

# COVER SHEET

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S.E.C. Registration Number

H O U S E O F I N V E S T M E N T S I N C .

(Company's Full Name)

9 / F L O O R G R E P A L I F E B U I L D I N G 2 2 1

S E N . G I L P U Y A T A V E N U E M A K A T I

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

Atty. Lalaine P. Monserate

Contact Person

8815-96-36

Company Telephone Number

1 2

Month

Fiscal Year

3 1

Day

SEC FORM 20 - IS  
(PRELIMINARY)

FORM TYPE

0 8

Month

Annual Meeting

1 0

Day

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

377

Total No. Of Stockholders

0

Domestic

0

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks= pls. Use black ink for scanning purposes



## NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of **HOUSE OF INVESTMENTS, INC.** will be held on **Wednesday, August 10, 2022** at 4:00 P.M., with proceedings livestreamed and voting conducted via remote communication or *in absentia* through the Company's secure online voting facility.

1. Call to Order
2. Proof of Notice and Certification of a Quorum
3. Approval of the Minutes of the Annual Meeting of the Stockholders held on August 6, 2021
4. Approval of the Management Report and Audited Financial Statements for 2021
5. Ratification and confirmation of the acts, resolutions and proceedings of the Board of Directors, Executive Committee, Other Committees and the Officers of the Company during the year 2021
6. Election of Directors for 2022-2023
7. Appointment of External Auditor
8. Such other business that may properly come before the meeting
9. Adjournment

Only stockholders of record at close of business on **July 8, 2022** shall be entitled to vote at said meeting or any adjournment thereof.

Pursuant to the alternative modes of notice as provided for in the Securities and Exchange Commission's NOTICE dated March 17, 2021, this notice to Stockholders shall be published in the business section of two (2) consecutive newspapers of general circulation, in print and online format, for two (2) consecutive days. The Information Statement and other pertinent meeting documents shall be made available in the Company's website ([www.hoi.com.ph](http://www.hoi.com.ph)) and via PSE Edge.

Given the current circumstances, stockholders may only attend and participate in the meeting by remote communication and vote only by proxy or remotely *in absentia*. Stockholders who wish to attend and participate in the meeting by remote communication shall inform and notify the Company by email at [hi\\_asm@hoi.com.ph](mailto:hi_asm@hoi.com.ph), on or before July 31, 2022. The link to the live webcast of the meeting shall be sent to the email address of the registered stockholder.

For voting via Proxy, duly accomplished proxies shall be submitted by email to the Office of the Corporate Secretary at [hi\\_asm@hoi.com.ph](mailto:hi_asm@hoi.com.ph), for inspection, validation, and recording at least ten (10) days before the Annual Stockholders' meeting, on or before July 31, 2022. Proxies received thereafter shall not be recognized for the meeting.

For further details of the procedures for attending and participating in the meeting through remote communication, for casting of votes and the proxy form format are set forth in the Information Statement.

The Company shall record the Annual Stockholders' Meeting and post the same in its website.

Makati City, June 6, 2022.

  
ATTY. SAMUEL V. TORRES  
Corporate Secretary

**MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING**  
**OF**  
**HOUSE OF INVESTMENTS, INC.**

Date : 06 August 2021  
Time : 2:30 P.M.  
Place : Via Electronic Means of Communication

The Chairperson, Ms. Helen Y. Dee, welcomed the Company's stockholders to the 2021 Annual Stockholders' Meeting (ASM). The Chairperson noted that due to the persisting threat posed by the COVID-19 pandemic, and to comply with the Inter-Agency Task Force on Emerging Infectious Diseases' advisory to avoid physical mass gatherings, the Company is conducting its 2021 Annual Stockholders' Meeting as an online and recorded video-streaming meeting. She then stated that the procedure for the ASM is embodied in the Company's Definitive Information Statement, which has been posted in the Company's website.

The Chairperson also advised that to accord the Stockholders the opportunity to participate in the ASM, the Stockholders were informed that they may register online. Further, they were made aware that only questions and concerns submitted online prior to the given deadline will be addressed during the ASM. As for questions during the ASM, they will be addressed via email after the ASM.

The Chairperson proceeded to introduce the incumbent members of the Board of Directors of the Company, as follows:

- |                                |   |                          |
|--------------------------------|---|--------------------------|
| 1. Ms. Helen Y. Dee            | – | Chairperson of the Board |
| 2. Mr. Lorenzo V. Tan          | – | Director/President & CEO |
| 3. Ms. Yvonne S. Yuchengco     | – | Director                 |
| 4. Mr. Medel T. Nera           | – | Director                 |
| 5. Atty. Wilfrido E. Sanchez   | – | Director                 |
| 6. Mr. Gil A. Buenaventura     | – | Director                 |
| 7. Mr. Lorenzo Andres T. Roxas | – | Director                 |
| 8. Dr. Roberto F. De Ocampo    | – | Independent Director     |
| 9. Mr. Juan B. Santos          | – | Independent Director     |
| 10. Mr. John Mark S. Frondoso  | – | Independent Director     |
| 11. Francisco H. Licuanan III  | – | Independent Director     |

**I. CALL TO ORDER.**

The Chairperson, Ms. Helen Y. Dee, called the meeting to order.

**II. PROOF OF NOTICES.**

The Chairperson asked the Corporate Secretary, Atty. Samuel V. Torres, whether proper notices of the meeting were sent to the stockholders entitled thereto.

The Corporate Secretary certified that stockholders of record as of 06 July 2021 were duly notified of the 2021 ASM in four (4) ways, as follows:

First, by publication of the Notice of the ASM, including its Agenda, on 05 July 2021 and 06 July 2021 in The Manila Bulletin and the Philippine Star, both in print and online editions for two (2) consecutive days, as evidenced by the Affidavits of Publications executed by the respective representatives of the publishers.

Second, by disclosure with the Philippine Stock and Exchange, Inc.

Third, by posting on the Company's website.

Finally, through email for those who have successfully registered online, consistent with the applicable Securities and Exchange Commission (SEC) Rules and the Company's internal guidelines on the holding of the ASM by electronic means of communication.

**III. DETERMINATION OF QUORUM.**

The Corporate Secretary certified that out of the 776,465,281 outstanding shares of stock entitled to participate and vote, a total of 519,352,366 shares are represented in the meeting, with 1,630 shares participating remotely or in absentia and 519,890,011 shares represented by proxy. All of the said shares represent 66.89% of those entitled to participate and vote and constitute more than 2/3 of the outstanding capital stock. The Corporate Secretary then confirmed that there was quorum.

**IV. APPROVAL OF THE MINUTES OF THE PREVIOUS STOCKHOLDERS' MEETING.**

The Chairperson proceeded to present the next item in the Agenda, which is the approval of the Minutes of the last Annual Stockholders' Meeting held on 17 August 2020. She advised that a copy of the Minutes is posted in the Company's website and available to all stockholders for viewing.

The Corporate Secretary then stated that a total of 519,352,366 shares, representing 66.89% of the total outstanding stock, voted in favor of the following resolution to approve the Minutes of the 2020 Annual Stockholders' Meeting:

“RESOLVED, that the minutes of the last stockholders' meeting be, as they are hereby, noted and approved.”



**V. APPROVAL OF THE 2020 MANAGEMENT REPORT AND THE AUDITED FINANCIAL STATEMENTS.**

The Chairperson noted the next item on the Agenda, which is the approval of the 2020 Management Report and the 2020 Audited Financial Statements. She then mentioned that the Annual Report is posted in the Company's website, aside from being presented in the required SEC Form 17-A. The Chairperson then requested the Company's President & CEO, Mr. Lorenzo V. Tan, to present a report on the results of the Company's operations last year and the 2020 Audited Financial Statements.

Mr. Tan's presentation on "Rising Above Uncertainties. Looking Beyond 2020." commenced with an expression of faith as a sign of commiseration for those affected by the COVID-19 pandemic. Mr. Tan then recalled the circumstances surrounding the onset of the COVID-19 pandemic, its effect on the Philippine economy, and the response of the Yuchengco Group of Companies. Thereafter, Mr. Tan proceeded to discuss the Company's Consolidated Revenues, Revenue Contributors, Net Income (Loss) Attributable to Parent, and Financial Results Per Business Segment.

Mr. Tan particularly reported on the Company's businesses and activities in the construction industry (EEI Corporation), education [Malayan Education System, Inc. (Operating Under the Name of Mapua University); Malayan Colleges Laguna, Inc., A Mapua School; Malayan Colleges Mindanao (A Mapua School), Inc.; Malayan High School of Science, Inc., National Teachers College; Affordable Private Education Center, Inc. (APEC School); and University of Nueva Caceres], car dealership business (Honda, Isuzu and Geely), pharmaceuticals (HI-Eisai Pharmaceutical, Inc.), energy sector (Petro Green Energy Corporation and Petroenergy Resources Corporation), afterlife services (Manila Memorial Park Cemetery, Inc. and La Funeraria Paz-Sucat, Inc.), and real estate (San Lorenzo Ruiz Investment Holdings and Services, Inc.; Joint Venture with Sojitz Corporation, a Japanese company). He discussed the following:

1. Business Continuity
2. Digital Evolution
3. Relevant & Dynamic Partner in Nation Building
4. Our Environmental, Social and Governance Responsibilities

Mr. Tan also provided an update on the improvements during the first half of 2021, which exemplifies how the Company remains undeterred in overcoming the crisis brought about by the COVID-19 pandemic. He discussed the Consolidated Revenues and Net Income Attributable to Parent Company.

Mr. Tan concluded his report by affirming that the Company remains faithful to its vision, committed to fulfilling its mission and that it will continue to rise above uncertainties by leading innovation, supporting its various businesses and pursuing new opportunities that will enrich the lives of the Company's stakeholders.

After the President's Report, the Corporate Secretary noted the proposal to approve the Management Report and the 2020 Audited Financial Statements under the following resolution:

"RESOLVED, that the Management Report and the 2020 Audited Financial Statements, as made available to the Stockholders, be as they are hereby, noted and approved."

There being no objections, the Corporate Secretary advised that a total of 519,352,366 shares, representing 66.89% of the total outstanding stock, voted in favor of the above resolution.

**VI. RATIFICATION AND CONFIRMATION OF THE ACTS, RESOLUTIONS AND PROCEEDINGS OF THE BOARD OF DIRECTORS, EXECUTIVE COMMITTEE, OTHER COMMITTEES AND OFFICERS OF THE COMPANY DURING THE YEAR IN REVIEW.**

The Chairperson proceeded to present the next item in the Agenda, which is the ratification and confirmation of all acts, resolutions and proceedings of the Board of Directors, the Executive Committee, the Other Committees, and Officers of the Company during the year in review.

The Corporate Secretary noted the proposal to ratify and confirm all acts, resolutions and proceedings of the Board of Directors, the Executive Committee, the Other Committees, and Officers of the Company during the year in review under the following resolution:

“RESOLVED, as it is hereby resolved, that all acts, resolutions, and proceedings of the Board of Directors, the Executive Committee, the Other Committees, and the Officers during the year in review be ratified and confirmed.”

There being no objections, the Corporate Secretary advised that a total of 519,352,366 shares, representing 66.89% of the total outstanding stock, voted in favor of the above resolution.

**VII. ELECTION OF DIRECTORS FOR 2021-2022.**

The Chairperson proceeded to the next item in the Agenda, which is the election of directors for the year 2021-2022. She then asked the Corporate Secretary if he has the list of nominees to the Board of Directors. The Corporate Secretary replied in the affirmative and stated that, as of 14 May 2021, the deadline for nominations, there were eleven (11) nominees evaluated and qualified by the Corporate Governance, Nomination and Related Party Transactions Committee for election as members of the Board of Directors, namely:

**Regular Directors**

1. Ms. Helen Y. Dee
2. Mr. Lorenzo V. Tan
3. Ms. Yvonne S. Yuchengco
4. Mr. Medel T. Nera
5. Atty. Wilfrido E. Sanchez
6. Mr. Gil A. Buenaventura
7. Mr. Lorenzo Andres T. Roxas



**Independent Directors**

8. Dr. Roberto F. De Ocampo
9. Francisco H. Licuanan III
10. Mr. Juan B. Santos
11. Mr. John Mark S. Frondoso

The Corporate Secretary particularly noted that while the Company is guided by the SEC's mandatory term limits for independent directors as provided for in SEC Memorandum Circular No. 4 (Series of 2017), the reelection and retention of Dr. Roberto F. de Ocampo and Mr. Francisco H. Licuanan III as independent directors of the Company is being proposed for stockholders' approval based on the invaluable contribution and guidance that they are constantly providing to the Company. He further stated that the meritorious justifications for Dr. de Ocampo and Mr. Licuanan's reelection and retention as Independent Directors were provided for in the Company's Definitive Information Statement.

Thereafter, the Corporate Secretary confirmed the results of the election, stating that all the shares represented in the meeting, particularly, a total of 519,352,366 shares, representing 66.89% of the total outstanding stock, voted in favor of the election of all eleven (11) nominees. The Chairperson thus declared and proclaimed the above-named nominees as elected members of the Company's Board of Directors for 2021-2022.

**VIII. APPOINTMENT OF EXTERNAL AUDITOR.**

The Chairperson proceeded to tackle the next item on the Agenda, which is the appointment of the Company's external auditor.

The Corporate Secretary noted the proposal for SGV & CO. to be reappointed as the Company's external auditor for the calendar year ending 31 December 2021 under the following resolution:

"RESOLVED, that the auditing firm, SGV & CO. be reappointed as the Company's External Auditor for the calendar year ending December 31, 2021."

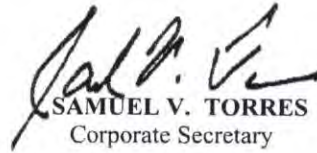
There being no objections, the Corporate Secretary advised that a total of 519,352,366 shares, representing 66.89% of the total outstanding stock, voted in favor of the above resolution.

**IX. OTHER MATTERS.**

The Chairperson inquired if there were any other matters that any of the stockholders wished to discuss. The Corporate Secretary confirmed that there was none. The Chairperson then also asked if there were any comments and questions submitted to the Company prior to the deadline for submission. The Corporate Secretary replied that no questions were received from the stockholders.

X. ADJOURNMENT.

There being no other questions and with no other business to transact, on motion duly made and seconded, the Annual Stockholders' Meeting was adjourned.

  
SAMUEL V. TORRES  
Corporate Secretary

ATTEST:

  
HELEN Y. DEE  
Chairperson



## EXPLANATION OF AGENDA ITEMS

The following are the rules of conduct and procedures for the meeting:

1. Stockholders may attend and participate in the meeting by remote communication. Stockholders who intend to attend and participate by remote communication shall inform the Company via email at [hi\\_asm@hoi.com.ph](mailto:hi_asm@hoi.com.ph), on or before July 31, 2022. After verification of the email request, the link to the live webcast of the meeting shall be sent to the indicated email address of the registered stockholder.
2. Stockholders may vote by appointing a proxy. Stockholders voting by proxy shall email the duly accomplished proxies for examination, validation and recording at least ten (10) days before the Annual Stockholders' Meeting, or on or before July 31, 2022 to the Office of the Corporate Secretary at [hi\\_asm@hoi.com.ph](mailto:hi_asm@hoi.com.ph).
3. Pursuant to Sections 57 and 23 of the Revised Corporation Code, which allow for voting by remote communication or *in absentia* by the stockholders, the Company has set up a registration and voting mechanism. Stockholders may cast their votes electronically at the time provided for in the notice and mechanism, as detailed in the attachments to the Information Statement, Annex A and Annex B. A stockholder who votes by remote communication or in absentia shall be deemed present for purposes of quorum.
4. The items in the Agenda for the approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the outstanding voting stock, voting through a proxy or voting electronically in absentia.
5. Each of the proposed resolutions or items in the Agenda will be shown on the screen as the same is taken up at the meeting.
6. Election of directors will be by plurality of votes and every stockholder will be entitled to cumulate his/her/its votes.
7. The Company's stock transfer agent will tabulate, verify and validate all votes received.
8. The Corporate Secretary shall report the results of voting during the meeting.
9. Stockholders may email to [hi\\_asm@hoi.com.ph](mailto:hi_asm@hoi.com.ph) relevant questions or comments to matters to be taken up, on or before the time of the meeting. Stockholders are advised to send questions early to be assured that these will be taken up in time.
10. A link to the recorded webcast of the meeting will be posted on the Company's website after the meeting.

### **Call to Order**

The Chairperson will formally open the meeting at 4:00 in the afternoon.

### **Certification of Notice and Quorum (& Rules of Conduct and Procedures)**

The Corporate Secretary, will certify that written notice for the meeting was duly sent to the stockholders and that a quorum exists for the transaction of business.

### **Approval of Minutes of the Annual Stockholders' Meeting held on August 6, 2021**

The minutes of the Annual Stockholders' Meeting held on August 6, 2021 is posted on the Company's website, at <https://hoi.com.ph/category/minutes-of-all-general-or-special-stockholder-meeting/>. A copy of the minutes is also attached to the Information Statement. A resolution approving the minutes will be presented to the stockholders for approval.

### **Approval of the Management Report and Audited Financial Statements for 2021**

The President and Chief Executive Officer of the Company, Mr. Lorenzo V. Tan, will deliver a report to the stockholders on the performance of the Company in 2021 and the outlook for 2022. The audited financial statements as of December 31, 2021 will be included in the Information Statement. A resolution noting the report and approving the 2021 audited financial statements will be presented to the stockholders for approval.

### **Approval of the ratification and confirmation of the acts, resolutions and proceedings of the Board of Directors, Executive Committee, Other Committees and the Officers of the Company during the year 2021**

The acts and resolutions of the Board of Directors, all Committees and Management of the Company for ratification were those adopted from August 6, 2021 until August 10, 2022. They include: a) opening/closing of bank accounts and delegation of bank signatories; b) approval of credit lines; c) appointment/promotion of officers; and other matters covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange. The acts of Management were those taken to implement the resolutions of the Board of Directors or its Committees and those taken in the general conduct of business. A resolution on this agenda item will be presented to the stockholders for approval.

### **Election of Directors for 2022-2023**

Any stockholder may submit to the Corporate Governance, Nomination and Related Party Transactions Committee nominations to the Board of Directors no later than May 14, 2021. The Corporate Governance, Nomination and Related Party Transactions Committee will determine whether the nominees for Directors, including the nominees for Independent Directors, have all the qualifications and none of the disqualifications to serve as members of the Board of Directors before submitting the nominees for election by the stockholders. The profiles of the nominees to the Board will be included in the Information Statement.

It may be noted, however, that while the Company is guided by the SEC's mandatory term limits for independent directors as provided for in SEC Memorandum Circular No. 4 (Series of 2017), two (2) of the independent director nominees, Dr. Roberto F. de Ocampo, OBE and Mr. Francisco H. Licuanan III, are already serving a cumulative term of nine (9) years as reckoned from the year 2012. Nonetheless, the Company proposes the re-election and retention of Dr. de Ocampo and Mr. Licuanan as independent directors. Meritorious justification for their retention/extension are provided in Item 5 of the Information Statement.

### **Appointment of External Auditor**

The Audit Committee shall endorse to the stockholders the appointment of an external auditor for the ensuing year. The profile of the external auditor will be included in the Information Statement.

A resolution for the appointment of the external auditor will be presented to the stockholders for approval.

### **Such other business that may properly come before the meeting**

The Chairperson will open the floor for comments and questions from the stockholders. Stockholders may raise matters or issues that may be properly taken up at the meeting.

1. Check the appropriate box:  
☒ Preliminary Information Statement                      ☐ Definitive Information Statement
2. Name of Registrant as specified in its charter **House of Investments, Inc.**
3. **Makati City, Metro Manila, Philippines**  
Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number **15393**
5. BIR Tax Identification Code **000-463-069-000**
6. **9F, Grepalife Bldg., 221 Sen. Gil J. Puyat Ave., Makati City, Metro Manila, Phil. 1200**  
Address of principal office Postal Code
7. Registrant's telephone number, including area code (**(632) 8815-9636 to 38**)
8. Date, Time and place of the meeting of security holders  
**August 10, 2021, 4:00 P.M., with proceedings livestreamed and voting conducted via remote communication or in absentia through the Company's secure online voting facility.**
9. Approximate date on which the Information Statement is first to be sent or given to security holders July 9, 2021.
10. **In case of Proxy Solicitations:**  
  
**Name of Person Filing the Statement/Solicitor: Atty. Samuel V. Torres**  
**Address: House of Investments, Inc., 9/F Grepalife Building, 221 Sen. Gil Puyat Avenue, Makati City, Metro Manila**  
**Telephone No.: 8815-96-36**  
**Email address: [hi\\_asm@hoi.com.ph](mailto:hi_asm@hoi.com.ph)**
11. Securities registered pursuant to Sections 8 and 12 of the Code (information on number of shares and amount of debt is applicable only to corporate registrants):

The **common stock** of the Corporation is listed on the **Philippine Stock Exchange, Inc.**



**PART 1**  
**INFORMATION REQUIRED IN INFORMATION STATEMENT**

**A. GENERAL INFORMATION**

**Item 1: Date, Time and Place of Meeting of Security Holders:**

Date of meeting	:	<b>August 10, 2022</b>
Time of meeting	:	<b>4:00 pm</b>
Place of meeting	:	<b>Virtually with the proceedings livestreamed and voting conducted by proxy or <i>in absentia</i></b>
Approximate mailing date of this statement	:	<b>July 15, 2022</b>
Registrant's mailing address	:	<b>9/F, Grepalife Building 221 Sen. Gil J. Puyat Avenue Makati City, Metro Manila, Philippines</b>

There will be no physical venue for the meeting. It will instead be held virtually in view of the continuing effect of the COVID-19 pandemic, as guided by and in observance of Proclamation No. 1218, which extended the period of the State of Calamity throughout the Philippines until September 12, 2022. The link to the meeting will be provided to stockholders of record who register to confirm their attendance. Actual proceedings shall be livestreamed, and voting will be conducted by proxy or through remote communication or *in absentia*.

Voting by proxy or through remote communication or *in absentia* shall be adopted. In all items for approval, each voting share entitles its registered owner as of Record Date to one (1) vote.

In the case of the election of Directors, each shareholder may vote such number of shares for as many persons as there are directors to be elected or he may accumulate the aforesaid shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many nominees as he shall see fit; provided that, the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the total number of directors to be elected.

All votes submitted through proxy or voting by remote communication or *in absentia*, within the period indicated in the Notice will be counted and tabulated by the Office of the Corporate Secretary and the results will be validated by the RCBC Stock Transfer Office.

**Item 2: Dissenters' Right of Appraisal**

Pursuant to Title X, Section 80 of the Revised Corporation Code of the Philippines (the "Revised Corporation Code"), a stockholder shall have the right to dissent and demand payment of the fair value of his/her shares in the following instances:

- a. In case an amendment to the Corporation's articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code;
- c. In case of merger or consolidation; and
- d. In case of investment of corporate funds for any purpose other than the primary purpose of the Corporation.

A stockholder who shall have voted against a proposed corporate action may seek payment of the value of his/her shares by submitting to the Corporation a written demand for such payment within thirty (30) days after the vote was taken. Failure to make such demand within the said period shall be deemed as a waiver of the stockholder's appraisal right. The failure of a dissenting stockholder to submit his/her certificates of stock with the Corporation (for notation that such are dissenting shares) within ten (10)

days after the required written demand has been made shall also be deemed as a waiver of the dissenting stockholder's appraisal right.

If, within sixty (60) days from the approval of the corporate action by the stockholders, the dissenting stockholder and the Corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after the same is made.

Upon payment of the value of his/her shares, the dissenting stockholder shall forthwith transfer his shares to the Corporation. However, no payment shall be made to any dissenting stockholder unless the Corporation has retained earnings in its books to cover such payment.

A dissenting stockholder's demand for payment may not be withdrawn unless the Corporation consents thereto. If, however, such demand is withdrawn with the Corporation's consent, or if the proposed corporate action is abandoned, rescinded or disapproved, or if it is determined that the stockholder is not entitled to the appraisal right, then the right of the stockholder to be paid the fair value of his/her shares shall cease, the status of the stockholder shall be restored, and all dividends which would have accrued on the shares shall be paid to the stockholder.

There are no corporate matters in the Agenda for the annual meeting that will entitle dissenting stockholders to exercise their right of appraisal as provided in the Title X of the Revised Corporation Code.

### **Item 3: Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

- a) No current director or officer of the Company, or nominee, for election as directors of the Company or any associate thereof, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than the election to office.
- b) No director has informed the Company in writing that he intends to oppose any action to be taken by the registrant at the meeting.

## **B. CONTROL AND COMPENSATION INFORMATION**

### **Item 4: Voting Securities and Principal Holders Thereof**

#### **(a) Class of Voting shares as of March 31, 2022:**

Common Stocks	776,465,281 shares
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Each common share of the Company's capital stock is entitled to one (1) vote at the Annual Stockholders' Meeting.

#### **(b) Record Date: July 8, 2022**

Only stockholders of record at the close of business on **July 8, 2022** are entitled to vote at the meeting either in person or by proxy.

#### **(c) Election of Directors and Cumulative Voting Rights**

In all items for approval except election of directors, each share of stock entitles its registered owner to one (1) vote.

In case of election of Directors, each stockholder may vote the number of shares of stock standing in his own name as of the record date of the meeting for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same

principle among as many candidates as he shall see fit; Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Corporation multiplied by the whole number of directors to be elected.

## Security Ownership of Certain Beneficial Owners and Management

### 1. Owners of more than 5% of voting securities as of March 31, 2022.

#### 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	<b>PAN MALAYAN MANAGEMENT &amp; INVESTMENT CORPORATION</b> 48/F, Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City <i>Principal Stockholder</i>	<b>Ms. Helen Y. Dee</b> <i>Chairperson</i> is authorized to direct voting of the shares held by Pan Malayan Management & Investment Corporation	Filipino	397,166,274*	51.15%
Common	<b>ESTATE OF ALFONSO T. YUCHENGCO</b> 48/F, Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City <i>Principal Stockholder</i>	<b>Ms. Helen Y. Dee</b> <i>In her capacity as Administrator</i> is authorized to direct voting of the shares held the Estate of Alfonso T. Yuchengco	Filipino	90,123,082	11.61%
Common	<b>RCBC SECURITIES, INC.</b> 7/F Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City	<b>Mr. Raul M. Leopando</b> <i>Nominee</i> <b>Mr. Raul Ruiz</b> <i>VP - Research</i> are authorized to direct voting of the shares held by RCBC Securities	Filipino	99,642,331	12.83%
Common	<b>BPI SECURITIES CORPORATION</b> 8/F BPI Head Office Bldg., Ayala Ave., cor. Paseo de Roxas Makati City	<b>Mr. John Kennard T. Fajardo</b> <i>Nominee</i> is authorized to direct voting of the shares held by BPI Securities Corporation	Filipino	46,302,412	5.96%
Common	<b>GPL Holdings, Inc.</b>	<b>Ms. Helen Y. Dee</b> <i>President</i> is authorized to direct voting of the shares held by GPL Holdings, Inc.	Filipino	41,170,360	5.30%

\* Represents direct and indirect ownership.

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

Among the above shareholders owning more than 5% of the Company's capital stock, no one has purchase shares of the Company in the past two years.

### 2. Security Ownership of Management

Securities beneficially owned by the directors, nominees, officers, other than qualifying shares, as of March 31, 2022 according to the records of its stock and transfer agent, Rizal Commercial Banking Corp. (RCBC):

NAME OF BENEFICIAL OWNER	CITIZENSHIP	NATURE OF OWNERSHIP	SHARES OWNED	% OF CLASS
Ms. Helen Y. Dee	Filipino	Direct	1,125,345	0.1449%
		Indirect	770,780	0.0993%
Mr. John Mark S. Frondoso	Filipino	Direct	5	0.0000%



NAME OF BENEFICIAL OWNER	CITIZENSHIP	NATURE OF OWNERSHIP	SHARES OWNED	% OF CLASS
Mr. Francisco H. Licuanan III	Filipino	Direct	500	0.0006%
Mr. Emilando D. 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	45	0.0000%
		Indirect	90,210	0.0116%
<b>Sub-Total</b>			<b>1,986,920</b>	<b>0.2559%</b>
<b>Total Common Shares</b>			<b>776,465,281</b>	<b>100%</b>

None of the officers have direct or indirect shares other than those mentioned above.

### Changes in Control

There had been no change in control in the Company that had occurred since the beginning of last year.

### Voting Trust Holders of 5% And More

There are no shareholdings holding any Voting Trust Agreement or any such similar agreement.

### Ownership of Foreigners Per Class

As of March 31, 2022, there are 20,565,091 shares or 2.65% of the common stock that are held by foreigners.

### Item 5: Directors and Executive Officers

The Company's Board of Directors ("BOD") 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 HI's operations, business strategy, policies, and other corporate matters. A brief background on each member of the board is provided in the succeeding pages.

The following are the names, ages, positions, and period of service of all incumbent directors, executive officers, and all persons nominated or chosen to become such:

<b>DIRECTORS</b>		
<b>Name</b>	<b>Position</b>	<b>Length of Service</b>
Ms. Helen Y. Dee	Chairperson	19 Years
Mr. Lorenzo V. Tan	Director President & CEO	5 Years as Director 2 Year and 9 Months as President & CEO
Mr. Medel T. Nera	Director	10 Years
Atty. Wilfrido E. Sanchez	Director	21 Years
Mr. Gil A. Buenaventura	Director	2 Years
Ms. Yvonne S Yuchengco	Director	20 Years
Mr. Lorenzo Andres T. Roxas	Director	1 Year and 7 months

<b>INDEPENDENT DIRECTORS</b>		
<b>Name</b>	<b>Position</b>	<b>Length of Service</b>
Dr. Roberto F. de Ocampo	Director	21 Years
Mr. John Mark Frondoso	Director	5 Years
Mr. Francisco H. Licuanan III	Director	14 Years
Mr. Juan B. Santos	Director	7 Years

<b>EXECUTIVE OFFICERS</b>			
<b>Name</b>	<b>Position</b>	<b>Age</b>	<b>Citizenship</b>
Ms. Helen Y. Dee	Chairperson	78	Filipino
Mr. Lorenzo V. Tan	President & CEO	60	Filipino

<b>EXECUTIVE OFFICERS</b>			
<b>Name</b>	<b>Position</b>	<b>Age</b>	<b>Citizenship</b>
Ms. Gema O. Cheng	EVP – COO, CFO & Treasurer	57	Filipino
Mr. Alexander Anthony G. Galang	SVP – Internal Audit	61	Filipino
Mr. Joselito D. Estrella	SVP – Chief Information Officer	57	Filipino
Mr. Philippe John S. Fetalvero	SVP – Business Operations Head, Cars Division	53	Filipino
Ms. Ma. Esperanza F. Joven	FVP – Finance	51	Filipino
Ms. Ma. Elisa E. De Lara	FVP – Internal Audit	53	Filipino
Ms. Maria Teresa T. Bautista	VP –Controller	49	Filipino
Atty. Victoria T. Tomelden	VP – Division Head, Group Internal Audit	50	Filipino
Ms. Ruth C. Francisco	SVP – Chief Risk Officer	58	Filipino
Atty. Lalaine P. Monserate	AVP – Legal & Compliance Officer	58	Filipino
Atty. Samuel V. Torres	Corporate Secretary	57	Filipino
Atty. Ma. Elvira Bernadette G. Gonzalez	Asst. Corporate Secretary	45	Filipino

## **POSITION AND BACKGROUND WITHIN THE LAST 5 YEARS**

**HELEN Y. DEE, 78 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, 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. **Educational Background:** Ms. Dee received her Master's Degree in Business Administration from De La Salle University.

**LORENZO V. TAN, 60, Filipino**, is a **Director** and the **President & CEO** of the Company. Mr. Tan is currently serving as **Director** of Smarts Communications, Inc., Digitel Telecommunications, EEI Corp., Sunlife Grepa Financial, Inc., iPeople inc., Malayan Insurance Company, Inc., Manila Memorial Park Cemetery, Inc., PetroEnergy Corporation, Philippine Realty and Holding Corporation (Philrealty), Hi-Eisai Pharmaceutical, Inc., and Honda Cars Philippines and Isuzu Manila, Inc.; **Director, President and CEO** of RCBC Realty Corporation and San Lorenzo Ruiz Investment Holdings and Services, Inc. He is also on the **Board of Adviser** of Alphaland Development Corporation. He holds the **Vice Chairmanship** of the Pan Malayan Management and Investment Corporation (PMMIC), and TOYM Foundation; **Member of the Board of Trustees** at De La Salle Zobel. **His past experiences include:** **President and CEO** of Rizal Commercial Banking Corporation. Prior to that, he also served as the **President and CEO** of Sun Life of Canada (Philippines), Inc., the Philippine National Bank, and the United Coconut Planters Bank; **Managing Director** of Primeiro Partners, Inc.; **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.

**ATTY. WILFRIDO E. SANCHEZ, 85, 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"), EEI Corporation, EMCOR, Inc., J-DEL Investments and Management Corporation, K-Servico, Inc., Kawasaki Motor Corporation, Magellan Capital Holdings Corp., Trimotors Technology Corp., Wodel, Inc. and KS Prime Financial Corp.; **Independent Director** in Philippine National Bank, Tanduary Distillers, Inc., Asia Brewery, Inc., LT Group, Inc., and Eton Properties Philippines, Inc.; **Trustee** in Asian Institute of Management (AIM), Gokongwei Brothers Foundation, and JVR Foundation, Inc.; **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.

**YVONNE S. YUCHENGCO, 68, 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; **Chairperson and President** of Royal Commons, Inc., Y Tower II Office Condominium Corp. and Yuchengco Tower Office Condominium Corp.; **Director and Vice Chairperson** of National Reinsurance Corp. of the Philippines and 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 and Yuchengco Museum, Inc.; **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., Pan Malayan Express, Inc., Pan Malayan Realty Corp., Seafont Resources Corp., Shayamala Corporation, YGC Corporate Services, Inc. and Yuchengco Center, Inc. and Asia-Pac Reinsurance Co., Ltd.; **Trustee** of Avignon Tower Condominium Corporation, Phil-Asia Assistance Foundation, Inc., Mapua University, and AY Foundation, 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, 66, Filipino**, is a **Director** from 2011 to present. He is also a **Director** of iPeople inc., EEI Corp., Seafont 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.

**GIL A. BUENAVENTURA, 69, 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.

**ROBERTO F. DE OCAMPO, 76, Filipino, former Secretary of Finance**, is an **Independent Director** from 2000 to present. He also serves as the Chairman of the Audit Committee. Dr. de Ocampo also serves as **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 the Asian Institute of Management (AIM); **Chairman** of the Philippine Veterans Bank and Foundation for Economic Freedom (FEF); **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.

**FRANCISCO H. LICUANAN III, 78, 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. **Educational Background:** Master of Business Administration from Harvard Business School, USA; Bachelor of Arts in Economics (cum laude) from Ateneo De Manila University, Philippines.

**JUAN B. SANTOS, 83, Filipino**, was elected as an **Independent Director** in 2014. He is also a **Director** of Allamanda Management Corporation, 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.

**JOHN MARK S. FRONDOSO, 47, 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, 58, 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, 57, 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, Executive Vice President and Treasurer** of Landev Corporation; **Executive Vice President and Chief Operating Officer** of San Lorenzo Ruiz Investment Holdings and Services, Inc.; 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, 61, 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<sup>th</sup> 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, 57, 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, 53, Filipino**, is the **SVP - Business Operations Head, HI Cars Division**. He was the **General Manager** of Honda Cars Kalookan, Inc. from 1989 to 2019. **His past experiences include:** **Sales Manager** of Right Computer Systems, Inc. & **Faculty** at De La Salle University (IMPACT Center) from 1991 to 1993; **Sales Manager** of Honda Cars Kalookan, Inc. from 1994 to 1998. **Educational Background:** Bachelor of Science in Computer Science (Information Technology) from De La Salle University - Manila.

**MA. ESPERANZA F. JOVEN, 51, Filipino**, is the **First Vice President for Finance**. She was Vice President for Finance of the Company from 2014 to June 2021. She is also the **Vice President & Treasurer** in HI-Eisai Pharmaceutical, Inc.; **Chief Finance Officer** of San Lorenzo Investment Holdings and Services, Inc.; **Vice President and Treasurer** of Blackhounds Security & Investigation Agency, Inc. and a **Director** in Manila Memorial Park Cemetery, Inc., La Funeraria Paz-Sucat, Inc., San Lorenzo Ruiz Investment Holdings & Services, Inc., and Blackhounds Security & Investigation Agency, Inc. **Her past experiences include:** **Vice President for Finance** of iPeople, inc. and **Director** of Zamboanga Industrial Finance Corporation. **Educational Background and Certifications:** Master of Science in Computational Finance and Bachelor of Science in Applied Mathematics from De La Salle University-Manila. She also held the Series 7, 63, & 24 licenses with the Financial Industry Regulatory Authority (FINRA), The Nasdaq Stock Market, and in the 52 states and territories of the USA.

**MARIA ELISA E. DE LARA, 52, Filipino**, is the **First Vice President for Group Internal Audit**. She was **Vice President** of the company from 2014 to June 2021. 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, 49, 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.

**VICTORIA T. TOMELDEN, CPA, CIA, 50, Filipino**, is the **Vice President - Division Head Group Internal Audit**. She currently sits as **Trustee** at the Institute of Internal Auditors, Philippines (IIA-P) and **chairs** the Board's Governance Committee. She is also an **associate member** at the Institute of Corporate Directors – Philippines (ICD). Prior to joining HI, she was the VP and Chief Audit Executive of Holcim Philippines Group of Companies from January, 2010 to December, 2020. She was also the Company's **Corporate Legal Counsel** from May, 2006 to December, 2009. She also held various **Finance functions** prior to becoming a lawyer. **Educational Background:** holder of Yellow Belt Lean-Six Sigma, Certified Internal Auditor, Management Program Certificate from Duke Corporate Education Ltd, Pfaffikon (SZ), Switzerland, Organizational Leadership Program Certificate from the IMD Business School, Lausanne, Switzerland, Bachelor of Laws from Arellano University School of Law (AUSL) and Bachelor of Science in Accountancy from Polytechnic University of the Philippines, Manila (PUP).

**RUTH C. FRANCISCO, 58, Filipino**, is the **Senior Vice President – Chief Risk Office**. She joined the company in July 2010 and was seconded to Malayan Education System, Inc. (Operating under the name of Mapúa University) ("Mapúa") as the **Chief Finance Officer**. During her assignment in Mapúa, she also held the following positions: **Treasurer** for Malayan Colleges Foundation, Inc., Malayan Colleges Mindanao (A Mapua School), Inc., and MIT Retirement Fund, Inc. She is also a **Director** at San Lorenzo Ruiz Investment Holdings and Services, Inc. **Educational Background:** Doctor of Business administration, Colegio de San Juan de Letran; Master of Business Administration, Philippine Christian University; Bachelor of Science in Commerce, Major in Accounting, Manuel L. Quezon University.

**LALAIN P. MONSERATE, 58, 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 May 2017 up to the present. She is also the Corporate Secretary of Greyhounds Security and Investigation Agency Corporation, Zamboanga Carriers, Inc. and Zambowood Realty & Development Corporation from August 2018 to present. She is also the **Compliance Officer** for Money Laundering/Financing of Terrorism (ML/FT) for San Lorenzo Ruiz Investment Holdings and Services, Inc. and RCBC Realty Corporation being newly covered persons under the Designated Non-Financial Businesses and Profession (DNFBP) on December 2021 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.

**SAMUEL V. TORRES, 57, 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., Seafrost 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. (Operating as Mapua Malayan Colleges Mindanao), 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, AC College of Enterprise and Technology, Inc., Linc Institute, Inc., University of Nueva Caceres, Inc., National Teachers College, GPL Holdings, Pan Pacific Computer Center, Inc., HI Cars, 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, 45, 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. (Operating as Mapua Malayan Colleges Mindanao), Affordable Private Education, Inc. doing business under the name of APEC SCHOOLS, AC College of Enterprise and Technology, Inc., Linc Institute, Inc., University of Nueva Caceres, Inc., National Teachers College, 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.

### **Nominations for Independent Directors and Procedures for Nomination**

Following rules and procedures shall apply to the nomination and election of Independent Directors.

- a) The Board shall have at least three (3) independent directors or such number as to constitute one-third (1/3) of the Board, whichever is higher. An independent director is one who is independent of management and free from business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as director, and must possess all of the qualifications, and none of the disqualifications as prescribed by the Bangko Sentral Ng Pilipinas, Securities and Exchange Commission and other regulatory authorities, from time to time.
- b) The Corporate Governance, Nomination, and Related Party Transactions Committee composed of three (3) members shall promulgate the guidelines or criteria to govern the conduct of the nominations:
- c) Nomination of independent director shall be conducted by the Corporate Governance, Nomination and Related Party Transactions Committee prior to the stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.
- d) The Corporate Governance, Nomination, and Related Party Transactions Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent directors;
- e) After the nomination, the Corporate Governance, Nomination, and Related Party Transactions Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required by existing and applicable rules, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, or in such other reports the Company is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee;
- f) Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Directors. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.
- g) Election of Independent Directors
  - Subject to pertinent existing rules and regulation of SEC, the conduct of the election of independent directors shall be made in accordance with the standard election procedures of the By-laws.
  - It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure that independent directors are elected during the stockholders' meeting.
  - Specific slots for independent directors shall not be filled up by unqualified nominees.

In case of failure of elections for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

The following were nominated to the position of directors of the Company for the year 2022-2023:

**Regular Directors**

- 1) Ms. Helen Y. Dee
- 2) Mr. Lorenzo V. Tan
- 3) Atty. Wilfrido E. Sanchez
- 4) Ms. Yvonne S. Yuchengco
- 5) Mr. Medel T. Nera
- 6) Mr. Gil A. Buenaventura
- 7) Mr. Lorenzo Andres T. Roxas

**Independent Directors**

- 1) Dr. Roberto F. de Ocampo
- 2) Mr. Francisco H. Licuanan III
- 3) Mr. Juan B. Santos
- 4) Mr. John Mark S. Frondoso

Mrs. Eliadah Neiel Dela Rama, a stockholder of the Company, who is not in any way related to the nominees, nominated Messrs. Roberto F. de Ocampo, Francisco H. Licuanan III, Juan B. Santos, and John Mark S. Frondoso as independent directors.

