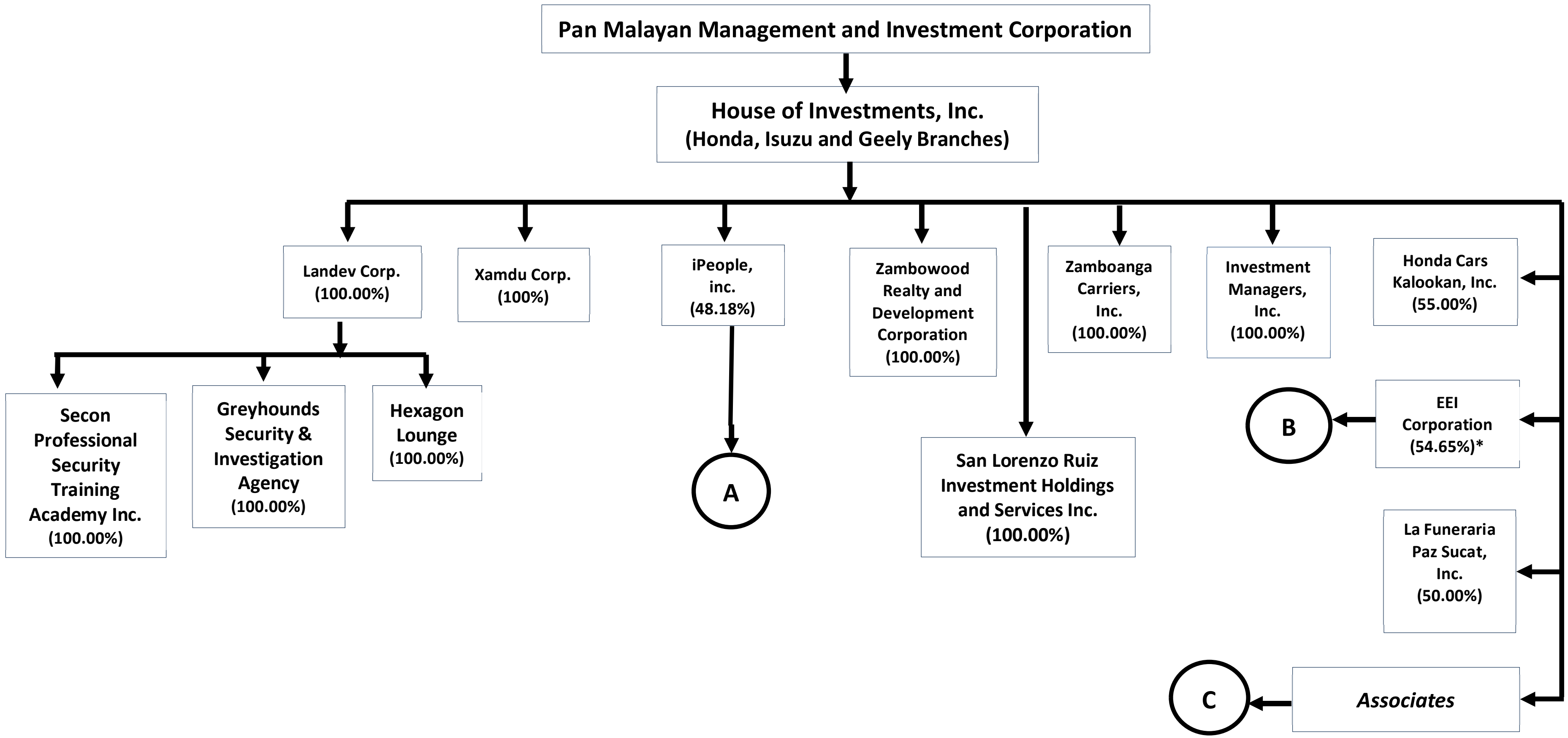
Below are the financial ratios that are relevant to the Group for the years ended December 31, 2020 and 2019:

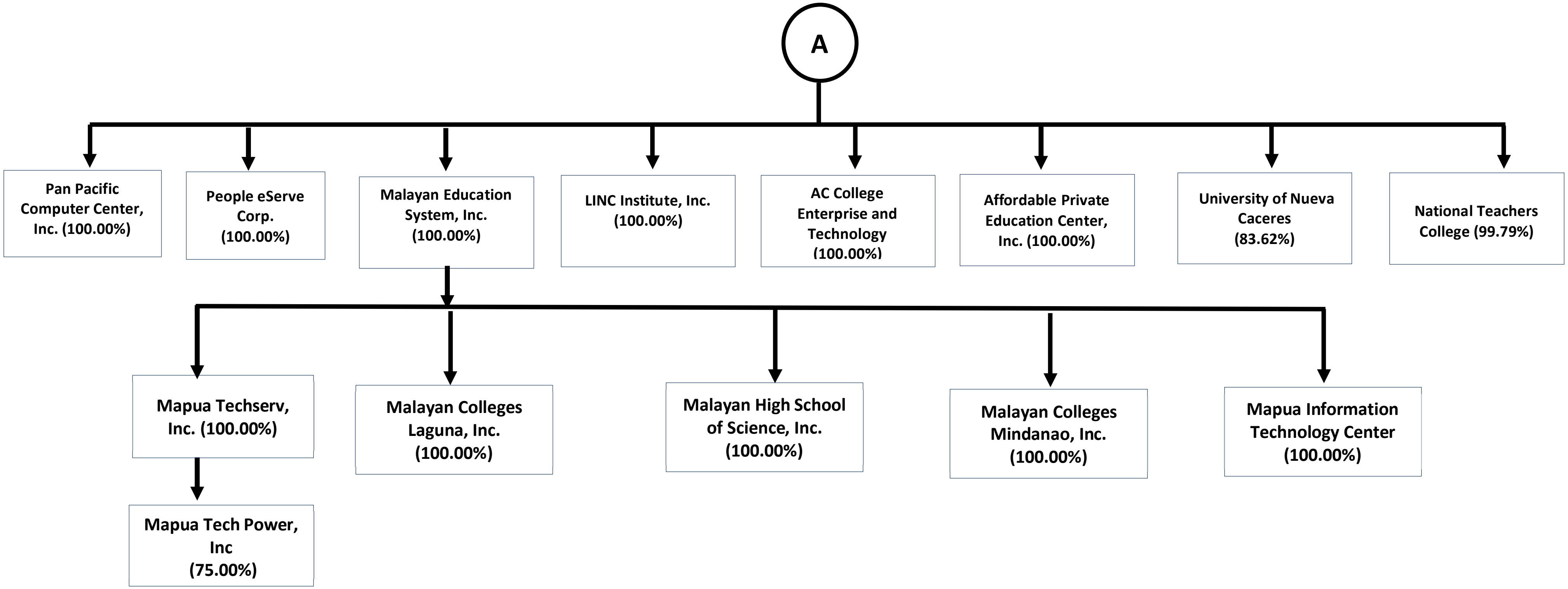
Financial ratios		**2020**	2019
Current ratio	Current assets / Current liabilities	**1.02:1**	1.12:1
Solvency ratio	Net income plus depreciation / Total liabilities	**(0.011:1)**	0.11:1
Debt to equity ratio	Total liabilities / Total equity	**1.37:1**	1.21:1
Asset-to-equity ratio	Total assets / Total equity	**2.37:1**	2.21:1
Interest rate coverage	EBIT* / Interest expense	**(3.16:1)**	3.70:1
Return on assets	Net income / Average total assets	**(3.26%)**	3.60%
Return on equity	Net income / Average total equity	**(7.47%)**	7.92%

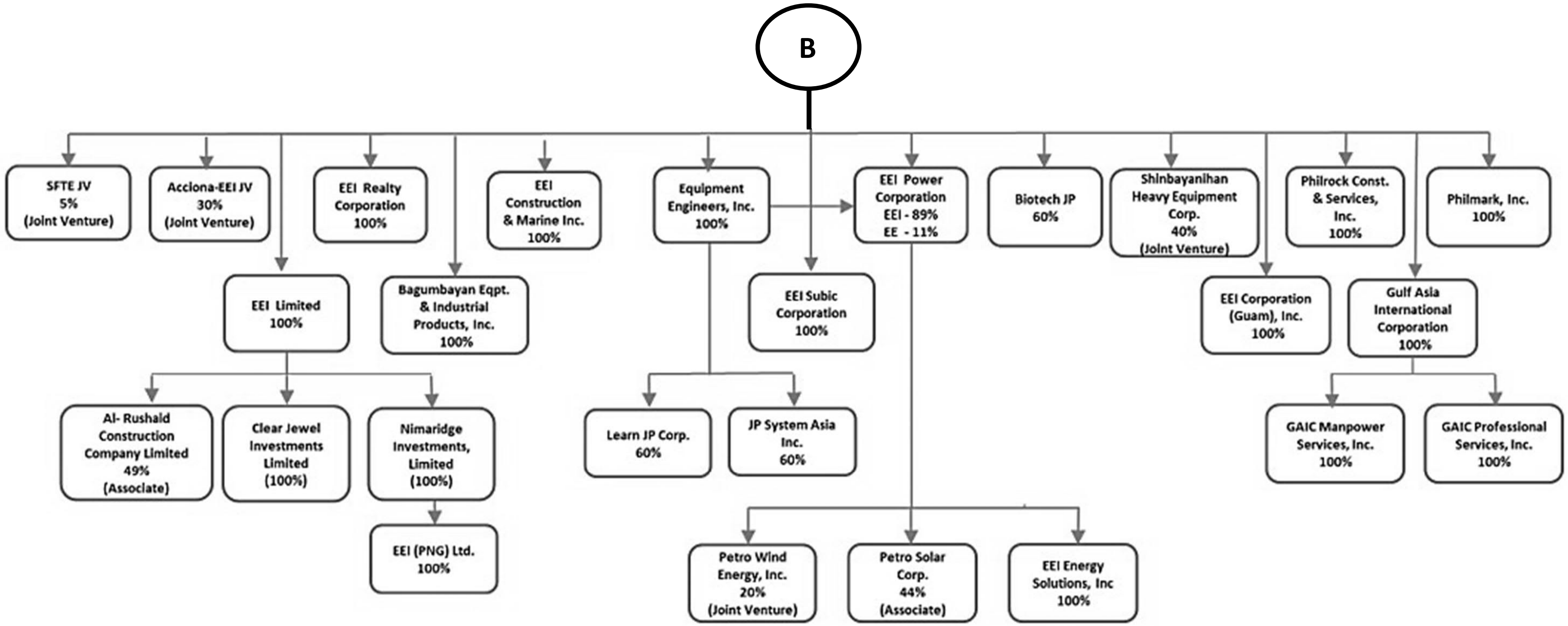
**Earnings before interest and taxes (EBIT)*

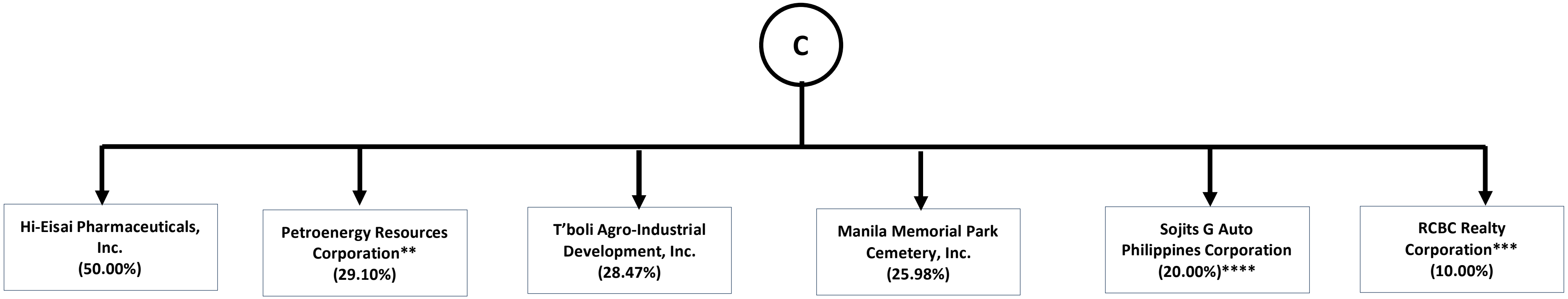
HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

Group Structure
Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of December 31, 2020:




A
Pan Pacific Computer Center, Inc. (100.00%)
People eServe Corp. (100.00%)
Malayan Education System, Inc. (100.00%)
LINC Institute, Inc. (100.00%)
AC College Enterprise and Technology (100.00%)
Affordable Private Education Center, Inc. (100.00%)
University of Nueva Caceres (83.62%)
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%)
Mapua Tech Power, Inc (75.00%)


B
SFTE JV 5% (Joint Venture)
Acciona-EEI JV 30% (Joint Venture)
EEI Realty Corporation 100%
EEI Construction & Marine Inc. 100%
Equipment Engineers, Inc. 100%
EEI Power Corporation EEI - 89% EE - 11%
Biotech JP 60%
Shinbayanihan Heavy Equipment Corp. 40% (Joint Venture)
Philrock Const. & Services, Inc. 100%
Philmark, Inc. 100%
EEI Limited 100%
Bagumbayan Eqpt. & Industrial Products, Inc. 100%
EEI Subic Corporation 100%
EEI Corporation (Guam), Inc. 100%
Gulf Asia International Corporation 100%
Al- Rushaid Construction Company Limited 49% (Associate)
Clear Jewel Investments Limited (100%)
Nimaridge Investments, Limited (100%)
EEI (PNG) Ltd. 100%
Learn JP Corp. 60%
JP System Asia Inc. 60%
GAIC Manpower Services, Inc. 100%
GAIC Professional Services, Inc. 100%
Petro Wind Energy, Inc. 20% (Joint Venture)
Petro Solar Corp. 44% (Associate)
EEI Energy Solutions, Inc 100%



** In November 2019, Parent purchased additional 3 million shares resulting to an increased ownership interest from 54.36 to 54.65%.*

*** 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.*

Annex A: Reporting Template
(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

Contextual Information

Company Details	
Name of Organization	House of Investments Inc.
Location of Headquarters	9th floor, Grepalife Building, Gil Puyat Ave, Makati City
Location of Operations	With operations in Luzon, Visayas, and Mindanao

Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	This report includes information from the following subsidiaries and divisions unless otherwise stated:
	
	The following subsidiaries and divisions are included in this report:
	• iPeople Inc.
	    o Malayan Education Systems, Inc. (Operating under the name of "Mapúa University")
	    o Malayan Colleges Laguna, Inc. (A Mapúa School)
	    o Malayan Colleges Mindanao (A Mapúa School), Inc.
	    o Malayan High School of Science, Inc.
	    o Affordable Private Education Center, Inc. (operating under the name of "APEC Schools")
	    o University of Nueva Carceres
	    o National Teachers College
	• EEI Corporation
	• Landev Corporation
	    o Greyhounds Security and Investigation Corporation
	    o SECON Professional Training Academy
	• RCBC Realty Corporation
	• Hi-Eisai Pharmaceutical, Inc.
	• PetroEnergy Resources Corporation
	    o PetroGreen Energy Corporation
	        ▪ Maibarara Geothermal Inc.
	        ▪ PetroWind Energy Inc.
	        ▪ PetroSolar Corporation
	• Honda Cars Kalookan, Inc.
	• Honda Cars Quezon City Group
	• Isuzu Manila Group

Business Model, including Primary Activities, Brands, Products, and Services	Throughout its history, House of Investments (HI) has successfully acquired, organized, invested, and divested in various corporate institutions and industries while focusing its corporate goal of contributing to the economic development of the country and providing employment while at the same time fostering a corporate culture of integrity and excellence. Using funding raised through various sources, House of Investments seeks to buy entire businesses (or take majority control or a significant minority in a friendly transaction) with a view towards increasing the returns from such enterprises. By investing in high return businesses, management seeks to

	increase the enterprise value of the company as the earnings stream and cash flows from such investments grow. The Company's core business focus is organized into four main segments, namely: Automotive, Construction, Education, and Property Management Services. For Sustainability Reporting, the company will include its energy and pharmaceutical portfolio investments. **CONSTRUCTION** The Company owns a majority stake in EEI Corporation (PSE:EEI). EEI is one of the largest Philippine construction and general contracting firms. EEI also has international operations spanning from the Kingdom of Saudi Arabia and Asia. It is a market leader in the domestic construction and contracting sector. It also has a fabrication shop in Batangas. **EDUCATION** HI also owns a significant stake in iPeople, inc. (PSE:IPO). iPeople (IPO) is the holding company under House of Investments and the Yuchengco Group of Companies (YGC) that drives investments in the education sector. IPO wholly owns the Malayan Education System, Inc. (Operates under the name of Mapúa University). Mapúa University is widely considered to be the leading engineering and I.T. school in the country. The main campus is in Intramuros with an extension in Makati. Mapúa has three other campuses known as Malayan Colleges Laguna (MCL), Malayan Colleges Mindanao (MCM) and the Malayan High School of Science (MHSS). On May 2, 2019, the merger by and between iPeople and AC Education, the wholly-owned education arm of Ayala Corporation, took effect with iPeople as the surviving corporation. The merger brought into iPeople the three (3) operating schools of AC Education, namely: University of Nueva Caceres (UNC) in Naga, National Teachers College (NTC) in Manila, and the APEC Schools in the Greater Metro Manila area. iPeople, Inc. (IPO) provides quality and accessible education to students from kindergarten to post-graduate across all income segments. IPO through its subsidiary schools, aims to promote research and innovation that addresses the concerns of communities and solve problems of industries. IPO also aims to become one of the best in the fields of Science, Technology, Engineering, and Mathematics (STEM) and leverage on the strength of its subsidiary schools in STEM, Outcomes-Based Education (OBE), distance learning, and cost-effective EdTech.

	AUTOMOTIVE HI owns and operates car dealerships under the Honda, Isuzu and Geely brands. The Company's Honda dealerships are in Quezon Avenue, Manila and Tandang Sora. Hi also owns a major stake in Honda Cars Kalookan, Inc. that operates Honda Cars Greenhills. The Isuzu dealerships are in Manila, Quezon City and Leyte. Geely will soon have a dealership in Manila. **PROPERTY MANAGEMENT SERVICES** HI wholly owns Landev Corporation, which is primarily engaged in project, property, and facilities management. It also provides security services through its subsidiary Greyhounds Security and investigation Agency Corp. HI also owns a minority stake in RCBC Realty Corporation. RCBC Realty Corporation is the owner of RCBC Plaza. **ENERGY** HI has investments in the energy sector through its stake in PetroEnergy Resources Corporation (PSE:PERC) and EEI Power Corporation, a wholly-owned subsidiary of EEI. PetroEnergy is a publicly listed Philippine energy company founded in 1994 to undertake upstream oil exploration and development. Since then, it has diversified into renewable energy and power generation. PetroEnergy, through its renewable energy arm, PetroGreen Energy Corporation (PGEC), has investments in the following joint venture companies: PetroSolar Corporation, PetroWind Energy, Inc., and Maibarara Geothermal Inc. EEI Power Corporation engages in retail electricity supply and in the supply of electrical equipment and services, as well as electro-mechanical contracting works. It also has investments in renewable energy through its participation in Petro Green Energy Corporation, Petro Wind Energy, Inc. and PetroSolar Corporation. **PHARMACEUTICALS** HI-Eisai Pharmaceutical, Inc. is a joint venture with the Eisai Company of Japan. HI-Eisai imports pharmaceuticals from Japan which it sells in the Philippine market through established drug distributors. HI-Eisai has distinguished itself in the Philippines as the human healthcare corporation that markets high quality and innovative pharmaceutical products. https://hoi.com.ph/home/our-business/
Reporting Period	January 1, 2020 to December 31, 2020
Highest Ranking Person responsible for this report	Edgardo R. Grau Jr. Edgardo Grau Jr, HI Chief Risk Officer

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.

In 2019, the HI Group Senior Management and representatives from each of the divisions underwent several trainings and workshops to enhance their capability to assess the company's material non-financial aspects, while finding opportunities where the company can contribute to sustainable development through its core business. The steps undertaken are summarized as follows:

1. **Understanding the Sustainability Context:** This step provides an overview of key societal challenges we are currently facing to provide better context in identifying which sustainability topics are material to the company, but also those that are material to society at large. This encouraged the Company to think beyond financial performance and explore how their core business can contribute to addressing these key societal challenges.

2. **Identifying material topics:** An initial list of material topics was put together by the HI Group Senior Management and validated through group discussions with sustainability point persons per division, including middle management. Discussions were also made with key officers who have regular touch points with stakeholders to inform the materiality with common stakeholder issues and expectations. In finalizing the material topics, we used the guide questions in the memorandum:

   (a) Is it a key capital/risk/opportunity?
   (b) Do our key business activities impact the sustainability topic?
   (c) Do our major suppliers contribute significant impacts to this topic?
   (d) Do our products and services contribute significant impacts to the topic?
   (e) Is there a trend that points to a great likelihood that this topic will become material in the future?

3. **Defining Performance Metrics and Management Approach:** For each material topic we identified, we defined key metrics that effectively measure our performance on such topics. We used the GRI reporting standards as reference. We also identified management approaches that are already in place or those we think should be put in place to improve our performance on these sustainability areas.

We also used the UN Sustainable Development Goals (SDGs) as a guideline to identify the Company's societal, environmental, and economic impact and value creation.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	₱22,723,020,143	Php
Direct economic value lost	- ₱2,652,120,265	Php
Direct economic value distributed	₱24,194,971,894	Php
a. Employee wages and benefits	₱9,455,214,098	Php
b. Payments to suppliers, other operating costs	₱13,915,980,320	Php
c. Dividends given to stockholders and interest payments to loan providers	₱712,728,651	Php
d. Taxes given to government	₱95,328,501	Php
e. Investments to community (e.g. donations, CSR)	₱15,720,322	Php

Direct economic value generated, retained, and distributed include the economic impacts of all subsidiaries of HI Group, including subsidiaries that are outside the scope of this report.

Direct Economic Value

Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach

The economic impacts of the HI Group ("Company", "HI", and "Group") are products of its business activities. The scale of the impact will increase or decrease according to the scale of the business of HI and its subsidiaries. Our contribution to increasing the economic activity in the areas where we operate is based on how we flow economic value to various stakeholders such as government, suppliers, employees, local communities, and investors. The extent of employment opportunities we create through our businesses and through our suppliers is also affected by our business performance and success. Similarly, how we deploy our products and services, such as construction, energy, Property Management Services, and pharmaceuticals also contribute in significant ways to economic growth and overall nation-building.

In 2020, HI Group generated PhP 22,723,020,143 of direct economic value, all of which flowed back to the economy through our key stakeholders. Loss operations resulted in negative retained value for 2020.

The 2020 Economic Value for the group experienced a decline from 2019 due to the pandemic. In March 2020, the Philippine government through the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF-EID), placed NCR and majority of the country under Enhanced Community Quarantine (ECQ). The pandemic resulted in a three month work stoppage for our construction business as we went into ECQ. Face-to-face classes was cancelled and our schools transitioned to fully online delivery of education. The gradual reopening of the economy towards the latter part of the year allowed our businesses to operate, provide jobs for our employees, meet commitments to the government and meet our CSR responsibility.

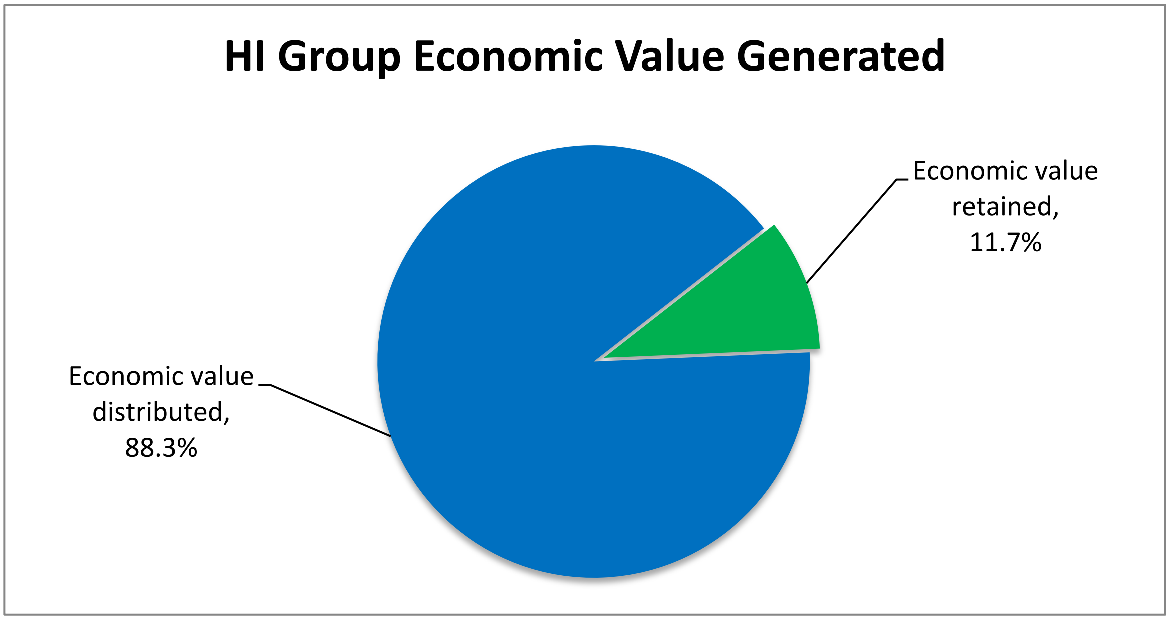


Figure 1. HI Group economic value generated. HI Group distributed 88.3% of its direct economic value and retained -11.7%.

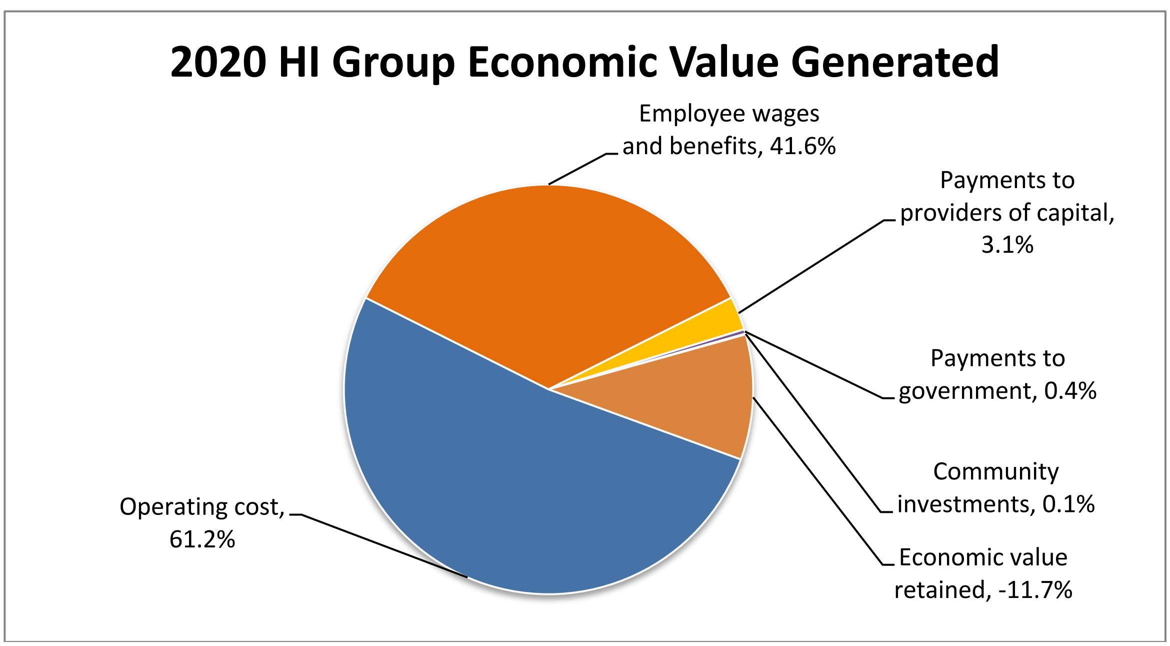


Figure 2. HI Group economic value generated, with breakdown of direct economic value distributed.

The majority (61.2%) of the revenue flows to suppliers. This means that our business supports a whole host of other businesses who also have their own employees and suppliers. This flow of value to our suppliers and their stakeholders create a significant ripple of economic activity that affects a vast number of people and enterprises operating in the country.

Investments to community for HI Group consist mainly of investments from EEI and IPO. Majority of IPO's investments to community are scholarships and discounts for students, but these are reflected in the revenues as deductions.

Discussion on Opportunities
Various opportunities exist for HI Group to increase its direct economic impact. These include the expansion and diversification of its portfolio, increasing funding from investors, and forging new partnerships.

The focus areas of the Philippine government are also an opportunity to expand HI Group's direct economic impact. An example of this is the government's *Build Build Build* program, as it greatly affects the operations of Construction Division, which is HI Group's largest subsidiary.

Climate-related risks and opportunities

At present, though climate-related risks are already being discussed by HI Group's Board Risk Oversight Committee (BROC), HI Group does not yet have a complete working plan for addressing climate-related risks. The Company continues to understand the impact of the pandemic on its businesses including vulnerabilities at different climate change scenarios to be able to fully disclose on this. The Company will began work in 2021 and is working to disclose in 2022.

Governance – Disclose the organization's governance around climate-related risks and opportunities

1) Describe the board's oversight of climate-related risks and opportunities

HI has a Board Risk Oversight Committee (BROC), an extension of the full Board of Directors, which meets every quarter to discuss key risks and opportunities of the company. One of the BROCs main roles is to review management's effectiveness in managing risks. The BROC also provides direction and guidance on how the company will not only respond to risks, but also take advantage of opportunities.

For 2021 onwards, monitoring of efforts towards meeting Sustainability initiatives will be communicated and evaluated by the BROC.

2) Describe management's role in assessing and managing climate- related risks and opportunities

The company has a Risk Management Council (RMC) composed of the top management. It meets every quarter to discuss the top risks and opportunities of company and strategies needed to manage such risks. The RMC is also tasked to execute the direction set by the BROC regarding strategic risks and opportunities. For 2021, the top risks will be expanded to include climate change risk beyond natural events.

Strategy – Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material

1) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term

Climate change has increased the severity of extreme weather events (e.g., droughts, typhoons, floods, storm surges, fires, etc.). Such phenomena impact business, industry, and employee safety and well-being. HI Group has policies and procedures in place to protect its businesses and employees.

2) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.

   The Company and its subsidiaries acknowledge the existence of climate change and its intensifying effect. The risks identified include the following: cancellation of classes; work stoppage in affected construction projects, offices, and service centers; and destruction of properties where there is an extreme weather event.

   The Group has identified the following opportunities: investment in renewable power or clean energy (e.g. in solar power farms and wind power); development of capabilities to design and build structures for flood mitigation (e.g. flood gates) and enhancement of capabilities to perform green construction (e.g. LEED certified) for our construction group; fully online delivery of classes for our education group; and digitization of processes across the entire group, among others.

   As awareness of climate change risk increases throughout HI, additional risks and opportunities identified and required funding (if necessary), are being integrated in the operations of the Group. The group of companies also have insurances and business continuity programs for managing the effects of these perils to the business units.

3) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario

   Sustainability is still new for the HI Group. Awareness continues to grow, including the need to commit to ongoing reduction of environmental impacts. The HI Group is committed to doing its part in limiting a global rise in temperature to under 2° by 2030. The Company is putting together the system to understand our vulnerabilities at different climate change scenarios to be able to fully disclosure on this. HI Group will begin work in 2021 and is working to disclose hopefully in 2022.

   Once the system is in place, the Company will establish an environmental plan, anchored on the 2°C scenario. The plan will include the metrics to be used, outline strategies to be implemented, and provide for constant feedback to determine if HI Group is on track in meet key targets. Adjustments will be made to ensure HI Group is on track to meet its commitment.

Risk Management – Disclose how the organization identifies, assesses, and manages climate-related risks

1) Describe the organization's processes for identifying and assessing climate- related risk

   The company has a Risk Management Council (RMC) composed of HI top management. It meets every quarter to discuss the top risks and opportunities to the company and strategies needed to manage such risks. All risk-related concerns are presented to the BROC. For 2021 HI top risks will incorporate climate change risk strategies, mitigation measures, and opportunities.

For the publicly listed subsidiaries of HI (EEI, IPO and PERC) each of these companies are required to manage climate risks per SEC guidelines.

2) Describe the organization's processes for managing climate- related risks

   Managing climate risk will follow the HI process to risk management. Risk Management, with the help of the Sustainability Ad hoc Council, will identify climate change risk areas and present to Senior Management for discussion and strategic implementation. These risks will be presented at the quarterly Risk Management Council meetings, then at the Board Risk Oversight Committee meeting for review, clarification and guidance. As a holding company, the role of HI is to ensure covered business units continue to abide by their commitment to the environment.

3) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management

   For 2021, the HI Group will continue to develop strategies aimed at reducing the environmental impact of its operations, specifically those that would limit a rise in global temperatures by 2°C. The HI Group will commit to reducing its environmental impact by consistently reducing GHG emissions and materials consumption.

   For 2021 we will continue to our Sustainability initiatives established in 2019. Data for 2020 show a decline in our carbon footprint, paper consumption, electricity etc. The decline was the result of work stoppage in the construction division, transition into working from home, our schools transitioning to fully online mode of education delivery, the closure of five of our auto dealerships, and acceleration of the digitization program of the Group as the pandemic dragged on. We are hoping that 2021 is more stable than 2020 to allow us to better benchmark our commitment to the environment.

Metrics and Targets – Disclose the metrics and targets used to assess and manage relevant climate- related risks and opportunities where such information is material

1) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process

   For 2021, the definition of climate change risk will be expanded to include the need for HI to make a commitment in reducing the impact of its operations on the environment.

   The year 2019 is the first year for HI to collect environmental data. Our environmental data for 2020 was significantly impacted by the pandemic. We are hoping that 2021 is more stable than 2020 to allow us to better benchmark our commitment to the environment. Management will then decide on the metrics that will be used to measure climate change impact.

2) Describe the targets used by the organization to manage climate- related risks and opportunities and performance against targets

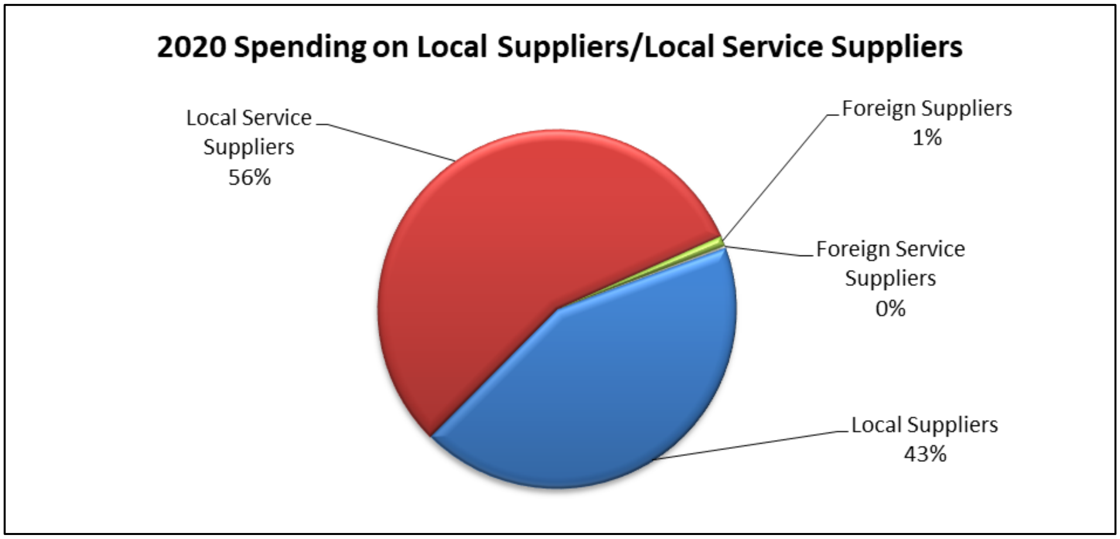
   Performance targets for climate change risk are currently under evaluation by management. Current Risk Management process will be updated to integrate climate related risks. We believe climate change risk is an integral part our business and just like traditional risks, they must be prudently managed.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	98.9%	%

"Local suppliers" were defined as suppliers with operations in the Philippines.



Procurement Practices

Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach

Aside from providing quality products and services in construction, education, energy, property management, pharmaceuticals, and vehicles, HI further contributes to nation-building by purchasing from local suppliers when possible. By spending 98.9% of procurement spending on local suppliers, HI's direct impact is on its suppliers and subsidiaries (who are the end-users of the products and services bought). But indirectly, HI impacts the suppliers' own supply chain and their employees.

HI through its Procurement Department promotes fairness in dealings with the suppliers in all transactions of the YGC members. The department continues to develop, implement, and enforce procurement policies, procedures, guidelines, and practices to ensure that all YGC members and suppliers are compliant with principles under the YGC Code of Business Conduct and Ethics and the HI Code of Conduct, including but not limited to Conflicts of Interest, Related Party Transactions, among others. All vendors are vetted and screened. The Procurement Department also performs vendor management, strategic sourcing of repetitive items, management of big ticket purchases, enterprise spend analysis, and procurement risk management.

The primary risk to procurement is the unavailability of some important items locally, especially for PERC which uses specialized technology that must be imported. This leads to stockpiling risks, wherein PERC stockpiles items, and thus invest more capital in non-moving items, as future deliveries of these imported items may be delayed due to uncontrollable circumstances. This risk is managed by the Procurement Department and the Procurement groups of the respective companies by working to accredit more suppliers to improve choices. Another approach is to form partnerships with these suppliers to ensure the supply. An example of this is the joint venture between Equipment Engineers, Inc. (a subsidiary of EEI Corporation, the parent company of HI Group's Construction Division), Sansin Sangyo Co., Ltd, and KYC Machine Industry Co., Ltd to form JP Systems Asia, Incorporated, a scaffolding company. JPSAI is currently a subsidiary under Construction Division.

Discussion on Opportunities
While the preference to purchase from local suppliers when possible is being practiced, there is no formal policy nor target metric for this. A formal policy and target metric is under consideration.

Developing SME suppliers that employ PWDs and other vulnerable group to provide them access to economic opportunities may also be considered.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to[1]	85.67%	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to[2]	87.50%	%
Percentage of directors and management that have received anti-corruption training[3]	74.33%	%
Percentage of employees that have received anti-corruption training[4]	33.67%	%

1 Simple average across the following units: Automotive, Pharmaceutical, Property Management Services (RCBC Realty), Energy, Construction, Education (MESI, MCL, MCM, MHS, UNC), HI Parent
2 Simple average across the following units: Automotive, Pharmaceutical, Property Management Services (RCBC Realty), Energy, Construction, Education (MESI), HI Parent
3 Simple average across the following units: Automotive, Pharmaceutical, Energy, Construction, Education (MESI, UNC), HI Parent
4 Simple average across the following units: Automotive, Pharmaceutical, Property Management Services (RCBC Realty), Energy, Construction, Education (UNC), HI Parent

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	5	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

Anti-Corruption
Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach
The YGC Code of Business Conduct and Ethics ("Code") implicitly prohibits any form of corruption. HI employees are required to strictly abide by the Code. The Code is further supported by a Whistleblower Policy. The HI Group has zero tolerance for any form of corruption, fraud, and dishonesty. As such, anti-corruption protocols, and procedures, and training covers all employees, from directors to rank-and-file.

Any incidence of corruption within HI's ranks and operations has serious ramifications on the Company's reputation, our employees' morale, and the trust of our suppliers, as well as the legal sanctions imposed by the government and other regulatory bodies. Corruption also dilutes the Company's direct economic impact.

HI Group employees are made aware of the Company's anti-corruption policies, such as the YGC Code of Business Conduct and Ethics, HI Code of Conduct, Related Party Transactions, Conflict of Interest, Insider Trading, and Whistleblower Policy. All employees are briefed on these policies upon onboarding. Employees also review these policies annually and sign affirmations that they have read and will abide by these policies.

HI communicates its anti-corruption policies and procedures to external partners via the Group's Supplier Accreditation Policy. All potential and current suppliers must abide by the Accreditation Policy, which requires suppliers to declare relatives and friends employed within HI and its subsidiaries and affiliates. The subsidiaries may have their own specific anti-corruption policies that support the overall YGC policies.

In general, construction industry is operating in high corruption risk markets. The Corporation controls like internal audit, fraud risk management, and whistle-blowing systems or tip-offs detect far more incidents of economic crime.

Implementation of EEI Anti-Fraud Policy and Table of Offenses and System of Penalties. To manage the negative impact management ensures that the following policies are executed:

- Code of Conduct of Business Ethics
- Continuing education on best practices
- Governance orientation
- Orientation seminars which includes proper business conduct and ethical practices

The Anti-Fraud Services group conducts investigation on issues related to fraud, corruption and any integrity case in coordination with M-PERC. If fraud is established upon investigation, the M-PERC conducts administrative hearing and take appropriate administrative and legal action. The HR department handles the administrative case while the legal department takes charge of filing civil and/or criminal case.

The Board/Audit Committee through the Corporate Internal Audit Department (CIA) conducts assessments of internal controls, governance and risk management of the Company. The Anti-Fraud Group, administratively under the Corporate Internal Audit Department and functionally reporting to Management – Personnel Evaluation & Review Committee (M-PERC), is given the task to investigate fraud, corruption and integrity related issues, and to enhance the fraud risk management of EEI.

In 2020, EEI reports 5 incidents of corruption involving employees. These employees underwent company investigative process of EEI and were dismissed.

Discussion on Opportunities
Each HI subsidiary continues to improve anti-corruption policies and procedures as applicable in their operations. For example, Construction Division is looking to implement Governance, Risk, and Compliance (GRC) software that uses real-time data analytics to detect emerging risks, including irregularities in supplier contracts. In other subsidiaries, anti-corruption training may be included as a separate module in the employee onboarding program so that rank-and-file employees receive specific training. The scheduled training for 2020 did not materialize as the pandemic worsened. For 2021, HI will make arrangements with a third party to provide the latest anti-corruption training to its employees. The training will also be offered to other subsidiaries within the group

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units	Quantity	Units
Energy consumption (gasoline)	252,743.03	Liters	9,124.30	GJ
Energy consumption (LPG)	0	M3	0	GJ
Energy consumption (diesel)	2,435,449.70	Liters	93,671.14	GJ
Energy consumption (total electricity)	44,056,869.10	KwH	158,592.04	GJ

Reference for gigajoules conversion: Biomass Energy Data Book which refers to GREET, The Greenhouse Gases, Regulated Emissions, and Energy Use In Transportation Model, GREET 1.8d.1, developed by Argonne National Laboratory, Argonne, IL, released August 26, 2010.

1 Disclosure includes the electricity obtained by Energy Division from geothermal, wind, and solar power plants. No data was available for the electricity obtained by Construction Division from rooftop solar panels for their office.

2 Disclosure from Construction Division covers the head office and major projects of EEI Corporation: MRT7, Skyway, NCC, Bohol-Panglao Airport, and Petron Bataan.

Disclosure	2019 Quantity	2020 Quantity	Inc/(Dec)	Change %	Units
Energy Consumption (renewable resources)	21,338,142.80	20,825,481.56	-512,661.24	-2.4%	Kwh
Energy Consumption (gasoline)	402,883.84	252,743.03	-150,140.81	-37.3%	Liters
Energy Consumption (LPG)	0.00	0	0.00	0.0%	M3
Energy Consumption (diesel)	5,562,310.24	2,435,449.70	-3,126,860.54	-56.2%	Liters
Energy Consumption (Electricity)	69,392,904.77	44,056,869.10	-25,336,035.57	-36.5%	Kwh

As previously indicated, energy consumption for 2020 decline from 2019 levels due to from work stoppage in the construction division, transitioning to work from home for office based employees, and fully online delivery of education for our schools.

Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach

The Construction Division is the majority consumer of diesel due to its extensive use in construction vehicles and onsite electricity generators. Pharmaceutical division, Automotive Division, and HI parent company are the majority users of gasoline due to use of fleet vehicles in their operations.

Property Management Services, Energy, and Education Divisions are high users of electricity due to their facility operations. The disclosure for Property Management Services covers the common areas of managed properties that are owned or partially owned by HI. Properties that are not owned by HI are considered outside the scope of this report. Disclosures for Energy and Education are the whole facility consumption for their facilities.

For example, Property Management Services operates RCBC Plaza, an office skyscraper complex with 141,231 sqm of rentable space in the heart of Makati CBD. The complex consists of two towers (the Yuchengco Tower and Tower 2), a 3-level podium that features a chapel, banking chambers in both towers, convenience and service shops, a food court, retail outlets, clinic, gym and health spa, the Yuchengco Museum which also features Y Space, an events place, the Yuchengco Institute for Advanced Studies which houses the De La Salle University Professional Schools, function rooms, the 450-seat Carlos P. Romulo Auditorium, an open-air courtyard, and seven levels of basement parking. Property Management Services also serves as the property manager for 10 other non-HI properties.

Education Division operates seven schools with various branches in Luzon and Mindanao that serve thousands of students and teachers, from kindergarten to post-graduate studies (depending on the school).

The electricity consumed by Energy Division for its plant operations is mostly self-generated from renewable sources (solar, wind, and geothermal).
In terms of Property Management Services and Education, each facility has a Property Manager that is responsible for implementing energy efficiency measures within their controlled areas. These may include replacement of lighting fixtures to more efficient models, replacement of chillers for centralized air conditioning, and/or optimization of operating hours of equipment (e.g. elevators) to reduce electricity consumption.

An example of the success of Property Management Services in energy reduction can be seen in the Leadership in Energy and Environmental Design (LEED) for Existing Buildings: Operations and Maintenance (O+M) v3 Gold certification awarded to RCBC Plaza in 2018. LEED is a "third-party green building certification program and the globally recognized standard for the design, construction and operation of high-performance green buildings and neighborhoods." RCBC Plaza was granted this distinction due to best practices in energy, indoor air quality, and water consumption that were implemented and monitored, and thus significantly reducing the resources needed to operate the building. The 10.3% drop in energy consumption in common areas from 2016 to 2017 is due to the major improvements done within this time, such as replacing the chillers and installing heat exchangers. Though there was a 4% increase in energy consumption in common areas from 2018 to 2019, this was attributed to the greater tenant occupancy of the building between those years, as increased tenant occupancy led to greater use of the common area space and equipment, such as air conditioning, elevators and escalators.

For Construction and Pharmaceutical divisions that are reliant on fuel, these involve fleet and equipment management schemes to ensure that fuel consumption is minimized. These schemes include:

- Pharmaceutical
  - Issuance to fleet cards that have fuel liter limits based on the calculated requirement of the territory to encourage efficiency
- Construction
  - A separate department handles all equipment; includes monitoring the performance of the equipment based on its fuel consumption.
  - Analysis of existing project requirements and equipment usage to ensure that the correctly sized equipment is deployed in project sites. For example, generators that are too large for the electricity needs of the project waste fuel by generating electricity that will not be used.
  - Investment in fuel-efficient vehicles and equipment.
  - Fuel consumption is monitored through the company's "War on Waste" program monthly reporting and the inter-department and inter-project Accounting System.

Total energy consumption in 2020 is significantly lower than 2019. The noted declined was caused mostly by a three-month work stoppage for our construction division and closure of five of our dealerships, the shift to work from home of office based employees, and the transition to fully online delivery mode of education at our schools during the year.

Discussion on Opportunities

Each HI subsidiary is looking to improve energy usage and reduction as applicable in their operations. Opportunities for improvement include:

1. Continuous search for applicable products in the market to improve energy usage and reduction
2. Monitoring of the electricity generated by the Construction Division's office solar panels.

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	530,274.05	m^3
Water consumption	772,093.97	m^3
Water recycled and reused	12,313.84	m^3

Disclosure from Construction Division covers the head office and major projects of EEI Corporation: MRT7, Skyway, NCC, Bohol-Panglao Airport, and Petron Bataan.

Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach

Water consumption within the HI group occurs at the holding company level and each subsidiary's operations. Property Management Services and Education Divisions are major water consumers due to their facility operations of schools and commercial properties, which are high-foot traffic locations. Construction Division consumes water while completing various construction projects.

In general, water withdrawal for HI is via district utilities. The exceptions are the Energy Division and Construction Division, whose power plants (Energy) and fabrication shop (Construction) withdraw water from the local aquifer via deep wells. These deep wells have the necessary government permits. Water withdrawal in Energy Division is monitored using water meters.

The main risk associated with water consumption is running out of water. This water shortage was acutely felt in 2019, when low water levels in Angat and Ipo Dams due to the lack of rain severely restricted the amount of available water to Metro Manila. Water shortages resulted in disruption of operations and increased cost due to having additional water delivered to the sites via tanker trucks. For facilities, the water shortage was addressed by issuing advisories to tenants and students on how to reduce water use, reducing watering of plants, and quickly fixing leaks or other defects.

The facilities themselves have preventive maintenance programs for plumbing and equipment. They are also equipped with low-flow fixtures and leaks are repaired promptly. Plants for landscaping were replaced with drought-tolerant plants to reduce watering. Facilities that are not connected to a centralized sewage treatment facility have their own STPs onsite. Mapúa University and Malayan Colleges Mindanao (MCM) have onsite STPs and have rainwater catchment systems, though the rainwater collection volume and usage is not monitored. The collected rainwater is used for cleaning and watering the landscape.

For Energy Division, the risks are from the possible ground subsidence due to over-extraction from the aquifer and competition with the local community for the water resource. These are addressed by the large amount of water projected to be present in the aquifers and continuous monitoring by the Energy team to ensure that only the minimum required amount of water is withdrawn. The maximum amount of water allowed to be withdrawn from the aquifers is also set by the permit specifications.

Discussion on Opportunities
Each HI Division is looking to reduce water withdrawal and consumption as applicable in their operations. These include the replacement of high-water use fixtures (where still present) with low-flow models and continued education of water users. Rainwater collection will also be monitored so as to better highlight its benefits and potentially push for the installation of rainwater collection systems in other applicable areas.

Materials used by the organization

Disclosure	Material	Business Unit	Quantity	Units
Renewable	Paper	Education	9,569.51	reams
		All other units	18,185.00	reams
	Packaging material	Pharmaceuticals	1.50	tons
Non-renewable	Solar PV panels	Energy	61,200	panels
	Oil	Automotive	177,989.00	liters
		Energy	8,600	liters
	Aggregates and back-filling materials (gravel, sand, basecourse, backfill)	Construction	36,382.00	bags
			19,542,78	m^3
	Cement	Construction	3,677,457.05	bags
		Energy	83.96	tons
	Ready-mix concrete	Construction	232,987.31	m^3
	Steel (rebar, structural, flats, special steel)	Construction	565.51	kg
			1,981,559.00	kg
		Energy	26,920	kg
Percentage of recycled input materials used to manufacture the organization's primary products and services			0.00	%

Materials used by weight or volume
Materials included in this disclosure are the top-used and/or top-spend materials per business unit.
Disclosure from Construction Division covers the major projects of EEI Corporation: MRT7, Skyway, NCC, Bohol-Panglao Airport, and Petron Bataan. Steel could not be converted to a uniform kilogram measurement because each steel item has a different weight depending on its dimensions (width, length, thickness).
Disclosure from Energy Division covers the expansion of the TSPP and regular maintenance of the turbines in MGPP and NWPP

Materials consumption
Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach
As with other environmental disclosures, materials use within HI is based on the nature of each subsidiary's business.

Construction is the most materials-intensive business unit, with tons of aggregates, cement, ready-mix concrete, and steel used in the construction of its major infrastructure projects. All of these materials have high environmental impacts during the extraction, purification, and/or manufacturing process. The quantity of materials used per year is dependent on the specific phase of the ongoing projects.

As Energy Division operates renewable energy power plants that do not consume fuel, majority of the materials consumed are during the construction phase of a project. The major construction done in 2019 was the expansion of the TSPP, which necessitated the usage of solar PV panels, steel, cement, and other related construction materials. All of these materials have high environmental impacts during the extraction, purification, and/or manufacturing process. The quantity of materials used per year is dependent on the Division's growth plan.

Oil consumed by the Automotive Division is due to the oil change and other vehicle maintenance services offered by the division. Oil consumed by Energy Division is due to the regular maintenance of the turbines in MGPP and NWPP.

Paper is a major consumable item for operations-based units, such as Education, Property Management Services, and HI Parent. Education Division minimizes paper use where possible through online transactions (e.g. enrollment and other official processes) and using online systems such as Blackboard. Blackboard is a learning management system that is capable of conducting synchronous and asynchronous online classes across the Mapua University campuses. Mapua's implementation of online delivery of classes and online processes were replicated by MCL and MCM. NTC, UNC, and APEC also adopted their own modified online delivery of classes.

The Pharmaceutical Division repacks medicine imported wholesale into smaller cartons and blister foils for retail sale.

Materials consumption is strictly monitored, as wasted materials are an operations cost to the Divisions. Materials consumption is estimated based on previous projects/previous years' consumption and activities for the year, and deviations from this are highlighted and requested for justification. The materials usage is also strictly controlled via inventory management.

Discussion on Opportunities

As the top consumer of paper in the Group, Education Division is constantly looking for ways to (1) integrate paper reduction initiatives in its processes, (2) provide more programs and processes that are less paper- and material-intensive, and (3) replicate and improve current programs and practices among the subsidiary schools that are designed to reduce paper consumption.

At present, there are no opportunities to further reduce material consumption in Construction, as materials use is strictly based on what projects are ongoing.

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

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	• Maibarara Geothermal Power Project in Sto. Tomas, Batangas • Nabas Wind Power Project in Nabas-Malay, Aklan	Power plants
Habitats protected or restored	• Maibarara: 1 hectare through tree planting activity • Nabas: 7.14 hectares through tree planting activity	ha
IUCN Red List species and national conservation list species with habitats in areas affected by operations	See separate tables below	

For Maibarara Geothermal Power Project:

Flora: Seven species are listed in the 2006 IUCN Red List of Threatened Species and DENR DAO 2007-01 (National Red List of Threatened Philippine Plants) as either vulnerable or critically endangered species (See table below). All the seven threatened species are trees.

Threatened Species recorded in the study area	Common name	Conservation status
Artocarpus blancoi	Antipolo	Vulnerable
Celtis luzonica	Magabuyo	Vulnerable
Drynaria quercifolia	Pakpak lawin	Vulnerable
Koordersiondendron pinnatum	Amugis	Vulnerable
Macaranga grandifolia	Takip asin	Vulnerable
Parashorea malaanonan	Bagtikan	Critically endangered
Pterocarpus indicus	Narra	Critically endangered

Fauna: No threatened species listed in the IUCN Red List and CITES List were recorded in the study area. Most of the recorded species are common and wide in distribution.

For Nabas Wind Power Project:

Flora: Only one (1) species is listed in the 2006 IUCN Red List of Threatened Species and DENR DAO 2007-01 (National Red List of Threatened Philippine Plants): narra (*Pterocarpus indicus*)

Fauna Seven (7) species are listed in the IUCN Red List and CITES. This means that hunting and trade of these species are strictly prohibited and is punishable by law under RA 9147 or the Philippine Wildlife Act of 1995.

Threatened Species recorded in the study area	Common name	Conservation status
Sus cebifrons	Visayan Warty Pig	Critically Endangered
Macaca fascicularis	Long-tailed macaque	CITES App. II
Prionailurus bengalensis	Leopard Cat	CITES II
Spilornis cheela	Crested Serpent Eagle	CITES II
Haliastur indus	Brahminy kite	CITES II
Varanus salvator	Water monitor lizard	CITES II
Malayopython reticulatus	Reticulated python	CITES II

Ecosystems and biodiversity

Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach

HI has two facilities located adjacent to protected areas and areas of high biodiversity value: Maibarara Geothermal Power Project (adjacent to Mount Makiling Forest Reserve [MMFR]) and Nabas Wind Power Project (adjacent to Northwest Panay Peninsula National Park [NPPNP]). The MMFR covers 4,244 hectares and is under the jurisdiction of the University of the Philippines-Los Baños. The NPPNP covers 12,009 hectares and is under the jurisdiction of the Northwest Panay Biodiversity Management Council (NPBMC).

HI's Energy Division operates Renewable Energy (RE) power plants. Thus, the attached risks are already inherently lower compared to fossil fuel plants. However, these RE plants still have environmental risks. Birds and bats may strike the wind turbines, and some changes were made to the landscape during the construction process. For bird strikes, these are mitigated through DTBird: a shutdown-on-demand technology that was installed in the wind turbines to minimize bird mortality. This system consists of several modules including the detection, dissuasion, and stoppage and collision control when the presence of birds is detected near the turbines.

In addition, these RE plants take steps to be good partners with the protected areas and the local communities. The Maibarara project has an ongoing Memorandum of Understanding (MOU) with UP Los Baños to protect the mountain through tree planting and allocation of funds for its forest protection. The project funded the construction of a watchtower inside the MMFR to help in the protection and conservation of the area. The tower, similar to a lookout tower, serves as a forest station of the forest guards of UP Los Banos-College of Forestry and Natural Resources (UPLB-CFNR) to guard the area against illegal activities, such as cutting of trees, slash and burn farming, etc.

The project also promotes habitat protection, which includes maintenance and protection of trees planted during the previous years (2015-2017). Planting and maintenance of flowering trees (fire trees, *Delonix regia*) along the boundary of MMFR is covered by MOA between MGI and LGU of Sto. Tomas, Batangas in accordance with the policies of UPLB-CNFR, who has jurisdiction over the area. The nearby communities were tapped for the tree planting activities, as well as the maintenance and protection of planted trees inside the MMFR.

The Nabas project conducts an annual tree planting activity with continuous monitoring, protection, and maintenance of the planted trees with the participation of the local community. They also conducted an Information Education Campaign on biodiversity and wildlife and forest protection for the host community. Currently, the Nabas project is constructing a viewing deck to promote and enhance the ecotourism potential of the wind farm.

Discussion on Opportunities

The wind facility has been identified as a potential ecotourism site. The Energy Division is looking forward to developing an ecotourism plan with the local barangay, alongside the current construction of the view deck.

Environmental impact management

Air Emissions

GHG

Disclosure	2019 Quantity	2020 Quantity	Decline	% Change	Units
Direct (Scope 1) GHG Emissions[1]	30,671.82	24,202.58	6,469.24	26.7%	Tons CO_2e
Energy indirect (Scope 2) GHG Emissions[2]	34,288.14	28,850.52	5,437.62	18.8%	Tons CO_2e
Emissions of ozone-depleting substances (ODS)	0	0		0%	Tons

1 Scope 1 emissions calculated using Greenhouse Gas Protocol calculation tools: https://ghgprotocol.org/calculation-tools
2 Scope 2 emissions calculated using Grid Emissions Factors (GEFs) provided by the Department of Energy (DOE): https://www.doe.gov.ph/electric-power/2015-2017-national-grid-emission-factor-ngef
Disclosure from Construction Division covers the head office and major projects of EEI Corporation: MRT7, Skyway, NCC, Bohol-Panglao Airport, and Petron Bataan.

The decline in the Scope 1 and Scope 2 GHGs between 2019 and 2020 results from a three month shutdown of construction operations in 2020, the decline in utilization of office space as most employees worked from home during the year, cancellation of face-to-face classes at our schools, and the closure of five auto dealerships.

Majority of Scope 1 emissions are from the Construction Division due to their extensive use of diesel fuel in their construction operations and from usage in generators to usage in large equipment like mobile cranes and backhoes. Majority of Scope 2 emissions are from Property Management Services due to the electricity usage in the common spaces of their managed commercial property. Included in the common area electricity consumption is the electricity usage of the air conditioning system, which makes up the bulk of the electricity usage. Education Division is the second-largest contributor, as they operate seven schools with numerous branches. Although Energy Division consumes 46% of the group's electricity, it only produces 0.44% of the Scope 2 emissions as almost all of its consumed electricity is self-generated from renewable energy sources (solar, wind, and geothermal). Property Management Services accounts for slightly more GHG emissions versus Construction Division. This highlights the importance of property management in decreasing electricity consumption through preventive maintenance, optimized operations of existing equipment, and investing in more energy-efficient equipment.

Ozone-depleting substances (ODS) are absent in HI operations.

Air pollutants

Construction Division

Disclosure	Quantity	Units
NOx	No test conducted	µg/Nm^3
SOx	No test conducted	µg/Nm^3
Persistent organic pollutants (POPs)	Not Applicable	kg
Volatile organic compounds (VOCs)	Not Applicable	kg
Hazardous air pollutants (HAPs)	Not Applicable	µg/Nm^3
Particulate matter (PM)	No test conducted	µg/Nm^3

EEI did not conduct any air quality testing during 2020 as a result of the pandemic.

Energy Division

Disclosure	Quantity	Units
NOx	No data	mg/Nm^3
SOx	Not Applicable	µg/Nm^3
Persistent organic pollutants (POPs)	Not Applicable	kg
Volatile organic compounds (VOCs)	Not Applicable	kg
Hazardous air pollutants (HAPs)	Not Applicable	µg/Nm^3
Particulate matter (PM)	Not Applicable	µg/Nm^3
CO	No data	mg/Nm^3
H_2S	Below 0.007	ppm

Air pollutant disclosure from MGPP only. NWPP and TSPP do not emit air pollutants during operations.

Air Pollutants

Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach

Air pollutants are a risk to both human health and the environment as a whole. It also opens the company to legal repercussions. Among HI's different business units, only Construction and Energy are potential major sources of air pollutants.

Air pollutants from Construction result from the continuous usage of diesel generators to provide electricity for the project sites. To manage air pollution, generators have a DENR-issued Permit to Operate (PTO). Emissions of NOx, SOx, CO, and particulate matter are tested as often as required by the PTO.

As an operator of renewable energy power plants, HI's Energy Division emits much less air pollutants compared to power plants using fossil fuel. Energy Division's major source of air pollutants during operations is the Maibarara Geothermal Power Project (MGPP). While a geothermal plant emits 97% less sulfur compounds and 99% less CO_2 compared to fossil fuel plants of similar size, air pollutants are still present. In particular, geothermal plants emit NO_2, CO, and H_2S. Hydrogen sulfide is naturally found in geothermal reservoirs and is the source of the "rotten egg" smell of geothermal facilities. NO_2 and CO emissions are tested annually as per DENR requirements. H_2S is monitored through Continuous Air Monitoring Stations (CAMS) and third-party monitoring. Results showed that NO_2, CO, and H_2S emissions are at par or below DENR standards for 2019. However, due to pandemic, there was no test conducted in 2020 but the EEI ensures the welfare of the environment.

The Nabas Wind Power Project and Tarlac Solar Power Project do not emit air pollutants during operations.

Discussion on Opportunities
Opportunities to decrease fuel use for generators, and thus decrease air emissions, are already being discussed in Construction. Construction Division is studying the potential savings from matching generator output to project needs. This Equipment Matching Program is set to be implemented in 2020.

Despite the MGPP already meeting DENR standards, Energy Division is still studying H_2S abatement systems as part of its commitment to good community relations. However, these systems have not yet been installed in any local geothermal plants and have unconvincing success rates abroad. More information can be found in the Significant Impacts to Local Communities section.

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	8,811,844	kg
Reusable		kg
Recyclable	71,143.67	kg
Composted (landscaping waste + composted food waste)	3,927.50	kg
Incinerated		kg
Residuals/Landfilled	73,721.37	kg

Disclosure from Construction Division covers the major projects of EEI Corporation: MRT7, Skyway, NCC, Bohol-Panglao Airport, and Petron Bataan.

Solid Waste
Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach
Solid waste is a risk to both human health and the environment as a whole. Improper disposal of solid waste can lead to the spread of diseases and the release of harmful substances into the environment. It also opens the company to legal repercussions. Among HI's different business units, Construction, Property Management Services, and Education are the major sources of solid waste.

The waste generated by Construction Division consists of domestic waste, such as food waste, plastics, packaging, and others. The large volume is due to the large-scale infrastructure projects and the accompanying large numbers of employees that make up the majority of Construction Division's ongoing projects. Recyclable materials such as PET bottles, papers, and cans generated by Construction's Head Office are donated to the local community surrounding the office for their barangay livelihood program. However, the total waste generation and recyclables donated by the Head Office is not monitored. Residual wastes are disposed through DENR-accredited domestic waste haulers.

The waste generated by Property Management Services and Education come from the thousands of tenants, visitors, students, faculty, and staff that use these facilities in the course of their business and education. The waste is also domestic waste, such as food waste, plastics, packaging, and others.

Solid waste management in the facilities is practiced through consistent customer interaction and reminders on SWM, policies on waste segregation at source, recycling programs, waste reduction programs (e.g. promotion of Bring Your Own containers/cups/utensils in order to reduce single-use plastic), and having a Materials Recovery Facility (MRF).

Solid waste disposal is done by DENR-accredited waste haulers and disposed at accredited landfills.

Discussion on Opportunities
At present, majority of the solid waste is landfilled. There is composting present within the HI group, but this is opportunistic only and not part of a general program. Using the baseline information from 2019, the various HI Divisions can develop operations-specific SWM plans to increase composting and decrease residual waste.

