Fw: House of Investments Inc_SEC Form 17-Q3 Report (Sept 30, 2022)

Maria Teresa Bautista <mtbautista@hoi.com.ph>
Mon 11/14/2022 9:55 AM
To: Sharon Fabi <sofabi@hoi.com.ph>;Nenibel Acabo <ncacabo@hoi.com.ph>

Official Business

From: ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>
Sent: Monday, November 14, 2022 9:52 AM
To: Maria Teresa Bautista <mtbautista@hoi.com.ph>
Subject: Re: House of Investments Inc_SEC Form 17-Q3 Report (Sept 30, 2022)

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NOTICE

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, ICA-QR, ICA-AR, 23-A, 23-B, I-ACGR, ACGR, Monthly Reports, Quarterly Reports, Letters, OPC(ALTERNATE NOMINEE),GIS-G, 52-AR, IHAR,AMLA-CF,NPM,NPAM, BP-FCLC, CHINESEWALL, 39-AR,36-AR, PNFS, MCG, S10/SEC-NTCE-EXEMPT, through email at

ictdsubmission@sec.gov.ph

Note: All submissions through this email are no longer required to submit the hard copy thru mail, eFAST 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 ELECTRONIC FILING AND SUBMISSION TOOL (eFAST) 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 go to SEC website:

https://apps010.sec.gov.ph

For your information and guidance.

Thank you and keep safe.

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	5	3	9	3							

COMPANY NAME

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.hoi.com.ph	815-9636 to 38	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
377	Aug 10	September 30

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Maria Teresa T. Bautista	mtbautista@hoi.com.ph	815-9636	N/A

CONTACT PERSON's ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION

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

1. For the quarterly period ended September 30, 2022

2. SEC Identification Number 15393

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

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

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

Amount of debt as of September 30, 2022 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, 2022 with comparative figures for the periods ended December 31, 2021 and September 30, 2021 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 for EEI to deliver its projects to its customers. This will be financed through a combination of internally generated funds and new borrowings.

San Lorenzo Ruiz Investment Holdings and Services, Inc. is redeveloping a property along Sen. Gil J. Puyat Avenue in Makati into a mix-use commercial complex through a joint venture with Sojitz Corporation of Japan. The estimated development cost is P9.3 Billion.

The Board of House of Investments approved the purchase of A.T. Yuchengco Centre from RCBC for Php6.065 Billion through a wholly-owned subsidiary that which was incorporated for that purpose.

Except for EEI's construction activities, purchase of A.T. Yuchengco Centre 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.

None.

(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 closed the period ending 30 September 2022 with a net income of P1,576.55 million compared to last year's income of P1,184.34 million. The significant increase pertains to recognition of gain on sale of shares amounting to P389.20 million, coupled with improved performance from Education and Automotive sectors.

Consolidated revenues were lower by 4%, at P16,977.02 million compared to P17,648.07 million in same period last year, primarily because of lower revenues from the construction business due to lower production particularly from infrastructure and building projects. This was tempered by higher revenues from education and automotive segments, which grew by 17% and 35%, respectively. Automotive sales picked up as the demand increased despite rising oil prices while the Education sector benefited from higher enrollment.

Relative to reduction in revenues, cost of sales and services also dropped. On the other hand, General and administrative expenses (GAE) increased by 12%. The increase is attributable to higher (a) taxes due to capital gain tax and documentary stamp tax; (b) operations-related expenses as a result of the resumption of on-site operations, ie repairs, maintenance services and utilities; (c) marketing and promotions expense as the group intensified its marketing activities; (d) transportation and travel costs driven by higher fuel prices; (e) commissions and direct selling expenses related to the increase of sales in the automotive sector; and (f) depreciation recognized relative to the new school campus in Makati.

Increase in other income pertains mainly to gain on sale of shares of stock.

Equity in net earnings of associates dropped from P984.77 million to P799.45 million this year, primarily due to lower intake from the foreign affiliate of the construction sector.

Interest and finance charges were down from P547.69 million to P441.48 million, due to lower level of loans compared to same period last year, coupled by lower average borrowing cost.

Financial Position

Total consolidated assets of the Group stood at P64.65 billion from P57.19 billion in December 2021.

Total current assets went up to P25.01 billion from P24.90 billion, mainly because of the significant increase in accounts receivable which pertains to progress billings of the Construction group. The decrease in Cash and cash equivalents is attributable to payment of maturing loans and dividends to preferred shareholders of the Construction subsidiary. Contract assets decreased due to conversion of production into billed receivables, while prepaid and other current assets declined due to application of advances to suppliers against the progress billing. Receivable from related parties increased due to billings to a foreign construction affiliate. Inventories increased as a result of procurement of construction materials for new projects.

Total noncurrent assets increased from P32.29 billion to P39.64 billion, mainly due to the acquisition of property investment located in Taguig City. Increase in investments in associates and joint ventures pertain mainly to equity earnings intake as of the period. Reduction in the right-of-use assets pertains to amortization as of the period. Increase in other non-current assets pertains to the non-current portion of the CWTs and contract assets from retentions on projects of the construction group.

Total consolidated liabilities increased from P27.08 billion to P30.76 billion.

Total current liabilities went up from P17.56 billion to P20.72 billion. The increase pertains primarily to the loans taken out to finance property investment. Increase in accounts payables is attributable to the accrual of taxes related to the purchase of property in Taguig. Increase in due to related parties pertains to obligations of the Education sector. Decrease in current portion of lease liability is due to settlements, while decrease in income tax payable is attributable to lower taxable income as of the period.

Contract liabilities pertain to unearned tuition fees and current construction contract obligations, which is reduced as the corresponding revenue is recognized during the period. The net increase for the period pertains to advances received by the Construction sector from its new projects.

Total noncurrent liabilities went up from P9.52 billion to P10.04 billion as of the period.

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

Accrued retirement liability increased from P0.22 billion to P0.31 billion due to recognition of the retirement provision for the period.

Increase in other non-current liabilities pertains primarily to the security deposits collected by the Property and Property services sector from its tenants.

Total consolidated equity increased to P33.89 billion from P30.12 billion, while total consolidated retained earnings increased to P12.28 billion from P11.08 billion in December 2021.

(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, 2022 compared to September 30, 2021 and to December 31, 2021 are as follows:

Financial ratios		**Unaudited 30-Sep-22**	Unaudited 30-Sep-21	Audited 31-Dec-21
Current ratio Indicates the Group's ability to pay short-term obligations	Current Assets / Current Liabilities	**1.21:1**	1.42:1	1.42:1
Solvency Ratio Shows how likely a company will be to continue meeting its debt obligations	Net Income + Depreciation / Total Liabilities	**0.08:1**	0.07:1	0.10:1
Debt-to-equity ratio Measures the Group's leverage	Total Debt / Equity	**0.91:1**	0.90:1	0.90:1
Asset to Equity Ratio Shows how the company's leverage (debt) was used to finance the firm	Total Assets / Equity	**1.91:1**	1.90:1	1.90:1
Interest Rate Coverage Shows how easily a company can pay interest on outstanding debt	EBIT / Interest Expense	**4.71:1**	3.62:1	3.71:1

Return on Average Stockholders' Equity Reflects how much the Group's has earned on the funds invested by the stockholders	Net Income / Average Equity	**4.93%**	4.56%	6.26%
Return on Assets Measure the ability to utilize the Group's assets to create profits	Net Income / Total Assets	**2.59%**	2.17%	2.98%
Net Profit Margin Shows how much profit is made for every peso of revenue	Net Income / Total Revenues	**9%**	7%	7%
Asset Turnover Shows efficiency of asset used in operations	Total Revenues / Total Assets	**0.26**	0.31	0.41
Return on Equity Shows how much the business returns to the stockholders for every peso of equity capital invested	Net Income/Total Revenues x Total Revenues / Total Assets x Total Assets /Total Equity	**4.65%**	3.93%	5.41%

- Current ratio is lower at 1.21 as of the September 2022 compared with 1.42 as of September 2021. This is attributable to higher level of loans of the Group as of the period.

- Solvency ratio is higher at 0.08 as of September 2022 compared to 0.07 as of September 2021 due to higher earnings posted by the Group this year.

- Debt-to-equity ratio increased from 0.91 in September 2021 to 0.90 as of September 2022 due to higher total liabilities.

- Asset to equity ratio went up from 1.90 in September 2021 to 1.91 in September 2022 as a result of higher assets, primarily due to acquisition of ATYC’s investment property.

- Interest rate coverage ratio is higher at 4.71 times compared to 3.62 as of September 2021 due to higher net income registered by the Group compared to same period in previous year.

- Return on average stockholders’ equity is higher at 4.93% compared to 4.56% last year due to higher net income of the group as of the period.

- Return on assets (ROA) increased from 2.17% last September 2021 to 2.59% this quarter. This is attributable to higher net income registered by the Group.

- Net profit margin is higher at 9% against 7% last year due to extraordinary gain recognized relative to sale of shares of stock.

- Asset turnover is lower at 0.26 times compared to 0.31 times as of September 2021 because of lower revenues posted by the Construction sector compared to same period last year.

- Return on equity is higher at 4.65% against 3.93% as of September 2021. This is due to higher earnings of the Group compared to same period last year.

The above-mentioned ratios are applicable to the Group (Parent Company and its 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, 2022 and 2021 (Unaudited)
and
December 31, 2021 (Audited)

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

	Unaudited September 30, 2022	Audited December 31, 2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱8,179,981,033**	₱9,056,486,073
Receivables (Note 7)	**5,334,989,945**	3,728,565,048
Contract assets (Note 8)	**8,297,906,456**	8,741,253,049
Inventories (Note 9)	**1,633,025,639**	1,540,267,273
Receivables from related parties	**163,694,861**	145,283,445
Prepaid expenses and other current assets (Note 10)	**1,401,585,001**	1,687,807,568
Total Current Assets	**25,011,182,935**	24,899,662,456
Noncurrent Assets		
Equity investments at fair value through other comprehensive income (FVOCI) (Note 11)	**543,290,294**	527,369,996
Investments in associates and joint ventures (Note 12)	**8,719,617,659**	7,834,124,308
Property and equipment (Note 13)		
At revalued amount	**8,291,619,850**	8,291,619,850
At cost	**7,829,282,742**	7,940,120,912
Investment properties (Note 15)	**8,133,096,713**	1,977,542,213
Deferred tax assets – net	**1,243,754,644**	1,222,749,651
Right-of-use assets	**1,047,435,405**	1,106,174,929
Goodwill (Note 14)	**484,829,719**	484,829,719
Retirement assets	**18,566,669**	18,129,661
Contract Assets – net of current portion (Note 8)	**1,437,780,587**	1,079,458,807
Other noncurrent assets - net (Note 16)	**1,891,842,830**	1,811,979,369
Total Noncurrent Assets	**39,641,117,112**	32,294,099,415
Total Assets	**₱64,652,300,047**	₱57,193,761,871

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 17)	**₱7,728,171,495**	₱7,037,261,878
Loans payable (Note 18)	**7,554,676,041**	5,706,469,178
Current portion of long-term debt (Note 19)	**3,342,863,313**	3,547,206,477
Current portion of contract liabilities (Note 8)	**1,969,465,547**	1,112,517,781
Current portion of lease liabilities	**90,579,296**	124,406,516
Income tax payable	**23,062,400**	27,202,609
Due to related parties	**10,397,265**	2,482,255
Total Current Liabilities	**20,719,215,357**	17,557,546,694
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 19)	**6,614,161,711**	6,590,656,513
Contract liabilities - net of current portion (Note 8)	**940,347,394**	565,849,622
Lease liabilities - net of current portion	**948,411,094**	990,953,738
Deferred tax liabilities – net	**825,775,152**	855,546,115
Retirement liabilities	**311,699,030**	223,026,503
Other noncurrent liabilities	**400,121,844**	294,630,102
Total Noncurrent Liabilities	**10,040,516,225**	9,520,662,593
Total Liabilities	**30,759,731,582**	27,078,209,287

(Forward)

	Unaudited September 30, 2022	Audited December 31, 2021
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
Deposit for future subscription	**1,945,609,904**	–
Equity reserve on acquisition of non-controlling interest	**1,601,207,562**	1,598,421,700
Revaluation increment on land – net	**1,475,424,327**	1,445,367,746
Cumulative translation adjustments	**423,662,157**	271,303,940
Fair value reserve of equity investments at FVOCI (Note 11)	**81,983,475**	67,330,660
Remeasurement loss on retirement	**(100,932,663)**	(101,768,611)
Retained earnings (Note 20)	**12,278,364,606**	11,076,014,388
	19,022,438,022	15,673,788,477
Non-controlling interests (Note 34)	**14,870,130,443**	14,441,764,107
Total Equity	**33,892,568,465**	30,115,552,584
	₱64,652,300,047	₱57,193,761,871

See accompanying Notes to Consolidated Financial Statements.

