

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended
Sep 30, 2021
2. SEC Identification Number
15393
3. BIR Tax Identification No.
000-463-069-000
4. Exact name of issuer as specified in its charter
House of Investments, Inc.
5. Province, country or other jurisdiction of incorporation or organization
Manila, Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
9th Floor Grepalife Building 219 Sen. Gil Puyat Ave. Makati City
Postal Code
1200
8. Issuer's telephone number, including area code
(632) 815-9636
9. Former name or former address, and former fiscal year, if changed since last report
NA
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	776,465,281

11. Are any or all of registrant's securities listed on a Stock Exchange?

Yes No

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

Philippine Stock Exchange - Common

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the

Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

Yes No

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

Yes No

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



House of Investments, Inc. HI

PSE Disclosure Form 17-2 - Quarterly Report *References: SRC Rule 17 and Sections 17.2 and 17.8 of the Revised Disclosure Rules*

For the period ended	Sep 30, 2021
Currency (indicate units, if applicable)	PHP

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2021	Dec 31, 2020
Current Assets	20,702,227,309	20,656,470,704
Total Assets	52,387,701,124	51,885,475,986
Current Liabilities	21,276,975,674	20,180,589,594
Total Liabilities	29,157,489,296	30,031,289,550
Retained Earnings/(Deficit)	10,801,439,074	9,785,834,055
Stockholders' Equity	23,230,211,828	21,854,186,436
Stockholders' Equity - Parent	15,126,998,414	14,161,096,309
Book Value per Share	29.92	28.15

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	5,540,677,752	6,152,082,987	17,648,073,777	16,611,708,685
Gross Expense	4,704,647,455	5,765,547,059	14,804,753,859	16,027,212,260
Non-Operating Income	374,712,230	249,913,690	1,125,678,455	814,996,157

Non-Operating Expense	848,384,753	984,448,561	2,532,668,345	2,746,970,159
Income/(Loss) Before Tax	362,357,774	(347,998,943)	1,436,330,028	(1,347,477,577)
Income Tax Expense	(48,259,428)	129,494,040	(251,990,619)	525,474,937
Net Income/(Loss) After Tax	314,098,346	(218,504,903)	1,184,339,409	(822,002,640)
Net Income Attributable to Parent Equity Holder	219,071,543	(123,294,683)	798,432,012	(419,720,465)
Earnings/(Loss) Per Share (Basic)	0.28	(0.16)	1.03	(0.54)
Earnings/(Loss) Per Share (Diluted)	0.28	(0.16)	1.03	(0.54)

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.51	(0.16)
Earnings/(Loss) Per Share (Diluted)	0.51	(0.16)

Other Relevant Information

Please see attached 17-Q report.

Filed on behalf by:

Name	Ma. Teresa Bautista
Designation	Controller

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17 – Q

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

1. For the quarterly period ended September 30, 2021
2. SEC Identification Number 15393
3. BIR Tax Identification No. 000-463-069
4. Exact name of registrant as specified in its charter: HOUSE OF INVESTMENTS, INC.
5. Makati City, Philippines
Province, Country or other jurisdiction
of incorporation or organization
6. / / (SEC Use Only)
Industry Classification Code:
7. 9th Floor, Grepalife Building, 221 Sen. Gil J. Puyat Avenue, Makati City 1200
Address of principal office Postal Code
- +63 (2) 8940320; +63 (2) 8134537
Issuer's telephone number, including area code
9. Not Applicable
Former name, or former address, if changed.

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

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

Amount of debt as of September 30, 2021 No debt registered pursuant to Section 4 and 8 of the RSA

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

Yes (X) No ()

Only the common stock is listed in the Philippine Stock Exchange

12. Check whether the registrant:

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

Yes (X) No ()

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

Yes (X) No ()

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The interim consolidated financial statements of House of Investments, Inc. and Subsidiaries as of September 30, 2021 with comparative figures for the periods ended December 31, 2020 and September 30, 2020 and Schedule of Aging of Accounts Receivable are incorporated by reference as **Exhibit 1**.

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

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

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

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

None.

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

None.

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

The current construction project pipeline of EEI Corporation requires additional investments in new capital equipment in order for EEI to deliver its projects to its customers. This will be financed through a combination of internally generated funds and new borrowings. On July 15, 2021, EEI's BOD approved and authorized to offer preferred shares at a base offer of up to P4.0 billion with an over subscription option of up to P2.0 billion, at a tentative offer price of up to P100.00 per share.

San Lorenzo Ruiz Investment Holdings & Services, Inc. (SLR) has embarked on the redevelopment of its property along Sen. Gil J. Puyat Avenue. SLR plans to build a mix-use complex with an array of world-

class features and facilities designed and inspired by the country's culture and history for the benefit of its occupants, visitors, and its surrounding community. The project cost can range between P6 billion to P8.6 billion and is expected to be completed in 2025.

Except for EEI's construction activities and SLR's development project, there is no other material commitment on capital expenditures other than those performed in ordinary course of business.

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

The Inter-Agency Task Force (IATF) for COVID-19 relaxed the restrictions for a General Community Quarantine (GCQ) in Metro Manila during the first quarter of the 2021. This allowed for the gradual reopening of businesses and continuation of operations. However, the alarming increase in positive COVID-19 cases during the last week of March led to the enforcement of the Enhanced Community Quarantine (ECQ) in the NCR Plus bubble. This was made effective from March 29 until April 11.

Compared to the previous year's ECQ, some industries were allowed to operate under skeletal work arrangements such as construction activities. Our car dealerships, on the other hand, were only allowed to open their service operations, also under skeletal work arrangements. Face-to-face classes of our school operations continue to be suspended and continue to adopt various learning delivery options specifically online learning, blended learning, home schooling and other modes of delivery

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

None.

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

Results of Operations

The Group was able to recover from its consolidated net loss position last year, closing the period with a net income of P1.18 billion. This positive result was driven by the following factors – improved performance of the construction, automotive and education segments, as well as the entities where the Group has significant influence, combined with reduced costs and expenses as the Group continues to manage and control its expenditures.

Total revenues grew by 6%, from P16.61 billion last year to P17.65 billion as of the period. The construction group, which has the highest contribution in this growth, was able to continue its activities in spite of the two-week lockdown in August implemented by the government due to the surge of COVID-19 Delta Variant. Similarly, the education group was able to generate higher revenues compared to last year, from P2.19 billion to P2.36 billion this year. The increase is attributable to higher average number of enrollees as well as number of units taken. Whereas, the automotive group is slowly recovering but still below its pre-pandemic revenue level.

As a result of the continuing cost cutting measures implemented by the Group, the total cost of sales and services as well as the Group's general and administrative expenses were reduced by 8% and 9%, respectively.

Increase in other income pertains mainly to dividend income and foreign exchange gain recognized by the construction segment.

Equity in net earnings grew by 27%, from P773.27 million to P984.77 million this year, attributable to better results of the Group's associates.

Interest and finance charges were lower by 3% because of lower average borrowing rates as of the period.

Financial Position

Total consolidated assets of the Group stood at P52.39 billion from P51.89 billion as of December 2020.

Total current assets of P20.70 billion was at almost same level in December 2020. Reduction in cash and cash equivalents represent regular payment of the Group's obligations to its suppliers and service providers, as well as payment of its maturing loans. On the other hand, the reduction in its receivables was mainly due to improved collection efficiency of the Group.

Increase in contract assets and due from related parties pertain primarily to the transactions of the construction group. Decline in inventories is mainly due to usage of the construction group as a result of accelerated production. Other current assets decreased due to the reclassification of construction group's creditable withholding taxes to non-current as these are not yet expected to be utilized in the next twelve months.

Total noncurrent assets slightly increased from P31.23 billion to P31.69 billion. Increase in investments in associates and joint venture pertains mainly to equity earnings intake as of the period. Property and equipment at cost decreased from P8.45 billion to P8.04 billion due to disposal of assets and effect of depreciation as of the period, while reduction in the right-of-use assets pertains to amortization as of the period.

Equity investments decreased due to the decline of market values of quoted securities, while deferred tax assets decreased primarily due to the impact of the new income tax rate in accordance with the CREATE Law. Other non-current assets increased due to the reclassified creditable withholding taxes of the construction segment.

Total consolidated liabilities dropped from P30.03 billion to P29.16 billion.

Total current liabilities slightly increased from P20.18 billion to P21.28 billion due to additional borrowings of the Group, softened by religious payment of maturing loans. Decline in accounts payable and accrued expenses is due to settlement of payables to suppliers, while reduction in income tax payable pertains to payment of the 2020 tax obligation. Decrease in lease liabilities is due to lease payments for the period.

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

Total noncurrent liabilities dropped from P9.85 billion to P7.88 billion as of the period.

Long-term debt was reduced by P0.62 billion as the Group continues to pay its borrowings.

Contract liabilities net of current portion refers to contract obligations of the construction group for the projects classified as non-current with completion date beyond one year after balance sheet. The significant reduction pertains to recoupment of customer advances against project progress billings.

Accrued retirement liability increased from P0.61 billion to P0.65 billion due to recognition of the retirement provision for the period.

Reduction in other non-current liabilities pertains primarily to reclassification to current of retention payable of the construction group for projects which are expected to be completed within the year.

Total consolidated equity increased to P23.23 billion from P21.85 billion, while total consolidated retained earnings increased to P10.80 billion from P9.79 billion in December 2020.

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

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

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

Financial Soundness Indicators

The company's top 11 key performance indicators as of the end of September 30, 2021 compared to September 30, 2020 and to December 31, 2020 are as follows:

Financial ratios		Unaudited 30-Sep-21	Unaudited 30-Sep-20	Audited 31-Dec-20
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.97:1	1.01:1	1.02:1
Indicates the Group's ability to pay short-term obligations				
Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$	0.07:1	0.01:1	-0.01:1
Shows how likely a company will be to continue meeting its debt obligations				
Debt-to-equity ratio	$\frac{\text{Total Debt}}{\text{Equity}}$	1.26:1	1.40:1	1.37:1
Measures the Group's leverage				
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Equity}}$	2.26:1	2.40:1	2.37:1
Shows how the company's leverage (debt) was used to finance the firm				
Interest Rate Coverage	$\frac{\text{EBIT}}{\text{Interest Expense}}$	3.62:1	-1.53:1	-3.16:1
Shows how easily a company can pay interest on outstanding debt				
Return on Average Stockholders' Equity	$\frac{\text{Net Income}}{\text{Average Equity}}$	5.25%	-3.58%	-7.47%
Reflects how much the Group's has earned on the funds invested by the stockholders				
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$	2.27%	-1.55%	-3.26%
Measure the ability to utilize the Group's assets to create profits				
Net Profit Margin	$\frac{\text{Net Income}}{\text{Total Revenues}}$	7%	-5%	-8%
Shows how much profit is made for every peso of revenue				
Asset Turnover	$\frac{\text{Total Revenues}}{\text{Total Assets}}$	0.34	0.31	0.41
Shows efficiency of asset used in operations				
Return on Equity	$\frac{\text{Net Income/Total Revenues} \times \text{Total Revenues}}{\text{Total Assets} \times \text{Total Equity}}$	5.10%	-3.66%	-7.75%
Shows how much the business returns to the stockholders for every peso of equity capital invested				

- Current ratio is lower at 0.97 as of the September 2021 compared with 1.01 as of September 2020. This is attributable to higher loans payable and contract liabilities of the Group as of the period.
- Solvency ratio is higher at 0.07 as of September 2021 compared to 0.01 as of September 2020 due to higher earnings posted by the Group this year.
- Debt-to-equity ratio decreased from 1.40 in September 2020 to 1.26 as of September 2021 as an effect of income posted by the Group resulting to higher equity.
- Asset to equity ratio went down from 2.40 in September 2020 to 2.26 this quarter due to increase in equity as a result of income registered during the period.
- Interest rate coverage ratio is higher at 3.62 times compared to -1.53 as of September 2020 due to higher earnings posted by the Group compared to previous year.
- Return on average stockholders' equity is higher at 5.25% compared to -3.58% due to recovery of the group from its net loss position last year.
- Return on assets (ROA) increased from -1.55% last September 2020 to 2.27% this quarter. This is attributable to higher net income registered by the Group.
- Net profit margin is higher at 7% against -5% last year due to higher revenues earned of the Group and lower cost against last year.
- Asset turnover is higher at 0.34 times compared to 0.31 times as of September 2020 because of higher revenues posted by the construction and education segments compared to same period last year.
- Return on equity is higher at 5.10% against -3.66% as of September 2020. This is due to positive earnings of the Group compared to its net loss result in the same period last year.