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	81,774.97	kg
Total weight of hazardous waste transported	62,052.97	kg

Disclosure from Construction Division covers the major projects of EEI Corporation: MRT7, Skyway, NCC, Bohol-Panglao Airport, and Petron Bataan.

The main source of hazardous waste within HI Group is Construction Division, followed by Energy and Automotive. Main types of hazardous wastes produced are used oil, lead acid batteries, fluorescent bulbs, chemical wastes, and empty containers previously containing hazardous chemicals.

Hazardous Waste
Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach
Hazardous waste is a serious risk to human health and safety and the environment as a whole. Risks include accidental spills, deliberate releases into the environment, improper storage, and improper disposal. These risks, if unmanaged, will lead to injuries, potential fatalities, severe pollution of the environment, and potential death of flora and fauna. It also opens the business unit to legal repercussions. Among HI's different business units, Construction, Education, Automotive, and Energy have the highest hazardous waste generation rates. This is to be expected based on their respective businesses.

Hazardous wastes are a serious health and safety concern. As such, all regulations regarding hazardous waste handling, storage, transport, and treatment/disposal are observed. Personnel handling these wastes are given the appropriate training and personal protective equipment (PPE). The wastes are stored in a secured, onsite hazardous waste storage room. Treatment/disposal is done via DENR-accredited hazardous waste haulers and treaters. Records are kept via the Certificate of Treatment provided by these treaters.

Hazardous waste may also be a source of income. The Energy Division partnered with ABS-CBN Lingkod Kapamilya Foundation, Inc.'s (ALKFI) Bantay Langis program for used oil recycling. Under this partnership, the Energy Division's used oil is transported and treated by the program partners (who are DENR-accredited transporters and treaters) and the monetary value of the used oil is donated to ALKFI for use in their environmental protection programs.

Discussion on Opportunities
HI may extend the partnership with ALKFI for hazardous waste. Current protocols, procedures, and technologies used may also be assessed to see if there are ways to improve the process as to avoid or minimize the generation of hazardous waste. An onsite audit of hazardous waste treaters' facilities may also be conducted to ensure that the hazardous wastes are treated properly.

Effluents

Disclosure	Quantity	Units
Total volume of water discharges[1]	53,673.44	m^3
Percent of wastewater recycled[2]	-	%

1 Data from Energy, Education, and Construction head office only
2 Only Mapua Makati and MCM has wastewater recycling (with own STP)

Effluents
Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach
Improper wastewater discharge has a negative effect on the environment through pollution, increased sedimentation, and potentially spreading diseases. It also opens the company to legal repercussions. Among HI's business units, Education has the highest volume of monitored wastewater discharge.

All HI Group Divisions ensure full compliance with RA 9275: The Philippine Clean Water Act and DAO 2016-08 Water Quality Guidelines and General Effluent Standards.

All of the facilities under Property Management Services or Education are either connected to a centralized sewage treatment facility or have their own sewage treatment plants (STP) or septic tanks. This is in compliance with DENR requirements on wastewater discharge. At present, Mapua Makati and Malayan Colleges Mindanao (MCM) operates its own STP. The STP has a Discharge Permit and wastewater parameters are monitored and complied with in accordance to the permit requirements. The treated wastewater is used for watering the plants.

Wastewater treatment at the construction sites is monitored by Construction Division's Safety Department. Although Construction Division withdraws and consumes the most water within HI Group, almost all of it is used in the construction process and there is little discharge. While some projects reuse the treated wastewater for non-consumption-related activities such as watering and cleaning, the amount of recycled wastewater is not measured because it is not a significant process in Construction Division's activities.

In addition to its domestic wastewater effluent, Energy Division monitors the water quality of the brine used in its turbines. MGPP uses a single-flash, condensing steam power cycle. The setup pumps hot water at high pressure from the reservoir into a "flash tank" on the surface. Because the flash tank is at a much lower temperature, the hot water quickly "flashes" into steam. The steam powers the turbines that generate electricity. Afterwards, the steam is cooled and condenses back into water (the brine). The brine is dumped into a thermal pond to allow further cooling, before it is reinjected into the ground through the reinjection wells. The brine is not considered "effluent" because it is not discharged into the environment after use, but is still monitored because it may contain heavy metals that could contaminate groundwater. It is monitored through regular sampling and checking of its components.

Discussion on Opportunities
At present, MCM uses the treated wastewater for watering plants. Mapua Makati was completed in 2020 but is not yet operational. Mapua Makati plans to use treated waste water for flushing toilets. It may explore the possibility of installing double-piping such that the treated wastewater can be used for other purposes.

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations[1]	₱19,500	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	1	#
No. of cases resolved through dispute resolution mechanism	1	#

1 Disclosure only includes non-compliance committed and fines paid in 2019. Non-compliance committed in previous years but fines paid in 2019 are not included.

Environmental Compliance

Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach

HI Group prioritizes compliance with all environmental laws applicable to the Company's operations. Any non-compliance has regulatory risk, resulting in fines and/or sanctions which would disrupt the company's operations. More importantly, the risk of actual environmental damage may also affect the company's operations, and possibly the surrounding communities. Reputational risk is also present, as non-compliance may result in the stakeholders losing confidence in HI.

Applicable HI operations have onsite Pollution Control Officers to oversee environmental compliance. They are responsible for ensuring compliance with the Environmental Compliance Certificate (ECC) per site, which includes submission of required regulatory reports (e.g. SMR and CMR) and monitoring and compliance with needed permits. Because of its extensive operations, Construction Division has a dedicated Compliance Office to track documentary requirements for compliance.

In 2020, the construction division received fines totaling ₱19,500 for non-compliance with environmental laws and/or regulations. These are for non-compliance committed and fines paid in 2020. The non-compliance report was issued to the MRT-7 project last July 27, 2020 by DENR and LLDA. EEI is the contractor on the MRT-7 project. The violation of RA 8749; Philippine Clean Air Act of 1999 and PD 1586; Philippine Environmental Impact Statement System (PEISS). The project immediately complied and submitted a Corrective Action Report to DENR.

Discussion on Opportunities

Our business units continue to minimize environmental violations by constantly improving its policies and practices. While violations may occur from time to time, they are immediately resolved. Repeat violations are not tolerated.

SOCIAL

Employee Management

Employee Hiring and

Benefits *Employee data*

Disclosure	Quantity	Units
Total number of employees	25,470	individuals
A. Permanent employees[1]	8,121	individuals
a. Total permanent male employees	5,889	individuals
b. Total permanent female employees	2,232	individuals
B. Temporary employees[2]	17,349	individuals
a. Total temporary male employees	16,247	individuals
b. Total temporary female employees	1,102	individuals

1 "Permanent employees" are employees hired for an indefinite period of time, until such time that the employer-employee relationship is terminated.
2 "Temporary employees" are employees that are hired for a specific project. They often work for a specified length of time until the project is completed.

Disclosure	Division	Quantity	Unit
Attrition rate[1]	Automotive	6.41%	percent
	Pharmaceuticals	9.00%	percent
	Property Management Services		
	• RCBC Realty	2.00%	percent
	• Landev Corporation	13.12%	percent
	• Greyhounds Security	16.66%	percent
	Energy	1.92%	percent
	Construction	0.105%	percent
	Education	8.99%	percent
	HI Parent	12.30%	percent
Ratio of lowest-paid employee against minimum wage[3]	Automotive	1 : 1	Ratio[2]
	Pharmaceuticals	1.1 : 1	ratio
	Property Management Services		
	• RCBC Realty	2 : 1	ratio
	• Landev Corporation	1 : 1	ratio
	• Greyhounds Security	1 : 1	ratio
	Energy	1.4: 1	ratio
	Construction	1 : 1	ratio
	Education	1 : 1	ratio
	HI Parent	1.3 : 1	ratio

1 Attrition rate = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year. May also be considered as Labor Turnover.
2 Ratio is presented as follows: salary of lowest-paid employee : minimum wage
3 The minimum wage per locality was applied in calculating the ratio.

Employee hiring

Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach

The HI Group overall offers competitive wages, though specific rates will differ between the Divisions, partly influenced by industry standards. As a conglomerate, the success of its employees will lead to the success and satisfaction of its clients. Risks due to employee attrition and wages include increased expenses in recruitment and training new employees, and lowered customer satisfaction due to unsatisfactory goods and services delivered.

Job creation is one of HI Group's contributions to Philippine national development. The Company grows with our workforce comprising of 29,474 individuals. They are distributed among the different divisions as follows:

Division	TOTAL MALE	TOTAL FEMALE	TOTAL
Construction	**18,149**	**1,022**	**19,171**
All other Divisions	**3,987**	**2,312**	**6,299**
Automotive	260	156	416
Pharmaceutical	41	69	110
Property Management	48	25	73
Security	1,992	103	2,095
Energy	108	51	159
Education	1,506	1,853	3,359
HI Parent	32	55	87
OVERALL HI GROUP	**22,136**	**3,334**	**25,470**

Attracting and maintaining competitive talent propels the Company's business growth. Due to expansions in operations of the strategic business units, the Company is able to provide more jobs.

The Company recognizes that remuneration is an essential concern of employees. Thus, the divisions ensure that our employees receive salaries commensurate with the value of work they provide.

Almost all of the temporary employees in HI Group are from the Construction Division. This is a result of the business' operations, as the number of employees needed is dependent on the number and phase of ongoing construction projects. These temporary employees are hired for the duration of a construction project. Once the project is completed, they may be rehired depending on the needs of ongoing projects.

Construction and Security (under Property Management Services) have disproportionally higher numbers of male employees versus female employees. To mitigate the potential risks of the gender imbalance, all employees are informed of the Sexual Harassment Policy, which identifies unacceptable behavior and policies and procedures to be followed in case of harassment.

Attrition rates are division-dependent. Highest attrition rates were recorded in Property Management Services, HI Parent, Education, and Pharmaceuticals. This is due to the high competition among companies in these respective industries for competent and trained employees. To manage attrition rates, the HR

Departments focus on hiring the right talent and attitude, offering competitive compensation package, observing work-life balance, and healthy working environment. Upon voluntary separation from the divisions, employees are also interviewed by HR to determine the causes for the separation. This information is studied and used by HR as the basis for steps to take in the future.

The ratio of the lowest-paid employee's salary against minimum wage is also division-dependent because of the different operations and hiring requirements per division. However, all members of the HI Group follow all labor laws, including laws on minimum wage.

Discussion on Opportunities
HI Group identified opportunities to improve employee hiring and retention through matching benefits with market demands and improved training programs. These are discussed in the sections below.

At present, there are no available data on industry benchmarks for attrition rates in holding companies. HI Group will benchmark performance once the data is available.

Security Group is looking into offering seminars on gender sensitivity for their employees. This is expected to result in a better working relationship among employees and better interactions between employees and customers.

Employee benefits

Across the HI Group, the Company ensures that employees receive government-mandated benefits such as SSS, PhilHealth, Pag-ibig, and leaves. On top of these, the Divisions offer varying benefits and incentives to their respective employees.

A comprehensive list of HI Group's employee benefits and rate of coverage and availment are outlined below:

A. Government-mandated benefits

List of Benefits	Business Unit	Y/N	FEMALE		MALE	
			% coverage	% availed	% coverage	% availed
SSS	Automotive	Y	100.00%	100.00%	100.00%	100.00%
	Pharmaceutical	Y	100.00%	63%	100.00%	37%
	Property Management Services		100%	97%	91%	92%
	RCBC Realty	Y	100.00%	100.00%	100.00%	100.00%
	Landev	Y	100.00%	92.00%	100.00%	75.00%
	Greyhounds Security	Y	100.00%	100.00%	100.00%	99.62%
	Energy	Y	100.00%	6%	100.00%	5%
	Construction[1]	Y	100.00%	.15%	100.00%	0%
	Education	Y	74.78%	45.35%	68.08%	39.93%

List of Benefits	Business Unit	Y/N	FEMALE		MALE	
			% coverage	% availed	% coverage	% availed
	HI Parent	Y	100.00%	95.00%	100.00%	96.88%
PhilHealth	Automotive	Y	100.00%	100.00%	100.00%	100.00%
	Pharmaceuticals	Y	100.00%	63%	100.00%	37%
	Property Management Services		100%	97%	100%	92%
	RCBC Realty		100.00%	100.00%	100.00%	100.00%
	Landev	Y	100.00%	92.00%	100.00%	75.00%
	Greyhounds Security	Y	100.00%	100.00%	100.00%	99.62%
	Energy	Y	100.00%	8%	100.00%	2.83%
	Construction[1]	Y	100.00%	.07%	100.00%	.75%
	Education	Y	74.94%	31.59%	67.94%	30.38%
	HI Parent	Y	100.00%	95.00%	100.00%	96.88%
Pag-ibig	Automotive	Y	100.00%	100.00%	100.00%	100.00%
	Pharmaceuticals	Y	100.00%	63.00%	100.00%	37.00%
	Property Management Services	Y	100.00%	97.00%	100.00%	92.00%
	RCBC Realty	Y	100.00%	100.00%	100.00%	100.00%
	Landev	Y	100.00%	92.00%	100.00%	75.00%
	Greyhounds Security	Y	100.00%	100.00%	100.00%	99.62%
	Energy	Y	100.00%	100.00%	100.00%	100.00%
	Construction[1]	Y	100.00%	100.00%	100.00%	100.00%
	Education	Y	74.78%	36.85%	68.08%	38.72%
	HI Parent	Y	100.00%	95.00%	100.00%	96.88%
Parental Leaves[2]	Automotive	Y	100.00%	5%	100.00%	2.31%
	Pharmaceutical	Y	100.00%	9%	100.00%	4.88%
	Property Management Services		81.00%	0%	86.00%	2.00%
	RCBC Realty	Y	43.00%	0%	58.00%	0%
	LandDev	Y	100.00%	0%	100%	6%
	Greyhounds Security		100.00%	.05%	100%	.005%
	Energy	Y	100.00%	0%	100%	0%
	Construction[1]	Y	100.00%	.03%	100.00%	.01%
	Education	Y	33.53%	13.87%	34.09%	34.06%
	HI Parent	Y	100.00%	1%	0%	0%

List of Benefits	Business Unit	Y/N	FEMALE		MALE	
			% coverage	% availed	% coverage	% availed
Vacation Leaves	Automotive	Y	100.00%	81%	100.00%	87%
	Pharmaceuticals	Y	100.00%	63%	100.00%	37%
	Property Management Services		100.00%	63%	99%	53%
	RCBC Realty	Y	100.00%	89.29%	100.00%	81.82%
	Landev	Y	100.00%	92%	98.00%	75%
	Greyhounds Security	Y	100.00%	8.74%	100.00%	80%
	Energy	Y	100.00%	86.00%	100.00%	74.29%
	Construction[1]	Y	100.00%	2.68%	100.00%	.01%
	Education	Y	63.28%	87.78%	59.85%	85.24%
	HI Parent	Y	100.00%	93.00%	100.00%	96.88%
Sick Leaves	Automotive	Y	100.00%	66.00%	100.00%	71.00%
	Pharmaceuticals	Y	100.00%	63%	100.00%	37%
	Property Management Services		100.00%	44%	100.00%	59%
	RCBC Realty	Y	100.00%	32.24%	100.00%	22.73%
	Landev	Y	100.00%	92.00%	100.00%	75.00%
	Greyhounds Security	Y	100.00%	8.74%	100.00%	80.00%
	Energy	Y	100.00%	54%	100.00%	44.76%
	Construction[1]	Y	100.00%	15.98%	100.00%	63.20%
	Education	Y	63.28%	61.65%	59.85%	62.48%
	HI Parent	Y	100.00%	93.00%	100.00%	96.88%

List of Benefits	Business Unit	Y/N	FEMALE		MALE	
			% coverage	% availed	% coverage	% availed
Medical benefits (aside from PhilHealth)	Automotive	Y	100.00%	46.15%	100.00%	25.38%
	Pharmaceutical	Y	100.00%	69.00%	100.00%	41.00%
	Property Management Services		100.00%	98%	100.00%	100.00%
	RCBC Realty		100.00%	96.77%	100.00%	100.00%
	Landev	Y	100.00%	96.00%	100.00%	100.00%
	Greyhounds Security	Y	100.00%	96.00%	100.00%	100.00%
	Energy	Y	100.00%	0%	100.00%	0%
	Construction[1]	Y	100.00%	11.10%	100%	53.22%

List of Benefits	Business Unit	Y/N	FEMALE		MALE	
			% coverage	% availed	% coverage	% availed
	Education	Y	63.71%	37.68%	59.42%	38.40%
	HI Parent	Y	100.00%	95.00%	100.00%	93.75%
Housing assistance (aside from Pag-ibig)	Automotive	N				
	Pharmaceutical	Y	100%	5%	100%	6.36%
	Property Management Services					
	RCBC Realty	N				
	Landev	N				
	Greyhounds Security	N				
	Energy	N				
	Construction[1]	Y	Provision of onsite housing and bunkhouses in project sites for deployed employees >> Offered to both Permanent and Temporary employees, Usage statistics not available			
	Education	N				
	HI Parent	N				
Retirement Fund (aside from SSS)	Automotive	Y	100.00%	21.15%	100.00%	36.92%
	Pharmaceutical	Y	100.00%	63%	100.00%	37.00%
	Property Management Services		67%	51%	64%	43%
	RCBC Realty					
	Landev	Y	100.00%	56.00%	100.00%	30.56%
	Greyhounds Security	Y	100.00%	98.06%	100.00%	99.70%
	Energy	Y	100.00%	0%	100.00%	0%
	Construction[1]	Y	100.00%	.12%	100.00%	2.52%
	Education	Y	14.60%	1.17%	9.40%	.67%
	HI Parent	Y	100.00%	84.00%	100.00%	75.00%
	Construction[1, 3]	Y	100.00%	.16%	100.00%	.560%
	Education	Y	16.63%	1.89%	16.71%	1.00%
	HI Parent	N				
Company stock options	Automotive	N				
	Pharmaceutical	N				
	Property Management Services					
	RCBC Realty					

List of Benefits	Business Unit	Y/N	FEMALE		MALE	
			% coverage	% availed	% coverage	% availed
	Landev	N				
	Greyhounds Security					
	Energy	N				
	Construction[1]	Y	100.00%	0.00%	100.00%	0.00%
	Education	N				
	HI Parent	N				
Telecommuting	Automotive	Y	100.00%	15%	100.00%	.05%
	Pharmaceutical	N				
	Property Management Services		33%	33%	33%	33%
	RCBC Realty					
	Landev	Y	100.00%	100.00%	100.00%	100.00%
	Greyhounds Security	N				
	Energy	N	100.00%	96.00%	100.00%	53.00%
	Construction[1]	Y	100.00%	Work Arrangement WFH, ROW & FCL	100.00%	Work Arrangement WFH, ROW & FCL
	Education	Y	62.84%	83.33%	53.82%	83.33%
	HI Parent	Y	100.00%	100.00%	100.00%	100.00%
Flexible Working Hours	Automotive	Y	100.00%	15%	100.00%	.09%
	Pharmaceutical	Y	100.00%	57%	100.00%	35%
	Property Management Services		67.00%	36.00%	67.00%	34.00%
	RCBC Realty					
	Landev	Y	100.00%	100.00%	100.00%	100.00%
	Greyhounds Security	Y	100.00%	8.74%	100.00%	.80%
	Energy	Y	100.00%	16.00%	100.00%	28.00%
	Construction[1]	N				
	Education	Y	67.87%	100.00%	34.26%	100.00%
	HI Parent	Y	100.00%	100.00%	100.00%	100.00%
Others	Automotive	Life insurance, uniform allowance (all permanent employees)				
	Pharmaceutical					
	Property Management Services					

List of Benefits	Business Unit	Y/N	FEMALE		MALE	
			% coverage	% availed	% coverage	% availed
	RCBC Realty					
	Landev					
	Greyhounds Security	Uniform allowance (all permanent employees)				
	Construction[1]	Burial assistance, HMO, Group personal insurance (all permanent employees)				
	Education					
	HI Parent					

1 For Construction Division, government-mandated benefits are received by both permanent and temporary employees.
2 Parental Leaves include Maternity, Paternity, and Solo Parent leaves.
3 Landev Corporation tracks leave availments by number of days used, not by number of employees who used the leaves. This will be tracked in the future.

B. Non-government-mandated benefits

List of Benefits	Business Unit	Y/N	FEMALE		MALE	
			% coverage	% availed	% coverage	% availed
Medical benefits (aside from PhilHealth)	Automotive	Y	100.00%	46.15%	100.00%	25.38%
	Pharmaceutical	Y	100.00%	69.00%	100.00%	41.00%
	Property Management Services	Y	100.00%		100.00%	
	RCBC Realty	Y	100.00%		100.00%	
	Landev	Y	100.00%	96.00%	100.00%	100.00%
	Greyhounds Security	Y	100.00%		100.00%	
	Energy	Y	100.00%		100.00%	
	Construction[1]	Y	100.00%	11.10%	100%	53.22%
	Education	Y	63.71%	37.68%	59.42%	38.40%
	HI Parent	Y	100.00%	95.00%	100.00%	93.75%
Housing assistance (aside from Pag-ibig)	Automotive	N				
	Pharmaceutical	Y	100%	5%	100%	7%
	Property Management Services					
	RCBC Realty	N				
	Landev	N				
	Greyhounds Security	N				
	Energy	N				

List of Benefits	Business Unit	Y/N	FEMALE		MALE	
			% coverage	% availed	% coverage	% availed
	Construction[1]	Y	Provision of onsite housing and bunkhouses in project sites for deployed employees >> Offered to both Permanent and Temporary employees, Usage statistics not available			
	Education	N				
	HI Parent	N				
Retirement Fund (aside from SSS)	Automotive	Y	100.00%	21.15%	100.00%	36.92%
	Pharmaceutical	Y	100.00%	69%	100.00%	41.00%
	Property Management Services					
	RCBC Realty					
	Landev	Y	100.00%	56.00%	100.00%	30.56%
	Greyhounds Security		100.00%	98.06%	100.00%	99.70%
	Energy	Y	100.00%	0%	100.00%	0%
	Construction[1]	Y	100.00%	.12%	100.00%	2.52%
	Education	Y	14.60%	1.17%	9.40%	.67%
	HI Parent	Y	100.00%	84.00%	100.00%	75.00%
Further education support[2]	Automotive	N				
	Pharmaceutical	N				
	Property Management Services					
	RCBC Realty	N				
	Landev	N				
	Greyhounds Security	N				
	Energy	N				
	Construction[1, 3]	Y	100.00%	.16%	100.00%	.560%
	Education	Y	16.63%	1.89%	16.71%	1.00%
	HI Parent	N				
Company stock options	Automotive	N				
	Pharmaceutical	N				
	Property Management Services					
	RCBC Realty					
	Landev	N				
	Greyhounds Security					

List of Benefits	Business Unit	Y/N	FEMALE		MALE	
			% coverage	% availed	% coverage	% availed
	Energy	N				
	Construction[1]	Y	100.00%	0.00%	100.00%	0.00%
	Education	N				
	HI Parent	N				
Telecommuting	Automotive	Y	100.00%	15%	100.00%	.05%
	Pharmaceutical	N				
	Property Management Services					
	RCBC Realty					
	Landev	Y	100.00%	100.00%	100.00%	100.00%
	Greyhounds Security	N				
	Energy	N				
	Construction[1]	Y	100.00%	Work Arrangement WFH, ROW & FCL	100.00%	Work Arrangement WFH, ROW & FCL
	Education	Y	62.84%	83.33%	53.82%	83.33%
	HI Parent	Y	100.00%	100.00%	100.00%	100.00%
Flexible Working Hours	Automotive	Y	100.00%	15%	100.00%	.09%
	Pharmaceutical	Y	100.00%	63%	100.00%	39%
	Property Management Services					
	RCBC Realty					
	Landev	Y	100.00%	100.00%	100.00%	100.00%
	Greyhounds Security	Y	100.00%	8.74%	100.00%	.80%
	Energy	Y	100.00%	28.00%	100.00%	16.34%
	Construction[1]	N				
	Education	Y	67.87%	100.00%	34.26%	100.00%
	HI Parent	Y	100.00%	100.00%	100.00%	100.00%
Others	Automotive	Life insurance, uniform allowance (all permanent employees)				
	Pharmaceutical					
	Property Management Services					
	RCBC Realty					
	Landev					

List of Benefits	Business Unit	Y/N	FEMALE		MALE	
			% coverage	% availed	% coverage	% availed
	Greyhounds Security	Uniform allowance (all permanent employees)				
	Construction[1]	Burial assistance, HMO, Group personal insurance (all permanent employees)				
	Education					
	HI Parent					

1 For Construction Division, non-government-mandated benefits are offered to permanent employees only, unless otherwise stated.
2 "Further educational support" refers to post-graduate studies and certifications. Benefits discussed here are specific benefits offered by each division. In general, all YGC employees enjoy discounts when enrolled in MESI for further studies.
3 For Construction, all regular employees may apply for company-sponsored scholarships. But in 2020, employees availed of scholarships available to YGC employees.

Employee benefits
Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach

Comprehensive benefit packages, along with competitive employee remuneration, help the HI Group retain productive talents. However, a key risk of increasing employee benefits is cost pressure.

HI Group regularly reviews and updates our salary structure to align with the market. Employees also receive annual performance evaluations, with high-performing employees receiving salary adjustments and promotions. The Group also continuously upgrades employee benefits, including the health management of employees. The Group regularly reviews the career paths of employees.

As part of career development, HI Group regularly reviews the career paths of employees. The Group also provides challenging assignments to high-potential employees to prepare them to assume bigger and higher responsibilities.

During the Enhanced Community Quarantine (ECQ), all our business units continued to pay the salaries of all employees without charging these to their leaves and other benefits. In our construction division, salaries for workers were paid despite work stoppage on projects during ECQ. Some members of the group also advanced the payment of part of their 13th month pay. We believe that it is our duty to ensure that our employees should not be deprived of the means to provide for themselves in these uncertain times. In addition, we ensured that our people had access to RT-PCR testing centers through the T3 (Test Trace Treat) public-private partnership.

Discussion on Opportunities

With the changes in workforce demographics and with it employee expectations, there are opportunities for HI Group to look for ways to improve its employee compensation and benefits package. The companies can ride the wave of the growing preference for alternative working arrangements and more flexible benefits.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees[1]	338,395.01	hours
a. Female employees	69,117.29	hours
b. Male employees	269,277.72	hours
Average training hours provided to employees[1]	13.29	hours/employee
a. Female employees[2]	20.74	hours/employee
b. Male employees[2]	12.17	hours/employee

1 Training hours from the following divisions: Automotive, Property Management Services, Energy, Construction, Education, HI Parent. Includes training hours for both permanent and temporary employees.

Employee training and development

Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach

A productive workforce is essential to the Company's growth. Sufficient investment in employee training and development is needed. Key risks associated with inadequately trained employees include poor customer service, lower organizational productivity, and increased attrition and turnover. Likewise, these may significantly impact brand and reputation.

As such, HI Group continually invests in developing talents by providing relevant training and career development programs to effectively equip them with the skills and knowledge necessary to perform their work. Average training hours per employee in 2020 was 13.9 hours.

The Company's training program is anchored on the Company's goals and business plans. It is designed based on the training needs analysis (TNA) conducted by HR and the employees' department head. It is important to carry out a proper training needs assessment to determine what kind of training the employees need to make sure that they are confident and competent in completing the tasks the Company needs them to do.

To effectively carry out the training needs assessment, the divisions of the HI Group conduct the following processes:

1. Review of Company's Vision and business goals and objectives – Outline the Company's goals and objectives. All training initiatives must be in sync with the business goals and objectives of the company.
2. Job Analysis – Analyze the specific jobs and tasks that need to be carried out by employees. The process can help the Company identify how a task contributes to meeting the goals and objectives of the organization.
3. Individual Assessment – Looking at performance gaps will help the Company ascertain whether there are skills lacking in individuals or the whole group. Performance gaps may not always be across-the-board that require training for all employees in the organization. The Company is also considering the role of each employee and how it contributes to the business goals of the organization, measuring their level of competence, skill, and knowledge in their current role or even in other areas. Hence, the training program and investment is properly targeted to bring the desired results to the company and employees.

Discussion on Opportunities
HI Group Divisions can work on enhancing the systems for tracking outputs and outcomes of training and career development programs. HI Group acknowledges the gap between average training hours provided to male and female employees. As such, there is an opportunity for the Companies to strengthen gender perspective to the approach to talent development. The Companies constantly seek and enhance adaptation of new forms of learning which can include cross-posting and e-learning.

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements		
• Education (2 unions; includes all permanent employees of Mapúa University, except the Confidential permanent employees and the Deans of the Schools)	21.97%	Percent[1]
• Construction (1 union; includes permanent rank-and-file and supervisory employees of EEI Corporation with at least one (1) year of service)	62.46%	Percent[1]
• Pharmaceutical (1 union; includes non-managerial sales employees)	70%	Percent[1]
Number of consultations conducted with employees concerning employee-related policies		
• Education	Upon request	
• Construction	Upon request	
• Pharmaceutical	At least 8	Formal engagements

[1] Percentages based on permanent employees. Temporary employees are not eligible as members of the unions.

Labor management relations
Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach
HI companies respect employee rights to freedom of association and collective bargaining. The companies ensure that platforms for grievances are well-established and communicated to our employees.

Proper dialogues with our employee unions are conducted to address their concerns. Three Divisions in the HI Group have labor unions: Education, Construction, and Pharmaceutical. The unions cover 21.97% (Education), 62.46% (Construction), and 70% (Pharmaceutical) of permanent employees, respectively.

Each division has their own engagement policies and procedures for the labor unions.

- Education – There are two unions in Mapúa University: Faculty Association of Mapúa Institute of Technology (FAMIT) [faculty union] and Mapúa Institute of Technology Labor Union (MITLU) [non-teaching employees' union]. There are regular Labor Management Council (LMC) meetings, with adherence to transparent and frequent communication under Collective Bargaining Agreement (CBA) processes.

- Construction – The office of the EEI Staff and Supervisory Employee Union (EEI-SSEU) is located in the Construction Division's head office. They are given a corporate email and landline as direct communication channels to the Division. The union actively represents the interests of the employees of EEI Corporation by coordinating with Construction's Employee Relations Department (ERD) in the discussion of cases/issues concerning employees. The union is also part of the Grievance Committee, so they can set meetings with Construction HR if any concerns arise.

- Pharmaceutical – Formal engagements with the union are done via quarterly Labor Management Cooperation (LMC) and meetings with the President. There is also a quarterly town hall for all employees. However, employees can also consult with the company as soon as concerns arise.

Discussion on Opportunities
To ensure that there is a fair and transparent resolution of all union-related issues, the respective Divisions will continue the regular engagement discussions with the unions to thresh out labor related issues before they become full-blown labor cases. The engagement discussions may also be used as avenues to eventually agree on the policies that would be beneficial to both management and the employees and to ensure that good relations between the union and the company is maintained.

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	13.09%	%
• Permanent	66.95%	%
• Temporary	33.05%	%
% of male workers in the workforce	86.91%	%
• Permanent	26.60%	
• Temporary	73.40%	%
Number of employees from indigenous communities and/or vulnerable sector*[1]	588	#

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

Diversity and equal opportunity
Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach
The HI companies value diversity by observing non-discriminatory practices in the hiring process, and instead focusing on the capabilities of potential employees. This allows the Group to reduce risks associated with lack of diversity, including unwanted limitations in perspective that can affect effective product and service development and highly-informed decision making. Promoting diversity can also help manage risks to brand and reputation.

The large discrepancy in the overall male-to-female ratio of HI Group (96.1% male vs 3.1% female, total of Permanent and Temporary employees) is due to the much-larger workforce of Construction Division that skews mostly male. With Construction taken separately, HI Group male-to-female ratio is 56.87% male vs 43.14% female. Security (under Property Management Services) is also majority male. More female workers are found in Pharmaceutical, Education, and HI Parent.

Division	MALE	FEMALE
Construction	96.90%	3.10%
All other Divisions	56.87%	43.13%
Automotive	64.96%	35.04%
Pharmaceutical	37.27%	62.73%
Property Management Services	91.20%	8.80%
Property Management Services	53.17%	46.83%
Security	96.61%	3.39%
Energy	67.74%	32.26%
Education	42.59%	57.41%
HI Parent	34.78%	65.22%

Construction Division maintains a TESDA-accredited training facility that provides free training and certifies workers for highly technical skills such as welding or pipefitting. The trainees are sourced from the provinces and impoverished parts of the country in order to equip them with the necessary skills for higher-paying work.