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

	July 1 to September 30		
	2022	2021	2020
REVENUE (Note 24)	**₱6,330,298,453**	₱5,540,677,752	₱6,152,082,987
COSTS OF SALES AND SERVICES (Note 26)	**5,174,941,152**	4,704,647,455	5,765,547,059
GROSS PROFIT	**1,155,357,301**	836,030,297	386,535,928
OTHER INCOME - Net (Note 25)	**80,772,283**	51,470,804	11,147,678
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES (Note 12)	**122,318,701**	323,241,426	238,766,012
GENERAL AND ADMINISTRATIVE EXPENSES (Note 30)	**(758,931,074)**	(672,902,982)	(804,107,060)
INTEREST AND FINANCE CHARGES (Notes 32)	**(130,656,849)**	(175,481,771)	(180,341,501)
INCOME BEFORE INCOME TAX	**468,860,362**	362,357,774	(347,998,943)
PROVISION FOR INCOME TAX	**(12,658,104)**	(48,259,428)	129,494,040
NET INCOME	**₱456,202,258**	₱314,098,346	(₱218,504,903)
Net income (loss) attributable to:			
Equity holders of the Parent Company	**₱321,825,591**	₱219,071,543	(₱123,294,683)
Non-controlling interests	**134,376,667**	95,026,803	(95,210,220)
	₱456,202,258	₱314,098,346	(₱218,504,903)
EARNINGS PER SHARE (Note 23)			
BASIC	**₱0.4145**	₱0.2821	(₱0.1588)
DILUTED	**₱0.4145**	₱0.2821	(₱0.1588)

See accompanying Notes to Consolidated Financial Statements.

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

	July 1 to September 30		
	2022	2021	2020
NET INCOME	**₱456,202,258**	₱314,098,346	(₱218,504,903)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustments	**147,434,966**	72,471,346	(17,402,146)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods			
Changes in fair value of equity investments carried at FVOCI (Note 11)	**(5,004,021)**	(10,465,963)	(409,949)
Revaluation increment on land	-	-	-
Remeasurement gains (losses) on net retirement liability	**(24,738)**	(3,926,048)	(136,534)
Total other comprehensive income (loss)	**142,406,207**	58,079,335	(17,948,629)
TOTAL COMPREHENSIVE INCOME	**₱598,608,465**	₱372,177,681	(₱236,453,533)
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱398,522,776**	₱249,286,399	(₱163,214,514)
Noncontrolling interest in consolidated subsidiaries	**200,085,689**	122,891,282	(73,239,019)
	₱598,608,465	₱372,177,681	(₱236,453,533)

See accompanying Notes to Consolidated Financial Statements.

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

	January 1 to September 30		
	2022	2021	2020
REVENUE (Note 24)	**₱16,977,019,056**	₱17,648,073,777	₱16,611,708,685
COSTS OF SALES AND SERVICES (Note 26)	**14,030,692,439**	14,804,753,859	16,027,212,260
GROSS PROFIT	**2,946,326,617**	2,843,319,918	584,496,425
OTHER INCOME - Net (Note 25)	**566,258,905**	140,912,202	41,727,729
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES (Note 12)	**799,450,137**	984,766,253	773,268,428
GENERAL AND ADMINISTRATIVE EXPENSES (Note 30)	**(2,232,481,737)**	(1,984,979,056)	(2,184,789,146)
INTEREST AND FINANCE CHARGES (Notes 32)	**(441,478,320)**	(547,689,289)	(562,181,013)
INCOME BEFORE INCOME TAX	**1,638,075,602**	1,436,330,028	(1,347,477,577)
PROVISION FOR INCOME TAX	**(61,529,633)**	(251,990,619)	525,474,937
NET INCOME	**₱1,576,545,969**	₱1,184,339,409	(₱822,002,640)
Net income (loss) attributable to:			
Equity holders of the Parent Company	**₱1,202,350,217**	₱798,432,012	(₱419,720,465)
Non-controlling interests	**374,195,752**	385,907,397	(402,282,175)
	₱1,576,545,969	₱1,184,339,409	(₱822,002,640)
EARNINGS PER SHARE (Note 23)			
BASIC	**₱1.5485**	₱1.0283	(₱0.5407)
DILUTED	**₱1.5485**	₱1.0283	(₱0.5406)

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	January 1 to September 30		
	2022	2021	2020
NET INCOME	**₱1,576,545,969**	₱1,184,339,409	(₱822,002,640)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustments	**290,040,357**	84,489,792	(93,736,570)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods			
Changes in fair value of equity investments carried at FVOCI (Note 11)	**15,969,856**	(41,856,109)	(33,111,000)
Revaluation increment on land	**30,517,857**	6,514,111	–
Remeasurement gains (losses) on net retirement liability	**957,395**	(34,349,136)	4,093,270
Total other comprehensive income (loss)	**337,485,465**	14,798,658	(122,754,300)
TOTAL COMPREHENSIVE INCOME	**₱1,914,031,434**	₱1,199,138,067	(₱944,756,940)
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱1,400,253,778**	₱773,312,271	(₱608,151,243)
Noncontrolling interest in consolidated subsidiaries	**513,777,656**	425,825,796	(336,605,697)
	₱1,914,031,434	₱1,199,138,067	(₱944,756,940)

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the Group											
	Common Stock (Note 20)	**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**	**Deposit for Future Subscription**	**Retained Earnings**	**Total**	**Attributable to Noncontrolling Interest**	**Total**
						For the Period Ended September 30, 2021						
Balances as at January 1, 2022	**₱1,162,540,326**	**₱154,578,328**	**₱1,598,421,700**	**₱1,445,367,746**	**₱271,303,940**	**₱67,330,660**	**(₱101,768,611)**	**₱–**	**₱11,076,014,388**	**₱15,673,788,477**	**₱14,441,764,107**	**₱30,115,552,584**
Restatement of retained earnings	–	–	–	–	–	–	–	–	–	–	–	–
Deposit for future subscription	–	–	–	–	–	–	–	**1,945,609,904**	–	**1,945,609,904**	–	**1,945,609,904**
Acquisition of noncontrolling interest	–	–	**2,785,862**	–	–	–	–	–	–	**2,785,862**	**(85,411,321)**	**(82,625,459)**
	1,162,540,326	**154,578,328**	**1,601,207,562**	**1,445,367,746**	**271,303,940**	**67,330,660**	**(101,768,611)**	**1,945,609,904**	**11,076,014,388**	**17,622,184,243**	**14,356,352,786**	**31,978,537,029**
Net income	–	–	–	–	–	–	–	–	**1,202,350,217**	**1,202,350,217**	**374,195,752**	**1,576,545,969**
Other comprehensive income	–	–	–	**30,056,581**	**152,358,217**	**14,652,815**	**835,948**	–	–	**197,903,561**	**139,581,905**	**337,485,466**
Total comprehensive income	–	–	–	**30,056,581**	**152,358,217**	**14,652,815**	**835,948**	–	**1,202,350,217**	**1,400,253,778**	**513,777,657**	**1,914,031,435**
Dividends declared by Parent Company	–	–	–	–	–	–	–	–	–	–	–	–
Dividends declared by subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–
Total dividends declared	–	–	–	–	–	–	–	–	–	–	–	–
Balances as at September 30, 2022	**₱1,162,540,326**	**₱154,578,328**	**1,601,207,562**	**₱1,475,424,327**	**₱423,662,157**	**₱81,983,475**	**₱(100,932,663)**	**₱1,945,609,904**	**₱12,278,364,606**	**₱19,022,438,022**	**₱14,870,130,443**	**₱33,892,568,465**
						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
Impact of PFRS 16 adoption	–	–	–	–	–	–	–	–	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	₱1,162,540,326	₱154,578,328	₱1,641,756,492	₱1,298,881,074	₱245,958,913	₱311,094,152	(₱188,329,963)	–	₱10,111,285,659	₱14,744,475,383	₱8,749,236,709	₱23,493,712,092
Conversion of Preferred Stock	–	–	–	–	–	–	–	–	–	(6,710,402)	–	(6,710,402)
Acquisition of noncontrolling interest	–	–	(18,751,619)	–	2,219,250	3,701,886	(2,142,679)	–	(41,218,381)	(56,191,544)	(3,778,456)	(59,970,000)
	1,162,540,326	154,578,328	1,623,004,873	1,298,881,074	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

See accompanying Notes to Consolidated Financial Statements

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

	Periods Ended September 30		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,638,075,602**	₱1,436,330,028	(₱1,347,477,577)
Adjustments for:			
Depreciation and amortization	**794,860,259**	830,790,201	1,036,719,305
Interest and finance charges	**441,478,320**	547,689,289	185,356,086
Movement in accrued retirement liability	**89,508,474**	20,080,112	9,586,116
Effects of exchange rates	**(45,110,366)**	(18,410,035)	40,239,107
FVPL loss (gain)	**(5,238,995)**	–	(35,679,661)
Gain on sale of assets	**(402,378,549)**	(8,336,076)	(11,708,283)
Interest income	**(52,532,915)**	(13,206,264)	(24,637,768)
Dividend income	**(4,330,950)**	(54,180,119)	(16,178,323)
Equity earnings in associates	**(799,450,137)**	(984,766,253)	(773,268,428)
Operating income working capital changes	**1,654,880,743**	1,755,990,883	(937,049,426)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	**(1,606,424,898)**	403,971,221	903,077,431
Contract assets	**443,346,593**	(1,412,345,052)	(1,340,171,395)
Inventories	**(92,758,366)**	243,586,884	(288,593,971)
Prepaid expenses and other current assets	**286,222,568**	758,479,380	(383,741,542)
Receivable from related parties	**(18,411,417)**	(45,261,108)	7,362,279
Other noncurrent assets	**(7,096,309,660)**	(398,010,312)	(384,995,974)
Increase (decrease) in:			
Accounts payable and accrued expenses	**690,909,617**	(1,028,112,352)	410,309,396
Due to related parties	**7,915,010**	215,477	(116,962,802)
Contract liabilities	**1,231,445,538**	(280,506,874)	765,750,185
Other noncurrent liabilities	**29,121,878**	(185,433,779)	(223,752,578)
Net cash generated from (used for) operations	**(4,470,062,394)**	(187,425,632)	(1,588,768,397)
Interest received	**52,532,915**	13,206,264	24,637,768
Interest and finance charges paid	**(441,478,320)**	(547,689,289)	(185,356,086)
Income tax paid	**(116,445,798)**	(245,119,886)	(116,163,490)
Net cash flows provided by (used in) operating activities	**(4,975,453,597)**	(967,028,543)	(1,865,650,205)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of assets	**402,378,549**	8,131,576	11,503,783
Proceeds from disposal of investment properties	**420,500**	204,500	873,500
Proceeds from deposit for future subscription	**1,945,609,904**	–	–
Acquisition of software	**4,330,950**	54,180,119	16,178,323
Dividends received	**(23,227,056)**	(144,137,032)	(3,459,547)
Net cash flows used in investing activities	**2,329,512,847**	(81,620,837)	25,096,059

	Periods Ended September 30		
	2022	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds (payments) from:			
Loans payable	**13,980,806,863**	9,050,200,000	4,102,057,701
Long-term debt	**2,458,333,284**	1,592,832,074	(955,092,650)
Net Addition (deduction) to minority interst	**56,956,444**	216,805,723	(36,028,975)
Cash dividends paid	**–**	–	(86,529)
Redemption of preferred shares	**–**	–	(6,710,402)
Payments of:			
Loans payable	**(12,132,600,000)**	(7,530,750,000)	(1,014,380,000)
Long-term debt	**(2,639,171,250)**	(2,304,660,519)	(75,000,000)
Net cash flows provided by (used in) financing activities	**1,724,325,341**	1,024,427,278	2,014,759,145
EFFECTS OF EXCHANGE RATE CHANGES	**45,110,369**	18,410,033	(40,239,105)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(876,505,040)**	(5,812,069)	133,965,894
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**9,056,486,073**	3,218,733,775	2,686,669,074
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱8,179,981,033**	₱3,212,921,706	₱2,820,634,968

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

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

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

The registered office address and principal place of business of the Parent Company is at 9th Floor, Grepalife Building, 221 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila.