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

PART II – OTHER INFORMATION

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

EXHIBIT 1

HOUSE OF INVESTMENTS, INC. and SUBSIDIARIES

**Interim Condensed
Unaudited Consolidated Financial Statements**

**September 30, 2021 and 2020 (Unaudited)
and
December 31, 2020 (Audited)**

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

	Unaudited September 30, 2021	Audited December 31, 2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	P3,212,921,706	P3,218,733,775
Receivables (Note 7)	4,942,102,616	5,346,073,837
Contract assets (Note 8)	9,017,615,472	7,605,270,420
Inventories (Note 9)	1,644,446,807	1,888,033,691
Receivables from related parties	98,676,240	53,415,133
Prepaid expenses and other current assets (Note 10)	1,786,464,468	2,544,943,848
Total Current Assets	20,702,227,309	20,656,470,704
Noncurrent Assets		
Equity investments at fair value through other comprehensive income (FVOCI) (Note 11)	503,367,238	547,076,494
Investments in associates and joint ventures (Note 12)	7,560,918,848	7,092,623,906
Property and equipment (Note 13)		
At revalued amount	7,957,658,100	7,957,658,100
At cost	8,036,985,889	8,450,819,862
Investment properties (Note 15)	1,977,542,213	1,977,608,213
Deferred tax assets – net	1,346,225,638	1,580,396,762
Right-of-use assets	1,126,523,165	1,271,074,183
Goodwill (Note 14)	484,829,719	484,829,719
Retirement assets	4,726,582	4,726,582
Other noncurrent assets - net (Note 16)	2,686,696,423	1,862,191,461
Total Noncurrent Assets	31,685,473,815	31,229,005,282
Total Assets	P52,387,701,124	P51,885,475,986
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 17)	P7,750,160,529	P8,778,272,881
Loans payable (Note 18)	9,501,450,000	7,982,000,000
Current portion of long-term debt (Note 19)	2,216,146,267	2,302,998,099
Current portion of contract liabilities (Note 8)	1,650,157,063	898,322,177
Current portion of lease liabilities	117,037,238	164,647,368
Income tax payable	31,595,001	44,134,970
Due to related parties	10,429,576	10,214,099
Total Current Liabilities	21,276,975,674	20,180,589,594
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 19)	4,492,327,423	5,117,304,037
Contract liabilities - net of current portion (Note 8)	626,337,895	1,658,679,655
Lease liabilities - net of current portion	1,022,631,769	1,085,685,479
Deferred tax liabilities – net	832,979,414	1,047,739,837
Retirement liabilities	651,315,539	611,599,429
Other noncurrent liabilities	254,921,582	329,691,519
Total Noncurrent Liabilities	7,880,513,622	9,850,699,956
Total Liabilities	29,157,489,296	30,031,289,550

(Forward)

	Unaudited September 30, 2021	Audited December 31, 2020
Equity		
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
Equity reserve on acquisition of non-controlling interest	1,598,421,700	1,623,004,873
Revaluation increment on land – net	1,297,715,911	1,294,577,413
Cumulative translation adjustments	271,789,759	225,033,109
Fair value reserve of equity investments at FVOCI (Note 11)	120,103,997	175,482,889
Remeasurement loss on retirement	(279,590,681)	(259,954,684)
Retained earnings (Note 20)	10,801,439,074	9,785,834,055
	15,126,998,414	14,161,096,309
Non-controlling interests (Note 34)	8,103,213,414	7,693,090,127
Total Equity	23,230,211,828	21,854,186,436
	₱52,387,701,124	₱51,885,475,986

See accompanying Notes to Consolidated Financial Statements.

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

	July 1 to September 30		
	2021	2020	2019
REVENUE (Note 24)	₱5,540,677,752	₱6,152,082,987	₱9,212,400,205
COSTS OF SALES AND SERVICES (Note 26)	4,704,647,455	5,765,547,059	7,669,587,956
GROSS PROFIT	836,030,297	386,535,928	1,542,812,249
OTHER INCOME - Net (Note 25)	51,470,804	11,147,678	51,685,214
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES (Note 12)	323,241,426	238,766,012	149,518,841
GENERAL AND ADMINISTRATIVE EXPENSES (Note 30)	(672,902,982)	(804,107,060)	(750,208,906)
INTEREST AND FINANCE CHARGES (Notes 18, 19 and 32)	(175,481,771)	(180,341,501)	(221,169,803)
INCOME BEFORE INCOME TAX	362,357,774	(347,998,943)	772,637,595
PROVISION FOR INCOME TAX	(48,259,428)	129,494,040	(161,771,230)
NET INCOME	₱314,098,346	(₱218,504,903)	₱610,866,365
Net income (loss) attributable to:			
Equity holders of the Parent Company	₱219,071,543	(₱123,294,683)	₱350,403,030
Non-controlling interests	95,026,803	(95,210,220)	260,463,335
	₱314,098,346	(₱218,504,903)	₱610,866,365
EARNINGS PER SHARE (Note 23)			
BASIC	₱0.2821	(₱0.1588)	₱0.5688
DILUTED	₱0.2821	(₱0.1588)	₱0.4487

See accompanying Notes to Consolidated Financial Statements.

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	July 1 to September 30		
	2021	2020	2019
NET INCOME	₱314,098,346	(₱218,504,903)	₱610,866,365
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Cumulative translation adjustments	72,471,346	(17,402,146)	2,722,977
<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)	(10,465,963)	(409,949)	2,512,039
Revaluation increment on land	-	-	-
Remeasurement gains (losses) on net retirement liability	(3,926,048)	(136,534)	(1,851,620)
Total other comprehensive income (loss)	58,079,335	(17,948,629)	3,383,396
TOTAL COMPREHENSIVE INCOME	₱372,177,681	(₱236,453,533)	₱614,249,761
Total comprehensive income attributable to:			
Equity holders of the Parent Company	₱249,286,399	(₱163,214,514)	₱352,714,156
Noncontrolling interest in consolidated subsidiaries	122,891,282	(73,239,019)	261,535,605
	₱372,177,681	(₱236,453,533)	₱614,249,761

See accompanying Notes to Consolidated Financial Statements.

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

	January 1 to September 30		
	2021	2020	2019
REVENUE (Note 24)	₱17,648,073,777	₱16,611,708,685	₱24,613,792,745
COSTS OF SALES AND SERVICES (Note 26)	14,804,753,859	16,027,212,260	20,912,622,642
GROSS PROFIT	2,843,319,918	584,496,425	3,701,170,103
OTHER INCOME - Net (Note 25)	140,912,202	41,727,729	129,151,759
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES (Note 12)	984,766,253	773,268,428	467,939,800
GENERAL AND ADMINISTRATIVE EXPENSES (Note 30)	(1,984,979,056)	(2,184,789,146)	(2,167,221,199)
INTEREST AND FINANCE CHARGES (Notes 32)	(547,689,289)	(562,181,013)	(601,444,529)
INCOME BEFORE INCOME TAX	1,436,330,028	(1,347,477,577)	1,529,595,934
PROVISION FOR INCOME TAX	(251,990,619)	525,474,937	(376,452,047)
NET INCOME	₱1,184,339,409	(₱822,002,640)	₱1,153,143,887
Net income (loss) attributable to:			
Equity holders of the Parent Company	₱798,432,012	(₱419,720,465)	₱704,124,067
Non-controlling interests	385,907,397	(402,282,175)	449,019,820
	₱1,184,339,409	(₱822,002,640)	₱1,153,143,887
EARNINGS PER SHARE (Note 23)			
BASIC	₱1.0283	(₱0.5407)	₱1.1108
DILUTED	₱1.0283	(₱0.5406)	₱0.9016

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	January 1 to September 30		
	2021	2020	2019
NET INCOME	P1,184,339,409	(P822,002,640)	P1,153,143,887
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Cumulative translation adjustments	84,489,792	(93,736,570)	436,511
<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)	(41,856,109)	(33,111,000)	4,391,922
Revaluation increment on land	6,514,111	-	-
Remeasurement gains (losses) on net retirement liability	(34,349,136)	4,093,270	(4,457,479)
Total other comprehensive income (loss)	14,798,658	(122,754,300)	370,954
TOTAL COMPREHENSIVE INCOME	P1,199,138,067	(P944,756,940)	P1,153,514,841
Total comprehensive income attributable to:			
Equity holders of the Parent Company	P773,312,271	(P608,151,243)	P704,621,627
Noncontrolling interest in consolidated subsidiaries	425,825,796	(336,605,697)	448,893,214
TOTAL COMPREHENSIVE INCOME	P1,199,138,067	(P944,756,940)	P1,153,514,841