Discussion on Opportunities

Although HI Group companies conduct non-discriminatory practices in hiring, there are opportunities to increase female participation in traditionally male-dominated fields and vice-versa, which can positively impact brand and reputation and organizational perspectives. The lens of diversity also presents an opportunity for the HI Group to determine which diversity categories, beyond gender, are meaningful to their own industry and our local context.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Units	Cars	Property Management Services[1]	Energy	Construction[3]	Education	TOTAL
Safe Man-Hours[2]	#	183,922	142,200	1,761,247	Safe manhours: 3,182,976 Total manhours: 41,622,547	3,781,884	9,052,229
No. of work-related injuries	#	1	0	0	506	176	683
No. of work-related fatalities	#	0	0	0	0	0	0
No. of work-related Ill-health	#	0	0	0	0	0	0
No. of safety drills	#	0	0	0	0	4	4

1 Disclosure for Property Management Services is combined for RCBC Realty Corporation and Greyhounds Security, unless otherwise noted.
2 "Safe manhours" is defined as total number of continuous working hours since the last safety-related incident. This count resets to zero if an accident occurs. "Total manhours" is defined as Total Working Hours less Lost Time due to accident or other safety-related incidents. All figures are as of December 31, 2020.
3 Construction disclosures are for all ongoing construction projects in 2020, including non-infrastructure projects
*Safe man-hours is from RCBC Realty Corporation only

Occupational health and safety

Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach

The HI Group has a strong safety culture. Business units where health and safety is of critical importance (e.g. Construction, Property Management, Energy, Security), comply with rules and regulations on occupational health and safety (OHS) standards. These BUs have a well-established OHS mechanism applicable to the respective businesses that includes safety procedures, training, and safety drills. The Group realizes the importance of ensuring the welfare and safety of its employees, in addition to potential reputational risk implications of worker accidents and fatalities.

Due to the sheer number of workers (25,474 by end of 2020) and nature of company projects, the Construction Division has highest exposure to employee health and safety risks within the Group. To manage these risks, the Division employs a fully staffed and competent Safety Department that ensures safe working practice is employed in all of projects. The Safety Department created a standardized policy and procedure on Workplace Conditions, Labor Standards, and Human Rights. Onsite, there are daily "Toolbox Meetings" to issue safety reminders and new policies, as well as to have a short warm-up exercise to ensure the workers are mentally alert. Moreover, safety violations are closely monitored and met with appropriate disciplinary actions to contain this risk. As a result, the Construction has been tapped by DOLE and other regulatory agencies to provide safety seminars to other contractors.

The Education Division also has a significant exposure to health and safety risks, as the schools serve as hubs for thousands of students, faculty, and staff. Emergency procedures are in place and may be readily implemented in case of natural disasters such as floods, fires, earthquakes, and other situations such as bomb threats and pandemic events. Each school has a clinic staffed with healthcare providers to address injuries or sickness that occur on-campus. Health and safety reminders are also regularly communicated school-wide through postings in their websites, emails, and social media. Safety drills are also conducted regularly. First aid training is also given to both employees and students.

The Energy Division also has health and safety risks stemming from operations, including working at heights (especially in wind farm operations) and operating large equipment. To address this, Safety and Security Officers are assigned to all sites to ensure that safety and health standards are implemented. Onsite, there are daily “Toolbox Meetings” to issue safety reminders and new policies. All visitors to the power plants receive safety briefings and are provided with PPE. As a result, Energy Division’s operating power facilities were recognized for excellence in occupational safety by the DOE and Safety and Health Association of the Philippine Energy Sector, Inc. (SHAPES, Inc.) for five consecutive years (2015-2019).

The pandemic introduced a new risk that threaten the safety and well-being of our people in the workplace. Safety measures and protocols in the workplace and alternative work arrangements were provided to ensure that our people’s exposure to the virus is minimized.

Discussion on Opportunities

Construction Division has data and analysis on incidents. The Division plans to use this data to help mitigate future problems.

Education Division is the process of evaluating its health and safety protocols to ensure that such protocols cover all circumstances that may affect the health and safety of its employees and students, particularly in the event of calamities, natural disasters, and pandemic events. This includes the possibility of having regular structural audits to monitor and ensure the structural health of school buildings and other structures within the schools’ campuses.

Energy is looking into including pandemics in their health and safety protocols and business continuity procedures. Energy will also continue to cultivate the culture of health and safety across its operations.

Labor Laws and Human Rights

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

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

Topic	Company	Y/N	Link or reference to policy
Forced labor	Automotive	N	
	Pharmaceutical	N	
	Property Management Services	N	
	Energy	N	
	Construction	N	
	Education	N	
	HI Parent	N	
Child Labor	Automotive	N	
	Pharmaceutical	N	
	Property Management Services	N	
	Energy	N	
	Construction	N	
	Education	N	
	HI Parent	N	
Human rights	Automotive	N	
	Pharmaceutical	N	
	Property Management Services	Y	Anti-Sexual Harassment Policy
	Energy	N	
	Construction	Y	• Document for Required for Accreditation • Procurement Code of Behavior
	Education	Y	Employee Manual
	HI Parent	N	

Labor laws and human rights

Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach

As a member of the YGC, HI Group abides by the YGC Code of Business Conduct and Ethics. The business units also have their own specific policies. While forced labor, child labor, and human rights are not explicitly discussed in these policies, compliance with labor laws and human rights is implied as part of compliance with all national and local laws and regulations around these issues.

Discussion on Opportunities
There is an opportunity for HI Group to strengthen commitment to the promotion of human rights especially since the Group is present in labor-intensive industries such as construction. The Group can include specific provisions on human rights including anti-child labor, anti-forced labor, and respect for vulnerable group in employee and vendor Codes of Conduct and other company policies, and mechanisms for due diligence.

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Procurement provides essential procurement services to YGC members. All vendors are vetted and screened. Procurement also performs vendor management, strategic sourcing of repetitive items, management of big ticket purchases, enterprise spend analysis, and procurement risk management. It also develops, implements, and enforces procurement policies, procedures, guidelines, and practices for all YGC members.

Individual divisions may have their own Procurement departments with their own supplier accreditation policy. However, these policies must complement YGC policy and cannot be contrary to it.

Do you consider the following sustainability topics when accrediting suppliers?
Procurement Supplier Accreditation Policy:

Topic	Y/N	Link or reference to policy
Environmental performance	**N**	Not explicitly mentioned in the Supplier Accreditation Policy, but potential suppliers must submit copies of relevant valid environmental permits as part of the Supplier Profile Form required for accreditation.
Forced labor	**N**	Not explicitly mentioned in the Supplier Accreditation Policy, but it is implicit due to suppliers being required to comply with all laws.
Child labor	**N**	Not explicitly mentioned in the Supplier Accreditation Policy, but it is implicit due to suppliers being required to comply with all laws.
Human rights	**N**	Not explicitly mentioned in the Supplier Accreditation Policy, but it is implicit due to suppliers being required to comply with all laws.
Bribery and corruption	**Y**	Code of Ethics for Suppliers, section on Bribes, Kickbacks, and Gifts from Suppliers

Supplier Accreditation Policy of specific divisions:

Topic	Company	Y/N	Link or reference to policy
Environmental Performance	Pharmaceutical	N	
	Energy	Y	PERC-OP-01A Accreditation of Suppliers • Required environmental permits, if any
	Construction	y	Document Required for Accreditation 3.4.8 Legality of Existence • Required environmental permits, if any
	Education	N	
Forced labor	Pharmaceutical	N	
	Energy	N	
	Construction	Y	Document Required for Accreditation 3.4.4 Man Power
	Education	N	
Child Labor	Pharmaceutical	N	
	Energy	N	
	Construction	N	
	Education	N	
Human rights	Pharmaceutical	N	
	Energy	N	
	Construction	N	
	Education	N	
Bribery and corruption	Pharmaceutical	Y	Clauses on anti-bribery and corruption
	Energy	Y	Section 18: Bribery as cause for blacklisting of accredited supplier
	Construction	Y	SCM-D-00-00-01 Procurement Code of Behavior
	Education	Y	Clauses on anti-bribery and corruption

Supply chain management
Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach
As a member of the YGC, HI Group abides by the YGC Code of Business Conduct and Ethics and Supplier Accreditation Policy. The business units also have their own specific policies. While forced labor, child labor, and human rights are not explicitly discussed in our internal policies, compliance with labor laws and human rights is part of the legal compliance requirements that our supplier need to meet in our accreditation process.

The supplier accreditation process is subject to the following:
1. Endorsement of YGC Procurement Heads or officers of YGC
2. Needs of the company
3. Completion of the Supplier Profile Form, Company Profile, last three years of audited financial statements, and required regulatory documents (e.g. business permit, etc.)
4. Onsite visit by accreditation GM (for new suppliers of repetitive transactions and prospective big-ticket items costing Php 1 million and above)

5. Recommendation for accreditation approval by the Procurement Manager and GM.

The list of accredited suppliers is reviewed annually.

At present, the accreditation policy does not include assessment of environmental and social risks, aside from required regulatory compliance (e.g. DENR permits, DOLE clearance, etc.). The policy is also limited to Tier 1 suppliers, so this may limit the effectiveness of supplier assessment and key supply chain risks may be overlooked.

Aside from general procurement policies, the individual Divisions also have their own supplier accreditation policies. However, they do not include assessment of environmental and social risks, aside from required regulatory compliance.

Discussion on Opportunities
HI Group may explore enhancing supplier assessment across companies to include other sustainability criteria. However, the Group recognizes that in order to do so, the Group needs to work with suppliers on capacity building and with industry peers. Moreover, HI Group can also work on improved visibility in our supply chain to include other Tier 2 suppliers to enhance the evaluation of exposure to supply chain risks.

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable) *	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Maibarara Geothermal Power Project	Sto. Tomas, Batangas	Not Applicable	No	Not Applicable	Mitigating measures- formal and institutionalized environmental programs focused on site rehabilitation and protection through bio-engineering measures compliance to regulatory provisions and regular activities with the communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable) *	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Nabas Wind Power Project	Nabas-Malay, Aklan	Not Applicable	No	Not Applicable	Enhance Measure- formal CSR and environmental program to ensure lasting and mutually beneficial relationship with stakeholders and the communities
Tarlac Solar Power Project	Tarlac City	Not Applicable	No	Not Applicable	
Infrastructure Project	Luzon Visayas Mindanao	Not Applicable	No	Y	Coordination with MMDA, LGU, and other applicable regulatory agencies for traffic management schemes
Buildings		Not Applicable	No	Y	
Electromechanical		Not Applicable	No	Y	Full Compliance with DENR, LGU and other gov't agencies for any damages in the environment and disturbance to biodiversity
Operation of schools (K-12, undergraduate, post-graduate)	Luzon, Mindanao	The poor (Class D and E) as part of NSTP Adoption of Communities	No	Traffic	Coordination with MMDA, LGU, and other applicable regulatory agencies for traffic management schemes

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

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: <u>NOT APPLICABLE</u>

Certificates	Quantity	Units
FPIC process is still undergoing	Not Applicable	#
CP secured	Not Applicable	#

Significant impacts on the local community

Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach

Three divisions of the HI Group have significant impacts on their neighboring local communities: Construction, Education, and Energy.

As hubs for thousands of construction workers, faculty, and staff, Construction and Education have significant impacts on the local communities around the project areas. The most obvious positive impact is the increased number of businesses around the project areas that cater to the needs of the workers and students (e.g. eateries, dormitories, etc.), that then contribute to the economic development of the area. A potential negative impact is the increased traffic around the areas due to increased movement around the area of both people and equipment.

Construction and Education work with the local governments to develop traffic routing schemes to lessen the project areas' impacts on the traffic situation, and work with them to ensure that the traffic around the project areas do not impede the flow of non-project-related traffic.

As an operator of RE generation facilities, Energy Division has much less impact on the local community compared to standard fossil fuel power plants. However, impacts still exist through potential air pollution from the plants (geothermal) and competition for water resources. Energy Division mitigates these by complying with all environmental regulations and consistent engagement with the community.

An example of this the engagement between MGI (a subsidiary of Energy Division) and a nearby residential community. The community complained of the foul odor coming from operations. Hydrogen sulfide (H_2S) is a gas that is inherent in all geothermal fields and is not "generated". In 2013, MGI installed two Continuous Air Quality Monitoring Stations (CAMS) to monitor H_2S: one in the upwind and one in the downwind side of the project area, about 400-500m from the power plant complex. Results of the CAMS shows that H_2S levels are below the DENR ambient limits of 0.07ppm. Additional air quality monitoring through the services of a third party were implemented since 2015 following the complaints of the residents. MGI continues to dialogue with the community by giving numerous presentations explaining how a geothermal power plant operates and how its environmental and social impact are mitigated and managed.

Discussion on Opportunities

The HI Group is exploring ways to create better channels and standard protocols for communicating with members of the local community.

In the Construction Division, there is an opportunity to set a standard communication procedure in engaging with the communities surrounding their project sites, especially since its impacts are felt by a wide variety of people. Though the company is already able to communicate with them effectively, having a protocol to refer to when dealing with specific cases will be useful.

The Education Division has already implemented 100% distance learning in order to facilitate learning without the students having to come to school. For example, Mapúa has introduced Digital Rush – courses offered via online learning systems during the evening rush hour.

Despite the MGPP already meeting DENR standards, Energy Division is still studying H_2S abatement systems as part of its commitment to good community relations. These systems have not yet been installed in any local geothermal plants. Current considerations are their unconvincing success rates abroad, applicability to MGPP, and cost.

Customer Management

Customer Satisfaction

Business Unit	Customer	Topic of survey	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Automotive	Car buyers	Sales	No data	No. Done internally
	Car owners	Car servicing	No data	No. Done internally
Education	Students	Net Promoter Score	39%	No. Done internally
	Students	Student Happiness Survey	42.18	No. Done internally

1 Net Promoter Score is based on three schools (NTC, UNC, and APEC Schools), as MESI, MCL, and MCM had not yet completed their customer satisfaction surveys at the time of data collection and no data is available. It is a score between 1-10 which polls students. Those who scored you 9-10 are promoters, then you count the number of people who promote you.
2 Student Happiness Survey is based on two schools (NTC and MCM), as MESI, MCL, APEC Schools, and UNC had not yet completed their student happiness surveys at the time of data collection and no data is available.

Customer management
Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach
Customer satisfaction is key to the sustainability of HI and its subsidiaries. It impacts customer loyalty and future sales. We see customer satisfaction as a measure of how we are able to meet our customers' needs, which defines how we create value for our customers through our products and services. Product quality is key to us, especially as we are involved in the construction of public infrastructure, pharmaceuticals, and property management services where poor quality could lead to extremely high costs to property and human life. Any dissatisfied customer is an opportunity for us to review how we deliver value to them.

Customers of the HI Group companies may include private individuals, other businesses, and government. As such, customer satisfaction indicators vary per company depending on the type of customers they serve. The HI Group companies conduct qualitative and quantitative approaches to measuring customer satisfaction.

A summary of HI Group companies' clients and how they are engaged:

Division	Customers	Engagement method	Measurement of Customer Satisfaction
Automotive	Private individual Business	Surveys	None
Pharmaceutical	Private individual (doctors)	Informal	None
Construction	Business Government	Surveys	No Survey conducted in 2020
Property Management Services	Business	Survey done every two years (last in 2018)	% Satisfaction score
Energy	Business	Meetings between PERC and	PERC's delivery according to

Division	Customers	Engagement method	Measurement of Customer Satisfaction
		Client	agreed-upon contract
Education	Private individual	Surveys	Net Promoter Score, Student Happiness Survey

Discussion on Opportunities
Opportunities for improving customer management include more structured customer surveys (Pharmaceutical) and more frequent requests for customer feedback (Property Management Services). This is especially important for Property Management Services, as they are contracted by property owners as a third-party to manage their commercial buildings.

There are no identified opportunities for improvement in customer management for Construction and Energy, as their minimum commitments to their clients are set in contracts prior to the start of service and their success in delivery is all-or-nothing.

Health and Safety

Disclosure	Quantity	Units
Number of substantiated complaints on product or service health and safety*	5	#
Number of complaints addressed	5	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon agencies.*

Health and safety
Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach
HI Group considers the health and safety of its products and services to be a top priority. The Group's products range from vehicles, medicines, and schools (targeted towards individual consumers), property management, security, and energy (targeted towards businesses), and infrastructure (targeted towards government). HI Group ensures that its products and services adhere to the highest safety standards.

Automotive Division operates dealerships and service centers for Honda, Geely and Isuzu vehicles. As such, they have several touchpoints with customers on health and safety.

- Pre-sales: Automotive Division has quality control procedures for all vehicles that it sells.
- During sales: Automotive Division advises clients to attend seminars on defensive driving, road safety, and traffic ordinances during the releasing of their vehicle. The seminars are done by tapping the expertise of the Land Transportation Office (LTO) and MMDA
- Post-sales: Automotive Division emails and/or calls clients to remind them of the preventive maintenance schedule of their vehicles. If the manufacturer issues a product recall, Automotive Division ensures zero missed recall on the affected units.

Education Division owns and operates seven schools with numerous branches that serve as a hub for thousands of students, faculty, and staff. Health and safety in the schools are ensured through:

- Presence of designated Health and Safety Officers
- Videos on what safety procedures to do in case of earthquakes and fires were made part of the information and awareness campaigns for students and faculty

- Presence of onsite licensed healthcare professionals
- Presence of security guards at entrances and exits, roving guards, and CCTV

Pharmaceutical Division interacts directly with doctors and provides them full disclosures on required dosages and administration protocols of the medicines. This ensures patient safety as the doctors are able to prescribe the medicines appropriately.

Construction Division is a trusted partner in construction services. The Division ensures that all construction works are built to the safety specifications of regulatory bodies and the client. There are regular meetings between Construction's Quality Assurance and Quality Control Team and the client's Project Engineers. Final project acceptance by the client is one proof of Construction's compliance to safety standards. Safety during the provision of the construction service is also of the utmost importance. More information on Construction Division's safety practices while working may be found in the Occupational Health and Safety disclosures.

Property Management Services are responsible for ensuring a healthy and safe environment in their managed properties. Regular checking and preventive maintenance are performed on Building and Life Safety (BLS) equipment, such as smoke detectors, fire alarms, fire suppression systems, emergency lights, and others. Any malfunctions are quickly fixed. Each property also has a trained Emergency Response Team (ERT). Safety drills are also done with the participation of the tenants to ensure that the tenants know what to do in case of emergency.

Energy Division supplies electricity from renewable energy to the grid. Prior to the start of any project, a Grid Impact Study is done with the National Grid Corporation of the Philippines (NGCP) to ensure that the grid can handle the generated electricity. From the geothermal steam turbines, wind turbines, and solar panels, the electricity goes to the switchyard then to a switching station so it can be safely (with correct voltage) distributed through the transmission lines, and finally to household and industrial end-users. The switchyard and switching station are owned and regularly maintained by Energy Division.

In 2020, EEI received five(5) complaints from Government and Local Agencies and complaints/violation were resolved/address immediately. Among these are: (1) DOLE issued a Stop Work Order in Skyway Extension regarding a falling Uni-Bridge Steel Girder (2) DENR/LLDA, violation of RA 8749 Philippine Clean Air Act of 1999 and PD 1586 and three (3) LGU Community Lockdown Complaints for Taguig, Cavite and Pangasinan

Discussion on Opportunities
HI Group Divisions are constantly evaluate their policies to ensure that they continue to protect customer health and safety and that the policies are updated and compliant with current laws and regulations.

Marketing and labelling

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

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Marketing and labeling

Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach

HI Group companies take particular care to not misrepresent itself or its products to its customers and other stakeholders. Risks include loss of reputation of the companies, especially now with the widespread use and reach of social media. The reputations of the various companies, as well as their recognition as part of the YGC, are part of their marketing strength.

Each Division has a Marketing team that double-checks all client- and public-facing materials to ensure that all claims are accurate. For time-sensitive information such as rankings, ratings, certifications, and accreditations, time references are always included in the materials. Periodic review of the divisions' websites and other relatively permanently available materials are also done to ensure that they are updated and accurate.

Discussion on Opportunities

Construction Division identified that upgrading qualifications/certifications is an opportunity not just to provide customers with higher quality products, but also to increase reputation and corporate branding. The Division consistently seeks to improve itself by upgrading qualifications and reputation by adopting world-class standards of operations and business process. Their management continues to support initiatives of the Division to acquire certifications alluding to the capability and competitiveness of the Division.

Customer privacy

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

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Customer privacy

Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach

As a matter of policy, HI Group companies respect and uphold data privacy rights and ensure that all personal data collected from customers, suppliers, and other third parties are processed pursuant provisions of the Data Privacy Act of 2012 as reflected in each company's Data Privacy Manual. Risks due to loss of customer privacy include damage to the companies' reputations, disruption of operations, legal liability under new and amended laws, regulations, and guidelines, as well as contracts, and financial cost.

Designated Data Privacy Officers at HI Parent and the Divisions are tasked to ensure compliance with the Data Privacy Act by implementing the data privacy policies of their respective companies. Privacy notices and data privacy statements are present in documents so that both internal and external customers are informed of how their information will be used. The Divisions also have policies and protocols in place to handle complaints and inquiries on data privacy. As part of YGC policy, all HI Group employees are required to complete the annual IT security and data privacy training.

In 2020, HI Group had no substantiated complaints on customer privacy. The Group continues to strengthen its internal systems and work with our stakeholders to enhance data security.

Discussion on Opportunities
HI Group companies are currently evaluating their policies to ensure that they continue to secure customer information and that the policies are updated and compliant with current laws and regulations.

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	1	#

Data security
Discussion on Impacts and Risks: Where they occur, stakeholders affected, and management approach
Divisions within the HI Group have their respective IT policies on data security, such as a Data Privacy Manual, which are strictly implemented and regularly updated by their respective departments. The Data Privacy Manual includes the procedure on reporting an incident and the process of assessment and investigation. Mishandling and unauthorized disclosures of personal information of our stakeholders such as customers and vendors may lead to legal or regulatory sanctions.

Each Division under the HI Group has its respective policies and procedures in case of data breach, or violation of data security policies. The Divisions also have existing data management policies, guidelines, and procedures for handling and reporting data breaches. They have close coordination and consultation with critical departments such as HR and IT for intensive processing of information. Audits of the data security policies and systems are also conducted per the HI Internal Audit schedule. Employees are made aware of the data security policies and attest that they understand and will apply the policy.

In 2020, the construction division has one incident of data breach by an employee. All data was quickly recovered and sanctioned. The Group continues to strengthen its internal systems and work with our stakeholders to enhance data security.

Discussion on Opportunities

The HI Group companies are currently evaluating their policies to ensure that they continue to secure their data and that the policies are updated and compliant with current laws and regulations.

The individual Divisions are also conducting their own Data Security seminars for their personnel. There is an opportunity to expand and monitor the programs to ensure that all employees are aware of the Data Privacy Manual and their responsibilities.

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Subsidiary: iPeople Education from kindergarten to post-graduate (depending on the school)	4.3 Equal access to affordable technical, vocational, and higher education 4.B Expand higher education scholarships for developing countries 4.C Increase supply of qualified teachers in developing countries 8.6 Promote youth employment, education, or training	Inaccessible to lower-income Filipinos High quality of teacher graduates results in high demand and pay offered by public schools and abroad, which results in loss of qualified teachers for IPO	Partnerships for scholarships (government and private) Internally-funded scholarships and discounts Offer competitive pay and incentives for teachers
Subsidiary: iPeople Research and development	Innovation and research that contributes to knowledge and/or contributes to an improved quality of life for Filipinos.	Cost of R&D (overspending)	Develop commercially viable projects, those that are "useful to society", and those that may solve problems of communities or provide solutions to industries
Subsidiary: EEI Corporation Construction Services	Health and well being Reduced Environmental Impact	Health Emergency preparedness in times of pandemic that caused social and economic crisis, such as COVID 19. Easy access to quality healthcare, medicine and quality essentials care services in case of emergencies. Some of the issues that pose major environment	a) Provide more efficient funding to ensure health and safety of its workers. Observing proper protocol on COVID 19 and strict compliance to the DOLE, COVID-19 INTER-AGENCY TASK FORCE and Local Government Issue in preventing and/or minimizing the entry of the infectious diseases in the workplace b) The Corporation can contribute to this SDG

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
		Sustainability problems include: 1. Discharge sewerage water and use of polluting chemicals and hazardous waste 2. Impact on how the Corporation ensure conservation, restoration and sustainable use of land particular forests, wetlands, mountains and drylands, in line with obligations under Philippine Law 3. Solid waste 4. Air pollution 5. Low-cost fuels. 6. Traffic Congestion	by continuously improving energy efficiency, setting emissions reductions and to resilience in the Corporation's operations, supply chains and the communities in which the Corporation operate. c) The corporation will ensure full compliance and implementation of environmental law for the conservation and sustainable use of oceans and their resources. d) Ensure monitoring of the following: 1. total water discharge data by destination across operation 2. CO2e savings of each projects. 3. waste management and how the corporation will improve and generating value from waste. e) For future projects, the Corporation will be committed to implement responsible sourcing practices beyond compliance - applying environmental and social safeguards f) Measure, manage and mitigate impacts on ecosystems and

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
			natural resources, this will be included in the WOW reporting.
	Uplift Livelihood	Possible impact: 1. Gender segregated industry 2. Legal Dispute Inequality and discrimination	a) Revise policy on Vendor Survey and Qualification to identify child labor and forced labor throughout supply chains, and implement remediation when abuses are discovered. b) Continuous firm implementation of policy against unfair hiring and recruitment practices, particularly of vulnerable groups such as migrant workers. The company is committed to: c) Pay equal remuneration, including benefits and for work of equal value to all women and men. d) Zero-tolerance policy towards all forms of violence at work e) Equal opportunity and to entrenched gender stereotypes for any promotion, trainings and even in decision making The Corporate will use leverage to address adverse the impacts. Such leverage can also be used

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
			to encourage changes in programs and activities that may exclude workers based on factors such as age, gender, religious beliefs, disability, national origin, or ethnicity.
	Support for Nation Building	Possible Impact 1. Computing and technology-based skills are of significant value to the Corporate business. Considering the demand of sophisticated infrastructure, there is a need for advance technologies which have great impact on the economic growth and societal progress. 2. The Corporation role is not only in providing specific infrastructure and services solutions, but also in contributing to the strategy that will support the overall optimization of urban systems to create safe, sustainable and disaster resilient cities. 3. Sustainable Cities and Communities	a) Invest in new, resilient infrastructure or retrofit existing infrastructure to make it more sustainable. b) Establish standards and promote regulation that ensure projects and initiatives are sustainably managed. c) The Corporation will deliver solutions to improve energy efficiency in buildings we build. Collaborate with cities and governments to find solutions to future mobility needs that minimize environmental impact while making transportation safer and more affordable for all.
Subsidiary: Landev Corporation, RCBC Realty Corporation Property Management Services	Sustainable Buildings	Environmental and Social disaster	Training and compliance by all mandatory and regulatory training and compliance
Subsidiary: Hi-Eisai Specialty Medicines	Reduce mortality for non-	Inaccessibility of the	Strengthen quality

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
	communicable diseases and promote mental health	medicines Health risk from drug disposal and destruction	control Compliance to proper drug disposal and destruction
Subsidiary: PERC Renewable Energy	 Affordable and Clean Energy	 Earth Moving activities during construction stage that will affect the environment	 Commitments to highest environmental standards and employs a comprehensive environmental program consisting of (1) site rehabilitation and protection through bio-engineering measures, (2) compliance to regulatory agencies and monitoring mechanism, (3) annual environmental activities, (4) community involvement and participation.
Subsidiary: Cars Seller of Goods Seller of Service	 Provides self-employment /livelihood Can provides convenience once owning a car Provide service to keep cars in good condition. Reduce negative impact to environment by reducing emissions caused by poorly maintained vehicles	 Traffic congestion due to increased number of vehicles. Negative impact to environment due to emission of the additional vehicles Potential road accidents Air pollution	 Provides service to keep the vehicles in good condition to reduce emission. Provides quality service to all customers. Conduct telemarketing and text blast to all UIO clients for on time PMS.

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

Education

In 2020, 48,410 students were enrolled in IPO schools, from Elementary (K+12) to post-graduate. Sixty -one percent (61%) of the students also belonged to economic segments E, D, and C2, wherein their monthly household income ranged from below ₱10,000 to ₱64,999.

To increase enrollment of lower income and high-performing students (academic) especially during the time of the COVID pandemic, IPO provided ₱131,431,943.02 in scholarships to 4,144 students. IPO also assisted students in applying for government and privately-funded scholarships. To ensure that students will continue their schooling despite the COVID-19 pandemic, IPO schools also provided discounts and rebates on tuition and fees, reasonable payment and installment arrangements, and implemented other policies to help students in the payment of their tuition fees.

IPO's achievements in graduating students that are ready for higher education and/or the workforce can also be seen in the graduates' employment rate despite the COVID pandemic. In 2020, IPO schools produced 9,411 graduates in senior high school, undergraduate, and post-graduate. Graduation ceremonies were conducted online due to government restrictions imposed which prohibited mass gatherings including the conduct of (physical) graduation ceremonies during the COVID 19 pandemic. 63% received job offers within 120 days of graduation (data from NTC and APEC Schools). These graduates eventually become productive members of society. Aside from their individual benefit of earning a higher salary versus a non-graduate, graduates contribute more to economies through direct spending and taxes.

Aside from scholarships, providing affordable quality education that is accessible to the segments with lower income levels is also embedded in the business model of some IPO schools. APEC Schools, established in 2012, is a chain of private high schools offering affordable education from Grades 7 to 12, with the goal of preparing its graduates for immediate employment and/or to pursue higher education. It has managed to do this even while offering a tuition fee rate that is relatively lower compared to other private high schools. In 2020, APEC Schools enrolled 10,340 students across all campuses, with 34.39%% of them belonging to segments D and E (with monthly household income of ₱24,999 and below). The schools also provided ₱ ₱4,012,632.50 in scholarships (does not include discounts, e.g. employee benefit, family discount, etc.).

To increase enrollment of lower income and high-performing students (academic and athletic), IPO provided ₱127,864,844.06 in scholarships to 1,593 students. IPO also assists students in applying for government- and privately-funded scholarships.

Fully online undergraduate degree programs were also offered in 2020. Mapua and MCL were given authority by CHED to offer fully online undergraduate courses, in addition to the fully online postgraduate degree courses previously offered. Mapua, MCL and MCM also implemented fully online admission and examination, and the use of e-books and online resources instead of traditional school textbooks for all undergraduate and Senior High School students through subscriptions to Wiley and Cengage. Such technologies are also currently being adopted by other IPO schools in addition to printing and delivery on modules for students for APEC, UNC and NTC. IPO schools likewise invested in subscription and use of online videoconferencing facilities such as Zoom, MS Teams, BB Collaborate, etc., and various digital tools and online learning resources (Coursera, Linkedin Learning) to facilitate and/or supplement online learning.

IPO schools also converted manual processes to online processes, shifted to alternative work arrangements, video-conferencing for meetings and online facilities were used to transact business and to ensure operations are not hampered during the COVID pandemic. Online support services were also implemented such as online medical consultation and counselling were provided for employees and students, and constant monitoring for COVID cases employees and students was also conducted.

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Renewable Energy

In the Philippines, the use of fossil fuels to generate electricity contributed 41.8% of the national energy mix in 2010, and increased by 3.7% every year. This contributes further to climate change and its worsening impacts. Given that Philippines is one of the most exposed and vulnerable countries to climate-related hazards such as extreme weather events and sea level rise, it is in our best interest to help in decarbonizing the energy sector.

PetroEnergy Resources Corporation (PERC) operates three renewable energy (RE) power plants under its subsidiary PetroGreen Energy Corporation:

- Maibarara Geothermal Inc (MGI), developer and operator of Maibarara-1 (20 MW) andMaibarara-2 (12 MW) Geothermal Power Project in Sto. Tomas, Batangas
- PetroWind Energy Inc (PWEI), developer and operator of Nabas Wind Power Project in Nabas-Malay, Aklan
- PetroSolar Corporation (PSC), developer and operator of Tarlac-1 and Tarlac-2 Solar Power Project

These projects contribute 1.6% of geothermal power, 7.8% of solar power, and 8.4% of wind power installed generating capacity (based on DOE 2018 baseline), totaling 1.9% of total RE installed generating capacity. In 2020, these projects generated 375,470 MWh of clean electricity for the Luzon-Visayas grid, equivalent to keeping 267,409.73 tons CO_2e out of the atmosphere.

