HOUSE OF INVESTMENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of House of Investments, Inc. and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2023, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

HELEN Y. DEE
Chairman of the Board

LORENZO V. TAN
President and Chief Executive Officer

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

Signed this 30 APR 2024 *day of* ________ *2024*

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ATTY. JOSELINO N. SUCION CPA
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2025
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PTR NO. 10072076/01/02/2024
MCLE COMPLAINCE NO. VII-0013028/04-14-2025
ROLL NO. 60799
APPOINTMENT NO. M-018

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of House of Investments, Inc. (the Parent Company) and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Recoverability of nonfinancial assets

Under PFRSs, the Group is required to annually test for impairment the nonfinancial assets such as the goodwill, intellectual property rights with infinite life and for those nonfinancial assets with finite useful life, whenever there are indicators of impairment. These nonfinancial assets are considered significant to the consolidated financial statements and management's assessment process involves judgments and is based on assumptions which are subject to higher level of estimation uncertainty. The assumptions used in estimating the discounted cash flow projections include forecasted revenue, long-term growth rates, royalty rates, and discount rates.

Relevant disclosures related to this matter are provided in Notes 23 and 24 to the consolidated financial statements.

Audit response

We involved our internal specialist in evaluating the methodology and assumptions used. We obtained an understanding of the Group's impairment model and the assumptions on the key business drivers of the cash flow forecasts such as the revenue. We checked the Group's key assumptions and also compared them against historical performance. We compared the long-term growth rates and royalty rates against relevant published market information. We tested the parameters used in the determination of discount rates against market data. In addition, we reviewed the Group's disclosures about those assumptions to which the outcome of the impairment tests is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of these assets.

Assessment of the Loss of Control over EEI Corporation and Subsequent Classification and Accounting for the Retained Interest

On April 25, 2023, the board of directors of the Parent Company approved the sale of 20% interest over EEI Corporation (EEI). As a result of this transaction, the Group and the Parent Company lost control over EEI resulting in deconsolidation of the assets and liabilities of EEI and derecognition of the carrying value of investment in EEI at the Group and Parent Company level, respectively, and recognized the retained interest in EEI as an investment in associate. The Group classified the results of EEI as deconsolidated operations in the consolidated statements of income and consolidated statements of cash flows for the years ended December 31, 2023, 2022 and 2021, respectively.

As required by PAS 36, *Impairment of Assets*, management performed impairment tests on the investment in EEI to determine whether its carrying amount has exceeded its recoverable amount as at December 31, 2023.

The assessment over the loss of control over EEI and subsequent classification and accounting treatment of the retained interest in EEI is significant to our audit given the size and complexity of the transaction and the significant judgments involved, specifically on the assessment of loss of control, existence of significant influence on retained interest and valuation of the shares of EEI. In addition, management's impairment assessment process on the investment in EEI requires significant judgment and is based on assumptions, specifically discount rate and cashflow forecast, that are subject to higher level of estimation uncertainty.

Audit Response

We obtained an understanding of the transactions and inspected management's analysis on the accounting treatment of the transaction, including the assessment on the classification of retained interest over EEI. We reviewed the management's assessment that the control elements as defined under PFRS 10, *Consolidated Financial Statements* (PFRS 10) are no longer met and the Group exercised significant influence with its retained interest over EEI through inspection of agreements related to the transaction.

We obtained an understanding of and evaluated the valuation techniques and assumptions used in the valuation of EEI. We compared the key assumptions used in the valuation against external appraisal reports, market and industry data. We considered the competence, capabilities, and objectivity of the specialists engaged by the Parent Company in relation to the valuation of EEI's properties.

We agreed the carrying value of EEI prior to loss of control to accounting records and evaluated if the deconsolidation is in accordance with PFRS 10. We reperformed the calculation of loss on deconsolidation and gain on remeasurement of retained interest. We assessed whether the classification of EEI as a deconsolidated operation is appropriate and that the presentation in the financial statements as a deconsolidated operation is in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*.

We reviewed the completeness of the disclosures with respect to this transaction and the disclosures about those assumptions to which the outcome of the valuation is most sensitive, specifically, those that have the most significant effect on the determination of the fair value of the EEI.