2. Basis of Preparation and Statement of Compliance

<u>Basis of Preparation</u>

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.

<u>Statement of Compliance</u>

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

<u>Basis of Consolidation</u>

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

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership 2022 Direct	2022 Indirect	2021 Direct	2021 Indirect
Investment Managers, Inc. (IMI)	Philippines	Insurance agent, financing, trading and real estate	Philippine Peso	**100.00**	–	100.00	–
Landev Corporation	Philippines	Property services	Philippine Peso	**100.00**	–	100.00	–
San Lorenzo Ruiz Investment Holdings and Services Inc. (SLRHSI) [a]	Philippines	Property management	Philippine Peso	**85.36**	–	100.00	–
ATYC, Inc. [e]	Philippines	Property management	Philippine Peso	**100.00**	–	–	–
Xamdu Motors, Inc. (XMI)	Philippines	Car dealership	Philippine Peso	**100.00**	–	100.00	–
(Forward)							
Zamboanga Carriers, Inc. (ZCI)	Philippines	Transportation	Philippine Peso	**100.00**	–	100.00	–
Zambowood Realty and Development Corporation (ZRDC)	Philippines	Real estate	Philippine Peso	**100.00**	–	100.00	–
Greyhounds Security and Investigation Agency Corp.	Philippines	Security agency	Philippine Peso	–	**100.00**	–	100.00
Hexagon Lounge, Inc.	Philippines	Restaurant	Philippine Peso	–	**100.00**	–	100.00
Secon Professional Security Training Academy Inc.	Philippines	Training service provider	Philippine Peso	–	**100.00**	–	100.00
HI Cars, Inc. (formerly Honda Cars Kalookan, Inc.; HCI) [b]	Philippines	Car dealership	Philippine Peso	**100.00**	–	100.00	–
La Funeraria Paz Sucat, Inc. (LFPSI)	Philippines	Memorial services	Philippine Peso	**50.00**	**13.00**	50.00	13.00
EEI Corporation (EEI)	Philippines	Construction	Philippine Peso	**55.34**	–	55.34	–
EEI Limited	British Virgin Islands	Holding company	US Dollar	–	**100.00**	–	100.00
Clear Jewel Investments, Ltd.	British Virgin Islands	Holding company	US Dollar	–	**100.00**	–	100.00
Nimaridge Investments, Limited	British Virgin Islands	Holding company	US Dollar	–	**100.00**	–	100.00
EEI (PNG), Ltd	Papua New Guinea	Holding company	US Dollar	–	**100.00**	–	100.00
EEI Corporation (Guam), Inc.	United States of America	Construction	US Dollar	–	**100.00**	–	100.00
EEI Construction and Marine, Inc.	Philippines	Construction	Philippine Peso	–	**100.00**	–	100.00
EEI Realty Corporation (EEI Realty)	Philippines	Real estate	Philippine Peso	–	**100.00**	–	100.00
EEI Subic Corporation	Philippines	Construction	Philippine Peso	–	**100.00**	–	100.00
EEI Business Solutions, Inc. (EBSI) (formerly Equipment Engineers, Inc.) [d]	Philippines	Construction	Philippine Peso	–	**100.00**	–	100.00
JP Systems Asia Inc. (JPSAI)	Philippines	Rental of scaffolding and formworks	Philippine Peso	–	**60.00**	–	60.00
BiotechJP Corporation	Philippines	Manufacturing food and therapeutic food	Philippine Peso	–	**60.00**	–	60.00
Learn JP Corp	Philippines	Service for improvement in language proficiency	Philippine Peso	–	**60.00**	–	60.00
EEI Power Corporation (EPC)	Philippines	Power generation	Philippine Peso	–	**100.00**	–	100.00
Gulf Asia International Corporation (GAIC)	Philippines	Manpower services	Philippine Peso	–	**100.00**	–	100.00
GAIC Professional Services, Inc. (GAPSI)	Philippines	Manpower services	Philippine Peso	–	**100.00**	–	100.00
GAIC Manpower Services, Inc. (GAMSI)	Philippines	Manpower services	Philippine Peso	–	**100.00**	–	100.00
Bagumbayan Equipment & Industrial Products, Inc.	Philippines	Consultancy services	Philippine Peso	–	**100.00**	–	100.00
Philmark, Inc.	Philippines	Construction	Philippine Peso	–	**100.00**	–	100.00
Philrock Construction and Services, Inc.	Philippines	Manpower services	Philippine Peso	–	**100.00**	–	100.00
EEI Energy Solutions Corporation (EESC)	Philippines	Retail electricity supplier	Philippine Peso	–	**100.00**	–	100.00
EEI Carga Digital Logistics Corporation (EEI Carga) [c]	Philippines	Digital logistics	Philippine Peso	–	**100.00**	–	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
(Forward)							
Mapua Techserv, Inc. (MTI)	Philippines	Consultancy	Philippine Peso	–	**100.00**	–	100.00

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership 2022 Direct	Indirect	2021 Direct	Indirect
Mapua Techpower Inc.	Philippines	Consultancy	Philippine Peso	**–**	**75.00**	–	75.00
People eServe Corporation	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
Pan Pacific Computer Center, Incorporated (PPCCI)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
Affordable Private Education Center, Inc doing business under the name of APEC Schools (APEC)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
National Teachers College doing business under the name/s and style/s of The National Teachers College	Philippines	Education and Information Technology	Philippine Peso	**–**	**99.79**	–	99.79
University of Nueva Caceres	Philippines	Education and Information Technology	Philippine Peso	**–**	**83.62**	–	83.62
AC College of Enterprise and Technology, Inc	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
LINC Institite, Inc doing business under the Name and Style of LINC Academy	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00

(a) On February 23, 2022, the Parent Company sold 1,612,759 SLRIHS shares to Sojitz Corporation resulting to decrease in percentage of ownership from 100% to 85%.
(b) In July 2021, Parent company acquired additional 27,000,000 shares resulting to 100% ownership of HCKI.
(c) On May 14, 2021, EEI Carga Digital Logistics Corporation was incorporated as a wholly owned subsidiary of EEI. EEI Carga's primary purpose it to own and operate a digital logistics platform that enables shippers to deliver their products through various transportation options available in the platform. EEI Carga's financial year end is December 31.
(d) On May 27, 2022, Equipment Engineers, Inc. was renamed as EEI Business Solutions, Inc., with the purpose of establishing a separate and distinct identity for the Company as it is frequently mistaken as EEI Corporation, its Parent Company.
(e) On Sep 1, 2022, Parent company acquired 5,000,000 shares representing 100% ownership of ATYC, Inc.

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

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond September 30, 2021*
  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before September 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

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

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

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

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

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

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively; however, the Group is not required to restate prior periods. The adoption of the amendment did not impact the Group's financial statement as of December 31, 2021.

<u>Effective beginning on or after January 1, 2022</u>

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

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

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

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

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

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

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

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

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

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

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

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

- *Annual Improvements to PFRSs* 2018-2020 Cycle

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

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

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

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

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

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

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

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

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

<u>Standards Issued But Not Yet Effective</u>
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.

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

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

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

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

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2024

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

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

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

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

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

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

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

Deferred Effectivity

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

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

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

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4. Summary of Significant Accounting Policies

Leases - *Group as a lessee*

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

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

Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of

lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date ease incentives received.

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

	Years
Land	5 to 66
Building	2 to 10

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

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

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

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

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

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

Revenue Recognition

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

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

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

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

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

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

Revenue from manpower services
Under the Group's service agreements with its customers, the Group is required to provide manpower services (including but not limited to janitorial, messengerial and other allied services).

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

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

Onerous contracts
If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognizes any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of withdrawing from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

Contract balances arising from revenue with customer contracts

Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

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

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

is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

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

Expenses

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

Cost of sales and services

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

General and administrative expenses

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

Current versus Non-current Classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

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

Cash and Cash Equivalents

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

Fair Value Measurement

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

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

Financial Instruments - Initial Recognition and Subsequent Measurement

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

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

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

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

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

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)
The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

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

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

that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in OCI.

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

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

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

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

The Group elected to classify irrevocably all equity investments other than those classified to fair value through profit or loss under this category.

The Group does not have any debt financial assets at fair value through OCI as of September 30, 2022 and December 31, 2021.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The loss allowance was adjusted for forward-looking factors specific to the debtors and the economic environment.

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

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

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

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

This category generally applies to the Group' accounts payable and other current liabilities, loans payable, long-term debt, due to related parties and lease liabilities.

Derecognition of Financial Instruments

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

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

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting of Financial Instruments

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

Inventories

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

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

The cost of real estate inventories includes (a) land cost; (b) freehold and leasehold rights for land; (c) amounts paid to contractors for construction; (d) planning and design cost, cost of site preparation, professional fees, property taxes, construction overheads and other related costs that are directly attributable in bringing the real estate inventories to its intended condition.

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

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

Prepaid Expenses

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

Advances to Suppliers and Subcontractors

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

Value-Added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

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

Other Current Assets

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

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

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

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

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

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

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

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

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

The Group's associates and joint venture accounted for using the equity method as of September 30, 2022 follows:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership 2022	2021
Associates:					
Hi-Eisai Pharmaceutical, Inc. (HEPI)	Philippines	Pharmaceutical	Philippine peso	**50.00**	50.00
Petroenergy Resources Corporation (PERC)	Philippines	Renewable energy	Philippine peso	**29.10**	29.10
PetroGreen Energy Corporation (PGEC) [a]	Philippines	Renewable energy	Philippine peso	**7.50**	10.00
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 ventures:					
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)	Philippines	Distribution and marketing	Philippine peso	**30.00**	30.00
Shimizu-Fujita-Takenaka-EEI Joint Venture (SFTE)	Philippines	Construction	Philippine peso	**5.00**	5.00
Acciona-EEI Joint Venture (AE)	Philippines	Construction	Philippine peso	**30.00**	30.00
DL E&C-EEI-HEC Joint Venture (DEH) [b]	Philippines	Construction	Philippine peso	**20.00**	20.00
LOTTE-GULERMAK-EEI Joint Venture (LGE) [b]	Philippines	Construction	Philippine peso	**25.00**	25.00

(a) Effective ownership in PERC is 23.79% after considering the Group's indirect investment in PetroGreen Energy Corporation (PGEC),a subsidiary of PERC. As a result of the issuance of PGEC's 25% shares to KIC, PERC's ownership in PGEC were reduced from 90% to 67.5%, similarly, the Group's indirect investment was also reduced from 10% to 7.5%.
(b) Entered into in 2021

Property and Equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment Properties
Investment properties are measured at cost less impairment loss, if any, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

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

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

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

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

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

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

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

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

Business Combination and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

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

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

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

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

<u>Retirement Cost</u>

Defined benefit plan

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

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

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

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

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

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

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

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

<u>Income Tax</u>

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.

<u>Basic and Diluted Earnings Per Share (EPS)</u>
Basic EPS is computed by dividing net income for the year attributable to equity holders of the Parent Company adjusted for the after-tax amounts of dividends on preferred stock by the weighted average number of common stock outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits.

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

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

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

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

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

Segment Reporting
The Group's operating business are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 35.

Capital Stock
The Group records common stocks at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity shares. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Treasury Shares
When the Group purchases the Group's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in equity (Note 21).

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

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

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

5. Significant Accounting Judgments and Estimates

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

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

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

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

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

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

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

Recognition of revenue from construction contracts
Under PFRS 15, the Group assessed that there is only one performance obligation for each construction agreement that it has entered and that revenue arising from such agreements qualify for recognition over time. The Group elected to use the input method to measure the progress of the fulfillment of its performance obligation, which is based on the actual costs incurred to date relative to the total estimated cost to complete the construction projects. The Group believes that this method faithfully depicts the Group's performance towards satisfaction of its performance obligation because there is a direct relationship between the Group's effort (i.e., costs incurred) and the transfer of service to the customer (Note 24).

Recognition of tuition and other matriculation fees over time
The Group determined that tuition and other matriculation fees are to be recognized over time using the output method on the basis of time lapsed over the service period since it provides a faithful depiction of the Group's performance in transferring control of the services to the students. The fact that another entity would not need to re-perform the service that the Group has provided to date demonstrates that the customer or the student simultaneously receives and consumes the benefits of the Group's performance as it performs (Note 24).