Infrastructure

Currently, EEI Corporation has several infrastructure-related construction services and is continually developing its competencies on modern construct techniques to serve its clients better. This decision is with the recognition that basic public facilities such as roads, bridges, and railways that connect; seaports and airports, water distribution systems and dams that harness water for irrigation and power generation are all vital towards the sustainable development and progress of our country.

Throughout the years, EEI has been a contractor of choice to build mass transportation options, hundreds of kilometers of national highways, and several bridges. The EDSA Metro Rail Transit (MRT) Project, built along Metro Manila's main artery and servicing up to 500,000 people per day, is a prime example of EEI's expertise in infrastructure. EEI also participated in the construction of the Subic-Clark-Tarlac Expressway, the South Luzon Expressway, the NAIA III Flyovers, the New Iloilo Airport, the Casecnan Irrigation Project, the Kamanava Flood Control and Bohol Irrigation Projects, and the LRT Line 1 Expansion Project.

As construction is a labor-intensive industry, EEI ensures it provides safe working environments for its people. In 2020, EEI employed 21,612 project workers for its various infrastructure, commercial, and residential projects around the Philippines.

As part of its commitment to occupational health and safety, EEI implements the following measures:

- Presence of a dedicated Safety Department
- Creation of standardized policy and procedure on Workplace Conditions, Labor Standards, and Human Rights
- Close monitoring of safety violations
- Regular Area Safety Assessment/Inspection both in the project and in the traffic management plan submitted to MMDA and the client
- OSH-related training for all project workers
- Provision of necessary PPEs for all project workers

Property Management Services

As the Philippines continues to develop, its cities will continue to expand as more buildings are constructed. These buildings will consume even more energy and water and generate more waste during their usable lifetime compared to during construction. In 2018, residential and commercial establishments consumed 28.3% and 24.1%, respectively, of the country's energy. As such, the property management services of HI's Property Management Services division serve vital purpose in reducing energy, water, and waste in the country.

RCBC Realty Corporation's flagship property is RCBC Plaza. RCBC Plaza received the Leadership in Energy and Environmental Design (LEED) for Existing Buildings: Operations and Maintenance (O+M) v3 Gold certification in 2018. RCBC Plaza was granted this distinction due to best practices in energy, indoor air quality, and water consumption that were implemented and monitored, and thus significantly reducing the resources needed to operate the building. Since the major improvements done in 2016, such as replacing the chillers and installing heat exchangers, GHG emissions from electricity use in the common areas decreased by 1,648.76 tons CO_2e (2019 vs 2016 baseline).

Health

Health is a basic human right. However, despite the introduction of social health insurance through the PhilHealth in 1995, still more than 50% of total health spending is still out of pocket. A number of medications are still out of reach to general population.

HI-Eisai serves helps address this by importing medication manufactured by Eisai, a leading global research and development-based pharmaceutical company headquartered in Japan. Eisai's therapeutic areas of focus are neurology and oncology. Flagship products include Fycompa©, an anti-epileptic agent; Halaven© for breast cancer; and Lenvima© for thyroid cancer. Nine other brands include gastro-intestinal, urology, and pain management medications.

HI-Eisai supports Filipino health by offering Patient Access Programs (PAPs) for low-income patients. Qualified patients can purchase their needed medications under a Buy 1-Take 2 program (three pills for the price of one), which ensures that they're able to complete their prescribed medication cycle.

Outlook Search Sharon Fabi SF

New message | Delete | Archive | Junk | Sweep | Move to | Categorize | Snooze

Favorites

Folders

- Inbox 432
- Drafts 80
- Sent Items
- Deleted Items 26
- Junk Email 23
- Archive
- Notes
- Conversation History
- DHC 51
- HelpDesk
- HR and Admin
- ISO Team 9
- Maxicare 50

Focused Other 3 Filter

Other: New conversations
Maxicare Healthcare Corporation; Philippine...

Microsoft Outlook
HOUSE OF INVESTMENTS, INC._... 12:30 PM
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Maria Teresa Bautista; Miriam Jugado
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Ma. Vanessa Reyes !

HOUSE OF INVESTMENTS, INC._2020 Audited Parent FS (December 31, 2020)

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Mon 5/17/2021 12:30 PM
To: Sharon Fabi

Dear Customer,

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

Thank you.

SEC ICTD.

Reply | Forward

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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 2020 Audited Financial Statements of the Parent Company for the years ended December 31, 2020, 2019 and 2018. We declare our commitment to submit versions of the exact same submitted documents to Securities and Exchange Commission once the Online Submission Tool (OST) uploading has been enabled.

Thank you.

Respectfully yours,

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

HI
HOUSE OF INVESTMENTS, INC.
A YGC Member
3rd Floor, Grepalife Building, 219 Sen. Gil Puyat Avenue, Makati City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR PARENT COMPANY FINANCIAL STATEMENTS

The management of House of Investments, Inc. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2020, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

HELEN Y. DEE
Chairman of the Board

LORENZO V. TAN
President and Chief Executive Officer

GEMA O. CHENG
EVP - COO/Chief Financial Officer & Treasurer

Signed this 30th day of April, 2021

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Book No. 100
Series of 2021

RUBEN T. M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2021
IBP NO. 142536 /01-04-21 CY 2021
ROLL NO. 28947/ MCLE 6 /3-22-19
PTR NO. MKT. 8533046/1-4-21 APPT NO. M-166

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
House of Investments, Inc.
3rd Floor, Grepalife Building
219 Sen. Gil J. Puyat Avenue
Makati City, Metro Manila

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of House of Investments, Inc. (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2020 and 2019, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the parent company financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

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

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

The supplementary information required under Revenue Regulations No. 15-2010 is presented by management of House of Investments, Inc. in a separate schedule. Revenue Regulations No. 15-2010 requires the information to be presented in the notes to the parent company financial statements. Such information is not a required part of the basic financial statements. The information is also not required by the Revised Securities Regulation Code Rule 68. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

The engagement partner on the audit resulting in this independent auditor's report is Narciso T. Torres, Jr.

SYCIP GORRES VELAYO & CO.

Narciso T. Torres, Jr.
Partner
CPA Certificate No. 84208
SEC Accreditation No. 1511-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 102-099-147
BIR Accreditation No. 08-001998-111-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534374, January 4, 2021, Makati City

April 30, 2021

HOUSE OF INVESTMENTS, INC.

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱457,914,923**	₱268,114,841
Receivables (Note 7)	**508,825,501**	579,845,262
Dividends receivable (Notes 14 and 19)	**83,750,604**	64,929,424
Inventories (Note 8)	**374,247,208**	364,756,343
Prepaid expenses and other current assets (Note 9)	**254,005,392**	454,779,427
Total Current Assets	**1,678,743,628**	1,732,425,297
Noncurrent Assets		
Investments in subsidiaries and associates (Note 10)	**6,409,930,293**	4,403,319,515
Financial asset at fair value through other comprehensive income (FVOCI) [Note 11]	**34,191,970**	31,110,942
Property and equipment (Note 12)		
At revalued amount	**781,550,000**	692,438,160
At cost	**119,144,954**	190,820,906
Right-of-use assets (Note 30)	**161,586,230**	240,742,763
Investment properties - land at cost (Note 13)	**1,980,027**	1,980,027
Computer software (Note 12)	**3,095,474**	4,777,122
Other noncurrent assets	**4,803,574**	6,029,929
Total Noncurrent Assets	**7,516,282,522**	5,571,219,364
TOTAL ASSETS	**₱9,195,026,150**	₱7,303,644,661
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 17)	**₱705,072,687**	₱431,468,234
Loans payable (Note 15)	**2,257,000,000**	645,000,000
Long-term debt - current portion (Note 18)	**–**	100,000,000
Lease liabilities - current portion (Note 30)	**14,037,175**	43,688,254
Total Current Liabilities	**2,976,109,862**	1,220,156,488
Noncurrent Liabilities		
Lease liabilities - net of current portion (Note 30)	**184,133,791**	229,265,555
Retirement liability - net (Note 26)	**51,047,915**	28,898,111
Deferred tax liabilities - net (Note 27)	**111,839,806**	137,888,381
Other noncurrent liabilities (Note 16)	**189,965,242**	157,383,059
Total Noncurrent Liabilities	**536,986,754**	553,435,106
Total Liabilities	**3,513,096,616**	1,773,591,594
Equity		
Capital stock (Note 28)		
Preferred stock	**–**	6,710,402
Common stock (net of cost of treasury stock amounting to ₱2.6 million in 2020 and 2019)	**1,162,540,326**	1,162,540,326
Additional paid-in capital	**154,578,328**	154,578,328
Other comprehensive income (Notes 11, 12 and 26)	**439,674,936**	376,437,207
Retained earnings (Note 32)		
Unappropriated	**1,425,135,944**	1,329,786,804
Appropriated	**2,500,000,000**	2,500,000,000
	3,925,135,944	3,829,786,804
Total Equity	**5,681,929,534**	5,530,053,067
TOTAL LIABILITIES AND EQUITY	**₱9,195,026,150**	₱7,303,644,661

See accompanying Notes to Parent Company Financial Statements.

HOUSE OF INVESTMENTS, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
REVENUE			
Merchandise sales	**₱2,547,078,067**	₱4,098,310,469	₱4,743,609,371
Services	**371,503,993**	617,230,639	624,359,058
Commission	**131,799,262**	128,477,385	126,859,143
Management fees (Note 14)	**97,428,013**	96,625,024	83,908,268
Dealer's income	**48,623,840**	83,041,337	83,109,839
Others	**10,570,869**	18,480,551	27,615,462
	3,207,004,044	5,042,165,405	5,689,461,141
DIVIDEND INCOME (Note 19)	**238,411,315**	354,193,297	326,207,357
COSTS (Notes 8 and 21)			
Merchandise sales	**2,441,534,893**	3,955,858,492	4,538,142,632
Services	**271,432,684**	448,754,658	434,759,732
	2,712,967,577	4,404,613,150	4,972,902,364
GROSS PROFIT	**732,447,782**	991,745,552	1,042,766,134
GENERAL AND ADMINISTRATIVE EXPENSES (Note 22)	**(626,726,381)**	(665,214,267)	(637,353,940)
INTEREST AND FINANCE CHARGES (Notes 15, 18 and 23)	**(63,875,427)**	(70,438,195)	(95,200,675)
OTHER INCOME - Net (Notes 6, 10, 11, 12 and 20)	**48,629,398**	719,801,689	47,716,114
INCOME BEFORE INCOME TAX	**90,475,372**	975,894,779	357,927,633
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)			
Current	**10,790,563**	13,161,474	15,232,174
Deferred	**(51,830,018)**	(2,310,891)	(4,759,778)
	(41,039,455)	10,850,583	10,472,396
NET INCOME	**131,514,827**	965,044,196	347,455,237
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss in subsequent periods:			
Fair value reserve on equity investments at FVOCI (Note 11)	**3,081,028**	(2,647,983)	(677,592)
Revaluation increment on land (Note 12)	**89,111,840**	42,364,360	21,912,600
Income tax effect	**(26,733,552)**	(12,709,308)	(6,573,780)
Remeasurement loss on retirement (Note 26)	**(3,173,696)**	(40,738,547)	(20,172,944)
Income tax effect	**952,109**	12,221,564	6,051,883
	63,237,729	(1,509,914)	540,167
TOTAL COMPREHENSIVE INCOME	**₱194,752,556**	₱963,534,282	₱347,995,404
EARNINGS PER SHARE (Note 34)			
Basic	**₱0.1693**	₱1.2129	₱0.5239
Diluted	**₱0.1693**	₱1.2129	₱0.4449

See accompanying Notes to Parent Company Financial Statements.

HOUSE OF INVESTMENTS, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	Capital Stock (Note 28)			Other Comprehensive Income				Retained Earnings		
	Preferred Stock	**Common Stock**	**Additional Paid-in Capital**	**Fair value Reserve on Equity Investments at FVOCI** (Note 11)	**Revaluation Increment on Land** (Note 12)	**Remeasurement Gains on Retirement Asset** (Note 26)	**Subtotal**	**Unappropriated** (Note 32)	**Appropriated** (Note 32)	**Total**
Balance at January 1, 2018	**₱253,758,109**	**₱921,836,572**	**₱154,578,328**	**₱21,274,085**	**₱319,877,740**	**₱36,255,129**	**₱377,406,954**	**₱2,645,402,162**	**₱–**	**₱4,062,972,355**
Net income	–	–	–	–	–	–	–	347,455,237	–	347,455,237
Other comprehensive income (loss)	–	–	–	(677,592)	15,338,820	(14,121,061)	540,167	–	–	540,167
Total comprehensive income (loss)	–	–	–	(677,592)	15,338,820	(14,121,061)	540,167	347,455,237	–	347,995,404
Appropriation of retained earnings	–	–	–	–	–	–	–	(2,100,000,000)	2,100,000,000	–
Dividends to common stockholders	–	–	–	–	–	–	–	(40,039,748)	–	(40,039,748)
Dividends to preferred stockholders	–	–	–	–	–	–	–	(24,732,938)	–	(24,732,938)
Redemption of preferred stock	(6,343,953)	–	–	–	–	–	–	–	–	(6,343,953)
Balance at December 31, 2018,	**247,414,156**	**921,836,572**	**154,578,328**	**20,596,493**	**335,216,560**	**22,134,068**	**377,947,121**	**828,084,713**	**2,100,000,000**	**4,629,860,890**
Net income	–	–	–	–	–	–	–	965,044,196	–	965,044,196
Other comprehensive income (loss)	–	–	–	(2,647,983)	29,655,052	(28,516,983)	(1,509,914)	–	–	(1,509,914)
Total comprehensive income (loss)	–	–	–	(2,647,983)	29,655,052	(28,516,983)	(1,509,914)	965,044,196	–	963,534,282
Appropriation of retained earnings	–	–	–	–	–	–	–	(400,000,000)	400,000,000	
Dividends to common stockholders	–	–	–	–	–	–	–	(40,039,747)	–	(40,039,747)
Dividends to preferred stockholders	–	–	–	–	–	–	–	(23,302,358)	–	(23,302,358)
Redemption of preferred stock	(240,703,754)	240,703,754	–	–	–	–	–	–	–	–
Balance at December 31, 2019	**6,710,402**	**1,162,540,326**	**154,578,328**	**17,948,510**	**364,871,612**	**(6,382,915)**	**376,437,207**	**1,329,786,804**	**2,500,000,000**	**5,530,053,067**
Net income	–	–	–	–	–	–	–	131,514,827	–	131,514,827
Other comprehensive income (loss)	–	–	–	3,081,029	62,378,288	(2,221,588)	63,237,729	–	–	63,237,729
Total comprehensive income (loss)	–	–	–	3,081,029	62,378,288	(2,221,588)	63,237,729	131,514,827	–	194,752,556
Derecognition of plan assets	–	–	–	–	–	–	–	(36,079,158)	–	(36,079,158)
Dividends to common stockholders	–	–	–	–	–	–	–	(86,529)	–	(86,529)
Redemption of preferred stock	(6,710,402)	–	–	–	–	–	–	–	–	(6,710,402)
Balance at December 31, 2020	**₱–**	**₱1,162,540,326**	**₱154,578,328**	**₱21,029,539**	**₱427,249,900**	**(₱8,604,503)**	**₱439,674,936**	**₱1,425,135,944**	**₱2,500,000,000**	**₱5,681,929,534**

See accompanying Notes to Parent Company Financial Statements.

HOUSE OF INVESTMENTS, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱90,475,372**	₱975,894,779	₱357,927,633
Adjustments for:			
Depreciation and amortization (Notes 12, 22 and 25)	**121,338,429**	95,993,457	46,743,788
Interest and finance charges (Notes 15, 18 and 23)	**63,875,426**	70,438,195	95,213,575
Movements in net retirement liability	**18,976,107**	(9,267,226)	2,388,233
Provision for inventory obsolescence	**4,956,106**	–	–
Unrealized foreign exchange loss (gain) - net	**3,544,526**	(679)	(47,014)
Impairment loss on:			
Investment property (Note 13)	**–**	–	1,800,309
Investment in associate (Note 10)	**–**	–	58,218
Interest income (Note 20)	**(4,479,834)**	(4,338,680)	(2,528,442)
Gain on sale of: (Note 20)			
Property and equipment (Note 12)	**(5,609,170)**	(3,113,527)	(9,681,321)
Investment in subsidiaries and associates (Note 10)	**–**	(695,205,862)	–
Dividend income (Note 19)	**(238,411,315)**	(354,193,297)	(326,207,357)
Operating income before working capital changes	**54,665,647**	76,207,160	165,667,622
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**71,019,761**	25,425,266	548,466,364
Inventories	**(14,446,971)**	332,312,464	(335,327,093)
Prepaid expenses and other current assets	**227,729,253**	41,338,681	34,731,227
Increase (decrease) in accounts payable and other current liabilities	**84,214,711**	(78,869,675)	(44,094,832)
Net cash generated from operations	**423,182,401**	396,413,896	369,443,288
Interest received	**4,479,834**	4,338,680	2,528,442
Income tax paid, including applied creditable withholding taxes	**(37,745,770)**	(36,291,066)	(94,750,871)
Interest and finance charges paid	**(44,331,183)**	(54,724,719)	(87,802,972)
Deposits refunded from a related party (Note 14)	**–**	–	(300,000,000)
Net cash flows provided by (used in) operating activities	**345,585,282**	309,736,791	(110,582,113)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received	**219,590,135**	364,631,173	352,755,505
Proceeds from sale of:			
Property and equipment (Note 12)	**6,982,116**	7,781,856	1,000,178,600
Investment in subsidiaries and associates	**–**	784,796,831	–
AFS securities (Note 11)	**–**	–	37,500
Acquisition of:			
AFS securities (Note 11)	**–**	–	(503,609)
Computer software (Note 12)	**(2,001,653)**	(2,790,631)	(6,234,798)
Property and equipment (Note 12)	**(19,130,782)**	(57,093,116)	(59,824,131)
Decrease (increase) in other noncurrent asset	**1,226,346**	(1,030,332)	(2,724,157)
Additional investments in subsidiaries and associates (Note 10)	**(2,006,610,778)**	(123,777,908)	(332,339,397)
Earnest money paid (Notes 9 and 14)	**–**	(250,000,000)	–
Net cash flows provided by (used in) investing activities	**(1,799,944,616)**	722,517,873	951,345,513

(Forward)

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans payable (Note 15)	**₱4,621,700,000**	₱440,000,000	₱2,089,000,000
Payments of:			
Dividends (Note 17)	**(86,529)**	(64,794,639)	(62,789,988)
Redemption of preferred shares (Note 28)	**(6,710,402)**	–	(6,343,953)
Leases (Note 30)	**(20,775,841)**	(63,156,324)	–
Long-term debt (Note 18)	**(100,000,000)**	(100,000,000)	(1,269,084,250)
Loans payable (Note 15)	**(3,009,700,000)**	(1,219,000,000)	(1,780,000,000)
Receipts (disbursements) from related party transactions	**163,276,714**	2,845,459	(35,796,188)
Net cash flows provided by (used in) financing activities	**1,647,703,942**	(1,004,105,504)	(1,065,014,379)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(3,544,526)**	679	47,014
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**189,800,082**	28,149,839	(224,203,965)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**268,114,841**	239,965,002	464,168,967
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱457,914,923**	₱268,114,841	₱239,965,002

See accompanying Notes to Parent Company Financial Statements.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information and Authorization for Issuance of Parent Company Financial Statements

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.

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

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, 2021, the Philippine Securities and Exchange Commission (SEC) 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.

Authorization for Issuance of Parent Company Financial Statements

The parent company financial statements were approved for issuance and filing by the Board of Directors on April 30, 2021.

2. Basis of Preparation and Statement of Compliance

The parent company financial statements have been prepared under the historical cost basis, except for financial asset at fair value through other comprehensive income (FVOCI) which have been measured at fair value and land classified as property and equipment which have been measured using the revaluation method. The parent company financial statements are presented in Philippine Peso (₱), 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 parent company financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

The parent company financial statements are the Parent Company's separate financial statements prepared in compliance with PAS 27, *Separate Financial Statements*. These parent company financial statements are prepared for submission to the Philippine Bureau of Internal Revenue (BIR). The Parent Company also prepares and issues consolidated financial statements for the same period as the separate financial statements in accordance with PFRSs. These may be obtained at the SEC Head Office, PICC, Roxas Boulevard, Pasay City or at the Parent Company's registered office address.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Parent Company has adopted the following new accounting pronouncements starting January 1, 2020. Adoption of these pronouncements did not have any significant impact on the parent company financial statements unless otherwise indicated.

The Parent Company did not early adopt any other standard, interpretation or amendment that has been issued but is not yet effective. The adoption of these pronouncements does not have a significant impact on the parent company financial statements unless otherwise indicated.

- Amendments to PFRS 3, *Business Combinations, 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.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- 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.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  The amendments were early adopted by the Parent Company beginning July 1, 2020 and properly reflected in the parent company financial statements as at December 31, 2020.

  The Parent Company as a lessee accounted for COVID-19 related lease concessions (e.g. rent holidays) as negative variable lease expense in the period when changes in facts and circumstances on which the variable lease payments are based occur (Note 30). The amendments did not significantly impact the parent company financial statements as at December 31, 2020.

New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2020

Pronouncements issued but not yet effective are listed below. The Parent Company intends to adopt the following pronouncements when they become effective. The adoption of these pronouncements is not expected to have a significant impact on the parent company financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2021

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

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Parent Company shall also disclose information about:

  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Parent Company is not required to restate prior periods. The Parent Company is still assessing the impact of the amendments to the parent company financial statements.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. The Parent Company is still assessing the impact of the amendments to the parent company financial statements.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

  The amendments are not expected to have a material impact on the Parent Company.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Parent Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments are not expected to have a material impact on the Parent Company.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Parent Company.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Parent Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Parent Company. The Parent Company is still assessing the impact of the amendments to the parent company financial statements.

    Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

    An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Parent Company.

<u>Effective beginning on or after January 1, 2023</u>

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period

- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Parent Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- 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. The amendments are not expected to have a material impact on the Parent Company.

Deferred Effectivity

- Amendments to PFRS 10 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, *Business Combinations*. 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 - ***Company as a lessee***

The Parent Company 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.

Company as a lessee
The Parent Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Parent Company 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 Parent Company 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 less any lease 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 of store spaces and warehouses between 2 to 20 years.

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 Parent Company 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 Parent Company and payments of penalties for terminating a lease, if the lease term reflects the Parent Company 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 Parent Company 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 Parent Company applies the short-term lease recognition exemption to its short-term leases of office space and office 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.

Leases - *Company as a lessor*

Leases in which the Parent Company 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.

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

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

Financial Assets
Initial Recognition and Measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them. The Parent Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or which the Parent Company has applied practical expedient 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 FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Parent Company'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 a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Parent Company commits to purchase or sell the asset.

Subsequent Measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The Parent Company's financial assets as of December 31, 2020 and 2019 are of the nature of financial assets at amortized cost and FVOCI. The Parent Company has no financial assets at FVTPL as of December 31, 2020 and 2019.

Financial Assets at Amortized Cost (Debt Instruments)
This category is the most relevant to the Parent Company. The Parent Company 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 EIR method and are subject to impairment. Gains and losses are recognized in the statement of comprehensive income when the asset is derecognized, modified or impaired. As of December 31, 2020 and 2019, the Parent Company's financial assets at amortized cost include Cash and cash equivalent, Receivables, Dividends receivable and Financial assets at FVOCI.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Parent Company 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 parent company statement of income when the right of payment has been established, except when the Parent Company 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 Parent Company elected to classify irrevocably all its equity investments under this category.

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

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

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

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

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

Impairment of Financial Assets
The Parent Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company 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 which there has not been a significant increase in credit risk since initial recognition, ECL is 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 timing of the default (a lifetime ECL).

For cash and cash equivalents, the Parent Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Parent Company's policy to measure ECL on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. The Parent Company uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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

The key inputs in the model include the Parent Company's definition of default and historical data of three years of the origination, maturity date and default date. The Parent Company considers receivables in default when contractual payments are 90 days past due. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal and external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company.

The other financial instruments such as dividends receivable and refundable deposits, the Parent Company applies the general approach. Therefore, the Parent Company track changes in credit risk at every reporting date.

The Parent Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

Subsequent Measurement

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

Loans and Borrowings

This is the category most relevant to the Parent Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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 statement of comprehensive income.

This category generally applies to interest-bearing loans and borrowings.

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

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

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

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

The Parent Company's other financial liabilities include "Accounts payable and other current liabilities", "Loans payable", "Long-term debt", "Lease liabilities" and "Other noncurrent liabilities".

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Cost of inventories is generally determined primarily using the moving-average method, except for automotive units of the car dealerships, which are accounted for using the specific identification method. 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.

Prepaid Expenses and Other Current Assets
Prepaid expenses and other current assets pertain to other resources controlled by the Parent Company as a result of past events and from which future economic benefits are expected to flow to the Parent Company within the financial reporting date.

Investments in Subsidiaries and Associates
Investments in shares of stock of the subsidiaries and associates are carried at cost less accumulated impairment losses, if any.

Subsidiaries are entities controlled by the Parent Company. 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.

The Parent Company's subsidiaries as of December 31, 2020 and 2019 are as follows:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership			
				2020		2019	
				Direct	Indirect	Direct	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	–
San Lorenzo Ruiz Investment Holdings and Services Inc. (formerly San Lorenzo Ruiz Institute of Health Sciences, Inc.; SLRHSI) [(a)]	Philippines	Holding company	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)	Philippines	Memorial services	Philippine Peso	50.00	13.00	50.00	13.00
EEI Corporation (EEI) [(b)]	Philippines	Construction	Philippine Peso	55.34	–	54.65	–
EEI Limited	British Virgin Islands	Holding company	US Dollar	–	100.00	–	100.00
Clear Jewel Investments, Ltd.	British Virgin Islands	Holding company	US Dollar	–	100.00	–	100.00
Nimaridge Investments, 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
JP Systems Asia Inc. (JPSAI)	Philippines	Rental of scaffolding and formworks	Philippine Peso	–	60.00	–	60.00
BiotechJP Corporation	Philippines	Manufacturing food and therapeutic food	Philippine Peso	–	60.00	–	60.00
Learn JP Corp	Philippines	Service for improvement in language proficiency	Philippine Peso	–	60.00	–	60.00
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
Bagumbayan Equipment & Industrial Products, Inc.	Philippines	Consultancy services	Philippine Peso	–	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
EEI Energy Solutions Corporation (EESC) [(c)]	Philippines	Retail electricity supplier	Philippine Peso	–	100.00	–	–
iPeople, inc. (IPO)	Philippines	Education and Information Technology	Philippine Peso	48.18	–	48.18	–
Malayan Education System, Inc. (MESI) (Operating Under the Name of Mapua University)	Philippines	Education and Information Technology	Philippine Peso	–	100.00	–	100.00
Malayan Colleges Laguna, Inc., A Mapua School (MCLI)	Philippines	Education and Information Technology	Philippine Peso	–	100.00	–	100.00
Malayan Colleges Mindanao (A Mapua School), Inc. (MCMI)	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
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
Mapua Techpower Inc.	Philippines	Consultancy	Philippine Peso	–	75.00	–	75.00

(Forward)

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership 2020 Direct	2020 Indirect	2019 Direct	2019 Indirect
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
Affordable Private Education Center, Inc doing business under the name of APEC Schools (APEC)	Philippines	Education and Information Technology	Philippine Peso	–	**100.00**	–	100.00
National Teachers College doing business under the name/s and style/s of The National Teachers College	Philippines	Education and Information Technology	Philippine Peso	–	**99.79**	–	99.79
University of Nueva Caceres	Philippines	Education and Information Technology	Philippine Peso	–	**83.62**	–	83.62
AC College of Enterprise and Technology, Inc	Philippines	Education and Information Technology	Philippine Peso	–	**100.00**	–	100.00
LINC Institite, Inc doing business under the Name and Style of LINC Academy	Philippines	Education and Information Technology	Philippine Peso	–	**100.00**	–	100.00

(a) Acquired from IPO in December 2020
(b) Purchased additional shares in February 2020
(c) On February 14, 2020, EESC was incorporated as a wholly owned subsidiary of EPC. EESC is engaged in the business of a retail electricity supplier pursuant to Republic Act (RA) No. 9136, otherwise known as Electric Power Industry Reform Act of 2001. EESC's financial reporting period is December 31

An associate is an entity over which the Parent Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Parent Company's associates as of December 31, 2020 and 2019 are as follows:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership 2020	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**	29.10
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

Details of investment in subsidiaries and associates are disclosed further in Note 10.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value, except for land which is carried at revalued amount based on the latest appraisal conducted by an independent firm of appraisers. The appraisal increment resulting from the revaluation is treated as a separate component in the Parent Company's equity.

The initial cost of property and equipment consists of its purchase price, include 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 and amortization are computed using the straight-line method over the estimated useful lives (EUL) of the related assets.

Category	Number of Years
Building and improvements	5 - 25
Transportation equipment	5
Furniture, fixtures and other equipment	3 - 5

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

The useful life and depreciation and amortization method are reviewed periodically to ensure that the period of depreciation and amortization method are consistent with the expected patterns of economic benefit from items of property and equipment.

Land is carried at its revalued amount. The appraised values used for revaluation were determined by an independent appraiser accredited by the Philippine SEC.

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

The appraisal increment (net of deferred tax) resulting from the revaluation is credited to the “Revaluation Increment on Land” account under the equity section of the parent company statement of financial position.

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

Minor repairs and maintenance costs are charged as part of current operations 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 parent company statement of comprehensive income.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising 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 parent company statement of comprehensive income in the year the asset is derecognized.

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

Investment Properties
Investment properties are stated at cost, 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 derecognized when either they 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 parent company statement of comprehensive income in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying amount of the investment property transferred at the date of change in use. If owner-occupied property becomes an investment property, the Parent Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

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.

For a transfer from owner-occupied property to investment property, the deemed cost for subsequent accounting is the fair value at the date of change in use. Upon transfer of an asset accounted for under revaluation model to asset accounted for under cost model, any revaluation reserve relating to such particular asset is transferred to retained earnings.

Depreciation is computed using the straight-line method, except land.

Compute Software
Compute software are stated at cost less accumulated amortization and any impairment in value. Costs related to software purchased by the Parent Company 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 Parent Company 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 subsidiaries and associates, property and equipment, investment properties and computer software, the Parent Company assesses at the end of each financial 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 Parent Company 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 end of the financial 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 and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement comprehensive of income.

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

Capital Stock

Capital stock is measured at par value for all shares issued. When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Treasury Stock

When the Parent Company purchases its own shares of capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity until the shares are cancelled or reissued 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.

Additional Paid-in Capital

Additional paid-in capital represents the portion of the paid in capital in excess over the par or stated value.

Retained Earnings

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

Revenue Recognition

The Parent Company primarily derives its revenue from sales of vehicles, parts and accessories and services. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customers at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those goods and services. The Parent Company 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 merchandise sales
Revenue from sale of vehicles, parts and accessories is recognized at the point in time when the control of the asset is transferred to the customer. Revenue from sale of vehicles also includes revenue from the registration services and other free deliverables provided by the Parent Company.

The Parent Company has assessed that the registration services and other freebies included in the sale of vehicle are a separate performance obligation to which a portion of the transaction price needs to be allocated. The Parent Company allocates the transaction price of multiple performance obligation identified in one contract based on a relative stand-alone selling price of each of promised goods or services.

The Parent Company has generally concluded that it is principal in its revenue arrangements, except for its obligation to provide registration service and other freebies wherein the Parent Company's role is only to arrange for another entity to provide the services. In addition, Parent Company is also not primarily responsible for fulfilling the promised services and has no discretion in establishing the price.

A contract liability is the obligation to transfer goods or services to a customer for which the Parent Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Parent Company transfer goods or services to a customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Parent Company performed under the contract.

Revenue from sales of services
Revenue from services and others include vehicle repairs, rust proofing and incentives from insurance. Revenue from sales of services are recognized overtime and payment is generally due upon completion of the units and acceptance of the customers.

<u>Other Revenue and Income Recognition</u>
Dividend income
Dividend income is recognized when the Parent Company's right to receive the payment is established.

Rent income
Rent income is accounted on a straight-line basis over the lease term.

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

<u>Cost and Expenses</u>
The Parent Company's costs and expenses are those that arise in the course of the ordinary operations of the Parent Company. The following specific recognition criteria must also be met before costs and expenses are recognized.

Cost of sales and services
This includes costs associated with specific sale of goods and services. Such costs are recognized when the related income have been recognized.