The Corporate Governance, Nominations, and Related Party Transactions Committee reviews and evaluates the qualifications of all persons nominated as director as well as those to be nominated to other positions requiring appointment by the Board of Directors. With respect to the nominees for independent directors, **they are neither officers nor employees, consultants or retainers, legal or otherwise, of the Company or any of its affiliates, and do not have any relationship with the Company which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.** Their nomination and qualification by the Corporate Governance, Nominations, and Related Party Transactions Committee were in compliance with the Company's By-Laws, Manual of Corporate Governance, and SRC Rule 38. The directors so nominated possess all the qualifications and none of the disqualifications for independent directors. (Attached as Annexes 1 to 5 are the Certifications of Independent Directors)

It may be noted, however, that while the Company is guided by the SEC's mandatory term limits for independent directors as provided for in SEC Memorandum Circular No. 4 (Series of 2017), two (2) of the nominees for independent director, Dr. Roberto F. de Ocampo, OBE and Mr. Francisco H. Licuanan III, are already serving a cumulative term of nine (9) years as reckoned from the year 2012. Nonetheless, the stockholders voted for the re-election and retention of Dr. de Ocampo and Mr. Licuanan as independent directors in the 2021 Annual Stockholders' Meeting of the Company based on the invaluable contribution and guidance that they are constantly providing to the Company. The following meritorious justifications were considered:

Dr. de Ocampo is a product of both the De La Salle and the Ateneo de Manila Universities. He received his MBA from the University of Michigan, postgraduate diploma from the London School of Economics and was conferred four doctorates (Honoris Causa) by various Philippine educational institutions. In the private sector, Dr. de Ocampo has been/is the Chairman and/or Board Member of several companies, both in the Philippines and abroad. He is most well-known nationally and internationally for public and international finance. Dr. de Ocampo was a former Secretary of Finance of the Republic of the Philippines, receiving many local and international accolades while he was in public service, including being named as "Asian Finance Minister of the Year" for two years in a row, in 1996 and 1997. For his initiatives to improve Philippine international relations, Dr. de Ocampo was honored by the Republic of France. He was also conferred by HM Queen Elizabeth II the Most Excellent Order of the British Empire (OBE) for his outstanding efforts to promote Philippine-UK relations. Dr. de Ocampo is a recipient of numerous other international and national honors. He is truly a pioneer, an authority and a leading expert in the field of finance. The Company greatly benefits from the advice and guidance that he provides.

Mr. Licuanan similarly maintains a reputable standing. He has an exceptional educational background, having graduated AB Economics, Cum Laude, from the Ateneo De Manila University and completing his MBA at Harvard Business School in Cambridge, Massachusetts, USA. Thereafter, Mr. Licuanan



went on to establish a distinguished career in both the private and public sectors. For more than two (2) decades, Mr. Licuanan immersed himself in and led one of the largest real estate firms in the country, initially as Vice President for Corporate Planning of Ayala Corporation in 1979 to serving as Ayala Land, Inc.'s President and CEO from 1988 to 2004. He was also a highly valued member of the Office of the President, serving as Chairman of the Subic Bay Metropolitan Authority and as an Adviser for the Subic-Clark Area Development. Clearly, Mr. Licuanan's proficiency in finance, real estate, and other various business industries and public sector concerns provides the Company with invaluable direction and guidance.

#### **Period in Which the Directors and Executive Officers Should Serve**

The Directors of the Company 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. In compliance with SEC Memorandum No. 4 dated March 9, 2017, all Independent Directors shall serve a maximum cumulative term limit of nine (9) years from the reckoning year of 2012.

Officers are appointed or elected annually by the Board of Directors at its first Organizational 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.

#### **Terms of Office of a Director**

Pursuant to the Company By-Laws, the directors who shall be stockholders are elected annually by the stockholders for a term of one year and shall serve until the election and acceptance of their duly qualified successors. The composition of the members of the Company's various committees for 2021-2022 are as follows:

#### **Committee Membership of Directors**

##### ***Executive Committee***

Helen Y. Dee	Chairman
Lorenzo V. Tan	Member
Medel T. Nera	Member
Juan B. Santos	Member
Gil A. Buenaventura	Member
Lorenzo Andres T. Roxas	Member

##### ***Remuneration Committee***

Wilfrido E. Sanchez	Chairman
Juan B. Santos	Member
Gil A. Buenaventura	Member

##### ***Audit Committee***

Roberto F. de Ocampo	Chairman
Juan B. Santos	Member
Medel T. Nera	Member

##### ***Board Risk Oversight Committee***

Juan B. Santos	Chairman
John Mark S. Frondoso	Member
Lorenzo Andres T. Roxas	Member

##### ***Corporate Governance, Nomination and Related Party Transactions Committee***

John Mark S. Frondoso	Chairman
Roberto F. De Ocampo	Member
Francisco H. Licuanan	Member

### **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 HI 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 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 Employees**

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 Relationships**

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

Other than what is disclosed above, there are no other family relationships known to the registrant.

### **Interest on Certain Matters to be Acted Upon**

No director or officer of the Company has substantial interest, direct or indirect, in any matter to be acted upon in the meeting.

### **Certain Relationships and Related Transactions**

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 of 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.

### **Involvement in Legal Proceedings**

The Company is not aware and none of the directors and officers or persons nominated to become directors or officers has informed the Company of the following events during the past five years until April 30, 2022:

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

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

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

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

#### **Item 6: Compensation of Directors and Executive Officers**

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. Ruth C. Francisco, SVP – Chief Risk Officer	2022	P43.7(est)	P0	P0
	2021	P41.6M	P0	P0
	2020	P38.7M	P0	P0
All other officers and directors as group unnamed.	2022	P55.4M (est)	P0	P1.6M (est)
	2021	P49.8M	P0	P1.5M
	2020	P41.0M	P0	P1.1M
TOTALS	2022	P99.0M (est)	P0	P1.6M (est)
	2021	P91.4M	P0	P1.5M
	2020	P79.7M	P0	P1.1M

The table states the aggregate compensation of all directors and executive officers as a group. Other Annual Compensation pertains to per diem allowances given to Directors as discussed below.

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, Board Risk Oversight, and Corporate Governance, RPT and Nominations committee meetings and P5,000 in other committee meetings.

#### **Item 7: Independent Public Accountants**

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

Pursuant to SRC Rule 68, paragraph 3(b)(iv) and Memorandum Circular No. 8, series of 2003 (Five (5) Year Rotation of External Auditors), the Company has engaged Ms. Wenda Lynn M. Loyola, as the Engagement Partner of SGV & Co. effective 2016.

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 on August 10, 2022 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
2021	P3,854,000
2020	P3,417,000
2019	P3,296,450

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

#### Tax Fees

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

#### All Other Fees

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

#### **Item 8: Compensation Plans**

No action shall be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

### **C. ISSUANCE AND EXCHANGE OF SECURITIES**

#### **Item 9: Authorization or Issuance of Securities Other than for Exchange**

No action is to be taken with respect to the following:

1. modification or exchange of securities
2. financial and other information
3. mergers, consolidation, acquisition and similar matters
4. restatement of accounts

#### **Item 10. Modification or Exchange of Securities**

No action is to be taken with respect to the modification of any class of securities of the registrant, or the issuance or authorization for issuance of one class of securities of the registrant in exchange for outstanding securities of another class.

#### **Item 11: Financial and Other Information**

The audited financial statements as of December 31, 2021, Management Discussion and Analysis, Market Price of Shares and Dividends and other data related to the Company's financial information is attached hereto as "Annex C"

#### **Item 12: Mergers, Consolidations, Acquisitions and Similar Matters**

No action is to be taken with respect to any transaction involving the following:

1. the merger or consolidation of the registrant into or with any other person or of any other person into or with the registrant;
2. the acquisition by the registrant or any of its security holders of securities of another person;
3. the acquisition by the registrant of any other going business or of the assets thereof;

4. the sale or other transfer of all or any substantial part of the assets of the registrant; or
5. the liquidation or dissolution of the registrant.

**Item 13: Acquisition or Disposition of Property**

No action is to be taken with respect to the acquisition or disposition of any property.

**Item 14: Restatement of Accounts**

No action is to be taken with respect to the restatement of any asset, capital, or surplus account of the registrant.

**D. OTHER MATTERS**

**Item 15: Action With Regard to Reports**

The Minutes of the previous stockholders meeting held on August 6, 2021 and the Management Report as set forth in the Annual Report will be submitted for stockholders approval.

The voting procedure utilized for election and approval of corporate actions in which Stockholders' approval were required was by remotely or in absentia and by proxy. The stockholders present remotely or in absentia and by proxy are represented by 519,352,366 common shares or 66.89% of the total outstanding shares entitled to vote.

The stockholders were given the opportunity to ask questions by submitting their questions electronically to the Company before the meeting and also before the meeting was adjourned. There were no questions submitted before, nor were asked during, the said meeting.

The following matters were discussed and approved with no further comments or objections during the meeting:

1. Approval of the August 17, 2020 Minutes constitutes a ratification of the accuracy and faithfulness of the Minutes of the events that transpired during the said meeting, such as (a) 2019 annual report and audited financial statements, (b) approval of the amendment of Article First of the Articles of Incorporation reflecting the change in corporate name of the Company; (c) approval of the amendment of Article Third of the Articles of Incorporation reflecting the change in the principal address of the Company; (e) ratification of the actions of the Board of Directors, different Committees and Management during the year 2020, (f) election of directors, and (g) appointment of external auditors.
2. Approval of the 2021 Management and Annual Report constitutes a ratification of the Company's performance during the previous calendar years as contained in the Annual Report.
3. Ratification and confirmation of all the acts, resolutions and proceedings of the Board of Directors, Executive Committee and officers of the Company. This pertains to all acts resolutions, proceedings and approval made by the Board of Directors, Executive Committee and Officers of the Company from the last stockholders' meeting on August 17, 2020 for the period 2019 up to the date of meeting (August 6, 2021). This includes, among others, those that involve the day to day operations, administrations and management of the corporate affairs such as: a) opening/closing of bank accounts and delegation of bank signatories; b) approval of credit lines; and c) appointment/promotion of officers;
4. Election of Directors for 2021-2022.
5. Re-appointment of Sycip Gores Velayo & Co. as external auditor of the Company for the fiscal year ending 31 December 2021.

The record of the voting results for each of the items listed above form part of the Minutes of the Annual Stockholders' Meeting, which is attached herewith.



The following directors and officers were present at the meeting:

Directors:

1. Mrs. Helen Y. Dee, Chairperson
2. Mr. Medel T. Nera, President
3. Ms. Yvonne S. Yuchengco
4. Mr. Lorenzo V. Tan
5. Dr. Reynaldo B. Veal
6. Atty. Wilfrido E. Sanchez
7. Mr. Juan B. Santos
8. Mr. Lorenzo Andres T. Roxas

Officers:

9. Ms. Gema O. Cheng, EVP-COO, CFO and Treasurer
10. Mr. Anthony Alexander G. Galang, SVP-Internal Audit
11. Ms. Ma. Esperanza F. Joven, VP-Finance
12. Ms. Ma. Teresa T. Bautista, VP-Corporate Controller
13. Ms. Maria Elisa E. De Lara, VP-Internal Audit
14. Atty. Lalaine P. Monserate, AVP-Legal and Compliance Officer
15. Atty. Samuel V. Torres, Corporate Secretary
16. Atty. Ma. Elvira Bernadette C. Garcia-Gonzalez, Assistant Corporate Secretary

The President's Report, which includes the financial performance of the Company form part of the minutes which is attached herewith. Approval of the Audited Financial Statements, which is provided to the stockholders is likewise stated in the minutes. All material information on current stockholders and their voting rights are stated in the Minutes.

Copies of the minutes of the stockholders' meeting were made available on the Company's website together with the Information Statement and were likewise available at the Disclosures Section of the Philippine Stock Exchange ([edge.pse.com.ph](http://edge.pse.com.ph)). Likewise a recording of the proceedings were made available on the Company's website.

Approval of the August 6, 2021 Minutes constitutes a ratification of the accuracy and faithfulness of the Minutes of the events that transpired during the said meeting, such as (a) 2020 annual report and audited financial statements, (b) ratification of the actions of the Board of Directors, different Committees and Management during the year 2020 (c) election of directors, and (d) appointment of external auditors.

Approval of the Annual Report constitutes a ratification of the Company's performance during the previous calendar years as contained in the Annual Report.

Ratification and confirmation of all the acts, resolutions and proceedings of the Board of Directors, Executive Committee and officers of the Company. This pertains to all acts resolutions, proceedings and approval made by the Board of Directors, Executive Committee and Officers of the Company from the last stockholders' meeting on August 17, 2020 for the period 2020 up to the date of meeting (August 6, 2021). This includes, among others, those that involve the day to day operations, administrations and management of the corporate affairs such as: a) opening/closing of bank accounts and delegation of bank signatories; b) approval of credit lines; c) appointment/promotion of officers; d) approval of the sustainability report; and other matters covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange.

**Item 16: Matters Not Required to be Submitted**

No action is to be taken with respect to any matter, which is not required to be submitted to a vote of security holders.

**Item 17: Amendment of Charter, Bylaws or Other Documents**

No action is to be taken with respect to the amendment of Charter, By-laws of Other Documents.

## **Item 18: Other Proposed Action**

The following matters will be submitted to a vote at the meeting:

1. Approval of the Minutes of the Annual Stockholders' Meeting held on August 6, 2021.
2. Approval of the Management Report and the Audited Financial Statements of the Company for the year ended December 31, 2021;
3. Ratification and confirmation of all acts, resolutions and proceedings of the Board of Directors, Executive Committee, Other Committees and Officers of the Company from the last Annual Stockholders' Meeting held on August 6, 2021 up to the date of the 2022 Annual Stockholders' Meeting.
4. Election of Directors for 2022-2023;
5. Appointment of External Auditors

## **Item 19: Voting Procedures**

All shareholders who wish to cast their votes may do so via the method provided for voting by remote communication or *in absentia*, or by providing the proxy form provided herein. The procedures for voting *in absentia* shall be provided securely through the emails of the stockholders.

At all elections of Directors, each stockholder may vote the shares registered in his/her/its name for as many persons as there are Directors, or he may cumulate said shares and give one candidate as many votes, as the number of Directors to be elected multiplied by the number of his share, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, however, that the whole number of votes cast by him shall not exceed the number of shares owned by him as shown on the Company's stock transfer books multiplied by the number of Directors to be elected.

The Company will not declare stock dividends during the year.

## **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, 2019, and 2021. The IACGR for the year 2022 will be submitted on or before May 30, 2023

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

In its 2017, 2018, 2019, and 2020 Integrated Annual Corporate Governance Reports (IACGRs), the Company has complied with majority of all recommendations specified in the said Report. In 2021, the Company is compliant with all the recommendations specified in the IACGR.

### **(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, due to the pandemic, the Company was not able to

comply with the same, thus it has provided substantial explanations to the effect that the principles recommended were still achieved by the Company despite its non-compliance. In 2021, the Company is compliant with all the recommendations specified in the IACGR.

**(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).

## UNDERTAKING


UPON WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH THE STOCKHOLDERS WITH A COPY OF THE COMPANY'S YEAR 2021 ANNUAL REPORT ON SEC FORM 17-A FREE OF CHARGE. ANY WRITTEN REQUEST FOR A COPY OF SEC 17-A SHALL BE ADDRESSED AS FOLLOWS:

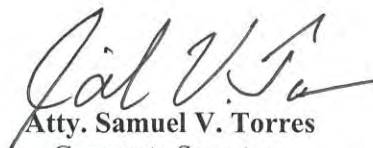
House of Investments, Inc.  
Attention: Officer of the Corporate Secretary  
Address: 9<sup>th</sup> Floor GPL Building  
221 Sen. Gil J. Puyat Avenue  
Makati City 1200 Philippines  
Tel. No.: (632) 8815-9636  
Fax No.: (632) 8816-1127  
E-mail: [hi\\_asm@hoi.com.ph](mailto:hi_asm@hoi.com.ph)

## SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on June 6, 2022.

House of Investments, Inc.  
By:

  
Atty. Lalaine P. Monserate  
Compliance Officer

  
Atty. Samuel V. Torres  
Corporate Secretary

Doc. No. 477  
Page No. 96  
Book No. 33  
Series of nnn

ATTY. JOSEI NO N. SUCION  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2023  
1J-2007 CARREON BLDB.  
2746 ZENaida ST. POBLACION, MAKATI CITY  
IBF NO. 169458 / 01/02/2022  
PTR NO. 8851817 / 01/03/2022  
MCLE COMPLIANCE NO. VI-0018184 / 2-28-19  
ROLL NO. 60799  
AFFIDAVIT NO. M-074

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **JUAN B. SANTOS**, Filipino, of legal age and a resident of 2420 Bougainvilla, Dasmariñas Village, Makati City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of **HOUSE OF INVESTMENTS, INC.** and have been its independent director since 2014.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/ Relationship	Period of Service
Rizal Commercial Banking Corporation	Independent Director	2016 – Present
Philippine Investment Management, Corp. (PHINMA)	Director	August 2013 – Present
Sun Life Grepa Financial, Inc. (Formerly Grepalife Financial, Inc.)	Independent Director	October 2006 – Present
Allamanda Management Corp.	Director	January 2000 – Present
Marsman Drysdale Group of Companies	Consultant	September 2007 – Present
East West Seeds Corp.	Advisory Board	2008 – Present
St. Lukes Medical Center	Trustee	2005 – Present
Mitsubishi Motors Phils. Corp.	Advisory Board	January 2016 – Present
DualTech Foundation	Trustee	May 2012 – Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **HOUSE OF INVESTMENTS, INC.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of **HOUSE OF INVESTMENTS, INC.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code:

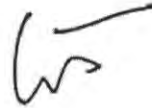
Name of Director/ Officer/Substantial Shareholder	Company	Nature of Relationship
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.



6. I confirm that I am not engaged in government service or affiliated with any government agency or government owned and controlled corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of **HOUSE OF INVESTMENTS, INC.** of any changes in the abovementioned information within five days from its occurrence.

Done this 01 JUN 2022 day of April 2022, at Makati City, Metro Manila, Philippines.



**JUAN B. SANTOS**  
Affiant

SUBSCRIBED AND SWORN to before me this 01 JUN 2022 day of April 2022 at Makati City, affiant personally appeared before me and exhibited to me his Philippine Passport No. \_\_\_\_\_, issued at \_\_\_\_\_, and valid until \_\_\_\_\_.

Doc. No. 444 ;  
Page No. 88 ;  
Book No. 32 ;  
Series of 2022.

  
ATTY. JOSEINO M. SANTOS  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2023  
U-203 CURRENT ID NO.  
2746 ZENALDA ST. POBLACION, MAKATI CITY  
ISS. NO. 38445-01, 07/2022  
PTR NO. 885187/01/03/2022  
MCLE COMPLIANCE NO. VI-0018184/2-28-19  
ROLL NO. 60799  
ATTORNMENT NO. M-4/4

### CERTIFICATE OF INDEPENDENT DIRECTOR

I, Roberto F. de Ocampo, Filipino, of legal age and a resident of 121 Victoria Cor. Homonhon Sts. Magallanes Village, Makati, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of House of Investments, Inc. and have been its independent director since June 05, 2000.
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
RFO Center for Public Finance and REGIONAL Economic Cooperation	Chairman of the Board of Advisors	June 10, 2006- Present
Philippine Veterans Bank	Chairman and CEO	July 9, 2013 - Present
MoneyTree Publishing Inc.	Chairman	Feb. 10, 2007 - Present
Stradcom Corporation	Chairman	March 10, 2004 - Present
Public Finance Institute of the Philippine	Chairman	August 3, 2007 - Present
Intervest Project Inc. (IPI)	Chairman	September 20, 2013 - Present
New Rural Bank of Agoncillo (NAGON)	Chairman	June 30, 2016 - Present
British Alumni Association	Chairman	January 29, 2003 - Present
Libera International Advisory Board (London)	Chairman	July 5, 2013 - Present
Foundation for Economic Freedom	Chairman	April 18, 2012 - Present
BPI Investment Management Inc. (BIMI)	Chairman	October 8, 2014 - Present
Center for Philippine Futuristics Studies and Management Inc.	Chairman	March 1, 2014 - Present
La Costa Development	Vice-Chairman	July 9, 2007 - Present
Makati Business Club	Vice-Chairman	April 20, 2006 - Present
Centennial Group (Washington), D.C.	Founding Director	January 5, 1999 - Present
Emerging Markets Forum	Founding Director	August 1, 2005 - Present
Pacific Gaming Investments Pte. Ltd.	Independent Director	November 14, 2010 - Present
Bankard, Inc.	Independent Director	July 28, 2006 - Present
EEL Corporation	Independent Director	March 16, 2005 - Present
House of Investments	Independent Director	June 5, 2000 - Present

Beneficial Life Insurance Co., Inc.	Independent Director	October 30, 2008 - Present
Robinsons Land Corporation	Independent Director	May 28, 2003 - Present
SPC Power Corporation	Independent Director	November 25, 2002 - Present
DFNN Inc.	Independent Director	June 14, 1999 - Present
Investment & Capital Corporation of the Philippines (ICCP)	Independent Director	July 27, 2011 - Present
South Forbes City College	Director	September 10, 2016 - Present
Business Sustainable Development	Board Member	February 2, 2015 - Present
The Conference Board (New York)	Member, Global Advisory Board	May 7, 2004 - Present
Philippine Cancer Society	Member, Board of Advisers	April 6, 1998 - Present
Ramos Peace and Development Foundation	Member, Board of Trustees	February 3, 1999 - Present
SGV Foundation	Member, Board of Trustees	January 10, 1999 - Present
Trilateral Commission	Member, Asia Pacific Group Representing ASEAN	March 9, 2000 - Present
Philippine Quality & Productivity Movement Inc.	Member, Board of Advisers	August 15, 2012 - Present

I am not affiliated to any government/owned and controlled corporation.

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of House of Investments, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of House of Investments, Inc. as provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N.A.	N.A.	N.A.

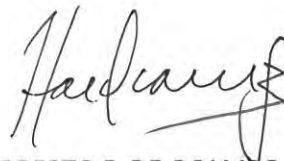
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.



OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N.A.	N.A.	N.A.

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from House of Investments, Inc. to be and independent director in House of Investments, Inc., pursuant to Office of the President Memorandum Circular' No. 17 and Section 12, Rule XVIII of the Revised Civil Services Rules.
7. I shall faithfully and diligently comply with my duties as responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of House of Investments, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this 23<sup>rd</sup> day March 2022, at Makati City



ROBERTO F. DE OCAMPO  
Affiant

SUBSCRIBED AND SWORN to before me this 23<sup>rd</sup> day of March 2022 at Makati City, affiant personally appeared before me and exhibited to me his passport with no. P5685296B valid until 26 October 2030 issued at DFA NR Central on 27 October 2020.

Doc. No. 443 :  
Page No. 88 :  
Book No. 32 :  
Series of 2022

ATTY. JOSEFINO N. SISON  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2023  
11-203 CARRON 11-58  
2746 ZENADA ST. POBLACION, MAKATI CITY  
REP. NO. 169458 / 11-57/2022  
PTR NO. 8851817 / 11-57/2022  
MCLE COMPLIANCE NO. VI-0018184/2-28-19  
ROLL NO. 60799  
AFFIDAVIT NO. M-0/8

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **FRANCISCO H. LICUANAN III**, Filipino, of legal age and a resident of No. 5 Bonifacio Place, Ayala Heights, Diliman, Quezon City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of **HOUSE OF INVESTMENTS, INC.** and have been its independent director since 2006.
2. I am affiliated with the following companies or organizations:

<b>Company/Organization</b>	<b>Position/Relationship</b>	<b>Period of Service</b>
Innovative Property Solutions, Inc.	Chairman/President & CEO and Stockholder	October 2005 to Present
Lucky Fort Food Ventures Inc.	Stockholder	2006 to Present
GeoEstate Development Corp.	Chairman/CEO and Stockholder	October 2006 to Present
Coca-Cola Bottlers Phils./Coca-Cola Export Corp.(Phils.)	Member, Advisory Board	April 2007 to Present
Battery Park Investments Inc.	Chairman/CEO and Stockholder	May 2007 to Present
New Pacific Resources Management (SVP-AMC), Inc.	Chairman/CEO and Stockholder	July 2007 to Present
Stonebridge Corporation	President	November 2013 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **HOUSE OF INVESTMENTS, INC.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of **HOUSE OF INVESTMENTS, INC.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code:

<b>Name of Director/Officer/Substantial Shareholder</b>	<b>Company</b>	<b>Nature of Relationship</b>
N/A		



5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I confirm that I am not engaged in government service or affiliated with any government agency or government owned and controlled corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of **HOUSE OF INVESTMENTS, INC.** of any changes in the abovementioned information within five days from its occurrence.

Done this 01 JUN 2022 day of April 2022, at Makati City, Metro Manila, Philippines.

  
**FRANCISCO H. LICUANAN III**

Affiant

01 JUN 2022

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of April 2022 at Makati City, affiant personally appeared before me and exhibited to me his Philippine Passport No. \_\_\_\_\_, issued at \_\_\_\_\_, valid until \_\_\_\_\_.

Doc. No. 442;  
Page No. 88;  
Book No. 32;  
Series of 2022.

  
**ATTY. JOCELYN N. SISON**  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2023  
1J-203 CANTON BLDG.  
2746 ZENaida ST. POBLACION, MAKATI CITY  
IBF NO. 1654567/01/02/2022  
PTR NO. 8851817/01/03/2022  
MCLE COMPLIANCE NO. VI-0018184/2-28-19  
ROLL NO. 60799  
AFFIDAVIT NO. M-076

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **JOHN MARK S. FRONDOSO**, Filipino, of legal age and a resident of 1163 Tamarind Road, Dasmariñas Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **HOUSE OF INVESTMENTS, INC.** and have been its independent director since December 2016.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
LEX Services, Inc.	Director	January 2019 – Present
Ministry of Foreign Affairs Czech Republic	Honorary Consul in Cebu	December 2018 – Present
FSG Technology Ventures, Inc.	President / Director	August 2017 – Present
Spektacularis, Inc.	Vice President / Director	February 2016 – Present
Digitrade Enterprise, Inc.	Chairman / President	September 2015 – Present
Star Two Holdings, Inc.	President / Director	March 2014 – Present
Onshore Strategic Assets (SPV-AMC), Inc.	President / Director	March 2014 – Present
Star Asset Management NPL, Inc.	President / Director	March 2014 – Present
Star Asset Management ROPOAS, Inc.	President / Director	March 2014 – Present
Star Two (SPV-AMC), Inc.	President / Director	March 2014 – Present
Star Asset Management Services, Inc.	President / Director	March 2014 – Present
Star TechPh Management and Consultancy Services, Inc.	President / Director	March 2014 – Present
Filcommerce (Singapore) Holdings, PTE. LTD.	Director	July 2014 – Present
Philippine Public School Teachers Association	Trustee / Chairman of Investment Committee	July 2013 – Present
HC Consumer Finance Philippines, Inc. (Home Credit)	Director	July 2013 – Present
Asian Aerospace Corporation	Director	July 2013 – Present
FSG Capital, Inc.	Chairman & President	May 2012 - Present
M & S Holdings, Inc.	President / Chairman	April 2005 – Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **HOUSE OF INVESTMENTS, INC.**, as provided for in



Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I am related to the following director/officer of HOUSE OF INVESTMENTS, INC. other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code:

Name of Director/Officer	Position	Nature of Relationship
Ms. Helen Y. Dee	Chairman/Director	I am a nephew of Ms. Dee and Ms. Yuchengco by virtue of my mother being their second cousin on their maternal side.
Ms. Yvonne S. Yuchengco	Director	

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I confirm that I am not engaged in government service or affiliated with any government agency or government owned and controlled corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of HOUSE OF INVESTMENTS, INC. of any changes in the abovementioned information within five days from its occurrence.

Done this \_\_\_\_\_ day of April 2022 at Makati City, Metro Manila, Philippines.

  
JOHN MARK S. FRONDOSO  
Affiant

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of April 2022 at MAKATI CITY, affiant personally appeared before me and exhibited to me his Philippine Passport No. P9479137A, issued at DFA NCR East, and valid until November 8, 2028.

Doc. No. 441;  
Page No. 88;  
Book No. 32;  
Series of 2022.

  
ATTY. JOSE NOLASCO  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2023  
11-201 CIVIL REG. BLDG.  
2746 ZENADA ST. POGUEN, MAKATI CITY  
DATE ISSUED: 11/02/2022  
PTR NO. 8851817 / 01/03/2022  
MILE COMPLIANCE NO. VI-0018184/2-28-19  
ROLL NO. 60739  
ATT-VERIFIED NOL 19-01/0



30 May 2022

**THE SECURITIES AND EXCHANGE COMMISSION**

PICC Complex, Roxas Boulevard  
Pasay City

Attention: **MR. VICENTE GRACIANO P. FELIZMENIO, JR.**  
**Director, Markets and Securities Regulation Department**

Re: **SEC Form 20-IS of House of Investments, Inc. (SEC Reg. No. 15393)**

Gentlemen:

In compliance with the requirements of the Securities Regulation Code relative to the filing of SEC Form 20-IS of the House of Investments, Inc. (the "Company"), we hereby certify that none of the Company's incumbent directors and executive officers who may be elected and appointed during the Annual Stockholders' and Organizational Meetings to be held on 10 August 2022 are government employees.

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Samuel V. Torres", written over a horizontal line.

**SAMUEL V. TORRES**  
Corporate Secretary

# HOUSE OF INVESTMENTS, INC.

## PROXY

I, the undersigned holder of shares of stock of House of Investments, Inc. ("Corporation"), do hereby constitute, name and appoint the **Chairman of the Meeting**, or in his absence, **the Secretary of the Meeting**, as my attorney and proxy, to represent me and to vote all the shares registered under my name in the Books of the Corporation at the Annual Meeting of the Stockholders of the Corporation on **August 10, 2022** and any adjournment(s) thereof. In particular, I hereby direct my said proxy to vote on the matters set forth below as I have expressly indicated by marking the same with an "X". **If I fail to indicate my vote on the items specified below, I authorize my proxy full discretion to act and I understand that my proxy shall vote in accordance with the recommendation of the Management. Management recommends a "FOR ALL" vote for proposal 1 and a "FOR" for proposals 2 through 5.**

PROPOSAL	ACTION		
	FOR ALL	WITHHOLD FOR ALL	EXCEPTION
<p>1. Election of Management's Nominees as Directors</p> <p><b>Management Nominees:</b></p> <ol style="list-style-type: none"> <li>Helen Y. Dee</li> <li>Lorenzo V. Tan</li> <li>Yvonne S. Yuchengco</li> <li>Medel T. Nera</li> <li>Wilfrido E. Sanchez</li> <li>Gil A. Buenventura</li> <li>Lorenzo Andres T. Roxas</li> </ol> <p><b>Independent Directors:</b></p> <ol style="list-style-type: none"> <li>Roberto F. De Ocampo</li> <li>John Mark S. Frondoso</li> <li>Francisco H. Licuanan III</li> <li>Juan B. Santos</li> </ol> <p><i>All incumbent members of the Board of Directors.</i></p> <p><b>INSTRUCTIONS:</b> To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list name(s) under.</p>			
	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
2. Approval of the Minutes of the Annual Stockholders' Meeting held on August 6, 2021.			
3. Approval of the Management Report and Audited Financial Statements for 2021.			
4. Ratification and confirmation of the acts, resolutions and proceedings of the Board of Directors, Executive Committee, Other Committees and the Officers of the Company during the year 2021, which includes, among others, those that involve the day to day operations, administrations and management of the corporate affairs.			
5. Appointment of SGV as External Auditors			

THIS PROXY, SOLICITED ON BEHALF OF THE INCUMBENT BOARD OF DIRECTORS OF HOUSE OF INVESTMENTS, INC. SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE 10:00 A.M OF AUGUST 14, 2020, THE DEADLINE FOR SUBMISSION OF PROXIES.

### REVOCABILITY OF PROXY

THE SHAREHOLDER MAY REVOKE THE PROXY ISSUED BY HIM AT ANY TIME PRIOR TO ITS USE BY THE PARTY WHO IS THEREBY AUTHORIZED TO EXERCISE THE SAME. THE PERSON SIGNING THE PROXY HAS THE RIGHT TO REVOKE THE PROXY BY ATTENDING THE MEETING IN PERSON OR EXECUTION OF A PROXY AT A LATER DATE.

### PERSONS MAKING THE SOLICITATION

THIS PROXY IS SOLICITED ON BEHALF OF THE MANAGEMENT. THE PROXY STATEMENT AND THE ENCLOSED PROXY SHALL BE SENT BY THE SECRETARY OF THE CORPORATION EITHER BY MAIL, POSTAGE PREPAID, OR BY PERSONAL DELIVERY TO EACH STOCKHOLDER AT HIS ADDRESS APPEARING IN THE RECORDS OF THE

CORPORATION. DULY EXECUTED PROXIES MAY BE RETURNED BY MAIL, FAX, OR BY HAND TO THE OFFICE OF THE CORPORATE SECRETARY ON OR BEFORE 10:00 A.M. ON JULY 31, 2022.

SOLICITATIONS OF PROXIES WILL BE MAINLY CONDUCTED THROUGH MAIL. IN ADDITION TO SOLICITATION OF THE PROXIES BY MAIL, OFFICERS AND EMPLOYEES OF THE COMPANY MAY ALSO SOLICIT PROXIES PERSONALLY OR BY TELEPHONE. THE COST OF SOLICITATION, APPROXIMATELY ₱ 250,000 WILL BE BORNE BY THE COMPANY.

THERE IS NO MATERIAL CONSIDERATION CONTRACT OR ARRANGEMENT FOR THE SOLICITATION. THE COMPANY IS NOT A PARTY TO ANY ARRANGEMENT OR UNDERSTANDING WITH ANY PERSON WITH RESPECT TO ANY MATTER TO BE ACTED UPON THE MEETING.

THIS PROXY SHALL BE VALID FOR FIVE (5) YEARS FROM THE DATE HEREOF UNLESS OTHERWISE INDICATED IN THE BOX HEREIN PROVIDED:

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED "FOR" THE ELECTION OF ALL NOMINEES AND FOR SUCH MATTERS AS MAY PROPERLY COME BEFORE THE MEETING, INCLUDING MATTERS WHICH THE SOLICITOR(S) DO NOT KNOW A REASONABLE TIME BEFORE THE SOLICITATION ARE TO BE PRESENTED AT THE MEETING, IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON:

1. No current director or officer of the Company, or nominee for election as directors of the Company or any associate thereof, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than the election to office.
2. No director has informed the Company in writing that he intends to oppose any action to be taken by the registrant at the meeting.

THIS PROXY SHALL CONFER DISCRETIONARY AUTHORITY TO VOTE WITH RESPECT TO ANY OF THE FOLLOWING MATTERS:

1. MATTERS WHICH THE COMPANY DOES NOT KNOW DURING A REASONABLE TIME BEFORE THIS SOLICITATION ARE TO BE PRESENTED AT THE MEETING.
2. MATTERS INCIDENT TO THE CONDUCT OF THE MEETING.

_____ Printed Name	_____ Signature of Stockholder	_____ No. of Shares	_____ Date
_____ Address and Telephone Number			

**THIS PROXY IS BEING SOLICITED ON BEHALF OF THE MANAGEMENT OF HOUSE OF INVESTMENTS, INC.**

**Please mail this proxy form to :**

**ATTY. SAMUEL V. TORRES**  
**CORPORATE SECRETARY**  
**House of Investments, Inc.**  
**9/F Grepalife Bldg.**  
**221 Sen. Gil Puyat Avenue OR FAX TO : 8816-11-27 / 8815-99-81**  
**Makati City Metro Manila**  
**E-mail: [hi\\_asm@hoi.com.ph](mailto:hi_asm@hoi.com.ph)**

## ANNEX “A”

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

Stockholders are requested to notify the Company, by email to the following email address: [hi\\_asm@hoi.com.ph](mailto:hi_asm@hoi.com.ph), by July 31, 2022, of their intention to participate in the Annual Stockholders' Meeting by remote communications.

For validation purposes, Stockholders shall also provide the Company with the following information: (a) Name; (b) Address; and (c) Contact Number. The Company may require documents to ascertain and verify the identity of the requesting person.

### B. Procedures for Electronic Voting *in Absentia*

#### I. Coverage

Stockholders of House of Investments, Inc. who chose to electronically vote *in absentia*, upon registration and validation.

#### II. Registration

- a. Who may Register – Stockholders of Record as of July 8, 2022
- b. When to Register – Registration period shall be from July 8, 2022 at 8:00 AM to July 31, 2022 at 5:00 PM, Philippine Standard Time (“Registration Period”). Beyond this date, Stockholders may no longer avail of the option to electronically vote *in absentia*.
- c. How to Register – The Stockholders will be requested to send a notification together with a scanned or digital copy of the documents listed below, to the following email address: [hi\\_asm@hoi.com.ph](mailto:hi_asm@hoi.com.ph), within the Registration Period, for validation.

##### Individual Stockholders:

1. A recent photo of the Stockholder, with face fully visible,
2. Front and back portions of the Stockholder's valid government-issued, identification card, preferably with residence address, and
3. Contact number

##### Stockholders with Joint Account:

1. Authorization letter signed by all Stockholders, identifying who among them is authorized to cast the vote for the account,
2. A recent of the authorized Stockholder, with face fully visible,
3. Front and back portions of the Authorized Stockholder's valid government-issued identification card, preferably with residence address, and
4. Contact number of the Authorized Stockholder

##### Broker Accounts:

1. The broker's certification on the Stockholder's number of shareholdings duly signed by the named Nominee or Associated Person of the said broker,
2. A recent photo of the Stockholder, with face fully visible,
3. Front and back portions of the Stockholder's valid government-issued identification card, preferably with residence address, and
4. Contact number



#### Corporate Stockholders

1. Signed Corporate Secretary's certificate attesting to the authority of the representative to vote for and on behalf of the Corporation,
2. A recent photo of the Stockholder's representative, with face fully visible,
3. Front and back portions of the valid government-issued identification card of the Stockholder's representative, preferably with residence address, and
4. Contact number of the Stockholder's representative

Stockholders with incomplete requirements will not be given the link to attend the meeting through remote communication or vote *in absentia*, but may still vote by sending a proxy to the Annual Stockholders' Meeting.

#### d. Validation of Registration

The registration notification, information and documents required to be submitted by the Stockholder, as provided for above, shall be reviewed and evaluated whereby the identity and number of shares of the stockholder shall be ascertained and verified. The validation of the information provided, the documents submitted and the propriety of the stockholder's registration shall be completed by the Company within three (3) business days from receipt of the registration notification and required information and documents.

The Company will send an email confirming the successful validation of the Stockholders' registration.

Please note that submission of incomplete or inconsistent information may result in an unsuccessful registration and attendance in the meeting through remote communication means will not be allowed.

Note: In light of the recent events and government pronouncements and guidelines surrounding the COVID-19 pandemic, the Company shall allow electronic signatures for the required documents, as may be applicable. Notarization requirements shall also be dispensed with at this time. However, the Company reserves the right to request additional information, and original signed and notarized copies of these documents, as it deems necessary.

### III. Voting

Please use the form attached as Annex "B" to record your vote and then email to: [hi\\_asm@hoi.com.ph](mailto:hi_asm@hoi.com.ph), on or before July 31, 2022.

#### Notes and Conduct of Voting:

##### A. Voting

- a. The Stockholder appointing a Proxy:  
Stockholders may give the Proxy the authority to vote in all matters for approval.
- b. The Stockholder Voting by Remote Communication or *in Absentia*  
The Stockholders will be asked to fill in the attached Annex "B"
  1. For items other than the Election of Directors, the registered Stockholder has the option to vote: FOR, AGAINST, or ABSTAIN. The vote is considered cast for all the registered Stockholders' shares.
  2. For Election of Directors, the registered Stockholder may vote for all nominees, not vote for any of the nominees, or vote for some nominees only, in such

number of shares as preferred by the Stockholder, provided the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected.

The votes cast *in absentia* will have equal effect as votes cast by proxy.

B. Tabulation & Validation of Voting *in Absentia* or by Proxy

All votes cast through proxy forms or *in absentia* will be tabulated by the Company, and the RCBC Stock Transfer Office will validate the results.

Validation and final tally of votes through Proxy or *in Absentia* shall be released on or before the meeting date.

C. Determination of Quorum

Only those Stockholders who have notified the Company of their intention to participate in the Annual Stockholders' Meeting by remote communication, and who have successfully registered during the Registration Period, together with the Stockholders who voted by Proxy or *in Absentia* will be included in the determination of quorum.

D. Access to the Live Meeting

The Company will send to the registered Stockholders the link of the live webcast of the Annual Stockholders' Meeting through the email confirming their successful registration no later than two (2) business days prior to the Meeting.

E. Stockholders' Questions/Comments During the Meeting

Stockholders may send their questions and/or comments during the meeting to [hi\\_asm@hoi.com.ph](mailto:hi_asm@hoi.com.ph). The Corporate Secretary shall raise these questions on behalf of the Stockholder.

F. Recording of the Annual Meeting

The Company shall post the link to the recorded webcast of the Annual Stockholders' Meeting on the Company's website within two (2) weeks after the conduct of the meeting.

## ANNEX “B”

### ELECTRONIC VOTING IN ABSENTIA

PROPOSAL	ACTION		
	FOR ALL	WITHHOLD FOR ALL	EXCEPTION
<b>ELECTION OF DIRECTORS</b> <b>Management Nominees:</b> 1. HELEN Y. DEE 2. LORENZO V. TAN 3. YVONNE S. YUCHENGCO 4. MEDEL T. NERA 5. WILFRIDO E. SANCHEZ 6. GIL A. BUENVENTURA 7. LORENZO ANDRES T. ROXAS <b>Independent Directors:</b> 8. ROBERTO F. DE OCAMPO 9. FRANCISCO H. LICUANAN III 10. JUAN B. SANTOS 11. JOHN MARK S. FRONDOSO  <i>All incumbent members of the Board of Directors.</i>  <b>INSTRUCTIONS:</b> To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list name(s) under.			
	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
APPROVAL OF THE MINUTES OF THE ANNUAL STOCKHOLDERS’ MEETING HELD ON AUGUST 6, 2021.			
APPROVAL OF THE MANAGEMENT REPORT AND AUDITED FINANCIAL STATEMENTS FOR 2021.			
RATIFICATION AND CONFIRMATION OF THE ACTS, RESOLUTIONS AND PROCEEDINGS OF THE BOARD OF DIRECTORS, EXECUTIVE COMMITTEE, OTHER COMMITTEES, AND THE OFFICERS OF THE COMPANY DURING THE YEAR 2021.			
APPOINTMENT OF SGV AS EXTERNAL AUDITORS.			