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

As of September 30, 2022 and December 31, 2021, the Parent Company holds 10% of interest in RRC. The Parent Company exercises significant influence in RRC since the Parent Company's President is the concurrent president of RRC. The president is also a member of the BOD. As such, the president of the Parent Company effectively has a participation in the policy-making process of RRC. Hence, the Parent Company is able to exercise significant influence even if ownership is less than 20%.

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

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

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

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

Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Group's lease liabilities amounted to ₱1.04 billion and ₱1.12 billion as of September 30, 2022 and December 31, 2021 respectively.

Estimating variable considerations arising from change orders and claims
The Group frequently agrees to change orders that modify the scope of its work previously agreed with customers and regularly submits claims to customers when unanticipated additional costs are incurred because of delays or changes in scope caused by the customers. PFRS 15 requires the Group to recognize, as part of its revenue from construction contracts, the estimated amounts the Group expects to be entitled to and to be received from customers due to these change orders and claims (otherwise known as variable considerations), provided that it is highly probable that a significant reversal of the revenue recognized in connection with these variable considerations will not occur in the future. For these unpriced change orders and claims, the Group uses the "most likely amount" method to predict the amount to which it will be entitled and expected to be received from the customers. The Group also updates its estimate of the transaction price to reflect any changes in circumstances that would result to changes in amount of variable considerations and corresponding increase or decrease in the contract assets.

The aggregate carrying values of receivables and contract assets amounted to ₱15.07 billion and ₱13.55 billion as of September 30, 2022 and December 31, 2021, respectively (Notes 7 and 8).

Fair value measurement of unquoted equity investments at FVOCI
The Group uses valuation techniques such as adjusted net asset method to estimate the fair value of investment in Hermosa Ecozone Development Corporation (HEDC). These valuation techniques require significant unobservable inputs to calculate the fair value of the Group's unquoted equity investments at FVOCI. These inputs include appraised value of real properties, among others. Changes in assumptions relating to these factors could affect the reported fair value of these unquoted equity financial instruments. For the investment in HEDC, the valuation made by the appraisers was based on sales comparison approach. The effects of COVID-19 were reflected in the selling price of comparable listings of real estate properties and were not accounted for separately.

The fair value of unquoted equity investments amounted to ₱0.41 billion and ₱0.42 billion as of September 30, 2022 and December 31, 2021, respectively (Note 11).

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As of September 30, 2022 and December 31, 2021 the aggregate carrying values of Receivables and Contract assets are disclosed in Notes 7 and 8 to the consolidated financial statements.

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

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

Valuation of land under revaluation basis
The Group's parcel of land is carried at revalued amounts. The valuations of these parcels of land were performed by SEC accredited independent appraisers and were determined using the market approach. Significant adjustments to inputs used in determining the fair value of land such as location and utility could affect the appraised value of the assets. The estimate of fair value of land carried at revalued amounts considered the effects of COVID-19 in its net selling price by adjustments made to external factors, and these were not accounted for separately.

Land carried under revaluation basis amounted to ₱8.29 billion as of September 30, 2022 and December 31, 2021. The key assumptions used to determine the fair value of the parcels of land are disclosed in Note 13.

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

significant changes in the manner of use of the acquired assets or the strategy for overall business, and significant negative industry or economic trends.

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

Impairment of Goodwill, Student relationship and Intellectual property rights are assessed at least on an annual basis. In assessing the impairment, the Group determines the recoverable amount using value in use with detailed disclosures made in Note 14. There is no impairment loss recognized on these assets in 2021, 2020 and 2019. As at September 30, 2022 and December 31, 2021, the carrying value of goodwill amounted to ₱484.83 million (Note 14).

As to the Group's Property and equipment, Student relationship and Noncurrent assets, no impairment loss was recognized for the years ended September 30, 2022 and December 31, 2021, except for the provision for impairment in value of land recognized in 2019 amounting to ₱21.00 million (Notes 13 and 16).

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

Retirement assets amounted to ₱18.57 million as of September 30, 2022 and ₱18.13 million as of December 31, 2021, whereas retirement liabilities amounted to ₱311.70 million and ₱223.03 million as of September 30, 2022 and December 31, 2021, respectively.

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

Classification of creditable withholding tax
The Group classify its creditable withholding tax (CWT) as current when it is expected to be realized (e.g., will be used as tax credit against income taxes due) for at least twelve months after the reporting period. The portion of CWT that is expected to be realized after twelve months after the reporting period is classified as noncurrent.

The Group classified CWTs amounting to ₱1.12 billion as non-current as management assessed that it will not be used as tax credits within the next twelve months (Note 16).

CWT recognized by the Group is disclosed in Notes 10 and 16 to the consolidated financial statements.

Provisions and contingencies
The Group is currently involved in various proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Management does not believe that these proceedings will have a material adverse effect on the Group's financial statement because management and its legal counsels believe that the Group has substantial legal and factual bases for its position (Notes 17 and 33).

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

- Collectability of accounts with customers continues to be closely monitored. A material change in the provision for impairment of trade receivables has not been identified.
- There were no onerous contracts or additional provisions that have been recognized resulting from the direct impact of coronavirus pandemic.
- Additional costs incurred by the Group due to COVID-19 pandemic that do not represent satisfaction of performance obligation are excluded in the measurement of progress on the Group's contracts with customers.
- The Group has also considered the increased uncertainty in determining key assumptions within the assessment of future taxable income of the Group upon which recognition of deferred tax assets is assessed, including forecast of revenue and expenses, among others.

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

6. Cash and Cash Equivalents

This account consists of:

	Unaudited September 2022	Audited December 2021
Cash on hand and in banks	**₱5,044,696,134**	₱2,929,391,629
Short-term investments	**3,135,284,899**	6,127,094,444
	₱8,179,981,033	₱9,056,486,073

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

Interest income from cash in banks and short-term investments amounted to ₱49.81 million, ₱8.96 million and ₱18.42 million for the periods ended September 30, 2022, 2021 and 2020, respectively (Note 25).

7. **Receivables**

This account consists of:

	Unaudited September 2022	Audited December 2021
Trade		
Construction and infrastructure	**₱3,428,899,136**	₱2,317,099,708
Education	**1,653,576,271**	1,251,619,696
Car dealership	**394,420,831**	254,215,348
Other services	**136,928,265**	93,779,985
Other receivables		
Advances to officers and employees	**40,101,631**	30,070,838
Receivables from plant	**20,247,127**	40,500,435
Receivable from sale of investment properties	**16,308,276**	17,285,545
Accrued referral incentives	**15,283,648**	19,288,160
Receivable from customers	**11,865,879**	16,061,797
Rent receivable	**33,564**	33,564
Dividends receivable	**–**	10,414,928
Others	**130,424,588**	157,705,764
	5,848,089,216	4,208,075,768
Less allowance for impairment	**513,099,271**	479,510,720
	₱5,334,989,945	₱3,728,565,048

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

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

Receivables from 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 ₱241.4 million and ₱140.8 million as at September 30, 2022 and December 31, 2021, respectively, arising from the Senior High School (SHS) Voucher Program wherein qualified SHS students are given assistance on tuition fees. These receivables are noninterest-bearing and are generally collectible within one year.

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

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

No trade receivables were used as collaterals to secure obligations as of September 30, 2022 and December 31, 2021.

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

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

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

Receivable from customers
In 2017, certain trade receivables were reclassified as interest-bearing trade receivables after the Group and the customers agreed to extend the credit terms. These receivables bear interest of 5% per annum and will be repaid in five (5) years' time. As of September 30, 2022 and December 31, 2021, the current portion of receivable amounted to ₱11.87 million and ₱16.06 million, respectively.

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

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

8. Contract Assets and Liabilities

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

The Group's contract assets amounted to ₱9.39 billion and ₱9.82 billion as of September 30, 2022 and December 31, 2021, respectively.

Details of the Group's contract assets as of September 30, 2022 and December 31, 2021 are shown below.

	September 30, 2022		
	Current	**Noncurrent**	**Total**
Contract asset	**₱8,297,906,456**	**₱1,437,780,587**	**₱9,735,687,043**

	December 31, 2021		
	Current	Noncurrent	Total
Contract asset	₱8,741,253,049	₱1,079,458,807	₱9,820,711,856

Contract Liabilities

Details of the Group's contract liabilities as of September 30, 2022 are shown below.

	Unaudited September 2022	Audited December 2021
Total contract liabilities	**₱2,909,812,941**	₱1,678,367,403
Less current portion	**1,969,465,547**	1,112,517,781
Total Non-current portion	**₱940,347,394**	₱565,849,622

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

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

9. **Inventories**

This account consists of:

	Unaudited September 2022	Audited December 2021
Construction materials	**₱1,006,704,393**	₱832,425,956
Merchandise	**380,869,117**	474,292,929
Real estate:		
Land and land development	**201,069,551**	152,710,557
Raw lands	**-**	45,073,466
Subdivision lots and contracted units for sale	**36,158,650**	38,156,275
	237,228,201	235,940,298
Spare parts and supplies	**84,002,234**	73,386,396
	1,708,803,945	1,616,045,579
Less: Allowance for inventory obsolescence	**75,778,306**	75,778,306
	₱1,633,025,639	₱1,540,267,273

Merchandise includes automotive units, parts and accessories, food and beverages, among others.

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

	Unaudited September 2022	Audited December 2021
Balances at beginning of year	**₱235,940,298**	₱230,771,008
Construction/development costs incurred	**4,420,216**	12,683,984
Cost of real estate sales	**(3,132,313)**	(7,514,694)
Balances at end of period	**₱237,228,201**	₱235,940,298

The total cost of goods sold recognized in the Group's statements of comprehensive income amounted to ₱3.14 million, ₱2.40 million and ₱2.61 million in 2022, 2021 and 2020 respectively (Notes 27).

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

The roll-forward of allowance for inventory obsolescence is as follows:

	Unaudited September 2022	Audited December 2021
Balance at beginning of year	**₱75,778,306**	₱82,135,203
Provisions (Note 29)	–	8,728
Write-off	–	(6,365,625)
Balances at end of year	**₱75,778,306**	₱75,778,306

No inventories were pledged as security to obligations as of September 30, 2022 and December 31, 2021.

10. Prepaid Expenses and Other Current Assets

This account consists of:

	Unaudited September 2022	Audited December 2021
Creditable withholding taxes	**₱338,189,219**	₱269,509,910
Prepaid expenses	**363,385,687**	278,971,080
Input value added tax (VAT)	**206,367,497**	75,093,601
Advances to suppliers and contractors	**145,367,343**	582,390,512
Miscellaneous deposits	**121,314,316**	131,535,400
Bid deposit	**59,822,400**	59,822,400
Restricted funds	**52,512,794**	56,284,600
Advances to officers and employees	**46,301,733**	50,822,589
Restricted cash investments	**25,696,216**	31,947,640
Prepaid taxes	**16,540,374**	66,879,289
Others	**42,546,090**	101,009,215
	1,418,043,669	1,704,266,236
Less allowance for impairment	**16,458,668**	16,458,668
	₱1,401,585,001	1,687,807,568

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

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

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

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

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

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

This account consists of:

	Unaudited September 2022	Audited December 2021
Quoted equity investments	**₱133,277,109**	₱109,266,412
Unquoted equity investments	**410,013,185**	418,103,584
	₱543,290,294	₱527,369,996

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

	Unaudited September 2022	Audited December 2021
Attributable to equity holders of the parent:		
Balance at beginning of year	**₱67,330,660**	₱175,482,889
Income (loss) recognized in OCI	**14,652,815**	(108,152,229)
Balance at end of year	**81,983,475**	67,330,660
Non-controlling interests:		
Balance at beginning of year	**321,570,569**	232,495,478
Income (loss) recognized in OCI	**1,317,041**	89,075,091
Balance at end of year	**322,887,610**	321,570,569
	₱404,871,085	₱388,901,229

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

The fair value of the Group's unquoted equity investments in HEDC is determined using the adjusted net asset approach wherein the assets of investee are adjusted from cost to their fair value. The valuation was performed by an independent SEC-accredited appraiser as of December 31, 2021.

Dividends earned from equity investments at FVOCI amounted to nil and ₱35.2 million as of September 30, 2022 and December 31, 2021, respectively.

No equity investments at fair value through other comprehensive income (FVOCI) were pledged as security to obligations as of September 30, 2022 and December 31, 2021.