We reviewed the impairment testing on the investment in EEI with the involvement of our internal specialist. We evaluated the key assumptions, such as forecasted revenues, gross margin and discount rate, that were used to estimate the discounted cash flows to which management attributes the investment. We evaluated these key assumptions based on our understanding of the business plans and by reference to historical information and relevant market data. In our sensitivity analyses, we considered past, current and anticipated changes in the business and economic environment. We tested the parameters used in the determination of the discount rate against market data.

We also obtained the financial information of EEI for the year ended December 31, 2023 and recomputed the Group's share in net income of EEI for the year ended December 31, 2023.

Estimation of Insurance Contract Liabilities

The Group's insurance contract liabilities represent a significant portion of its total liabilities. As required by PFRS 4 and in accordance with the provisions of the local standards, insurance contract liabilities are recognized when the contracts are entered into and the premiums are recognized. The provision for insurance contracts is calculated on the basis of prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing at the inception of the contract.

While there is considerate judgment applied by management and inherent uncertainty in selecting assumptions, the assumptions with the greatest estimation uncertainty are those related to past and future internal and external variables with respect to underlying assumptions that may have a significant impact on the measurements of these liabilities. These assumptions required significant auditor attention particularly for (i) circumstances where there is limited company and industry experience data and (ii) circumstances where the historical experience may not be a good indicator of the future. Auditing certain valuation models and significant assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial and fair value specialists.

Audit Response

We obtained understanding of the Group's process to estimate the insurance contract liabilities and tested relevant controls.

On sampling basis, we tested the accuracy of policy data by vouching the details in the computation of reserves to the policy. We reviewed the tie-up of samples selected to the respective plan code group it belongs. With the assistance of our internal specialist, we evaluated the methodologies used by the Group in determining the insurance contract liabilities and assessed whether the methodologies are generally accepted actuarial projection techniques and we tested the reasonableness of the assumptions used by independently calculating an estimate of the insurance contract liability and comparing the results to the Group's estimate.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lloyd Kenneth S. Chua.

SYCIP GORRES VELAYO & CO.

Lloyd S Chua

Lloyd Kenneth S. Chua
Partner
CPA Certificate No. 109688
Tax Identification No. 223-270-891
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-115-2022, January 20, 2022, valid until January 19, 2025
PTR No. 10079919, January 5, 2024, Makati City

April 29, 2024

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

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Note 8)	**₱6,633,047,805**	₱6,630,467,357
Receivables (Note 9)	**11,685,674,611**	4,250,815,749
Contract assets (Note 10)	**–**	5,182,274,282
Segregated fund assets (Note 11)	**37,569,985,225**	–
Reinsurance assets (Note 12)	**24,230,398,085**	–
Inventories (Note 13)	**496,661,387**	1,502,027,586
Loans receivable (Note 14)	**1,865,811,107**	–
Financial assets at fair value through profit or loss (FVTPL) (Note 16)	**6,422,981,790**	14,892,802
Receivables from related parties (Note 29)	**17,279,419**	178,008,353
Assets held for sale (Note 17)	**408,819,217**	–
Prepaid expenses and other current assets (Note 15)	**2,060,908,494**	2,117,354,151
Total Current Assets	**91,391,567,140**	19,875,840,280
Noncurrent Assets		
Contract assets - net of current portion (Note 10)	**–**	5,190,526,530
Equity investments at fair value through other comprehensive income (FVOCI) (Note 16)	**22,847,990,404**	650,642,033
Investment securities at amortized cost (Note 16)	**3,312,776,303**	–
Investments in associates and joint ventures (Note 18)	**6,019,840,170**	8,303,323,179
Property and equipment (Note 20)		
At revalued amount	**15,469,825,819**	9,875,430,378
At cost	**7,073,528,753**	7,225,811,452
Investment properties (Note 19)	**10,824,388,905**	8,109,162,827
Deferred tax assets - net (Note 37)	**831,675,971**	1,412,438,716
Right-of-use assets (Note 22)	**486,018,030**	1,194,764,548
Goodwill (Note 23)	**183,970,413**	484,829,719
Retirement assets (Note 36)	**21,302,255**	93,338,840
Deferred acquisition costs (Note 21)	**499,447,146**	–
Other noncurrent assets (Note 24)	**1,002,101,112**	2,810,716,784
Total Noncurrent Assets	**68,572,865,281**	45,350,985,006
Total Assets	**₱159,964,432,421**	₱65,226,825,286
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 25)	**₱7,649,852,076**	₱7,023,609,751
Loans payable (Note 26)	**3,971,142,021**	8,217,000,000
Segregated fund liabilities (Note 11)	**37,569,985,225**	–
Current portion of long-term debt (Note 27)	**32,573,600**	4,714,765,059
Current portion of contract liabilities (Note 10)	**1,147,189,447**	1,387,334,090
Insurance contract liabilities - current portion (Note 28)	**37,422,659,896**	–
Current portion of lease liabilities (Note 22)	**97,874,024**	168,473,399
Income tax payable	**39,956,012**	17,927,194
Due to related parties (Note 29)	**89,378,588**	2,532,535
Total Current Liabilities	**88,020,610,889**	21,531,642,028