**DATE:** \_\_\_\_\_

**STOCKHOLDER’S NAME:** \_\_\_\_\_

**STOCKHOLDER’S SIGNATURE:** \_\_\_\_\_

NOTE: Please submit this form on or before July 31, 2022 and accompanied by any government issued identification.



**ANNEX “C”**

# **MANAGEMENT REPORT**

## **Financial and Other Information**

### **Audited Financial Statements**

The Statement of Management's Responsibility and Consolidated Audited Financial Statements of the Group as at December 31, 2021 are attached hereto as **Annex "D"**.

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

None

### **Management Discussion and Analysis of Financial Condition and Plan of Operations**

#### **Item 1: Description of Business**

##### **1.1 Business Development**

House of Investments, Inc. ("House of Investments" or "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: Automotive Business, Education, Construction and Property Services. Its portfolio investments are in Pharmaceuticals, Energy, and Deathcare. A detailed discussion of each of the business segments of House of Investments are provided in the next section of this report.

#### **CORE BUSINESS UNITS:**

##### **CARS BUSINESS**

House of Investments operates three car-retailing brands: Honda, Isuzu, and Geely. Honda's and Geely's vehicle line-up include passenger cars and light commercial vehicle categories while Isuzu's is purely commercial vehicles.

The Company's Honda full-service dealerships are located in Quezon Ave. and Manila; it also operates a service center in Tandang Sora. House of Investments also owns and operates Honda Cars Greenhills through its wholly-owned subsidiary HI Cars, Inc. Meanwhile, the Company's Isuzu dealerships are in Manila, Commonwealth, and Leyte and its Geely dealership is in Manila.

House of Investments also holds a minority stake in Sojitz G Auto Philippines Corporation which owns and operates the Geely distributorship, with a flagship dealership in North Edsa and a dealership in Makati.

##### **THE CONSTRUCTION SECTOR**

##### **EEI CORPORATION AND SUBSIDIARIES**

House of Investments holds a majority stake in EEI Corporation ("EEI"). EEI was founded in 1931 as machinery and mills supply house for the mining industry. Over the past 90 years, aside from broadening the range of industrial machinery and systems it distributes, EEI 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.

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.

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.

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.

EEI also owns the following major subsidiaries:

- **Equipment Engineers, Inc.** is engaged 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 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 and roof installations. It also has investments in renewable energy.
- **EEI Construction and Marine, Inc.** is engaged in structural fabrication works and light steel construction works such as storage tanks, pressure vessels, ducts and pipes.
- **EEI Realty Corporation** is engaged in the development of land, housing, and other properties.
- **EEI Carga** is engaged in the operation of a digital logistics platform that enables shippers to deliver their products through various transportation options available in the platform.
- **EEI Limited and Subsidiaries** provides labor supply and project management and supervision services.
- **GAIC Group** provides manpower services to both local and foreign markets.
- **JPSAI** is a provider of formworks and scaffolding.
- **LearnJP** operates a human resource development center that provides services for the improvement in language proficiency, such as in English, Filipino, Japanese and other foreign languages, and related academic or non-academic areas including skills development and cultural orientation to foreigners, locals and other interested individuals.
- **Biotech JP Corporation** is engaged in the manufacturing of specialized food products.

## **THE EDUCATION SECTOR**

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

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.

With the merger with AC Education, Inc. (“AEI”) that took effect on May 2, 2019 where iPeople was the surviving entity, iPeople has become one of the leading education groups in the country. 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”).

House of Investments and its affiliates together with Ayala Corporation controls 51.3% and 33.5%, respectively.

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 newly built 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. With its commitment to academic excellence, Mapúa became the first school in Southeast Asia to obtain accreditation for its programs from ABET, a US-based non-profit, non-governmental agency that accredits college and university programs in applied and natural science, computing, engineering, and engineering technology. Mapúa also received 4 Stars rating for excellence by the Quacquarelli Symonds (QS) Intelligence Unit under its QS Stars Rating System and was recognized by QS as one of Asia's Top 550 universities in 2021 and 2022.

- (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 Mapúa-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 in providing 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 educators. 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. 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.

## **PROPERTY SERVICES**

### **LANDEV CORPORATION**

House of Investments, Inc. wholly owns Landev Corporation. Landev Corporation is primarily engaged in Property management, Project management and Comprehensive Security Services. Major clients are YGC properties and development projects.

### **SAN LORENZO RUIZ INVESTMENT HOLDINGS AND SERVICES, INC.**

In December 2020, House of Investments acquired 100% of the issued and outstanding capital stock in San Lorenzo Ruiz Investment Holdings & Services, Inc.. In January 2022, Sojitz acquired 15% stake in San Lorenzo. San Lorenzo is currently developing its property within the Makati Central Business District into a mix-use commercial complex that features an iconic design, a network of open spaces, public art facilities, and green technology.

### **RCBC REALTY CORPORATION**

House of Investments owns a minority stake in RCBC Realty Corporation, which owns the YGC flagship property, the 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 Authority.

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.

## **PORTFOLIO INVESTMENTS:**

### **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** 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** is engaged in retail electricity supply and in the supply of electrical equipment and services, as well as electro-mechanical contracting works.

### **PHARMACEUTICALS**

**HI-EISAI PHARMACEUTICALS, INC.** (“HEPI”) is a joint venture between House of Investments and the Eisai Co. of Japan with the Company owning 50%. HEPI imports pharmaceuticals from Japan, which it sells in the Philippine market through established drug distributors.

### **DEATHCARE**

**MANILA MEMORIAL PARK CEMETERY, INC.** (“MMPCI”) is the recognized market leader in death care services. It sells memorial lots and owns, operates, and maintains memorial parks in Sucat, Quezon City, Bulacan, Laguna, Cavite, Cebu, Davao. House of Investments owns a material stake in MMPCI.

**LA FUNERARIA PAZ-SUCAT, INC.** (“LFPSI”) provides mortuary services to the bereaved and their loved ones. House of Investments, together with MMPCI, jointly owns LFPSI.

## **RISK MANAGEMENT**

House of Investments as an operating, holding and management company with significant involvement in a number of industries through its various divisions, subsidiaries, associates, joint ventures, and managed companies is exposed to risks that are particular to its nature of operations and the environment in which it operates. The Company believes that risk management is the responsibility of all stakeholders within the Group. As such, risk management is integrated into the businesses’ organizational activities and processes, embedded into the regular functions and operational requirements to achieve the corporate goals.

The Board Risk Oversight Committee (BROC) assists the Board of Directors in fulfilling its corporate governance functions on risk management. The BROC is responsible for the oversight of the company’s enterprise risk management system. The Chief Risk Officer reports to the BROC developments and matters relevant to risk management. Management, through the company’s Risk Management Council, is accountable for managing the associated risks. The management team of the

subsidiaries are responsible for managing their respective risk exposures and reports periodically to House of Investments.

During the year, the Company conducted a group-wide risk assessment. Following are the key risk factors that may impact the objectives of the Company.

*Risk Factors at the Holding Company level*

1. **Reputation**  
The inability of the Company to maintain and failure protect its reputation may adversely affect its objective of creating and growing its value for its stakeholders. House of Investments communicates its vision, mission, core values, and objectives to all its stakeholders and ensures all stakeholders are mindful with certainty of the company DNA in accomplishing the corporate objectives. The senior management of the Company participates in the Group's strategic planning, management, and operational meetings to ensure alignment with the holding company.
2. **Information and Cyber Security/Safety**  
The failure to protect the Company from data breaches and/or the inability of the information systems to adequately protect the critical data and infrastructure may adversely affect stakeholders' confidence, disrupt operations, and may result to business losses. To mitigate the risks, House of Investments ensures strict compliance with the data privacy act and the company's information and communications technology security policy. The Company conducts periodic review and information campaign through cybersecurity awareness programs. HI directed groupwide investment in cybersecurity resources.
3. **Talent**  
The probability that a critical role will become vacant and cannot be satisfactorily filled may negatively affect the Company's continuity of its strategic imperatives and/or products and services standards. House of Investments established programs in building key competencies and capability, as well as implementing succession planning to address the exposures.
4. **Regulation**  
The Company's business may be impacted by changes in laws and policies or the introduction of new laws or regulations which may affect its business operations and financial results. House of Investments, operating in largely in regulated industries, manages these risks by monitoring emerging laws and regulations and industry developments affecting or may affect its business. The Company takes the position of proactively participating in consultations and dialogues with pertinent regulatory agencies and organizations relevant to its operations strengthening its capability to anticipate and adapt to potential changes.
5. **Market**  
The Philippine and Global economic condition may impact the Company's investment and growth commitments to its stakeholders. House of Investments is cognizant that pursuing business opportunities by expanding its footprint is critical to sustain its growth commitments. The Company considers investments anchored on the company's management expertise and available resources and uses acceptable financial modelling and testing considering its investment commitments. Monitoring the market risks is imbedded in the normal course of business and necessary measures are implemented to counter the potential impact.

*Risk Factors at the Group level*

1. **Business Resiliency**  
The inability to bring the Company out of operational disruptions, resume critical processes, and restore normal operations may result to service breach and financial losses. The Group is committed to address risks that may cause disruptions to its operations. Measures are put in place to mitigate the risks as provided for in the Group's crisis management and business continuity plans and disaster risk management program with the end objective of bringing back the business activities to normal operations as soon as possible. Further, the Group maintains and continues to invest in system and software applications, online platforms to improve the Group's ability to provide services remotely and meet stakeholders' expectations.

Where applicable and appropriate, specific insurance is obtained to help reduce the financial impact of the operational disruptions and damages.

2. **Reputation**  
The inability of the Company to maintain and failure protect its reputation may adversely affect its objective of creating and growing its value for its stakeholders. The Group communicates its vision, mission, core values, and objectives to all its stakeholders and ensures all stakeholders are mindful with certainty of the company DNA in accomplishing the corporate objectives. The Group has stakeholder action centers to address concerns, conducts surveys and social listening to assess reputational concerns, and implements social media policy to ensure appropriate community behavior.
3. **Information and Cyber Security/Safety**  
The failure to protect the Company from data breaches and/or the inability of the information systems to adequately protect the critical data and infrastructure may adversely affect stakeholders' confidence, disrupt operations, and may result to business losses. To mitigate the risks, the Group ensures strict compliance with the data privacy act and the Group's information and communications technology security policy. The Group conducts periodic review and information campaign through cybersecurity awareness programs. The Group also maintains and invests in cybersecurity resources.
4. **Talent**  
The probability that a critical role will become vacant and cannot be satisfactorily filled may negatively affect the Company's achievement of its strategic imperatives and/or products and services standards. The Group established programs in building key competencies and capability, as well as implementing succession planning to address the exposures. In addition, the Group maintains and continues to improve its employee engagement through activities and programs, including but not limited to individual development plan.
5. **Regulation**  
The Company's business may be impacted by changes in laws and policies or the introduction of new laws or regulations which may affect its business operations and financial results. The Group, operating largely in regulated industries, manages these risks by monitoring emerging laws and regulations and industry developments affecting or may affect its business. The Group takes the position of proactively participating in regular consultations and dialogues with pertinent regulatory agencies and organizations relevant to its operations and aiming to attain thought leadership status in the industry where it operates.
6. **Market**  
The Philippine and Global economic condition may impact the Company's investment and growth commitments to its stakeholders. The Group is cognizant that pursuing business opportunities is critical to sustain its growth commitments. The Group considers opportunities anchored on the company's management expertise and available resources. Monitoring the market risks is imbedded in the normal course of business and necessary measures are implemented to counter the potential impact. The Group partnered with business organizations to cushion the potential financial impact to relevant stakeholders, implements process improvements and other cost-saving measures, strengthens its online platforms to provide internet-based services and affordable distance learning programs.

*Other risks for the Holding Company and the Group*

Other risks that are inherent to the operations of the Company and the Group which may expose the Group include the following.

1. **Operational**  
The inefficiencies and/or failure of internal processes and/or systems, non-compliance with policies and regulatory requirements, human errors in the conduct of the Group's daily activities may result to financial losses. To manage these risks, the Group ensures that all operating units have efficient and effective processes and support systems to meet and deliver

its objectives. Further, the Group periodically assesses existing controls and compliance to ensure its continued relevance and effectiveness by conducting periodic operational audit.

2. Competition

The inability to understand and face intense competition and/or anticipate emerging competitors may place the Group in a disadvantageous position resulting to business losses. To respond to these risks, the Group monitors both competition and market trends, rethinking strategies with disruptive innovation, diversification, differentiation, and leadership in mind maximizing the use of existing resources and making the necessary investments where appropriate. The Group's strong industry partnership and collaboration provides insights into the future and potential requirements.

3. Workplace Safety and Security

The inability to provide a safe environment and/or operationalize adequate workplace security and preventive measures may adversely affect the Group's reputation and operations which could lead to negative stakeholders' actions and financial losses. The Group manages the risks by implementing a workplace security program, ensuring strict compliance with regulatory agencies' requirements on safety and security in the workplace. The Group maintains and continually improves appropriate processes and equipment aimed at securing its facilities and stakeholders.

## 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 Automotive businesses use 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, 2021.

PROPERTY DESCRIPTION	DATE ACQUIRED	TYPE
<b>HOUSE OF INVESTMENTS, INC.</b>		
Quezon Avenue	2002	Industrial
<b>SAN LORENZO INVESTMENT HOLDINGS AND SERVICES, INC.</b>		
Sen. Gil Puyat Ave., Makati	2019	For development
<b>EEI CORPORATION</b>		
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
<b>EEI CONSTRUCTION AND MARINE, INC.</b>		
Silang, Cavite	2010	Fabrication Shop
<b>EEI REALTY CORP. CORPORATION</b>		
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
<b>EQUIPMENT ENGINEERS, INC.</b>		
Irisan, Benguet	2009	Residential
Itogon, Benguet	2006	Residential
<b>GULF ASIA INTERNATIONAL CORPORATION</b>		
General Trias, Cavite	1998	Residential
<b>MALAYAN EDUCATION SYSTEM, INC.</b>		

PROPERTY DESCRIPTION	DATE ACQUIRED	TYPE
Intramuros, Manila	1999	School campus
Intramuros, Manila	2013	Vacant lot for expansion
Sta. Cruz, Makati City	2018	School Campus
<b>MALAYAN HIGH SCHOOL OF SCIENCE, INC.</b>		
Paco, Manila	2002	School campus
<b>MALAYAN COLLEGES LAGUNA, INC.</b>		
Cabuyao, Laguna	2010	School campus
Cabuyao, Laguna	2012	Vacant lot
<b>MALAYAN COLLEGES MINDANAO, INC.</b>		
Ma-a, Davao	2015	School campus
Ma-a, Davao	2018	School campus
<b>NATIONAL TEACHERS COLLEGE</b>		
Quiapo, Manila	2019	School Campus
Quiapo, Manila	2019	School Campus
Quiapo, Manila	2019	School Campus
<b>UNIVERSITY OF NUEAVA CACERES</b>		
J. Hernandez Ave., Naga City	2019	School Campus
<b>AC COLLEGE OF ENTERPRISE AND TECHNOLOGY, INC.</b>		
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
<b>HOUSE OF INVESTMENTS, INC.</b>		
Dealership	Paco, Manila	2026
Dealership	Paco, Manila	2026
Dealership	Commonwealth, QC	2024
Service Center	Tandang Sora, QC	2028
Dealership	Leyte	2024
Warehouse	Leyte	2024
<b>EEI</b>		
Industrial (EEI Home Base)	Quezon City	Annually, every December
Industrial	Tanza, Cavite	Annually, every May
<b>HI CARS, INC.</b>		
Dealership	Mandaluyong	2028
Stockyard	Kalookan	2022
<b>AFFORDABLE PRIVATE EDUCATION CENTER, INC.</b>		
Office	Head Office	2024
School campus	V. Luna	2030
School campus	Dona Juana	2030
School campus	North Fairview	2027
School campus	C. Raymundo	2026
School campus	Marikina Heights	2027
School campus	Grace Park West	2027
School campus	Tondo	2025
School campus	Tondo (Annex)	2027
School campus	Muntinlupa	2025
School campus	Sta. Rita Sucat	2027
School campus	Dasmariñas	2029



PROPERTY DESCRIPTION	LOCATION	LEASE EXPIRATION
School campus	Bacoor-Molino	2029
School campus	Roxas Boulevard	2028
School campus	Pateros	2022
School campus	Taytay	2030
School campus	Ortigas Ext., Cainta	2028
School campus	Calumpang-Annex	2024
School campus	JRU Lipa	2026
School campus	Las Pinas	2026
School campus	Concepcion Dos	2027
School campus	New Manila	2029
School campus	San Pablo	2024

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

House of Investments, particularly Dealerships and Security Agency, is involved in certain disputes that arise in the ordinary conduct of business such as labor disputes and products-related disputes, pending before the NLRC and DTI, respectively. It also has pending criminal cases in courts of general jurisdiction filed against erring employees. The Company's management believes that these suits will ultimately be settled and/or decided in its favor and will not adversely affect the subsidiary's financial position and operating results.

EEI has various cases (civil, criminal and labor) filed by against the Company. Any decision on these cases, for or against the Company, will not have any material effect on the Company's operations and/or finances.

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 are no matters to be submitted to the vote of the security holders of House of Investments during the Annual Stockholders Meeting to be held on August 10, 2022.

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

### CONSOLIDATED RESULTS

*Year 2021 vs. 2020*

### INCOME STATEMENT

#### Results of Operations

For the period ended December 2021, the Group was able to rebound from its net loss in previous year, generating a net income of P1,627.77 million.

As the government starts to ease the lockdown restrictions, the Group's construction and automotive segments have slowly regained its momentum. Both segments showed a positive bottom line compared to losses last year. On the other hand, the education segment has shown continuous improvement, surpassing its pre-pandemic results by almost three times of its 2019 net income.

Costs of sales and services, as well as the administrative expenses of the Group dropped by 9%, respectively mainly due to cost reduction programs adapted by the Group.

Equity in net earnings of associates and joint ventures grew from P1,368.43 million to P1,430.35 million, primarily attributable to improved results of various entities where the Group has significant holdings.

Other income increased from P128.77 million to P191.90 million, mainly due to unrealized foreign exchange gain recognized by the construction segment compared to losses last year.

Interest and finance charges were lower, from P712.57 million to P708.37 million primarily due to lower borrowing rates.

### **Financial Position**

Total assets stood at P57,193.76 million from P51,885.48 million in 2020.

Increase in cash and cash equivalents was largely due to collection of receivables from clients and associates, net proceeds from bank loans, and from the construction segment's issuance of preferred shares. Reduction in receivables was due to collection from clients and customers. Contract assets increased by 15%, largely attributable to completion of major construction projects. Receivable from related parties increased from P53.42 million to P145.28 million due to advances to foreign affiliate. Inventories dropped by 18% due to accelerated production of the construction segment coupled by lower purchases of the automotive segment. Reduction in prepaid expenses and other current assets was mainly due to reclassification of unutilized creditable withholding taxes (CWTs) amounting to P933.00 million, to non-current assets.

Reduction in equity investments at FVOCI pertains to drop in market value of quoted securities. Increase in investments in associates and joint ventures pertains to equity earnings for the period. Decrease in right of use assets (as well as in lease liabilities) was mainly due to amortization as of the period. Increase in retirement asset pertains mainly to changes in financial assumption. Reduction in deferred tax asset pertains to derecognition of the asset related to reduced income tax rate as a result of the implementation of CREATE Law. Increase in other noncurrent assets pertains to non-current portion of the CWTs of construction group.

Total liabilities were reduced from P30,031.29 million to P27,078.21 million.

Effectively, the total bank loans of the Group increased by P442 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 management fees by education segment to a related party. Decrease in retirement liability was mainly due to EEI's change in financial assumption on the discount rate from 7.33%-7.37 % in 2018 vs. 5.02 % in 2019. Decrease in other noncurrent liabilities pertains to reclassification of retention payable of the construction segment to current.

Total equity increased from P21,854.19 million to P30,115.55 million. Increase is primarily due to improved performance of the Group as well as the increase in the value of the land.

*Year 2020 vs. 2019*

## **INCOME STATEMENT**

### **Results of Operations**

The Group closed 2020 with an aggregate net loss of P1,693.71 million against 2019'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 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 in 2020.

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 in 2019 to P9,785.83 million in 2020. 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 in 2019.

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 in 2018; 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 in 2019.

## **BALANCE SHEET**

Consolidated total assets stood at P52.0 billion against P39.60 billion in 2018.

Total current assets increased by 42%, from P16.09 billion in 2018 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 in 2019 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 in 2018, 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 in 2018. 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 Corporation.

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

### **Financial Ratios**

Below are the financial ratios that are relevant to the Group's for the years ended December 31, 2021 and 2020:

Financial ratios		2021	2020
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	<b>1.42:1</b>	1.02:1
<i>Indicates the Group's ability to pay short-term obligation</i>			
Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total liabilities}}$	<b>0.10:1</b>	(0.011:1)
<i>Shows how likely a company will be to continue meeting its debt obligations</i>			
Debt-to-equity ratio	$\frac{\text{Total Debt}}{\text{Total Equity}}$	<b>0.90:1</b>	1.37:1

Financial ratios		2021	2020
<i>Measures the Group's overall leverage</i>	Total Equity		
Asset to Equity Ratio	Total Assets	<b>1.90:1</b>	2.37:1
<i>Measures the group's leverage and long-term solvency</i>	Total Equity		
Interest Rate Coverage	EBIT*	<b>3.71:1</b>	(3.16:1)
<i>Shows how easily a company can pay interest on outstanding debt</i>	Interest Expense		
Return on Assets	Net Income	<b>2.98%</b>	(3.26%)
<i>Measure the ability to utilize the Group's assets to create profits</i>	Average Total Assets		
Return on Equity	Net Income	<b>6.26%</b>	(7.47%)
<i>Reflects how much the Group's has earned on the funds invested by the stockholders</i>	Average Total Equity		

*\*Earnings before interest and taxes*

Current ratio went up from 1.02 in 2020 to 1.42 in 2021. This is mainly attributable to the increase in cash and cash equivalents largely from construction segment's issuance of preferred shares.

Solvency ratio increased from (0.01) in 2020 to 0.10 in 2021 mainly because of the positive results of operation this year.

Debt-to-Equity ratio measures the Group's leverage. It decreased from 1.37 to 0.90 this year as an effect of the combination of the reduction in debt and the income posted by the Group resulting to higher equity.

Asset-to-Equity ratio decreased from 2.37 to 1.90 attributable to increase in equity as a result of the income registered by the Group this year.

Interest Rate Coverage ratio shows how easily a company can pay interest on outstanding debt. It is higher at 3.71 times this year due to net income earned by the Group compared to net losses incurred 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 2021 increased to 2.98% from (3.26%) in 2020. This is attributable to higher net income registered by the Group this year.

Return on Average Stockholders' Equity (ROAE) measures the profitability of the Company in relation to the average stockholders' equity. The ROAE for 2021 went up to 6.26% from (7.47%) in 2020 due to positive earnings of the Group this year compared to its net loss result last 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.  
  
San Lorenzo Ruiz Investment Holdings and Services, Inc. is redeveloping a property along Sen. Gil J. Puyat Avenue in Makati into a mix-use commercial complex. The estimated development cost is P9.3 Billion.
  - (v) 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.

## **MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS' MATTERS**

### **a. Market for Issuer's common equity and related stockholder matters**

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

PERIOD	STOCK PRICE	
	HIGH	LOW
2022 First Quarter	3.90	3.42
2021 Fourth Quarter	3.98	3.50
2021 Third Quarter	4.30	3.52
2021 Second Quarter	4.60	3.20
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

The market price of HI's common stock as June 2, 2022 (latest practicable trading date) is at P3.50 for high and for low.

## Stockholders

The top 20 owners of common stock as of March 31, 2022 are as follows:

STOCKHOLDER	COMMON SHARES	% OF TOTAL
PCD Nominee Corp - Filipino	418,301,777	53.87%
Pan Malayan Management & Investment Corp.*	294,759,565	37.96%
PCD Nominee Corp – Non-Filipino	19,303,136	2.49%
A.T. Yuchengco, Inc.*	7,036,070	0.91%
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
Enrique T. Yuchengco, Inc.*	1,211,360	0.16
Berck Y. Cheng or Alvin Y. Cheng or Diana Y. Cheng or Cheryl Y. Cheng	850,000	0.11
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
<b>SUB TOTAL</b>	<b>766,025,208</b>	<b>98.65%</b>
Others	10,440,073	1.35%
<b>TOTAL</b>	<b>776,465,281</b>	<b>100.00%</b>

House of Investments has a total of 377 common shareholders owning a total of 776,465,281 shares as of March 31, 2022.

\* Represents certificated shares only.

## Dividends

In accordance with the Section 42 of the Revised Corporation Code of the Philippines, HI intends to declare dividends (either in cash or stock or both) in the future. Common and preferred stockholders of HI 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 HI's 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 HI'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

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 2021.

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

The equity capital structure of the firm as of March 31, 2022 is shown below:

	Common Stock	Preferred
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

**HOUSE OF INVESTMENTS, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**AND**

**REPORT OF INDEPENDENT AUDITOR**



**HOUSE OF INVESTMENTS, INC.**

**A YGC Member**

9th 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, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.


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

04 MAY 2022

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2022

Doc. No. 35  
Page No. 71  
Book No. 25

ATTY. JOSEINO N. SUCI  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2023  
U-203 CARREON BLDG.  
2746 ZENAJDA ST. POBLACION, MAKATI CITY  
IRP NO. 160458/01/02/2022  
PTR NO. 8851817/01/03/2022

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders  
House of Investments, Inc.  
9th Floor, Grepalife Building  
221 Sen. Gil J. Puyat Avenue  
Makati City, Metro Manila

### 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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 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 63% 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 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 this 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, 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 sampled 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 processes to accumulate actual costs incurred and to estimate the expected cost to complete and tested the 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 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, through EEI, owns 49% equity interest in Al-Rushaid Construction Company Ltd. (ARCC), associate accounted for under the equity method. 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 41% of the Group's consolidated net income 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 reviewed their working papers, focusing on the procedures performed on ARCC's revenue recognition, and obtained relevant conclusion statements related to their audit procedures.

We also obtained the financial information of ARCC for the year ended December 31, 2021 and recomputed the Group's share in net earnings for the year ended December 31, 2021.

***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, 2021, the investments' carrying values amounted to ₱404.38 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, 2021, the carrying value of the Group's land amounted to ₱8,291.62 million, representing 14% 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***

Under PFRSs, the Group is required to annually test for impairment the nonfinancial assets such as the goodwill, intellectual property rights with infinite life, property and equipment and right-of-use assets, which are considered significant to the consolidated financial statements. 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, 14, 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. We checked if the Group has considered the impact of 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, through iPeople, 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, 2021 amounted to ₱289.89 million and ₱114.23 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 also 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, 2021, 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, 2021 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  
Wenda Lynn M. Loyola.

SYCIP GORRES VELAYO & CO.



Wenda Lynn M. Loyola

Partner

CPA Certificate No. 109952

Tax Identification No. 242-019-387

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 109952-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-117-2022, January 20, 2022, valid until January 19, 2025

PTR No. 8854316, January 3, 2022, Makati City

April 8, 2022

# HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 6)	₱9,056,486,073	₱3,218,733,775
Receivables (Note 7)	3,728,565,048	5,346,073,837
Contract assets (Note 8)	8,741,253,049	7,605,270,420
Inventories (Note 9)	1,540,267,273	1,888,033,691
Receivables from related parties (Note 22)	145,283,445	53,415,133
Prepaid expenses and other current assets (Note 10)	1,687,807,568	2,544,943,848
Total Current Assets	24,899,662,456	20,656,470,704
<b>Noncurrent Assets</b>		
Equity investments at fair value through other comprehensive income (FVOCI) (Note 11)	527,369,996	547,076,494
Investments in associates and joint ventures (Note 12)	7,834,124,308	7,092,623,906
Property and equipment (Note 13)		
At revalued amount	8,291,619,850	7,957,658,100
At cost	7,940,120,912	8,450,819,862
Investment properties (Note 16)	1,977,542,213	1,977,608,213
Deferred tax assets - net (Note 33)	1,222,749,651	1,580,396,762
Right-of-use assets (Note 14)	1,106,174,929	1,271,074,183
Goodwill (Note 15)	484,829,719	484,829,719
Retirement assets (Note 32)	18,129,661	4,726,582
Contract assets - net of current portion (Note 8)	1,079,458,807	978,481,350
Other noncurrent assets - net (Note 17)	1,811,979,369	883,710,111
Total Noncurrent Assets	32,294,099,415	31,229,005,282
Total Assets	₱57,193,761,871	₱51,885,475,986
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities (Note 18)	₱7,037,261,878	₱8,778,272,881
Loans payable (Note 19)	5,706,469,178	7,982,000,000
Current portion of long-term debt (Note 20)	3,547,206,477	2,302,998,099
Current portion of contract liabilities (Note 8)	1,112,517,781	898,322,177
Current portion of lease liabilities (Note 14)	124,406,516	164,647,368
Income tax payable	27,202,609	44,134,970
Due to related parties (Note 22)	2,482,255	10,214,099
Total Current Liabilities	17,557,546,694	20,180,589,594
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion (Note 20)	6,590,656,513	5,117,304,037
Contract liabilities - net of current portion (Note 8)	565,849,622	1,658,679,655
Lease liabilities - net of current portion (Note 14)	990,953,738	1,085,685,479
Deferred tax liabilities - net (Note 33)	855,546,115	1,047,739,837
Retirement liabilities (Note 32)	223,026,503	611,599,429
Other noncurrent liabilities	294,630,102	329,691,519
Total Noncurrent Liabilities	9,520,662,593	9,850,699,956
Total Liabilities	₱27,078,209,287	₱30,031,289,550

(Forward)



	December 31	
	2021	2020
<b>Equity</b>		
Attributable to equity holders of the Parent Company		
Preferred stock (Note 39)	<b>₱—</b>	<b>₱—</b>
Common stock (Note 39)	<b>1,162,540,326</b>	1,162,540,326
Additional paid-in capital	<b>154,578,328</b>	154,578,328
Equity reserve on acquisition of non-controlling interest (Note 36)	<b>1,598,421,700</b>	1,623,004,873
Revaluation increment on land - net (Note 13)	<b>1,445,367,746</b>	1,294,577,413
Cumulative translation adjustments	<b>271,303,940</b>	225,033,109
Fair value reserve of equity investments at FVOCI (Note 11)	<b>67,330,660</b>	175,482,889
Remeasurement loss on retirement (Note 32)	<b>(101,768,611)</b>	(259,954,684)
Retained earnings (Note 40)		
Unappropriated	<b>3,570,659,388</b>	3,280,479,055
Appropriated	<b>7,505,355,000</b>	6,505,355,000
	<b>15,673,788,477</b>	14,161,096,309
Non-controlling interests (Note 36)	<b>14,441,764,107</b>	7,693,090,127
Total Equity	<b>30,115,552,584</b>	21,854,186,436
	<b>₱57,193,761,871</b>	₱51,885,475,986

*See accompanying Notes to Consolidated Financial Statements.*

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

	Years Ended December 31		
	2021	2020	2019
<b>REVENUE</b> (Note 23)	<b>₱23,599,074,321</b>	₱21,176,075,057	₱34,129,841,303
<b>COSTS OF SALES AND SERVICES</b> (Note 25)	<b>19,776,263,509</b>	21,825,884,505	29,374,547,818
<b>GROSS PROFIT (LOSS)</b>	<b>3,822,810,812</b>	(649,809,448)	4,755,293,485
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 29)	<b>(2,817,475,078)</b>	(3,098,567,525)	(2,818,964,302)
<b>EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES</b> (Note 12)	<b>1,430,345,902</b>	1,368,427,558	727,820,626
<b>INTEREST AND FINANCE CHARGES</b> (Notes 19, 20, and 31)	<b>(708,368,551)</b>	(712,571,097)	(780,610,257)
<b>OTHER INCOME - Net</b> (Note 24)	<b>191,980,072</b>	128,768,133	225,287,334
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>1,919,293,157</b>	(2,963,752,379)	2,108,826,886
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 33)			
Current	<b>69,761,830</b>	126,237,181	429,672,494
Deferred	<b>221,764,349</b>	(1,396,274,909)	29,704,330
	<b>291,526,179</b>	(1,270,037,728)	459,376,824
<b>NET INCOME (LOSS)</b>	<b>₱1,627,766,978</b>	(₱1,693,714,651)	₱1,649,450,062
Net income (loss) attributable to:			
Equity holders of the Parent Company	<b>₱1,073,010,312</b>	(₱824,954,066)	₱974,033,430
Non-controlling interests	<b>554,756,666</b>	(868,760,585)	675,416,632
	<b>₱1,627,766,978</b>	(₱1,693,714,651)	₱1,649,450,062
<b>EARNINGS (LOSS) PER SHARE</b> (Note 34)			
<b>Basic</b>	<b>₱1.3819</b>	(₱1.0626)	₱1.2244
<b>Diluted</b>	<b>₱1.3819</b>	(₱1.0626)	₱1.2244

*See accompanying Notes to Consolidated Financial Statements.*

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

	Years Ended December 31		
	2021	2020	2019
<b>NET INCOME (LOSS)</b>	<b>₱1,627,766,978</b>	<b>(₱1,693,714,651)</b>	<b>₱1,649,450,062</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Items to be reclassified to profit or loss in subsequent periods:</i>			
Share in other comprehensive loss of an associate (Note 12)	(138,799,335)	(46,303,277)	(8,684,333)
Cumulative translation adjustments	82,902,765	58,977,308	(95,749,469)
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Changes in fair value of equity investments carried at FVOCI (Note 11)	40,293,502	(149,929,175)	110,696,848
Revaluation increment on land (Note 13)	333,961,750	(72,695,173)	124,414,373
Remeasurement gain (loss) on net retirement (Note 32)	295,174,036	(148,660,020)	(317,906,260)
Income tax effect relating to items that will not be reclassified	22,722,557	(18,077,259)	34,004,702
	<b>636,255,275</b>	<b>(376,687,596)</b>	<b>(153,224,139)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>₱2,264,022,253</b>	<b>(₱2,070,402,247)</b>	<b>₱1,496,225,923</b>
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	₱1,320,105,320	(₱1,068,608,442)	₱861,192,841
Non-controlling interests	943,916,933	(1,001,793,805)	635,033,082
	<b>₱2,264,022,253</b>	<b>(₱2,070,402,247)</b>	<b>₱1,496,225,923</b>

*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, 2021, 2020 AND 2019

	Attributable to Equity Holders of the Parent Company										To
	Capital stock (Note 39)		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)	Retained earnings		Non-controlling interests (Note 36)
	Preferred stock	Common stock							Unappropriated (Notes 13 and 40)	Appropriated (Note 40)	
<b>BALANCES AT JANUARY 1, 2019</b>	<b>₱247,414,156</b>	<b>₱921,836,572</b>	<b>₱154,578,328</b>	<b>(₱179,954,180)</b>	<b>₱1,602,230,727</b>	<b>₱249,703,345</b>	<b>₱259,855,707</b>	<b>(₱27,924,073)</b>	<b>₱3,093,212,458</b>	<b>₱6,105,300,000</b>	<b>₱18,171,789,212</b>
Net income	—	—	—	—	(4,360,837)	(4,702,267)	49,199,478	(152,976,963)	974,033,430	—	₱5,745,536,195
Other comprehensive income	—	—	—	—	(4,360,837)	(4,702,267)	49,199,478	(152,976,963)	974,033,430	—	1,649,450,000
Total comprehensive income	—	—	—	—	(4,360,837)	(4,702,267)	49,199,478	(152,976,963)	974,033,430	—	1,496,225,900
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	—	(10,381,600)
Changes in non-controlling interest	—	—	—	1,821,710,672	(298,988,816)	957,835	2,038,967	(7,073,725)	—	—	4,024,248,700
Dividend declaration	—	—	—	—	—	—	—	—	(63,342,105)	—	(188,170,100)
<b>BALANCES AT DECEMBER 31, 2019</b>	<b>6,710,402</b>	<b>1,162,540,326</b>	<b>154,578,328</b>	<b>1,641,756,492</b>	<b>1,298,881,074</b>	<b>245,958,913</b>	<b>311,094,152</b>	<b>(188,329,963)</b>	<b>3,605,930,659</b>	<b>6,505,355,000</b>	<b>23,493,712,000</b>
Net loss	—	—	—	—	—	—	—	—	(824,954,066)	—	(1,693,714,600)
Other comprehensive loss	—	—	—	—	(11,714,131)	(23,145,055)	(139,313,149)	(69,482,041)	—	—	(376,687,500)
Total comprehensive loss	—	—	—	—	(11,714,131)	(23,145,055)	(139,313,149)	(69,482,041)	(824,954,066)	—	(2,070,402,200)
Redemption of preferred stock	(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	—	480,629,300
Dividend declaration	—	—	—	—	—	—	—	—	(86,529)	—	(43,042,300)
<b>BALANCES AT DECEMBER 31, 2020</b>	<b>—</b>	<b>1,162,540,326</b>	<b>154,578,328</b>	<b>1,623,004,873</b>	<b>1,294,577,413</b>	<b>225,033,109</b>	<b>175,482,889</b>	<b>(259,954,684)</b>	<b>3,280,479,055</b>	<b>6,505,355,000</b>	<b>21,854,186,400</b>
Net income	—	—	—	—	—	—	—	—	1,073,010,312	—	7,693,090,127
Other comprehensive loss	—	—	—	—	150,790,333	46,270,831	(108,152,229)	158,186,073	—	—	554,756,666
Total comprehensive income	—	—	—	—	150,790,333	46,270,831	(108,152,229)	158,186,073	1,073,010,312	—	1,627,766,900
Movement in equity	—	—	—	—	—	—	—	—	217,170,021	—	2,264,022,200
Acquisition and disposal of non-controlling interest	—	—	—	(24,583,173)	—	—	—	—	—	—	—
Reversal of appropriated retained earnings	—	—	—	—	—	—	—	—	—	—	—
Appropriation of retained earnings	—	—	—	—	—	—	—	—	2,500,000,000	(2,500,000,000)	—
Issuance of preferred stock by subsidiary	—	—	—	—	—	—	—	—	(3,500,000,000)	3,500,000,000	—
Dividend declaration	—	—	—	—	—	—	—	—	—	—	5,955,009,556
Declaration of dividend by subsidiary	—	—	—	—	—	—	—	—	—	—	(167,016,594)
<b>BALANCES AT DECEMBER 31, 2021</b>	<b>P—</b>	<b>₱1,162,540,326</b>	<b>₱154,578,328</b>	<b>₱1,598,421,700</b>	<b>₱1,445,367,746</b>	<b>₱271,303,940</b>	<b>₱67,330,660</b>	<b>(₱101,768,611)</b>	<b>₱3,570,659,388</b>	<b>₱7,505,355,000</b>	<b>₱30,115,552,500</b>
											<b>₱14,441,764,107</b>

See accompanying Notes to Consolidated Financial Statements.



# HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax	<b>₱1,919,293,157</b>	(₱2,963,752,379)	₱2,108,826,886
Adjustments for:			
Depreciation and amortization (Notes 13, 14, 16 and 30)	<b>1,148,132,605</b>	1,369,129,177	1,366,140,404
Interest and finance charges (Notes 19, 20, 22 and 31)	<b>708,368,551</b>	712,571,097	780,610,257
Market gain on financial asset at fair value through profit or loss (FVPL)	<b>(197,848)</b>	(893,359)	(650,289)
Unrealized foreign exchange loss (gain) (Note 24)	<b>(10,151,384)</b>	49,676,282	38,607,477
Interest income (Note 24)	<b>(18,758,054)</b>	(36,588,692)	(60,989,962)
Gain on sale of:			
Investment properties (Notes 16 and 24)	<b>(14,750)</b>	(204,500)	(409,952)
Property and equipment (Notes 13 and 24)	<b>(19,732,100)</b>	(14,855,241)	(101,530,669)
Dividend income (Notes 4 and 24)	<b>(35,266,666)</b>	(37,855,583)	(54,808,659)
Movements in net retirement liabilities	<b>(230,386,853)</b>	167,325,957	326,588,991
Equity in net earnings of associates and joint venture (Note 12)	<b>(1,430,345,902)</b>	(1,368,427,558)	(727,820,626)
Operating income (loss) before working capital changes	<b>2,030,940,756</b>	(2,123,874,799)	3,674,563,858
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	<b>1,617,508,789</b>	900,412,888	1,115,872,772
Contract assets	<b>(1,135,982,629)</b>	1,878,223,184	(4,517,058,820)
Inventories	<b>347,766,417</b>	474,243,774	331,894,833
Receivables from related parties	<b>(91,868,312)</b>	17,820,168	74,730,911
Prepaid expenses and other current assets	<b>857,136,279</b>	(562,089,649)	(329,011,292)
Other noncurrent assets	<b>(1,275,326,486)</b>	(262,356,078)	131,421,945
Increase (decrease) in:			
Accounts payable and other current liabilities	<b>(1,741,011,003)</b>	366,190,340	1,617,078,355
Contract liabilities	<b>(878,634,431)</b>	(957,608,563)	3,189,833,408
Due to related parties	<b>(7,731,844)</b>	(116,203,076)	(8,432,236)
Other noncurrent liabilities	<b>(119,798,954)</b>	(311,025,872)	351,354,972
Net cash generated from (used in) operations	<b>(397,001,418)</b>	(696,267,683)	5,632,248,706
Interest received	<b>18,758,054</b>	36,588,692	60,989,962
Income tax paid, including creditable withholding taxes	<b>(143,005,151)</b>	(60,723,415)	(397,585,443)
Interest and finance charges paid	<b>(708,368,551)</b>	(712,571,097)	(765,077,674)
Net cash flows provided by (used in) operating activities	<b>(1,229,617,066)</b>	(1,432,973,503)	4,530,575,551

(Forward)

	Years Ended December 31		
	2021	2020	2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from return of investments (Note 12)	<b>₱454,139,216</b>	₱575,959,276	₱—
Dividends received	<b>393,559,175</b>	209,471,914	207,036,630
Proceeds from sale of:			
Property and equipment (Note 13)	<b>83,176,478</b>	583,053,137	642,741,320
Investment properties (Note 16)	<b>80,750</b>	873,500	450,500
Equity investments at FVOCI (Note 11)	—	26,632,056	17,481,928
Acquisitions of:			
Computer software (Note 17)	<b>(20,131,041)</b>	(4,515,025)	(8,195,665)
Property and equipment	<b>(631,905,739)</b>	(1,386,009,107)	(4,969,429,584)
Investments in associates and joint ventures	—	(450,000)	(261,944,096)
Equity investments at FVOCI (Note 11)	—	—	(79,849,592)
Net cash flows provided by (used in) investing activities	<b>278,918,839</b>	5,015,751	(4,451,708,559)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from:			
Loans payable (Note 19)	<b>10,778,700,000</b>	16,524,230,000	15,760,000,000
Long-term debt - inclusive of transaction costs (Note 20)	<b>5,502,371,404</b>	4,116,506,064	2,862,403,404
Changes in non-controlling interests (Note 36)	<b>6,386,504,164</b>	(59,970,000)	1,291,500,000
Cash dividends paid (Note 39)	—	(86,529)	(67,705,370)
Redemption of preferred shares (Note 39)	—	(6,710,402)	—
Payments of:			
Lease liabilities (Note 14)	<b>(50,235,057)</b>	(287,547,391)	(420,761,700)
Long-term debt (Note 20)	<b>(2,784,810,550)</b>	(1,387,893,054)	(965,952,374)
Loans payable (Note 19)	<b>(13,054,230,822)</b>	(16,936,030,000)	(17,885,200,000)
Net cash flows provided by financing activities	<b>6,778,299,139</b>	1,962,498,688	574,283,960
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>10,151,386</b>	(2,476,235)	(6,146,703)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>5,837,752,298</b>	532,064,701	647,004,249
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>3,218,733,775</b>	2,686,669,074	2,039,664,825
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>	<b>₱9,056,486,073</b>	₱3,218,733,775	₱2,686,669,074

See accompanying Notes to Consolidated Financial Statements.