12. Investments in Associates and Joint Venture

The rollforward analysis of this account follows:

	Unaudited September 2022	Audited December 2021
Acquisition cost:		
Balances at beginning of year	**₱4,236,124,304**	₱4,690,263,520
Additions	**16,290,700**	–
Return of Investment in ARCC	**–**	(454,139,216)
Balance at end of year	**4,252,415,004**	4,236,124,304
Accumulated impairment loss	**74,536,609**	74,536,609
Accumulated equity in net earnings:		
Balance at beginning of year	**3,531,781,119**	2,459,727,726
Equity in net earnings	**799,450,136**	1,430,345,902
Dividends received	**(234,196,166)**	(358,292,509)
Balance at end of year	**4,097,035,089**	3,531,781,119
Subtotal	**8,274,913,484**	7,693,368,814
Share in other comprehensive income (loss) of an associate	**(152,051,057)**	(138,799,335)
Cumulative translation adjustment	**596,755,232**	279,554,830
	₱8,719,617,659	₱7,834,124,308

As of September 30, 2022 and December 31, 2021, no investments in associates were pledged as security to obligations.

13. Property and Equipment

Property and equipment at revalued amount

Movements in the revalued land are as follows:

	Unaudited September 2022	Audited December 2021
Balance at beginning of year	**₱8,291,619,850**	₱7,957,658,100
Additions (deductions):		
Reversal of impairment	**–**	–
Appraisal increase	–	333,961,750
Balance at end of period	**₱8,291,619,850**	₱8,291,619,850

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

Property and equipment at cost

The rollforward analysis of this account follows:

	Unaudited September 2022	Audited December 2021
At Cost		
Land, Buildings and Improvements	**₱7,242,190,715**	₱6,258,490,188
Machinery, Tools and Construction Equipment	**5,156,035,670**	5,367,373,281
Furniture, Fixtures and Office Equipment	**1,270,348,854**	1,269,786,622
Transportation and Service Equipment	**3,641,422,017**	3,335,757,724
	17,309,997,256	16,231,407,815
Less: Accumulated Depreciation	**(9,932,947,405)**	(9,788,303,417)
	7,377,049,851	6,443,104,398
Construction in Progress	**452,232,891**	1,497,016,514
Net book value at Cost	**₱7,829,282,742**	₱7,940,120,912

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

14. **Goodwill**

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

	Unaudited September 2022	Audited December 2021
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 2022	Audited December 2021
Cost		
Balance at beginning of year	**₱1,977,542,213**	₱1,977,608,213
Additions	**6,155,975,000**	–
Disposals	**(420,500)**	(66,000)
Balance at end of year	**₱8,133,096,713**	₱1,977,542,213

Land classified as investment properties include the following:

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

- Parcel of land located in Taguig acquired by ATYC amounting to P6,156.0 million representing fair value of the property of P6,065.0 million, plus P90.98 million costs directly attributable to the transfer.

- Other parcels of land owned by EEI located in Benguet, Cavite, Nueva Ecija, Bulacan and memorial lots in Las Piñas with carrying values of ₱6.6 million, ₱0.5 million, ₱0.2 million, ₱7.0 million and ₱0.2 million, respectively, as of December 31, 2021 and of ₱6.6 million, ₱0.5 million, ₱0.2 million, ₱7.0 million and ₱0.2 million, respectively, as of December 31, 2021.

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

As of December 31, 2021, the aggregate fair values of land amounted to ₱2.25 billion, which was determined based on valuation performed by an independent SEC accredited appraiser in 2021. The fair value of the land was determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on size, and shape (Level 3 - Significant unobservable inputs).

In 2022, the Parent company sold heritage lots for ₱2.4 million. The Group recognized a gain of P2.2 million related to the sale.

None of the investment properties were pledged as a security to obligations as of September 30, 2022 and December 31, 2021.

16. Other Noncurrent Assets

This account consists of:

	Unaudited September 2022	Audited December 2021
Creditable withholding tax – noncurrent	**₱1,117,241,036**	₱924,336,073
Intellectual property rights	**523,103,000**	523,103,000
Deferred input VAT	**73,136,956**	162,009,652
Receivable from customer	**54,570,275**	54,570,275
Computer software	**43,703,381**	27,336,914
Miscellaneous deposit	**31,261,109**	27,081,140
Student relationship	**27,028,363**	43,761,227
Others	**21,798,710**	49,781,088
	₱1,891,842,830	₱1,811,979,369

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 2022	Audited December 2021
Cost		
Balance at the beginning of the year	**₱163,955,660**	₱144,137,032
Additions	**23,227,056**	20,131,041
Reclassification	**-**	(312,413)
Balance at the end of the year	**187,182,716**	163,955,660
Accumulated Amortization		
Balance at the beginning of the year	**136,618,746**	130,902,215
Amortization	**6,860,589**	5,716,531
Balance at the end of the year	**143,479,335**	136,618,746
Net Book Value	**₱43,703,381**	₱27,336,914

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

This account consists of:

	Unaudited September 2022	Audited December 2021
Accounts payable	**₱6,611,689,237**	₱5,919,553,024
Deferred output taxes	**329,907,984**	277,084,033
Accrued expenses	**270,437,583**	288,359,148
Provisions	**159,266,271**	159,266,271
Withholding taxes and others	**151,064,635**	109,946,406
Output tax payable	**82,968,999**	137,643,666
SSS and other contributions	**63,325,501**	47,316,542
Payable to Land Transportation Office	**4,573,344**	4,227,497
Subscriptions payable	**3,750,040**	3,750,000
Deferred income	**2,314,891**	2,173,986
Chattel mortgage payable	**1,500,252**	10,294,436
Dividends payable	**-**	2,137,962
Others	**47,372,758**	75,508,907
	₱7,728,171,495	₱7,037,261,878

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 2022	Audited December 2021
Accrued salaries and wages	**₱67,680,701**	₱20,687,569
Accrued professional fees	**21,734,584**	15,359,000
Accrued interest	**17,334,969**	68,985,444
Accrued security services	**8,505,172**	15,805,414
Accrued utilities	**8,134,649**	4,311,000
Accrued insurance	**4,855,724**	23,935,800
Others	**142,191,784**	139,274,921
	₱270,437,583	₱288,359,148

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

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

18. **Loans Payable**

This account consists of:

	Unaudited September 2022	Audited December 2021
Unsecured bank loans	**₱7,554,676,041**	₱5,306,469,178
Secured bank loans	**-**	400,000,000
	₱7,554,676,041	₱5,706,469,178

<u>Unsecured</u>
Unsecured bank loans are obtained from local banks and related party financial institutions with annual interest rates ranging from 2.50% to 3.50% and 2.50% to 5.50% in September 30, 2022 and December 31, 2021, respectively.

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

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

Outstanding balance of short-term loans obtained by MCMI amounted to nil, and ₱400 million as at September 30, 2022 and December 31, 2021, respectively.

19. **Long-term Debt**

This account consists of:

	Unaudited September 2022	Audited December 2021
Fixed-rate corporate promissory notes	**₱7,902,606,210**	₱8,078,421,328
Fixed-rate term loan	**2,054,418,814**	2,059,441,662
	9,957,025,024	10,137,862,990
Less current portion of long-term debt	**3,342,863,313**	3,547,206,477
	₱6,614,161,711	₱6,590,656,513

<u>EEI</u>
In 2014, the Group through EEI received ₱500.0 million proceeds from the issuance of unsecured fixed-rate corporate promissory notes to a local bank that bear annual interest of 5.20%. Subsequently, the bank reduced the interest rate to 4.80% effective May 26, 2015 until maturity. The promissory notes mature within seven (7) years from the date of issuance. The loan was fully paid in 2021.

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

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

On November 11, 2019, the Group received ₱909 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 3.9%. The promissory note matures within three (3) years from the date of issuance. The proceeds from the promissory notes were used for general corporate and project financing requirements.

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

On November 23, 2020, the Group received ₱1,000.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 3.3%. The promissory note matures within three (3) years from the date of issuance.

On March 22, 2021, the Group received ₱1,500 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 4.5%. The promissory note matures within three (3) years from the date of issuance.

On October 7, 2021, the Group received ₱2,500 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 4.8%. The promissory note matures within three (3) years from the date of issuance.

On December 3, 2021, the Group received ₱1,500 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 3.4%. The promissory note matures within three (3) years from the date of issuance.

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

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

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

In 2019, Biotech JP obtained an unsecured ₱47.60 million long-term loan from Biotech Japan Corporation that bears an annual interest of 0.30%. The loan is payable in equal semi-annual installments and will mature on September 13, 2030.

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

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

<u>IPO</u>
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 September 30, 2022, total drawdown from the long-term loan facility amounted to ₱380 million. The ₱300 million is subject to 5.5% fixed rate and the ₱80 million is subject to annual repricing based on higher of 5.5% or the prevailing one year benchmark rate or done rate of a liquid/active security, as agreed by the parties, with the same tenor if benchmark rate is not reflective of market rate, plus interest spread.

In September 2021, the ₱80 million is converted to a 5.5% fixed rate based on the presumption that the interest rate will increase in the succeeding years.

The loan is subject to certain covenants including maintaining a maximum debt-to-equity structure ratio of 3:1. As of September 30, 2022 and December 31, 2021, NTC has complied with its covenant obligations, including maintaining the required debt-to-equity ratio.

In 2019, the IPO Group, through MCMI, entered into a ten-year secured long-term loan agreement with a local bank for ₱1,500.0 million to refinance the construction of MCMI’s school buildings and facilities that were initially funded by short-term loans. MCMI made partial drawdowns against this agreement amounting to ₱680.0 million, ₱350.0 million and ₱470.0 million in January, June and July 2019, respectively. The loans were subject to prevailing borrower’s rate, plus a minimum spread of 0.50% per annum, but in no case lower than 4% per annum, subject to quarterly repricing. MCMI shall repay the loan in 20 equal quarterly installments to start at the end of 21st quarter from the initial drawdown date. The loans were secured by the land and related improvements owned by MCMI with carrying value of ₱2,382.0 million and ₱2,376.8 million as of December 31, 2021 and 2020, 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 (January 2022) reckoned from initial drawdown date of January 2019.

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, 2022 and December 31, 2021, the Group is in compliance with the loan covenants.

<u>ATYC</u>
On September 30, 2022, ATYC issued a promissory note to RCBC to pay the amount of ₱2,426.0 million. The principal amount shall be paid on or before September 30, 2025 together with the interest based on the three (3) year Php BVAL Reference Rate as of the end of day of September 29, 2022 plus 0.50 basis points spread, due every anniversary date of the promissory note starting on September 30, 2023 until the note is fully paid.

20. Retained Earnings

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

On March 30, 2020, the BOD approved the declaration of cash dividends of ₱0.00516 per share with a total amount of ₱0.09 million to the stockholders of the Parent Company's preferred shares on record as of April 27, 2020, payable on May 20, 2020.

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

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

On September 22, 2018, the BOD of EEI approved the appropriation of retained earnings of ₱4.0 billion for purchase of property and equipment as business expansion and manpower training program for the next three to five years. On December 4, 2020, the BOD of EEI approved the reversal of the said appropriation to make funds available for the ongoing projects, particularly in infrastructure.

Retained earnings include ₱3,578.7 million as of September 30, 2022 and December 31, 2021, respectively, representing treasury shares, appropriated retained earnings and deferred tax assets that are not available for dividend declaration. After reconciling items, the retained earnings of the Parent Company that are available for dividend declaration amounted to ₱1,232.5 million and ₱647.3 million as of September 30, 2022 and December 31, 2021, respectively.

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

Restrictions
The Group's retained earnings include accumulated earnings of subsidiaries, associate and joint venture amounting to ₱7,467.2 million and ₱6,849.9 million as of September 30, 2022 and December 31, 2021, respectively, not declared as dividends to the Group. Accordingly, these are not available for dividend declaration.