(Forward)

	December 31	
	2023	2022
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 27)	**2,709,237,650**	4,316,758,220
Contract liabilities - net of current portion (Note 10)	**124,339,470**	826,701,427
Insurance contract liabilities - net of current portion (Note 28)	**14,026,067,186**	–
Lease liabilities - net of current portion (Note 22)	**510,109,278**	1,210,356,879
Deferred tax liabilities - net (Note 37)	**1,990,204,297**	1,044,811,603
Retirement liabilities (Note 36)	**684,971,030**	200,096,343
Deferred reinsurance commissions (Note 21)	**198,267,206**	–
Other noncurrent liabilities (Note 19)	**1,486,005,501**	232,075,531
Total Noncurrent Liabilities	**21,729,201,618**	7,830,800,003
Total Liabilities	**₱109,749,812,507**	₱29,362,442,031
Equity		
Attributable to equity holders of the Parent Company		
Preferred stock (Note 39)	**–**	–
Common stock (Note 39)	**2,201,795,746**	1,162,540,326
Additional paid-in capital	**14,808,241,606**	154,578,328
Equity reserve on acquisition of non-controlling interest	**(868,077,102)**	1,932,007,449
Revaluation increment on land - net (Note 20)	**3,289,823,486**	2,218,473,182
Cumulative translation adjustments	**46,376,718**	352,101,517
Fair value reserve of equity investments at FVOCI (Note 16)	**(47,667,218)**	111,000,523
Remeasurement loss on retirement obligation (Note 36)	**(18,380,970)**	(14,062,367)
Retained earnings (Note 40)		
Unappropriated	**7,390,657,134**	4,944,402,862
Appropriated	**5,200,000,000**	7,505,355,000
	32,002,769,400	18,366,396,820
Non-controlling interests (Note 40)	**18,211,850,514**	17,497,986,435
Total Equity	**50,214,619,914**	35,864,383,255
	₱159,964,432,421	₱65,226,825,286

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2023	2022 (As restated - Notes 6 and 7)	2021(As restated - Notes 6 and 7)
REVENUE (Note 30)	**₱11,094,211,630**	₱9,478,680,114	₱7,494,179,168
COSTS OF SALES AND SERVICES (Notes 13 and 31)	**7,973,528,936**	6,873,239,184	5,399,928,581
GROSS PROFIT	**3,120,682,694**	2,605,440,930	2,094,250,587
GENERAL AND ADMINISTRATIVE EXPENSES (Note 33)	**(1,774,867,486)**	(1,570,794,443)	(1,296,907,738)
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES (Note 18)	**116,716,080**	530,888,513	505,172,538
INTEREST AND FINANCE CHARGES (Notes 26, 27, 22 and 35)	**(525,779,116)**	(271,576,420)	(238,886,706)
OTHER INCOME - Net (Note 32)	**243,482,184**	311,999,656	98,861,744
INCOME BEFORE INCOME TAX	**1,180,234,356**	1,605,958,236	1,162,490,425
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 37)	**(138,322,300)**	(48,404,042)	13,236,072
NET INCOME FROM CONTINUING OPERATIONS	**1,041,912,056**	1,557,554,194	1,175,726,497
NET INCOME (LOSS) FROM DECONSOLIDATED OPERATIONS (Notes 6 and 7)	(426,307,138)	166,789,425	452,039,807
NET INCOME	**₱615,604,918**	₱1,724,343,619	₱1,627,766,304
Net income attributable to:			
Equity holders of the Parent Company	**₱440,794,487**	₱1,174,088,374	₱1,073,009,638
Non-controlling interests	**174,810,431**	550,255,245	554,756,666
	₱615,604,918	₱1,724,343,619	₱1,627,766,304
EARNINGS PER SHARE (Note 38)			
Basic	**₱0.3000**	₱1.1270	₱1.3819
Diluted	**₱0.3000**	₱1.1270	₱1.3819