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the Group											Total
	Preferred Stock (Note 20)	Common Stock (Note 20)	Additional Paid-in Capital	Premium on Acquisition of Noncontrolling Interest	Revaluation Increment on Land - Net	Cumulative Translation Adjustment	Changes in fair value of equity investments carried at FVOCI	Remeasurement losses on Net Retirement Liability	Retained Earnings	Attributable to Noncontrolling Interest	Total	
For the Period Ended September 30, 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	₱175,482,889	(₱259,954,683)	₱9,785,834,055	₱14,161,096,308	₱7,693,090,127	₱21,854,186,436
Restatement of retained earnings	–	–	–	–	–	–	–	–	217,173,007	217,173,007	–	217,173,007
Acquisition of noncontrolling interest	–	–	–	(24,583,173)	–	–	–	–	–	(24,583,173)	16,764,086	(7,819,086)
	–	1,162,540,326	154,578,328	1,598,421,700	1,294,577,413	225,003,108	175,482,889	(259,954,683)	10,003,007,062	14,353,686,142	7,709,854,213	22,063,540,357
Net income	–	–	–	–	–	–	–	–	798,432,012	798,432,012	385,907,397	1,184,339,409
Other comprehensive income	–	–	–	–	3,138,498	46,756,651	(55,378,892)	(19,635,999)	–	(25,119,740)	39,918,400	14,798,658
Total comprehensive income	–	–	–	–	3,138,498	46,756,651	(55,378,892)	(19,635,999)	798,432,012	773,312,272	425,825,797	1,199,138,067
Dividends declared by Parent Company	–	–	–	–	–	–	–	–	–	–	–	–
Dividends declared by subsidiaries	–	–	–	–	–	–	–	–	–	–	(32,466,596)	(32,466,596)
Total dividends declared	–	–	–	–	–	–	–	–	–	–	(32,466,596)	(32,466,596)
Balances as at September 30, 2021	₱–	₱1,162,540,326	₱154,578,328	1,598,421,700	₱1,297,715,911	271,759,759	120,103,997	(279,590,682)	₱10,801,439,074	15,126,998,414	₱8,103,213,414	₱23,230,211,828
For the Period Ended September 30, 2020												
Balances as at January 1, 2020	6,710,402	₱1,162,540,326	₱154,578,328	₱1,641,756,492	₱1,298,881,074	₱245,958,913	₱311,094,152	(₱188,329,963)	₱10,111,285,659	₱14,744,475,383	₱8,749,236,709	₱23,493,712,092
Impact of PFRS 16 adoption	(6,710,402)	–	–	–	–	–	–	–	–	(6,710,402)	–	(6,710,402)
Acquisition of noncontrolling interest	–	–	–	(18,751,619)	–	2,219,250	3,701,886	(2,142,679)	(41,218,381)	(56,191,544)	(3,778,456)	(59,970,000)
	–	1,162,540,326	154,578,328	1,623,004,873	1,298,881,074	248,178,163	314,796,038	(190,472,642)	10,070,067,278	14,681,573,437	8,745,458,253	23,427,031,690
Net income	–	–	–	–	–	–	–	–	(419,720,465)	(419,720,465)	(402,282,175)	(822,002,640)
Other comprehensive income	–	–	–	–	–	(123,705,349)	(70,961,378)	6,235,949	–	(188,430,778)	65,676,478	(122,754,299)
Total comprehensive income	–	–	–	–	–	(123,705,349)	(70,961,378)	6,235,949	(419,720,465)	(608,151,243)	(336,605,697)	(944,756,940)
Dividends declared by Parent Company	–	–	–	–	–	–	–	–	(86,528)	(86,528)	–	(86,528)
Dividends declared by subsidiaries	–	–	–	–	–	–	–	–	–	–	(37,956,997)	(37,956,997)
Total dividends declared	–	–	–	–	–	–	–	–	(86,528)	(86,528)	(37,956,997)	(38,043,524)
Balances as at September 30, 2020	₱–	₱1,162,540,326	₱154,578,328	1,623,004,873	₱1,298,881,074	₱124,472,814	₱243,834,660	₱(184,236,693)	₱9,650,260,285	₱14,073,335,666	₱8,370,895,559	₱22,444,231,226

	For the Period Ended September 30, 2019											
Balances as at January 1, 2019	₱247,414,156	₱ 921,836,572	₱154,578,328	(₱179,954,180)	₱1,602,230,727	₱249,703,345	₱259,855,707	(₱27,924,073)	₱9,198,512,458	₱12,426,253,040	₱5,745,536,195	₱18,171,789,235
Impact of PFRS 16 adoption	-	-	-	-	-	-	-	-	(30,638,587)	(30,638,587)	-	(30,638,587)
Conversion of Preferred Stock	(16,853)	16,853	-	-	-	-	-	-	-	-	-	-
Acquisition and Disposal of subsidiary	-	-	-	-	-	-	-	(355,202)	(48,057,577)	(48,412,779)	(12,108,346)	(60,521,125)
Decrease in ownership interest in subsidiary	-	-	-	-	(368,409,408)	-	754,605	(7,968,770)	1,737,852,523	1,362,228,950	2,831,760,336	4,193,989,287
	247,397,303	921,853,425	154,578,328	(179,954,180)	1,233,821,319	249,703,345	260,610,312	(36,248,044)	10,857,668,816	13,709,430,624	8,565,188,185	22,274,618,809
Net income	-	-	-	-	-	-	-	-	704,124,067	704,124,067	449,019,820	1,153,143,887
Other comprehensive income	-	-	-	-	-	237,287	2,291,066	(2,030,793)	-	497,560	(126,606)	370,954
Total comprehensive income	-	-	-	-	-	₱237,287	₱2,291,066	(2,030,793)	704,124,067	704,621,627	448,893,214	1,153,514,841
Dividends declared by Parent Company	-	-	-	-	-	-	-	-	(59,907,103)	(59,907,103)	-	(59,907,103)
Dividends declared by subsidiaries	-	-	-	-	-	-	-	-	-	-	(122,003,073)	(122,003,073)
Total dividends declared	-	-	-	-	-	-	-	-	(59,907,103)	(59,907,103)	(122,003,073)	(181,910,176)
Balances as at September 30, 2019	₱247,397,303	₱921,853,425	₱154,578,328	(179,954,180)	₱1,233,821,319	₱249,940,632	₱262,901,378	₱(38,278,837)	₱11,501,885,780	₱14,354,145,148	₱8,892,078,327	₱23,246,223,475

See accompanying Notes to Consolidated Financial Statements

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

	Periods Ended September 30		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,436,330,028	(₱1,347,477,577)	₱1,529,595,934
Adjustments for:			
Depreciation and amortization	830,790,201	1,036,719,305	603,493,201
Interest and finance charges	547,689,289	533,336,128	601,444,529
Movement in accrued retirement liability	20,080,112	9,586,116	1,737,852,523
Dividend income	(46,779,707)	(16,178,323)	(29,015,498)
Interest income	(13,206,264)	(24,637,768)	(51,279,129)
Impact of PFRS 16 adoption	–	–	(30,638,587)
Equity earnings in associates	(984,766,253)	(773,268,428)	(467,939,800)
Operating income working capital changes	1,790,137,406	(581,920,547)	3,893,513,173
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	403,971,221	903,077,431	(2,161,524,488)
Loans receivable	–	–	4,184,658
Contract assets	(1,412,345,052)	(1,340,171,395)	(1,091,261,380)
Inventories	243,586,884	(288,593,971)	(358,595,438)
Prepaid expenses and other current assets	758,479,380	(383,741,542)	(481,846,780)
Financial asset at FVPL	–	–	(9,275,289)
Increase (decrease) in:			
Accounts payable and accrued expenses	(1,028,112,352)	410,309,396	1,756,364,327
Customers' deposits	–	–	89,993
Billings in excess of costs and estimated earnings on uncompleted contracts	(280,506,874)	–	–
Contract liabilities	–	765,750,185	558,088,795
Accrued retirement liability	–	–	37,216,603
Net cash generated from (used for) operations	475,210,613	(515,290,443)	2,146,954,174
Interest received	13,206,264	24,637,768	51,279,129
Interest and finance charges paid	(547,689,289)	(533,336,128)	(601,444,529)
Income tax paid	(319,889,824)	(118,068,682)	53,829,885
Net cash flows provided by (used in) operating activities	(379,162,236)	(1,142,057,485)	1,650,618,659
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments received from (advances to) related parties	(45,045,630)	(109,600,522)	79,200,984
Investments in associates and joint ventures	563,227,961	462,517,602	(77,641,551)
Increase (decrease) in other noncurrent assets	(679,887,944)	(107,604,636)	2,697,522,312
Proceeds from disposals (acquisitions) of available-for-sale securities	(11,669,635)	(13,690,105)	(79,502,824)
Property, plant and equipment, net	(413,817,729)	(764,689,044)	(4,142,578,278)
Dividends received	46,779,707	16,178,323	29,015,498
Net Addition (deduction) to minority interest	216,805,723	(36,028,975)	(1,365,042,238)
Net cash flows used in investing activities	(323,607,547)	(552,917,357)	(2,859,026,097)

	Periods Ended September 30		
	2021	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds (payments) from:			
Loans payable	1,519,450,000	3,087,677,702	(317,000,000)
Long-term debt	(711,828,446)	(1,030,092,650)	1,172,717,942
Other noncurrent liability	(110,663,840)	(221,847,385)	1,112,710,688
Redemption of preferred shares	-	(6,710,402)	-
Cash dividends paid	-	(86,529)	(59,907,104)
Net cash flows provided by (used in) financing activities	696,957,714	1,828,940,736	1,908,521,526
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,812,069)	133,965,894	700,114,088
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,218,733,775	2,686,669,074	2,039,664,825
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱3,212,921,706	₱2,820,634,968	₱2,739,778,913

See accompanying Notes to Consolidated Financial Statements

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

The Parent Company and its subsidiaries (collectively known as the Group) are primarily engaged in car dealership, construction, education, 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 (IPO). The Parent Company's shares of stock are currently traded at the PSE. The ultimate parent company of the Group is Pan Malayan Management and Investment Corporation (PMMIC), a domestic corporation.

The registered office address and principal place of business of the Parent Company is at 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila. On March 30, 2021, the Philippine Securities and Exchange Commission (SEC) approved its amended Articles of Incorporation to change its registered office address to its current address, 9th Floor, Grepalife Building, 221 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila.

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			
				Sep 2021		Dec 2020	
				Direct	Indirect	Direct	Indirect
Investment Managers, Inc. (IMI)	Philippines	Insurance agent, financing, trading and real estate	Philippine Peso	100.00	–	100.00	–
Landev Corporation	Philippines	Property management	Philippine Peso	100.00	–	100.00	–
San Lorenzo Ruiz Investment Holdings and Services Inc. (formerly San Lorenzo Ruiz Institute of Health Sciences, Inc.; SLRHSI) ^(a)	Philippines	Holding company	Philippine Peso	100.00	–	–	100.00
Xamdu Motors, Inc. (XMI)	Philippines	Car dealership	Philippine Peso	100.00	–	100.00	–
Zamboanga Carriers, Inc. (ZCI)	Philippines	Transportation	Philippine Peso	100.00	–	100.00	–

Forward

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership			
				Sep 2021		Dec 2020	
				Direct	Indirect	Direct	Indirect
Zambowood Realty and Development Corporation (ZRDC)	Philippines	Real estate	Philippine Peso	100.00	–	100.00	–
Greyhounds Security and Investigation Agency Corp.	Philippines	Security agency	Philippine Peso	–	100.00	–	100.00
Hexagon Lounge, Inc.	Philippines	Restaurant	Philippine Peso	–	100.00	–	100.00
Secon Professional Security Training Academy Inc.	Philippines	Training service provider	Philippine Peso	–	100.00	–	100.00
Honda Cars Kalookan, Inc. (HCKI) ^(e)	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 (EEI) ^(b)	Philippines	Construction	Philippine Peso	55.34	–	55.34	–
EEl Limited	British Virgin Islands	Holding company	US Dollar	–	100.00	–	100.00
Clear Jewel Investments, Ltd.	British Virgin Islands	Holding company	US Dollar	–	100.00	–	100.00
Nimaridge Investments, Limited	British Virgin Islands	Holding company	US Dollar	–	100.00	–	100.00
EEl (PNG), Ltd	Papua New Guinea	Holding company	US Dollar	–	100.00	–	100.00
EEl Corporation (Guam), Inc.	United States of 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
JP Systems Asia Inc. (JPSAI)	Philippines	Rental of scaffolding and formworks	Philippine Peso	–	60.00	–	60.00
BiotechJP Corporation	Philippines	Manufacturing food and therapeutic food	Philippine Peso	–	60.00	–	60.00
Learn JP Corp	Philippines	Service for improvement in language proficiency	Philippine Peso	–	60.00	–	60.00
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) ^(c)	Philippines	Retail electricity supplier	Philippine Peso	–	100.00	–	–
iPeople, inc. (IPO)	Philippines	Education and Information Technology	Philippine Peso	48.18	–	48.18	–
Malayan Education System, Inc. (MESI) (Operating Under the Name of Mapua University)	Philippines	Education and Information Technology	Philippine Peso	–	100.00	–	100.00
Malayan Colleges Laguna, Inc., A Mapua School (MCLI)	Philippines	Education and Information Technology	Philippine Peso	–	100.00	–	100.00
Malayan Colleges Mindanao (A Mapua School), Inc. (MCMI)	Philippines	Education and Information Technology	Philippine Peso	–	100.00	–	100.00
Malayan High School of Science, Inc. (MHSSI)	Philippines	Education and Information Technology	Philippine Peso	–	100.00	–	100.00
Mapua Information Technology Center, Inc. (MITC)	Philippines	Education and Information Technology	Philippine Peso	–	100.00	–	100.00
Mapua Techserv, Inc. (MTI)	Philippines	Consultancy	Philippine Peso	–	100.00	–	100.00
Mapua Techpower Inc.	Philippines	Consultancy	Philippine Peso	–	75.00	–	75.00
People eServe Corporation	Philippines	Education and Information Technology	Philippine Peso	–	100.00	–	100.00
Pan Pacific Computer Center, Incorporated (PPCCD)	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

Forward

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership			
				Sep 2021		Dec 2020	
				Direct	Indirect	Direct	Indirect
		Education and					
University of Nueva Caceres	Philippines	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
EEL Carga Digital Logistics Corporation (d)	Philippines	Operate digital logistic platform	Philippines Peso	-	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) Acquired from IPO in December 2020 (Note 13)

(b) Purchased additional shares in February 2020

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

(d) On May 14, 2021, EEI Carga Digital Logistics Corporation was incorporated as a wholly owned 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.