# **HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **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. As per Section 11 of Revised Corporation Code (RCC) enacted in 2020, a corporation shall have perpetual existence unless its articles of incorporation provide otherwise. Further explained in Securities and Exchange Commission (SEC) Memorandum Circular No. 22 Series of 2020, “the corporate term of a corporation with certificate of incorporation issued prior to the effectivity of the RCC and which continue to exist, shall be deemed perpetual upon the effectivity of the RCC, without any action on the part of the corporation.” Thus, there is no need to amend or extend Parent Company’s corporate life as it already enjoys perpetual existence.

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 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 and authorized for issue by the Board of Directors (BOD) on April 8, 2022.

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### **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			
				2021		2020	
				Direct	Indirect	Direct	Indirect
Investment Managers, Inc. (IMI)	Philippines	Insurance agent,					
Landev Corporation	Philippines	financing, trading	Philippine Peso	100.00	—	100.00	—
San Lorenzo Ruiz Investment Holdings		and real estate	Philippine Peso	100.00	—	100.00	—
and Services Inc. (SLRHSI)	Philippines	Property management	Philippine Peso	100.00	—	100.00	—
Xamdu Motors, Inc. (XMI)	Philippines	Holding company	Philippine Peso	100.00	—	100.00	—
		Car dealership	Philippine Peso	100.00	—	100.00	—
(Forward)							
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	Philippine Peso	—	100.00	—	100.00
		provider	Philippine Peso	—	100.00	—	100.00
HI Cars, Inc. (formerly Honda Cars							
Kalookan, Inc.; HCI) <sup>(a)</sup>	Philippines	Car dealership	Philippine Peso	100.00	—	55.00	—
La Funeraria Paz Sucat, Inc. (LFPSI)	Philippines	Memorial services	Philippine Peso	50.00	13.00	50.00	13.00
EEl Corporation (EEl)	Philippines	Construction	Philippine Peso	55.34	—	55.34	—
EEl Limited	British Virgin	Holding company	US Dollar	—	100.00	—	100.00
	Islands						
Clear Jewel Investments, Ltd.	British Virgin	Holding company	US Dollar	—	100.00	—	100.00
	Islands						
Nimaridge Investments, Limited	British Virgin	Holding company	US Dollar	—	100.00	—	100.00
EEl (PNG), Ltd	Papua New Guinea	Holding company	US Dollar	—	100.00	—	100.00
	United States of						
EEl Corporation (Guam), Inc.	America	Construction	US Dollar	—	100.00	—	100.00
EEl Construction and Marine, Inc.	Philippines	Construction	Philippine Peso	—	100.00	—	100.00
EEl Realty Corporation (EEl Realty)	Philippines	Real estate	Philippine Peso	—	100.00	—	100.00
EEl Subic Corporation	Philippines	Construction	Philippine Peso	—	100.00	—	100.00
Equipment Engineers, Inc. (EE)	Philippines	Construction	Philippine Peso	—	100.00	—	100.00
		Rental of scaffolding and					
JP Systems Asia Inc. (JPSAI)	Philippines	formworks	Philippine Peso	—	60.00	—	60.00
		Manufacturing food and					
BiotechJP Corporation	Philippines	therapeutic food	Philippine Peso	—	60.00	—	60.00
		Service for improvement					
Learn JP Corp	Philippines	in language	Philippine Peso	—	60.00	—	60.00
		proficiency	Philippine Peso	—	60.00	—	60.00
EEl 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
EEl Energy Solutions Corporation							
(EESC)	Philippines	Retail electricity	Philippine Peso	—	100.00	—	100.00
EEl Carga Digital Logistics Corporation							
(EEl Carga) <sup>(b)</sup>	Philippines	Digital logistics	Philippine Peso	—	100.00	—	—
		Education and					
iPeople, inc. (IPO)	Philippines	Information	Philippine Peso	48.18	—	48.18	—
Malayan Education System, Inc. (MESI)		Technology					
(Operating Under the Name of		Education and					
Mapua University)	Philippines	Information	Philippine Peso	—	100.00	—	100.00
		Technology					
Malayan Colleges Laguna, Inc.,		Education and					
A Mapua School (MCLI)	Philippines	Information	Philippine Peso	—	100.00	—	100.00
		Technology					
Malayan Colleges Mindanao (A		Education and					
Mapua School), Inc. (MCMI)	Philippines	Information	Philippine Peso	—	100.00	—	100.00
		Technology					
Malayan High School of Science, Inc.		Education and					
(MHSSI)	Philippines	Information	Philippine Peso	—	100.00	—	100.00
		Technology					
Mapua Information Technology Center,		Education and					
Inc. (MITC)	Philippines	Information	Philippine Peso	—	100.00	—	100.00
		Technology					
(Forward)							

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership			
				2021		2020	
				Direct	Indirect	Direct	Indirect
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 Institute, Inc doing business under the Name and Style of LINC Academy	Philippines	Education and Information Technology	Philippine Peso	—	100.00	—	100.00

(a) In July 2021, the Parent Company acquired additional 27,000,000 shares resulting to 100% ownership of HCI (Note 36).

(b) On May 14, 2021, EEI Carga was incorporated as a wholly subsidiary of EEI. EEI Carga's primary purpose is to own and operate a digital logistics platform that enables shippers to deliver their products through various transportation options available in the platform. EEI Carga's financial year end 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.

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### 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, 2021. Adoption of these pronouncements did not have any significant impact on the Group's financial statements unless otherwise indicated.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond June 30, 2021*  
The amendment provides 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, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

The adoption of the amendments has no impact to the Group's consolidated financial statements since the Group has no lease concessions.

- 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 adoption of the amendment did not impact the Group's financial statement as of December 31, 2021.

#### Standards Issued But Not Yet Effective

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, 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 amends 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 amends 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.

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

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

The Group is still assessing the impact of the amendments to the consolidated financial statements.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The Group is still assessing the impact of the amends to the consolidated financial statements.

Effective beginning on or after January 1, 2024

- 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.



#### Effective beginning on or after January 1, 2025

- 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 (IASB) 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.

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## 4. Summary of Significant Accounting Policies

### **Leases - Group as a lessee**

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 less incentives received.

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

	Years
Land	5 to 66
Building	2 to 10

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

*Lease liabilities*

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

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

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

*Short-term leases and leases of low-value assets*

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

*Group as a lessor*

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

**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 is 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, 2021 and 2020.

*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's 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) planning and design cost, cost of site preparation, professional fees, property taxes, construction overheads and other related costs that are directly attributable in bringing the real estate inventories to its intended condition.

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.

Materials issued but still uninstalled to construction projects are not considered as part of computation for percentage of completion of projects.

#### 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 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 Ventures

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	
				2021	2020
<b>Associates:</b>					
Hi-Eisai Pharmaceutical, Inc. (HEPI)	Philippines	Pharmaceutical	Philippine peso	<b>50.00</b>	50.00
Petroenergy Resources Corporation (PERC)	Philippines	Renewable energy	Philippine peso	<b>29.10</b>	29.10
PetroGreen Energy Corporation (PGEC) <sup>(a)</sup>	Philippines	Renewable energy	Philippine peso	<b>10.00</b>	10.00
T'boli Agro-Industrial Development, Inc.	Philippines	Agriculture	Philippine peso	<b>28.47</b>	28.47
Manila Memorial Park Cemetery, Inc. (MMPC)	Philippines	Funeral service	Philippine peso	<b>25.98</b>	25.98
Sojitz G Auto Philippines Corporation (SGAPC)	Philippines	Automotive distributor	Philippine peso	<b>20.00</b>	20.00
RCBC Realty Corporation (RRC)	Philippines	Realty	Philippine peso	<b>10.00</b>	10.00
Al-Rushaid Construction Company Limited (ARCC)	Saudi Arabia	Construction	Saudi riyal	<b>49.00</b>	49.00
PetroSolar Corporation (PSOC)	Philippines	Renewable energy	Philippine peso	<b>44.00</b>	44.00
<b>Joint ventures:</b>					
PetroWind Energy, Inc. (PWEI)	Philippines	Renewable energy	Philippine peso	<b>20.00</b>	20.00
Shinbayanhan Heavy Equipment Corporation (SHEC)	Philippines	Equipment rental	Philippine peso	<b>40.00</b>	40.00
BEO Distribution and Marketing Corporation (BEO DMC)	Philippines	Distribution and marketing	Philippine peso	<b>30.00</b>	30.00
Shimizu-Fujita-Takenaka-EEI Joint Venture (SFTE)	Philippines	Construction	Philippine peso	<b>5.00</b>	5.00
Acciona-EEI Joint Venture (AE)	Philippines	Construction	Philippine peso	<b>30.00</b>	30.00
DL E&C-EEI-HEC Joint Venture (DEH) <sup>(b)</sup>	Philippines	Construction	Philippine peso	<b>20.00</b>	—
LOTTE-GULERMAK-EEI Joint Venture (LGE) <sup>(b)</sup>	Philippines	Construction	Philippine peso	<b>25.00</b>	—

(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 2021

### 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 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 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 and commencement of an operating lease to another party. 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 asset's 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 and 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 financials of the Group's associate whose functional currency is not the Philippine Peso that is accounted for under equity method are translated to the presentation currency of the Parent Company in a similar manner. The exchange differences arising on the translation are taken directly to a separate component of equity under "Cumulative translation adjustments" account.

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



## Retirement Cost

### *Defined benefit plan*

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

### Treasury Shares

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.

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### 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 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 (Note 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, 2021 and 2020, 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.

#### 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 ₱1.12 billion and ₱1.25 billion as of December 31, 2021 and 2020, 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 ₱13.55 billion and ₱13.93 billion as of December 31, 2021 and 2020, respectively (Notes 7 and 8).

##### *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. For the investment in HEDC, the valuation made by the appraisers was based on sales comparison approach. The effects of COVID-19 were reflected in the selling price of comparable listings of real estate properties and were not accounted for separately.

The fair value of unquoted equity investments amounted to ₱0.42 billion and ₱0.46 billion as of December 31, 2021 and 2020, 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, 2021 and 2020, 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 ₱8.29 billion and ₱7.96 billion as of December 31, 2021 and 2020, 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 2021, 2020 and 2019. As at December 31, 2021 and 2020, 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, 2021, 2020 and 2019 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 ₱18.13 million and ₱4.73 million as of December 31, 2021 and 2020, respectively whereas retirement liabilities amounted to ₱223.03 million and ₱611.6 million as of December 31, 2021 and 2020, 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.

#### *Classification of creditable withholding tax*

The Group classifies its creditable withholding tax (CWT) as current when it is expected to be realized (e.g., will be used as tax credit against income taxes due) for at least twelve months after the reporting period. The portion of CWT that is expected to be realized after twelve months after the reporting period is classified as noncurrent. In 2021, the Group classified CWT amounting to ₱924.34 million as non-current as management assessed that it will not be used as tax credits within the next twelve months.



CWT recognized by the Group are disclosed in Notes 10 and 17 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.

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## 6. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand and in banks	<b>₱2,929,391,629</b>	₱1,924,416,281
Short-term investments	<b>6,127,094,444</b>	1,294,317,494
	<b>₱9,056,486,073</b>	₱3,218,733,775

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 ₱10.55 million, ₱25.10 million, and ₱37.19 million for the years ended December 31, 2021, 2020 and 2019, respectively (Note 24).

## 7. Receivables

This account consists of:

	2021	2020
Trade		
Construction and infrastructure	<b>₱2,317,099,708</b>	₱3,460,003,600
Education	<b>1,251,619,696</b>	1,166,226,739
Car dealership	<b>254,215,348</b>	469,628,623
Other services	<b>93,779,985</b>	189,255,856
Other receivables		
Receivables from plant	<b>40,500,435</b>	38,118,335
Advances to officers and employees	<b>30,070,838</b>	29,425,653
Accrued referral incentives	<b>19,288,160</b>	17,817,943
Receivable from sale of investment properties	<b>17,285,545</b>	21,280,648
Receivable from customers	<b>16,061,797</b>	20,479,281
Dividends receivable (Note 22)	<b>10,414,928</b>	3,236,665
Rent receivable	<b>33,564</b>	111,322
Receivable from EEI RFI	—	38,000,000
Others	<b>157,705,764</b>	259,425,599
	<b>4,208,075,768</b>	5,713,010,264
Less allowance for impairment	<b>479,510,720</b>	366,936,427
	<b>₱3,728,565,048</b>	₱5,346,073,837

### 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 ₱140.8 million and ₱138.8 million as at December 31, 2021 and 2020, respectively, arising from the Senior High School (SHS) Voucher Program wherein qualified SHS students are given assistance on tuition fees. These receivables are noninterest-bearing and are generally collectible within one year.

#### *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, 2021 and 2020.

### 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.

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

*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.

### *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, 2021 and 2020, the current portion of receivable amounted to ₱16.1 million and ₱20.5 million, respectively, while the noncurrent portion of receivable as of December 31, 2021 and 2020 amounted to nil and ₱2.8 million, respectively (Note 17).

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:

	2021					
	Construction and Infrastructure	Car Dealership	Education and Information Technology	Other Services	Other Receivables	Total
Balance at beginning of year	₱62,690,313	₱36,551,181	₱174,881,069	₱9,675,359	₱83,138,505	₱366,936,427
Provisions – net of recoveries (Note 29)	5,080,222	–	117,095,947	–	–	122,176,169
Write-offs	–	–	(2,087,204)	–	(7,514,672)	(9,601,876)
Balance at end of year	₱67,770,535	₱36,551,181	₱289,889,812	₱9,675,359	₱75,623,833	₱479,510,720

	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

## 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 ₱9.8 billion and ₱8.6 billion as of December 31, 2021 and 2020, respectively. The increase in this account is due to the improvement on the level of production of the Group after COVID-19 restrictions have been lifted and operating activities have resumed.

Details of the Group's contract assets as of December 31, 2021 and 2020 are shown below.

	2021		
	Current	Noncurrent	Total
<b>Contract assets</b>	<b>₱8,788,954,322</b>	<b>₱1,088,902,619</b>	<b>₱9,877,856,941</b>
<b>Less: Allowance for expected credit losses</b>	<b>47,701,273</b>	<b>9,443,812</b>	<b>57,145,085</b>
	<b>₱8,741,253,049</b>	<b>₱1,079,458,807</b>	<b>₱9,820,711,856</b>

	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

Movement in the allowance for expected credit losses for the years ended December 31, 2021 and 2020 follows:

	2021		
	Current	Noncurrent	Total
<b>Balance at beginning of year</b>	<b>₱36,785,303</b>	<b>₱15,154,047</b>	<b>₱51,939,350</b>
<b>Provision (Note 29)</b>	<b>10,915,970</b>	<b>—</b>	<b>10,915,970</b>
<b>Reversal</b>	<b>—</b>	<b>(5,710,235)</b>	<b>(5,710,235)</b>
<b>Balance at end of year</b>	<b>₱47,701,273</b>	<b>₱9,443,812</b>	<b>₱57,145,085</b>

	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

### Contract Liabilities

Details of the Group's contract liabilities as of December 31, 2021 and 2020 are shown below.

	2021	2020
Total contract liabilities	<b>₱1,678,367,403</b>	₱2,557,001,832
Less current portion	<b>1,112,517,781</b>	898,322,177
	<b>₱565,849,622</b>	₱1,658,679,655

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.

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:

	2021	2020
Construction materials	<b>₱832,425,956</b>	₱1,042,419,432
Merchandise	<b>474,292,929</b>	624,248,970
Real estate:		
Land and land development	<b>152,710,557</b>	151,725,740
Raw lands	<b>45,073,466</b>	42,584,391
Subdivision lots and contracted units for sale	<b>38,156,275</b>	36,460,877
	<b>235,940,298</b>	230,771,008
Spare parts and supplies	<b>73,386,396</b>	72,729,484
	<b>1,616,045,579</b>	1,970,168,894
Less: Allowance for inventory obsolescence	<b>75,778,306</b>	82,135,203
	<b>₱1,540,267,273</b>	₱1,888,033,691

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:

	2021	2020
Balance at beginning of year	<b>₱230,771,008</b>	₱239,537,439
Construction/development costs incurred	<b>12,683,984</b>	13,698,819
Cost of real estate sales (Note 25)	<b>(7,514,694)</b>	(22,465,250)
Balance at end of year	<b>₱235,940,298</b>	₱230,771,008

The total cost of goods sold recognized in the Group's statements of comprehensive income amounted to ₱3,339.1 million, ₱3,646.8 million and ₱6,604.4 million in 2021, 2020 and 2019 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:

	2021	2020
Balance at beginning of year	<b>₱82,135,203</b>	₱107,595,425
Provision (Note 29)	<b>8,728</b>	21,960,851
Write-off	<b>(6,365,625)</b>	(47,421,073)
Balance at end of year	<b>₱75,778,306</b>	₱82,135,203

No inventories were pledged as security to obligations as of December 31, 2021 and 2020.

#### 10. Prepaid Expenses and Other Current Assets

This account consists of:

	2021	2020
Advances to suppliers and contractors	<b>₱582,390,512</b>	₱1,004,942,386
Prepaid expenses	<b>278,971,080</b>	190,085,167
Creditable withholding taxes (CWTs) (Note 17)	<b>269,509,910</b>	929,043,644
Miscellaneous deposits	<b>131,535,400</b>	120,704,511
Input value added tax (VAT)	<b>75,093,601</b>	55,371,913
Prepaid taxes	<b>66,879,289</b>	—
Bid deposit	<b>59,822,400</b>	—
Restricted funds	<b>56,284,600</b>	30,960,042
Advances to officers and employees	<b>50,822,589</b>	58,475,817
Restricted cash investment	<b>31,947,640</b>	27,747,232
Others	<b>101,009,215</b>	144,071,804
	<b>1,704,266,236</b>	2,561,402,516
Less allowance for impairment	<b>16,458,668</b>	16,458,668
	<b>₱1,687,807,568</b>	₱2,544,943,848

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.

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

CWTs pertain to unutilized creditable withholding tax which will be used as tax credit against income taxes due. This will be used as tax credit against income taxes due. The EEI Group determines that taxes withheld can be recovered in future periods. In 2021, the Group classified CWT as non-current as management assessed that it will not be used as tax credits within the next twelve months (Note 17).

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

Others include financial assets at FVPL, various deposits, other supplies, among others.

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

	2021			
	Miscellaneous deposits	Advances to officers and employees	Advances to suppliers and subcontractors	Total
Balance at beginning and end of year	<b>₱3,335,193</b>	<b>₱29,516</b>	<b>₱13,093,959</b>	<b>₱16,458,668</b>

	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

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

This account consists of:

	2021	2020
Quoted equity investments	<b>₱109,266,412</b>	₱91,603,168
Unquoted equity investments	<b>418,103,584</b>	455,473,326
	<b>₱527,369,996</b>	₱547,076,494

Movements in the fair value reserve recognized in other comprehensive income (net of tax effect) are as follows:

	2021	2020
Attributable to equity holders of the parent:		
Balance at beginning of year	<b>₱175,482,889</b>	₱311,094,152
Loss recognized in OCI	<b>(108,152,229)</b>	(135,611,263)
Balance at end of year	<b>67,330,660</b>	175,482,889
Non-controlling interests:		
Balance at beginning of year	<b>232,495,478</b>	240,945,407
Income (loss) recognized in OCI	<b>89,075,091</b>	(8,449,929)
Balance at end of year	<b>321,570,569</b>	232,495,478
	<b>₱388,901,229</b>	₱407,978,367

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, 2021.

Dividends earned from equity investments at FVOCI amounted to ₱35.2 million, ₱37.9 million, and ₱54.8 million in 2021, 2020 and 2019, respectively (Note 24).

No equity investments at FVOCI were pledged as security to obligations as of December 31, 2021 and 2020.

## 12. Investments in Associates and Joint Venture

The rollforward analysis of this account follows:

	2021	2020
Acquisition cost:		
Balance at beginning of year	<b>₱4,690,263,520</b>	₱4,841,636,714
Additions	—	450,000
Return of investment in ARCC	<b>(454,139,216)</b>	(575,959,276)
Reclassification from investment in FVOCI	—	424,136,082
Balance at end of year	<b>4,236,124,304</b>	4,690,263,520
Accumulated impairment loss	<b>74,536,609</b>	74,536,609
Accumulated equity in net earnings:		
Balance at beginning of year	<b>2,459,727,726</b>	1,262,916,499
Equity in net earnings	<b>1,430,345,902</b>	1,368,427,558
Dividends received	<b>(358,292,509)</b>	(171,616,331)
Balance at end of year	<b>3,531,781,119</b>	2,459,727,726
Subtotal	<b>7,693,368,813</b>	7,075,454,637
Share in other comprehensive loss of an associate	<b>(138,799,335)</b>	(46,303,277)
Cumulative translation adjustment	<b>279,554,830</b>	63,472,546
	<b>₱7,834,124,308</b>	₱7,092,623,906

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

(Amounts in millions)

	2021											
	RRC	PERC	PGEC	MMPC	SGAPC	ARCC	PSOC	PWEI	SHEC	BEO		
										DMC	SFTE	AE
Acquisition cost:												
Balance, January 1	<b>₱959</b>	<b>₱889</b>	<b>₱470</b>	<b>₱120</b>	<b>₱50</b>	<b>₱1,050</b>	<b>₱691</b>	<b>₱257</b>	<b>₱21</b>	<b>₱—</b>	<b>₱—</b>	<b>₱—</b>
Additions (Advances)	—	—	8	—	—	—	—	—	—	1	—	—
Return of investments	—	—	—	—	—	(454)	—	—	—	—	—	—
Balance, December 31	<b>959</b>	<b>889</b>	<b>478</b>	<b>120</b>	<b>50</b>	<b>596</b>	<b>691</b>	<b>257</b>	<b>21</b>	<b>1</b>	<b>—</b>	<b>—</b>
Accumulated equity in net earnings (losses):												
Balance, January 1	<b>516</b>	<b>547</b>	<b>46</b>	<b>489</b>	<b>(18)</b>	<b>269</b>	<b>394</b>	<b>165</b>	<b>(2)</b>	<b>(1)</b>	<b>4</b>	<b>—</b>
Equity in net earnings (losses)	<b>133</b>	<b>93</b>	<b>50</b>	<b>136</b>	<b>55</b>	<b>660</b>	<b>192</b>	<b>49</b>	<b>—</b>	<b>—</b>	<b>3</b>	<b>21</b>
Dividends declared	<b>(90)</b>	<b>—</b>	<b>(17)</b>	<b>(15)</b>	<b>—</b>	<b>(157)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Balance, December 31	<b>559</b>	<b>640</b>	<b>79</b>	<b>610</b>	<b>37</b>	<b>929</b>	<b>429</b>	<b>214</b>	<b>(2)</b>	<b>(1)</b>	<b>7</b>	<b>21</b>
Subtotal	<b>1,518</b>	<b>1,530</b>	<b>558</b>	<b>730</b>	<b>87</b>	<b>1,525</b>	<b>1,120</b>	<b>471</b>	<b>19</b>	<b>—</b>	<b>7</b>	<b>21</b>
Accumulated share in other comprehensive income:												
Balance, January 1	<b>603</b>	<b>66</b>	<b>(46)</b>	<b>—</b>	<b>—</b>	<b>(22)</b>	<b>(1)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Share in other comprehensive loss	<b>(603)</b>	<b>(66)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(35)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Balance, December 31	<b>—</b>	<b>—</b>	<b>(46)</b>	<b>—</b>	<b>—</b>	<b>(57)</b>	<b>(1)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Equity in cumulative translation adjustments						<b>153</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
	<b>₱1,518</b>	<b>₱1,530</b>	<b>₱512</b>	<b>₱730</b>	<b>₱87</b>	<b>₱1,621</b>	<b>₱1,119</b>	<b>₱471</b>	<b>₱19</b>	<b>₱—</b>	<b>₱7</b>	<b>₱21</b>



	2020										
	RRC	PERC	PGEC	MMPC	SGAPC	ARCC	PSOC	PWEI	SHEC	BEO DMC	SFTE
Acquisition cost:											
Balance, January 1	P959	P889	P—	P120	P50	P1,626	P690	P257	P21	P—	P—
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	—	—	—	—	—
	P2,078	P1,502	P470	P610	P32	P1,360	P1,084	P422	P19	P—	P4

### 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 P17.8 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 P332.6 million on P4.8 per share resulting to an increase in ownership interest from 22.41% to 28.36%.

Its share price amounted to P4.01 per share and P3.70 per share as of December 31, 2021 and 2020 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 P50.00 million or equivalent to 20.00% ownership equity.

### ARCC

In 2021 and 2020, ARCC repaid investment amounting to P454.1 million and P576.0 million, respectively. The transactions 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.

#### PSOC

In 2019, EPC made an additional investment of ₱148.3 million in PSOC. This transaction did not result to a change in the 44% ownership of EPC over PSOC. In 2021 and 2020, no additional investments were made in PSOC.

In 2018, EPC made additional investment of ₱175.80 million in PSOC.

In 2015, the EPC purchased 3.7 million shares from PSOC amounting to ₱366.43 million which resulted to 44% ownership on the latter. PSOC was incorporated on June 17, 2015 primarily to carry out the general business of generating, transmitting, and/or distributing power derived from renewable energy resources. It has a 50-megawatt solar farm in Tarlac City.

#### PWEI

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.

#### SHEC

In 2019, 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.

#### BEO DMC

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.

#### SFTE JV

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 EEI 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. The joint venture

agreement also requires anonymous vote of all joint venture partners on the relevant activities of the joint venture

#### ACCIONA-EEI JV

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%. The group has no initial capital investment on the joint venture as it is an unincorporated joint venture.

As of December 31, 2021 and 2020, no investments in 43ompany43es 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):

2021												
	RRC	PERC	PGEC	MMPC	SGAPC	ARCC	PSOC	PWEI	SHEC	BEO DMC	SFTE	AE
Net assets*	₱15,179	₱5,259	₱5,121	₱2,813	₱434	₱3,309	₱2,543	₱2,360	₱48	₱0.35	₱141	₱70
Proportionate ownership in the associate	10%	29%	10%	26%	20%	49%	44%	20%	40%	30%	5%	30%
Share in net identifiable assets	1,518	1,531	512	731	87	1,621	1,119	472	19	0.11	7	21
Carrying value	₱1,518	₱1,531	₱512	₱731	₱87	₱1,621	₱1,119	₱472	₱19	₱0.11	₱7	₱21

\*Excluding treasury shares and non-controlling interest

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%	29%	10%	26%	20%	49%	44%	20%	40%	30%	5%	30%
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

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

2021												
	RRC	PERC	PGEC	MMPC	SGAPC	ARCC	PSOC	PWEI	SHEC	BEO DMC	SFTE	AE
Current assets	₱826	₱2,418	₱2,012	₱2,331	₱2,816	₱7,695	₱612	₱601	₱43	₱2	₱16,838	₱2,765
Noncurrent assets	5,980	10,798	9,927	1,538	642	1,558	3,552	3,629	24	—	—	774
Total assets	₱6,806	₱13,216	₱11,939	₱3,869	3,458	₱9,253	₱4,164	₱4,230	₱67	₱2	₱16,838	₱3,539
Current liabilities	₱1,881	₱1,242	₱1,000	₱968	₱2,834	₱4,537	₱268	₱321	₱3	₱1	₱16,697	₱3,469
Noncurrent liabilities	1,923	3,666	3,594	365	272	1,408	1,353	1,549	—	—	—	—
Total liabilities	₱3,804	₱4,908	₱4,594	₱1,333	₱3,106	₱5,945	₱1,621	₱1,870	₱3	₱1	₱16,697	₱3,469
Revenues	₱2,584	₱2,423	₱1,962	₱1,029	₱6,677	₱12,818	₱886	₱762	₱5	—	₱57	₱1,664
Cost	(767)	(1,158)	(822)	(121)	(5,858)	(10,776)	(251)	(351)	(2)	—	—	(841)
Gross margin	1,817	1,265	1,140	908	819	2,042	635	411	3	—	57	823
Selling and administrative, and other expenses	(88)	(181)	(103)	(294)	(509)	(396)	(160)	(164)	(2)	—	—	(754)
Pre-tax income (loss)	₱1,729	₱1,084	₱1,037	₱614	₱310	₱1,646	₱475	₱247	₱1	₱—	₱57	₱69
Proportionate ownership in the associate	10%	29%	10%	26%	20%	49%	44%	20%	40%	30%	5%	30%
Share in pre-tax income (loss)	173	315	104	160	62	807	209	49	—	—	3	21
Income tax	(34)	(16)	(6)	(24)	(7)	(299)	(39)	—	—	—	—	—
Non-controlling interest	—	(206)	(48)	—	—	—	—	—	—	—	—	—
Equity in net earnings (losses)	₱139	₱93	₱50	₱136	₱55	₱507	₱170	₱49	₱—	₱—	₱0.03	₱21
Dividends received	₱90	₱—	₱17	₱15	₱—	₱—	₱—	₱—	₱—	₱—	₱—	₱—

	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	₹1,766	₹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%	25%	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	₹—	₹—	₹—	₹—	₹—

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:

	2021	2020
Cash and cash equivalents	₹165,371,652	₹968,680,271
Current financial liabilities *	542,299,809	994,389,407
Noncurrent financial liabilities *	1,886,764,857	2,835,462,778
Depreciation and amortization	176,359,467	181,476,361
Interest income	3,836,413	58,110,467
Interest expense	199,584,482	252,078,899

\*Excluding trade and other payables and provisions

Other relevant financial information of PGEC are as follows:

	2021	2020
Cash and cash equivalents	₹1,082,397,539	₹1,213,491,771
Current financial liabilities *	644,696,064	79,488,730
Noncurrent financial liabilities *	3,560,657,996	4,192,981,639
Depreciation and amortization	436,959,811	433,298,347
Interest income	12,091,941	15,774,504
Interest expense	321,395,630	369,768,105

\*Excluding trade and other payables and provisions

Other relevant financial information of PERC are as follows:

	2021	2020
Cash and cash equivalents	₹1,241,762,101	₹1,267,332,044
Current financial liabilities *	834,696,065	870,673,420
Noncurrent financial liabilities *	3,560,657,997	4,192,981,639
Depreciation and amortization	520,848,217	524,500,435
Interest income	12,913,159	18,362,302
Interest expense	333,375,545	386,788,348

\*Excluding trade and other payables and provisions

Other relevant financial information of MMPC are as follows:

	2021	2020
Cash and cash equivalents	<b>₱318,684,229</b>	₱216,283,088
Current financial liabilities *	<b>14,227,257</b>	25,266,411
Noncurrent financial liabilities *	<b>364,762,780</b>	425,226,349
Depreciation and amortization	<b>43,085,464</b>	40,794,840
Interest income	<b>152,362,846</b>	152,536,077
Interest expense	<b>3,089,611</b>	6,345,593

*\*Excluding trade and other payables and provisions*

Other relevant financial information of SGAPC are as follows:

	2021	2020
Cash and cash equivalents	<b>₱949,793,000</b>	₱350,025,000
Current financial liabilities *	<b>669,878,000</b>	501,424,000
Noncurrent financial liabilities *	<b>271,921,000</b>	214,292,000
Interest income	<b>711,592</b>	337,923

*\*Excluding trade and other payables and provisions*

Other relevant financial information of PWEI are as follows:

	2021	2020
Cash and cash equivalents	<b>₱210,926,150</b>	₱146,374,970
Current financial liabilities *	<b>290,734,202</b>	235,934,771
Noncurrent financial liabilities *	<b>1,512,560,580</b>	1,787,557,500
Depreciation and amortization	<b>194,393,893</b>	199,496,579
Interest income	<b>2,391,881</b>	6,792,292
Interest expense	<b>139,993,428</b>	161,083,658

*\*Excluding trade and other payables and provisions*

Other relevant financial information of SHEC are as follows:

	2021	2020
Cash and cash equivalents	<b>₱34,253,747</b>	₱36,954,405
Current financial liabilities *	<b>5,435,145</b>	3,756,956
Depreciation and amortization	<b>1,813,800</b>	1,457,940
Interest income	<b>43,322</b>	44,801

*\*Excluding trade and other payables and provisions*

Other relevant financial information of BEO are as follows:

	2021	2020
Cash and cash equivalents	<b>₱1,502,203</b>	₱1,501,854
Current financial liabilities *	<b>870,183</b>	672,106
Interest income	<b>1,349</b>	1,854

*Excluding trade and other payables and provisions*

Other relevant financial information of SFTE are as follows:

	2021	2020
Cash and cash equivalents	<b>₱9,800,712,506</b>	₱13,907,484,052
Interest income	<b>57,091,980</b>	83,969,837

Other relevant financial information of AE are as follows:

	2021	2020
Cash and cash equivalents	<b>₱268,799,174</b>	₱1,626,763,861
Current financial liabilities *	<b>421,140,200</b>	605,001,690
Interest income	<b>1,948</b>	—
Depreciation and amortization	<b>216,823,727</b>	508,081
<i>Excluding trade and other payables and provisions</i>		

### 13. Property and Equipment

*Property and equipment at revalued amount*

Movements in the revalued land are as follows:

	2021	2020
Balance at beginning of year	<b>₱7,957,658,100</b>	₱9,185,924,384
Additions (deductions):		
Appraisal effect	<b>333,961,750</b>	(72,695,173)
Reversal of impairment	—	5,237,506
Reclassification to investment properties – net	—	(1,160,808,617)
Balance at end of year	<b>₱8,291,619,850</b>	₱7,957,658,100

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, 2021 and 2020, 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, 2021.

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)	
			2021	2020
Quezon and Panay Avenue, Quezon City	Market Approach	Price per square meter	<b>₱85,846 to</b>	₱92,032 to
			<b>₱136,800</b>	₱125,000
			<b>(₱112,000)</b>	(₱107,000)
			<b>₱7,679 to</b>	₱6,864 to
Barangay Tuding, Itogon, Benguet	Market Approach	Price per square meter	<b>₱7,700</b>	₱7,220
			<b>(₱7,700)</b>	(₱7,000)
			<b>₱5,800 to</b>	₱4,980 to
			<b>₱6,000,</b>	₱6,413,
Barangay Sta. Maria, Itogon and Bolo Bauan, Batangas	Market Approach	Price per square meter	<b>(₱5,800)</b>	(₱5,400)
			<b>₱8,363 to</b>	₱7,600 to
			<b>₱8,400</b>	₱8,479
			<b>(₱8,400)</b>	(₱8,000)
Barangay Biga I, Silang, Province of Cavite	Market Approach	Price per square meter	<b>₱61,000 to</b>	₱48,000 to
			<b>₱222,500</b>	₱100,800
			<b>₱10,412 to</b>	₱8,640 to
			<b>₱14,042</b>	₱16,200
Cabuyao, Laguna	Market Approach	Price per square meter	<b>₱23,750 to</b>	₱13,553 to
			<b>₱32,148</b>	₱40,800
			<b>₱76,500 to</b>	₱51,300 to
			<b>₱93,500</b>	₱85,500
Pandacan, Metro Manila	Market Approach	Price per square meter	<b>₱55,510 to</b>	₱50,468 to
			<b>₱59,993</b>	₱59,993
			<b>₱18,573 to</b>	₱15,750 to
			<b>₱27,075</b>	₱31,050
Naga City, Camarines Sur	Market Approach	Price per square meter	<b>₱70,837 to</b>	₱69,034 to
			<b>₱130,625</b>	₱133,650
Quiapo, Manila	Market Approach	Price per square meter		

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 -5% to +50% in 2021 and from -30% to +35% in 2020.

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

In 2021, 2020 and 2019, the Group revalued its land based on the appraisals made by SEC accredited appraisers.

As of December 31, 2021 and 2020, the cost of the parcels of land carried at revalued amounts amounted to ₱5,985 million and ₱5,607 million, respectively.

*Property and equipment at cost*

The rollforward analysis of this account follows:

	2021					
	Buildings and Improvements	Machinery, Tools and Construction Equipment	Transportation and Service Equipment	Furniture, Fixtures, and Office Equipment	Construction in Progress	Total
<b>Cost</b>						
Balance at beginning 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
Acquisitions	74,075,701	79,186,056	26,965,937	255,053,655	196,624,390	631,905,739
Disposals	(103,951,000)	(266,643,597)	(67,066,049)	(8,069,567)	—	(445,730,213)
Reclassifications	(148,746,907)	32,934,227	63,549	(3,011,155)	118,760,286	—
Balance at end of year	6,039,128,545	5,258,333,361	1,389,472,442	3,325,451,969	1,773,881,346	17,786,267,663
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	2,500,618,392	3,279,541,046	948,641,651	2,420,471,186	—	9,149,272,275
Depreciation and amortization (Note 30)	262,385,572	343,000,802	107,636,274	219,887,211	—	932,909,859
Disposals/retirements	(103,951,000)	(210,907,059)	(61,586,729)	(5,295,078)	—	(381,739,866)
Reclassifications	(1,293,105)	(3,238,479)	(870,313)	151,106,380	—	145,704,483
Balance at end of year	2,657,759,859	3,408,396,310	993,820,883	2,786,169,699	—	9,846,146,751
<b>Net Book Value at Cost</b>	<b>₱3,381,368,686</b>	<b>₱1,849,937,051</b>	<b>₱395,651,559</b>	<b>₱539,282,270</b>	<b>₱1,773,881,346</b>	<b>₱7,940,120,912</b>

	2020					
	Buildings and Improvements	Machinery, Tools and Construction Equipment	Transportation and Service Equipment	Furniture, Fixtures, and Office Equipment	Construction in Progress	Total
<b>Cost</b>						
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
<b>Accumulated Depreciation and Amortization</b>						
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
<b>Net Book Value at Cost</b>	<b>₱3,717,132,359</b>	<b>₱2,133,315,629</b>	<b>₱480,867,354</b>	<b>₱661,007,850</b>	<b>₱1,458,496,670</b>	<b>₱8,450,819,862</b>

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:

	2021	2020	2019
<b>Cost of sales and services</b>			
Construction contracts (Note 27)	₱368,679,702	₱446,829,677	₱505,054,894
Tuition and other fees (Note 28)	292,352,937	367,983,710	273,365,949
Manpower and other services (Note 27)	9,803,937	13,483,485	85,027,698
	670,836,576	828,296,872	863,448,541
<b>General and administrative expenses (Note 29)</b>	<b>262,073,283</b>	<b>313,647,050</b>	<b>249,186,777</b>
	<b>₱932,909,859</b>	<b>₱1,141,943,922</b>	<b>₱1,112,635,318</b>

Gain on sale of property and equipment amounted to ₱19.73 million, ₱14.86 million and ₱101.53 million in 2021, 2020 and 2019, 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 (in thousands):

	2021	2020
Within one year	<b>₱797,202</b>	₱869,675
More than one year but not more than five years	<b>3,642,577</b>	4,036,164
Later than five years	—	106,108
	<b>₱4,439,779</b>	<b>₱5,011,947</b>

##### *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.

- The Parent Company's lease contract term is one (1) year and includes renewal option for another year subject to mutual agreement of the company and lessor. Management exercises significant judgement in determining whether the renewal option is reasonably certain to be exercised.
- 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.
- 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 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.
- 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% starting the second year of lease. This was renewed for a period of five (5) years covering July 7, 2021 to July 6, 2026.

- f. In April 2016, the EEI Group renewed the lease for a period of three (3) years commencing from April 16, 2014 to April 15, 2019. The lease contract has a rate of ₱630 per square meter for the first year and subject to 5% yearly increase thereafter.
- g. In February 2020, EEI and GAMSIS entered into a lease agreement for the lease of office space located at 12 Manggahan St. Bagumbayan, Quezon City. The lease shall start from January 1, 2020. This was renewed for period covering January 1, 2021 to December 31, 2021. The lease terms are for one year and renewable every year.
- h. In June 2021, EEI Group entered into a lease agreement for a parcel of land for a period of fourteen (14) months commencing on July 1, 2020 and expiring on August 31, 2021.
- i. 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.
- j. Landev Corporation entered into lease agreements that are renewable upon mutual agreement of Landev Corporation and the lessors:

<b>Lessor</b>	<b>Commencement date</b>	<b>Term</b>	<b>Monthly Rental</b>
Grepa Realty Holdings Corporation	January 1, 2021	1 year	₱324,802
Rizal Commercial Banking Corporation	July 25, 2020	3 years	129,974*
Rizal Commercial Banking Corporation	January 1, 2020	5 years	13,238*
Grepa Realty Holdings Corporation	January 1, 2021	1 year	7,252

*\*subject to 5% annual escalation rate*

Rent expense recognized in 2021 and 2020 amounted ₱5.24 million and ₱5.66 million, respectively.