21. Capital Stock

Preferred Stock
The authorized preferred stock is 2,500,000,000 shares at ₱0.40 par value. A reconciliation of the number of preferred shares outstanding as at September 30, 2022, December 31, 2021 and 2020 follows:

	2022		2021		2020	
	Amount	**Shares**	Amount	Shares	Amount	Shares
Beginning of the year	**₱–**		₱6,710,402	16,776,001	247,414,156	618,535,387
Redemption of preferred stock			(6,710,402)	(16,776,001)		
Conversion of preferred stock to common stock	**–**	**–**	–	–	(240,703,754)	(601,759,386)
	₱–	–	₱–	–	₱6,710,402	16,776,001

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

Common Stock

The authorized common stock is 1,250,000,000 shares at ₱1.50 par value. A reconciliation of the number of common shares outstanding as at March 31, 2022 and December 31, 2021 and 2020 follows:

	2022		2021		2020	
	Amount	**Shares**	Amount	Shares	Amount	Shares
Beginning of the year	**₱1,162,540,326**	**776,465,281**	₱1,165,147,926	776,765,281	₱924,444,172	616,296,114
Treasury stock			(2,607,600)	(300,000)	(2,607,600)	(300,000)
Conversion of preferred stock	–	–	–	–	240,703,754	160,469,167
	₱1,162,540,326	**776,465,281**	₱1,162,540,326	776,465,281	₱1,162,540,326	776,465,281

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

Details of the capital redemption and conversion follow:

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

On March 30, 2020, the BOD approved the redemption of 16,766,001 preferred shares at par value with a total amount of ₱6.71 million to the stockholders of the Parent Company’s preferred shares on record as of April 27, 2020, payable on May 20, 2020.

In 2019, the Parent Company issued 160,169,167 common shares at 1.50 per share for the conversion of 601,759,386 preferred shares at 0.40 per share or ₱240,703,754. There was no capital redemption made during 2019.

In 2019 and prior, the Parent Company’s preferred shares have the following features:

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 ¾ 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, 2022:

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	–			–
December 31, 2021	–			–
Movement	–			–
September 30, 2022	–			–
Common Shares:				
January 31, 2018	615,996,114			394
No Movement	–	–		
December 31, 2018	615,996,114			386
Movement	160,469,167			
December 31, 2019	776,465,281			384
Movement	–			
December 31, 2020	776,465,281			384
Movement	–			
December 31, 2021	776,465,281			384
Movement				(7)
September 30, 2022	**776,465,281**			**377**

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 377 and 384 as of September 30, 2022 and December 31, 2021, respectively.

22. Cash Dividends

Cash Dividends

The BOD declared cash dividends in 2020, 2019 and 2018 as follows; and none as of June 2022.

		Amount per share			
Date of BOD Approval	**Amount**	**Preferred Shares**	**Common Shares**	**Record Date**	**Payment Date**
March 30, 2020	₱86,529	₱0.00515	₱–	April 27, 2020	May 20, 2020
April 5, 2019	₱4,688,498	₱0.00758	₱–	May 2, 2019	May 28, 2019
July 19, 2019	4,459,640	0.00721	–	August 15, 2019	September 10, 2019
July 19, 2019	50,758,965	0.01733	0.065	August 15, 2019	September 10, 2019
October 4, 2019	3,349,141	0.005415	–	October 31,2019	November 20, 2019
December 6, 2019	85,860	0.005118	–	January 2, 2020	January 28, 2020
	₱63,342,105				

Date of BOD Approval	Amount	Amount per share Preferred Shares	Amount per share Common Shares	Record Date	Payment Date
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		
	2022	2021	2020
Net income attributable to equity holders of parent company	**₱1,202,350,217**	798,432,012	(419,720,465)
Less dividends attributable to preferred shares (Note 21)	**–**	**–**	86,529
Net income applicable to common shares	**1,202,350,217**	798,432,012	(419,806,994)
Divided by the weighted average number of common shares	**776,465,281**	776,465,281	776,465,281
Basic earnings per share	**₱1.5485**	₱1.0283	(₱0.5407)

Unaudited diluted basic earnings per share

	January to September 30		
	2022	2021	2020
Net income applicable to common shares	**₱1,202,350,217**	798,432,012	(419,720,465)
Add dividends attributable to preferred shares	**–**	**–**	86,529
Net income applicable to common shares for diluted earnings per share	**1,202,350,217**	798,432,012	(419,633,936)
Weighted average number of common shares	**776,465,281**	776,465,281	776,465,281
Dilutive shares arising from convertible preference shares	–	–	–
Weighted average number of common shares for diluted earnings per share	**776,465,281**	776,465,281	776,465,281
Diluted earnings per share	**₱1.5485**	1.0283	(₱0.5406)

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, 2022, 2021 and 2020:

	January 1 to September 30		
	2022	2021	2020
Revenue from construction contracts	**₱8,897,097,717**	₱11,478,773,079	₱10,609,058,387
Sales of goods	**3,333,030,833**	2,598,217,089	2,801,576,938
Schools and related operations	**2,755,954,206**	2,357,256,584	2,187,878,848
Sales of services	**1,990,936,300**	1,213,827,025	1,013,194,512
	₱16,977,019,056	₱17,648,073,777	₱16,611,708,685

25. **Other Income**

This account consists of:

	January 1 to September 30		
	2022	2021	2020
Gain on sale of assets	**₱402,378,549**	₱8,336,076	₱11,708,283
Interest income	**61,106,936**	13,206,264	24,637,768
Foreign exchange gain (loss)	**45,110,366**	18,410,036	(40,239,107)
Space and car rental	**8,727,509**	14,595,130	8,658,371
Rental income	**5,330,379**	4,213,617	4,562,568
Dividend income	**4,330,950**	46,779,707	16,178,323
Miscellaneous	**39,274,216**	35,371,372	16,221,523
	₱566,258,905	₱140,912,202	₱41,727,729

Interest income consists of income from:

	January 1 to September 30		
	2022	**2021**	**2020**
Cash in banks and short-term investments	**₱49,812,809**	₱8,957,914	₱18,415,820
Installment contract receivable	**2,199,132**	1,222,926	–
Receivable from EEI-RFI	–	342,262	–
Interest on loans receivable	–	–	1,426,747
Others	**9,094,995**	2,683,162	4,795,201
	₱61,106,936	₱13,206,264	₱24,637,768

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

26. **Costs of Sales and Services**

This account consists of:

	January 1 to September 30		
	2022	**2021**	**2020**
Cost of services (Note 28)			
Cost of construction contracts	**₱7,857,234,696**	₱10,189,223,236	₱11,042,157,461
Cost of manpower and other services	**1,462,248,295**	834,347,980	853,798,671
	9,319,482,991	11,023,571,216	11,895,956,132

	January 1 to September 30		
	2022	**2021**	**2020**
Cost of goods sold			
Cost of merchandise sold (Note 27)	**3,151,246,191**	2,413,012,509	2,615,660,169
Cost of real estate sold (Note 9)	**3,132,313**	6,082,017	16,104,351
	3,154,378,504	2,419,094,526	2,631,764,520
Cost of schools and related operations (Note 29)	**1,556,830,944**	1,362,088,117	1,499,491,608
	₱14,030,692,439	₱14,804,753,859	₱16,027,212,260

27. Costs of Merchandise Sold

This account consists of:

	January 1 to September 30		
	2022	2021	2020
Inventory, beginning	**₱1,488,033,511**	₱2,417,518,834	₱2,150,097,182
Purchases	**3,044,314,288**	1,621,765,302	2,877,183,504
Total goods available for sale	**4,532,347,799**	4,039,284,136	5,027,280,686
Less inventory end	**1,395,797,438**	1,636,280,370	2,417,518,834
Cost of inventories sold	**3,136,550,361**	2,403,003,766	2,609,761,852
Personnel expenses	**9,461,372**	6,450,018	3,781,562
Others	**5,234,458**	3,558,725	2,116,755
	₱3,151,246,191	₱2,413,012,509	₱2,615,660,169

28. Costs of Services

This account consists of:

	January to September 30		
	2022	2021	2020
Cost of construction contracts			
Labor	**₱3,700,398,269**	₱4,864,751,055	₱3,437,525,761
Equipment costs and others	**2,013,440,948**	2,532,723,501	3,180,125,170
Materials	**1,874,732,478**	2,464,180,872	4,034,453,346
Depreciation and amortization	**268,663,001**	327,567,808	390,053,184
	7,857,234,696	10,189,223,236	11,042,157,461
Cost of manpower and other services			
Personnel expenses	**950,398,938**	526,706,988	477,703,031
Materials	**174,049,381**	162,695,996	91,401,608
Parts and accessories	**165,035,182**	39,726,233	178,212,515
Depreciation and amortization	**6,679,102**	5,980,706	3,445,915
Others	**166,085,692**	99,238,057	103,035,602
	1,462,248,295	834,347,980	853,798,671
	₱9,319,482,991	₱11,023,571,216	₱11,895,956,132

29. Cost of Schools and Related Operations

This amount consists of:

	January to September 30		
	2022	2021	2020
Personnel expenses	**₱775,500,531**	₱743,716,080	₱787,718,364
Depreciation and amortization	**257,856,016**	251,226,380	282,452,722
Management and other professional fees	**94,767,796**	63,684,771	119,660,105
Student-related expenses	**94,604,700**	44,927,173	58,176,504
IT Expense - Software License	**76,004,998**	56,953,483	43,803,945
Periodicals	**70,862,764**	68,863,449	63,155,731
Utilities	**49,605,916**	41,074,751	56,112,051
Advertising	**30,555,382**	15,885,345	9,344,949
Repairs and maintenance	**23,748,433**	11,591,582	9,101,855
Accreditation cost	**20,423,380**	9,802,674	10,030,229
Tools and library books	**18,102,364**	12,922,669	19,224,147
Research and development	**11,779,246**	15,054,382	7,894,570
Insurance	**11,079,152**	7,229,976	7,402,873
Taxes and licenses	**6,251,606**	6,810,983	6,934,822
Seminar	**3,753,765**	5,605,239	5,464,888
Office supplies	**2,142,293**	795,061	4,502,097
Transportation and travel	**2,128,863**	892,918	1,012,612
Laboratory supplies	**1,724,293**	1,046,290	3,452,771
Rent	**1,699,320**	162,858	218,218
Entertainment, amusement and recreation	**1,010,160**	865,061	891,910
Miscellaneous	**3,229,966**	2,976,992	2,936,245
	₱1,556,830,944	₱1,362,088,117	₱1,499,491,608

30. General and Administrative Expenses

This account consists of:

	January to September 30		
	2022	2021	2020
Personnel expenses	**₱961,997,431**	₱934,309,933	₱951,184,609
Depreciation and amortization	**261,662,140**	246,015,307	360,767,484
Taxes and licenses	**134,482,856**	85,454,823	129,882,786
Advertising and promotions	**99,140,393**	75,826,997	75,652,340
Rent, light and water	**83,249,182**	101,239,512	82,982,250
Office expenses	**81,139,666**	9,990,607	12,913,707
Securities and utilities	**74,270,613**	67,184,826	57,004,059
Transportation and travel	**71,252,955**	53,600,798	55,462,548
Management and other fees	**62,535,411**	49,226,262	69,133,131
Direct expenses	**37,407,131**	16,488,338	11,398,043
Professional fees	**37,011,529**	28,287,507	52,214,108
Repairs and maintenance	**34,146,475**	73,222,962	20,454,707
Commissions	**31,738,635**	17,979,119	15,636,522
Insurance	**17,793,769**	23,603,050	24,119,599
Entertainment, amusement and recreation	**17,767,985**	11,753,942	23,740,270
Seminars	**13,335,471**	9,918,892	16,236,936
Provision for probable losses	**10,859,650**	37,095,833	41,704,445
Donations and contributions	**4,783,998**	-	14,559,198
Miscellaneous	**197,906,447**	143,780,348	169,742,404
	₱2,232,481,737	₱1,984,979,056	₱2,184,789,146

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		
	2022	2021	2020
Cost of construction contracts (Note 28)	**₱268,663,001**	₱327,567,808	₱390,053,184
General and administrative expenses (Note 30)	**261,662,140**	246,015,307	360,767,484
Cost of school and related operations (Note 29)	**257,856,016**	251,226,380	282,452,722
Cost of manpower and other services (Note 28)	**6,679,102**	5,980,706	3,445,915
	₱794,860,259	₱830,790,201	₱1,036,719,305

32. Interest and Finance Charges

	January to September 30		
	2022	2021	2020
Loans payable	**₱102,959,793**	₱251,105,592	₱366,932,243
Long-term debt	**272,791,290**	224,005,672	107,536,080
Interest on lease liabilities	**59,385,687**	53,169,424	79,834,507
Advances to affiliates and other finance charges	**6,341,550**	19,408,601	7,878,183
	₱441,478,320	₱547,689,289	₱562,181,013

33. Contingencies and commitments

Provisions and Contingencies

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

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

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 ₱299.05 million, ₱32.47 million and ₱122.00 million as at September 30, 2022, 2021 and 2020, respectively.