(e) In July 2021, Parent company acquired additional 27,000,000 shares resulting to 100% ownership of HCKI.

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.

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, 2020. Adoption of these pronouncements did not have any significant impact on the Group's financial statements unless otherwise indicated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2021

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

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

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

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

Effective beginning on or after January 1, 2022

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

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

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

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

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

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

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

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

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

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental

costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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

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

- *Annual Improvements to PFRSs 2018-2020 Cycle*
 - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2023

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

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

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

- PFRS 17, *Insurance Contracts*

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

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

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted. The amendments are not expected to have a material impact on the Group.

Deferred Effectivity

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

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

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards

Board completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. Summary of Significant Accounting Policies

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

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

Group as a lessee

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

Right-of-use assets

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

Leases - Group as a lessor

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

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Revenue from construction contracts

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

The Group 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 schools and other related operations

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

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

Revenue from power generation

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

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 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 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 Effective

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under PFRS 15.

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

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

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Subsequent measurement

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

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

Financial assets at amortized cost (debt instruments)

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

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

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

The Group's financial asset at amortized cost includes Cash and cash equivalents, Receivables, and Due 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 its equity investments under this category.

The Group does not have any debt financial assets at fair value through OCI and financial assets at fair value through profit or loss as of September 30, 2021 and December 31, 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, Lease liabilities and Due to related parties.

Derecognition of Financial Instruments

Financial assets

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

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

Financial liabilities

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

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

Offsetting Financial Instruments

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

Inventories

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

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

The cost of real estate inventories includes (a) land cost; (b) freehold and leasehold rights for land; (c) amounts paid to contractors for construction; (d) borrowing costs, planning and design cost, cost of site preparation, professional fees, property taxes, construction overheads and other related costs. Cost of inventories is generally determined primarily using the moving-average method, except for automotive units of the car dealerships and real estate inventories of EEI Realty, which are accounted for using the specific identification method.

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

Prepaid Expenses

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

Advances to Suppliers and Subcontractors

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

Value-Added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) 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 Venture

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

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

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

The reporting dates and the accounting policies of the associates and joint venture conform to those used by the Group for like transactions and events in similar circumstances.

The Group discontinues applying the equity method when their investment in investee company is reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee company. When the investee company subsequently reports net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

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

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

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

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

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership	
				Sep 2021	Dec 2020
Associates:					
Hi-Eisai Pharmaceutical, Inc. (HEPI)	Philippines	Pharmaceutical	Philippine peso	50.00	50.00
Petroenergy Resources Corporation (PERC) ^(a)	Philippines	Renewable energy	Philippine peso	29.10	29.10
T'boli Agro-Industrial Development, Inc.	Philippines	Agriculture	Philippine peso	28.47	28.47
Manila Memorial Park Cemetery, Inc. (MMPC)	Philippines	Funeral service	Philippine peso	25.98	25.98
Sojitz G Auto Philippines Corporation (SGAPC)	Philippines	Automotive distributor	Philippine peso	20.00	20.00
RCBC Realty Corporation (RRC)	Philippines	Realty	Philippine peso	10.00	10.00
Al-Rushaid Construction Company Limited (ARCC)	Saudi Arabia	Construction	Saudi riyal	49.00	49.00
PetroSolar Corporation (PSOC)	Philippines	Renewable energy	Philippine peso	44.00	44.00
Joint venture:					
PetroWind Energy, Inc. (PWEI)	Philippines	Renewable energy	Philippine peso	20.00	20.00
Shinbayanihan Heavy Equipment Corporation (SHEC)	Philippines	Equipment rental	Philippine peso	40.00	40.00
BEO Distribution and Marketing Corporation (BEO DMC) ^(b)	Philippines	Distribution and marketing	Philippine peso	30.00	30.00
Shimizu-Fujita-Takenaka-EEI Joint Venture (SFTE) ^(b)	Philippines	Construction	Philippine peso	5.00	5.00
Acciona-EEI Joint Venture (AE) ^(b)	Philippines	Construction	Philippine peso	30.00	30.00

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

(b) Entered into in 2020

Property and Equipment

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

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

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

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

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

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

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

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

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

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

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

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

Investment Properties

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

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

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

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

Software Costs

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

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

Impairment of Nonfinancial Assets

For investments in Associate and joint venture, Property and equipment, Right-of-use asset, Investment properties and Computer software costs, the Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An 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 Group adjusted for the after-tax amounts of dividends on preferred stock by the weighted average number of common stock outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits.

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

Provisions

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

Contingencies

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

Stock Option Plan

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

Segment Reporting

The Group's operating business are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 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. When the Group purchases the Group's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in equity (Note 21).

Equity Reserve

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

Retained Earnings

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

Events After the Financial Reporting Date

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

5. Significant Accounting Judgments and Estimates

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

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

Judgment

Determining control over an entity in which Parent Company holds less than majority of voting rights
The Parent Company has determined that it is the largest stockholder of IPO with 48.18% equity interest and also has control over IPO by virtue of the Parent Company's power to nominate majority

of the members of the BOD of IPO and for the Parent Company to exercise control and supervision on IPO's operations as well as financial policy. Accordingly, the Parent Company assessed that it controls IPO even though it owns less than 50% equity interest over IPO and accounts for its equity interest over IPO as investment in subsidiary.

Determination of functional currency

PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the following were considered:

- The currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
- The currency in which funds from financing activities are generated; and
- The currency in which receipts from operating activities are usually retained.

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

Determination of lease term of contracts with renewal and termination options – Group as a lessee

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

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

Recognition of revenue from construction contracts

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

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.

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 September 30, 2021, and December 31, 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 end of the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. 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 ₱1.14 billion ₱1.25 billion as of September 30, 2021 and December 31, 2020, 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 arising from construction contracts amounted to ₱13.96 billion and ₱12.95 billion as of September 30, 2021 and December 31, 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. The estimate of fair value of unquoted equity investments at FVOCI considered the effects of COVID-19 in the selling price of comparable listings of real estate properties related to investment in HEDC and were not accounted for separately.

The fair value of unquoted equity investments amounted to ₱0.41 billion as of September 30, 2021 and December 31, 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 September 30, 2021, and December 31, 2020, 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 parcels of land are carried at revalued amounts. The valuations of these parcels of land were performed by SEC accredited independent appraisers and were determined using the market approach. Significant adjustments to inputs used in determining the fair value of land such as location and utility could affect the appraised value of the assets.

Land carried under revaluation basis amounted to ₱7.96 billion as of September 30, 2021 and December 31, 2020, respectively.

Impairment of nonfinancial assets

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

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

Impairment of goodwill and intellectual property rights are assessed at least on an annual basis. In assessing the impairment, the Group determines the recoverable amount using value in use with detailed disclosures made in Note 14. There is no impairment loss recognized on these assets in 2021, 2020 and 2019. As at September 30, 2021 and December 31, 2020, the carrying value of goodwill amounted to ₱484.83 million (Note 14).

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. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

Retirement assets amounted to ₱4.73 million as of September 30, 2021 and December 31, 2020, whereas retirement liabilities amounted to ₱651.3 million and ₱611.6 million as of September 30, 2021 and December 31, 2020, respectively.

Realizability of deferred tax assets

The Group reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Where there is no absolute

assurance that each legal entity in the Group will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized, deferred tax assets are not recognized.

Provisions and contingencies

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

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.

6. Cash and Cash Equivalents

This account consists of:

	Unaudited September 2021	Audited December 2020
Cash on hand and in banks	₱2,217,717,267	₱1,924,416,281
Short-term investments	995,204,439	1,294,317,494
	₱3,212,921,706	₱3,218,733,775

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 ₱8.96 million, ₱18.42 million and ₱29.35 million for the periods ended September 30, 2021, 2020 and 2019, respectively (Note 25).

7. Receivables

This account consists of:

	Unaudited September 2021	Audited December 2020
Trade		
Construction and infrastructure	₱3,015,496,713	₱3,460,003,600
Education	1,480,238,471	1,166,226,739
Car dealership	281,111,536	469,628,623
Other services	109,463,841	189,255,856
Other receivables		
Advances to officers and employees	33,792,617	29,425,653
Receivables from plant	29,585,834	38,118,335
Receivable from sale of investment properties	20,712,254	21,280,648
Accrued referral incentives	12,256,791	17,817,943
Receivable from customers	10,641,142	20,479,281
Dividends receivable	1,753,048	3,236,665
Rent receivable	111,322	111,322
Receivable from EEI RFI	-	38,000,000
Others	357,424,991	259,425,599
	5,352,588,560	5,713,010,264
Less allowance for impairment	410,485,944	366,936,427
	₱4,942,102,616	₱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 ₱98.2 million and ₱138.8 million as at September 30, 2021 and December 31, 2020, respectively, arising from the Senior High School (SHS) Voucher Program wherein qualified SHS students are given assistance on tuition fees. These receivables are noninterest-bearing and are generally collectible within one year.

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 September 30, 2021 and December 31, 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.

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

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 September 30, 2021 and December 31, 2020, the current portion of receivable amounted to ₱10.6 million and ₱20.5 million, respectively, while the noncurrent portion of receivable as of September 30, 2021 and December 31, 2020 amounted to ₱0.6 million and ₱2.8 million, respectively (Note 16).

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.

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 ₱10.0 billion and ₱8.6 billion as of September 30, 2021 and December 31, 2020, respectively.

Details of the Group’s contract assets as of September 30, 2021 and December 31, 2020 are shown below.

	September 30, 2021		
	Current	Noncurrent (Note 16)	Total
Contract asset	₱9,017,615,472	₱1,004,277,107	₱10,021,892,579

	December 31, 2020		Total
	Current	Noncurrent (Note 16)	
Contract asset	₱7,605,270,420	₱978,481,350	₱8,583,751,770

Contract Liabilities

Details of the Group's contract liabilities as of September 30, 2021 are shown below.