General and administrative expenses
The Parent Company's general and administrative expenses constitute costs of administering the business. General and administrative expenses are recognized as incurred.

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

The cost of providing benefits under the pension plans is actuarially determined using the projected unit credit method.

Pension expenses comprise the following:
a) Service cost
b) Net interest on the net pension liability or asset
c) Remeasurements of net pension 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 in profit or loss on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the Parent Company recognizes related restructuring costs

These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net pension liability or asset is the change during the period in the net pension 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 pension liability or asset. Net interest on the net pension 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 Parent Company, nor can they be paid directly to the Parent Company. 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). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Income Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and 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 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, associates, and interests in joint ventures. With respect to investments in foreign subsidiaries, associates and interest in joint ventures, 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 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 directly recorded in the equity or other comprehensive income is recognized in other comprehensive income and not in the Parent Company statement of comprehensive income.

Deferred tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current 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 Parent Company 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 attributable to ordinary equity holders of the Parent Company to reflect any changes from dilutive potential shares divided 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 and adjusted for the effects of all dilutive potential common stock.

The calculation of diluted EPS does not assume conversion, redemption, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share. Potential ordinary shares are antidilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share. As there are no potential dilutive ordinary shares, basic and diluted EPS are stated at the same amount.

Segment Reporting
The Parent Company's operating businesses 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 operating segments is presented in Note 33.

Provisions
Provisions are recognized when: (a) the Parent Company 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 parent company 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 parent company financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Financial Reporting Date
Post year-end events that provide additional information about the Parent Company's situation at the end of the financial reporting date (adjusting events) are reflected in the parent company financial statements, if any. Any post year-end events that are non-adjusting events are disclosed on the parent company financial statements when material.

5. Significant Accounting Judgments and Estimates

The preparation of the parent company financial statements in compliance with PFRSs requires the Parent Company to make judgments and estimates 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 parent company 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
In the process of applying the Parent Company's accounting policies, management has made the following judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the parent company financial statements:

Determining control over an entity in which Parent Company holds less than majority of voting rights
The Parent Company has determined that it is still the largest stockholder of IPO with 48.18% equity interest and continues to have control over IPO by virtue of the its power to nominate majority of the members of the BOD of IPO thereby exercising control and supervision on IPO's operations as well as financing activities. Accordingly, the Parent Company assessed that IPO continues to be a subsidiary even though it owns less than 50% equity interest over IPO after the merger.

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.

As of December 31, 2020 and 2019, 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%.

Determination of lease term of contracts with renewal option - Company as a lessee
The Company has a lease contract that include renewal option. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company 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.

The Company included the renewal period as part of the lease term as it assessed that it is reasonably certain to exercise its option to renew the lease (Note 30).

Revenue from contracts with customers: Timing of satisfaction of customization of vehicle
The Parent Company concluded that revenue for the sales of trucks undergoing customization is to be recognized at a point in time (i.e., delivery of the customized unit to the customer) since most of the customization done is not highly customized and therefore still has an alternative use for the Parent Company.

Distinguishing investment property from owner-occupied property
The Parent Company distinguishes between investment property, owner-occupied property and property held for sale in the ordinary course of business based on the actual use of the property (i.e. earn rentals or for capital appreciation, owner-occupation or commencement of development with a view to sale).

Estimates
Leases - Estimating the Incremental Borrowing Rate (IBR)
The Parent Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Parent Company 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 Parent Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the functional currency). The Parent Company 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 credit rating).

As of December 31, 2020 and 2019, the Parent Company's lease liabilities amounted to ₱198.17 million and ₱272.95 million, respectively (Note 30).

Estimating allowance for expected credit losses
Upon adoption of PFRS 9, allowance for expected credit losses is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on the Parent Company's historical credit loss experience and forward-looking factors specific to the debtors and the economic environment that may affect collectability. The Parent Company applies the simplified approach designed to identify potential charges to the allowance and is performed on a continuous basis throughout the period.

The collective assessment would require the Parent Company to group its receivables based on the credit risk characteristics of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile.

The methods and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

As of December 31, 2020 and 2019, allowance for expected credit losses amounted to ₱80.7 million and ₱82.4 million, respectively. As of December 31, 2020 and 2019, the carrying values of receivables amounted to ₱508.8 million and ₱579.8 million, respectively (Note 7).

Valuation of land under revaluation basis
The Parent Company'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. The estimate of fair value of land carried at revalued amounts considered the effects of COVID-19 in its net selling price by adjustments made to external factors, and these were not accounted for separately.

Land carried under revaluation basis amounted to ₱781.55 million and ₱692.44 million as of December 31, 2020 and 2019, respectively. The key assumptions used to determine the fair value of the parcels of land are disclosed in Note 12.

Estimation of retirement liability
The determination of cost of retirement is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions are discussed in Note 26, and include, among others, discount rates and salary increase rates.

As of December 31, 2020 and 2019, the retirement liability amounted to ₱51.0 million and ₱28.9 million, respectively (Note 26).

Realizability of deferred tax assets
The Parent Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces their carrying amounts 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.

Details of recognized and unrecognized deferred tax assets are disclosed further in Note 27.

6. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	**₱258,078**	₱327,000
Cash in banks	**230,560,190**	62,311,179
Short-term investments	**227,096,655**	205,476,662
	₱457,914,923	₱268,114,841

Cash in banks earns interest at the prevailing bank deposit rates. Short-term investments are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Parent Company, and earns interest with annual rates ranging from 2.7% to 6.1% and 0.5% to 2.5% in 2020 and 2019, respectively.

Interest income from cash in banks and short-term investments amounted to ₱3.2 million, ₱4.1 million, and ₱2.2 million in 2020, 2019, and 2018, respectively (Note 20).

There is no restriction on the Parent Company's cash and cash equivalents as of December 31, 2020 and 2019.

7. Receivables

This account consists of:

	2020	2019
Trade receivables:		
Vehicles	**₱288,361,367**	₱395,328,504
Service	**36,862,364**	34,851,191
Parts	**14,668,917**	12,384,921
Others	**7,131,917**	15,306,536
	347,024,565	457,871,152
Due from related parties (Note 14)	**92,265,637**	23,301,453
Advances to officers and employees	**38,701,918**	40,781,117
Receivables from plant	**30,470,674**	51,856,823
Advances to suppliers	**19,341,497**	13,137,280
Accrued referral incentive	**17,817,943**	29,334,923
Insurance receivable	**3,760,528**	7,366,028
Other receivables	**40,114,140**	38,565,552
	589,496,902	662,214,328
Less allowance for expected credit losses	**80,671,401**	82,369,066
	₱508,825,501	₱579,845,262

Trade receivables are noninterest-bearing and are generally on thirty (30)-day term.

Amounts due from subsidiaries, associates and other related parties represent mainly interest-bearing advances for working capital requirements and share in common overhead expenses. The Parent Company receives management fees from subsidiaries and associates, primarily for the latter's share in the costs of the internal audit, treasury and accounting departments. Due from related parties are collectible within one (1) year in the normal course of Parent Company's business.

Advances to officers and employees mainly pertain to interest-bearing advances and loans made by officers and employees. Annual interest is 6.0% and shall be liquidated on a monthly basis through salary deduction and therefore collectible within one (1) year.

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 one (1) year in the normal course of Parent Company's business.

Advances to suppliers pertain to the advances made to contractors and suppliers for the construction of car dealership store. Advances made will be applied as payment to payables.

Accrued referral incentive pertains to income from accredited bank institutions earned by the Parent Company through referrals made to customers who obtained bank financing in the acquisition of vehicles.

Insurance receivable pertains to receivable from customers for the advance payment of car insurance made by the Parent Company in behalf of the customer.

The movements in allowance for expected credit losses on receivables for the years ended December 31 follow:

	2020				
	Trade Receivables			**Receivables**	
	Service	**Parts**	**Others**	**from plant**	**Total**
Balance at beginning of year	**₱14,360,759**	**₱1,590,330**	**₱49,080,214**	**₱17,337,763**	**₱82,369,066**
Adjustments (Note 22)	**(1,697,665)**	**–**	**–**	**–**	**(1,697,665)**
Balance at end of year	**₱12,663,094**	**₱1,590,330**	**₱49,080,214**	**₱17,337,763**	**₱80,671,401**

	2019				
	Trade Receivables			Receivables	
	Service	Parts	Others	from plant	Total
Balance at beginning of year	₱14,360,759	₱1,590,330	₱70,113,572	₱17,337,763	₱103,402,424
Adjustments (Note 22)	–	–	(21,033,358)	–	(21,033,358)
Balance at end of year	₱14,360,759	₱1,590,330	₱49,080,214	₱17,337,763	₱82,369,066

No receivables were pledged as security to obligations as of December 31, 2020 and 2019.

8. Inventories

This account consists of:

	2020	2019
Automotive units (Note 21)	**₱298,512,469**	₱281,803,728
Parts, accessories and materials	**99,832,002**	102,093,772
	398,344,471	383,897,500
Less allowance for inventory obsolescence	**24,097,263**	19,141,157
	₱374,247,208	₱364,756,343

The Parent Company recognized inventory write-down whenever the net realizable value (NRV) of the existing inventories are lower than its cost. As of December 31, 2020 and 2019, all items of inventories are carried at cost.

The cost of inventories sold for the years ended December 31, 2020, 2019 and 2018 amounted to ₱2,441.5 million, ₱3,955.9 million, and, ₱4,538.1 million, respectively (Note 21).

The Parent Company provided additional provision and recovery for inventory obsolescence in 2020 and 2018 amounting to ₱4.96 million and ₱0.8 million, respectively. There was no provision made in 2019.

The Parent Company has no items of inventories which were used as security to its obligations as of December 31, 2020 and 2019.

9. Prepaid Expenses and Other Current Assets

This account consists of:

	2020	2019
Creditable withholding taxes (CWT)	**₱182,540,897**	₱163,012,441
Input value-added taxes (VAT)	**45,029,670**	17,245,759
Prepaid expenses	**17,909,545**	16,372,440
Office supplies	**1,938,328**	1,676,861
Earnest money	–	250,000,000
Others	**6,586,951**	6,471,926
	₱254,005,391	₱454,779,427

Creditable Withholding Tax pertains to the tax withheld at source by the Parent Company's customer and is creditable against the income tax liability of the Parent Company.

Input VAT will be used against future output VAT liabilities or will be claimed as tax credits.

In 2019, earnest money refers to the Parent Company's exclusive interest to purchase shares of stock of a subsidiary (Note 14). In 2020, the Parent Company applied the ₱250.0 million earnest money previously paid upon purchase of share of SLRHSI (Note 10).

10. Investments in Subsidiaries and Associates

This account consists of:

	2020	2019
Balance at beginning of year	**₱4,569,409,940**	₱4,535,223,001
Acquisition	**2,006,610,778**	123,777,908
Disposal	**–**	(89,590,969)
Balance at end of year	**6,576,020,718**	4,569,409,940
Less allowance for impairment losses	**166,090,425**	166,090,425
	₱6,409,930,293	₱4,403,319,515

In December 2020, the Parent Company purchased 11,012,500 million shares of SLRHSI for ₱1,946.64 million from MESI, making it a wholly owned subsidiary.

In February 2020, the Parent Company purchased additional 7,1000,000 shares of EEI shares for ₱59.97 million resulting to an increase in ownership from 55.45% to 55.34%

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

On April 16 and 30, 2019, the Parent Company 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 Parent Company 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 Parent Company's total effective interest in LFPSI as of December 31, 2019 is 63.00%, including its 13.00% indirect ownership.

In May 2019, the Parent Company sold 281,642 shares or 7% ownership interest in MESI to IPO. Total proceeds from the sale amounted to ₱778.0 million which resulted to a gain of ₱694.9 million.

In July 2019, the Parent Company sold 500,000 shares or 50% ownership interest in ZIFC to various individuals. Total proceeds amounted to ₱6.8 million which resulted to a gain of ₱0.3 million.

There were no movement in allowance for impairment losses for the years ended December 31, 2020 and 2019.

Summarized financial information of PERC, RRC, MMPCI and SGAPC, significant associates, are as follows:

		2020		
	PERC	**RRC**	**MMPC**	**SGAPC**
Current assets	**₱2,280,548,560**	**₱1,300,659,947**	**₱1,979,815,795**	**₱1,324,224,000**
Noncurrent assets	**11,124,776,945**	**6,103,556,511**	**1,423,354,365**	**441,728,000**
Total assets	**₱13,405,325,505**	**₱7,404,216,458**	**₱3,403,170,160**	**₱1,765,952,000**
Current liabilities	**₱1,246,228,946**	**₱2,046,199,302**	**₱902,623,638**	**₱1,473,896,000**
Noncurrent liabilities	**4,328,178,844**	**2,835,462,778**	**425,226,349**	**214,292,000**
Total liabilities	**₱5,574,407,790**	**₱4,881,662,080**	**₱1,327,849,987**	**₱1,688,188,000**

(Forward)

	2020			
	PERC	**RRC**	**MMPC**	**SGAPC**
Revenue	**₱2,332,491,072**	**₱2,733,186,478**	**₱856,211,859**	**₱2,220,590,000**
Cost	**(1,179,414,808)**	**–**	**(112,338,583)**	**(1,971,317,000)**
Gross margin	**1,153,076,264**	**2,733,186,478**	**743,873,276**	**249,273,000**
General and administrative, and other expenses	**(211,402,211)**	**(883,285,822)**	**(303,225,293)**	**(341,054,000)**
Pre-tax income	**₱941,674,053**	**₱1,849,900,656**	**₱440,647,983**	**(₱91,781,000)**

	2019			
	PERC	RRC	MMPC	SGAPC
Current assets	₱2,149,989,617	₱1,317,975,644	₱1,729,837,749	₱269,825,596
Noncurrent assets	11,204,372,473	6,170,021,024	1,384,035,508	506,798,361
Total assets	₱13,354,362,090	₱7,487,996,668	₱3,113,873,257	₱776,623,957
Current liabilities	₱1,572,837,215	₱2,011,476,243	₱831,596,729	₱381,732,904
Noncurrent liabilities	4,517,937,899	3,322,405,448	437,648,210	224,458,423
Total liabilities	₱6,090,775,114	₱5,333,881,691	₱1,269,244,939	₱606,191,327
Revenue	₱2,122,164,731	₱2,851,308,869	₱1,648,960,759	₱113,672,556
Cost	(1,106,176,697)	–	(159,174,589)	(96,040,496)
Gross margin	1,015,988,034	2,851,308,869	1,489,786,170	17,632,060
General and administrative, and other expenses	(471,118,128)	(924,736,430)	(901,859,378)	(20,073,446)
Pre-tax income	₱544,869,906	₱1,926,572,439	₱587,926,792	(₱2,441,386)

Other relevant financial information of PERC are as follows:

	2020	2019
Cash and cash equivalents	**₱1,267,332,044**	₱1,066,698,077
Current financial liabilities *	**870,673,420**	1,216,530,061
Noncurrent financial liabilities *	**4,192,981,639**	4,421,138,351
Depreciation and amortization	**524,500,435**	481,425,080
Interest income	**18,362,302**	44,025,392
Interest expense	**386,788,348**	409,690,469

**Excluding trade and other payables and provisions*

Other relevant financial information of RRC are as follows:

	2020	2019
Cash and cash equivalents	**₱968,680,271**	₱993,625,880
Current financial liabilities *	**994,389,407**	1,084,26,551
Noncurrent financial liabilities *	**2,835,462,778**	3,322,405,448
Depreciation and amortization	**181,476,361**	195,496,683
Interest income	**58,110,467**	48,549,717
Interest expense	**(252,078,899)**	(274,642,995)

**Excluding trade and other payables and provisions*

Other relevant financial information of MMPC are as follows:

	2020	2019
Cash and cash equivalents	**₱216,283,088**	₱81,751,894
Current financial liabilities *	**25,266,411**	21,815,222
Noncurrent financial liabilities *	**425,226,349**	437,648,210
Depreciation and amortization	**40,794,840**	40,300,480
Interest income	**152,536,077**	125,682,782
Interest expense	**6,345,593**	9,217,411

**Excluding trade and other payables and provisions*

Other relevant financial information of SGAPC are as follows:

	2020	2019
Cash and cash equivalents	**₱350,025,000**	₱75,363,491
Current financial liabilities *	**501,424,000**	36,988,932
Noncurrent financial liabilities *	**214,292,000**	224,458,423
Interest income	**337,923**	25,997

**Excluding trade and other payables and provisions*

11. Equity Investments at FVOCI

This account consists of:

	2020	2019
Quoted	**₱26,101,568**	₱23,030,566
Unquoted	**8,090,402**	8,080,376
	₱34,191,970	₱31,110,942

The rollforward of equity investment at FVOCI for the years ended December 31 follows:

	2020	2019
Balance at beginning of year	**₱31,110,942**	₱33,758,925
Fair value changes	**3,081,028**	(2,647,983)
Balance at end of year	**₱34,191,970**	₱31,110,942

Presented below are the movements in net accumulated unrealized gain on equity investment at FVOCI for the years ended December 31:

	2020	2019	2018
Balance at beginning of year	**₱17,948,510**	₱20,596,493	₱78,403,315
Effect of adoption of PFRS 9	**–**	–	(57,129,230)
Fair value changes taken to other comprehensive income	**3,081,028**	(2,647,983)	(677,592)
Balance at end of year	**₱21,029,538**	₱17,948,510	₱20,596,493

The unquoted securities consist of non-listed shares amounting to ₱8,090,402 as of December 31, 2020 and 2019.

The Parent Company elected to present changes of all its equity investment in OCI because it does not intend to trade these investments.

12. Property and Equipment and Computer Software

Property and Equipment

Property and equipment at revalued amount

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

Movements in land carried at revalued amounts for the years ended December 31 are as follows:

	2020	2019
Land at cost:		
Balance at beginning and end of year	**₱171,193,000**	₱171,193,000
Revaluation increment on land:		
Balance at beginning of year	**521,245,160**	478,880,800
Additions	**89,111,840**	42,364,360
Balance at end of the year	**610,357,000**	521,245,160
	₱781,550,000	₱692,438,160

As of December 31, 2020 and 2019, the appraised value of the land in Quezon City was determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on size, shape and terrain and location, among others. The significant unobservable valuation input is the price per square meter, which is ₱107,000 per square meter for 2020 and ₱94,800 per square meter for 2019 (Level 3 - Significant unobservable inputs). The land was valued in terms of its highest and best use. The valuation was performed by an independent SEC-accredited appraiser as of December 31, 2020.

In 2020, 2019 and 2018, the Parent Company revalued its land based on the appraisals made by SEC accredited independent appraiser. Movements in revaluation increment on land, net of deferred tax effect, for the years ended December 31 follow:

	2020	2019	2018
Balance at beginning of year	**₱364,871,612**	₱335,216,560	₱319,877,740
Revaluation increment	**62,378,288**	29,655,052	15,338,820
Balance at end of year	**₱427,249,900**	₱364,871,612	₱335,216,560

Property and equipment at cost

The rollforward analysis of property and equipment carried at cost follows:

	2020				
	Building and Improvements	**Leasehold Improvements**	**Transportation Equipment**	**Furniture, Fixtures and Other Equipment**	**Total**
Cost					
Balance at beginning of year	**₱541,441,529**	**₱21,955,516**	**₱239,325,859**	**₱151,125,056**	**₱953,847,960**
Additions	**1,455,373**	**1,365,460**	**9,655,507**	**6,654,442**	**19,130,782**
Disposals	**–**	**(718,591)**	**(31,221,640)**	**(2,556,624)**	**(34,496,855)**
Balance at end of year	**542,896,902**	**22,602,385**	**217,759,726**	**155,222,874**	**938,481,887**

(Forward)

	2020				
	Building and Improvements	**Leasehold Improvements**	**Transportation Equipment**	**Furniture, Fixtures and Other Equipment**	**Total**
Accumulated Depreciation and Amortization					
Balances at beginning of year	**₱422,802,936**	**₱10,985,779**	**₱196,292,727**	**₱132,945,612**	**₱763,027,054**
Depreciation and amortization (Notes 22 and 25)	**52,765,086**	**11,590,340**	**16,713,049**	**8,365,313**	**89,433,788**
Disposals	**-**	**-**	**(30,567,285)**	**(2,556,624)**	**(33,123,909)**
Balances at end of year	**475,568,022**	**22,576,119**	**182,438,491**	**138,754,301**	**819,336,933**
Net Book Value	**₱67,328,880**	**₱26,266**	**₱35,321,235**	**₱16,468,573**	**₱119,144,954**

	2019				
	Building and Improvements	Leasehold Improvements	Transportation Equipment	Furniture, Fixtures and Other Equipment	Total
Cost					
Balances at beginning of year	₱517,314,798	₱10,998,506	₱240,323,060	₱139,857,379	₱908,493,743
Additions	2,036,142	10,957,010	10,655,192	11,354,183	35,002,527
Disposals	–	–	(11,652,393)	(86,506)	(11,738,899)
Balances at end of year	519,350,940	21,955,516	239,325,859	151,125,056	931,757,371
Accumulated Depreciation and Amortization					
Balances at beginning of year	406,514,409	10,438,093	185,232,269	126,084,010	728,268,781
Depreciation and amortization (Notes 22 and 25)	16,288,527	547,686	18,092,581	6,900,049	41,828,843
Disposals	–	–	(7,032,123)	(38,447)	(7,070,570)
Balances at end of year	422,802,936	10,985,779	196,292,727	132,945,612	763,027,054
Construction in Progress	22,090,589	–	–	–	22,090,589
Net Book Value	₱118,638,593	₱10,969,737	₱43,033,132	₱18,179,444	₱190,820,906

In 2020, 2019 and 2018, the Parent Company sold property and equipment with carrying values of ₱4.5 million, ₱4.7 million and ₱9.1 million which resulted to gain of ₱5.6 million, ₱3.1 million and ₱9.7 million, respectively (Note 20).

There are no property and equipment items that were pledged as security to liabilities as of December 31, 2020 and 2019.

Computer Software
This account consists of:

	2020	2019
Cost		
Balance at beginning of year	**₱37,769,450**	₱34,978,819
Additions	**2,001,653**	2,790,631
Balance at end of year	**39,771,103**	37,769,450
Accumulated Amortization		
Balance at beginning of year	**32,992,328**	29,221,030
Amortization (Note 22 and 25)	**3,683,301**	3,771,298
Balance at end of year	**36,675,629**	32,992,328
Net Book Value	**₱3,095,474**	₱4,777,122

Depreciation and Amortization
Depreciation and amortization are charged to "General and Administrative Expenses" amounting to ₱121.34 million, ₱95.99 million and ₱46.74 million for the years ended December 31, 2020, 2019 and 2018, respectively (Note 22).

13. Investment Properties

As of December 31, 2020 and 2019, the carrying value of parcels of land held for capital appreciation and classified as investment properties amounted to ₱2.0 million.

As of December 31, 2020, the fair value of parcels of land amounted to ₱19.7 million which was determined based on valuation performed by an independent SEC accredited appraiser in 2020. The fair value of the investment properties was determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences in economic characteristics of the properties (Level 3 - Significant unobservable inputs).

In 2018, provision for impairment loss recognized in the parent company statements of comprehensive income amounted to ₱1.8 million. No provision for impairment loss has been recognized in 2020 and 2019 (Note 22).

14. Related Party Transactions

The transactions and outstanding balances with related parties in 2020 and 2019 consist of the following:

	2020			
Category	Amount/ Transactions	Outstanding Receivable (Payable)	Terms	Conditions
Parent Company – PMMIC				
a. Accounts payable	**₱3,513,176**	**₱3,284,393**	Noninterest-bearing	Unsecured
Miscellaneous expense	**3,513,176**	–	–	–
Subsidiaries				
c. Earnest money paid	**250,000,000**	–	Noninterest-bearing	Unsecured
d. Due from related parties	**92,578,035**	**34,981,356**	Noninterest-bearing	Unsecured, no impairment
Management and audit fee income	**92,578,035**	–	–	–
e. Dividends earned/receivable	**85,290,778**	**69,430,613**	Noninterest-bearing	Unsecured, no impairment
f. Due to related parties	–	**(39,798,078)**	Noninterest-bearing	Unsecured
Extension of advances	**44,703,704**	**(35,415,984)**	Interest at 3.67% rate per annum, principal payable at maturity	Unsecured, Unimpaired
Interest expense	**1,046,924**	–		
Utilities and rent expense	–	**(4,382,094)**	Noninterest-bearing	Unsecured
g. Subscriptions payable	–	**(3,750,000)**	Noninterest-bearing	Unsecured

(Forward)

Category	Amount/ Transactions	Outstanding Receivable (Payable)	Terms	Conditions
	2020			
Associates				
h. Due from related parties	**₱1,854,146**	**₱1,701,510**	Noninterest-bearing	Unsecured, no impairment
Management and audit fee income	**1,854,146**	–	–	–
i. Dividends earned/receivable	**152,759,858**	**14,319,991**	Noninterest-bearing	Unsecured, no impairment
j. Subscriptions payable	–	**(9,375,000)**	Noninterest-bearing	Unsecured
Entities under common control of PMMIC				
k. Cash and cash equivalents	**–**	**462,841,746**	Interest at prevailing bank deposit rate	Unrestricted
Interest income	**3,221,728**	**–**	–	–
Loan payables	**598,000,000**	**564,000,000**	Interest at 3.85% and 4.15% rate per annum, principal payable at maturity	Unsecured, Unimpaired
Interest expense	**1,558,274**	**–**	–	–
l. Accounts receivable - trade	**77,514,000**	**20,823,198**	Noninterest-bearing	Unsecured, no impairment
Vehicle sales	**77,514,000**	**–**		
m. Due from related parties	**2,450,277**	**3,217,844**	Noninterest-bearing	Unsecured, no impairment
Management and audit fee income	**2,450,277**	**–**	–	–
n. Dividends earned/receivable	**306,132**	**–**	Noninterest-bearing	Unsecured, no impairment

Category	Amount/ Transactions	Outstanding Receivable (Payable)	Terms	Conditions
	2019			
Parent Company - PMMIC				
a. Accounts payable	₱989,452	₱357,133	Noninterest-bearing	Unsecured
Miscellaneous expense	989,452	–	–	–
b. Dividends payable	27,868,418	–	Noninterest-bearing	Unsecured
Subsidiaries				
c. Earnest money paid	250,000,000	250,000,000	Noninterest-bearing	Unsecured
d. Due from related parties	87,611,972	8,378,862	Noninterest-bearing	Unsecured, no impairment
Management and audit fee income	87,611,972	–	–	–
e. Dividends earned/receivable	223,702,035	34,928,682	Noninterest-bearing	Unsecured, no impairment
f. Due to related parties	–	(13,356,529)	Noninterest-bearing	Unsecured
Extension of advances	–	9,287,720	Interest at 2.5% rate per annum	Unsecured, Unimpaired
Interest expense	235,418	–	–	–
Rent expenses	–	(4,275,809)	Noninterest-bearing	Unsecured
g. Subscriptions payable	–	(3,750,000)	Noninterest-bearing	Unsecured
Associates				
h. Due from related parties	1,754,937	2,999,038	Noninterest-bearing	Unsecured, no impairment
Management and audit fee income	1,754,937	–	–	–
i. Dividends earned/receivable	129,099,881	29,999,978	Noninterest-bearing	Unsecured, no impairment
j. Subscriptions payable	–	(9,375,000)	Noninterest-bearing	Unsecured

(Forward)

Category	Amount/ Transactions	2019 Outstanding Receivable (Payable)	Terms	Conditions
Entities under common control of PMMIC				
Cash and cash equivalents	₱–	₱259,723,310	Interest at prevailing bank deposit rate	Unrestricted
k. Interest income	4,083,012	–	–	–
Accounts receivable - trade	161,898,000	57,792,955	Noninterest-bearing	Unsecured, no impairment
l. Vehicle sales	161,898,000	–		
Due from related parties	2,857,857	1,535,793	Noninterest-bearing	Unsecured, no impairment
m. Management and audit fee income	2,857,857	–	–	–
n. Dividends earned/receivable	28,999	–	Noninterest-bearing	Unsecured, no impairment

The Parent Company statements of financial position as of December 31, 2020 and 2019 include the following amounts resulting from transactions with related parties:

	2020	2019
Assets:		
Cash and cash equivalents (Note 6)	**₱462,841,746**	₱259,723,310
Trade receivable (Note 7)	**20,823,198**	56,792,955
Dividends receivable	**83,750,604**	64,929,424
Due from related parties (Note 7)	**39,900,711**	13,298,614
Liabilities:		
Accounts payable	**3,284,393**	357,133
Due to related parties (Notes 16 and 17)	**39,798,078**	13,563,529
Subscription payable (Note 16)	**13,125,000**	13,125,000
	₱663,523,730	₱421,789,965

Below are the transactions of Parent Company with related parties as presented on the above tabular schedule:

Parent Company - PMMIC

a. Accounts payable to PMMIC pertains to unpaid expenses to PMMIC which represents shared costs such as legal expenses which are included under “Miscellaneous expense”. Accounts payable to PMMIC as at December 31, 2020 and 2019 amounted to ₱3.3 million and ₱0.4 million, respectively.

b. Dividends declared in 2020 and 2019 by the Parent Company amounted to ₱0.09 million and ₱63.3 million, respectively. Out of the total declared dividends, the amount of outstanding dividends payable to PMMIC as at December 31, 2020 and 2019 amounted to nil.

Subsidiaries

c. In 2020, the Parent Company applied the ₱2.5 million earnest money previously paid upon purchase of share of SLRHSI (Note 10).

   In 2019, the Parent Company paid an earnest money for exclusive interest to purchase shares of stock of a subsidiary (Note 9).

d. Due from related parties consist mainly of unpaid management and audit fee to Parent Company. In 2020 and 2019, management and audit fee from subsidiaries amounted to ₱92.6 million and ₱87.6 million, respectively. Outstanding receivable from subsidiaries as at December 31, 2020 and 2019 amounted to ₱35.0 million and ₱8.4 million, respectively. Management fee income charged to subsidiaries is fixed per month while audit fee income depends on the audit engagement letter agreed by both parties.

e. In 2020 and 2019, dividend income earned from subsidiaries amounted to ₱85.3 million and ₱223.7 million, respectively. Unpaid dividends as at December 31, 2020 and 2019 amounted to ₱69.4 million and ₱34.9 million, respectively.

f. The amount payable by the Parent Company to one of its subsidiaries which is included under "Due to related parties" pertains to advances from a subsidiary and share in common expenses such as utilities and rent. As of December 31, 2020 and 2019, the outstanding payable amounted to ₱39.8 million and ₱3.4 million, respectively. Interest expense incurred on the advances as of December 31, 2020 and 2019 amounted to ₱1.0 million and ₱0.2 million, respectively.

g. Outstanding subscription payable to subsidiaries amounted to ₱3.8 million as at December 31, 2020 and 2019.

<u>Associates</u>

h. In 2020 and 2019, management and audit fee from associates amounted to ₱1.9 million and ₱1.8 million, respectively. Outstanding receivable from associates as at December 31, 2020 and 2019 amounted to ₱1.7 million and ₱3.0 million, respectively. Management fee income charged to associates is fixed per month while audit fee income depends on the audit engagement letter agreed by both parties. Income from these services amounted to ₱97.4 million, ₱96.7 million and ₱83.9 million in 2020, 2019 and 2018, respectively.

i. In 2020 and 2019, dividend income earned from associates amounted to ₱152.8 million and ₱129.1 million, respectively. Dividends receivable as at December 31, 2020 and 2019 amounted to ₱14.3 million and ₱30.0 million, respectively.

j. Outstanding subscriptions payable to an associate amounted to ₱9.4 million as at December 31, 2020 and 2019, respectively.

<u>Entities under common control of PMMIC</u>

k. The Parent Company maintains cash and cash equivalents with RCBC, an affiliated bank. Interest income from these cash and cash equivalents amounted to ₱3.2 million, ₱4.1 million and ₱2.1 million in 2020, 2019 and 2018, respectively.

   In 2020, The Parent Company entered into various loan agreements with RCBC with interest bearing with 3.85% and 4.15% interest per annum, total interest expenses incurred is at ₱1.6 million as of December 31, 2020.

l. The Parent Company sold vehicle units to various entities under common control of PMMIC with terms ranging from 30-60 days. The outstanding receivable from the sale amounted to ₱20.8 million and ₱57.8 million as at December 31, 2020 and 2019, respectively. Revenue from motor vehicle sales amounted to ₱77.5 million, ₱161.9 million and ₱85.4 million in 2020, 2019 and 2018, respectively.

m. In 2020 and 2019, management and audit fee from entities under common control of PMMIC amounted to ₱2.5 million and ₱2.9 million, respectively. Outstanding receivable from common control of PMMIC as at December 31, 2020 and 2019 amounted to ₱3.2 million and ₱1.5 million, respectively. Management fee income charged to entities under common control is fixed per month while audit fee income depends on the audit engagement letter agreed by both parties.

n. Dividend income earned in 2020 and 2019 from entities under common control of PMMIC amounted to ₱0.31 million and ₱0.03 million, respectively.