Material Partly-Owned Subsidiaries
In February 2022, the Parent Company sold 1,612,759 SLRHSI shares to Sojitz Corporation amounting to ₱674,254,057 resulting to a gain on sale of shares amounting to ₱389.17 million. The sale resulted to decrease in percentage of ownership of the Parent Company on SLRHSI from 100% to 85.36%.

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

On December 23, 2021, EEI issued and listed in the PSE non-convertible preferred shares generating net proceeds of ₱5.96 billion.

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

In November 2019, the Parent Company purchased additional 3,000,000 EEI shares for ₱40.00 million or 10.32 per share resulting to an increase in ownership interest from 54.36% to 54.65%. The non-controlling interest decreased from 45.64% to 45.35% or a decrease of ₱40.38 million.

In July 2019, the Parent Company sold its 50% shares in ZIFC to various individuals amounting to ₱6.80 million resulting to a loss of ownership interest from 50% to 0%. The non-controlling interest disposed in 2019 is ₱12.10 million.

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

In March 2019, the Parent Company purchased additional 90,000 shares of LFPSI for ₱25.00 million resulting to an increase in direct ownership from 37.50% to 50.00%. The Parent Company's effective interest including its indirect ownership through MMPC is 63.00% in 2019. As a result, Parent Company has obtained control over LFPSI and started accounted for the investee as a subsidiary using consolidation method under PFRS 10. The non-controlling interest in 2019 is 27.00% or ₱38.45 million.

The Group recognized equity reserve from the changes in ownership without loss of control amounting to ₱1,601.2 million as of September 30, 2022. 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 and property services - represents property and project management services of the Group.

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

Automotive - represents car dealerships of the Group.

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

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

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

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

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

House of Investments Inc. and Subsidiaries
Unaudited Operating Segment
For the Quarters Ended September 30, 2022 and 2021

	Construction and Infrastructure		Automotive		Education		Property and Property Services		Others		Eliminations		Consolidated	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Revenues	**10,408,000**	12,383,305	**3,568,334**	2,640,846	**2,755,954**	2,356,537	**200,224**	167,334	**552,617**	378,742	**(508,111)**	(278,689)	**16,977,019**	17,648,074
Net Income (Loss)	**144,005**	371,944	**90,887**	34,684	**590,481**	438,874	**132,135**	136,144	**937,987**	373,433	**(318,949)**	(170,739)	**1,576,546**	1,184,340
Other Information														
Segment Assets	**29,692,221**	32,215,073	**2,145,087**	2,251,707	**16,807,154**	16,128,644	**11,291,962**	2,287,015	**8,165,791**	7,397,157	**(3,449,916)**	(3,085,834)	**64,652,300**	57,193,762
Segment Liabilities	**16,180,810**	18,874,379	**1,016,622**	1,168,187	**5,263,952**	5,008,841	**6,289,939**	306,186	**1,868,782**	1,782,773	**139,627**	(62,155)	**30,759,732**	27,078,209
Investments in Associates	**3,921,139**	3,259,613	-	-	-	-	**6,750**	6,750	**7,134,157**	6,399,238	**(2,342,429)**	(1,831,477)	**8,719,618**	7,834,124

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68 AS AMENDED

September 30, 2022

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

Below are the additional information and schedules required by Revised SRC Rule 68 that are relevant to the Group. This information is presented for the purpose of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets in Equity Securities

The Group is not required to disclose the financial assets in equity securities as the equity investments at fair value through other comprehensive income (FVOCI) amounting ₱543.29 million do not constitute 5% or more of the total current assets of the Group as at September 30, 2022.

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

As of September 30, 2022, the Group has no receivable above P1 million or 1% of the total assets, from directors, officers, employees, and principal stockholders (other than related parties).

<u>Schedule C. Amounts Receivable from/Payable to Related Parties which are eliminated during the Consolidation of Financial Statements</u>

Below is the schedule of receivables with subsidiaries, which are eliminated in the consolidated financial statements as at September 30, 2022:

Name and designation of debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts written-off	Balance at end of period
Landev Corporation					
Due from affiliates	3,848,012	4,912,319	(5,931,743)		2,828,589
Dividends receivable	49,999,850	-	(49,999,850)		-
	53,847,862	4,912,319	(55,931,593)	-	2,828,589
Greyhounds Security and Investigation Agency Corporation					
Due from affiliates	765,532	175,529	(863,589)		77,471
Dividend receivable	17,999,064	-	(17,999,064)		-
	18,764,596	175,529	(18,862,653)	-	77,471
Investment Managers, Inc.					
Due from affiliates	4,894,281	115,675	-		5,009,956
	4,894,281	115,675	-	-	5,009,956
iPeople, inc. and subsidiaries					
Due from affiliates	13,488,728	74,636,386	(53,330,587)		34,794,526
	13,488,728	74,636,386	(53,330,587)	-	34,794,526
EEI Corporation and subsidiaries					
Due from affiliates	2,400,000	6,330,000	(3,600,000)		5,130,000
	2,400,000	6,330,000	(3,600,000)	-	5,130,000
La Funeraria Paz Sucat, Inc.					
Due from affiliates	433,328	4,132,047	(3,976,425)		588,950
	433,328	4,132,047	(3,976,425)	-	588,950
Zambowood Realty and Development Corp					
Due from affiliates	15,743	2,158	(15,743)		2,158
Dividend receivable	277,098	-	(277,098)		-
	292,841	2,158	(292,841)	-	2,158
Xamdu Motors, Inc.					
Due from affiliates	15,328	905	(15,329)		905
	15,328	905	(15,329)	-	905
Zamboanga Carriers, Inc					
Due from affiliates	18,630	2,179	(15,737)		5,072
	18,630	2,179	(15,737)	-	5,072
Hexagon Lounge, Inc.	-				-
Due from affiliates	55,370	-	(55,370)		-
	55,370	-	(55,370)	-	-
San Lorenzo Ruiz Investment Holdings	-				-
Due from affiliates	1,472,602	3,998,451	(5,002,121)		468,932
	1,472,602	3,998,451	(5,002,121)	-	468,932
Secon Professional	-				-
Due from affiliates	89,911	-	(89,911)		-
	89,911	-	(89,911)	-	-
Honda Cars Kalookan	-				-
Due from affiliates	1,016,414	2,589			1,019,004
	1,016,414	2,589	-	-	1,019,004

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, 2022, the Group's intangible assets consist of goodwill and computer software. Goodwill in the Group's consolidated statements of financial position arose from the acquisition of EEI, iPeople, and MESI. Details of the Group's intangible assets are as follows:

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	**₱484,829,719**	₱–	₱–	₱–	₱–	**₱484,829,719**
Intellectual property rights	**523,103,000**	–	–	–	–	**523,103,000**
Student relationship	**43,761,227**	–	(16,732,864)	–	–	**27,028,363**
Computer software	**27,336,914**	23,227,056	(6,860,589)	–	–	**43,703,381**
	₱1,079,030,860	**₱23,227,056**	**(15,793,007)**	**₱–**	**₱–**	**₱1,078,664,463**

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,	₱5,476,606,210	₱3,240,042,612	₱2,236,563,598
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	190,852,046	70,247,101	120,604,945
ATYC			
Peso-denominated three (3) year promissory note, subject to interest based on the Php BVAL Reference rate as of Sep 29, 2022 payable every anniversary date beginning Sep 30, 2023 until the note is fully paid.	2,426,000,000	–	2,426,000,000
MCM			
Peso-denominated ten (10) year term loan, payable in 20 equal quarterly payments which will to start at the end of 21st quarter from the initial drawdown date. Interest is subject to quarterly repricing	1,496,424,768	–	1,496,424,768
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	367,142,000	32,573,600	334,568,400
	₱9,957,025,024	**₱3,342,863,313**	**₱6,614,161,711**

Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)
As at September 30, 2022, the Group has no long-term loans from its related parties.

Schedule G. Guarantees of Securities of Other Issuers
There are no guarantees of securities of other issuing entities by the Group as at September 30, 2022.

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	574,655,552	2,368,580	199,441,149
Preferred shares	2,500,000,000	–	–	–	–

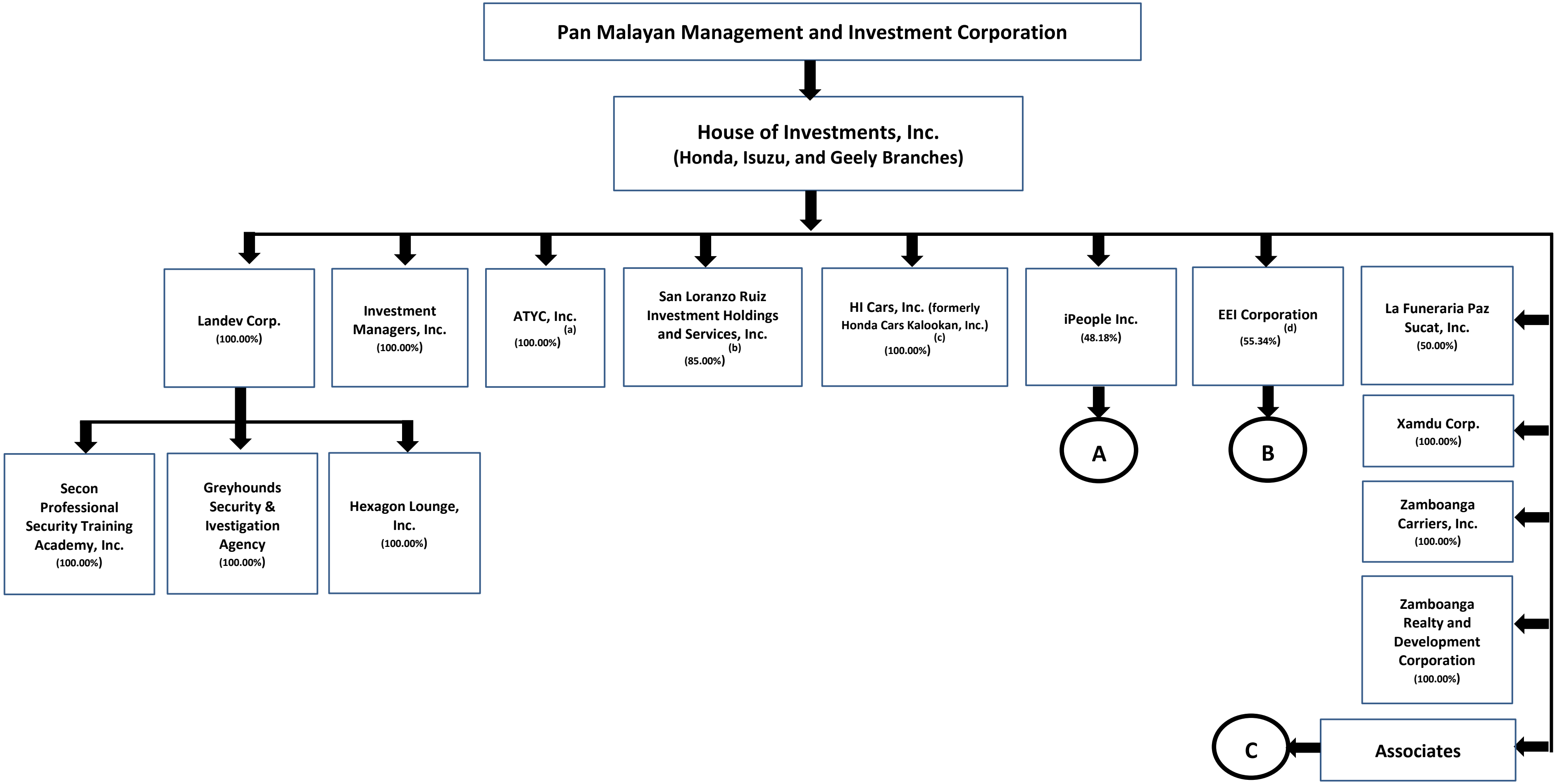
HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