	Unaudited September 2021	Audited December 2020
Total contract liabilities	₱2,276,494,958	₱2,557,001,832
Less current portion	1,650,157,063	898,322,177
Total Non-current portion	₱626,337,895	₱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 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:

	Unaudited September 2021	Audited December 2020
Construction materials	₱766,379,894	₱1,042,419,432
Merchandise	648,267,220	624,248,970
Real estate:		
Land and land development	152,743,786	151,725,740
Raw lands	42,373,466	42,584,391
Subdivision lots and contracted units for sale	38,668,189	36,460,877
	233,785,441	230,771,008
Spare parts and supplies	73,386,396	72,729,484
	1,721,818,951	1,970,168,894
Less: Allowance for inventory obsolescence	77,372,144	82,135,203
	₱1,644,446,807	₱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:

	Unaudited September 2021	Audited December 2020
Balances at beginning of year	₱230,771,008	₱239,537,439
Construction/development costs incurred	9,096,450	13,698,819
Cost of real estate sales	(6,082,017)	(22,465,250)
Balances at end of period	₱233,785,441	₱230,771,008

The total cost of goods sold recognized in the Group's statements of comprehensive income amounted to ₱2.42 million, ₱2.63 million and ₱4.89 million in 2021, 2020 and 2019 respectively (Notes 26).

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:

	Unaudited September 2021	Audited December 2020
Balance at beginning of year	₱82,135,203	₱107,595,425
Provisions (Note 29)	(4,763,059)	21,960,851
Write-off	-	(47,421,073)
Balances at end of year	₱77,372,144	₱82,135,203

No inventories were pledged as security to obligations as of September 30, 2021 and December 31, 2020.

10. Prepaid Expenses and Other Current Assets

This account consists of:

	Unaudited September 2021	Audited December 2020
Advances to suppliers and contractors	₱731,142,265	₱1,004,942,386
Creditable withholding taxes	268,151,608	929,043,644
Prepaid expenses	229,891,045	190,085,167
Miscellaneous deposits	121,493,317	120,704,511
Input value added tax (VAT)	89,222,835	55,371,913
Restricted funds	65,690,382	30,960,042
Advances to officers and employees	42,915,134	58,475,817
Restricted cash investment	10,675,885	27,747,232
Others	243,740,665	144,071,804
	1,802,923,136	2,561,402,516
Less allowance for impairment	16,458,668	16,458,668
	₱1,786,464,468	₱2,544,943,848

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 payments made on certain claims that are under protest (Note 33), 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 September 2021	Audited December 2020
Quoted equity investments	₱96,602,313	₱91,603,168
Unquoted equity investments	406,764,925	455,473,326
	₱503,367,238	₱547,076,494

Roll-forward analysis of the account follows:

	Unaudited September 2021	Audited December 2020
Balance at beginning of year	₱547,076,494	₱1,147,773,806
Disposals	-	(26,632,056)
Fair value changes recognized in OCI	-	(149,929,174)
Reclassification (Note 12)	-	(424,136,082)
Net unrealized gain (loss) recognized in OCI	(43,709,256)	-
Balance at end of year	₱503,367,238	₱547,076,494

The Group's equity investment in PGEC, a 90%-owned subsidiary of PERC, amounting to ₱639.52 million was reclassified to investments in associate considering the significant influence exercised by the Group on PERC. PERC is the parent company of PGEC.

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

	Unaudited September 2021	Audited December 2020
Attributable to equity holders of the parent:		
Balance at beginning of year	₱175,482,889	₱311,094,152
Income (loss) recognized in OCI	(55,378,892)	(135,611,263)
Balance at end of year	120,103,997	175,482,889
Non-controlling interests:		
Balance at beginning of year	232,495,478	240,945,407
Income (loss) recognized in OCI	13,522,783	(8,449,929)
Balance at end of year	246,018,261	232,495,478
	₱366,122,258	₱407,978,367

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, 2020.

Dividends earned from equity investments at FVOCI amounted to ₱23.73 and ₱0.47 million as of September 30, 2021 and December 31, 2020, respectively.

No equity investments at fair value through other comprehensive income (FVOCI) were pledged as security to obligations as of September 30, 2021 and December 31, 2020.

12. Investments in Associates and Joint Venture

The rollforward analysis of this account follows:

	Unaudited September 2021	Audited December 2020
Acquisition cost:		
Balances at beginning of year	P4,690,263,520	P4,841,636,714
Additions	–	450,000
Return of Investment in ARCC	(387,794,523)	(575,959,276)
Reclassification (Note 11)	–	424,136,082
Balance at end of year	4,302,468,997	4,690,263,520
Accumulated impairment loss	74,536,607	74,536,609
Accumulated equity in net earnings:		
Balance at beginning of year	2,459,727,726	1,262,916,499
Equity in net earnings	984,766,253	1,368,427,558
Dividends received	(209,043,909)	(171,616,331)
Balance at end of year	3,235,450,070	2,459,727,726
Subtotal	7,463,382,460	7,075,454,637
Share in other comprehensive income (loss) of an associate	(92,779,961)	(46,303,277)
Cumulative translation adjustment	190,316,349	63,472,546
	P7,560,918,848	P7,092,623,906

As of September 30, 2021 and December 31, 2020, no investments in associates were pledged as security to obligations.

13. Property and Equipment

Property and equipment at revalued amount

Movements in the revalued land are as follows:

	Unaudited September 2021	Audited December 2020
Balance at beginning of year	P7,957,658,100	P9,185,924,384
Additions (deductions):		
Reversal of impairment	–	5,237,506
Appraisal increase	–	(72,695,173)
Reclassification to investment properties - net	–	(1,160,808,617)
Balance at end of period	P7,957,658,100	P7,957,658,100

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

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

In December 2020, MESI (a wholly-owned subsidiary of IPO), sold its investment in SLRHSI, its subsidiary, to the Parent Company for P1,946.6 million. 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.

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.

Property and equipment at cost

The rollforward analysis of this account follows:

	Unaudited September 2021	Audited December 2020
At Cost		
Land, Buildings and Improvements	₱6,326,921,697	₱6,217,750,751
Machinery, Tools and Construction Equipment	5,413,459,478	5,412,856,675
Furniture, Fixtures and Office Equipment	3,152,165,113	3,081,479,036
Transportation and Service Equipment	1,275,624,914	1,429,509,005
	16,168,171,202	16,141,595,467
Less: Accumulated Depreciation	(9,593,901,429)	(9,149,272,275)
	6,574,269,773	6,992,323,192
Construction in Progress	1,462,716,116	1,458,496,670
Net book value at Cost	₱8,036,985,889	₱8,450,819,862

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

14. Goodwill

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

	Unaudited September 2021	Audited December 2020
EEI Corporation and Subsidiaries	₱300,859,305	₱300,859,305
MESI	137,853,346	137,853,346
IPO	32,644,808	32,644,808
Business combination of IPO and AEI	13,472,260	13,472,260
	₱484,829,719	₱484,829,719

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 September 2021	Audited December 2020
Cost		
Balance at beginning of year	₱1,977,608,213	₱17,689,018
Reclassification	-	1,961,065,975
Disposals	(66,000)	(1,146,780)
Balance at end of year	₱1,977,542,213	₱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 September 30, 2021 and December 31, 2020, respectively.
- Heritage lots held for capital appreciation of the Parent Company amounted to ₱2.0 million as of September 30, 2021 and December 31, 2020.

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

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

None of the investment properties were pledged as a security to obligations as of September 30, 2021 and December 31, 2020.

16. Other Noncurrent Assets

This account consists of:

	Unaudited September 2021	Audited December 2020
Contract asset- net of nocurrent portion (Note 8)	₱1,004,277,107	₱978,481,350
Creditable withholding tax – noncurrent	847,045,370	-
Intellectual property rights	523,103,000	523,103,000
Deferred input VAT	156,663,077	150,221,650
Student relationship	62,091,993	78,824,857
Miscellaneous deposit	27,560,068	29,321,863
Computer software	14,157,752	13,234,817
Interest-bearing trade receivables- net of current portion (Note 7)	595,689	2,768,265
Others	51,202,367	86,235,659
	₱2,686,696,423	₱1,862,191,461

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 September 2021	Audited December 2020
Cost		
Balance at the beginning of the year	₱144,137,032	₱139,735,882
Additions	6,620,552	4,515,025
Reclassification	(312,412)	(113,875)
Balance at the end of the year	150,445,172	150,445,171
Accumulated Amortization		
Balance at the beginning of the year	130,902,215	123,863,564
Amortization	5,385,205	7,038,651
Balance at the end of the year	136,287,420	130,902,215
Net Book Value	₱14,157,752	₱13,234,817

17. Accounts Payable and Other Current Liabilities

This account consists of:

	Unaudited September 2021	Audited December 2020
Accounts payable	P6,551,640,450	P7,725,459,889
Deferred output taxes	335,451,153	411,024,600
Accrued expenses	317,396,774	239,891,188
Provisions	159,266,271	159,266,271
Withholding taxes and others	106,214,457	89,598,081
Output tax payable	56,992,947	47,586,547
Subscriptions payable	13,125,000	13,125,000
SSS and other contributions	13,193,550	11,840,694
Chattel mortgage payable	9,255,269	10,249,382
Payable to Land Transportation Office	3,386,025	4,919,430
Deferred income	1,623,988	3,707,011
Dividends payable	564,813	19,613,877
Others	182,049,832	41,990,911
	P7,750,160,529	P8,778,272,881

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:

	Unaudited September 2021	Audited December 2020
Accrued salaries and wages	P72,358,433	P70,658,629
Accrued interest	64,248,234	36,148,858
Accrued professional fees	36,585,995	21,514,578
Accrued security services	30,813,559	18,711,311
Accrued insurance	21,420,333	24,094,116
Accrued utilities	6,233,081	7,762,397
Others	85,737,139	61,001,299
	P317,396,774	P239,891,188

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.

18. Loans Payable

This account consists of:

	Unaudited September 2021	Audited December 2020
Unsecured bank loans	₱9,501,450,000	₱7,607,000,000
Secured bank loans	-	375,000,000
	₱9,501,450,000	₱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 5.75% in September 30, 2021 and December 31, 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-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. This was fully paid last June 2021.

Outstanding balance of short-term loans obtained by MCMI amounted to nil, and ₱375 million as at September 30, 2021 and December 31, 2020, respectively.

19. Long-term Debt

This account consists of:

	Unaudited September 2021	Audited December 2020
Fixed-rate corporate promissory notes	₱4,643,078,528	₱5,204,857,924
Fixed-rate term loan	2,065,395,162	2,215,444,212
	6,708,473,690	7,420,302,136
Less current portion of long-term debt	2,216,146,267	2,302,998,099
	₱4,492,327,423	₱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

On March 22, 2021, EEI 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 3.3%. The promissory note matures within three (3) years from the date of issuance.

The proceeds from the promissory notes were used for general corporate 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

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

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

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

In 2021, BiotechJP availed an unsecured ₱45.0 million long-term loan from Biotech Japan Corporation that bears an annual interest of 0.3%. The loan is payable in equal semi-annual installments and will mature on September 30, 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, 2021, total drawdown from the long-term loan facility amounted to ₱380.0 million. The ₱300 million is subject to 5.5% fixed rate and ₱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 September 30, 2021 and December 31, 2020, NTC has complied with its covenant obligations, including maintaining the required debt-to-equity ratio. For 2021 and 2020, interest expense recognized in profit or loss amounted to ₱10.6 million and ₱10.9 million, respectively.

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, September 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 September 30, 2021 and December 31, 2020, the Group is in compliance with the loan covenants.