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

	<b>2021</b>	<b>2020</b>
Within one year	<b>₱1,656,391</b>	₱1,512,585
After one year but not more than five years	<b>1,028,245</b>	2,417,638
	<b>₱2,684,636</b>	₱3,930,223

- k. 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 2021 and 2020 amounted to ₱0.68 million and ₱0.66 million, respectively.
- l. 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.
- m. 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.

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

<b>Closed Branches</b>	<b>Contract Date</b>	<b>Contract End Date</b>	<b>Date Terminated</b>
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:

	<b>2021</b>	<b>2020</b>
Balance at beginning of year	<b>₱1,271,074,183</b>	₱1,605,726,653
Additions	<b>56,387,533</b>	41,738,517
Derecognition	<b>(11,780,572)</b>	(156,244,383)
Amortization of right-of-use asset	<b>(209,506,215)</b>	(220,146,604)
Balance at end of year	<b>₱1,106,174,929</b>	₱1,271,074,183

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

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Cost of sales and services			
Construction contracts (Note 27)	<b>₱58,227,556</b>	₱71,004,873	₱43,008,349
Tuition and other fees (Note 28)	<b>52,013,000</b>	4,628,679	63,477,198
	<b>110,240,556</b>	75,633,552	106,485,547
General and administrative expenses	<b>99,265,659</b>	144,513,052	140,380,466
	<b>₱209,506,215</b>	₱220,146,604	₱246,866,013

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

	<b>2021</b>	<b>2020</b>
Balance at beginning of year	<b>₱1,085,685,479</b>	₱1,538,664,329
Interest expense	<b>97,449,099</b>	107,042,613
Additions	<b>35,299,308</b>	94,311,240
Derecognition	<b>(52,838,575)</b>	(202,137,944)
Payments	<b>(50,235,057)</b>	(287,547,391)
Balance at end of year	<b>1,115,360,254</b>	1,250,332,847
Less: Current portion	<b>124,406,516</b>	164,647,368
Noncurrent portion	<b>₱990,953,738</b>	₱1,085,685,479

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 2021 consolidated statement of income (Note 29).

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

	2021	2020	2019
Amortization of right-of-use assets under cost of sales and services (Notes 27, 28, and 30)	<b>₱110,240,556</b>	₱75,633,552	₱106,485,547
Amortization of right-of-use assets under general and administrative expenses (Notes 29 and 30)	<b>99,265,659</b>	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	<b>97,449,099</b>	107,042,613	79,459,539
Expenses relating to short-term leases and low value assets	<b>19,980,316</b>	15,438,735	25,730,148
	<b>₱229,935,727</b>	₱364,316,261	₱452,055,700

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.

Shown below is the maturity analysis of the undiscounted lease payments for years ended December 31 as follow:

	2021	2020
Within one year	<b>₱229,589,347</b>	₱215,341,091
After one year but not more than five years	<b>823,985,041</b>	569,439,821
Five years and more	<b>480,640,298</b>	594,200,008
Total	<b>₱1,534,214,686</b>	₱1,378,980,920

## 15. Goodwill

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

	2021	2020
EEI Corporation and Subsidiaries	<b>₱300,859,305</b>	₱300,859,305
MESI	<b>137,853,346</b>	137,853,346
IPO	<b>32,644,808</b>	32,644,808
Business combination of IPO and AEI	<b>13,472,260</b>	13,472,260
	<b>₱484,829,719</b>	₱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, 2021 and 2020 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 2021 and 2020, Management assessed that the recoverable amount of the goodwill balances exceed their carrying values, thus, no impairment loss should be recognized.

In 2021, 2020 and 2019, Management assessed that the recoverable amount of the goodwill 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, 2021 and 2020 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, 2021 and 2020, 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 (4.84% for 2021 and 3.78% for 2020). The Long-term growth rate is the expected growth rate in the education industry sector.
- Discount rate (11% for 2021 and 10.9% for 2020). 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 2021, 2020 and 2019, 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):

<b>Assets</b>	
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
	<u>5,579,767</u>
<b>Liabilities</b>	
Accounts and other payables	319,124
Loans payable	260,000
Deferred tax liabilities	432,946
Leased liabilities	374,622
Other liabilities	77,815
	<u>1,464,507</u>
Total identifiable net assets at fair value	4,115,260
Non-controlling interest	(537,520)
Goodwill	13,472
<b>Cost of acquisition</b>	<u><u>₱3,591,212</u></u>

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

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):

	2021	2020
Cost from business combination	<b>₱116,009</b>	₱116,009
Accumulated amortization:		
Balance at beginning of year	<b>(37,184)</b>	(14,874)
Amortization for the year	<b>(35,064)</b>	(22,310)
Balance at end of year	<b>(72,248)</b>	(37,184)
Balance at end of year (Note 17)	<b>₱43,761</b>	₱78,825

The carrying value of intellectual property rights amounted to ₱523.10 million as of December 31, 2021 and 2020 (Note 17). As of December 31, 2021 and 2020, the Group performed impairment testing on intellectual property rights by determining the recoverable amount of the CGU based on a VIU calculation. Key assumptions used are as follows:

- Revenue projections and long-term growth rate (3% for both 2021 and 2020). 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 both 2021 and 2020). 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 both 2021 and 2020). 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 2021 and 2020, Management assessed that no impairment loss should be recognized.

## 16. Investment Properties

The rollforward analysis of this account follows:

	2021	2020
<b>Cost:</b>		
Balance at beginning of year	<b>₱1,977,608,213</b>	₱17,689,018
Reclassification	–	1,160,808,617
Increase in fair value	–	800,257,358
Disposals	<b>(66,000)</b>	(1,146,780)
Balance at end of year	<b>₱1,977,542,213</b>	₱1,977,608,213

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, 2021 and of ₱6.6 million, ₱0.5 million, ₱0.2 million, ₱7.0 million and ₱0.2 million, respectively, as of December 31, 2020.

- Heritage lots held for capital appreciation of the Parent Company amounted to ₱2.0 million as of December 31, 2021 and 2020.

As of December 31, 2021, the aggregate fair values of land amounted to ₱2.25 billion, which was determined based on valuation performed by an independent SEC accredited appraiser in 2021. 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 ₱0.3 million, ₱1.2 million, and ₱0.3 million in 2021, 2020 and 2019, respectively. Total direct operating expenses incurred in relation to these investment properties amounted to nil in 2021 and ₱0.1 million in 2020 and 2019, respectively.

In 2021 and 2020, the Group sold parcels of land located in Las Pinas City for ₱0.07 million and ₱0.9 million, respectively. The Group recognized a gain of ₱0.01 and ₱0.2 million in 2021 and 2020, respectively in related to the sale.

None of the investment properties were pledged as a security to obligations as of December 31, 2021 and 2020.

## 17. Other Noncurrent Assets

This account consists of:

	2021	2020
CWT - net of current portion (Note 10)	<b>₱924,336,073</b>	₱–
Intellectual property rights (Note 15)	<b>523,103,000</b>	523,103,000
Deferred input VAT	<b>162,009,652</b>	150,221,650
Receivable from DANECO	<b>54,570,275</b>	–
Student relationship (Note 15)	<b>43,761,227</b>	78,824,857
Computer software	<b>27,336,914</b>	13,234,817
Miscellaneous deposit	<b>27,081,140</b>	29,321,863
Interest-bearing trade receivables - net of current portion (Note 7)	–	2,768,265
Others	<b>49,781,088</b>	86,235,659
	<b>₱1,811,979,369</b>	₱883,710,111

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).

Receivable from DANECO pertains to portion of receivables for collection beyond 1 year.



As of December 31, 2021, the average remaining useful of the computer software is 1 to 2 years. Rollforward of computer software follows:

	2021	2020
<b>Cost</b>		
Balance at beginning of year	<b>₱144,137,032</b>	₱139,735,882
Additions	<b>20,131,041</b>	4,515,025
Reclassification	<b>(312,413)</b>	(113,875)
Balance at end of year	<b>163,955,660</b>	144,137,032
<b>Accumulated Amortization</b>		
Balance at beginning of year	<b>130,902,215</b>	123,863,564
Amortization (Note 30)	<b>5,716,531</b>	7,038,651
Balance at end of year	<b>136,618,746</b>	130,902,215
<b>Net Book Value</b>	<b>₱27,336,914</b>	₱13,234,817

Miscellaneous deposits include rental and security deposits.

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

This account consists of:

	2021	2020
Accounts payable	<b>₱5,919,553,024</b>	₱7,725,459,889
Accrued expenses	<b>288,359,148</b>	239,891,188
Deferred output taxes	<b>277,084,033</b>	411,024,600
Provisions (Note 35)	<b>159,266,271</b>	159,266,271
Output tax payable	<b>137,643,666</b>	47,586,547
Withholding taxes and others	<b>109,946,406</b>	89,598,081
SSS and other contributions	<b>47,316,542</b>	11,840,694
Chattel mortgage payable	<b>10,294,436</b>	10,249,382
Payable to Land Transportation Office	<b>4,227,497</b>	4,919,430
Subscriptions payable	<b>3,750,000</b>	13,125,000
Deferred income	<b>2,173,986</b>	3,707,011
Dividends payable	<b>2,137,962</b>	19,613,877
Others	<b>75,508,907</b>	41,990,911
	<b>₱7,037,261,878</b>	₱8,778,272,881

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:

	2021	2020
Accrued interest	<b>₱68,985,444</b>	₱36,148,858
Accrued insurance	<b>23,935,800</b>	24,094,116
Accrued salaries and wages	<b>20,687,569</b>	70,658,629
Accrued security services	<b>15,805,414</b>	18,711,311
Accrued professional fees	<b>15,359,000</b>	21,514,578
Accrued utilities	<b>4,311,000</b>	7,762,397
Others	<b>139,274,921</b>	61,001,299
	<b>₱288,359,148</b>	₱239,891,188

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:

	2021	2020
Unsecured bank loans	<b>₱5,306,469,178</b>	₱7,607,000,000
Secured bank loans	<b>400,000,000</b>	375,000,000
	<b>₱5,706,469,178</b>	₱7,982,000,000

### Unsecured

Unsecured bank loans are obtained from local banks and related party financial institutions with annual interest rates ranging from 2.50% to 5.50% and 3.50% to 5.50% in 2021 and 2020, 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 2021 and 2020 amounting to ₱57.3 million, 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 ₱400.0 million and ₱375.0 million as at December 31, 2021 and 2020, respectively.

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

	2021	2020
Balance at beginning of year	<b>₱7,982,000,000</b>	₱8,393,800,000
Availments	<b>10,778,700,000</b>	16,524,230,000
Payments	<b>(13,054,230,822)</b>	(16,936,030,000)
Balance at end of year	<b>₱5,706,469,178</b>	₱7,982,000,000

Interest expense incurred on these loans amounted to ₱319.5 million, ₱434.3 million and ₱561.6 million in 2021, 2020 and 2019, respectively.

## 20. Long-term Debt

This account consists of:

	2021	2020
Fixed-rate corporate promissory notes	<b>₱8,078,421,328</b>	₱5,204,857,924
Fixed-rate term loan	<b>2,059,441,662</b>	2,215,444,212
	<b>10,137,862,990</b>	7,420,302,136
Less current portion of long-term debt	<b>3,547,206,477</b>	2,302,998,099
	<b>₱6,590,656,513</b>	₱5,117,304,037

### 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. The loan was fully paid in 2021.

On June 15, 2015, 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 4.80%. The promissory note matures within seven (7) years from the date of issuance.

On May 23, 2018, the Group received ₱2,000.0 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 ₱909.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 3.9%. 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 3.3%. The promissory note matures within three (3) years from the date of issuance.

On March 22, 2021, the Group received ₱1,500.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 4.5%. The promissory note matures within three (3) years from the date of issuance.

On October 7, 2021, the Group received ₱2,500.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 4.8%. The promissory note matures within three (3) years from the date of issuance.

On December 3, 2021, the Group received ₱1,500.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 3.4%. 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 0.30%. The loan is payable in equal semi-annual installments and will mature on September 13, 2030.

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.

#### 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. As of December 30, 2020, total drawdown from the long-term loan facility amounted to ₱380 million. The ₱300 million is subject to 5.5% fixed rate and the ₱80 million is subject to 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 September 2021, the ₱80 million is converted to a 5.5% fixed rate based on the presumption that the interest rate will increase in the succeeding years.

The loan is subject to certain covenants including maintaining a maximum debt-to-equity structure ratio of 3:1. As of December 31, 2021 and 2020, NTC has complied with its covenant obligations, including maintaining the required debt-to-equity ratio. For 2021 and 2020, interest expense recognized in profit or loss amounted to ₱21.3 million

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.

The loans were subject to certain positive and negative covenants such as the requirement for MESI to maintain its debt service cover ratio of at least 1.0 at all times and its debt-to-equity ratio of at least 75:25 starting on the third year of the loan reckoned from initial drawdown date or January 2022.

MCMI incurred debt issue cost amounting to ₱11.2 million which is being amortized over the loan term of 10 years using the effective interest method. The amortization of debt issue cost amounting to ₱2.4 million in 2021 and 2020 were recorded as part of interest expense.

Movements in the account follow:

	2021	2020
Balance at beginning of year	<b>₱7,420,302,136</b>	₱4,691,689,126
Availments	<b>5,500,000,000</b>	4,114,134,660
Payments	<b>(2,784,810,550)</b>	(1,387,893,054)
Transaction costs	<b>2,371,404</b>	2,371,404
Balance at end of year	<b>10,137,862,990</b>	7,420,302,136
Less current portion	<b>(3,547,206,477)</b>	(2,302,998,099)
	<b>₱6,590,656,513</b>	₱5,117,304,037

Interest expense incurred on these loans amounted to ₱273.6 million, ₱159.4 million and ₱124.1 million in 2021, 2020 and 2019, 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, 2021, and 2020, the Group was in compliance with the loan covenants.

## 21. EEI's Stock Option Plan

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 Group.

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

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):

Category	2021			
	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
<b>Parent Company - PMMIC</b>				
a. Accounts payable	₱10,615	(₱1,135)	Noninterest-bearing	Unsecured
Miscellaneous expenses incurred	10,615	—		
<b>Associates</b>				
c. Dividends earned	124,620	10,415	Noninterest-bearing	Unsecured, no impairment
d. Receivables from related parties	—	2,429	Noninterest-bearing	Unsecured, with impairment
Rendering management and audit services	2,373	—		
Rendering of services	—	30,070	Noninterest-bearing	Unsecured, no impairment
e. Due to related parties	154,123	—	Noninterest-bearing	Unsecured
f. Subscriptions payable	—	—	Noninterest-bearing	Unsecured

(Forward)

2021				
Category	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
<b>Other affiliates</b>				
g. Sale of property	₱342	₱—	Interest-bearing, 5% per annum	Unsecured, with impairment
Rendering of construction services	144	—		
Lease of property	(74,464)	—	Non-interest bearing	Unsecured
<b>Entities under common control</b>				
h. Cash and cash equivalents	—	3,303,797	Interest-bearing at prevailing bank deposit rates	Unrestricted
Interest earned	12,232	—		
Trust fees	6,532	—		
i. Accounts receivable - Trade	293,004	81,805	Noninterest-bearing	Unsecured, no impairment
Sale of vehicles	113,256	—		
Agency fee income earned	50,764	—		
j. Dividends earned	545	—		
k. Receivables from related parties	2,282	48,582	Noninterest-bearing	Unsecured, no impairment
Rendering janitorial service	350,970	—		
Other income earned	475	357	Noninterest-bearing	Unsecured, no impairment
Audit fee income earned	2,282	—		
l. Management fee receivable	—	59,607	Noninterest-bearing	Unsecured, no impairment
Rendering management services	160,107	—		
m. Accounts payable and accrued expenses	—	15	Noninterest-bearing	Unsecured, no impairment
n. Rental of office space	8,606	—		
o. Insurance expense	13,284	—		
<b>Entities with significant influence</b>				
p. Management fee receivable	10,802	—		
Due to related parties	—	3,136	Noninterest-bearing	Unsecured, no impairment
2020				
Category	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
<b>Parent Company – PMMIC</b>				
a. Accounts payable	₱3,513	(₱3,284)	Noninterest-bearing	Unsecured
Miscellaneous expenses incurred	3,513	—		
<b>Associates</b>				
c. Dividends earned	152,760	3,237	Noninterest-bearing	Unsecured, no impairment
d. Receivables from related parties	—	1,702	Noninterest-bearing	Unsecured, with impairment
Rendering management and audit services	1,854	—		
Rendering of services	—	33,357	Noninterest-bearing	Unsecured, no impairment
e. Due to related parties	126,417	—	Noninterest-bearing	Unsecured
f. Subscriptions payable	—	(9,375)	Noninterest-bearing	Unsecured

(Forward)

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

#### Parent Company - PMMIC

- 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, 2021 and 2020 amounted to ₱1.1 million and ₱3.3 million, respectively.
- b. Dividends declared in 2021 and 2020 by the Parent Company amounted to nil and ₱0.01 million, respectively (Note 40). There were no outstanding dividends payable to PMMIC as at December 31, 2021 and 2020.

#### Associates

- c. In 2021 and 2020, dividend income earned from associates amounted to ₱124.6 million and ₱152.8 million, respectively. Outstanding dividends receivable from associates as at December 31, 2021 and 2020 amounted to ₱10.4 million and ₱14.3 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, 2021 and 2020, the Group has an outstanding receivable from its associates amounting ₱32.5 million and ₱35.1 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, 2021 and 2020, the Group has an outstanding payable to its associates amounting nil.
- f. Outstanding subscription payable to an associate amounted to nil and ₱9.4 million as at December 31, 2021 and 2020.

Other affiliates

- g. 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. The receivables bear interest of 5% per annum in 2021, 2020 and 2019.

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 nil and ₱38.0 million as of December 31, 2021 and 2020 respectively. Interest income earned from receivable from EEI-RFI amounted to ₱0.3 million, ₱3.2 million and ₱5.7 million for the years ended December 31, 2021, 2020 and 2019, 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, 2021 and 2020, cash and cash equivalents with RCBC amounted to ₱3,303.8 million and ₱2,713.6 million, respectively. The related deposits earn interest at the prevailing bank deposit rates. Interest income earned from cash and cash equivalents amounted to ₱12.2 million, ₱18.7 million and ₱32.6 million in 2021, 2020 and 2019, respectively.
- i. The Group generates income by providing security services at a 20% mark-up to entities under common control. In 2021, 2020 and 2019, the Group's agency fee income is attributable to security services provided to majority of RCBC branches in the country. As at December 31, 2021 and 2020, the Group's accounts receivable from RCBC amounted to ₱52.8 million and ₱43.9 million, respectively. Agency fees amounted to ₱50.8 million, ₱53.3 million and ₱55.6 million in 2021, 2020 and 2019, 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 ₱29.0 million and ₱20.8 million as at December 31, 2021 and 2020 respectively. Revenues from motor vehicle sales amounted to ₱113.3 million, ₱77.5 million and ₱161.9 million in 2021, 2020 and 2019, respectively.

- j. Dividend income earned in 2021, 2020 and 2019 from entities under common control of PMMIC amounted to ₱0.55 million, ₱0.31 million and ₱0.03 million, respectively. Dividends were all collected in 2021 and 2020.

- k. Receivable from related parties arises mainly from janitorial services rendered by EEI (GAMSI) to the Group's affiliates. The service revenue earned from janitorial services rendered in 2021, 2020 and 2019 amounted to ₱351.0 million, ₱225.9 million and ₱392.0 million, respectively.
- l. 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 ₱59.6 million and 55.3 million as at December 31, 2021 and 2020, respectively. Services fees amounted to ₱160.1 million, ₱104.6 million and ₱131.6 million in 2021, 2020 and 2019, respectively.
- m. 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, 2021 and 2020, respectively.
- n. 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.
- o. In 2021 and 2020, payable to an entity with significant influence mainly pertains to management fees charged for the administration of the operations of IPO amounting to ₱10.8 and ₱10.2 million respectively.

The Group maintains its retirement fund with RCBC trust division. As at December 31, 2021 and 2020, the fair values of the plan assets of the retirement fund amounted to ₱1,749.4 million and ₱1,620.4 million, respectively (Note 32). Trust fees amounting to ₱6.5 million, ₱6.2 million and ₱5.1 million were recognized by the retirement plan arising from its transactions with RCBC for the years ended December 31, 2021, 2020 and 2019, respectively.

*Remuneration of key management personnel*

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

	2021	2020	2019
Compensation and short-term benefits	<b>₱538,722,773</b>	₱422,792,086	₱328,537,483
Post-employment benefits	<b>37,690,202</b>	28,962,153	52,506,507
	<b>₱576,412,975</b>	₱451,754,239	₱381,043,990

*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, 2021 and 2020. 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:

	2021	2020	2019
Construction contracts	<b>₱14,942,556,591</b>	₱12,631,990,026	₱21,360,242,366
Sales of goods	<b>3,580,696,783</b>	3,810,574,547	7,040,475,333
Schools and related operations	<b>3,351,067,232</b>	3,017,106,523	2,996,772,925
Manpower	<b>568,014,461</b>	555,262,502	669,811,598
Power generation	<b>156,602,705</b>	118,446,748	348,840,955
Others	<b>1,000,136,549</b>	1,042,694,711	1,713,698,126
	<b>₱23,599,074,321</b>	₱21,176,075,057	₱34,129,841,303

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

### *Disaggregation of Revenues from construction contracts:*

	2021	2020	2019
Building	<b>₱6,825,132,430</b>	₱4,113,537,063	₱6,479,980,648
Infrastructure	<b>5,048,584,055</b>	6,503,627,515	11,344,227,918
Industrial	<b>2,426,797,483</b>	444,691,963	850,457,419
Electro-mechanical	<b>642,042,623</b>	1,570,133,485	2,685,576,381
	<b>₱14,942,556,591</b>	₱12,631,990,026	₱21,360,242,366

### *Disaggregation of Revenues from sale of goods:*

	2021	2020	2019
Merchandise sales	<b>₱3,566,667,120</b>	₱3,777,839,060	₱6,951,914,939
Real estate sales	<b>14,029,663</b>	32,735,487	87,899,956
Others	—	—	660,438
	<b>₱3,580,696,783</b>	₱3,810,574,547	₱7,040,475,333

*Disaggregation of Revenue from schools and related operations:*

	2021	2020	2019
Tuition and other matriculation fees	<b>₱3,281,270,686</b>	₱2,950,748,493	₱2,829,934,217
Other student-related income:			
Seminar fee income	<b>6,443,958</b>	4,352,513	16,572,886
Bookstore sales	<b>2,850,419</b>	7,589,123	50,654,978
Others	<b>60,502,169</b>	54,416,394	99,610,844
	<b>₱3,351,067,232</b>	₱3,017,106,523	₱2,996,772,925

Performance obligations

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) in connection with the construction contracts that have an original expected duration of more than one year (otherwise known as backlogs) as at December 31 are as follows:

	2021	2020	2019
Within one year	<b>₱12,448,951,193</b>	₱12,653,212,583	₱8,803,236,672
More than one year	<b>18,517,252,543</b>	30,942,788,536	47,698,616,553
	<b>₱30,966,203,736</b>	₱43,596,001,119	₱56,501,853,225

**24. Other Income - Net**

This account consists of:

	2021	2020	2019
Dividend income	<b>₱35,266,666</b>	₱37,855,583	₱54,808,659
Gain on sale of assets	<b>19,746,850</b>	15,059,741	101,940,621
Interest income	<b>18,758,054</b>	36,588,692	60,989,962
Space and car rental	<b>18,346,346</b>	8,658,371	—
Foreign exchange gain (loss)	<b>10,151,384</b>	(49,676,282)	(38,607,477)
Rental income	<b>5,744,844</b>	6,418,072	25,194,574
Commission income	—	7,142,857	—
Income from reversal of impairment	—	5,237,506	—
Tax refund/discount	—	249,490	4,804,879
Miscellaneous	<b>83,965,928</b>	61,234,103	16,156,116
	<b>₱191,980,072</b>	₱128,768,133	₱225,287,334

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

	2021	2020	2019
Property and equipment (Note 13)	<b>₱19,732,100</b>	₱14,855,241	₱101,530,669
Investment properties (Note 16)	<b>14,750</b>	204,500	409,952
	<b>₱19,746,850</b>	₱15,059,741	₱101,940,621

Interest income consists of income from:

	2021	2020	2019
Savings deposit and short-term investments (Note 6)	<b>₱10,552,161</b>	₱25,104,821	₱37,191,409
Installment contract receivable	<b>1,222,926</b>	2,288,438	10,647,486
Receivable from EEI-RFI (Notes 7, 17 and 22)	<b>342,262</b>	3,237,599	5,677,703
Others	<b>6,640,705</b>	5,957,834	7,473,364
	<b>₱18,758,054</b>	₱36,588,692	₱60,989,962

In 2021, 2020 and 2019, certain payables that were long-outstanding amounting to nil, ₱5.24 million, and nil, 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:

	2021	2020	2019
Cost of services (Note 27)			
Cost of construction contracts	<b>₱13,367,776,852</b>	₱15,038,354,818	₱18,825,368,263
Cost of manpower and other services	<b>1,154,849,552</b>	1,125,289,917	1,905,955,718
	<b>14,522,626,404</b>	16,163,644,735	20,731,323,981
Cost of goods sold			
Cost of merchandise sold (Note 26)	<b>3,331,543,396</b>	3,624,366,462	6,543,465,005
Cost of real estate sold (Note 9)	<b>7,514,694</b>	22,465,250	60,914,479
	<b>3,339,058,090</b>	3,646,831,712	6,604,379,484
Cost of tuition and other fees (Note 28)	<b>1,914,579,015</b>	2,015,408,058	2,038,844,353
	<b>₱19,776,263,509</b>	₱21,825,884,505	₱29,374,547,818

## 26. Cost of Merchandise Sold

This account consists of (Notes 9 and 25):

	2021	2020	2019
Inventory, beginning	<b>₱1,657,262,683</b>	₱2,122,740,026	₱2,465,032,904
Purchases	<b>2,963,847,860</b>	3,149,623,135	6,185,829,667
Total goods available for sale	<b>4,621,110,543</b>	5,272,363,161	8,650,862,571
Less inventory end	<b>1,304,326,975</b>	1,657,262,683	2,122,740,026
Cost of inventories sold	<b>3,316,783,568</b>	3,615,100,478	6,528,122,545
Personnel expenses	<b>9,506,042</b>	5,957,078	7,547,944
Others	<b>5,253,786</b>	3,308,906	7,794,516
	<b>₱3,331,543,396</b>	₱3,624,366,462	₱6,543,465,005

## 27. Cost of Services

	2021	2020	2019
Cost of construction contracts (Note 25)			
Labor	<b>₱6,562,578,720</b>	₱6,592,720,054	₱5,918,411,505
Materials	<b>3,296,936,017</b>	4,745,558,101	6,909,445,920
Equipment costs and others	<b>3,081,354,857</b>	3,182,242,113	5,449,447,595
Depreciation and amortization (Notes 13, 14 and 29)	<b>426,907,258</b>	517,834,550	548,063,243
	<b>13,367,776,852</b>	15,038,354,818	18,825,368,263
Cost of manpower and other services (Note 25)			
Personnel expenses	<b>762,332,402</b>	626,705,529	808,871,227
Materials	<b>218,494,291</b>	238,395,229	460,667,622
Parts and accessories	<b>47,580,596</b>	98,867,614	319,374,007
Depreciation and amortization (Notes 13, 14 and 29)	<b>9,803,937</b>	13,483,485	85,027,698
Others	<b>116,638,326</b>	147,838,060	232,015,164
	<b>1,154,849,552</b>	1,125,289,917	1,905,955,718
	<b>₱14,522,626,404</b>	₱16,163,644,735	₱20,731,323,981

## 28. Cost of Tuition and Other Fees

This amount consists of:

	2021	2020	2019
Personnel expenses	<b>₱1,032,944,491</b>	₱1,037,807,796	₱927,213,682
Depreciation and amortization (Notes 13, 14, 16 and 17)	<b>344,365,937</b>	372,612,389	336,843,147
Periodicals	<b>94,060,084</b>	89,553,547	40,197,909
Management and other professional fees	<b>91,715,625</b>	129,207,556	166,467,504
IT expense - software license	<b>79,619,671</b>	76,467,455	45,668,629
Student-related expenses	<b>70,926,030</b>	100,529,199	216,292,493
Utilities	<b>50,130,961</b>	61,547,432	128,761,390
Advertising	<b>30,388,180</b>	18,478,261	19,696,101
Repairs and maintenance	<b>24,628,924</b>	20,049,447	34,663,605
Accreditation cost	<b>23,077,466</b>	31,681,806	11,121,935
Research and development fund	<b>19,870,434</b>	10,738,408	16,210,975
Tools and library books (Note 13)	<b>15,991,777</b>	17,587,086	33,969,025
Insurance	<b>10,325,336</b>	10,600,753	10,100,644
Taxes and licenses	<b>7,978,310</b>	7,320,662	2,880,056
Seminar	<b>7,620,601</b>	7,266,635	16,769,308
Office supplies	<b>2,432,053</b>	6,437,394	16,083,800
Laboratory supplies	<b>1,600,975</b>	3,727,810	7,955,109
Transportation and travel	<b>1,150,313</b>	917,313	2,162,552
Entertainment, amusement and recreation	<b>1,124,314</b>	1,209,702	1,375,485
Rent	<b>265,208</b>	183,544	430,020
Miscellaneous	<b>4,362,325</b>	11,483,863	3,980,984
	<b>₱1,914,579,015</b>	₱2,015,408,058	₱2,038,844,353

## 29. General and Administrative Expenses

This account consists of:

	2021	2020	2019
Personnel expenses	<b>₱1,247,399,922</b>	₱1,349,418,384	₱1,118,817,633
Depreciation and amortization (Notes 13, 14, 17 and 30)	<b>367,055,473</b>	465,198,753	396,206,316
Taxes and licenses	<b>155,608,331</b>	313,930,251	315,799,454
Provision for probable losses on loans and accounts receivables and contract assets (Notes 7, 8 and 22)	<b>133,092,139</b>	148,263,273	47,745,804
Advertising and promotions	<b>104,307,166</b>	41,805,526	41,208,673
Repairs and maintenance	<b>101,325,762</b>	84,500,850	96,939,658
Rent, light and water	<b>95,683,929</b>	107,830,247	132,347,524
Securities and utilities	<b>82,377,551</b>	72,986,778	56,933,309
Transportation and travel	<b>76,394,632</b>	74,627,404	100,003,901
Management and other fees	<b>66,354,650</b>	87,769,526	67,963,961
Insurance	<b>31,912,844</b>	31,513,021	29,347,397
Professional fees	<b>30,126,345</b>	80,527,537	73,134,515
Commissions	<b>28,627,187</b>	23,715,324	22,199,733
Donations and contributions	<b>26,388,196</b>	12,020,323	13,182,360
Seminars	<b>24,685,348</b>	19,061,446	14,838,297
Entertainment, amusement and recreation	<b>18,641,515</b>	28,478,722	57,880,809
Office expenses	<b>13,139,673</b>	14,611,586	25,505,879
Selling expenses	<b>5,899,498</b>	4,266,581	6,327,424
Accreditation cost	<b>34,304</b>	—	60,313
Provision for inventory obsolescence (Note 9)	<b>8,728</b>	21,960,851	21,533,760
Provision for impairment	—	3,001,773	45,474,203
Miscellaneous	<b>208,411,885</b>	113,079,369	135,446,887
	<b>₱2,817,475,078</b>	₱3,098,567,525	₱2,818,964,302

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

Below are the details of net provision for probable losses on receivables (Note 7):

	2021	2020	2019
Provision			
Receivable	<b>₱122,176,169</b>	₱105,623,601	₱53,328,702

### 30. Depreciation and Amortization

This account consists of depreciation and amortization included in Notes 13, 14 and 17:

	2021	2020	2019
Cost of sales and services			
Construction contracts (Note 27)	<b>₱426,907,258</b>	₱517,834,550	₱548,063,243
Tuition and other fees (Note 28)	<b>344,365,937</b>	372,612,389	336,843,147
Manpower and other services (Note 27)	<b>9,803,937</b>	13,483,485	85,027,698
	<b>781,077,132</b>	903,930,424	969,934,088
General and administrative expenses (Note 29)	<b>367,055,473</b>	465,198,753	396,206,316
	<b>₱1,148,132,605</b>	₱1,369,129,177	₱1,366,140,404

Depreciation and amortization for the different assets follow:

	2021	2020	2019
Property and equipment (Note 13)	<b>₱932,909,859</b>	₱1,141,943,922	₱1,112,635,318
Right-of-use asset (Note 14)	<b>209,506,215</b>	220,146,604	246,866,013
Computer software (Note 17)	<b>5,716,531</b>	7,038,651	6,621,573
Investment property (Note 16)	—	—	17,500
	<b>₱1,148,132,605</b>	₱1,369,129,177	₱1,366,140,404

### 31. Interest and Finance Charges

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

	2021	2020	2019
Loans payable (short-term) (Note 19)	<b>₱319,475,191</b>	₱434,306,860	₱561,555,227
Long-term debt (Note 20)	<b>273,556,326</b>	159,410,033	124,062,908
Lease liabilities (Note 14)	<b>97,449,099</b>	107,042,613	79,459,539
Advances to affiliates and other finance charges (Note 22)	<b>17,887,935</b>	11,811,591	15,532,583
	<b>₱708,368,551</b>	₱712,571,097	₱780,610,257

### 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, 2021.



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.

	2021	2020
Retirement liabilities	<b>₱223,026,503</b>	₱611,599,429
Retirement assets	<b>18,129,661</b>	4,726,582
Net retirement liabilities	<b>204,896,842</b>	606,872,847
Net retirement expenses	<b>238,454,645</b>	186,330,471

The net retirement expenses recognized by the Group (included in personnel expense in the consolidated statements of comprehensive income) are as follows:

	2021	2020	2019
Current service cost	<b>₱217,307,806</b>	₱180,066,728	₱117,938,111
Net interest cost	<b>24,883,272</b>	19,356,338	6,777,160
Past service cost	<b>(3,497,005)</b>	(7,488,530)	–
Actuarial gain on settlement	<b>(239,428)</b>	(5,604,065)	–
	<b>₱238,454,645</b>	₱186,330,471	₱124,715,271

The amounts recognized in the consolidated statements of financial position follow:

<i>Net retirement liabilities</i>	2021	2020
Present value of defined benefit obligation	<b>₱1,777,367,543</b>	₱2,175,645,385
Fair value of plan assets	<b>(1,554,341,040)</b>	(1,564,045,956)
	<b>₱223,026,503</b>	₱611,599,429

<i>Net retirement assets</i>	2021	2020
Present value of defined benefit obligation	<b>₱101,170,071</b>	₱51,603,000
Fair value of plan assets	<b>(119,660,452)</b>	(56,484,000)
Effect of asset ceiling	<b>360,720</b>	154,418
	<b>(₱18,129,661)</b>	(₱4,726,582)

The movements in the net retirement liability follow:

	2021	2020
Balance at beginning of year	<b>₱606,872,847</b>	₱439,546,890
Net retirement expense	<b>238,454,645</b>	186,330,471
Derecognition/ transfer	<b>(99,220)</b>	(224,503)
Benefit paid	<b>(10,595,730)</b>	(5,630,563)
Adjustment to defined benefit obligation	<b>(163,297,717)</b>	17,576,834
Contributions	<b>(171,263,947)</b>	(179,386,302)
Remeasurement loss (gain)	<b>(295,174,036)</b>	148,660,020
Balance at end of year	<b>₱204,896,842</b>	₱606,872,847

The movements in the present value of defined obligation follow:

	2021	2020
Balance at beginning of year	<b>₱2,227,248,385</b>	₱1,988,485,244
Current service cost	<b>217,307,806</b>	181,473,856
Interest cost on obligation	<b>85,340,096</b>	94,680,539
Derecognition/transfer	<b>(100,099,220)</b>	(45,017,042)
Benefits paid	<b>(130,869,871)</b>	(156,378,785)
Remeasurement loss (gain)	<b>(344,656,873)</b>	164,004,573
Balance at end of year	<b>₱1,954,270,323</b>	₱2,227,248,385

The movements in the fair value of plan assets follow:

	2021	2020
Balance at beginning of year	<b>₱1,620,375,538</b>	₱1,548,938,354
Contributions	<b>171,263,947</b>	183,270,404
Derecognition/transfer	<b>63,363,904</b>	(16,446,464)
Asset return in net interest cost	<b>60,456,824</b>	75,324,201
Adjustments to plan assets	<b>3,670,246</b>	(33,573,288)
Remeasurement gain (loss)	<b>(49,482,837)</b>	15,344,553
Benefits paid	<b>(120,274,141)</b>	(152,482,222)
Balance at end of year	<b>₱1,749,373,481</b>	₱1,620,375,538

In 2020, 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:

	2021	2020
Cash	<b>₱448,001,074</b>	₱473,097,185
Investment in government securities	<b>899,123,775</b>	727,163,282
Investments in shares of stock	<b>333,000,804</b>	327,580,235
Investments in other securities and debt instruments	<b>58,410,555</b>	82,941,015
Interest receivables and other receivables	<b>21,513,483</b>	14,856,362
Accrued trust fees and other payables	<b>(10,676,210)</b>	(5,262,541)
	<b>₱1,749,373,481</b>	₱1,620,375,538

The Group expects to contribute ₱181.88 million to its defined benefit retirement plans in 2022. 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. Investment in shares of stocks comprised of investments in shares within the Group that are traded in the Philippine Stock Exchange.

Trust fees paid in 2021, 2020 and 2019 amounted to ₱6.57 million, ₱6.17 million and ₱5.20 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 2021, the Fund has investment in equity securities of related parties with fair values and accumulated loss of ₱92.71 million and ₱8.2 million, respectively.

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.

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:

	2021	2020
Discount rate		
Beginning	3.65%-4.96%	4.79%-5.54%
End	3.42%-5.17%	3.42%-6.00%
Future salary increases		
Beginning	3.00%-6.50%	3.00%-6.61%
End	3.31%-6.50%	3.00%-6.50%

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.

	2021		2020	
	Increase (decrease)	Effect on defined benefit obligation	Increase (decrease)	Effect on defined benefit obligation
Discount rates	+50bps to +100bps	(₱286,559,363)	+50bps to +100bps	(₱227,516,665)
	-50bps to -100bps	370,322,817	-50bps to -100bps	396,070,475
Salary increase rates	+50bps to +100bps	389,403,437	+50bps to +100bps	415,504,646
	-50bps to -100bps	(296,521,871)	-50bps to -100bps	(239,653,997)

### 33. Income Taxes

The reconciliation between the statutory and effective income tax rates follows:

	2021	2020	2019
Statutory income tax rate	25.00%	(30.00%)	30.00%
Add (deduct) reconciling items:			
Impact of CREATE	10.29	—	—
Equity in net earnings of associates and joint venture	(9.40)	(13.86)	(0.66)
Movement of deferred income tax assets not recognized	(1.00)	(1.01)	(1.59)
Others	(9.70)	2.02	(5.97)
Effective income tax rate	15.19%	(42.85%)	21.78%

All companies in the Group are subject to the RCIT rate of 25%, except for MESI, MHSSI MCLI, MCMI, UNC, NTC and APEC which are subject to a lower tax rate of 1%.

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

	2021	2020
Net deferred income tax assets on a per subsidiary level:		
NOLCO	₱1,113,066,250	₱1,305,283,658
Allowance for ECL, inventory, obsolescence and other expenses	77,746,224	79,197,282
Remeasurement loss on defined benefit plans	34,001,470	155,273,331
MCIT	24,547,365	26,234,789
Excess of right-of-use-assets over lease liability	(27,276,626)	(15,357,951)
Unrealized foreign exchange loss	—	10,554,361
Others	664,968	19,211,292
	₱1,222,749,651	₱1,580,396,762
Net deferred income tax liabilities on a per subsidiary level:		
Revaluation increment on land	₱860,760,524	₱1,055,891,512
Accrued expenses	(15,430,739)	(15,430,739)
Retirement	(27,623,745)	(32,125,335)
Others	37,840,075	39,404,399
	₱855,546,115	₱1,047,739,837

The reconciliation of the Group's net deferred tax liabilities (assets) follow:

	2021	2020
Balance at beginning of year	(₱532,656,925)	₱828,509,885
Tax expense (income) recognized in:		
Other comprehensive income (loss)	(56,310,960)	35,108,099
Profit and loss	221,764,349	(1,396,274,909)
	(₱367,203,536)	(₱532,656,925)

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.

	2021	2020
NOLCO	<b>₱150,819,187</b>	₱160,333,661
Allowance for inventory obsolescence	<b>15,073,958</b>	7,459,325
MCIT	<b>2,882,751</b>	6,090,550
Accrued retirement expense	<b>1,020,301</b>	1,005,000

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, 2021, the Group has incurred NOLCO in taxable years 2020 and 2021 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
2021	₱307,391,194	₱—	₱307,391,194	2026
2020	4,372,873,806	243,149,554	4,129,724,252	2025
	<b>₱4,680,265,000</b>	<b>₱243,149,554</b>	<b>₱4,437,115,446</b>	

As of December 31, 2021, 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	₱15,436,657	₱15,149,554	2022

As of December 31, 2021, the amounts of MCIT still allowable as tax credit consist of:

Year incurred	Amount	Applied/Expired	Balance	Expiry Year
2021	₱3,097,999	₱—	₱3,097,999	2024
2020	15,757,849	—	15,757,849	2023
2019	14,444,622	8,753,105	5,691,517	2022
	<b>₱33,300,470</b>	<b>₱8,753,105</b>	<b>₱24,547,365</b>	

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. Current and deferred taxes as of and for the year ended December 31, 2021 were computed and measured using the new tax rates in 2021.