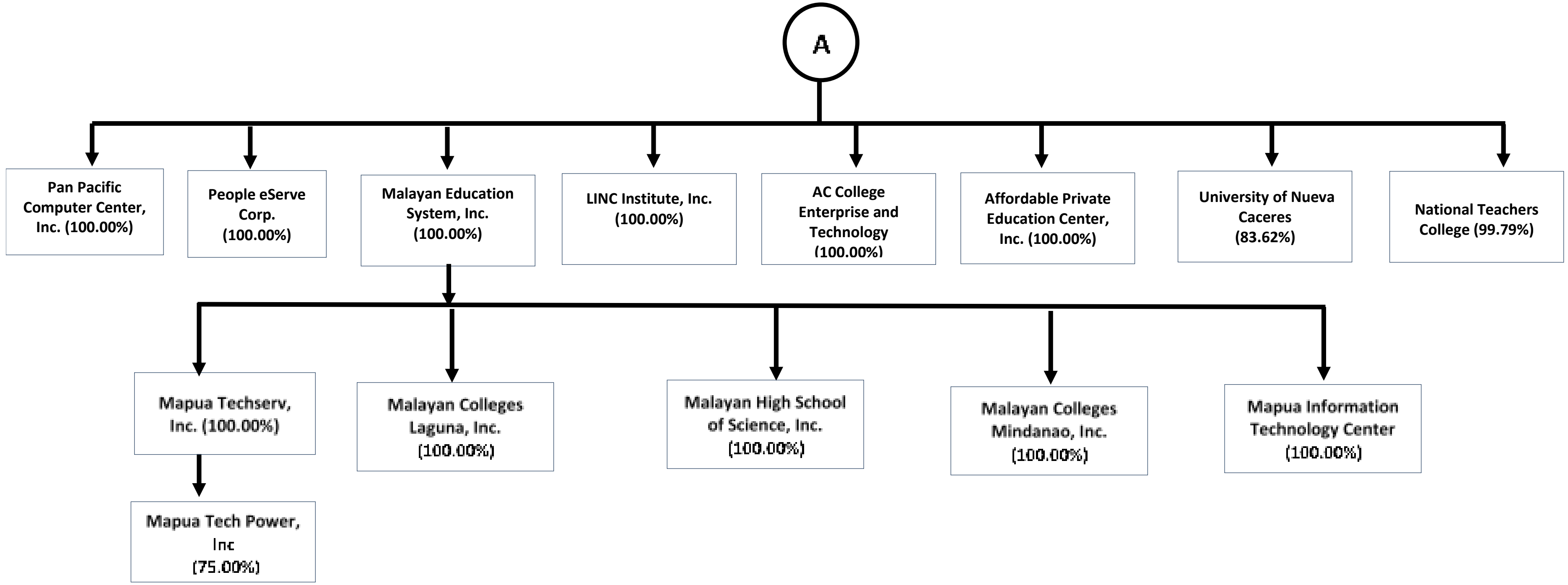
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE QUARTER ENDED SEPTEMBER 30, 2022

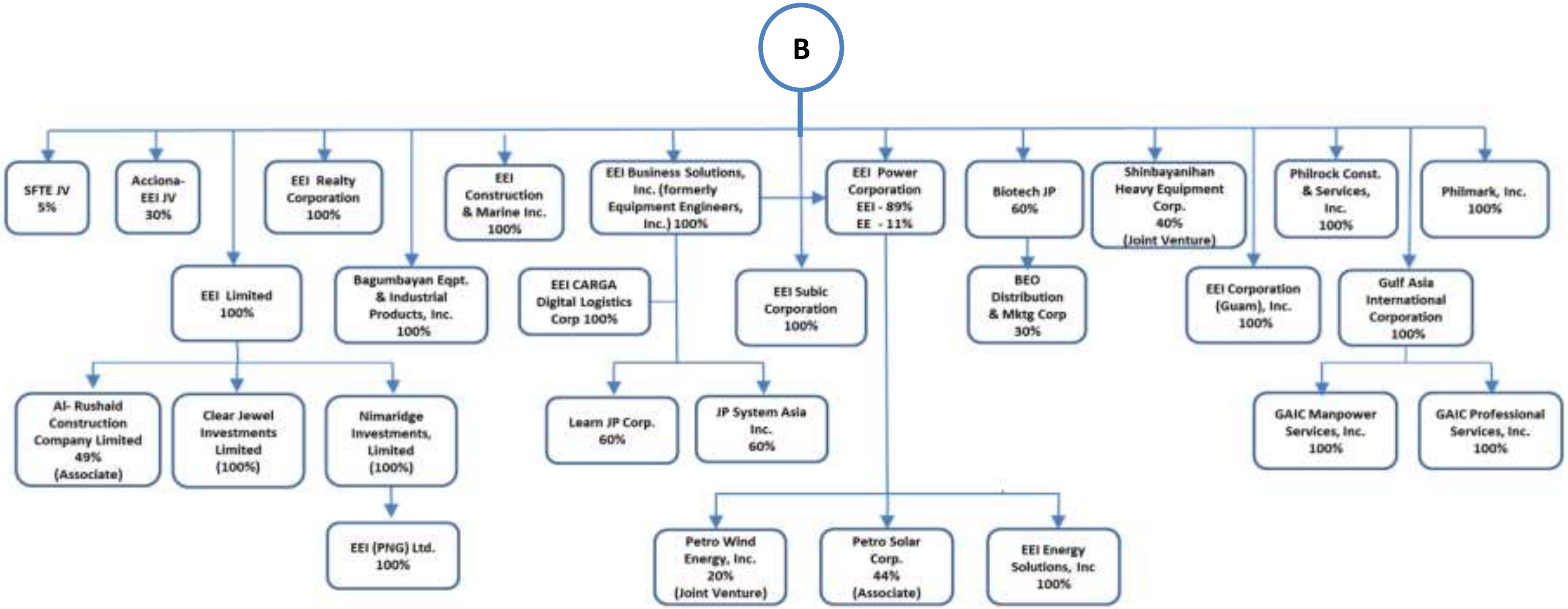
Items	Amount
Unappropriated retained earnings, beginning	₱ 647,326,761
Cumulative prior year adjustments on provision for deferred taxes	(76,131,977)
Unappropriated retained earnings as adjusted, beginning	571,194,784
Net income for the year	661,262,216
Provision for deferred income tax through profit or loss	–
Net income realized	661,262,216
Dividends declaration during the year	–
Appropriations of retained earnings during the year	–
Reversal of appropriations during the year	–
Unappropriated retained earnings, as adjusted, ending	₱1,232,457,000

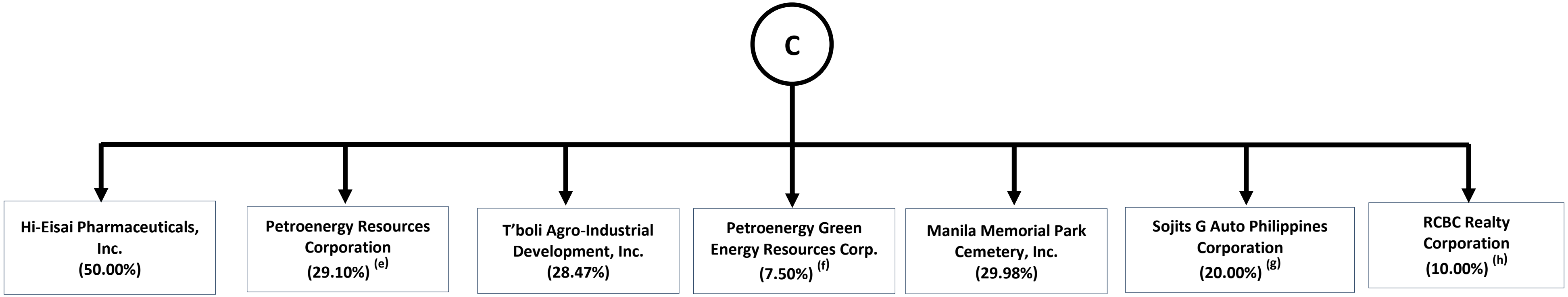
HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

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, 2022:




A
Pan Pacific Computer Center, Inc. (100.00%)
People eServe Corp. (100.00%)
Malayan Education System, Inc. (100.00%)
LINC Institute, Inc. (100.00%)
AC College Enterprise and Technology (100.00%)
Affordable Private Education Center, Inc. (100.00%)
University of Nueva Caceres (83.62%)
National Teachers College (99.79%)
Mapua Techserv, Inc. (100.00%)
Malayan Colleges Laguna, Inc. (100.00%)
Malayan High School of Science, Inc. (100.00%)
Malayan Colleges Mindanao, Inc. (100.00%)
Mapua Information Technology Center (100.00%)
Mapua Tech Power, Inc (75.00%)


B
SFTE JV 5%
Acciona-EEI JV 30%
EEI Realty Corporation 100%
EEI Construction & Marine Inc. 100%
EEI Business Solutions, Inc. (formerly Equipment Engineers, Inc.) 100%
EEI Power Corporation EEI - 89% EE - 11%
Biotech JP 60%
Shinbayanihan Heavy Equipment Corp. 40% (Joint Venture)
Philrock Const. & Services, Inc. 100%
Philmark, Inc. 100%
EEI Limited 100%
Bagumbayan Eqpt. & Industrial Products, Inc. 100%
EEI CARGA Digital Logistics Corp 100%
EEI Subic Corporation 100%
BEO Distribution & Mktg Corp 30%
EEI Corporation (Guam), Inc. 100%
Gulf Asia International Corporation 100%
Al- Rushaid Construction Company Limited 49% (Associate)
Clear Jewel Investments Limited (100%)
Nimaridge Investments, Limited (100%)
Learn JP Corp. 60%
JP System Asia Inc. 60%
GAIC Manpower Services, Inc. 100%
GAIC Professional Services, Inc. 100%
EEI (PNG) Ltd. 100%
Petro Wind Energy, Inc. 20% (Joint Venture)
Petro Solar Corp. 44% (Associate)
EEI Energy Solutions, Inc 100%



a. In September 1, 2022, the Parent Company purchased 5,000,000 shares of ATYC, Inc. to acquire 100% ownership of the company.

b. On February 23, 2022, the Parent Company sold 1,612,759 SLRHSI shares to Sojitz Corporation amounting to ₱674,254,057 resulting to a gain on sale of shares amounting to ₱389.17 million. The sale resulted to decrease in percentage of ownership of the Parent Company on SLRHSI from 100% to 85%.

c. In July 2021, the Parent Company purchased additional 27 million shares of HCKI resulting to 100% ownership.

d. In February and March 2020, the Parent Company purchased additional 7.1 million shares in EEI resulting to an increased ownership interest from 54.65% to 55.34%.

e. 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%.

f. In September 15, 2022, PERC entered into a share subscription agreement with Kyuden International Corporation (KIC) for PGEC to issue primary shares in favor of KIC equal to 25% equity stake in PGEC. This will effectively reduce PERC's interest in PGEC from 90% to 67.5%. Similarly, EEI's investment in PGEC will also be reduced from 10% to 7.5%.

g. 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.

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

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

AGING OF ACCOUNTS RECEIVABLE
FOR THE QUARTER ENDED SEPTEMBER 30, 2022

		No. of days due		
	TOTAL	**0-30**	**31-60**	**Over 61 days**
Construction	**₱3,428,899,137**	2,055,100,472	196,357,209	1,177,441,456
Car Dealership	**394,420,831**	263,856,711	106,202,884	24,361,236
Education	**1,653,576,272**	1,063,198,132	300,909,043	289,469,097
Parent and Others	**371,192,976**	248,317,914	99,948,484	22,926,578
Total	**5,848,089,216**	3,630,473,229	703,417,620	1,514,198,367
Less: Allowance for doubtful accounts	**(513,099,271)**	(32,624,154)	(15,671,423)	(464,803,694)
	₱5,334,989,945	₱3,597,849,075	₱687,746,197	₱1,049,394,673

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 11, 2022.

IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this 11 NOV 2022, 2022 at Makati City.

By:

Lorenzo V. Tan
President & CEO

Gema O. Cheng
EVP- COO, CFO & Treasurer

Maria Teresa T. Bautista
VP –Controller

Atty. Samuel V. Torres
Corporate Secretary

11 NOV 2022

SUBSCRIBED AND SWORN to before me this ____ day of _____ 2022, at MAKATI CITY. Affiant exhibited to me their Residence Certificate Numbers indicated below each name.

Names	Document No.	Date & Place of Issue/Expiration
Lorenzo V. Tan	P9150965B	03-10-2022 Manila / 03-09-2032
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	CTC No. 07663747	03-30-2022 QC / 03-30-2023

ATTY. JOSELINO N. SUCION
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2023
U-203 CARREON BLDG.
2746 ZENAIDA ST. POBLACION, MAKATI CITY
IBP NO. 169458/01/02/2022
PTR NO. 8851817/01/03/2022
MCLE COMPLAINCE NO. VI-0018184/2-28-19
ROLL NO. 60799
APPOINTMENT NO. M-078

Doc. No. 251;
Page No. 51;
Book No. 93;
Series of 2022.