20. Retained Earnings

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 ₱2,580.1 million as of September 30, 2021 and December 31, 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 ₱1,493.8 million and ₱1,364.8 million as of September 30, 2021 and December 31, 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 ₱6,727.5 million and ₱5,846.4 million as of September 30, 2021 and December 31, 2020, 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 September 30, 2021, December 31, 2020 and 2019 follows:

	2021		2020		2019	
	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 September 30, 2021 and December 31, 2020 and 2019 follows:

	2021		2020		2019	
	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:

- 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 $\frac{3}{4}$ preferred shares to 1 common share for a price of ₱1.50 per common share subject to adjustments;
- c) Redeemable at any one time or from time to time, at the option of the BOD of the Parent Company, subject to availability of funds; and
- d) With voting rights and preferences as to assets upon dissolution of the Parent Company over common shareholders.

Below is the summary of the outstanding number of shares and holders of security as at September 30, 2021:

Year	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities
Preferred shares:				
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	–	–
September 30, 2021	–	–
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	–	
September 30, 2021	776,465,281	384

SEC approved the registration of the Parent Company's authorized capital stock before its listing date with the PSE, which was on July 2, 1962. The actual number of shares initially listed was 584,085 at an offer price of ₱10.0 per share. Total number of common shareholders was 384 as of September 30, 2021 and December 31, 2020, respectively.

22. Cash Dividends

Cash Dividends

The BOD declared cash dividends in 2020, 2019 and 2018 as follows; and none as of September 2021.

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
	₱63,342,105				
April 6, 2018	₱2,949,050	₱0.005	₱–	May 3, 2018	May 29, 2018
July 20, 2018	3,342,256	0.005	–	August 16, 2018	September 11, 2018
July 20, 2018	50,758,966	0.017	0.065	August 16, 2018	September 11, 2018
September 28, 2018	3,273,289	0.005	–	October 25, 2018	November 21, 2018
December 18, 2018	4,449,125	0.007	–	January 11, 2019	February 6, 2019
	₱64,772,686				

23. Earnings Per Share

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

Unaudited basic earnings per share

	January to September 30		
	2021	2020	2019
Net income attributable to equity holders of parent company	₱798,432,012	(₱419,720,465)	₱704,124,067
Less dividends attributable to preferred shares (Note 21)	–	86,529	19,867,357
Net income applicable to common shares	798,432,012	(419,806,994)	684,256,710
Divided by the weighted average number of common shares	776,465,281	776,465,281	616,007,349
Basic earnings per share	₱1.0283	(₱0.5407)	₱1.1108

Unaudited diluted basic earnings per share

	January to September 30		
	2021	2020	2019
Net income applicable to common shares	₱798,432,012	(₱419,806,994)	₱684,256,710
Add dividends attributable to preferred shares	–	86,529	19,867,357
Net income applicable to common shares for diluted earnings per share	798,432,012	(419,720,465)	704,124,067
Weighted average number of common shares	776,465,281	776,465,281	616,007,349
Dilutive shares arising from convertible preference shares	–	–	164,931,534
Weighted average number of common shares for diluted earnings per share	776,465,281	776,465,281	780,938,883
Diluted earnings per share	₱1.0283	(₱0.5406)	₱0.9016

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 September 30, 2021, 2020 and 2019:

	January 1 to September 30		
	2021	2020	2019
Revenue from construction contracts	₱11,478,773,079	₱10,609,058,387	₱15,313,113,469
Sales of goods	2,598,217,089	2,801,576,938	5,239,996,089
Sales of services	1,213,827,025	1,013,194,512	2,059,320,872
Schools and related operations	2,357,256,584	2,187,878,848	2,001,362,315
	₱17,648,073,777	₱16,611,708,685	₱24,613,792,745

25. Other Income

This account consists of:

	September 1 to September 30		
	2021	2020	2019
Dividend income	₱46,779,707	₱16,178,323	₱29,015,498
Foreign exchange gain (loss)	18,410,036	(40,239,107)	(13,574,385)
Rental income	18,808,748	13,220,938	22,813,677
Interest income	13,206,264	24,637,768	51,279,129
Gain on sale from property and equipment	8,336,076	11,708,283	3,330,885
Tax refund/discount	-	-	762,369
Miscellaneous	35,371,371	16,221,524	35,524,586
	₱140,912,202	₱41,727,729	₱129,151,759

Interest income consists of income from:

	January 1 to September 30		
	2021	2020	2019
Cash in banks and short-term investments	₱8,957,914	₱18,415,820	₱29,345,390
Installment contract receivable	1,222,926	-	9,200,942
Receivable from EEI-RFI	342,262	-	4,502,604
Interest on loans receivable	-	1,426,747	-
Receivable from related parties	-	(782,031)	275,793
Others	2,683,162	5,577,232	7,954,400
	₱13,206,264	₱24,637,768	₱51,279,129

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

26. Costs of Sales and Services

This account consists of:

	January to September 30		
	2021	2020	2019
Cost of services (Note 28)			
Cost of construction contracts	₱10,189,223,236	₱11,042,157,461	₱13,284,526,417
Cost of manpower and other services	834,347,980	853,798,671	1,363,231,036
	11,023,571,216	11,895,956,132	14,647,757,453
Cost of goods sold			
Cost of merchandise sold (Note 27)	2,413,012,509	2,615,660,169	4,859,603,753
Cost of real estate sold (Note 9)	6,082,017	16,104,351	25,697,266
	2,419,094,526	2,631,764,520	4,885,301,019
Cost of schools and related operations (Note 29)	1,362,088,117	1,499,491,608	1,379,564,170
	₱14,804,753,859	₱16,027,212,260	₱20,912,622,642

27. Costs of Merchandise Sold

This account consists of:

	January to September 30		
	2021	2020	2019
Inventory, beginning	₱2,417,518,834	₱2,150,097,182	₱2,446,781,331
Purchases	1,621,765,302	2,877,183,504	5,216,344,485
Total goods available for sale	4,039,284,136	5,027,280,686	7,663,125,816
Less inventory end	1,636,280,370	2,417,518,834	2,813,695,172
Cost of inventories sold	2,403,003,766	2,609,761,852	4,849,430,644
Personnel expenses	6,450,018	3,781,562	6,526,324
Others	3,558,725	2,116,755	3,646,786
	₱2,413,012,509	₱2,615,660,169	₱4,859,603,754

28. Costs of Services

This account consists of:

	January to September 30		
	2021	2020	2019
Cost of construction contracts			
Labor	₱4,864,751,055	₱3,437,525,761	₱6,268,364,307
Equipment costs and others	2,532,723,501	3,180,125,170	2,998,408,418
Materials	2,464,180,872	4,034,453,346	3,710,549,471
Depreciation and amortization	327,567,808	390,053,184	307,204,221
	10,189,223,236	11,042,157,461	13,284,526,417
Cost of manpower and other services			
Personnel expenses	526,706,988	477,703,031	605,155,817
Materials	162,695,996	91,401,608	257,231,972
Parts and accessories	39,726,233	178,212,515	345,477,945
Depreciation and amortization	5,980,706	3,445,915	392,123
Others	99,238,057	103,035,602	154,973,179
	834,347,980	853,798,671	1,363,231,036
	₱11,023,571,216	₱11,895,956,132	₱14,647,757,453

29. Cost of Schools and Related Operations

This amount consists of:

	January to September 30		
	2021	2020	2019
Personnel expenses	₱743,716,080	₱787,718,364	₱634,119,719
Depreciation and amortization	251,226,380	282,452,722	183,259,701
Periodicals	68,863,449	63,155,731	24,094,883
Management and other professional fees	63,684,771	119,660,105	102,746,989
IT Expense - Software License	56,953,483	43,803,945	32,886,034
Student-related expenses	44,927,173	58,176,504	139,492,827
Utilities	41,074,751	56,112,051	91,514,178
Advertising	15,885,345	9,344,949	11,166,594
Research and development	15,054,382	7,894,570	10,541,304
Tools and library books	12,922,669	19,224,147	30,613,343
Repairs and maintenance	11,591,582	9,101,855	20,935,795
Accreditation cost	9,802,674	10,030,229	11,310,641
Insurance	7,229,976	7,402,873	7,954,555
Taxes and licenses	6,810,983	6,934,822	1,874,743
Seminar	5,605,239	5,464,888	13,320,907
Laboratory supplies	1,046,290	3,452,771	5,095,290
Transportation and travel	892,918	1,012,612	1,332,871
Entertainment, amusement and recreation	865,061	891,910	1,499,594
Office supplies	795,061	4,502,097	10,950,554
Rent	162,858	218,218	32,314,688
Miscellaneous	2,976,992	2,936,245	12,538,960
	₱1,362,088,117	₱1,499,491,608	₱1,379,564,170

30. General and Administrative Expenses

This account consists of:

	January to September 30		
	2021	2020	2019
Personnel expenses	₱934,309,933	₱951,184,609	₱807,546,352
Depreciation and amortization	246,015,307	360,767,484	295,896,857
Rent, light and water	101,239,512	82,982,250	95,460,146
Taxes and licenses	85,454,823	129,882,786	269,931,708
Advertising and promotions	75,826,997	75,652,340	112,017,898
Repairs and maintenance	73,222,962	20,454,707	59,516,980
Securities and utilities	67,184,826	57,004,059	48,353,934
Transportation and travel	53,600,798	55,462,548	69,204,090
Management and other fees	49,226,262	69,133,131	56,032,525
Provision for probable losses	37,095,833	41,688,335	(20,972,349)
Professional fees	28,287,507	52,214,108	59,133,857
Insurance	23,603,050	24,119,599	22,450,485
Entertainment, amusement and recreation	11,753,942	23,740,270	39,943,307
Commissions	17,979,119	15,636,522	15,953,260
Direct expenses	16,488,338	11,398,043	25,603,554
Office expenses	9,990,607	12,913,707	20,357,324
Seminars	9,918,892	16,236,936	12,057,653
Donations and contributions	-	14,559,198	13,103,360
Miscellaneous	143,780,348	169,758,514	165,630,258
	₱1,984,979,056	₱2,184,789,146	₱2,167,221,199

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

31. Depreciation and amortization

This account consists of:

	January to September 30		
	2021	2020	2019
Cost of construction contracts (Note 28)	₱327,567,808	₱390,053,184	₱307,204,221
General and administrative expenses (Note 30)	246,015,307	360,767,484	295,896,857
Cost of school and related operations (Note 29)	251,226,380	282,452,722	183,259,701
Cost of manpower and other services (Note 28)	5,980,706	3,445,915	392,123
	₱830,790,201	₱1,036,719,305	₱786,752,902

32. Interest and Finance Charges

	January to September 30		
	2021	2020	2019
Loans payable	₱251,105,592	₱366,932,243	₱486,546,910
Long-term debt	224,005,672	107,536,080	54,274,077
Interest on lease liabilities	53,169,424	79,834,507	54,001,892
Advances to affiliates and other finance charges	19,408,601	7,878,183	6,621,650
	₱547,689,289	₱562,181,013	₱601,444,529

33. Contingencies and commitments

Provisions and Contingencies

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

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

- b. Prior to 2018, the Group's provisions include the Group's recognized payable associated with the Faculty Associations of Mapua Institute of Technology (FAMIT) reranking case. This case involves the faculty ranking and evaluation instrument that was part of the 2001 Collective Bargaining Agreement negotiations with the FAMIT. The Supreme Court reversed an earlier Court of Appeals decision in favor of management. An entry of judgment dated March 13, 2008 was made in the Supreme Court Book of Entries of Judgments, making the decision final and

executory. A Memorandum of Agreement was entered into by management with FAMIT before the Voluntary Arbitrators wherein the parties agreed to continue the process of faculty ranking. The evaluation process was completed in December 2008.