The effect of CREATE Act in 2020 of a lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020, which was reflected in the Group's 2020 annual income tax return was only recognized for financial reporting purposes in the 2021 consolidated financial statements. Also, the effect in 2020 of a lower deferred tax assets and liabilities as of December 31, 2020 and provision for deferred tax for the year then ended of ₱259.25 million were recognized for financial reporting purposes only 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*

	2021	2020	2019
Net income (loss)	<b>₱1,073,010,312</b>	(₱824,954,066)	₱974,033,430
Less dividends attributable to preferred shares	—	86,529	23,302,357
Net income (loss) applicable to common shares	<b>1,073,010,312</b>	(825,040,595)	950,731,073
Divided by the weighted average number of common shares	<b>776,465,281</b>	776,465,281	776,465,281
Basic earnings (loss) per share	<b>₱1.3819</b>	(₱1.0626)	₱1.2244

*Diluted earnings (loss) per share*

	2021	2020	2019
Net income (loss) applicable common share for basic earnings per share	<b>₱1,073,010,312</b>	(₱825,040,595)	₱950,731,073
Net income (loss) applicable to common stockholders for diluted earnings per share	<b>1,073,010,312</b>	(825,040,595)	950,731,073
Weighted average number of shares of common stock	<b>776,465,281</b>	776,465,281	776,465,281
Weighted average number of shares of common stock for diluted earnings per share	<b>776,465,281</b>	776,465,281	776,465,281
Diluted earnings (loss) per share	<b>₱1.3819</b>	(₱1.0626)	₱1.2244

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:

	2021	2020	2019
Number of shares of common stock issued	<b>776,765,281</b>	776,765,281	776,765,281
Less treasury shares	<b>300,000</b>	300,000	300,000
	<b>776,465,281</b>	776,465,281	776,465,281

### 35. Contingencies and Commitments

#### Provisions and Contingencies

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

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

### 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, 2021, 2020 and 2019 are as shown below:

	HI Cars, Inc. <sup>(a)</sup>		iPeople, inc. (IPO) and Subsidiaries <sup>(b)</sup>				EEI Corporation (EEI) and Subsidiaries <sup>(c)</sup>				La Funeraria Paz Sucat, Inc. (d)			
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019	2020	2019
<b>Assets</b>														
Current assets	-	380	671	3,063	2,662	2,316	20,465	15,938	18,223	37	37	37	37	29
Noncurrent assets	-	122	235	13,065	13,050	13,957	11,750	10,955	9,824	90	97	127	97	127
	-	502	906	16,128	15,712	16,273	32,215	26,893	28,047	127	134	156	134	156
<b>Liabilities and Equity</b>														
Current liabilities	-	462	665	2,183	2,298	3,464	12,728	14,374	15,023	13	15	29	15	29
Noncurrent liabilities	-	58	135	2,826	2,922	3,076	6,146	6,111	4,419	22	34	37	34	37
	-	520	800	5,009	5,220	6,540	18,874	20,485	19,442	35	49	66	49	66
Revenue	-	1,175	2,717	3,351	3,017	2,997	16,150	13,881	23,581	98	84	141	84	141
Net income (loss)	-	(121)	(6)	664	242	274	479	(2,072)	1,155	14	4	14	4	14
<b>Total comprehensive income (loss)</b>	-	(124)	(8)	940	832	232	978	(2,197)	1,070	14	4	15	4	15
<b>Share of NCI in net assets</b>	-	(11)	48	4,655	4,336	5,044	9,498	3,083	3,902	33	32	35	32	35
<b>Share of NCI in net income (loss)</b>	-	(54)	(3)	341	127	142	219	(914)	524	7	2	8	2	8
<b>Dividends paid</b>	-	-	3	162	38	23	-	-	94	5	5	5	5	5
<b>Operating</b>	-	117	142	848	95	988	(1,597)	(2,418)	991	38	34	31	34	31
<b>Investing</b>	-	96	(10)	(193)	1,220	(1,073)	564	778	(235)	(15)	(15)	(15)	(15)	(15)
<b>Financing</b>	-	(205)	(210)	(370)	(1,152)	651	6,827	1,824	(633)	(13)	(17)	(14)	(17)	(14)

(a) Proportion of ownership owned by non-controlling interests as of December 31, 2021 and 2020: 0.00% and 45.00%, respectively

(b) Proportion of ownership owned by non-controlling interests as of December 31, 2021 and 2020: 51.82%

(c) Proportion of ownership owned by non-controlling interests as of December 31, 2021 and 2020: 44.66%

(d) Proportion of ownership owned by non-controlling interests as of December 31, 2021 and 2020: 37.00%





*Material Partly-Owned Subsidiaries*

On December 23, 2021, EEI issued and listed in the PSE non-convertible preferred shares generating net proceeds of ₱5.96 billion. Cumulative dividends in arrears on preferred shares as at December 31, 2021 amounted to ₱6.55 million.

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 Company'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.

In July 2021, the Parent Company purchased additional 27,000,000 HCI shares for ₱9.18 million or 0.34 per share resulting to an increase in ownership interest from 55.00% to 100.00%. The non-controlling interest decreased from 45.00% to 0.00%.

The Group recognized equity reserve from the changes in ownership amounting to a decrease by ₱24.58 million and ₱18.75 million in 2021 and 2020, respectively. This was included in "Equity reserve" representing the excess consideration paid for the carrying amount of the non-controlling interest.

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### 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:

Construction and Infrastructure - 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 services - 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 2021, revenue from two (2) customer from the the construction and infrastructure segment contributed revenue that exceeded 10% of the Group's revenue. Following are the revenue contributed by each of these customers: ₱4,485 million and ₱3,821 million.

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.

(Amounts in Millions)

	Construction and Infrastructure				Education				Car Dealerships				Property Management				Other Services				Eliminations	
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2021	2020
<b>Revenue</b>	<b>16,150</b>	13,881	23,582	<b>3,351</b>	3,017	2,997	<b>3,726</b>	4,155	7,542	<b>231</b>	225	266	<b>691</b>	322	373	<b>(550)</b>						
<b>Net Income attributable to share of parent</b>	<b>490</b>	(2,046)	1,156	<b>659</b>	246	255	<b>61</b>	(114)	(64)	<b>200</b>	61	89	<b>664</b>	131	1,033	<b>(1,000)</b>						
<b>Other Information</b>																						
Segment assets	32,215	26,893	28,047	16,129	15,712	16,273	2,566	2,686	3,145	2,287	223	202	7,402	9,165	5,289	(3405)						
Deferred tax assets	(1,112)	(1,471)	(117)	(38)	(32)	(20)	(26)	(26)	(19)	(4)	(4)	(2)	(3)	(79)	(4)	39						
Net segment assets	31,103	25,422	27,930	16,091	15,680	16,253	2,539	2,660	3,126	2,283	219	200	7,400	9,086	5,285	(3,444)						
Segment liabilities	18,874	20,485	19,442	5,009	5,220	6,540	1,507	1,505	1,579	307	176	152	1,782	2,835	1,092	(401)						
Income tax payable	(16)	(23)	(43)	(2)	(12)	(21)	(7)	(6)	(4)	(1)	(2)	(4)	(1)	-	(3)	-						
Deferred tax liabilities	(128)	(90)	(93)	(489)	(477)	(658)	(192)	(173)	(156)	-	-	-	(46)	(166)	18	(116)						
Net segment liabilities	18,730	20,371	19,306	4,518	4,730	5,861	1,308	1,326	1,419	306	174	148	1,734	2,669	1,107	(285)						
Investments in associates and joint ventures	3,260	2,890	2,655	-	-	-	-	-	-	7	7	6	6,399	5,066	4,403	(1,831)						
Equity in net earnings (losses) of associates	925	981	346	-	-	-	55	-	-	139	-	-	311	-	-	-						
Cash flows arising from:																						
Operating activities	(1,578)	(2,418)	991	849	95	1,477	397	397	(170)	78	78	77	(495)	(495)	(790)	(1,926)						
Investing activities	583	778	(235)	(194)	1,220	(1,561)	170	170	327	-	-	(6)	1,373	1,373	(186)	4,075						
Financing activities	(6,789)	(1,824)	(633)	(370)	(1,152)	649	(290)	(290)	(270)	53	53	(74)	5,634	5,634	99	(4,357)						
Capital expenditures	(171)	(489)	(512)	(184)	(881)	(1,997)	(73)	(73)	-	-	-	(6)	53	53	449	(2,042)						
Interest income	8	17	26	6	11	23	0	2	1	1	-	1	3	8	10	(7,407)						
Interest expense	413	466	564	137	178	107	15	69	90	1	1	-	85	-	20	47						
Provision/ (Benefit) for income tax	305	(1,285)	343	(30)	33	68	1	4	4	14	20	26	2	(42)	18	-						
Earnings (loss) before income tax	784	(3,358)	1,499	633	275	342	(17)	(295)	(60)	75	81	115	444	274	1,051	-						
Earnings before income tax and depreciation and amortization	959	(2,592)	2,865	746	738	509	2	(203)	165	77	85	87	615	326	1,123	(668)						
Noncash items:																						
Additional revaluation increment on land	-	-	-	-	312	2	-	62	42	-	-	-	-	-	80	(1,445)						
Depreciation and amortization	176	766	809	112	463	902	19	92	135	2	4	3	171	53	9	(668)						

### 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 maturity groupings are based on the remaining period from the end of the reporting period to the contractual maturity date.

The tables below summarize the maturity profile of the Group's financial assets and financial liabilities as at December 31:

	2021				
	On demand	< 1 year	1 to < 2 years	> 2 years	Total
<b>Financial Liabilities</b>					
Accounts payable and accrued expenses*	₱2,961,165,811	₱3,533,131,173	₱—	₱—	₱6,494,296,984
Bank loans					
Peso loan	—	5,706,469,178	—	—	5,706,469,178
Interest	—	319,475,191	—	—	319,475,191
Long-term debt					
Peso loan	—	5,400,851,292	3,010,490,241	1,750,120,302	10,161,461,835
Interest	—	182,713,433	70,244,772	20,598,121	273,556,326
Due to related parties	2,482,255	—	—	—	2,482,255
Lease liabilities	—	229,589,347	823,985,041	480,640,298	1,534,214,686
	2,963,648,066	15,372,229,614	3,904,720,054	2,251,358,721	24,491,956,455
<b>Financial Assets</b>					
Cash					
Cash on hand and in banks	2,929,391,629	—	—	—	2,929,391,629
Short-term investments	6,127,094,444	—	—	—	6,127,094,444
Accounts receivables					
Trade receivables	2,356,905,000	1,559,809,737	—	—	3,916,714,737
Receivables from plant	40,500,435	—	—	—	40,500,435
Others	105,577,151	—	—	—	105,577,151
Receivable from related parties	145,283,445	—	—	—	145,283,445
	11,704,752,104	1,559,809,737	—	—	13,264,561,841
Liquidity gap (position)	(₱8,741,104,038)	₱13,812,419,877	₱3,904,720,054	₱2,251,358,721	₱11,227,394,614

\*Excluding statutory liabilities

	2020				Total
	On demand	< 1 year	1 to < 2 years	> 2 years	
Financial Liabilities					
Accounts payable and accrued expenses*	₱3,744,970,959	₱4,468,332,570	₱—	₱—	₱8,213,303,529
Bank loans					
Peso loan	—	7,982,000,000	—	—	7,982,000,000
Interest	—	434,306,860	—	—	434,306,860
Long-term debt					
Peso loan	—	4,592,878,361	1,796,899,021	1,053,416,457	7,443,193,839
Interest	—	142,989,055	11,978,750	4,442,228	159,410,033
Due to related parties	10,214,099	—	—	—	10,214,099
Lease liabilities	—	215,341,091	569,439,821	594,200,008	1,378,980,920
	3,755,185,058	17,835,847,937	2,378,317,592	1,652,058,693	25,621,409,280
Financial Assets					
Cash					
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					
Trade receivables	3,051,633,431	2,233,481,387	—	—	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
	6,751,677,785	2,233,481,387	—	—	8,985,159,172
Liquidity gap (position)	(₱2,996,492,727)	₱15,602,366,550	₱2,378,317,592	₱1,652,058,693	₱16,636,250,108

\*Excluding statutory liabilities

As of December 31, 2021, the Group has available undrawn committed borrowing facilities with local banks totaling to ₱21.2 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.

	2021		2020	
	Change in variable	Effect on equity	Change in variable	Effect on equity
Market Index				
PSE	12.24%	3,326,397	20.76%	4,152,303
	(12.24%)	(3,326,397)	(20.76%)	(4,152,303)
Others	18.47%	1,274,272	33.24%	2,027,396
	(18.47%)	(1,274,272)	(33.24%)	(2,027,396)

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 12.24% and 20.76% in 2021 and 2020, 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).

	2021		2020	
	Percentage increase/decrease in foreign currency	Effect on profit before tax	Percentage increase/decrease in foreign currency	Effect on profit before tax
USD	4.40%	₱12,772,442	3.00%	6,261,228
SGD	2.70%	17,886	1.50%	9,403
EUR	1.00%	4,373	0.50%	1,154
YEN	1.30%	83,553	3.70%	60,623
GBP	0.60%	—	4.10%	—
USD	-4.40%	(₱12,772,442)	-3.00%	(6,261,228)
SGD	-2.70%	(17,886)	-1.50%	(9,403)
EUR	-1.00%	(4,373)	-0.50%	(1,154)
YEN	-1.30%	(83,553)	-3.70%	(60,623)
GBP	-0.60%	—	-4.10%	—

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:

2021						
	USD <sup>1</sup>	SGD <sup>2</sup>	EUR <sup>3</sup>	YEN <sup>4</sup>	GBP <sup>4</sup>	Equivalents in PHP
<b>Financial assets</b>						
Cash and cash equivalents	\$5,657,415	\$17,680	€7,722	¥12,657,997	£—	₱293,943,666
Receivables	388,067	—	—	1,439,193	—	20,338,812
	6,045,482	17,680	7,722	14,097,190	—	314,282,478
<b>Financial liabilities</b>						
Accounts payable and accrued expenses	294,720	—	—	—	—	14,964,114
	US\$5,750,762	S\$17,680	€7,722	¥14,097,190	£—	₱299,318,364

<sup>1</sup> Exchange rate used - ₱50.99 to US\$1

<sup>2</sup> Exchange rate used - ₱37.55 to S\$1

<sup>3</sup> Exchange rate used - ₱57.51 to €1

<sup>4</sup> Exchange rate used - ₱0.44 to ¥1

<sup>5</sup> Exchange rate used - ₱68.53 to £1

2020						
	SD <sup>1</sup>	SGD <sup>2</sup>	EUR <sup>3</sup>	JPY <sup>4</sup>	GBP <sup>4</sup>	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

<sup>1</sup> Exchange rate used - ₱48.02 to US\$1

<sup>2</sup> Exchange rate used - ₱36.12 to S\$1

<sup>3</sup> Exchange rate used - ₱58.69 to €1

<sup>4</sup> Exchange rate used - ₱0.46 to ¥1

<sup>5</sup> Exchange rate used - ₱64.62 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):

	2021		2020	
	Increase/decrease in basis points	Effect on profit before tax	Increase/decrease in basis points	Effect on loss before tax
Peso floating rate borrowing	+963	(76,902,038)	+690	55,442,960
	-963	76,902,038	-690	(55,442,960)

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 in 2021 and 2020. 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 2021 and 2020. This resulted to a nil net exposure as at December 31, 2021 and 2020.

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.



The information about the credit exposure on the Company's receivables and contract assets using provision matrix and the credit quality of other financial assets is as follows:

	2021			Total
	Neither past due nor impaired		Past Due and Impaired Financial Assets	
	High Grade	Standard Grade		
Cash in bank and cash equivalents	₱9,042,578,390	₱—	₱—	₱9,042,578,390
Loans receivable	—	—	—	—
Receivables from:				
Construction and infrastructure	983,818,549	1,257,039,484	76,241,674	2,317,099,707
Education	382,073,950	588,863,799	280,681,947	1,1,251,619,696
Car dealership	154,023,156	80,406,620	19,785,572	254,215,348
Other services	58,585,742	30,399,914	4,794,329	93,779,985
Other receivables:				
Receivables from plant	40,500,435	—	—	40,500,435
Others	56,106,402	17,147,413	16,261,538	89,515,353
Miscellaneous deposits	—	—	—	—
Due from related parties	145,283,445	—	—	145,283,445
Receivable from a customer	16,061,797	—	—	16,061,797
Receivable from EEI Retirement Fund, Inc.	—	—	—	—
	₱10,879,031,866	₱1,973,857,230	₱397,765,060	₱13,250,654,157

	2020			Total
	Neither past due nor impaired		Past Due and Impaired Financial Assets	
	High Grade	Standard Grade		
Cash in bank and cash equivalents	3,218,733,775	₱—	₱—	₱3,218,733,775
Loans receivable	—	—	—	—
Receivables from:				
Construction and infrastructure	1,323,692,706	2,073,620,581	62,690,313	3,460,003,600
Education	442,657,670	548,688,000	174,881,069	1,166,226,739
Car dealership	284,537,041	148,540,401	36,551,181	469,628,623
Other services	118,230,929	61,349,568	9,675,359	189,255,856
Other receivables:				
Receivables from plant	38,118,335	—	—	38,118,335
Others	192,392,007	63,462,869	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	₱7,178,464,400	₱362,576,070	₱7,178,464,400

Neither past due nor impaired accounts receivables, other receivables are classified into 'high grade' and 'standard grade'. The Group sets financial assets as 'high grade' based on the Group's positive collection experience. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. On the other hand, 'standard grade' are those which have credit history of default in payments.

Past due and impaired financial assets are those outstanding balances which are historically collected after due dates. Impairment is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of customer segments with similar loss patterns (i.e., type of customers). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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, 2021 and 2020 reconcile to the opening loss allowances as follows:

	2021	2020
Balance at beginning of year	<b>₱366,936,427</b>	₱286,043,524
Provisions	<b>122,176,169</b>	105,623,601
Write off	<b>(9,601,876)</b>	(24,730,698)
Balance at end of year	<b>₱479,510,720</b>	₱366,936,427

#### *Credit Quality*

The Group maintains internal credit rating system. Neither past due nor impaired financial assets are graded as either “Grade A/ High Grade” or “Grade B/ Standard Grade” 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, 2021 and 2020 follows:

#### **2021**

	General Approach			Simplified Approach
	Stage 1	Stage 2	Stage 3	
<b>Amortized cost</b>				
Cash and cash equivalents	<b>₱9,056,486,073</b>	<b>₱–</b>	<b>₱–</b>	<b>₱–</b>
Trade receivables	–	–	–	<b>3,916,714,738</b>
Nontrade receivables	<b>291,361,030</b>	–	–	–
Contract asset	–	–	–	<b>9,877,856,941</b>
<b>Total gross carrying amounts</b>	<b>9,347,847,103</b>	–	–	<b>13,794,571,679</b>
<b>Less allowance</b>	–	–	–	<b>536,655,805</b>
	<b>₱9,347,847,103</b>	<b>₱–</b>	<b>₱–</b>	<b>₱13,257,915,874</b>

2020

	General Approach			Simplified Approach
	Stage 1	Stage 2	Stage 3	
Amortized cost				
Cash and cash equivalents	₱3,218,733,775	₱—	₱—	₱—
Trade receivables	—	—	—	5,285,114,818
Nontrade receivables	427,895,446	—	—	—
Contract asset	—	—	—	8,635,691,120
Total gross carrying amounts	3,646,629,221	—	—	13,920,805,938
Less allowance	—	—	—	403,721,730
	₱3,646,629,221	₱—	₱—	₱13,517,084,208

In 2021 and 2020, 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, 2021 and 2020.

As at December 31, 2021 and 2020, 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 3:1 on the Parent Company's unsecured bank loan (Note 20). As of December 31, 2021 and 2020, 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, 4:1 and 2:1, respectively.

	2021	2020
Current liabilities	<b>₱17,188,279,183</b>	₱19,847,587,457
Noncurrent liabilities	<b>9,326,900,885</b>	9,570,310,084
Total liabilities (a)	<b>26,515,180,068</b>	29,417,897,541
Equity (b)	<b>30,552,860,553</b>	22,581,715,462
Debt to Equity Ratio (a/b)	<b>0.87:1</b>	1.29:1

On December 23, 2021, EEI issued and listed in the PSE non-convertible preferred shares generating net proceeds of ₱5.96 billion. Cumulative dividends in arrears on preferred shares as at December 31, 2021 amounted to ₱6.55 million.

### 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 nil and ₱38.0 million as of December 31, 2021 and 2020, 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 2021 and 2020 were nil and 1.41%, respectively.
- *Interest-bearing trade receivables* (Notes 7 and 17)  
The fair value of interest-bearing trade receivables amounting to ₱16.1 million and ₱23.2 million as of December 31, 2021 and 2020, 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 2021 and 2020 was 1.66% and 1.41%, respectively.
- *Receivable from sale of investment properties* (Notes 7)  
The fair value of the receivable from sale of investment property amounting to ₱17.3 million and ₱21.3 million as of December 31, 2021 and 2020, 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 2021 and 2020 was 1.66% and 1.41%, respectively.
- *Equity investments at FVOCI* (Note 11)  
Quoted investments  
Fair value of investments in equity shares listed with Philippine Stock Exchange amounting to ₱109.3 million and ₱91.6 million as of December 31, 2021 and 2020, 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 ₱19.0 million and ₱16.9 million as of December 31, 2021 and 2020, 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, 2021.

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 ₱490 to ₱5,900.

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 ₱10,137.9 million and ₱7,420.3 million as of December 31, 2021 and 2020, 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 2021 and 2020 were and 3.25% to 4.31%, respectively.

- *Long-term retention payable*

The fair values of the retention payable which is included in other noncurrent liabilities amounting to ₱242.9 million and ₱273.6 million as of December 31, 2021 and 2020, 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 2021 and 2020 were 1.66% and 1.41%, respectively.

As at December 31, 2021 and 2020, 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 2021 and 2020. No financial instrument fall within Level 3.

There were no transfers between levels of fair value measurements in 2021 and 2020. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.

### 39. Capital Stock

#### Preferred 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, 2021, 2020 and 2019 follows:

	2021		2020		2019	
	Amount	Shares	Amount	Shares	Amount	Shares
Balance at beginning of year	₱–	–	₱6,710,402	16,776,001	₱247,414,156	618,535,387
Redemption of preferred stock	–	–	(6,710,402)	(16,776,001)	–	–
Conversion of preferred stock to common stock	–	–	–	–	(240,703,754)	(601,759,386)
Balance at end of year	₱–	–	₱–	–	₱6,710,402	16,776,001

Redeemed preferred shares carried at ₱0.40 par value are treasury shares.

#### Common stock

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, 2021, 2020 and 2019 follows:

	2021		2020		2019	
	Amount	Shares	Amount	Shares	Amount	Shares
Balance at beginning of year	₱1,165,147,926	776,765,281	₱1,165,147,926	776,765,281	₱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	1,165,147,926	776,765,281
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	₱1,162,540,326	776,465,281

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, 2021:

<b>Year</b>	<b>Number of shares registered</b>	<b>Number of holders of securities</b>
<b>Preferred shares:</b>		
January 1, 2019	618,535,387	48
Movement	(601,759,386)	—
December 31, 2019	16,776,001	42
Movement	(16,776,001)	—
December 31, 2020	—	—
Movement	—	—
<b>December 31, 2021</b>	<b>—</b>	<b>—</b>
<b>Common Shares:</b>		
January 1, 2019	615,996,114	394
Movement	160,469,167	—
December 31, 2019	776,465,281	384
Movement	—	—
December 31, 2020	776,465,281	384
Movement	—	—
<b>December 31, 2021</b>	<b>776,465,281</b>	<b>384</b>

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, 2021 and nil and 384, respectively, as of December 31, 2020.

#### 40. Retained Earnings

##### Cash Dividends

The BOD declared cash dividends in 2021, 2020 and 2019 as follows:

Date of BOD Approval	Amount	Amount per share		Record Date	Payment Date
		Preferred Shares	Common Shares		
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	3,349,142	0.005415	—	October 31, 2019	November 20, 2019
December 6, 2019	85,860	0.005118	—	January 2, 2020	January 28, 2020
	₱63,342,105				

On December 31, 2021, the Parent Company's BOD approved appropriation of retained earnings amounting to ₱3.5 billion, for planned investments and business expansion that the Parent Company intends to carry out for the next 2-3 years. On the same date, the Parent Company approved the reversal of ₱2.5 billion appropriation made in 2019 and 2018 following the completion of its previous planned investment and business expansion.

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 ₱3,582.3 million and ₱2,580.1 million as of December 31, 2021 and 2020, 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 ₱650.9 million and ₱1,359.3 million as of December 31, 2021 and 2020, 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 ₱5,766.5 million and ₱5,846.8 million as of December 31, 2021 and 2020, respectively, not declared as dividends to the Group. Accordingly, these are not available for dividend declaration.



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#### 41. Other Matters

- a. On February 23, 2022, the Parent Company sold 1,612,759 SLRHSI shares to Sojitz Corporation amounting to ₱674,254,057 resulting to a gain on sale of shares amounting to ₱389.17 million. The sale resulted to decrease in percentage of ownership of the Parent Company on SLRHSI from 100% to 85%.
- b. On February 8, 2022, SLRHSI received cash from Sojitz Corporation amounting to ₱486.42 million as deposit for future stock subscription.
- c. In February 2022, the BOD of the EEI group approved the infusion of ₱41.7 million additional capital to BiotechJP.
- d. 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 COVID-19 pandemic has continuously impacted the Group’s operation and financial performance in 2021.

At the end of 2021, the construction segment’s unworked portion of existing contracts stood at ₱54.0 billion, including ARCC’s backlog of ₱23.99 billion. The construction segment considers this backlog of projects as healthy and sustainable. The construction segment 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.

The COVID-19 pandemic was treated as an opportune time to recalibrate the Yuchengco Group of Companies’ investment portfolio strategy via sharper focus on optimizing returns from existing businesses and a more disciplined process on capital deployment. The recovery exhibited in the operating results of its various business segments in 2021 is a testament that the Group’s efforts were effective.

## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and the Stockholders  
House of Investments, Inc.  
9th Floor, Grepalife Building  
221 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, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A, and have issued our report thereon dated April 8, 2022. 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.



Wenda Lynn M. Loyola

Partner

CPA Certificate No. 109952

Tax Identification No. 242-019-387

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 109952-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-117-2022, January 20, 2022, valid until January 19, 2025

PTR No. 8854316, January 3, 2022, Makati City

April 8, 2022

## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Board of Directors and the Stockholders  
House of Investments, Inc.  
9th Floor, Grepalife Building  
221 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, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated April 8, 2022. 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, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Wenda Lynn M. Loyola  
Partner

CPA Certificate No. 109952

Tax Identification No. 242-019-387

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 109952-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-117-2022, January 20, 2022, valid until January 19, 2025

PTR No. 8854316, January 3, 2022, Makati City

April 8, 2022

## HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

### SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON REVISED SRC RULE 68 DECEMBER 31, 2021

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 ₱527.37 million do not constitute 5% or more of the total current assets of the Group as at December 31, 2021.

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

As at December 31, 2021, 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, 2021:

<b>Name and designation of debtor</b>	<b>Balance at beginning of year</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Balance at end of year</b>
<i>Landev Corporation</i>					
Due from affiliates	₱1,268,632	₱2,579,380	₱–	₱–	<b>₱3,848,012</b>
Dividends receivable	60,000,145	50,000,000	(60,000,295)	–	<b>49,999,850</b>
	61,268,777	52,579,380	(60,000,295)	–	<b>53,847,862</b>
<i>Greyhounds Security and Investigation Agency Corporation</i>					
Due from affiliates	101,746	698,420	(34,634)	–	<b>765,532</b>
Dividends receivable	–	17,999,064	–	–	<b>17,999,064</b>
	101,746	18,697,484	(34,634)	–	<b>18,764,596</b>
<i>Investment Managers, Inc.</i>					
Due from affiliates	673,700	4,220,581	–	–	<b>4,894,281</b>
<i>iPeople, inc. and subsidiaries</i>					
Due from affiliates	21,606,557	51,144,440	(59,262,269)	–	<b>13,488,728</b>
Dividends receivable	–	150,639,196	(150,639,196)	–	<b>–</b>
	21,606,557	201,783,636	(209,901,465)	–	<b>13,488,728</b>
<i>EEI Corporation and subsidiaries</i>					
Due from affiliates	1,520,961	4,365,214	(3,486,175)	–	<b>2,400,000</b>
<i>La Funeraria Paz Sucat, Inc</i>					
Due from affiliates	1,554,601	6,411,846	(7,533,119)	–	<b>433,328</b>
Dividends receivable	–	5,000,000	(5,000,000)	–	<b>–</b>
	1,554,601	11,411,846	(12,533,119)	–	<b>433,328</b>
<i>Zamboom Realty and Development Corp</i>					
Due from affiliates	4,342	11,401	–	–	<b>15,743</b>
Dividends receivable	–	277,098	–	–	<b>277,098</b>
	4,342	288,499	–	–	<b>292,841</b>
<i>Xamdu Motors, Inc.</i>					
Due from affiliates	4,000	11,328	–	–	<b>15,328</b>
<i>Zamboanga Carriers, Inc</i>					
Due from affiliates	6,943	11,687	–	–	<b>18,630</b>
Dividends receivable	–	796,229	–	–	<b>796,229</b>
	6,943	807,916	–	–	<b>814,859</b>

(Forward)

<b>Name and designation of debtor</b>	<b>Balance at beginning of year</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Balance at end of year</b>
<i>Hexagon Lounge, Inc.</i>					
Due from affiliates	–	57,083	(1,713)	–	<b>55,370</b>
<i>San Lorenzo Ruiz Investment Holdings and Services, Inc.</i>					
Due from affiliates	–	1,507,619	(35,017)	–	<b>1,472,602</b>
<i>Secon Professional</i>					
Due from affiliates	–	89,911	–	–	<b>89,911</b>
<i>HI Cars, Inc. (formerly Honda Cars Kalookan Inc.)</i>					
Due from affiliates	425,945	590,470	–	–	<b>1,016,415</b>
	<b>P87,167,572</b>	<b>P296,410,967</b>	<b>(P285,992,418)</b>	<b>P–</b>	<b>P97,586,121</b>

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, 2021, 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:

<b>Description</b>	<b>Balance at beginning of year</b>	<b>Additions at cost</b>	<b>Charged to cost and expenses</b>	<b>Charged to other accounts</b>	<b>Other changes additions (deductions)</b>	<b>Balance at end of year</b>
Goodwill	₱484,829,719	₱—	₱—	₱—	₱—	₱484,829,719
Intellectual property rights	523,103,000	—	—	—	—	523,103,000
Student relationship	78,824,857	—	(35,063,630)	—	—	43,761,227
Computer software	13,234,817	20,131,041	(5,716,531)	—	(312,413)	27,336,914
	<b>₱1,099,992,393</b>	<b>₱20,131,041</b>	<b>(₱40,780,161)</b>	<b>₱—</b>	<b>(₱312,413)</b>	<b>₱1,079,030,860</b>

**Schedule E. Long-term Debt**

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

<b>Type of Obligation</b>	<b>Amount</b>	<b>Current</b>	<b>Noncurrent</b>
<i>MCM</i>			
Peso-denominated ten (10) year term loan, payable in 20 equal quarterly payments which will start at the end of 21st quarter from the initial drawdown date. Interest is subject to quarterly repricing	1,494,646,215	21,001,400	1,473,644,815
<i>NTC</i>			
Peso-denominated seven (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	380,000,000	—	380,000,000
<i>EEI</i>			
Fixed-rate corporate promissory notes with effective interest of 4.8% per annum for seven years (7) years	8,078,421,328	3,466,857,730	4,611,563,598
<i>BIOTECH JP</i>			
Yen-denominated five (5) year, four and half (4.5) year term and six (6) month term loan, with interest rate of 0.05% per annum, 0.30% per annum and 2.45% per annum, respectively	184,795,447	59,347,347	125,448,100
	<b>10,137,862,990</b>	<b>3,547,206,477</b>	<b>6,590,656,513</b>

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

As at December 31, 2021, 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, 2021.

Schedule H. Capital Stock

<b>Title of issue</b>	<b>Number of shares authorized</b>	<b>Number of shares issued and outstanding as shown under related statement of financial position caption</b>	<b>Number of shares held by related parties</b>	<b>Directors, Officers and Employees</b>	<b>Others</b>
Common shares	1,250,000,000	776,465,281	574,655,552	2,368,580	199,441,149
Preferred shares	2,500,000,000	—	—	—	—



**HOUSE OF INVESTMENTS, INC.****RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**

Items	Amount
Unappropriated retained earnings, beginning	₱1,359,313,335
Cumulative prior year adjustments on provision for deferred taxes	(75,657,780)
Unappropriated retained earnings as adjusted, beginning	1,283,655,555
Net income for the year	363,197,009
Provision for deferred income tax through profit or loss	474,197
Less: Non-actual/unrealized income	
Equity in net income of associate/joint venture	—
Unrealized foreign exchange gain	—
Fair value adjustment (M2M gains)	—
Fair value adjustment of investment property resulting to gain adjustment due to deviation from PFRS/GAAP-gain	—
Other unrealized gain or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	—
Adjustment to deviation from PFRS/GAAP-loss	—
Loss in fair value adjustment of investment property (after tax)	—
Net income realized	363,671,206
Dividends declaration during the year	—
Appropriations of retained earnings during the year	(3,500,000,000)
Reversal of appropriations during the year	2,500,000,000
Unappropriated retained earnings, as adjusted, ending	₱647,326,761

**HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES**

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**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS AS OF  
DECEMBER 31, 2021 AND 2020**

*Financial Soundness Indicator*

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2021 and 2020:

<b>Financial ratios</b>		<b>2021</b>	<b>2020</b>
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	<b>1.42:1</b>	1.02:1
Solvency ratio	$\frac{\text{Net income plus depreciation}}{\text{Total liabilities}}$	<b>0.10:1</b>	(0.011:1)
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	<b>0.90:1</b>	1.37:1
Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	<b>1.90:1</b>	2.37:1
Interest rate coverage	$\frac{\text{EBIT*}}{\text{Interest expense}}$	<b>3.71:1</b>	(3.16:1)
Return on assets	$\frac{\text{Net income}}{\text{Average total assets}}$	<b>2.98%</b>	(3.26%)
Return on equity	$\frac{\text{Net income}}{\text{Average total equity}}$	<b>6.26%</b>	(7.47%)

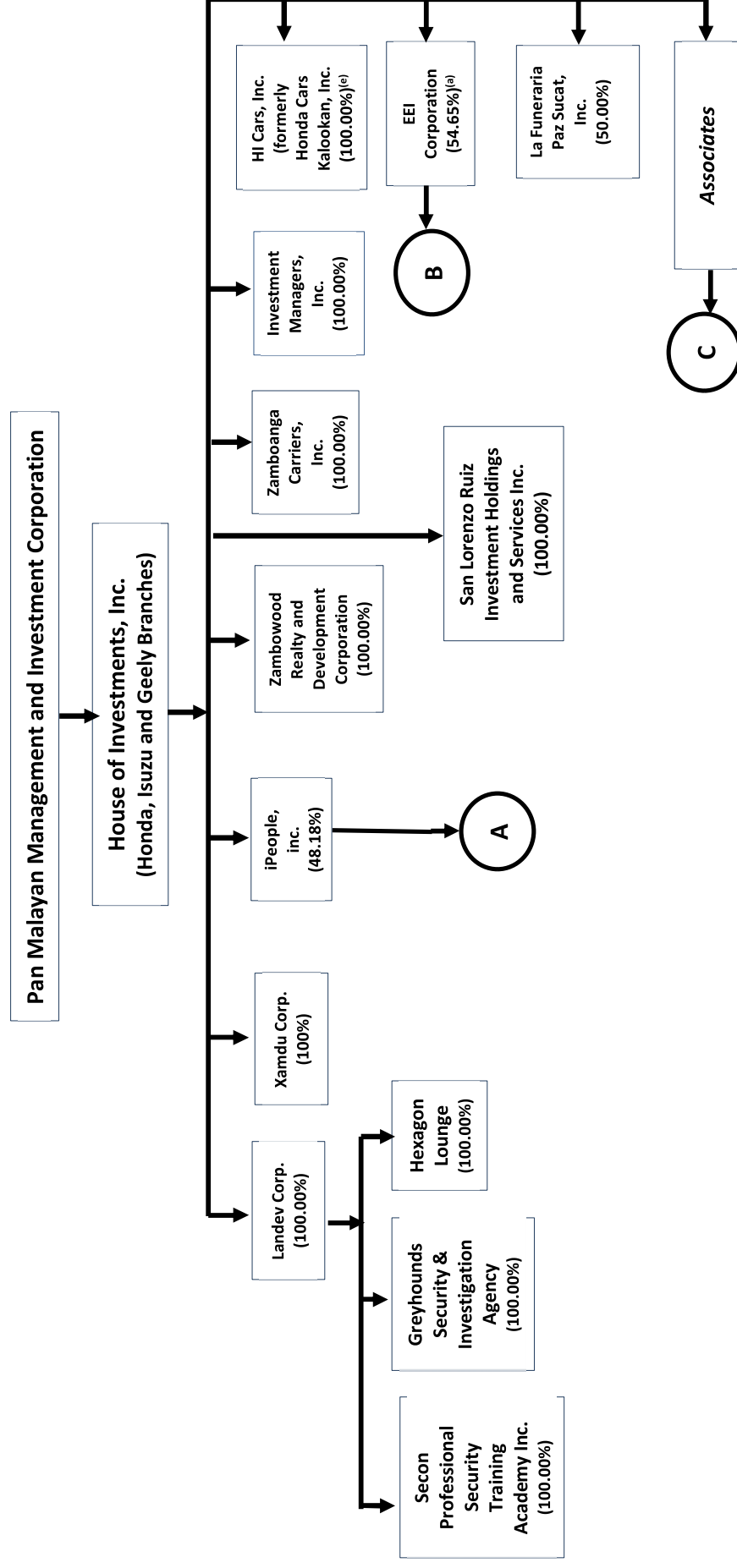
*\*Earnings before interest and taxes (EBIT)*

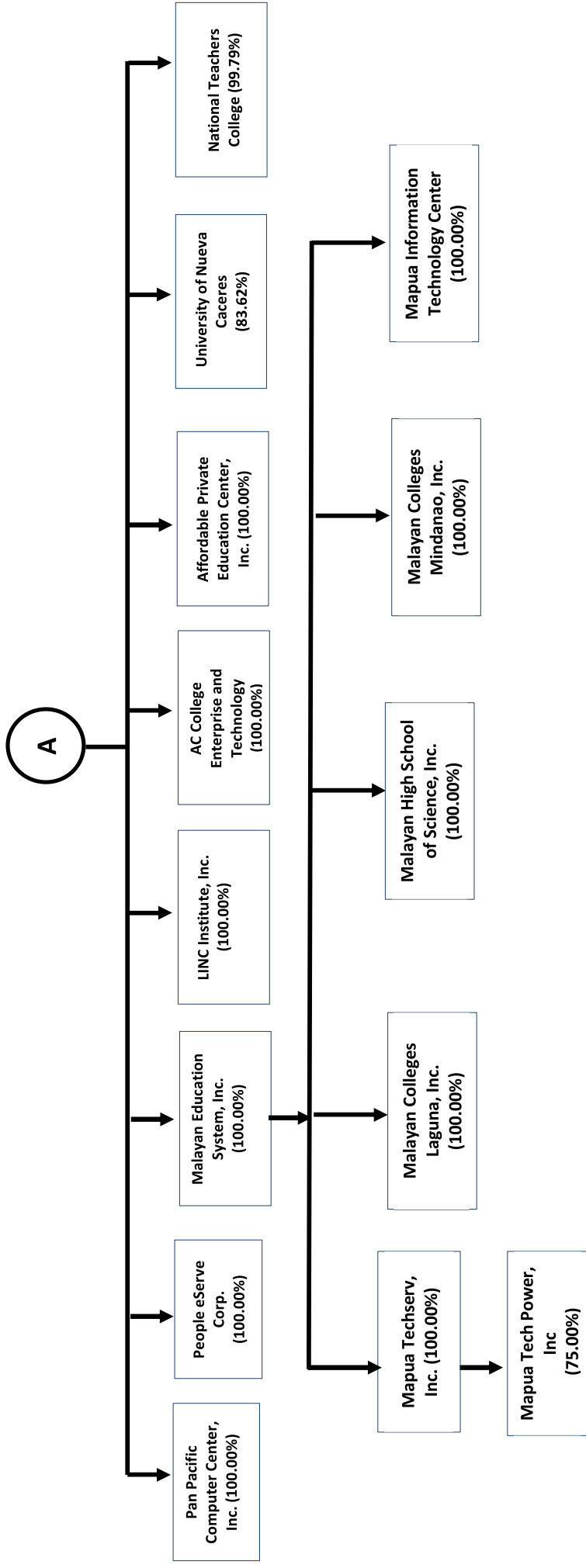
## HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

### MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

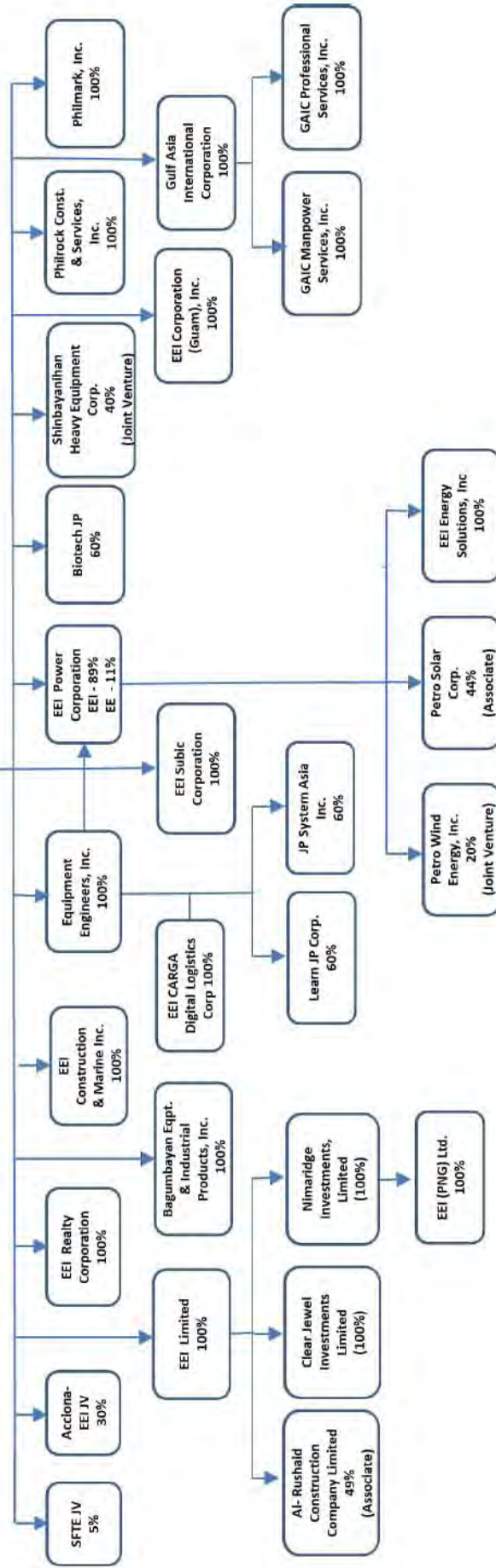
#### Group Structure

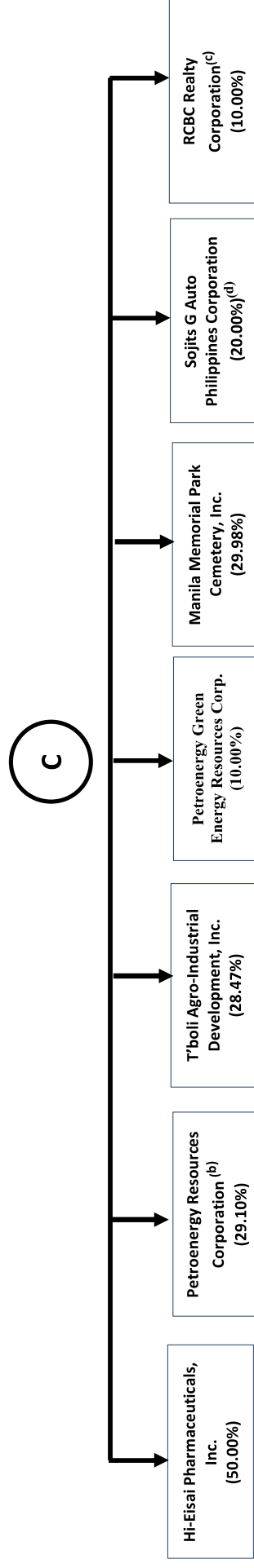
Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of December 31, 2021:





B





*a. In November 2019, the Parent Company purchased additional 3 million shares resulting to an increased ownership interest from 54.36 to 54.65%.*

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

*c. 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*

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

*e. In July 2021, the Parent Company purchased additional 27,000,000 shares of HI Cars, Inc. (formerly Honda Cars Kalookan, Inc.) resulting to 100% ownership.*

# **HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
OF MARCH 31, 2022 AND DECEMBER 31, 2021 AND  
THREE MONTHS ENDED MARCH 31, 2022, 2021, AND 2020**

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

	Unaudited March 31, 2022	Audited December 31, 2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 6)	₱8,193,138,344	₱9,056,486,073
Receivables (Note 7)	4,280,462,767	3,728,565,048
Contract assets (Note 8)	8,188,802,831	8,741,253,049
Inventories (Note 9)	1,596,570,816	1,540,267,273
Receivables from related parties	92,517,702	145,283,445
Prepaid expenses and other current assets (Note 10)	1,823,772,416	1,687,807,568
Total Current Assets	24,175,264,876	24,899,662,456
<b>Noncurrent Assets</b>		
Equity investments at fair value through other comprehensive income (FVOCI) (Note 11)	602,553,438	527,369,996
Investments in associates and joint ventures (Note 12)	8,050,638,700	7,834,124,308
Property and equipment (Note 13)		
At revalued amount	8,291,619,850	8,291,619,850
At cost	7,870,303,621	7,940,120,912
Investment properties (Note 15)	1,977,322,213	1,977,542,213
Deferred tax assets – net	1,221,887,378	1,222,749,651
Right-of-use assets	1,075,200,231	1,106,174,929
Goodwill (Note 14)	484,829,719	484,829,719
Retirement assets	18,129,661	18,129,661
Contract Assets – net of current portion (Note 8)	1,098,627,335	1,079,458,807
Other noncurrent assets - net (Note 16)	1,860,773,678	1,811,979,369
Total Noncurrent Assets	32,551,885,824	32,294,099,415
Total Assets	₱56,727,150,700	₱57,193,761,871
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities (Note 17)	₱7,000,579,179	₱7,037,261,878
Loans payable (Note 18)	4,295,000,000	5,706,469,178
Current portion of long-term debt (Note 19)	3,470,641,537	3,547,206,477
Current portion of contract liabilities (Note 8)	1,196,575,561	1,112,517,781
Current portion of lease liabilities	104,637,445	124,406,516
Income tax payable	48,144,206	27,202,609
Due to related parties	8,849,383	2,482,255
Total Current Liabilities	16,124,427,311	17,557,546,694
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion (Note 19)	5,796,337,798	6,590,656,513
Contract liabilities - net of current portion (Note 8)	687,249,033	565,849,622
Lease liabilities - net of current portion	993,768,693	990,953,738
Deferred tax liabilities – net	824,534,279	855,546,115
Retirement liabilities	246,157,648	223,026,503
Other noncurrent liabilities	282,948,256	294,630,102
Total Noncurrent Liabilities	8,830,995,707	9,520,662,593
Total Liabilities	24,955,423,018	27,078,209,287

(Forward)



	Unaudited March 31, 2022	Audited December 31, 2021
<b>Equity</b>		
Attributable to equity holders of the Parent Company		
Common stock (Note 21)	1,162,540,326	1,162,540,326
Additional paid-in capital	154,578,328	154,578,328
Deposit for future subscription	486,402,476	—
Equity reserve on acquisition of non-controlling interest	1,594,130,642	1,598,421,700
Revaluation increment on land – net	1,475,424,319	1,445,367,746
Cumulative translation adjustments	294,674,420	271,303,940
Fair value reserve of equity investments at FVOCI (Note 11)	72,711,263	67,330,660
Remeasurement loss on retirement	(100,677,560)	(101,768,611)
Retained earnings (Note 20)	11,780,697,545	11,076,014,388
	16,920,481,759	15,673,788,477
Non-controlling interests (Note 34)	14,851,245,923	14,441,764,107
Total Equity	31,771,727,682	30,115,552,584
	<b>₱56,727,150,700</b>	<b>₱57,193,761,871</b>

*See accompanying Notes to Consolidated Financial Statements.*

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

	<b>January 1 to March 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>REVENUE</b> (Note 24)	<b>₱5,281,326,088</b>	₱5,640,724,159	₱7,841,686,445
<b>COSTS OF SALES AND SERVICES</b> (Note 26)	<b>4,266,595,120</b>	4,620,969,472	6,800,517,744
<b>GROSS PROFIT</b>	<b>1,014,730,968</b>	1,019,754,687	1,041,168,701
<b>OTHER INCOME - Net</b> (Note 25)	<b>434,101,869</b>	42,824,607	25,429,435
<b>EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES</b> (Note 12)	<b>368,017,303</b>	311,383,190	274,205,770
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 30)	<b>(737,921,047)</b>	(685,614,937)	(746,927,681)
<b>INTEREST AND FINANCE CHARGES</b> (Notes 32)	<b>(156,354,108)</b>	(190,675,378)	(172,181,812)
<b>INCOME BEFORE INCOME TAX</b>	<b>922,574,985</b>	497,672,169	421,694,413
<b>PROVISION FOR INCOME TAX</b>	<b>(19,184,887)</b>	(30,214,528)	(41,905,606)
<b>NET INCOME</b>	<b>₱903,390,098</b>	₱467,457,641	₱379,788,807
Net income (loss) attributable to:			
Equity holders of the Parent Company	<b>₱704,683,156</b>	₱319,255,301	₱232,243,632
Non-controlling interests	<b>198,706,942</b>	148,202,340	147,545,175
	<b>₱903,390,098</b>	₱467,457,641	₱379,788,807
<b>EARNINGS PER SHARE</b> (Note 23)			
<b>BASIC</b>	<b>₱0.9076</b>	₱0.4112	₱0.2990
<b>DILUTED</b>	<b>₱0.9076</b>	₱0.4112	₱0.2991

*See accompanying Notes to Consolidated Financial Statements.*

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

	<b>January 1 to March 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>NET INCOME</b>	<b>₱903,390,098</b>	<b>₱467,457,641</b>	<b>₱379,788,807</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Cumulative translation adjustments	<b>42,230,719</b>	9,415,494	(63,648,578)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</i>			
Changes in fair value of equity investments carried at FVOCI (Note 11)	<b>7,183,233</b>	(719,627)	(1,824,775)
Revaluation increment on land	<b>30,517,850</b>	(1,250,000)	—
Remeasurement gains (losses) on net retirement liability	<b>1,091,051</b>	(73,701)	3,844,583
Total other comprehensive income (loss)	<b>81,022,853</b>	7,372,166	(61,628,770)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱984,412,951</b>	<b>474,829,807</b>	<b>₱318,160,037</b>
Total comprehensive income attributable to:			
Equity holders of the Parent Company	<b>₱764,581,864</b>	₱323,290,329	₱169,467,515
Noncontrolling interest in consolidated subsidiaries	<b>219,831,087</b>	151,539,478	148,692,522
	<b>₱984,412,951</b>	<b>₱474,829,807</b>	<b>₱318,160,037</b>

*See accompanying Notes to Consolidated Financial Statements.*

# HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the Group											
	Common Stock (Note 20)	Premium on Additional Paid-in Capital	Acquisition of Noncontrolling Interest	Revaluation Increment on Land - Net	Cumulative Translation Adjustment	Changes in fair value of equity investments carried at FVOCI	Remeasurement losses on Net Retirement Liability	Deposit for Future Subscription	Retained Earnings	Total	Attributable to Noncontrolling Interest	Total
For the Period Ended March 31, 2021												
Balances as at January 1, 2022	₱1,162,540,326	₱154,578,328	₱1,598,421,700	₱1,445,367,746	₱271,303,940	₱67,330,660	(₱101,768,611)	—	₱11,076,014,388	₱15,673,788,477	₱14,441,764,107	₱30,115,552,584
Restatement of retained earnings	—	—	—	—	—	—	—	—	—	—	—	—
Deposit for future subscription	—	—	—	—	—	—	—	486,402,476	—	486,402,476	—	486,402,476
Acquisition of noncontrolling interest	—	—	(4,291,058)	—	—	—	—	—	—	(4,291,058)	189,650,728	185,359,670
	1,162,540,326	154,578,328	1,594,130,642	1,445,367,746	271,303,940	67,330,660	(101,768,611)	486,402,476	11,076,014,388	16,155,899,895	14,631,414,835	30,787,314,730
Net income	—	—	—	—	—	—	—	—	704,683,157	704,683,157	198,706,942	903,390,099
Other comprehensive income	—	—	—	30,056,573	23,370,480	5,380,603	1,091,051	—	—	59,898,708	21,124,146	81,022,853
Total comprehensive income	—	—	—	30,056,574	23,370,480	5,380,603	1,091,051	—	704,683,157	764,581,865	219,831,088	984,412,952
Dividends declared by Parent Company	—	—	—	—	—	—	—	—	—	—	—	—
Dividends declared by subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—
Total dividends declared	—	—	—	—	—	—	—	—	—	—	—	—
Balances as at March 31, 2022	₱1,162,540,326	₱154,578,328	1,594,130,642	₱1,475,424,319	294,674,420	72,711,263	(100,677,560)	486,402,476	11,780,697,545	16,920,481,760	14,851,245,923	₱31,771,727,682
For the Period Ended March 31, 2021												
Balances as at January 1, 2021	₱1,162,540,326	₱154,578,328	₱1,623,004,873	₱1,294,577,413	₱225,003,108	₱175,482,289	(₱259,954,683)	—	₱9,785,834,055	₱14,161,096,308	₱7,693,090,171	₱21,854,186,436
Impact of PFRS 16 adoption	—	—	—	—	—	—	—	—	—	—	—	—
Acquisition of noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—	—
	1,162,540,326	154,578,328	1,623,004,873	1,298,881,074	245,958,913	314,796,038	(190,472,642)	—	10,070,067,278	14,161,096,308	7,693,090,171	21,854,186,436
Net income	—	—	—	—	—	—	—	—	319,255,301	319,255,301	148,202,340	467,457,641
Other comprehensive income	—	—	—	(602,250)	5,210,535	(532,470)	(40,786)	—	—	4,035,028	3,337,139	7,372,167
Total comprehensive income	—	—	—	(602,250)	5,210,535	(532,470)	(40,786)	—	319,255,301	323,290,329	151,539,478	474,829,807
Dividends declared by Parent Company	—	—	—	—	—	—	—	—	—	—	—	—
Dividends declared by subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—
Total dividends declared	—	—	—	—	—	—	—	—	—	—	—	—
Balances as at March 31, 2021	₱1,162,540,326	₱154,578,328	1,623,004,873	₱1,293,975,163	₱230,243,643	₱174,950,419	(₱259,995,469)	—	₱10,105,089,356	₱14,484,386,638	₱7,844,629,605	₱22,329,016,244

	For the Period Ended March 31, 2020											
Balances as at January 1, 2020	₱1,162,540,326	₱154,578,328	₱1,641,756,492	₱1,298,881,074	₱245,958,913	₱311,094,152	(₱188,329,963)	–	₱10,111,285,659	₱14,744,475,383	₱8,749,236,709	₱23,493,712,092
Conversion of Preferred Stock	–	–	–	–	–	–	–	–	–	(6,710,402)	–	(6,710,402)
Acquisition of noncontrolling interest	–	–	(18,751,619)	–	2,219,250	3,701,886	(2,142,679)	–	(41,218,381)	(56,191,544)	(3,778,456)	(59,970,000)
	1,162,540,326	154,578,328	1,623,004,873	1,298,881,074	245,958,913	314,796,038	(190,472,642)	–	10,070,067,278	14,681,573,437	8,745,458,253	23,427,031,690
Net income	–	–	–	–	–	–	–	–	232,243,632	232,243,632	147,545,175	379,788,807
Other comprehensive income	–	–	–	–	(63,529,365)	(5,276,368)	6,029,616	–	–	(62,776,117)	1,147,347	(61,628,770)
Total comprehensive income	–	–	–	–	(63,529,365)	(5,276,368)	6,029,616	–	232,243,632	169,467,515	148,692,522	318,160,037
Dividends declared by Parent Company	–	–	–	–	–	–	–	–	(86,528)	(86,528)	–	(86,528)
Dividends declared by subsidiaries	–	–	–	–	–	–	–	–	–	–	(37,956,997)	(37,956,997)
Total dividends declared	–	–	–	–	–	–	–	–	(86,528)	(86,528)	(37,956,997)	(38,043,525)
Balances as at March, 2020	₱1,162,540,326	₱154,578,328	₱1,623,004,873	₱1,298,881,074	₱184,648,798	₱309,519,670	(₱184,443,026)	–	₱10,302,224,382	₱14,850,954,424	₱8,856,193,778	₱23,707,148,202

*See accompanying Notes to Consolidated Financial Statements*

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

	Periods Ended March 31		
	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱922,574,985</b>	497,672,169	421,694,413
Adjustments for:			
Depreciation and amortization	<b>263,223,326</b>	297,768,552	319,063,576
Interest and finance charges	<b>156,354,108</b>	190,675,378	155,005,892
Movement in accrued retirement liability	<b>24,222,196</b>	27,847,807	14,065,664
Effects of exchange rates	<b>(6,566,009)</b>	(19,527,939)	(1,135,708)
FVPL loss (gain)	<b>—</b>	(592,846)	577,777
Gain on sale of assets	<b>(395,813,814)</b>	(2,824,744)	(1,698,979)
Interest income	<b>(22,878,646)</b>	(4,052,585)	(9,618,667)
Dividend income	<b>—</b>	(1,882,633)	(467,504)
Equity earnings in associates	<b>(368,017,303)</b>	(311,383,190)	(274,205,770)
Operating income working capital changes	<b>573,098,843</b>	673,699,969	623,280,694
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	<b>(551,897,720)</b>	783,154,699	(419,390,423)
Contract assets	<b>552,450,218</b>	(206,956,523)	(212,581,550)
Inventories	<b>(56,303,542)</b>	(276,435,245)	(286,461,214)
Prepaid expenses and other current assets	<b>(135,964,847)</b>	115,211,002	(354,664,867)
Receivable from related parties	<b>52,765,743</b>	(92,062,165)	(22,229,482)
Other noncurrent assets	<b>(87,570,208)</b>	62,422,024	701,084,800
Increase (decrease) in:			
Accounts payable and accrued expenses	<b>(36,682,699)</b>	(895,736,571)	601,592,560
Due to related parties	<b>6,367,128</b>	(2,211,145)	(122,824,025)
Contract liabilities	<b>205,457,188</b>	(376,219,194)	(752,939,806)
Other noncurrent liabilities	<b>(28,635,963)</b>	(97,674,648)	(17,877,063)
Net cash generated from (used for) operations	<b>493,084,141</b>	(312,807,797)	(263,010,376)
Interest received	<b>22,878,646</b>	4,052,585	9,618,667
Interest and finance charges paid	<b>(156,354,108)</b>	(190,675,378)	(155,005,892)
Income tax paid	<b>(28,392,853)</b>	(5,633,456)	39,050,634
Net cash flows provided by (used in) operating activities	<b>331,215,826</b>	(505,064,046)	(369,346,967)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of assets	<b>395,813,814</b>	2,824,744	1,698,979
Proceeds from disposal of investment properties	<b>220,000</b>	—	537,000
Proceeds from deposit for future subscription	<b>486,402,476</b>	—	—
Acquisition of software	<b>(7,696,841)</b>	(6,100,712)	(2,849,961)
Dividends received	<b>—</b>	1,882,633	467,504
Net cash flows used in investing activities	<b>874,739,449</b>	(1,393,335)	(146,478)

	<b>Periods Ended March 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds (payments) from:			
Loans payable	<b>1,900,030,822</b>	2,526,000,000	2,692,000,000
Long-term debt	<b>4,116,345</b>	497,454,761	63,987,397
Net Addition ( deduction) to minority interest	<b>206,483,818</b>	3,337,137	(100,558,106)
Cash dividends paid	—	—	(86,529)
Redemption of preferred shares	—	—	(6,710,402)
Payments of:			
Loans payable	<b>(3,311,500,000)</b>	(3,055,616,308)	(1,568,000,000)
Long-term debt	<b>(875,000,000)</b>	—	(346,428,571)
Net cash flows provided by (used in) financing activities	<b>(2,075,869,015)</b>	(28,824,410)	734,203,789
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	<b>6,566,011</b>	19,527,937	1,135,709
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(863,347,729)</b>	(515,753,854)	365,846,053
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>9,056,486,073</b>	3,218,733,775	2,686,669,074
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>₱8,193,138,344</b>	<b>₱2,702,979,921</b>	<b>₱3,052,515,127</b>

*See accompanying Notes to Consolidated Financial Statements*

## **HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES**

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

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#### **1. Corporate Information**

House of Investments, Inc. (the Parent Company) is a stock corporation incorporated under the laws of the Republic of the Philippines on May 21, 1959. As per Section 11 of Revised Corporation Code (RCC) enacted in 2020, a corporation shall have perpetual existence unless its articles of incorporation provide otherwise. Further explained in Securities and Exchange Commission (SEC) Memorandum Circular No. 22 Series of 2020, “the corporate term of a corporation with certificate of incorporation issued prior to the affectivity of the RCC and which continue to exist, shall be deemed perpetual upon the affectivity of the RCC, without any action on the part of the corporation.” Thus, there is no need to amend or extend Parent Company’s corporate life as it already enjoys perpetual existence.

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

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#### **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 statements include the Parent Company and the following companies that it controls:



	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership			
				2022		2021	
				Direct	Indirect	Direct	Indirect
		Insurance agent, financing, trading					
Investment Managers, Inc. (IMI)	Philippines		Philippine Peso	<b>100.00</b>	—	100.00	—
Landev Corporation	Philippines	Property management	Philippine Peso	<b>100.00</b>	—	100.00	—
San Lorenzo Ruiz Investment Holdings and Services Inc. (SLRHSI) <sup>(a)</sup>	Philippines	Holding company	Philippine Peso	<b>85.00</b>	—	100.00	—
Xamdu Motors, Inc. (XMI)	Philippines	Car dealership	Philippine Peso	<b>100.00</b>	—	100.00	—
(Forward)							
Zamboanga Carriers, Inc. (ZCI)	Philippines	Transportation	Philippine Peso	<b>100.00</b>	—	100.00	—
Zamboom Realty and Development Corporation (ZRDC)	Philippines	Real estate	Philippine Peso	<b>100.00</b>	—	100.00	—
Greyhounds Security and Investigation Agency Corp.	Philippines	Security agency	Philippine Peso	—	<b>100.00</b>	—	100.00
Hexagon Lounge, Inc.	Philippines	Restaurant	Philippine Peso	—	<b>100.00</b>	—	100.00
Secon Professional Security Training Academy Inc.	Philippines	Training service provider	Philippine Peso	—	<b>100.00</b>	—	100.00
HI Cars, Inc. (formerly Honda Cars Kalookan, Inc.; HCI) <sup>(b)</sup>	Philippines	Car dealership	Philippine Peso	<b>100.00</b>	—	100.00	—
La Funeraria Paz Sucat, Inc. (LFPSI)	Philippines	Memorial services	Philippine Peso	<b>50.00</b>	<b>13.00</b>	50.00	13.00
EEI Corporation (EEI)	Philippines	Construction	Philippine Peso	<b>55.34</b>	—	55.34	—
EEI Limited	British Virgin Islands	Holding company	US Dollar	—	<b>100.00</b>	—	100.00
Clear Jewel Investments, Ltd.	British Virgin Islands	Holding company	US Dollar	—	<b>100.00</b>	—	100.00
Nimaridge Investments, Limited	British Virgin Islands	Holding company	US Dollar	—	<b>100.00</b>	—	100.00
EEI (PNG), Ltd	Papua New Guinea	Holding company	US Dollar	—	<b>100.00</b>	—	100.00
EEI Corporation (Guam), Inc.	America	Construction	US Dollar	—	<b>100.00</b>	—	100.00
EEI Construction and Marine, Inc.	Philippines	Construction	Philippine Peso	—	<b>100.00</b>	—	100.00
EEI Realty Corporation (EEI Realty)	Philippines	Real estate	Philippine Peso	—	<b>100.00</b>	—	100.00
EEI Subic Corporation	Philippines	Construction	Philippine Peso	—	<b>100.00</b>	—	100.00
Equipment Engineers, Inc. (EE)	Philippines	Construction	Philippine Peso	—	<b>100.00</b>	—	100.00
JP Systems Asia Inc. (JPSAI)	Philippines	Rental of scaffolding and formworks	Philippine Peso	—	<b>60.00</b>	—	60.00
BiotechJP Corporation	Philippines	Manufacturing food and therapeutic food	Philippine Peso	—	<b>60.00</b>	—	60.00
Learn JP Corp	Philippines	Service for improvement in language proficiency	Philippine Peso	—	<b>60.00</b>	—	60.00
EEI Power Corporation (EPC)	Philippines	Power generation	Philippine Peso	—	<b>100.00</b>	—	100.00
Gulf Asia International Corporation (GAIC)	Philippines	Manpower services	Philippine Peso	—	<b>100.00</b>	—	100.00
GAIC Professional Services, Inc. (GAPSI)	Philippines	Manpower services	Philippine Peso	—	<b>100.00</b>	—	100.00
GAIC Manpower Services, Inc. (GAMSI)	Philippines	Manpower services	Philippine Peso	—	<b>100.00</b>	—	100.00
Bagumbayan Equipment & Industrial Products, Inc.	Philippines	Consultancy services	Philippine Peso	—	<b>100.00</b>	—	100.00
Philmark, Inc.	Philippines	Construction	Philippine Peso	—	<b>100.00</b>	—	100.00
Philrock Construction and Services, Inc.	Philippines	Manpower services	Philippine Peso	—	<b>100.00</b>	—	100.00
EEI Energy Solutions Corporation (EESC)	Philippines	Retail electricity supplier	Philippine Peso	—	<b>100.00</b>	—	100.00
EEI Carga Digital Logistics Corporation (EEI Carga) <sup>(c)</sup>	Philippines	Digital logistics	Philippine Peso	—	<b>100.00</b>	—	100.00
iPeople, inc. (IPO)	Philippines	Education and Information Technology	Philippine Peso	<b>48.18</b>	—	48.18	—
Malayan Education System, Inc. (MESI)	Philippines	Education and Information Technology	Philippine Peso	—	<b>100.00</b>	—	100.00
Malayan Colleges Laguna, Inc., A Mapua School (MCLI)	Philippines	Education and Information Technology	Philippine Peso	—	<b>100.00</b>	—	100.00
Malayan Colleges Mindanao (A Mapua School), Inc. (MCMI)	Philippines	Education and Information Technology	Philippine Peso	—	<b>100.00</b>	—	100.00
Malayan High School of Science, Inc. (MHSSI)	Philippines	Education and Information Technology	Philippine Peso	—	<b>100.00</b>	—	100.00
Mapua Information Technology Center, Inc. (MITC)	Philippines	Education and Information Technology	Philippine Peso	—	<b>100.00</b>	—	100.00
(Forward)							
Mapua Techserv, Inc. (MTI)	Philippines	Consultancy	Philippine Peso	—	<b>100.00</b>	—	100.00
Mapua Techpower Inc.	Philippines	Consultancy	Philippine Peso	—	<b>75.00</b>	—	75.00

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership			
				2022		2021	
				Direct	Indirect	Direct	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 Institute, Inc doing business under the Name and Style of LINC Academy	Philippines	Education and Information Technology	Philippine Peso	—	100.00	—	100.00

(a) On February 23, 2022, the Parent Company sold 1,612,759 SLRIHS shares to Sojitz Corporation resulting to decrease in percentage of ownership from 100% to 85%.

(b) In July 2021, Parent company acquired additional 27,000,000 shares resulting to 100% ownership of HCKI.

(c) On May 14, 2021, EEI Carga Digital Logistics Corporation was incorporated as a wholly owned subsidiary of EEI. EEI Carga's primary purpose it to own and operate a digital logistics platform that enables shippers to deliver their products through various transportation options available in the platform. EEI Carga's financial year end 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 Group loses control over a subsidiary, it:

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

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.

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### 3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2021. Adoption of these pronouncements did not have any significant impact on the Group's financial statements unless otherwise indicated.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond June 30, 2021*  
The amendment provides 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, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

The adoption of the amendments has no impact to the Group's consolidated financial statements since the Group has no lease concessions.

- 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 adoption of the amendment did not impact the Group's financial statement as of December 31, 2021.

#### 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 amends 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 amends 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.

#### Standards Issued But Not Yet Effective

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, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

The Group is still assessing the impact of the amendments to the consolidated financial statements.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their „significant“ accounting policies with a requirement to disclose their „material“ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The Group is still assessing the impact of the amends to the consolidated financial statements.

#### Effective beginning on or after January 1, 2024

- 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.

#### Effective beginning on or after January 1, 2025

- 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 (IASB) 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.

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## 4. Summary of Significant Accounting Policies

### **Leases - Group as a lessee**

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 less incentives received.

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

	Years
Land	5 to 66
Building	2 to 10

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

#### *Lease liabilities*

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

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

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

#### *Short-term leases and leases of low-value assets*

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

#### *Group as a lessor*

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

## **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 fulfillment 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 withdrawing from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill 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 include 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 March 31, 2022 and December 31, 2021.

*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's 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
- (c) 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) planning and design cost, cost of site preparation, professional fees, property taxes, construction overheads and other related costs that are directly attributable in bringing the real estate inventories to its intended condition.

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.

Materials issued but still uninstalled to construction projects are not considered as part of computation for percentage of completion of projects.

#### 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 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) exceed 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 Ventures

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 reduce 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	
				2022	2021
<b>Associates:</b>					
Hi-Eisai Pharmaceutical, Inc. (HEPI)	Philippines	Pharmaceutical	Philippine peso	<b>50.00</b>	50.00
Petroenergy Resources Corporation (PERC)	Philippines	Renewable energy	Philippine peso	<b>29.10</b>	29.10
PetroGreen Energy Corporation (PGEC) <sup>(a)</sup>	Philippines	Renewable energy	Philippine peso	<b>10.00</b>	10.00
T <sup>o</sup> boli Agro-Industrial Development, Inc.	Philippines	Agriculture	Philippine peso	<b>28.47</b>	28.47
Manila Memorial Park Cemetery, Inc. (MMPC)	Philippines	Funeral service	Philippine peso	<b>25.98</b>	25.98
Sojitz G Auto Philippines Corporation (SGAPC)	Philippines	Automotive distributor	Philippine peso	<b>20.00</b>	20.00
RCBC Realty Corporation (RRC)	Philippines	Realty	Philippine peso	<b>10.00</b>	10.00
Al-Rushaid Construction Company Limited (ARCC)	Saudi Arabia	Construction	Saudi riyal	<b>49.00</b>	49.00
PetroSolar Corporation (PSOC)	Philippines	Renewable energy	Philippine peso	<b>44.00</b>	44.00
<b>Joint ventures:</b>					
PetroWind Energy, Inc. (PWEI)	Philippines	Renewable energy	Philippine peso	<b>20.00</b>	20.00
Shinbayanihan Heavy Equipment Corporation (SHEC)	Philippines	Equipment rental	Philippine peso	<b>40.00</b>	40.00
BEO Distribution and Marketing Corporation (BEO DMC)	Philippines	Distribution and marketing	Philippine peso	<b>30.00</b>	30.00
Shimizu-Fujita-Takenaka-EEI Joint Venture (SFTE)	Philippines	Construction	Philippine peso	<b>5.00</b>	5.00
Acciona-EEI Joint Venture (AE)	Philippines	Construction	Philippine peso	<b>30.00</b>	30.00
DL E&C-EEI-HEC Joint Venture (DEH) <sup>(b)</sup>	Philippines	Construction	Philippine peso	<b>20.00</b>	20.00
LOTTE-GULERMAK-EEI Joint Venture (LGE) <sup>(b)</sup>	Philippines	Construction	Philippine peso	<b>25.00</b>	25.00

(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 2021

### 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 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 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 and commencement of an operating lease to another party. 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 asset's 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 and 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 financials of the Group's associate whose functional currency is not the Philippine Peso that is accounted for under equity method are translated to the presentation currency of the Parent Company in a similar manner. The exchange differences arising on the translation are taken directly to a separate component of equity under "Cumulative translation adjustments" account.

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

## Retirement Cost

### *Defined benefit plan*

The defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, if any, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of 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 35.

### 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.

### Treasury Shares

When the Group purchases the Group's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in equity (Note 21).

### Equity Reserve

Equity reserve consists 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 20).

#### Events After the Financial Reporting Date

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

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### **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 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 judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

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

*Recognition of revenue from construction contracts*

Under PFRS 15, the Group assessed that there is only one performance obligation for each construction agreement that it has entered and that revenue arising from such agreements qualify for recognition over time. The Group elected to use the input method to measure the progress of the fulfillment 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 (Note 24).

*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 24).

*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 March 31, 2022 and December 31, 2021, 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.

#### 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 ₱1.10 billion and ₱1.12 billion as of March 31, 2022 and December 31, 2021 respectively.

#### *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 ₱13.57 billion and ₱13.55 billion as of March 31, 2022 and December 31, 2021, respectively (Notes 7 and 8).

#### *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. For the investment in HEDC, the valuation made by the appraisers was based on sales comparison approach. The effects of COVID-19 were reflected in the selling price of comparable listings of real estate properties and were not accounted for separately.

The fair value of unquoted equity investments amounted to ₱0.41 billion and ₱0.42 billion as of March 31, 2022 and December 31, 2021, 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 March 31, 2022 and December 31, 2021 the aggregate carrying values of Receivables and Contract assets are disclosed in Notes 7 and 8 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 14 and 16).

*Valuation of land under revaluation basis*

The Group's parcel of land is 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 ₱8.29 billion as of March 31, 2022 and December 31, 2021. 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 14. There is no impairment loss recognized on these assets in 2021, 2020 and 2019. As at March 31, 2022 and December 31, 2021, the carrying value of goodwill amounted to ₱484.83 million (Note 14).

As to the Group's Property and equipment, Student relationship and Noncurrent assets, no impairment loss was recognized for the years ended March 31, 2022 and December 31, 2021, except for the provision for impairment in value of land recognized in 2019 amounting to ₱21.00 million (Notes 13 and 16).

#### *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. 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 ₱18.13 as of March 31, 2022 and December 31, 2021, whereas retirement liabilities amounted to ₱246.16 million and ₱223.03 million as of March 31, 2022 and December 31, 2021, respectively.

#### *Realizability of deferred tax assets*

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

#### *Classification of creditable withholding tax*

The Group classify its creditable withholding tax (CWT) as current when it is expected to be realized (e.g., will be used as tax credit against income taxes due) for at least twelve months after the reporting period. The portion of CWT that is expected to be realized after twelve months after the reporting period is classified as noncurrent. The Group classified CWTs amounting to ₱980.77 million as non-current as management assessed that it will not be used as tax credits within the next twelve months (Note 16).

CWT recognized by the Group is disclosed in Notes 10 and 16 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 17 and 33).

*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 ensures 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.

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## 6. Cash and Cash Equivalents

This account consists of:

	<b>Unaudited March 2022</b>	<b>Audited December 2021</b>
Cash on hand and in banks	<b>₱3,385,491,550</b>	₱2,929,391,629
Short-term investments	<b>4,807,646,794</b>	6,127,094,444
	<b>₱8,193,138,344</b>	₱9,056,486,073

Cash in banks earn 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 earn annual interest at the respective short-term investment rates.

Interest income from cash in banks and short-term investments amounted to ₱22.39 million, ₱3.03 million and ₱5.56 million for the periods ended March 31, 2022, 2021 and 2020, respectively (Note 25).



## 7. Receivables

This account consists of:

	Unaudited March 2022	Audited December 2021
Trade		
Construction and infrastructure	₱2,878,130,050	₱2,317,099,708
Education	1,129,293,877	1,251,619,696
Car dealership	277,419,225	254,215,348
Other services	95,874,674	93,779,985
Other receivables		
Advances to officers and employees	35,697,323	40,500,435
Receivables from plant	14,491,891	30,070,838
Receivable from sale of investment properties	16,937,262	19,288,160
Accrued referral incentives	18,361,673	17,285,545
Receivable from customers	11,673,145	16,061,797
Dividends receivable	4,413,097	10,414,928
Rent receivable	33,564	33,564
Others	294,188,373	157,705,764
	4,776,514,154	4,208,075,768
Less allowance for impairment	496,051,387	479,510,720
	₱4,280,462,767	₱3,728,565,048

### 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 ₱96.8 million and ₱140.8 million as at March 31, 2022 and December 31, 2021, 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 March 31, 2022 and December 31, 2021.

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.

*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 March 31, 2022 and December 31, 2021, the current portion of receivable amounted to ₱11.67 million and ₱16.06 million, respectively.

*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.

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**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 ₱9.29 billion and ₱9.82 billion as of March 31, 2022 and December 31, 2021, respectively.

Details of the Group's contract assets as of March 31, 2022 and December 31, 2021 are shown below.

	March 31, 2022		
	Current	Noncurrent	Total
<b>Contract asset</b>	<b>₱8,188,802,831</b>	<b>₱1,098,627,335</b>	<b>₱9,287,430,166</b>

	December 31, 2021		
	Current	Noncurrent	Total
<b>Contract asset</b>	<b>₱8,741,253,049</b>	<b>₱1,079,458,807</b>	<b>₱9,820,711,856</b>

### Contract Liabilities

Details of the Group's contract liabilities as of March 31, 2022 are shown below.

	<b>Unaudited March 2022</b>	<b>Audited December 2021</b>
Total contract liabilities	<b>₱1,883,824,594</b>	₱1,678,367,403
Less current portion	<b>1,196,575,561</b>	1,112,517,781
Total Non-current portion	<b>₱687,249,033</b>	₱565,849,622

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:

	<b>Unaudited March 2022</b>	<b>Audited December 2021</b>
Construction materials	<b>₱877,986,729</b>	₱832,425,956
Merchandise	<b>476,218,875</b>	474,292,929
Real estate:		
Land and land development	<b>152,685,109</b>	152,710,557
Raw lands	<b>45,098,913</b>	45,073,466
Subdivision lots and contracted units for sale	<b>40,661,404</b>	38,156,275
	<b>238,445,426</b>	235,940,298
Spare parts and supplies	<b>79,698,091</b>	73,386,396
	<b>1,672,349,121</b>	1,616,045,579
Less: Allowance for inventory obsolescence	<b>75,778,305</b>	75,778,306
	<b>₱1,596,570,816</b>	₱1,540,267,273

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:

	<b>Unaudited March 2022</b>	<b>Audited December 2021</b>
Balances at beginning of year	<b>₱235,940,298</b>	₱230,771,008
Construction/development costs incurred	<b>2,505,128</b>	12,683,984
Cost of real estate sales	—	(7,514,694)
Balances at end of period	<b>₱238,445,426</b>	₱235,940,298

The total cost of goods sold recognized in the Group's statements of comprehensive income amounted to ₱1.00 million, ₱0.95 million and ₱1.30 million in 2022, 2021 and 2020 respectively (Notes 27).

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

The roll-forward of allowance for inventory obsolescence is as follows:

	<b>Unaudited March 2022</b>	Audited December 2021
Balance at beginning of year	<b>₱75,778,306</b>	₱82,135,203
Provisions (Note 29)	—	8,728
Write-off	—	(6,365,625)
Balances at end of year	<b>₱75,778,306</b>	<b>₱75,778,306</b>

No inventories were pledged as security to obligations as of March 31, 2022 and December 31, 2021.

#### 10. Prepaid Expenses and Other Current Assets

This account consists of:

	<b>Unaudited March 2022</b>	Audited December 2021
Advances to suppliers and contractors	<b>₱602,013,613</b>	₱582,390,512
Prepaid expenses	<b>332,821,117</b>	278,971,080
Creditable withholding taxes	<b>283,761,883</b>	269,509,910
Miscellaneous deposits	<b>128,746,681</b>	131,535,400
Prepaid taxes	<b>113,758,578</b>	66,879,289
Input value added tax (VAT)	<b>80,505,790</b>	75,093,601
Bid deposit	<b>59,822,400</b>	59,822,400
Restricted funds	<b>56,733,006</b>	56,284,600
Advances to officers and employees	<b>54,787,655</b>	50,822,589
Restricted cash investments	<b>9,906,599</b>	31,947,640
Others	<b>117,373,762</b>	101,009,215
	<b>1,840,231,084</b>	1,704,266,236
Less allowance for impairment	<b>16,458,668</b>	16,458,668
	<b>₱1,823,772,416</b>	<b>1,687,807,568</b>

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.

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.

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 financial assets at FVPL, various deposits, other supplies, among others.

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

This account consists of:

	Unaudited March 2022	Audited December 2021
Quoted equity investments	₱192,540,255	₱109,266,412
Unquoted equity investments	410,013,183	418,103,584
	<b>₱602,553,438</b>	<b>₱527,369,996</b>

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

	Unaudited March 2022	Audited December 2021
Attributable to equity holders of the parent:		
Balance at beginning of year	₱67,330,660	₱175,482,889
Income (loss) recognized in OCI	5,380,603	(108,152,229)
Balance at end of year	72,711,263	67,330,660
Non-controlling interests:		
Balance at beginning of year	321,570,569	232,495,478
Income (loss) recognized in OCI	1,802,630	89,075,091
Balance at end of year	323,373,199	321,570,569
	<b>₱396,084,462</b>	<b>₱388,901,229</b>

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

The fair value of the Group's unquoted equity investments 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, 2021.

Dividends earned from equity investments at FVOCI amounted to nil and ₱35.2 million as of March 31, 2022 and December 31, 2021, respectively.

No equity investments at fair value through other comprehensive income (FVOCI) were pledged as security to obligations as of March 31, 2022 and December 31, 2021.

## 12. Investments in Associates and Joint Venture

The rollforward analysis of this account follows:

	Unaudited March 2022	Audited December 2021
Acquisition cost:		
Balances at beginning of year	₱4,236,124,304	₱4,690,263,520
Additions	—	—
Return of Investment in ARCC	—	(454,139,216)
Balance at end of year	4,236,124,304	4,236,124,304
Accumulated impairment loss	74,536,609	74,536,609
Accumulated equity in net earnings:		
Balance at beginning of year	3,531,781,119	2,459,727,726
Equity in net earnings	368,017,303	1,430,345,902
Dividends received	(131,691,411)	(358,292,509)
Balance at end of year	3,768,107,011	3,531,781,119
Subtotal	7,929,694,706	7,693,368,813
Share in other comprehensive income (loss) of an associate	(134,918,082)	(138,799,335)
Cumulative translation adjustment	255,862,076	279,554,830
	<b>₱8,050,638,700</b>	<b>₱7,834,124,308</b>

As of March 31, 2022 and December 31, 2021, no investments in associates were pledged as security to obligations.