Others

The remuneration of the members of key management is as follows:

	2020	2019	2018
Compensation and short-term benefits	**₱80,828,296**	₱75,731,620	₱62,544,132

a. The Retirement fund (Fund) of the Parent Company is being maintained and managed, in trust, by an affiliate financial institution, RCBC. The fair value of the Fund as at December 31, 2020 and 2019 amounted to ₱73.6 million and ₱73.4 million, respectively. Trust fee expenses incurred by the Fund in 2020, 2019 and 2018 amounted to ₱0.78 million, ₱0.94 million and ₱0.93 million, respectively (Note 26).

Terms and conditions of transactions with related parties
Outstanding balances at year-end are unsecured, interest-free if paid when due, otherwise, interest bearing, and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Parent Company has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2020 and 2019. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

Identification, review and approval of related party transactions
Material related party transactions (MRPT) refers to any related party transactions, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the Parent Company's total assets based on its latest audited financial statements.

All material related party transactions shall be reviewed by the Parent Company's Corporate Governance Committee and approved by the BOD with at least 2/3 votes of BOD, with at least a majority vote of the independent directors. In case that the vote of a majority of the independent directors is not secured, the material related party transactions may be ratified by the vote of the stockholders representing at least 2/3 of the outstanding capital stock.

15. **Loans Payable**

As of December 31, 2020 and 2019, the Parent Company has unsecured bank loans amounting to ₱2,257.0 million and ₱645.0 million, respectively. These loans have terms of up to three (3) months bearing annual interest rates ranging from 3.50% to 5.25% and 3.1% to 6.0% in 2020 and 2019, respectively.

Rollforward analysis of loans payable as follows:

	2020	2019
Beginning of year	**₱645,000,000**	₱1,424,000,000
Availments	**4,621,700,000**	440,000,000
Payments	**(3,009,700,000)**	(1,219,000,000)
End of year	**₱2,257,000,000**	₱645,000,000

Interest expense incurred on these loans amounted to ₱44.78 million, ₱44.83 million and ₱34.19 million in 2020, 2019 and 2018, respectively (Note 23).

16. Other Noncurrent Liabilities

This account consists of:

	2020	2019
Due to related parties (Note 14)	**₱35,415,984**	₱9,287,720
Dividends payable (Note 17)	**28,797,629**	28,711,769
Subscriptions payable (Note 14)	**13,125,000**	13,125,000
Others	**112,626,629**	106,258,570
	₱189,965,242	₱157,383,059

Subscription payable consists of unpaid subscriptions to shares of stock of the following (Note 14):

	2020	2019
Hi-Eisai Pharmaceutical, Inc.	**₱9,375,000**	₱9,375,000
ZRDC	**3,750,000**	3,750,000
	₱13,125,000	₱13,125,000

17. Accounts Payable and Other Current Liabilities

This account consists of:

	2020	2019
Trade payable	**₱588,506,711**	₱377,189,681
Withholding tax and other payables to government agencies	**98,765,639**	46,220,418
Accrued expenses	**13,418,243**	3,696,466
Due to related parties (Note 14)	**4,382,094**	4,275,809
Dividends payable (Notes 14 and 32)	–	85,860
	₱705,072,687	₱431,468,234

Trade payables are non-interest bearing and are generally settled on 30-60 days' term.

Accrued expenses consist of:

	2020	2019
Accrued salaries and wages	**₱1,170,033**	₱1,601,247
Accrued interest	**9,947,019**	1,455,101
Others	**2,301,191**	640,118
	₱13,418,243	₱3,696,466

Other accrued expenses comprise of accruals for Social Security System premium, Home Development Mutual Fund, Philippine Health Insurance Corporation payables, among others.

Both accounts payable and other current liabilities are expected to be settled in the next twelve (12) months.

The movements in dividends payable for the years ended December 31 follow:

	2020	2019
Beginning of year	**₱28,797,629**	₱30,250,163
Dividend declared (Note 32)	**86,529**	63,342,105
Dividend paid	**(86,529)**	(64,794,639)
	28,797,629	28,797,629
Less noncurrent portion (Note 16)	**28,797,629**	28,711,769
	₱–	₱85,860

18. **Long-term Debt**

On December 16, 2015, the Parent Company acquired from Bank of the Philippine Islands loan amounting ₱500.0 million, payable within five (5) years. The proceeds of the loan were used for general financing requirements and working capital purposes.

The loan was fully settled in 2020. The Parent Company has complied with its covenant obligation, including maintaining the required debt-to-equity ratio of 2.5:1.

Rollforward analysis of long-term debt as follows:

	2020	2019
Beginning of year	**₱100,000,000**	₱200,000,000
Payments	**(100,000,000)**	(100,000,000)
Balance at end of year	–	100,000,000
Less current portion	–	100,000,000
	₱–	₱–

Interest expense incurred on these long-term debts amounted to ₱6.6 million, ₱8.4 million and ₱61.0 million in 2020, 2019 and 2018, respectively (Note 23). The interest expense includes amortization of transaction costs amounting to nil, nil and ₱11.4 million in 2020, 2019 and 2018, respectively.

19. **Dividend Income**

Dividends were earned from the following during the years ended December 31:

	2020	2019	2018
Subsidiaries and associates	**₱238,050,636**	₱354,101,916	₱326,114,852
Others (Note 14)	**360,679**	91,381	92,505
	₱238,411,315	₱354,193,297	₱326,207,357

Dividends receivable amounted to ₱83.8 million and ₱64.9 million as of December 31, 2020 and 2019, respectively.

20. **Other Income -** net

This account consists of:

	2020	2019	2018
Income from reversal of payable	**₱27,890,786**	₱–	₱4,469,005
Gain on sale of:			
Property and equipment (Note 12)	**5,609,170**	3,113,527	9,681,321
Investment in shares of stock (Note 10)	**–**	695,205,862	–
Interest income (Notes 6 and 7)	**4,479,834**	4,338,680	2,528,442
Rent income	**3,301,522**	4,654,250	4,712,790
Foreign exchange gain (loss)	**(3,544,526)**	(3,317,669)	2,609,318
Miscellaneous	**10,892,612**	15,807,039	23,715,238
	₱48,629,398	₱719,801,689	₱47,716,114

Interest income consists of interest on:

	2020	2019	2018
Savings deposit (Note 6)	**₱3,181,404**	₱4,120,742	₱2,181,352
Others (Note 14)	**1,298,430**	217,938	347,090
	₱4,479,834	₱4,338,680	₱2,528,442

Miscellaneous income mainly pertains various incentives received from Honda Cars Philippines, Inc., proceeds from sale of scrap materials, among others.

21. Costs

This account consists of:

	2020	2019	2018
Cost of merchandise sales			
Vehicles	**₱2,328,244,271**	₱3,835,984,265	₱4,353,013,039
Parts and accessories	**113,290,622**	119,874,227	185,129,593
	2,441,534,893	3,955,858,492	4,538,142,632
Cost of services			
Mechanical (general repair)	**182,126,208**	306,424,306	277,900,104
Body and paint	**68,464,892**	108,929,248	101,064,925
Labor (Note 24)	**20,841,584**	33,401,104	55,794,703
	271,432,684	448,754,658	434,759,732
	₱2,712,967,577	₱4,404,613,150	₱4,972,902,364

Cost of vehicles sales consists of:

	2020	2019	2018
Inventory, beginning (Note 8)	**₱281,803,728**	₱617,903,406	₱281,293,987
Purchases	**2,344,953,012**	3,499,884,587	4,689,622,458
Total goods available for sale	**2,626,756,740**	4,117,787,993	4,970,916,445
Less inventory end (Note 8)	**298,512,469**	281,803,728	617,903,406
	₱2,328,244,271	₱3,835,984,265	₱4,353,013,039

22. General and Administrative Expenses

General and administrative expenses consist of the following:

	2020	2019	2018
Personnel (Note 24)	**₱244,800,714**	₱236,263,093	₱222,098,566
Depreciation and amortization (Notes 12 and 25)	**121,338,429**	95,993,457	46,743,788
Taxes and licenses	**82,354,614**	174,081,590	83,015,486
Security services	**25,734,226**	33,685,854	29,069,431
Professional and consultancy fees	**21,316,152**	14,433,890	18,178,745
Communication, light and water	**20,652,707**	26,919,169	28,814,314
Entertainment, amusement and recreation	**16,615,581**	33,044,979	32,237,926
Commissions	**16,464,930**	12,640,758	15,946,017
Transportation and travel	**14,558,135**	16,537,577	19,584,579
Insurance	**8,756,287**	10,448,062	10,243,899
Rent	**6,052,546**	5,701,019	65,817,959
Provision for (recovery of):			
Inventory obsolescence (Note 8)	**4,956,106**	–	(800,000)
Receivables (Note 7)	**(1,697,665)**	(21,033,358)	(190,462)
Investment properties	–	–	1,800,309

(Forward)

	2020	2019	2018
Investment in subsidiaries and associates	**₱–**	₱–	₱58,218
Supplies	**4,785,187**	5,830,174	6,345,165
Repairs and maintenance	**4,528,286**	4,751,022	4,424,511
Advertising and promotions	**4,356,347**	2,395,702	23,744,488
Selling expenses	**3,833,276**	5,852,504	13,787,508
Miscellaneous	**27,320,523**	7,668,775	16,433,493
	₱626,726,381	₱665,214,267	₱637,353,940

Miscellaneous expenses include association dues and subscriptions, accrued rent expenses and others.

23. Interest and Finance Charges

This account consists of interest expense on loans, finance lease and long-term debt:

	2020	2019	2018
Loans payable (Note 15)	**₱44,783,458**	₱44,829,703	₱34,191,840
Lease liabilities (Note 30)	**12,518,895**	17,180,045	–
Long-term debt (Note 18)	**6,573,074**	8,428,447	61,008,835
	₱63,875,427	₱70,438,195	₱95,200,675

24. Personnel Expenses

This account consists of:

	2020	2019	2018
Salaries and wages	**₱209,908,190**	₱226,499,964	₱232,196,274
Employee benefits	**55,734,108**	43,164,233	45,696,995
	₱265,642,298	₱269,664,197	₱277,893,269

The distribution of the personnel costs follows:

	2020	2019	2018
Cost of services (Note 21)	**₱20,841,584**	₱33,401,104	₱55,794,703
General and administrative expenses (Note 22)	**244,800,714**	236,263,093	222,098,566
	₱265,642,298	₱269,664,197	₱277,893,269

25. Depreciation and Amortization

This account consists of depreciation and amortization of property and equipment, right-of-use assets and computer software:

	2020	2019	2018
Property and equipment (Note 12)	**₱89,433,788**	₱41,828,843	₱42,538,237
Right-of-use assets (Note 30)	**28,221,340**	50,393,316	–
Computer software (Note 12)	**3,683,301**	3,771,298	4,205,551
	₱121,338,429	₱95,993,457	₱46,743,788

Depreciation and amortization is charged to "General and Administrative Expenses" in the parent company statements of comprehensive income.

26. Retirement Plan

The Parent Company has a funded, noncontributory retirement plan (the Plan) for all of its regular employees. The Plan provides for normal, early retirement, death and disability benefits.

The most recent actuarial valuation was carried out on January 20, 2021 for the retirement plan of the Parent Company as of December 31, 2020.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the components of the retirement expense recognized in the parent company statements of comprehensive income and amounts recognized in the parent company statements of financial position for the retirement plan.

Based on the actuarial valuation as of December 31, 2020 and 2019 computed using the PUC method, the Parent Company's retirement liability and expenses are summarized as follows:

	2020	2019
Retirement liability	**₱51,047,915**	₱28,898,111
Retirement expense	**21,587,195**	15,071,886

The retirement expense recognized by the Parent Company in 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Current service cost	**₱20,174,572**	₱15,158,027	₱14,655,056
Net interest expense (income)	**1,412,623**	(86,141)	(1,413,324)
Retirement expense	**₱21,587,195**	₱15,071,886	₱13,241,732

The net retirement liability recognized in the parent company statements of financial position follow:

	2020	2019
Present value of defined benefit obligation	**₱161,407,268**	₱179,878,132
Fair value of plan assets	**110,359,353**	150,980,021
	₱51,047,915	₱28,898,111

The movements in the net retirement liability follow:

	2020	2019
Balance at beginning of year	**₱28,898,111**	(₱2,573,210)
Retirement expense	**21,587,195**	15,071,886
Remeasurement loss	**11,362,070**	40,738,547
Derecognition	**(224,503)**	–
Contributions	**(4,944,395)**	(21,682,773)
Benefits paid	**(5,630,563)**	(2,656,339)
Balance at end of year	**₱51,047,915**	₱28,898,111

The movements in the present value of defined obligation follow:

	2020	2019
Balance at beginning of year	**₱179,878,132**	₱139,077,050
Current service cost	**20,174,572**	15,158,027
Interest cost	**8,045,779**	10,322,866
Transfers	**–**	3,508,838
Derecognition	**(16,690,967)**	–
Benefits paid	**(40,433,869)**	(3,197,067)
Remeasurement losses (gains) on:		
Changes in financial assumptions	**21,415,412**	20,832,914
Experience adjustments	**(10,981,791)**	(5,824,496)
Balance at end of year	**₱161,407,268**	₱179,878,132

The movements in the fair value of the plan asset follow:

	2020	2019
Balance at beginning of year	**₱150,980,021**	₱141,650,260
Interest income	**6,633,156**	10,409,007
Contributions	**4,944,395**	21,682,773
Transfers	**–**	3,508,838
Remeasurement loss on plan assets	**(928,449)**	(25,730,129)
Derecognition	**(16,466,464)**	–
Benefits paid	**(34,803,306)**	(540,728)
Balance at end of year	**₱110,359,353**	₱150,980,021

The Parent Company derecognized the present value of defined benefit obligation and fair value of plan asset of the closed car dealership branches.

The major categories and fair value of the plan assets are as follows:

	2020	2019
Investments in:		
Equity securities	**₱78,560,337**	₱73,748,940
Government securities	**17,978,743**	15,942,244
Other securities and debt instruments	**7,141,951**	6,664,768
Cash and cash equivalents	**6,573,280**	54,697,825
Receivables	**223,640**	317,867
Accrued trust fees	**(118,598)**	(391,623)
	₱110,359,353	₱150,980,021

The Parent Company expects to contribute ₱14.7 million to its defined benefit retirement plans in 2021. The plan assets earned a return (loss) of (₱2.6 million), (₱15.3 million) and ₱21.7 million in 2020, 2019 and 2018, respectively.

The Retirement fund (Fund) of the Parent Company is being maintained and managed, in trust, by RCBC Trust and Investment Group (TIG), an affiliate financial institution. The voting rights of the above securities are assigned to RCBC TIG, being the investment manager who manages and administers the investments and reinvestments of the Fund.

Trust fee expenses incurred in relation to the trust role of RCBC in the Fund amounted to ₱779,205, ₱944,967, and ₱933,695 for the years ended December 31, 2020, 2019 and 2018, respectively.

The plan assets consist of the following:

Cash and cash equivalents - includes savings and time deposit with affiliated bank and special deposit account with Bangko Sentral ng Pilipinas (BSP SDA).

Equity investments - include investment in common shares traded in the Philippine Stock Exchange.

Investments in government securities - includes investment in Philippine Retail Treasury Bonds (RTBs) and Fixed Rate Treasury Notes (FXTNs).

Investments in other securities and debt instruments - includes investment in retail bonds from an affiliate financial institution.

Receivables - includes interest receivable from BSP SDA, time deposit, government securities and investments in other securities and debt instruments, and dividends receivable from equity investments

As of December 31, the Parent Company's retirement plan assets include investments in equity securities of the following related parties:

	2020	2019
IPO	**₱58,251,249**	₱51,131,652
PERC	**12,356,938**	18,239,577
Seafront Resources Corporation	**167,498**	188,435
Others	**2,784,326**	3,825,792
	₱73,560,011	₱73,385,456

The Parent Company recognized ₱6.2 million loss in 2020, ₱21.5 million gain in 2019 and ₱60.0 million gain in 2018 arising from investments in the shares of stocks of the aforementioned companies.

Based on the actuarial valuation report, the retirement plan trustee has no specific matching strategy between the plan assets and the plan liabilities.

Mortality table used for actuarial assumptions was derived from 1994 US Group Annuity Mortality (GAM) Table. Disability table used for actuarial assumptions was derived from 1952 Disability Table.

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

	2020	2019
Discount rate at end of the year		
Beginning	**4.98%**	7.37%
End	**3.73%**	4.98%
Salary increase rate at end of the year		
Beginning	**5.17%**	5.17%
End	**6.00%**	5.17%

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

	2020		2019	
	Increase (decrease)	**Effect on defined benefit obligation (in millions)**	Increase (decrease)	Effect on defined benefit obligation (in millions)
Discount rates	**+50bps**	**(₱8,496,695)**	+50bps	(₱5,226,398)
	-50bps	**10,052,116**	-50bps	5,925,922
Salary increase rates	**+100bps**	**20,078,053**	+100bps	11,942,559
	-100bps	**(15,156,319)**	-100bps	(9,698,483)

The average duration of the defined benefit obligation as of December 31, 2020 is 21 years.

The maturity analysis of the undiscounted benefit payments as of December 31, 2020 and 2019 follow:

	2020	2019
Within one (1) year	**₱38,221,899**	₱32,504,696
After one (1) year but not more than five (5) years	**30,875,034**	48,148,456
More than five (5) years	**1,378,886,836**	1,769,182,527
	₱1,447,983,769	₱1,849,835,679

27. **Income Taxes**

Provision for income tax consists of:

	2020	2019	2018
Current	**₱10,790,563**	₱13,161,474	₱15,232,174
Deferred	**(51,830,018)**	(2,310,891)	(4,759,778)
	(₱41,039,455)	₱10,850,583	₱10,472,396

The provision for current income tax in 2020 represents minimum corporate income tax.

The components of the Parent Company's net deferred tax liabilities are as follows:

	2020	2019
Deferred tax assets (liabilities) recognized in profit or loss:		
NOLCO	**₱33,666,591**	₱–
Excess MCIT over RCIT	**22,023,568**	11,233,005
Retirement	**11,626,731**	5,933,898
Unamortized portion of past service cost	**2,898,559**	3,307,388
Lease	**1,741,576**	1,325,112
Others	**13,111**	(204)
Net recovery of allowance for expected credit losses and inventory obsolescence	**(4,390,486)**	(6,049,567)
	67,579,650	15,749,632
Deferred tax liabilities recognized in other comprehensive income:		
Revaluation increment on land	**(183,107,100)**	(156,373,548)
Remeasurement gain on defined benefit plan	**3,687,644**	2,735,535
	(179,419,456)	(153,638,013)
	(₱111,839,806)	(₱137,888,381)

	2020	2019
Reconciliation of net deferred tax liabilities:		
Balance at beginning of year	**(₱137,888,381)**	(₱139,711,528)
Tax income (expense) recognized in:		
Profit and loss	**51,830,018**	2,310,891
Other comprehensive income	**(25,781,443)**	(487,744)
Balance at end of year	**(₱111,839,806)**	(₱137,888,381)

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 25-2020 implementing Section 4 (bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2020, the Company has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Inception Year	Amount	Applied	Expired	Balance	Expiry Year
2020	₱112,221,970	₱–	₱–	₱112,221,970	2025

As of December 31, the Parent Company’s MCIT and the years in which it can be claimed as deduction from future taxable income are as follows.

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2020	2021-2023	₱10,790,402	₱–	₱–	₱10,790,402
2019	2020-2022	9,196,369	–	–	9,196,369
2018	2019-2021	2,036,636	–	–	2,036,636
		₱22,023,407	₱–	₱–	₱22,023,407

The Parent Company did not recognize deferred tax assets on the following temporary differences because the Parent Company believes that it may not be probable that sufficient taxable income will be available in the near foreseeable future against which the tax benefit can be realized. As of December 31, 2020 and 2019, the unrecognized deferred tax assets amounted to ₱129.15 million and ₱131.52 million, respectively. Details follow:

	2020	2019
Allowance for:		
Expected credit losses on receivables	**₱99,118,618**	₱102,534,289
Inventory obsolescence	**20,285,000**	19,141,157
Lease liability - net	**30,779,483**	27,794,006
Remeasurement on FVOCI	**(21,029,539)**	(17,948,510)
	₱129,153,562	₱131,520,942

The reconciliation between the statutory and effective income tax rates follows:

	2020	2019	2018
Income tax at statutory rate	**30.00%**	30.00%	30.00%
Adjustments for:			
Gain on sale of investment in shares of stock subjected to capital gains tax	–	(21.37)	–
Catch-up/movement in unrecognized DTA	**(0.39)**	(0.13)	(0.18)
Dividend income exempted from income tax	**(79.05)**	(10.89)	(27.34)
Others	**4.09**	3.50	0.45
Effective income tax rate	**(45.35%)**	1.11%	2.93%

RA No. 11534 otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. RA No. 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

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

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Parent Company would have been subjected to lower minimum corporate income tax rate of 1.5% effective July 1, 2020. This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable by ₱2.70 million as of December 31, 2020, which will be reflected in the Parent Company's 2020 annual income tax return but will only be recognized for financial reporting purposes in its 2021 parent company financial statements.

This will result in lower deferred tax assets and liabilities as of December 31, 2020 and provision for deferred tax for the year then ended by ₱18.64 million and ₱8.64 million, respectively. These reductions will be recognized in the 2021 parent company financial statements.

28. Capital Stock

Preferred stock

The authorized preferred stock is 2,500,000,000 shares at ₱0.40 par value. Movements in preferred shares for the years ended December 31 follows:

	2020		2019		2018	
	Amount	**Shares**	Amount	Shares	Amount	Shares
Balance at beginning of 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	–	–	(240,703,754)	(601,759,386)	–	–
Balance at end of year	**₱–**	–	₱6,710,402	16,776,001	₱247,414,156	618,535,387

Common stock
The authorized common stock is 1,250,000,000 shares at ₱1.50 par value. Movements in common shares outstanding for the years ended December 31 follows (Note 34):

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

Below is the summary of the outstanding number of shares and holders of security as at December 31, 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)	0.40	March 30, 2020	
December 31, 2020	**–**			
Common Shares:				
December 31, 2018	615,996,114			386
No Movement	–	–		
December 31, 2018	615,996,114			394
Movement	160,469,167			
December 31, 2019	776,465,281			384
Movement	–			
December 31, 2020	**776,465,281**			**384**

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 preferred and common shareholders was nil and 384, respectively, as of December 31, 2020 and 42 and 384, respectively, as of December 31, 2019.

Details of the capital redemption and conversion follow:

Redemption:	**2020**	2019	2018
March 30, 2020, redeemed 16,776,001 preferred shares at 0.40 per share	**₱6,710,402**	₱–	₱–
April 6, 2018, redeemed 15,859,882 preferred shares at 0.40 per share	**–**	–	₱6,343,953
	₱6,710,402	₱–	₱6,343,953

On March 30, 2020, after the declaration of cash dividends (Note 32), the BOD approved the redemption of 16,766,001 preferred shares at par value with a total amount of ₱6.71 million to the stockholders of the Parent Company's preferred shares on record as of April 27, 2020, payable on May 20, 2020.

In 2019, the Parent Company issued 160,1469,167 common shares at 1.50 per share for the conversion of 601,759,386 preferred shares at 0.40 per share or ₱240,703,754. There was no capital redemption made during 2019.

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 (2%);
b) Fully participating as to distribution of dividends;
c) 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;
d) 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
e) With voting rights and preferences as to assets upon dissolution of the Parent Company over common shareholders.

29. Fair Value of Financial Instruments and Financial Risk Management Objectives and Policies

Fair Value of Financial Instruments
The carrying values of the Parent Company's financial instruments approximate their fair values due to short-term maturities and demand feature except for equity investments at FVOCI and long-term debt as discussed below:

Equity investments at FVOCI
Fair values of investments in equity shares listed with Philippine Stock Exchange amounting to ₱20.0 million and ₱16.8 million as of December 31, 2020 and 2019, respectively, were determined by reference to the quoted price in the stock exchange at the end of the reporting period (Level 1 - Quoted prices in active market).

Fair values of investments in club/golf shares amounting to ₱6.1 million and ₱6.2 million as of December 31, 2020 and 2019, respectively, were determined by reference to the price of the most recent transaction at the end of the reporting period (Level 2 - Significant observable inputs).

Long-term debt
The fair values of the interest-bearing long-term loans amounting to nil and ₱100.0 million as of December 31, 2020 and 2019, respectively, were estimated as the present value of all future cash flows discounted using the applicable rates for similar types of loans (Level 2 - significant observable inputs). Discount rate used in 2020 and 2019 was 5.11%.

Financial Risk Management Objectives and Policies
The Parent Company manages and maintains its own portfolio of financial instruments in order to fund its operations and capital expenditures. Inherent in using these financial instruments are the following risks on liquidity, equity price, foreign currency and credit.

The Parent Company's risk management policies are summarized below:

a. *Liquidity risk*
The Parent Company seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and service maturing debts. As an inherent part of its liquidity risk management, the Parent Company regularly evaluates its projected and actual cash flows. To cover its short-term and long-term funding requirements, the Parent Company intends

to use internally generated funds and available short-term and long-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecasts approved by BOD. As at December 31, 2020 and 2019, the Parent Company has available credit facilities with banks aggregating ₱9.1 billion and ₱6.5 billion, respectively.

The tables below summarize the maturity profile of the Parent Company's financial liabilities as of December 31 based on contractual undiscounted payments.

	2020				
	On demand	**Less than 6 months**	**6 months to 1 year**	**More than 1 year**	**Total**
Accounts payable and other current liabilities:					
Accounts payable, accrued expenses and others*	**₱677,284,334**	**₱–**	**₱–**	**₱–**	**₱677,284,334**
Accrued interest	–	**9,947,019**	–	–	**9,947,019**
Due to related parties	**4,382,094**	–	–	–	**4,382,094**
Loans payable	–	**2,268,769,671**	–	–	**2,268,769,671**
	₱681,666,428	**₱2,278,716,690**	**₱–**	**₱–**	**₱2,960,383,118**

**Excludes statutory liabilities*

	2019				
	On demand	Less than 6 months	6 months to 1 year	More than 1 year	Total
Accounts payable and other current liabilities:					
Accounts payable, accrued expenses and others*	₱383,729,778	₱–	₱–	₱–	₱383,729,778
Accrued interest	–	1,455,101	–	–	1,455,101
Due to related parties	4,275,809	–	–	–	4,275,809
Loans payable	–	646,118,104	–	–	646,118,104
Long-term debt	–	52,254,841	50,648,799	–	102,903,640
	₱388,005,587	₱699,828,046	₱50,648,799	₱–	₱1,138,482,432

**Excludes statutory liabilities*

The tables below summarize the maturity profile of the Parent Company's financial assets used to manage liquidity risk.

	2020		
	On demand	**Less than 1 year**	**Total**
Cash and cash equivalents	**₱457,914,923**	**₱–**	**₱457,914,923**
Receivables			
Trade:			
Vehicles	**157,858,121**	**130,503,246**	**288,361,367**
Service	**8,467,704**	**28,394,660**	**36,862,364**
Parts	**7,067,551**	**7,601,366**	**14,668,917**
Due from related parties	**42,976,748**	–	**42,976,748**
Receivables from plant	**30,470,674**	–	**30,470,674**
Accrued referral incentive	**6,614,278**	**11,203,665**	**17,817,943**
Others	**158,338,887**	–	**158,338,887**
Dividends receivable	–	**83,750,604**	**83,750,604**
Equity investments at FVOCI	–	**34,191,970**	**34,191,970**
	₱869,708,886	**₱295,645,511**	**₱1,165,354,397**

	2019		
	On demand	Less than 1 year	Total
Cash and cash equivalents	₱268,114,841	₱–	₱268,114,841
Receivables			
Trade:			
Vehicles	31,219,583	364,108,921	395,328,504
Service	4,680,148	30,171,043	34,851,191
Parts	923,620	11,461,301	12,384,921
Due from related parties	23,301,453	–	23,301,453
Receivables from plant	51,856,823	–	51,856,823
Accrued referral incentive	2,498,502	26,836,421	29,334,923
Others	106,981,894	–	106,981,894
Dividends receivable	–	64,929,424	64,929,424
Equity investments at FVOCI	–	31,110,942	31,110,942
	₱489,576,864	₱528,618,052	₱1,018,194,916

b. *Market risk*
Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchanges rates, commodity prices, equity prices and other market changes.

c. *Equity price risk*
The Parent Company's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity investments at FVOCI.

Equity investments at FVOCI are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The analysis below is performed for reasonably possible movements in the market index with all other variables held constant, showing the impact on equity.

	2020		2019	
Market Index	**Change in variable**	**Effect on equity**	Change in variable	Effect on equity
PSE	**20.76%**	**₱4,152,303**	7.94%	₱1,340,776
	(20.76%)	**(4,152,303)**	(7.94%)	(1,340,776)
Others	**33.24%**	**2,027,396**	14.40%	863,858
	(33.24%)	**(2,027,396)**	(14.40%)	(863,858)

The percentage of increase and decrease in market price is based on the movement in the PSE Index and other market index from beginning to end of the year.

Foreign currency risk
The Parent Company's foreign exchange risk results primarily from movements in the prevailing exchange rate between the Philippine Peso (PHP) and the United States Dollar (USD). The revenues and the operating expenses of the Parent Company are denominated in PHP. However, the Parent Company maintains certain deposits with banks which are denominated in USD.

The Parent Company's foreign currency denominated financial instruments (translated in Philippine Peso) as of December 31 is as follows:

	2020		2019	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Cash and cash equivalents	**$1,004,338**	**₱48,229,332**	$916,465	₱46,405,209

The prevailing exchange rates used as of December 31, 2020 and 2019 were ₱48.02 to $1 and ₱50.63 to $1, respectively.

The Parent Company closely monitors the daily movements in the USD/PHP exchange rate and makes regular assessments of future foreign exchange movements, based also, in part, on its analysis of other macroeconomic indicators. The Parent Company then manages the balance of its USD-denominated deposits based on this assessment.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar rate, with all variables held constant, of the Parent Company's profit before tax (due to changes in the fair value of the foreign currency denominated monetary assets) as of December 31, 2020 and 2019.

Effect on profit before tax	**2020**
USD strengthens by 3.15%	**₱1,521,131**
USD weakens by 3.15%	**(1,521,131)**

Effect on profit before tax	2019
USD strengthens by 4.84%	₱2,243,928
USD weakens by 4.84%	(2,243,928)

Interest rate risk

The Parent Company's exposure to market risk for changes in interest rates relates primarily to the Parent Company's short-term and long-term obligations.

In order to effectively manage its interest rate risk and its financing costs, the Parent Company closely monitors the movements of interest rates, as well as, economic factors affecting the trends of these movements. In certain cases, depending on its assessment of future movements of interest rates, the Parent Company would pre-terminate its debt and obtain a new loan facility which provides for either floating or fixed interest rates. This is intended to minimize its financing costs.

In 2020, the Parent Company has fully settled its long-term loan with various banks subject to floating interest rate (Note 18). No new long-term loan availment made.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Parent Company's profit before tax (through the impact on floating rate borrowings):

	2020		2019	
	Increase/decrease in basis points	**Effect on profit before tax**	Increase/decrease in basis points	Effect on profit before tax
Peso floating rate borrowing	**+690**	**(₱55,442,960)**	+405	(₱16,905,088)
	-690	**55,442,960**	-405	16,905,088

The sensitivity analyses shown above for peso floating borrowings are based on the assumption that interest rate movements will be more likely be limited to a six hundred nine (609) and four hundred five (405) basis points upward or downward fluctuation in 2020 and 2019, respectively. The forecasted movements in percentages of interest rates used were sourced by management from an affiliated bank. These are forecasted movements in the next twelve (12) months. The effect on the Parent Company's income statement before tax is computed on the carrying value of the Parent Company's floating rate payables as at December 31, 2020 and 2019.

d. *Credit risk*
The Parent Company's exposure to credit risk on its receivables relates primarily to the inability of the debtors to pay and fully settle the unpaid balance of receivables owed to the Parent Company. The Parent Company manages its credit risk in accordance with its credit risk policies which requires the evaluation of the creditworthiness of the debtors. The Parent Company's exposure to credit risk on its other receivables from debtors and related parties is managed through close account monitoring and setting limits.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Parent Company does not have any significant exposure to any individual customer or counterparty. With respect to credit risk arising from receivables, the Parent Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of this financial asset.