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

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

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 ₱32.47 million, ₱37.96 million and ₱122.00 million as at September 30, 2021, 2020 and 2019, respectively.

Material Partly-Owned Subsidiaries

In February 2020, the Parent Company purchased additional 7,100,000 EEI shares for ₱59.97 million resulting to an increase in ownership interest from 54.65% to 55.34%. The non-controlling interest decreased from 45.35% to 44.66%.

In May 2019, the Parent Company sold the 281,642 shares of Malayan Education Systems, Inc. (MESI) to IPO, which represents 7% ownership in MESI. With this acquisition, MESI became 100% indirectly-owned subsidiary of the Parent Company through IPO. Subsequently, IPO issued 295,329,976 common shares from its unissued capital stock to AC, the parent company of AEI, in exchange for the merger of IPO and AEI, with IPO being the surviving corporation. Upon merger, the Parent 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 ₱40.0 million or 10.32 per share resulting to an increase in ownership interest from 54.36% to 54.65%. The non-controlling interest decreased from 45.64% to 45.35% or a decrease of ₱40.38 million.

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

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

On July 2021, the Parent company purchased additional 27,000,000 shares of HCKI for ₱9.21 million resulting to change in ownership from 55% to 100%.

The Group recognized equity reserve from the changes in ownership without loss of control amounting to ₱1,598.4 million as of September 30, 2021. This was included in “Equity reserve” representing the excess consideration paid for the carrying amount of the non-controlling interest.

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 management - represents property and project management services of the Group.

Education - primarily consists of revenues from IPO and subsidiaries in education and other related support services.

Car Dealership - represents automotive dealerships of the Group.

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

Segment assets and liabilities exclude deferred income tax assets and liabilities. Inter-segment income arise from transactions that were made on terms equivalent to those that prevail in an arms-length transactions.

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

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

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

House of Investments Inc. and Subsidiaries
Unaudited Operating Segment
For the Quarters Ended September 30, 2021 and 2020

	Construction and Infrastructure		Car Dealership		Education		Property Services		Others		Eliminations		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenues	12,383,305	11,346,992	2,640,846	3,053,660	2,356,537	2,187,879	163,004	167,684	383,072	369,651	(278,689)	(514,157)	17,648,074	16,611,709
Net Income (Loss)	371,944	(912,136)	34,684	(266,539)	438,874	108,226	136,869	160,253	372,708	291,600	(170,740)	(203,406)	1,184,339	(822,003)
Other Information														
Segment Assets	27,135,754	26,892,540	2,537,900	2,817,586	16,035,790	15,711,754	2,244,585	2,184,376	7,314,258	7,376,624	(2,880,586)	(3,097,403)	52,387,701	51,885,476
Segment Liabilities	20,275,088	20,485,085	1,534,331	1,802,850	5,159,803	5,219,750	232,237	201,651	1,890,567	2,093,787	65,463	228,166	29,157,489	30,031,290
Investments in Associates	3,088,388	2,890,075	-	-	-	-	6,750	6,750	6,419,141	6,409,930	(1,953,360)	(2,214,132)	7,560,919	7,092,624

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

**SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON
SRC RULE 68 AS AMENDED**

September 30, 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 ₱503.37 million do not constitute 5% or more of the total current assets of the Group as at September 30, 2021.

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

As of September 30, 2021, 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 September 30, 2021:

Name and designation of debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts written-off	Balance at end of period
<i>Landev Corporation</i>					
Due from affiliates	1,268,631	1,523,001	(30,000)	-	2,761,632
Dividends receivable	40,000,170	-	(30,000,000)	-	10,000,170
	41,268,801	1,523,001	(30,030,000)	-	12,761,802
<i>Greyhounds Security and Investigation Agency Corporation</i>					
Due from affiliates	101,747	435,603	(133,678)	-	403,672
Due to affiliates	-	4,515	(4,515)	-	-
	101,747	440,118	(138,193)	-	403,672
<i>Investment Managers, Inc.</i>					
Due from affiliates	673,700	3,986,795	-	-	4,660,495
Dividend receivable	-	-	-	-	-
	673,700	3,986,795	-	-	4,660,495
<i>iPeople, inc. and subsidiaries</i>					
Due from affiliates	21,606,557	35,974,552	(20,753,424)	-	36,827,684
Dividend receivable	2,306	30,187,561	(30,189,866)	-	-
	21,608,862	66,162,113	(50,943,291)	-	36,827,684
<i>EEl Corporation and subsidiaries</i>					
Due from affiliates	1,520,960	3,722,896	(1,995,136)	-	3,248,720
Dividend receivable	-	-	-	-	-
	1,520,960	3,722,896	(1,995,136)	-	3,248,720
<i>La Funeraria Paz Sucat, Inc.</i>					
Due from affiliates	1,554,611	2,058,474	(1,872,256)	-	1,740,829
Dividend receivable	-	-	-	-	-
	1,554,611	2,058,474	(1,872,256)	-	1,740,829
<i>Zambowood Realty and Development Corp</i>					
Due from affiliates	4,341	11,402	-	-	15,743
Due to affiliates	9,185,702	146,812	(9,332,514)	-	-
Dividend receivable	-	-	-	-	-
	9,190,043	158,213	(9,332,514)	-	15,743
<i>Xamdu Motors, Inc.</i>					
Due from affiliates	4,000	11,328	-	-	15,328
Due to affiliates	14,390,933	247,397	(14,638,331)	-	-
	14,394,933	258,726	(14,638,331)	-	15,328
<i>Zamboanga Carriers, Inc</i>					
Due from affiliates	6,943	11,487	-	-	18,430
Due to affiliates	11,839,349	203,533	(12,042,882)	-	-
Dividend receivable	-	-	-	-	-
	11,846,293	215,020	(12,042,882)	-	18,430
<i>Honda Cars Kalookan</i>					
Due from affiliates	425,945	154,588	-	-	580,533
Dividend receivable	-	-	-	-	-
	425,945	154,588	-	-	580,533

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

Schedule D. Intangible Asset - Other Noncurrent Assets

As at September 30, 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:

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	78,824,857	-	(16,732,864)	-	-	62,091,993
Computer software	13,234,817	6,620,552	(5,385,205)	-	(312,412)	14,157,752
	₱1,099,992,393	₱6,620,552	(22,118,069)	₱-	₱(312,412)	₱1,084,182,464

Schedule E. Long-term Debt

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

Type of Obligation	Amount	Current	Noncurrent
EEI			
Floating-rate corporate promissory notes with effective interest of 3.25%, 3.42%, 3.50%, 4.50% per annum for 3 years,	₱4,643,078,528	₱2,161,826,269	₱2,481,252,259
Biotech JP			
Yen-denominated five (5) year with interest of 0.05% per annum, yen denominated four and half (4.5) year term with interest of 0.98% per annum, yen denominated four and half (4.5) year term loan with interest of 0.30% per annum, USD-denominated April 2020 – Nov. 2029, with interest of floating rate plus margin (0.075%), Yen-denominated ten (10) year term loan with interest of 0.30% per annum and Yen-denominated ten (10) year term with interest of 2.975% per annum, respectively	191,341,798	54,319,998	137,021,800
MCM			
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	1,494,053,364	-	1,494,053,364
NTC			
Peso-denominated ten (10) year term loan, payable in 28 quarterly payments starting May 2022 with interest subject to annual repricing based on higher of 5.5% or prevailing 1-year rate plus interest spread	₱380,000,000	₱-	₱380,000,000
	₱6,708,473,690	₱2,216,146,267	₱4,492,327,423

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

As at September 30, 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 September 30, 2021.

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares held by related parties	Directors, Officers and Employees	Others
Common shares	1,250,000,000	776,465,281	570,155,552	2,752,400	203,557,329
Preferred shares	2,500,000,000	—	—	—	—

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION
FOR THE QUARTER ENDED September 30, 2021**

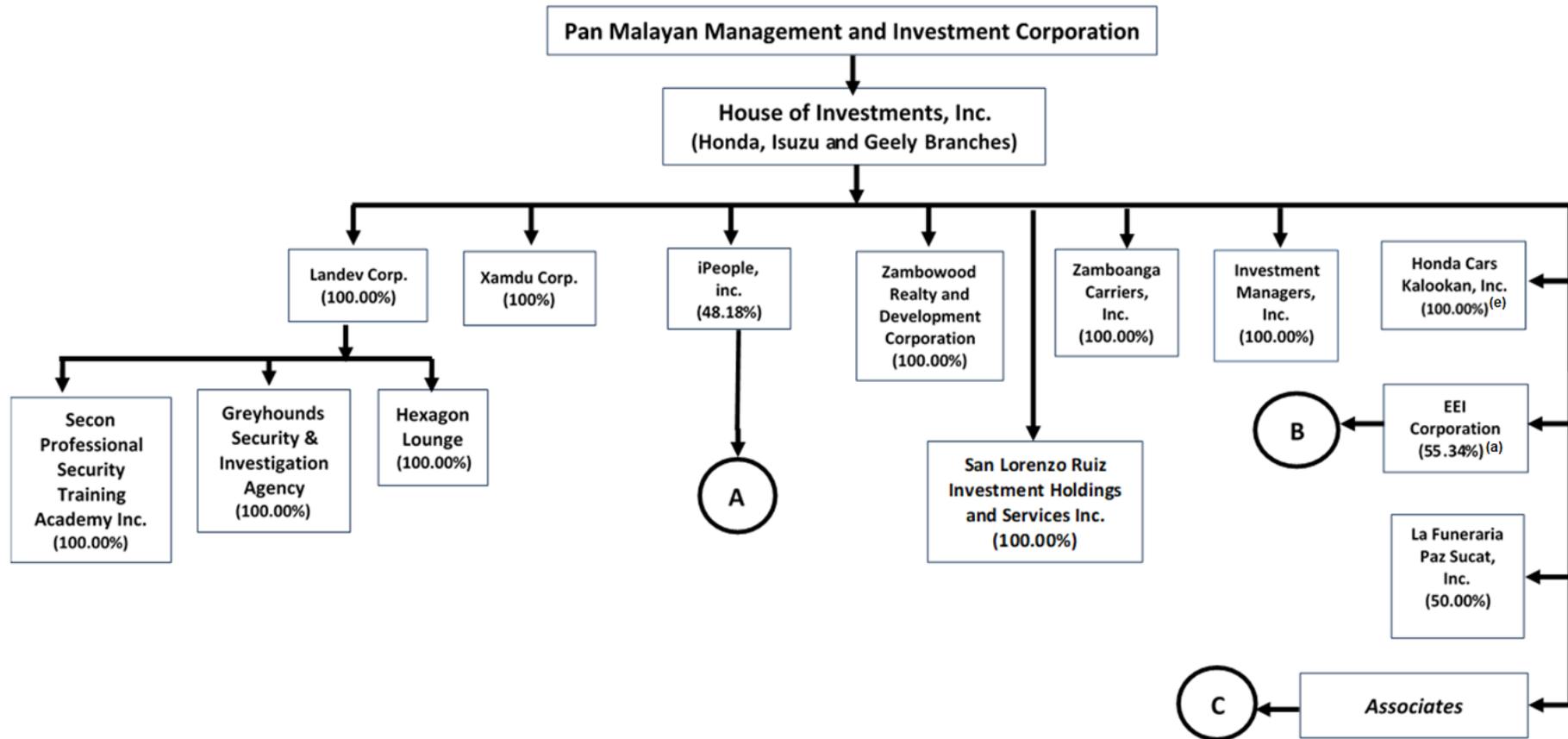
Unappropriated retained earnings, beginning	₱1,361,920,933
Less: Deferred tax asset	-
Treasury shares	2,607,600
Add: Impact of PFRS 16 adoption	-
Unappropriated retained earnings, as adjusted to amount available for dividend declaration, beginning	1,359,313,333
Appropriation	-
Net income during the year closed to retained earnings	134,516,401
Less movement in deferred tax asset that increased net income	-
Net income actually earned during the period	134,516,401
Dividend declared	-
UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, ENDING	₱1,493,829,734