## 13. Property and Equipment

*Property and equipment at revalued amount*

Movements in the revalued land are as follows:

	Unaudited March 2022	Audited December 2021
Balance at beginning of year	₱8,291,619,850	₱7,957,658,100
Additions (deductions):		
Reversal of impairment	—	—
Appraisal increase	—	333,961,750
Balance at end of period	<b>₱8,291,619,850</b>	<b>₱8,291,619,850</b>

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

*Property and equipment at cost*

The rollforward analysis of this account follows:

	<b>Unaudited March 22</b>	Audited December 2021
At Cost		
Land, Buildings and Improvements	<b>₱6,268,482,110</b>	₱6,258,490,188
Machinery, Tools and Construction Equipment	<b>5,388,800,793</b>	5,367,373,281
Furniture, Fixtures and Office Equipment	<b>1,263,396,135</b>	1,269,786,622
Transportation and Service Equipment	<b>3,371,790,859</b>	3,335,757,724
	<b>16,292,469,897</b>	16,231,407,815
Less: Accumulated Depreciation	<b>(9,991,403,338)</b>	(9,788,303,417)
	<b>6,301,066,559</b>	6,443,104,398
Construction in Progress	<b>1,569,237,062</b>	1,497,016,514
Net book value at Cost	<b>₱7,870,303,621</b>	₱7,940,120,912

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

#### 14. Goodwill

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

	<b>Unaudited March 22</b>	Audited December 2021
EEI Corporation and Subsidiaries	<b>₱300,859,305</b>	₱300,859,305
MESI	<b>137,853,346</b>	137,853,346
IPO	<b>32,644,808</b>	32,644,808
Business combination of IPO and AEI	<b>13,472,260</b>	13,472,260
	<b>₱484,829,719</b>	₱484,829,719

Assets acquired from AEI include investments in the following subsidiaries:

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

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

## 15. Investment Properties

The rollforward analysis of this account follows:

	Unaudited March 2022	Audited December 2021
<b>Cost</b>		
Balance at beginning of year	₱1,977,542,213	₱1,977,608,213
Reclassification	—	—
Disposals	(220,000)	(66,000)
Balance at end of year	<b>₱1,977,322,213</b>	<b>₱1,977,542,213</b>

Land classified as investment properties include the following:

- Parcel of land located in Makati owned by SLRHSI. 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 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, 2021 and of ₱6.6 million, ₱0.5 million, ₱0.2 million, ₱7.0 million and ₱0.2 million, respectively, as of December 31, 2021.
- Heritage lots held for capital appreciation of the Parent Company amounted to ₱2.0 million as of December 31, 2021.

As of December 31, 2021, the aggregate fair values of land amounted to ₱2.25 billion, which was determined based on valuation performed by an independent SEC accredited appraiser in 2021. 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).

In 2022, the Parent company sold heritage lots for ₱2.4 million. The Group recognized a gain of ₱2.2 million related to the sale.

None of the investment properties were pledged as a security to obligations as of March 31, 2022 and December 31, 2021.



# 16. Other Noncurrent Assets

This account consists of:

	Unaudited March 2022	Audited December 2021
Creditable withholding tax – noncurrent	₱980,770,125	₱924,336,073
Intellectual property rights	523,103,000	523,103,000
Deferred input VAT	147,480,189	162,009,652
Receivable from DANECO	54,570,275	54,570,275
Student relationship	38,183,606	43,761,227
Computer software	33,260,067	27,336,914
Miscellaneous deposit	27,081,140	27,081,140
Others	56,325,276	49,781,088
	<b>₱1,860,773,678</b>	<b>₱1,811,979,369</b>

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.

Miscellaneous deposits include rental and security deposits.

Rollforward of computer software follows:

	Unaudited March 2022	Audited December 2021
<b>Cost</b>		
Balance at the beginning of the year	₱163,955,660	₱144,137,032
Additions	7,696,841	20,131,041
Reclassification	(64,882)	(312,413)
Balance at the end of the year	171,587,619	163,955,660
<b>Accumulated Amortization</b>		
Balance at the beginning of the year	136,618,746	130,902,215
Amortization	1,708,806	5,716,531
Balance at the end of the year	138,327,552	136,618,746
<b>Net Book Value</b>	<b>₱33,260,067</b>	<b>₱27,336,914</b>

## 17. Accounts Payable and Other Current Liabilities

This account consists of:

	Unaudited March 2022	Audited December 2021
Accounts payable	₱5,753,620,613	₱5,919,553,024
Accrued expenses	374,828,054	288,359,148
Deferred output taxes	332,682,510	277,084,033
Output tax payable	171,134,034	137,643,666
Provisions	159,266,271	159,266,271
Withholding taxes and others	72,490,539	109,946,406
SSS and other contributions	46,949,015	47,316,542
Chattel mortgage payable	10,340,609	10,294,436
Payable to Land Transportation Office	4,494,006	4,227,497
Subscriptions payable	3,750,000	3,750,000
Deferred income	2,370,639	2,173,986
Dividends payable	1,644,634	2,137,962
Others	67,008,255	75,508,907
	<b>₱7,000,579,179</b>	<b>₱7,037,261,878</b>

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

Accrued expenses consist of:

	Unaudited March 2022	Audited December 2021
Accrued interest	₱77,459,479	₱68,985,444
Accrued salaries and wages	51,519,319	20,687,569
Accrued insurance	20,205,317	23,935,800
Accrued security services	19,341,831	15,805,414
Accrued professional fees	15,703,569	15,359,000
Accrued utilities	6,045,463	4,311,000
Others	184,553,076	139,274,921
	<b>₱374,828,054</b>	<b>₱288,359,148</b>

Other accrued expenses mainly consist of accrual for professional fees, security 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.

## 18. Loans Payable

This account consists of:

	Unaudited March 2022	Audited December 2021
Unsecured bank loans	<b>₱4,295,000,000</b>	₱5,306,469,178
Secured bank loans	-	400,000,000
	<b>₱4,295,000,000</b>	<b>₱5,706,469,178</b>

### Unsecured

Unsecured bank loans are obtained from local banks and related party financial institutions with annual interest rates ranging from 2.50% to 3.50% and 2.50% to 5.50% in March 31, 2022 and December 31, 2021, 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-availments/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.

Outstanding balance of short-term loans obtained by MCMI amounted to nil, and ₱400 million as at March 31, 2022 and December 31, 2021, respectively.

## 19. Long-term Debt

This account consists of:

	Unaudited March 2022	Audited December 2021
Fixed-rate corporate promissory notes	<b>₱7,212,061,376</b>	₱8,078,421,328
Fixed-rate term loan	<b>2,054,917,959</b>	2,059,441,662
	<b>9,266,979,335</b>	10,137,862,990
Less current portion of long-term debt	<b>3,470,641,537</b>	3,547,206,477
	<b>₱5,796,337,798</b>	<b>₱6,590,656,513</b>

### 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. The loan was fully paid in 2021.

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 3.9%. 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 3.3%. The promissory note matures within three (3) years from the date of issuance.

On March 22, 2021, the Group received ₱1,500 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 4.5%. The promissory note matures within three (3) years from the date of issuance.

On October 7, 2021, the Group received ₱2,500 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 4.8%. The promissory note matures within three (3) years from the date of issuance.

On December 3, 2021, the Group received ₱1,500 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 3.4%. 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.

In 2019, Biotech JP obtained an unsecured ₱47.60 million long-term loan from Biotech Japan Corporation that bears an annual interest of 0.30%. The loan is payable in equal semi-annual installments and will mature on September 13, 2030.

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.

### 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. As of December 30, 2020, total drawdown from the long-term loan facility amounted to ₱380 million. The ₱300 million is subject to 5.5% fixed rate and the ₱80 million is subject to 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 September 2021, the ₱80 million is converted to a 5.5% fixed rate based on the presumption that the interest rate will increase in the succeeding years.

The loan is subject to certain covenants including maintaining a maximum debt-to-equity structure ratio of 3:1. As of March 31, 2022 and December 31, 2021, NTC has complied with its covenant obligations, including maintaining the required debt-to-equity ratio.

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.

The loans were subject to certain positive and negative covenants such as the requirement for MESI to maintain its debt service cover ratio of at least 1.0 at all times and its debt-to-equity ratio of at least 75:25 starting on the third year of the loan reckoned from initial drawdown date or January 2022.

The aforementioned loans require the Group to maintain certain financial ratios such as debt to equity ratio, current ratio and debt service coverage ratio. As of March 31, 2022 and December 31, 2021, the Group is in compliance with the loan covenants.

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## **20. Retained Earnings**

On December 31, 2021, the Parent Company's BOD approved appropriation of retained earnings amounting to ₱3.5 billion, for planned investments and business expansion that the Parent Company intends to carry out for the next 2-3 years. On the same date, the Parent Company approved the reversal of ₱2.5 billion appropriations made in 2019 and 2018 following the completion of its previous planned investment and business expansion.

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 September 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 ₱3,578.7 million as of March 31, 2022 and December 31, 2021, 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 ₱1,043.3 million and ₱650.9 million as of March 31, 2022 and December 31, 2021, 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 ₱7,158.7 million and ₱6,849.9 million as of March 31, 2022 and December 31, 2021, respectively, not declared as dividends to the Group. Accordingly, these are not available for dividend declaration.

## 21. Capital Stock

The authorized preferred stock is 2,500,000,000 shares at ₱0.40 par value. A reconciliation of the number of preferred shares outstanding as at March 31, 2022, December 31, 2021 and 2020 follows:

	2022		2021		2020	
	Amount	Shares	Amount	Shares	Amount	Shares
Beginning of the year	₱—		₱6,710,402	16,776,001	247,414,156	618,535,387
Redemption of preferred stock			(6,710,402)	(16,776,001)		
Conversion of preferred stock to common stock	—	—	—	—	(240,703,754)	(601,759,386)
	₱—	—	₱—	—	₱6,710,402	16,776,001

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 March 31, 2022 and December 31, 2021 and 2020 follows:

	2022		2021		2020	
	Amount	Shares	Amount	Shares	Amount	Shares
Beginning of the year	₱1,162,540,326	776,465,281	₱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)
Conversion of preferred stock	—	—	—	—	240,703,754	160,469,167
	₱1,162,540,326	776,465,281	₱1,162,540,326	776,465,281	₱1,162,540,326	776,465,281

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			

On March 30, 2020, 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, the Parent Company's preferred shares have the following features:

- Entitled to dividends at the rate of average 91-day T-Bill plus two percent;
- 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  $\frac{3}{4}$  preferred shares to 1 common share for a price of ₱1.50 per common share subject to adjustments;
- 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
- 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 March 31, 2022:

Year	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities
<b>Preferred shares:</b>				
January 31, 2019	634,395,272			48
Movement	(15,859,885)	0.40	April 6, 2018	
December 31, 2019	618,535,387			48
Movement	(601,759,386)			
January 1, 2020	16,776,001			42
Movement	(16,776,001)			
December 31, 2020	—			—
Movement	—			—
December 31, 2021	—			—
Movement	—			—
<b>March 31, 2022</b>	—			—

**Common Shares:**

January 31, 2018	615,996,114	394
No Movement	—	—
December 31, 2018	615,996,114	386
Movement	160,469,167	
December 31, 2019	776,465,281	384
Movement	—	
December 31, 2020	776,465,281	384
Movement	—	
December 31, 2021	776,465,281	384
Movement	—	
<b>March 31, 2022</b>	<b>776,465,281</b>	<b>384</b>

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 was 584,085 at an offer price of ₱10.0 per share. Total number of common shareholders was 384 as of March 31, 2022 and December 31, 2021, respectively.

## 22. Cash Dividends

### Cash Dividends

The BOD declared cash dividends in 2020, 2019 and 2018 as follows; and none as of March 2022.

Date of BOD Approval	Amount	Amount per share		Record Date	Payment Date
		Preferred Shares	Common Shares		
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
	<b>₱63,342,105</b>				
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
	<b>₱64,772,686</b>				



## 23. Earnings Per Share

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

### *Unaudited basic earnings per share*

	January to March 31		
	2022	2021	2020
Net income attributable to equity holders of parent company	<b>₱704,683,156</b>	319,255,301	232,243,632
Less dividends attributable to preferred shares (Note 21)	—	—	86,529
Net income applicable to common shares	<b>704,683,156</b>	319,255,301	232,157,103
Divided by the weighted average number of common shares	<b>776,465,281</b>	776,465,281	776,465,281
Basic earnings per share	<b>₱0.9076</b>	₱0.4112	₱0.2990

### *Unaudited diluted basic earnings per share*

	January to March 31		
	2022	2021	2020
Net income applicable to common shares	<b>₱704,683,156</b>	319,255,301	232,157,103
Add dividends attributable to preferred shares	—	—	86,529
Net income applicable to common shares for diluted earnings per share	<b>704,683,156</b>	319,255,301	232,243,632
Weighted average number of common shares	<b>776,465,281</b>	776,465,281	776,465,281
Dilutive shares arising from convertible preference shares	—	—	—
Weighted average number of common shares for diluted earnings per share	<b>776,465,281</b>	776,465,281	776,465,281
Diluted earnings per share	<b>₱0.9076</b>	0.4112	₱0.2991

## 24. Revenue from Contracts with Customers

Set out below is the disaggregation of the Group's revenue from contracts with customers for the quarter ended March 31, 2022, 2021 and 2020:

	January 1 to March 31		
	2022	2021	2020
Revenue from construction contracts	<b>₱2,772,867,277</b>	₱3,358,699,031	₱4,892,631,019
Sales of goods	<b>1,065,379,267</b>	1,014,226,036	1,378,558,299
Sales of services	<b>572,577,583</b>	464,793,622	613,147,184
Schools and related operations	<b>870,501,961</b>	803,005,470	957,349,943
	<b>₱5,281,326,088</b>	₱5,640,724,159	₱7,841,686,445

## 25. Other Income

This account consists of:

	January 1 to March 31		
	2022	2021	2020
Gain on sale of assets	<b>₱395,813,814</b>	₱2,824,744	₱1,698,979
Interest income	<b>22,878,646</b>	4,052,585	9,618,667
Space and car rental	<b>7,345,802</b>	—	2,273,257
Foreign exchange gain (loss)	<b>6,566,009</b>	19,527,939	1,135,708
Dividend income	—	1,882,633	467,504
Rental income	<b>1,275,939</b>	2,206,365	2,915,032
Tax refund/discount	—	666,954	—
Miscellaneous	<b>221,659</b>	11,663,387	7,320,288
	<b>₱434,101,869</b>	<b>₱42,824,607</b>	<b>₱25,429,435</b>

Interest income consists of income from:

	January 1 to March 31		
	2022	2021	2020
Cash in banks and short-term investments	<b>₱22,385,624</b>	₱3,026,397	₱5,564,859
Installment contract receivable	<b>408,276</b>	—	—
Receivable from EEI-RFI	—	542,106	1,224,726
Interest on loans receivable	—	256,696	—
Others	<b>84,746</b>	227,386	2,829,082
	<b>₱22,878,646</b>	<b>₱4,052,585</b>	<b>₱9,618,667</b>

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

## 26. Costs of Sales and Services

This account consists of:

	January 1 to March 31		
	2022	2021	2020
Cost of services (Note 28)			
Cost of construction contracts	<b>₱2,417,911,945</b>	₱2,932,474,497	₱4,518,477,564
Cost of manpower and other services	<b>369,599,272</b>	291,625,618	402,508,369
	<b>2,787,511,217</b>	3,224,100,115	4,920,985,933
Cost of goods sold			
Cost of merchandise sold (Note 27)	<b>1,002,409,027</b>	948,923,905	1,298,891,505
Cost of real estate sold (Note 9)	—	1,628,468	1,716,396
	<b>1,002,409,027</b>	950,552,373	1,300,607,901
Cost of schools and related operations (Note 29)	<b>476,674,876</b>	446,316,984	578,923,910
	<b>₱4,266,595,120</b>	<b>₱4,620,969,472</b>	<b>₱6,800,517,744</b>

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## 27. Costs of Merchandise Sold

This account consists of:

	January 1 to March 31		
	2022	2021	2020
Inventory, beginning	<b>₱1,932,875,102</b>	₱2,407,832,777	₱2,450,443,330
Purchases	<b>424,463,641</b>	464,700,246	1,253,702,171
Total goods available for sale	<b>2,357,338,743</b>	2,872,533,023	3,704,145,501
Less inventory end	<b>1,358,125,390</b>	1,932,875,102	2,407,832,777
Cost of inventories sold	<b>999,213,353</b>	939,657,921	1,296,312,724
Personnel expenses	<b>2,058,487</b>	5,957,078	1,653,985
Others	<b>1,137,187</b>	3,308,906	924,796
	<b>₱1,002,409,027</b>	₱948,923,905	₱1,298,891,505

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## 28. Costs of Services

This account consists of:

	January to March 31		
	2022	2021	2020
Cost of construction contracts			
Labor	<b>₱1,148,467,400</b>	₱942,977,761	₱1,407,010,574
Equipment costs and others	<b>579,322,552</b>	824,759,616	1,325,270,785
Materials	<b>595,371,755</b>	1,045,227,558	1,674,056,989
Depreciation and amortization	<b>94,750,238</b>	119,509,563	112,139,216
	<b>2,417,911,945</b>	2,932,474,498	4,518,477,564
Cost of manpower and other services			
Personnel expenses	<b>248,605,610</b>	171,869,687	181,888,247
Materials	<b>55,873,312</b>	59,792,175	91,393,564
Parts and accessories	<b>35,511,453</b>	24,357,882	74,184,070
Depreciation and amortization	<b>832,670</b>	1,913,236	2,220,265
Others	<b>28,776,227</b>	33,692,637	52,822,223
	<b>369,599,272</b>	291,625,617	402,508,369
	<b>₱2,787,511,217</b>	₱3,224,100,115	₱4,920,985,933

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## 29. Cost of Schools and Related Operations

This amount consists of:

	January to March 31		
	2022	2021	2020
Personnel expenses	<b>₱250,759,082</b>	₱239,159,289	₱291,266,105
Depreciation and amortization	<b>81,895,458</b>	84,439,966	92,852,600
Periodicals	<b>26,614,878</b>	23,518,645	17,455,310
IT Expense - Software License	<b>23,942,124</b>	19,358,232	12,266,724
Management and other professional fees	<b>23,750,834</b>	20,760,384	47,842,414
Student-related expenses	<b>15,715,276</b>	14,739,679	35,781,051
Utilities	<b>13,379,151</b>	11,261,816	28,402,526
Repairs and maintenance	<b>12,279,944</b>	5,371,605	7,130,565
Accreditation cost	<b>5,855,606</b>	571,322	3,037,095
Taxes and licenses	<b>4,828,836</b>	3,939,816	5,804,183
Advertising	<b>4,278,881</b>	1,782,479	2,111,645
Insurance	<b>3,925,229</b>	1,919,587	2,261,647
Research and development	<b>3,211,197</b>	5,371,427	2,560,844
Tools and library books	<b>2,679,612</b>	1,504,494	10,825,123
Seminar	<b>858,680</b>	1,674,827	1,605,479
Laboratory supplies	<b>689,912</b>	315,597	3,021,445
Office supplies	<b>643,571</b>	799,311	3,121,300
Entertainment, amusement and recreation	<b>221,194</b>	277,182	481,288
Transportation and travel	<b>124,883</b>	187,717	570,190
Rent	<b>43,250</b>	8,258,114	(159,484)
Miscellaneous	<b>977,278</b>	1,105,495	10,685,860
	<b>₱476,674,876</b>	₱446,316,984	₱578,923,910

## 30. General and Administrative Expenses

This account consists of:

	January to March 31		
	2022	2021	2020
Personnel expenses	<b>₱301,120,701</b>	₱308,186,874	₱328,438,776
Depreciation and amortization	<b>85,744,959</b>	91,905,788	111,851,495
Taxes and licenses	<b>89,686,038</b>	29,087,371	39,310,017
Rent, light and water	<b>30,309,915</b>	26,149,514	30,954,563
Advertising and promotions	<b>28,752,502</b>	16,310,052	40,905,657
Transportation and travel	<b>20,851,824</b>	17,042,346	25,223,787
Professional fees	<b>8,585,678</b>	8,054,533	16,821,051
Securities and utilities	<b>18,252,943</b>	17,301,214	16,849,549
Repairs and maintenance	<b>22,975,504</b>	25,299,025	17,859,357
Entertainment, amusement and recreation	<b>4,799,381</b>	3,716,941	13,372,386
Management and other fees	<b>23,886,270</b>	34,108,140	12,216,742
Direct expenses	<b>2,232,124</b>	6,084,647	4,937,911
Insurance	<b>6,285,364</b>	7,392,558	6,846,785
Commissions	<b>10,243,559</b>	8,418,975	5,378,515
Office expenses	<b>2,162,196</b>	4,451,513	5,425,060
Seminars	<b>15,798,516</b>	3,658,507	15,478,250
Donations and contributions	<b>492,536</b>	18,009	30,000
Provision for probable losses	<b>5,259,957</b>	7,769,475	12,660,205
Miscellaneous	<b>60,481,080</b>	70,659,455	42,367,575
	<b>₱737,921,047</b>	₱685,614,937	₱746,927,681

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

### 31. Depreciation and amortization

This account consists of:

	January to March 31		
	2022	2021	2020
Cost of construction contracts (Note 28)	<b>₱94,750,238</b>	₱119,509,563	₱112,139,216
General and administrative expenses (Note 30)	<b>85,744,959</b>	91,905,788	111,851,495
Cost of school and related operations (Note 29)	<b>81,895,458</b>	84,439,966	92,852,600
Cost of manpower and other services (Note 28)	<b>832,670</b>	1,913,236	2,220,265
	<b>₱263,223,325</b>	₱297,768,553	₱319,063,576

### 32. Interest and Finance Charges

	January to March 31		
	2022	2021	2020
Loans payable	<b>₱40,124,524</b>	₱118,374,231	₱101,072,068
Long-term debt	<b>96,819,793</b>	55,465,527	50,212,669
Interest on lease liabilities	<b>19,409,791</b>	14,026,026	16,949,254
Advances to affiliates and other finance charges	–	2,809,594	3,947,821
	<b>₱156,354,108</b>	₱190,675,378	₱172,181,812

### 33. Contingencies and commitments

#### Provisions and Contingencies

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

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

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### 34. Non-controlling Interest

Non-controlling interest in consolidated subsidiaries represents shareholdings in subsidiaries not held by the Group.

Dividends paid to non-controlling interest in consolidated subsidiaries amounted to ₱99.68 million, ₱37.96 million and ₱14.75 million as at March 31, 2022, 2021 and 2020, respectively.

#### *Material Partly-Owned Subsidiaries*

In February 2022, the Parent Company sold 1,612,759 SLRHSI shares to Sojitz Corporation amounting to ₱674,254,057 resulting to a gain on sale of shares amounting to ₱389.17 million. The sale resulted to decrease in percentage of ownership of the Parent Company on SLRHSI from 100% to 85%.

In July 2021, the Parent Company purchased additional 27,000,000 HCI shares for ₱9.18 million or 0.34 per share resulting to an increase in ownership interest from 55.00% to 100.00%. The non-controlling interest decreased from 45.00% to 0.00%.

On December 23, 2021, EEI issued and listed in the PSE non-convertible preferred shares generating net proceeds of ₱5.96 billion.

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 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 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.

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 Company'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 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.

The Group recognized equity reserve from the changes in ownership without loss of control amounting to ₱1,594.4 million as of March 31, 2022. This was included in "Equity reserve" representing the excess consideration paid for the carrying amount of the non-controlling interest.

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### 35. Operating Segment Operation

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:

Construction and Infrastructure - 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 services - 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.

Automotive - represents car 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.

**House of Investments Inc. and Subsidiaries**  
**Unaudited Operating Segment**  
**For the Quarters Ended March 31, 2022 and 2021**

	Construction and Infrastructure		Automotive		Education		Property Services		Others		Eliminations		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Revenues</b>	<b>3,158,861</b>	3,650,512	<b>1,156,495</b>	1,064,126	<b>870,502</b>	803,005	<b>65,864</b>	55,211	<b>207,161</b>	92,534	<b>(177,558)</b>	(24,664)	<b>5,281,326</b>	5,640,724
<b>Net Income (Loss)</b>	<b>209,136</b>	136,563	<b>25,730</b>	26,109	<b>196,539</b>	171,110	<b>44,800</b>	44,036	<b>563,828</b>	89,548	<b>(136,643)</b>	92	<b>903,390</b>	467,458
<b>Other Information</b>														
Segment Assets	<b>31,521,339</b>	32,215,073	<b>10,166,939</b>	2,251,707	<b>15,809,868</b>	16,128,644	<b>2,693,032</b>	2,287,015	<b>7,149,788</b>	7,416,755	<b>(10,613,815)</b>	(3,105,432)	<b>56,727,150</b>	57,193,762
Segment Liabilities	<b>18,028,637</b>	18,874,379	<b>9,070,189</b>	1,168,187	<b>4,493,526</b>	5,008,841	<b>209,405</b>	306,186	<b>1,024,802</b>	1,781,819	<b>(7,871,134)</b>	(61,201)	<b>24,955,424</b>	27,078,209
Investments in Associates	<b>3,524,161</b>	3,259,613	-	-	-	-	<b>6,750</b>	6,750	<b>6,114,157</b>	6,399,238	<b>(1,594,429)</b>	(1,831,477)	<b>8,050,639</b>	7,834,124



**HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES****SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON  
SRC RULE 68 AS AMENDED****March 31, 2022**

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 ₱602.6 million do not constitute 5% or more of the total current assets of the Group as at March 31, 2022.

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

As of March 31, 2022, the Group has no receivable above P1 million or 1% of the total assets, from directors, officers, employees, and principal stockholders (other than related parties).

Schedule C. Amounts Receivable from/Payable to 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 March 31, 2022:

Name and designation of debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts written-off	Balance at end of period
<b><i>Landev Corporation</i></b>					
Due from affiliates	3,848,012	1,075,200	(1,375,284)		3,547,928
Dividends receivable	49,999,850				49,999,850
	53,847,862	1,075,200	(1,375,284)	-	53,547,778
<b><i>Greyhounds Security and Investigation Agency Corporation</i></b>					
Due from affiliates	765,532	37,957			803,489
Dividend receivable	17,999,064				17,999,064
	18,764,596	37,957	-	-	18,802,553
<b><i>Investment Managers, Inc.</i></b>					
Due from affiliates	4,894,281	34,475			4,928,756
	4,894,281	34,475	-	-	4,928,756
<b><i>iPeople, inc. and subsidiaries</i></b>					
Due from affiliates	13,488,728	24,799,245	(9,330,146)		28,957,827
	13,488,728	24,799,245	(9,330,146)	-	28,957,827
<b><i>EEI Corporation and subsidiaries</i></b>					
Due from affiliates	2,400,000	1,200,000	(2,000,000)		1,600,000
	2,400,000	1,200,000	(2,000,000)	-	1,600,000
<b><i>La Funeraria Paz Sucat, Inc.</i></b>					
Due from affiliates	433,328	1,325,475	(894,850)		863,953
	433,328	1,325,475	(894,850)	-	863,953
<b><i>Zambowood Realty and Development Corp</i></b>					
Due from affiliates	15,743				15,743
Dividend receivable	277,098				277,098
	292,841	-	-	-	292,841
<b><i>Xamdu Motors, Inc.</i></b>					
Due from affiliates	15,328				15,328
	15,328	-	-	-	15,328
<b><i>Zamboanga Carriers, Inc</i></b>					
Due from affiliates	18,630				18,630
	18,630	-	-	-	18,630
<b><i>Hexagon Lounge, Inc.</i></b>	-				-
Dividend receivable					
	55,370	-	-	-	55,370
<b><i>San Lorenzo Ruiz Investment Holdings</i></b>	-				-
Due from affiliates	1,472,602	1,334,740			2,807,342
	1,472,602	1,334,740	-	-	2,807,342
<b><i>Secon Professional</i></b>	-				-
Due from affiliates	89,911				89,911
	89,911	-	-	-	89,911
<b><i>Honda Cars Kaloookan</i></b>	-				-
Due from affiliates	1,016,414				1,016,414
	1,016,414	-	-	-	1,016,414

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 March 31, 2022, 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	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	₱484,829,719	₱-	₱-	₱-	₱-	₱484,829,719
Intellectual property rights	523,103,000	-	-	-	-	523,103,000
Student relationship	43,761,227	-	(5,577,621)	-	-	38,183,606
Computer software	27,336,914	7,696,841	(1,708,806)	-	(64,882)	33,260,067
	₱1,097,361,626	₱7,696,841	(1,708,806)	₱-	₱(64,882)	₱1,103,284,779

#### Schedule E. Long-term Debt

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

Type of Obligation	Amount	Current	Noncurrent
<b>EEI</b>			
Floating-rate corporate promissory notes with effective interest of 3.25%, 3.42%, 3.50%, 4.50% per annum for 3 years,	₱7,212,061,376	₱3,392,164,444	₱3,819,896,932
<b>Biotech JP</b>			
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	179,678,893	57,475,693	122,203,200
<b>MCM</b>			
Peso-denominated ten (10) year term loan, payable in 20 equal quarterly payments which will start at the end of 21st quarter from the initial drawdown date. Interest is subject to quarterly repricing	1,495,239,066	-	1,495,239,066
<b>NTC</b>			
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	380,000,000	21,001,400	358,998,600
	₱9,266,979,335	₱3,470,641,537	₱5,796,337,798

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

As at March 31, 2022, 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 March 31, 2022.

Schedule H. Capital Stock

<b>Title of issue</b>	<b>Number of shares authorized</b>	<b>Number of shares issued and outstanding as shown under related statement of financial position caption</b>	<b>Number of shares held by related parties</b>	<b>Directors, Officers and Employees</b>	<b>Others</b>
Common shares	1,250,000,000	776,465,281	574,655,552	2,368,580	199,441,149
Preferred shares	2,500,000,000	—	—	—	—

**HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES**

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND  
DECLARATION  
FOR THE QUARTER ENDED MARCH 31, 2022**

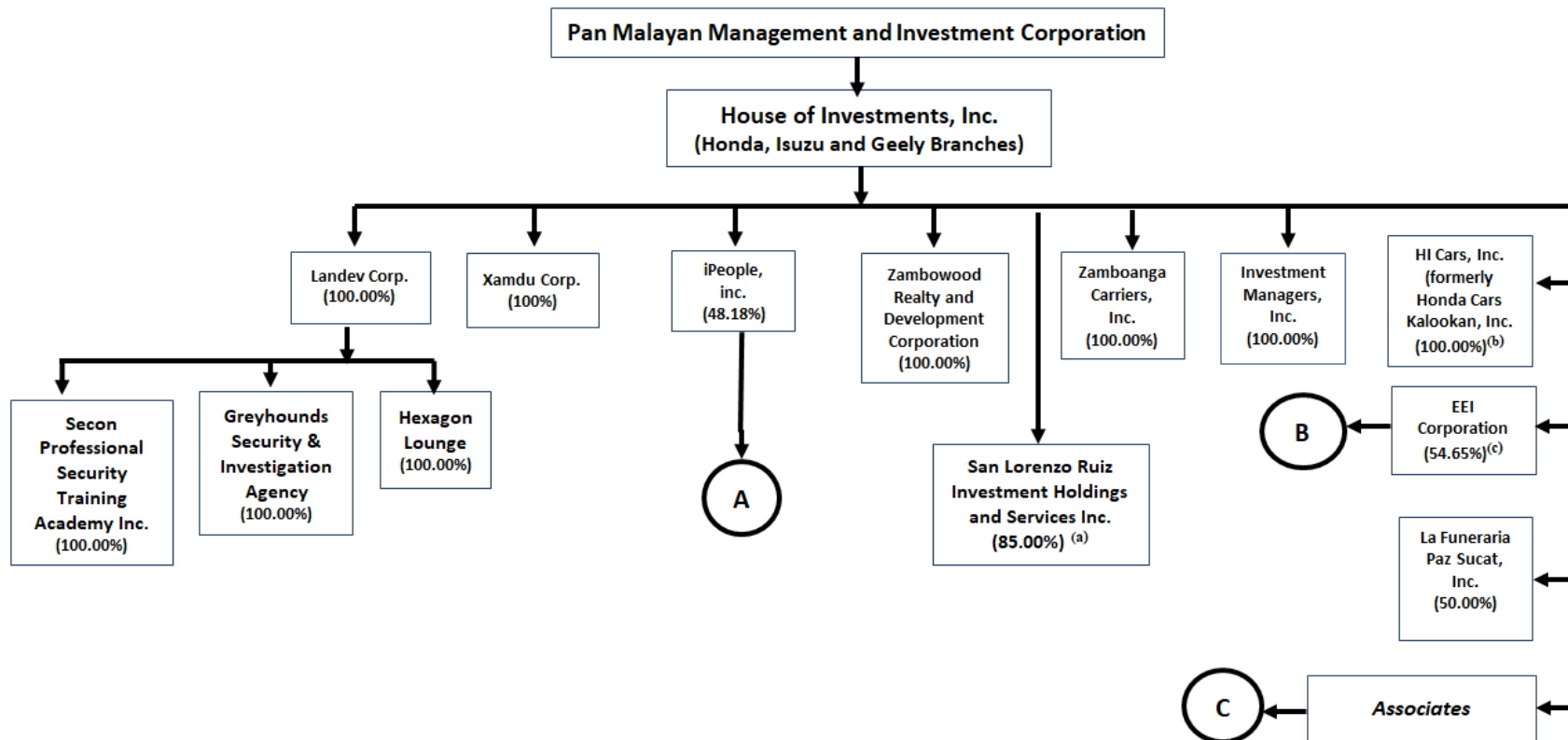
Items	Amount
Unappropriated retained earnings, beginning	₱ 647,326,761
Cumulative prior year adjustments on provision for deferred taxes	(76,131,977)
Unappropriated retained earnings as adjusted, beginning	571,194,784
Net income for the year	472,102,482
Provision for deferred income tax through profit or loss	—
Net income realized	472,102,482
Dividends declaration during the year	—
Appropriations of retained earnings during the year	—
Reversal of appropriations during the year	—
<b>Unappropriated retained earnings, as adjusted, ending</b>	<b>₱1,043,297,266</b>

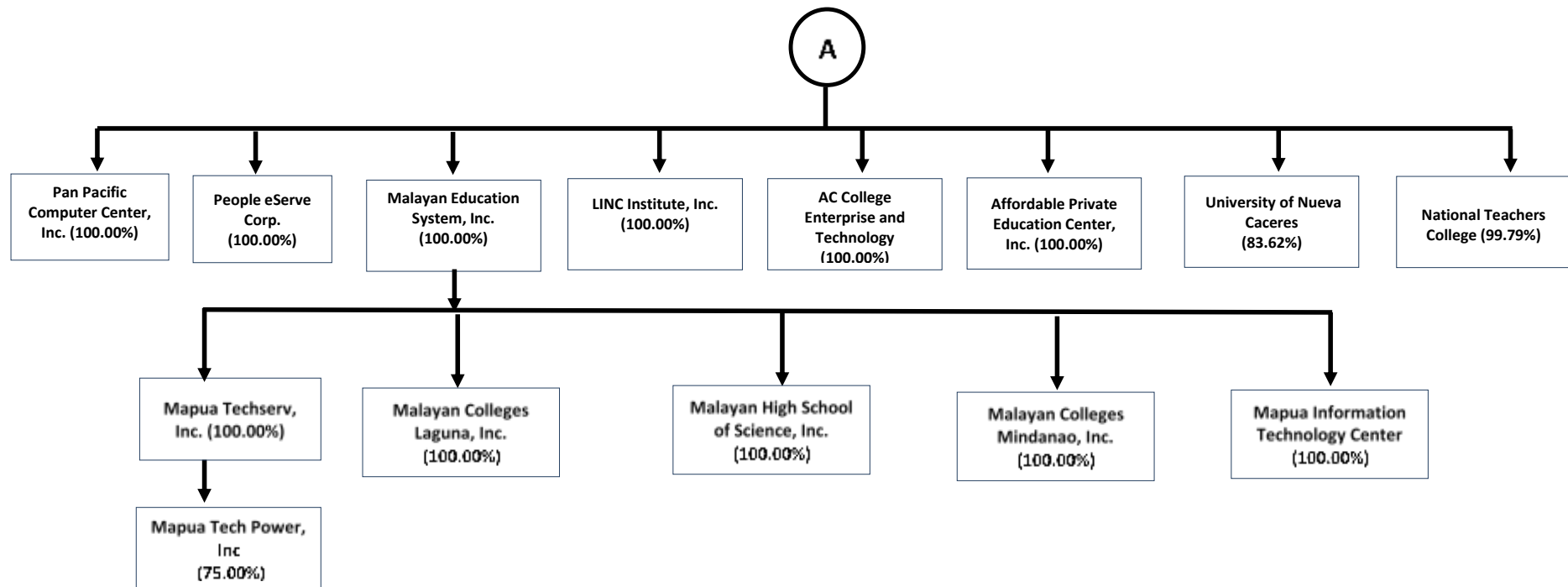
## HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

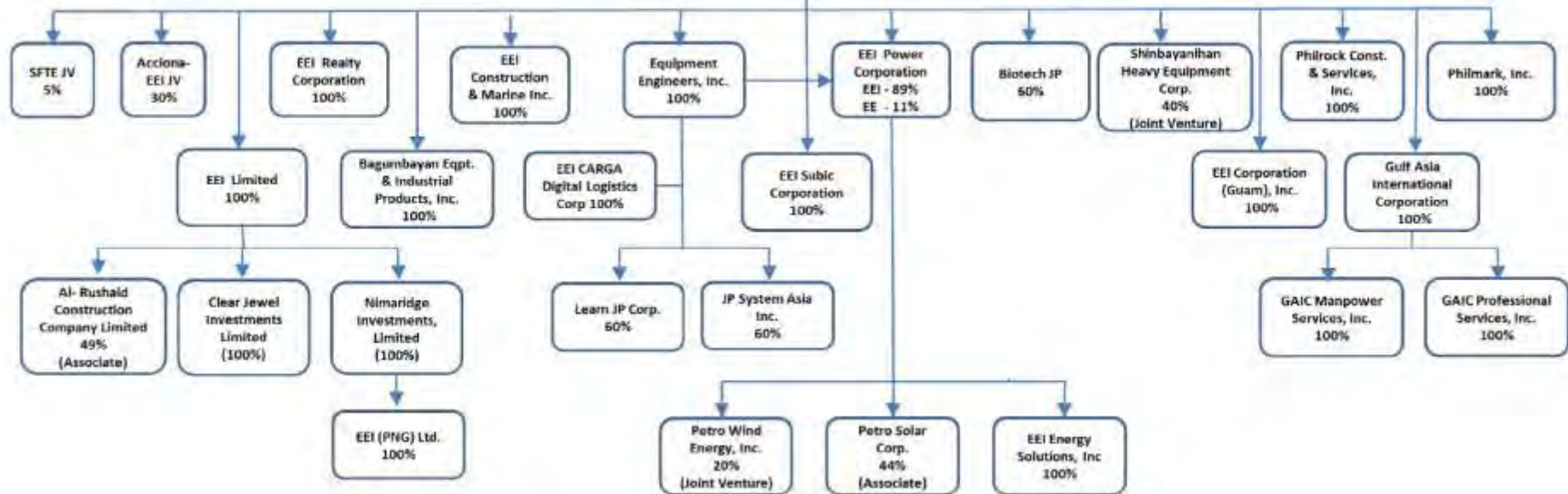
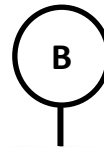
### MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

#### Group Structure

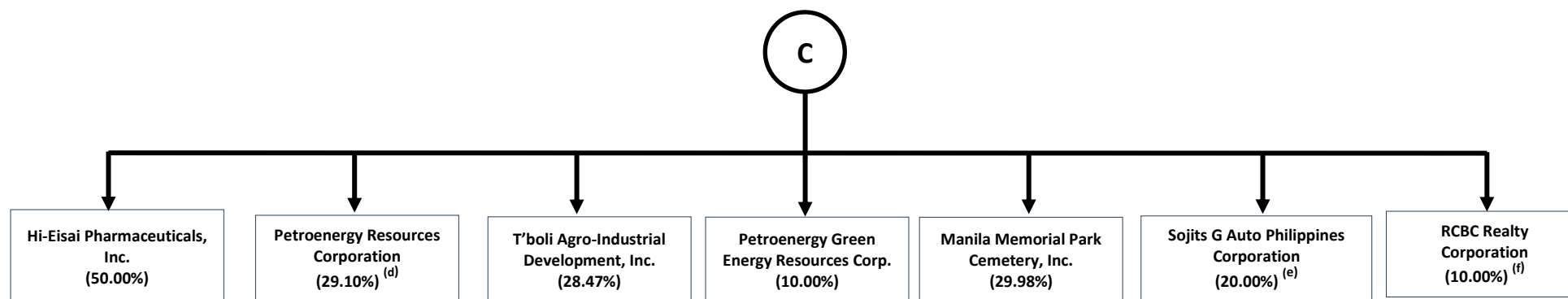
Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of March 31, 2022:











*a. On February 23, 2022, the Parent Company sold 1,612,759 SLRHSI shares to Sojitz Corporation amounting to ₱674,254,057 resulting to a gain on sale of shares amounting to ₱389.17 million. The sale resulted to decrease in percentage of ownership of the Parent Company on SLRHSI from 100% to 85%.*

*b. In July 2021, Parent company purchased additional 27 million shares of HCKI resulting to 100% ownership.*

*c. In November 2019, Parent purchased additional 3 million shares resulting to an increased ownership interest from 54.36 to 54.65%.*

*d. In 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%.*

*e. In 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.*

*f. In 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.*

**HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES****AGING OF ACCOUNTS RECEIVABLE  
FOR THE QUARTER ENDED MARCH 31, 2022**

	<b>TOTAL</b>	<b>No. of days due</b>		
		<b>0-30</b>	<b>31-60</b>	<b>Over 61 days</b>
Construction	<b>₱2,878,130,050</b>	1,461,032,050	690,209,000	726,889,000
Car Dealership	<b>277,419,225</b>	163,274,599	56,233,023	57,911,603
Education	<b>1,129,293,877</b>	429,258,571	242,506,464	457,528,842
Parent and Others	<b>491,671,002</b>	289,372,107	99,661,971	102,636,924
Total	<b>4,776,514,154</b>	2,342,937,327	1,088,610,458	1,344,966,369
Less: Allowance for doubtful accounts	<b>(496,051,387)</b>	—	—	(496,051,387)
	<b>₱4,280,462,767</b>	<b>₱2,342,937,327</b>	<b>₱1,088,610,458</b>	<b>₱848,914,982</b>

## SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Makati on May 13 MAY, 2022

IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this 13 MAY 2022 day of May, 2022 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 13 MAY 2022, at MAKATI CITY. Affiant exhibited to me their Residence Certificate Numbers indicated below each name.

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

Doc. No. 58;  
Page No. 12;  
Book No. 28;  
Series of 2022

**ATTY. JOSELINO N. SUCION**  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2023  
U-203 CARREON BLDG.  
2746 ZENAIDA ST. POBLACION, MAKATI CITY  
IBP NO. 165458/01/02/2022  
PTR NO. 8851817/01/03/2022  
MCLE COMPLAINT NO. VI-0018184/2-28-19  
ROLL NO. 60799  
APPOINTMENT NO. M-078