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for various customer segments. With similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The following financial assets were subjected to the expected credit loss model under PFRS 9:

- Cash in banks and cash equivalents
- Receivables
- Dividends receivable

As of December 31, the aging analyses of financial assets are as follows:

	2020						
	Neither past due nor impaired	Past due but not impaired				Impaired financial assets	Total
		< 30 days	30 - 60 days	61 - 90 days	> 90 days		
Cash and cash equivalents:							
Cash in banks	₱230,560,190	₱–	₱–	₱–	₱–	₱–	₱230,560,190
Short-term investments	227,096,655	–	–	–	–	–	227,096,655
Trade:							
Vehicles	157,858,121	50,653,120	12,892,655	6,211,536	25,818,066	34,927,869	288,361,367
Service	8,467,704	5,281,554	3,371,954	1,806,852	9,577,146	8,357,154	36,862,364
Parts	7,067,551	3,453,045	1,463,276	6,169	1,741,771	937,106	14,668,918
Others	5,490	–	–	–	–	7,126,428	7,131,918
Due from related parties	39,900,711	–	–	–	–	3,076,037	42,976,748
Other receivables:							
Receivables from plant	30,470,674	–	–	–	–	-	30,470,674
Accrued referral incentive	6,614,278	3,821,498	890,588	670,478	2,921,140	2,899,962	17,817,944
Others	127,860,125	–	–	–	–	23,346,845	151,206,970
Dividends receivables	83,750,604	–	–	–	–	–	83,750,604
	₱919,652,103	₱63,209,217	₱18,618,473	₱8,695,035	₱40,058,123	₱80,671,401	₱1,130,904,352

	2019						
	Neither past due nor impaired	Past due but not impaired: < 30 days	30 - 60 days	61 - 90 days	> 90 days	Impaired financial assets	Total
Cash and cash equivalents:							
Cash in banks	₱62,638,179	₱–	₱–	₱–	₱–	₱–	₱62,638,179
Short-term investments	205,476,662	–	–	–	–	–	205,476,662
Trade:							
Vehicles	214,037,136	87,041,484	33,813,937	13,091,318	47,344,629	–	395,328,504
Service	11,474,844	7,041,735	3,475,080	2,790,475	3,930,617	6,138,440	34,851,191
Parts	4,764,239	3,626,172	1,647,801	592,699	163,680	1,590,330	12,384,921
Others	8,180,108	–	–	–	–	7,126,428	15,306,536
Due from related parties	20,225,416	–	–	–	–	3,076,037	23,301,453
Other receivables:							
Receivables from plant	46,551,905	–	–	–	–	5,304,918	51,856,823
Accrued referral incentive	15,239,786	6,722,822	588,000	416,440	–	6,367,875	29,334,923
Others	38,910,320	–	–	–	–	52,765,038	91,675,358
Dividends receivables	64,929,424	–	–	–	–	–	64,929,424
	₱692,428,019	₱104,432,213	₱39,524,818	₱16,890,932	₱51,438,926	₱82,369,066	₱987,083,974

Cash in banks and cash equivalents
Credit risk from balances with banks and financial institutions is managed by the Parent Company's treasury department in accordance with the Parent Company's policy. No expected credit losses were recognized in 2020 and 2019.

Receivables
The Parent Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL on receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The table below shows the credit quality of the Parent Company's financial assets as of December 31:

	2020		
	Neither past due nor impaired		
	High Grade	**Standard Grade**	**Total**
Cash and cash equivalents			
Cash in banks	**₱230,560,190**	**₱–**	**₱230,560,190**
Short-term investments	**227,096,655**	**–**	**227,096,655**
Accounts receivable:			
Receivables from:			
Trade:			
Vehicles	**157,858,121**	**–**	**157,858,121**
Service	**8,467,704**	**–**	**8,467,704**
Parts	**7,067,551**	**–**	**7,067,551**
Others	**5,490**	**–**	**5,490**
Due from related parties	**39,900,711**	**–**	**39,900,711**
Other receivables:			
Receivables from plant	**30,470,674**	**–**	**30,470,674**
Accrued referral incentive	**6,614,278**	**–**	**6,614,278**
Others	**127,860,125**	**–**	**127,860,125**
Dividends receivable	**83,750,604**	**–**	**83,750,604**
	₱919,652,103	**₱–**	**₱919,652,103**

	2019		
	Neither past due nor impaired		
	High Grade	Standard Grade	Total
Cash and cash equivalents			
Cash in banks	₱62,638,179	₱–	₱62,638,179
Short-term investments	205,476,662	–	205,476,662
Accounts receivable:			
Receivables from:			
Trade:			
Vehicles	214,037,136	–	214,037,136
Service	11,474,843	–	11,474,843
Parts	4,764,239	–	4,764,239
Others	8,180,108	–	8,180,108
Due from related parties	20,225,416	–	20,225,416
Other receivables:			
Receivables from plant	46,551,905	–	46,551,905
Accrued referral incentive	15,239,786	–	15,239,786
Others	38,910,320	–	38,910,320
Dividends receivable	64,929,424	–	64,929,424
	₱692,428,018	₱–	₱692,428,018

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents - are composed of bank deposits and money market placements made with reputable financial institutions duly approved by the BOD and hence, graded as “high grade”.

Receivables:
Trade - high grade pertains to receivables from fleet customers and financing companies and standard grade pertains to receivables from individuals and other small and medium-sized entities.

Due from related parties and dividends receivables - pertain to receivables from profitable related parties with good payment record with the Parent Company and hence, graded as “high grade”.

Other receivables - high grade pertains to receivables with no default on payment while standard grade pertains to receivables with more than one (1) default on payment.

Capital management

The main thrust of the Parent Company’s capital management policy is to ensure that the Parent Company maintains a good credit standing and a sound capital ratio to be able to support its business and maximize the value of its shareholders equity.

The Parent Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Parent Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2020 and 2019.

The Parent Company monitors its use of capital and capital adequacy by using leverage ratios, specifically, debt ratio (total debt/total equity and total debt), debt-to-equity ratio (total debt/total equity) and net debt-to-equity (net debt/total equity). Included as debt are the Parent Company’s total liabilities while equity pertains to total equity as shown in the parent company statement of financial position.

The table below shows the leverage ratios of the Parent Company as of December 31:

	2020	2019
Loans payable	**₱2,257,000,000**	₱645,000,000
Long-term debt	–	100,000,000
Other noncurrent liabilities	**189,965,242**	157,383,059
Total debt	**2,446,965,242**	902,383,059
Less cash and cash equivalents	**457,914,923**	268,114,841
Net debt	**₱1,989,050,319**	₱634,268,218
Total Equity	**₱5,681,929,055**	₱5,530,103,125
Debt to equity	**0.43:1**	0.16:1
Net debt to equity	**0.35:1**	0.11:1

There were no changes made in the Parent Company's capital management, objectives, policies or processes in 2020 and 2019.

30. **Leases**

The Parent Company's car divisions lease parcels of land where their respective sales office, administrative and warehouse buildings were constructed and are currently located. The leases are non-cancellable which have terms cover lease periods of between 4 to 10 years with escalation rates ranging from 3.0% to 10%.

In 2020, the Parent Company pre-terminated the lease contracts of property used by the following closed car dealership branches:

Closed Branches	**Contract Date**	**Contract End Date**	**Date Terminated**
Honda Cars Fairview	April 24, 2014	April 23, 2020	June 30, 2020
Honda Cars Marikina	January 1, 2009	June 15, 2020	June 30, 2020
Honda Cars Marcos Highway	June 1, 2013	May 31, 2023	July 30, 2020
Isuzu Greenhills	January 26, 2009	January 25, 2024	June 30, 2020

Future minimum lease payments of lease agreements as of December 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Within one year	**₱14,037,175**	₱53,519,915	₱61,114,690
After one year but not more than five years	**113,567,989**	151,179,981	198,945,769
More than five years	**70,565,802**	53,016,361	117,663,217
	₱198,170,966	₱257,716,257	₱377,723,676

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the years ended December 31, 2020 and 2019:

	2020	2019
Balance at beginning of year	**₱240,742,763**	₱291,136,079
Amortization of right-of-use asset (Note 25)	**(28,221,340)**	(50,393,316)
Derecognition	**(50,935,193)**	–
	₱161,586,230	₱240,742,763

The following are the amounts recognized in the parent company statement of comprehensive income for the years ended December 31, 2020 and 2019:

	2020	2019
Amortization of right-of-use asset (Note 25)	**₱28,221,340**	₱50,393,316
Interest expense on lease liabilities (Note 23)	**12,518,895**	17,180,045
	₱40,740,235	₱67,573,361

Amortization in 2020 and 2019 is charged to the following accounts (Note 25):

	2020	2019
Cost of sales and services	**₱–**	₱–
Selling and administrative expenses	**28,211,340**	50,393,316
	₱28,221,340	₱50,393,316

The rollforward analysis of lease liabilities follows:

	2020	2019
Balance at beginning of year	**₱272,953,809**	₱318,930,088
Interest expense	**12,518,895**	17,180,045
Payments	**(20,775,841)**	(63,156,324)
Derecognition	**(66,525,897)**	–
Total lease liability	**198,170,966**	272,953,809
Less current portion of lease liability	**14,037,175**	43,688,254
Lease liability - net of current portion	**₱184,133,791**	₱229,265,555

The COVID-19-related lease concessions were accounted as negative variable lease expense charged against interest expense and depreciation and amortization in the 2020 parent company statement of comprehensive income (Notes 3 and 22).

Derecognition pertains to termination of lease contracts of closed car dealership branches. The difference between right-of-use asset and lease liability is accounted for under miscellaneous expense of General and administrative expenses in the 2020 parent company statement of income (Note 22).

The Parent Company's lease contract includes renewal option. Management exercises significant judgement in determining whether the renewal option is reasonably certain to be exercised (Note 5).

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	Within five years	More than five years	Total
Extension options expected not to be exercised	₱247,936,128	₱80,334,228	₱328,270,356

Shown below is the maturity analysis of the undiscounted lease payments in 2020:

1 year	₱16,141,061
more than 1 years to 2 years	30,045,578
more than 2 years to 3 years	31,074,628
more than 3 years to 4 years	30,541,097
more than 4 years to 5 years	30,023,234
more than 5 years	58,610,454
	₱196,436,052

Rent expenses pertaining to lease agreements recognized in profit or loss in 2020 and 2019 amounted to ₱30.70 million and ₱67.57 million, respectively.

31. Contingent Liabilities

The Parent Company has no contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested, the outcome of which are not presently determinable. The information required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed until final settlement, on the ground that it might prejudice the Parent Company's position.

32. Retained Earnings

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	50,758,966	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				

On March 30, 2020, the BOD approved the declaration of cash dividends of ₱0.00516 per share with a total amount of ₱0.09 million to the stockholders of the Parent Company's preferred shares on record as of April 27, 2020, payable on May 20, 2020.

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

Retained earnings include ₱2,580.1 million and ₱2,524.4 million as of December 31, 2020 and 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 ₱1,364.8 million and ₱1,305.4 million as of December 31, 2020 and 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.

33. Operating Segment Information

For management purposes, the Parent Company is organized into business units based on the products and services it provides, which comprise of two main groups as follows:

Cars Division - consists of revenues of Honda Cars Quezon City, Honda Cars Manila, Honda Cars Tandang Sora, Honda Cars Fairview*, Honda Cars Marikina*, Honda Cars Marcos Highway*, Isuzu Greenhills*, Isuzu Manila, Isuzu Commonwealth, Isuzu Tacloban and Geely Manila.
**Car dealerships ceased operations in 2020*

Head Office - represent operations of the Parent Company.

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 arms-length transactions.

Segment reporting is consistent in all periods presented as there are no changes in the structure of the Parent Company'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.

The Parent Company has no significant external customer which contributes 10.0% or more to the revenue of the Parent Company.

(Amounts in Millions)

	Cars Division			Head Office			Elimination			Combined		
	2020	2019	2018	**2020**	2019	2018	**2020**	2019	2018	**2020**	2019	2018
Revenue												
Income from external customers	**₱2,978**	₱4,826	₱5,479	**₱229**	₱216	₱211	**₱–**	₱–	₱–	**₱3,207**	₱5,042	₱5,689
Intersegment sales	**–**	–	–	**–**	9	1	**–**	(9)	(1)	**–**	–	–
Total Revenue	**₱2,978**	₱4,826	₱5,479	**₱229**	₱ 229	₱ 225	**₱–**	(₱9)	(₱1)	**₱3,207**	₱5,042	₱5,689
Provision for income tax	**₱5**	₱–	₱–	**(₱46)**	₱11	₱10	**₱–**	₱–	₱–	**(₱41)**	₱11	₱10
Net Income (Loss)	**(₱181)**	(₱42)	₱30	**₱313**	₱1,007	₱317	**₱–**	₱–	₱–	**₱132**	₱965	₱347
Other Information												
Segment assets	**₱2,305**	₱2,210	₱2,355	**₱6,840**	₱5,094	₱4,729	**₱50**	₱–	₱9	**₱9,195**	₱7,304	₱7,089
Segment liabilities	**811**	608	425	**2,567**	1,004	1,875	**23**	24	20	**3,401**	1,636	2,320
Deferred tax liabilities	**173**	156	147	**(76)**	(33)	(18)	**15**	14	14	**112**	137	140
Cash flows arising from:												
Operating activities	**331**	(312)	(144)	**15**	621	4	**–**	–	29	**346**	309	(111)
Investing activities	**(11)**	337	(639)	**(1,789)**	385	1,590	**–**	–	–	**(1,800)**	722	951
Financing activities	**(33)**	(60)	617	**1,681**	(944)	(1,682)	**–**	–	–	**1,648**	(1,004)	(1,065)
Interest expense	**47**	54	37	**48**	53	95	**(31)**	(37)	(37)	**64**	70	95
Capital expenditures	**53**	9	26	**2**	3	8	**–**	–	–	**55**	12	34
Depreciation and amortization	**102**	89	41	**19**	7	6	**–**	–	–	**121**	96	47

**Segment liabilities exclude deferred tax liabilities*

34. **Earnings Per Share**

Basic earnings per share

	2020	2019	2018
Net income	**₱131,514,827**	₱965,044,196	₱347,455,237
Less dividends attributable to preferred shares	**86,529**	23,302,358	24,732,938
Net income applicable to common shares	**131,428,298**	941,741,838	322,722,299
Divided by the weighted average number of common shares (Note 28)	**776,465,281**	776,465,281	615,996,114
Basic earnings per share	**₱0.1693**	₱1.2129	₱0.5239

Diluted earnings per share

	2020	2019	2018
Net income applicable to common stockholders for basic earnings per share	**₱131,428,298**	₱941,741,838	₱322,722,299
Add dividends attributable to preferred stock	–	–	24,732,938
Net income applicable to common stockholders for diluted earnings per share	**131,427,819**	941,741,838	347,455,237
Weighted average number of shares of common stock	**776,465,281**	776,465,281	615,996,114
Dilutive shares arising from convertible preference stock	–	–	164,942,770
Weighted average number of shares of common stock for diluted earnings per share	**776,465,281**	776,465,281	780,938,884
Diluted earnings per share	**₱0.1693**	₱1.2129	₱0.4449

In 2020 and 2019, the preferred stock conversion to common share has significantly reduced the number of potential common stock outstanding as of December 31, 2020 and 2019 making the options anti-dilutive, hence, no diluted earnings per share calculated. Thus, basic and diluted EPS are stated at the same amount.

The weighted average number of shares of common stock is computed as follows:

	2020	2019	2018
Number of shares of common stock issued	**776,765,281**	776,765,281	616,296,114
Less treasury shares	**300,000**	300,000	300,000
	776,465,281	776,465,281	615,996,114

35. **Other Matters**

On March 11, 2020, the World Health Organization has declared COVID-19 outbreak a global pandemic. In the Philippines, 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 May 15, 2020. Effective May 16, 2020, some provinces in Luzon was placed under general community quarantine while National Capital Region (NCR) was placed under modified enhanced community quarantine. Effective June 1, 2020, NCR was placed under general community quarantine (GCQ). On August 4, 2020, the Philippine Government has placed NCR back to modified enhanced community quarantine (MECQ) until it was placed to general community quarantine starting August 19, 2020 until August 31, 2020. On September 1, 2020, the Office of the President of the Philippines declared GCQ until September 30, 2020. The GCQ over NCR and other risk areas was further extended until January March 29, 2021 while the rest of the country was put under MGCQ. From March 29, 2021 to April 4, 2021, following spike in the number of new COVID-19 cases, the Philippine Government has placed NCR back to ECQ and was later extended to April 11, 2021. From April 12, 2021 to April 30, 2021, NCR is placed under MECQ. The Government has been easing quarantine measures in key areas in the Philippines. Further, the rollout of the national vaccination program starting first quarter of 2021 is expected to further improve market activities in the Philippines.

<u>Risks and Impacts of COVID-19</u>
The Parent Company, 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 Parent Company 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 Parent Company has limited the assembly of people by conducting meetings via video- and/or tele-conferencing. The Parent Company 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 Parent Company 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.

   The Parent Company’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 Parent Company’s group-wide risk mitigation initiatives.

3. Disrupted supply chain management. The Parent Company 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.

HOUSE OF INVESTMENTS, INC.
HONDA CARS QUEZON CITY GROUP DIVISION

SUPPLEMENTARY STATEMENTS OF ASSETS, LIABILITIES AND HOME OFFICE ACCOUNT

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	**₱166,475,037**	₱46,459,621
Receivables	**185,234,859**	350,209,986
Inventories	**206,821,959**	219,253,394
Prepaid expense and other current assets	**122,753,403**	104,149,983
Total Current Assets	**681,285,258**	720,072,984
Noncurrent Assets		
Property and equipment		
At revalued amount	**781,550,000**	692,438,160
At cost	**68,048,993**	110,992,714
Right-of-use assets	**90,746,048**	140,289,937
Computer software	**1,112,239**	3,157,472
Total Noncurrent Assets	**941,457,280**	946,878,283
	₱1,622,742,538	₱1,666,951,267
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	**₱280,846,730**	₱ 168,198,920
Lease liabilities - current portion	**7,320,415**	23,624,111
Total Current Liabilities	**288,167,145**	191,823,031
Noncurrent Liabilities		
Lease liabilities - net of current portion	**103,325,508**	133,370,776
Retirement liability - net	**19,239,671**	11,582,980
Deferred tax liabilities - net	**172,522,507**	156,373,548
Total Noncurrent Liabilities	**295,087,686**	301,327,304
Total Liabilities	**583,254,831**	493,150,335
Equity		
Home office account	**636,935,190**	808,929,320
Revaluation increment on land	**427,249,900**	364,871,612
Remeasurement loss on retirement benefit obligation	**(24,697,383)**	–
Total Equity	**1,039,487,707**	1,173,800,932
	₱1,622,742,538	₱1,666,951,267

HOUSE OF INVESTMENTS, INC.
HONDA CARS QUEZON CITY GROUP DIVISION
SUPPLEMENTARY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
REVENUE			
Merchandise sales	**₱1,457,950,370**	₱2,759,234,938	₱3,066,243,734
Services	**288,324,302**	478,634,952	477,850,585
Dealer's income	**35,842,163**	58,147,161	60,617,753
Others	**7,932,512**	15,058,207	18,239,979
	1,790,049,347	3,311,075,258	3,622,952,051
OTHER INCOME - net			
Gain on sale of property and equipment	**4,986,255**	2,701,396	9,261,471
Interest	**730,465**	284,627	184,940
Rent	**421,598**	1,075,066	1,127,836
Miscellaneous	**2,840,860**	4,140,960	4,974,210
	8,979,178	8,202,049	15,548,457
COSTS AND EXPENSES			
Costs			
Merchandise sales	**1,421,704,343**	2,686,592,596	2,949,278,304
Services	**209,679,117**	344,557,884	333,115,465
	1,631,383,460	3,031,150,480	3,282,393,769
Operating expenses			
Personnel	**92,317,723**	109,876,414	98,513,739
Depreciation	**65,692,577**	53,243,269	24,569,459
Taxes and licenses	**42,065,803**	42,879,407	42,556,072
Utilities	**14,486,312**	19,337,273	17,330,642
Communication, light and water	**11,941,904**	17,767,172	19,031,674
Commissions	**8,607,043**	7,275,024	8,837,704
Professional fees	**5,594,933**	2,860,606	6,677,995
Insurance	**4,056,095**	5,283,494	4,312,568
Provision (Recovery)	**4,032,408**	–	(800,000)
Entertainment, amusement and recreation	**3,155,599**	12,782,804	15,294,311
Repairs and maintenance	**2,639,439**	2,785,204	2,581,733
Direct selling expenses	**2,538,896**	2,757,871	3,069,782
Transportation and travel	**2,340,587**	5,148,074	6,054,452
Advertising	**1,876,268**	2,090,729	23,370,309
Office supplies	**1,229,096**	2,882,447	3,445,685
Rent	–	243,981	38,718,029
Miscellaneous	**7,156,833**	6,473,479	7,832,513
	269,731,516	293,687,248	321,396,667
Interest and finance charges	**33,034,197**	40,997,666	33,397,375
	1,934,149,173	3,365,835,394	3,637,187,811
DIVISION INCOME (LOSS)	**(135,120,648)**	(46,558,087)	1,312,697
OTHER DIVISION COMPREHENSIVE INCOME			
Items not to be reclassified to profit or loss in subsequent periods:			
Revaluation increment on land	**89,111,840**	42,364,360	21,912,600
Remeasurement loss on retirement benefit obligation	**(35,281,976)**	–	–
Income tax effect	**(37,318,145)**	(12,709,308)	(6,573,780)
	16,511,719	29,655,052	15,338,820
TOTAL DIVISION COMPREHENSIVE INCOME (LOSS)	**(₱118,608,929)**	(₱16,903,035)	₱16,651,517

HOUSE OF INVESTMENTS, INC.
HONDA CARS QUEZON CITY GROUP DIVISION

SUPPLEMENTARY STATEMENTS OF CHANGES IN HOME OFFICE ACCOUNT

	Years Ended December 31		
	2020	2019	2018
HOME OFFICE ACCOUNT			
Balance at beginning of year	**₱808,929,320**	₱1,144,099,460	₱1,322,881,729
Additions from head office - net	**(53,385,201)**	(288,612,053)	(180,094,966)
Division income (loss)	**(118,608,929)**	(46,558,087)	1,312,697
BALANCE AT END OF YEAR	**₱636,935,190**	₱808,929,320	₱1,144,099,460

HOUSE OF INVESTMENTS, INC.
ISUZU GROUP DIVISION

SUPPLEMENTARY STATEMENTS OF ASSETS, LIABILITY AND HOME OFFICE ACCOUNT

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	**₱118,098,085**	₱19,704,189
Receivables	**149,968,630**	211,723,900
Inventories	**133,257,610**	145,502,950
Prepaid expenses and other current assets	**11,679,597**	13,514,200
Total Current Assets	**413,003,992**	390,445,239
Noncurrent Assets		
Property and equipment	**31,070,836**	50,602,880
Right-of-use assets	**70,840,181**	100,452,825
Computer software	**843,260**	1,473,842
Deferred Tax Asset - net	**522,691**	–
Total Noncurrent Assets	**103,276,968**	152,529,547
	₱516,280,890	₱542,974,786
LIABILITY AND HOME OFFICE ACCOUNT		
Current Liabilities		
Accounts payable and other current liabilities	**₱223,822,237**	₱153,591,376
Lease liabilities - current portion	**6,716,759**	20,064,144
Total Current Liabilities	**230,538,996**	173,655,520
Noncurrent Liabilities		
Lease liabilities - net of current portion	**80,808,282**	95,894,778
Retirement liability - net	**2,661,177**	1,781,041
Deferred tax liability	**627,967**	–
Total Noncurrent Liabilities	**84,097,426**	97,675,819
Total Liabilities	**314,636,422**	271,331,339
Home office account	**201,644,468**	271,643,447
	₱516,280,890	₱542,974,786

HOUSE OF INVESTMENTS, INC.
ISUZU GROUP DIVISION
SUPPLEMENTARY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
REVENUE			
Merchandise sales	**₱890,653,590**	₱1,339,075,531	₱1,677,365,637
Services	**83,584,210**	147,627,631	146,508,473
Dealer's income	**11,023,117**	24,894,177	22,492,086
Others	**2,502,249**	3,422,344	9,375,482
	987,763,166	1,515,019,683	1,855,741,678
OTHER INCOME			
Rent	**2,879,924**	3,579,184	3,584,954
Gain on sale of property and equipment	**397,386**	366,438	262,646
Interest income	**384,133**	111,463	82,149
Miscellaneous	**1,790,193**	2,160,442	10,837,029
	5,451,636	6,217,527	14,766,778
COSTS AND EXPENSES			
Costs			
Merchandise sales	**833,692,664**	1,269,265,896	1,588,864,328
Services	**61,605,334**	104,196,773	97,876,777
	895,297,998	1,373,462,669	1,686,741,105
Operating expenses			
Depreciation	**35,914,705**	36,201,199	16,076,403
Personnel	**32,125,718**	44,501,734	30,768,693
Taxes and licenses	**19,412,625**	20,515,069	20,695,842
Securities and utilities	**9,885,710**	12,438,051	10,821,612
Provision	**6,426,347**	–	–
Commissions	**6,183,964**	5,243,789	7,039,269
Communication, light and water	**4,604,772**	6,664,898	7,534,239
Professional fees	**2,131,543**	–	–
Insurance	**1,795,367**	1,977,195	2,341,369
Rent	**1,211,459**	3,722,837	25,914,892
Transportation and travel	**1,211,002**	3,141,106	3,953,485
Direct selling expenses	**1,186,731**	3,094,633	10,717,725
Supplies	**813,372**	1,278,844	1,743,588
Entertainment, amusement and recreation	**634,041**	6,041,532	4,350,504
Miscellaneous	**5,816,679**	5,838,599	10,143,591
	129,354,035	150,659,486	152,101,212
Interest and finance charges	**12,072,859**	12,761,863	3,476,563
	1,036,724,892	1,536,884,018	1,842,318,880
DIVISION INCOME (LOSS)	**(43,510,090)**	(15,646,808)	28,189,576
OTHER DIVISION COMPREHENSIVE INCOME			
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain on retirement benefit obligation	**1,442,381**	–	–
Income tax effect	**(432,714)**	–	–
	1,009,667	–	–
TOTAL DIVISION COMPREHENSIVE INCOME (LOSS)	**(₱42,500,423)**	(₱15,646,808)	₱28,189,576

HOUSE OF INVESTMENTS, INC.
ISUZU GROUP DIVISION
SUPPLEMENTARY STATEMENTS OF CHANGES IN HOME OFFICE ACCOUNT

	Years Ended December 31		
	2020	2019	2018
HOME OFFICE ACCOUNT			
Balance at beginning of year	**₱271,643,447**	₱307,265,069	₱370,599,077
Remittances to head office - net	**(27,498,556)**	(19,974,814)	(91,523,584)
Division income (loss)	**(42,500,423)**	(15,646,808)	28,189,576
BALANCE AT END OF YEAR	**₱201,644,468**	₱271,643,447	₱307,265,069

HOUSE OF INVESTMENTS, INC.
GEELY GROUP DIVISION

SUPPLEMENTARY STATEMENT OF ASSETS, LIABILITY AND HOME OFFICE ACCOUNT

DECEMBER 31, 2020

ASSETS	
Current Assets	
Cash and cash equivalents	₱55,159,990
Receivables	48,153,531
Inventories	34,167,639
Prepaid expenses and other current assets	27,478,699
Total Current Assets	164,959,859
Noncurrent Assets	
Property and equipment	3,348,034
Computer software	11,126
Total Noncurrent Assets	3,359,160
	₱168,319,019

LIABILITY AND HOME OFFICE ACCOUNT	
Current Liabilities	
Accounts payable and other current liabilities	₱88,396,326
Total Liabilities	88,396,326
Home office account	79,922,693
	₱168,319,019

HOUSE OF INVESTMENTS, INC.
GEELY GROUP DIVISION

SUPPLEMENTARY STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED DECEMBER 31, 2020

REVENUE	
Merchandise sales	₱198,474,108
Dealer's income	1,758,560
Others	136,108
	200,368,776
OTHER INCOME	
Interest income	1,357
Miscellaneous	98,013
	99,370
COSTS AND EXPENSES	
Costs	
Merchandise sales	186,137,887
Services	148,223
	186,286,120
Operating expenses	
Personnel	4,085,354
Commissions	1,523,998
Depreciation	281,374
Taxes and licenses	217,777
Direct selling expenses	107,648
Professional fees	44,035
Supplies	39,913
Insurance	35,445
Transportation and travel	34,624
Communication, light and water	28,663
Entertainment, amusement and recreation	10,044
Miscellaneous	2,095,603
	8,504,478
Interest and finance charges	2,156,062
	196,946,660
DIVISION INCOME	₱3,521,486

HOUSE OF INVESTMENTS, INC.
GEELY GROUP DIVISION
SUPPLEMENTARY STATEMENTS OF CHANGES IN HOME OFFICE ACCOUNT

HOME OFFICE ACCOUNT	
Balance at beginning of year	**₱–**
Remittances to head office - net	**76,401,207**
Division income (loss)	**3,521,486**
BALANCE AT END OF YEAR	**₱79,922,693**

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

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

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

INDEPENDENT AUDITOR'S REPORT
ON THE SUPPLEMENTARY INFORMATION REQUIRED
UNDER REVENUE REGULATIONS NO. 15-2010

The Board of Directors and the Stockholders
House of Investments, Inc.
3rd Floor, Grepalife Building
219 Sen. Gil J. Puyat Avenue
Makati City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing (PSAs) the parent company financial statements of House of Investments, Inc. as at December 31, 2020 and for the year then ended and have issued our report thereon dated April 30, 2021 which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 for the year ended December 31, 2020 is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. The information is also not required by the Revised Securities Regulation Code Rule 68. Revenue Regulations No. 15-2010 requires the information to be presented in the notes to parent company financial statements. Such information is the responsibility of the management of House of Investments, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Narciso T. Torres, Jr.
Partner
CPA Certificate No. 84208
SEC Accreditation No. 1511-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 102-099-147
BIR Accreditation No. 08-001998-111-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534374, January 4, 2021, Makati City

April 30, 2021

HOUSE OF INVESTMENTS, INC.

SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS NO. 15-2010

The Parent Company reported and paid the following types of taxes for the year ended December 31, 2020.

Value-Added Tax (VAT)

a. Output VAT

The Parent Company is a VAT-registered company with VAT output tax declaration of ₱379,855,775 for the year based on taxable sales of ₱3,165,464,789. Total zero-rated sales declared amounted to ₱7,022,837. The Parent Company determined its zero-rated gross receipts pursuant to Section 106A(2)(c) - Zero-rated VAT on Sale of Goods to Persons or Entities Under Special Laws and International Agreements.

b. Input VAT

The amount of Input VAT claimed during the year is broken down into:

	Amount
Balance at January 1	₱7,539,275
Current year's domestic purchases/payments for:	
Goods other than for resale or manufacture	324,614,449
Services lodged under other accounts	15,860,340
	348,014,064
Application against output VAT	341,730,680
Balance at December 31	₱6,283,384

Taxes and Licenses

	Amount
Local taxes included under Taxes and Licenses	
Municipal tax	₱45,900,979
Real property tax	6,240,659
Others	2,063,391
National taxes included under Taxes and Licenses	
Documentary stamp tax	16,932,579
Fringe benefit tax	1,489,246
BIR tax assessment	9,711,761
BIR annual registration	16,000
	₱82,354,615

Withholding Taxes

The amount of withholding taxes paid/accrued for the year amounted to:

	Amount
Withholding taxes on compensation and benefits	₱28,596,457
Creditable withholding taxes	33,750,630
Final withholding taxes	8,431

Tax Assessments and Cases

On September 9, 2019, the Parent Company received a Formal Letter of Demand for the 2015 Value Added Tax (VAT) audit. Total assessment amounted to ₱50,668,894 including surcharge, penalties and interest. The Parent Company settled a portion of the amenable assessment amounting to ₱1,445,487 including interest last October 8, 2019. The Parent Company submitted its reply on the Formal Letter of Demand last October 9, 2019 with request for reinvestigation for the remaining disputed assessment. On October 9, 2020 the Parent Company received a letter from the BIR on the notice that the case has been forwarded to Large Taxpayer Collection Division.