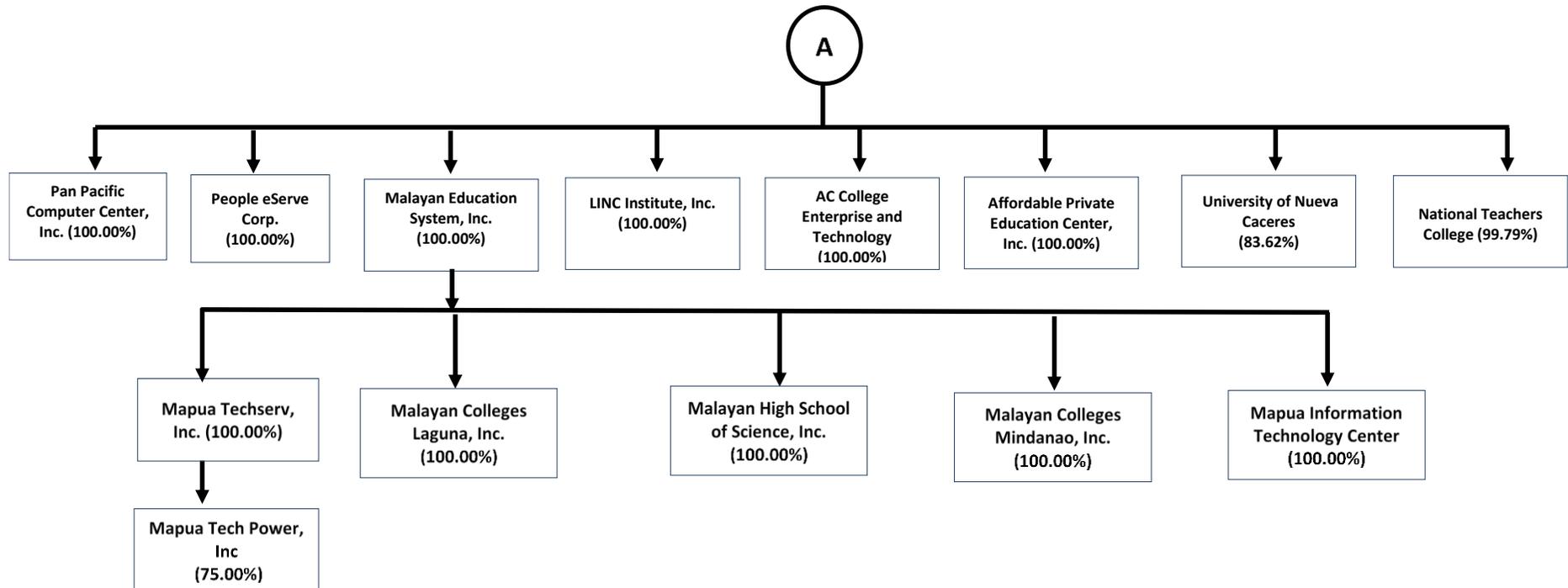
HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

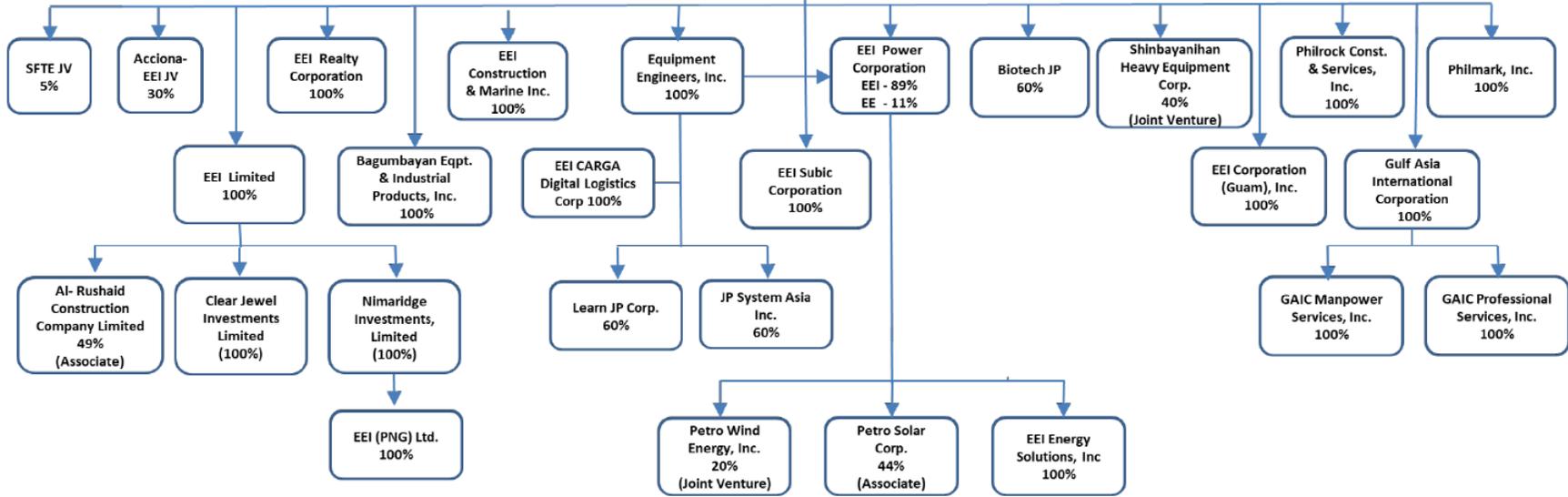
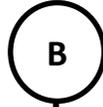
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

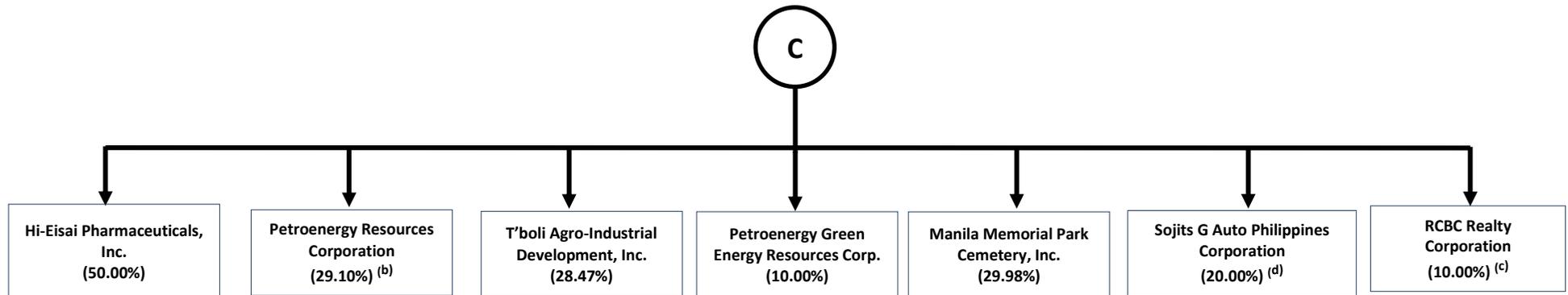
Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of September 30, 2021:









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

b. 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%

c. 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

d. 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.

e. In July 2021, Parent company purchased additional 27 million shares of HCKI resulting to 100% ownership.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES**AGING OF ACCOUNTS RECEIVABLE
FOR THE QUARTER ENDED SEPTEMBER 30, 2021**

	TOTAL	No. of days due		
		0-30	31-60	Over 61 days
Construction	₱3,015,496,713	1,231,408,903	1,067,838,000	716,249,810
Car Dealership	281,111,536	165,447,702	56,981,456	58,682,377
Education	1,480,238,471	1,116,489,921	46,541,493	317,207,057
Parent and Others	575,741,840	338,851,852	116,703,174	120,186,814
Total	5,352,588,560	2,852,198,378	1,288,064,123	1,212,326,058
Less: Allowance for doubtful accounts	(410,485,944)	–	–	(410,485,944)
	₱4,942,102,616	₱2,852,198,378	₱1,288,064,123	₱801,840,114

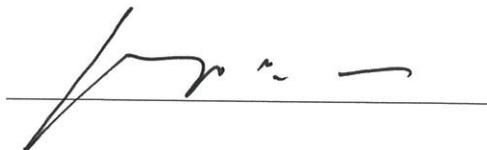
SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Makati on November 12, 2021.

IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this 12 NOV 2021 day of November, 2021 at Makati City.

By:

Lorenzo V. Tan
President & CEO



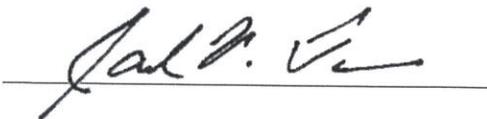
Gema O. Cheng
EVP- COO, CFO & Treasurer



Maria Teresa T. Bautista
VP –Controller



Atty. Samuel V. Torres
Corporate Secretary



12 NOV 2021

SUBSCRIBED AND SWORN to before me this ___ day of November, 2021, 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. 281 ;
Page No. 58 ;
Book No. 191 ;
Series of 2021

RUBEN T. M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2021
IBP NO. 142536 / 01-04-21 CY 2021
ROLL NO. 28947 / MCLE 6 / 3-22-19
PTR NO. MKT 8538046/1-4-21 APPT NO. M-168

Fw: CGFD_ HOUSE OF INVESTMENTS, INC._SEC Form 17-Q3_15November2021

Compliance <compliance@hoi.com.ph>

Mon 11/15/2021 9:11 AM

To: Sharon Fabi <sofabi@hoi.com.ph>

Cc: Ring Joven <rfjoven@hoi.com.ph>; Maria Teresa Bautista <mtbautista@hoi.com.ph>; Lalaine Monserate <lmonserate@hoi.com.ph>; Jeffrey Arzaga <jdarzaga@hoi.com.ph>

Official Business

Dear Ms. Sharon,

Forwarding to you the email of SEC for your perusal.

Best,
Jeff

From: ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>**Sent:** Monday, November 15, 2021 9:09 AM**To:** Compliance <compliance@hoi.com.ph>**Subject:** Re: CGFD_ HOUSE OF INVESTMENTS, INC._SEC Form 17-Q3_15November2021

Your report/document has been SUCCESSFULLY ACCEPTED by ICTD.

(Subject to Verification and Review of the Quality of the Attached Document)

Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at www.sec.gov.ph

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Please be informed that pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (PDF) **Secondary Reports** such as: 17-A, 17-C, 17-L, 17-Q, ICASR, 23-A, 23-B, I-ACGR, Monthly Reports, Quarterly Reports, Letters, through email at

ictdsubmission@sec.gov.ph

Note: All submissions through this email are no longer required to submit the hard copy thru mail or over- the- counter.

For those applications that require payment of filing fees, these still need to be filed and sent via email with the SEC RESPECTIVE OPERATING DEPARTMENT.

Further, note that other reports shall be filed thru the **ONLINE SUBMISSION TOOL (OST)** such as: AFS, GIS, GFFS, LCFS, LCIF, FCFS, FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT, FS-CONSOLIDATED, OPC_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS)

FOR MC28, please email to:

MC28_S2020@sec.gov.ph

For your information and guidance.

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