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2023	2022 (As restated - Notes 6 and 7)	2021 (As restated - Notes 6 and 7)
NET INCOME	**₱615,604,918**	₱1,724,343,619	₱1,627,766,978
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent periods:			
Share in other comprehensive gain (loss) of an associate (Note 18)	**(36,052,847)**	106,387,771	(138,799,334)
Cumulative translation adjustments	**(3,276,506)**	142,920,866	82,902,764
Items not to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity investments carried at FVOCI (Note 16)	**(16,781,845)**	46,383,342	40,293,502
Revaluation increment on land (Note 20)	**2,264,799,251**	1,362,576,732	333,961,750
Remeasurement gain (loss) on net retirement (Note 36)	**(43,989,856)**	258,091,615	295,174,036
Income tax effect	**(249,065,653)**	(239,052,304)	22,722,557
	1,915,632,544	1,677,308,022	636,255,275
TOTAL COMPREHENSIVE INCOME	**₱2,531,237,462**	₱3,401,651,641	₱2,264,022,253
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱1,384,307,155**	₱2,269,856,628	₱1,320,105,320
Non-controlling interests	**1,146,930,306**	1,131,795,013	943,916,933
	₱2,531,237,461	₱3,401,651,641	₱2,264,022,253

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMEN TS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

	Attributable to Equity Holders of the Parent Company											
	Capital stock (Note 39)	**Additional paid-in capital**	**Equity reserve on acquisition of non-controlling interest**	**Revaluation increment on land - net** (Note 20)	**Cumulative translation adjustments** (Notes 18)	**Fair Value reserve of equity investments at FVOCI** (Note 16)	**Remeasurement loss on retirement** (Note 36)	**Retained earnings**		**Subtotal**	**Non-controlling interests** (Note 39)	**Total**
								Unappropriated (Notes 40)	**Appropriated** (Note 40)			
BALANCES AT JANUARY 1, 2021	₱1,162,540,326	₱154,578,328	₱1,623,004,873	₱1,294,577,413	₱225,033,109	₱175,482,889	(₱259,954,684)	₱3,280,479,055	₱6,505,355,000	₱14,161,096,309	₱7,693,090,127	₱21,854,186,436
Net income	–	–	–	–	–	–	–	1,073,009,638	–	1,344,999,979	554,756,666	1,627,766,304
Other comprehensive income (loss)	–	–	–	150,790,333	46,270,831	(108,152,229)	158,186,073	–	–	643,120,561	389,160,267	636,255,275
Total comprehensive income	–	–	–	150,790,333	46,270,831	(108,152,229)	158,186,073	1,073,010,312	–	1,320,105,320	943,916,933	2,264,022,253
Movement in equity	–	–	–	–	–	–	–	217,170,021	–	217,170,021	–	217,170,021
Acquisition and disposal of non-controlling interest	–	–	(24,583,173)	–	–	–	–	–	–	(24,583,173)	16,764,085	(7,819,088)
Reversal of appropriated retained earnings	–	–	–	–	–	–	–	2,500,000,000	(2,500,000,000)	–	–	–
Appropriation of retained earnings	–	–	–	–	–	–	–	(3,500,000,000)	3,500,000,000	–	–	–
Issuance of preferred stock by subsidiary	–	–	–	–	–	–	–	–	–	–	5,955,009,556	5,955,009,556
Declaration of dividend by subsidiary	–	–	–	–	–	–	–	–	–	–	(167,016,594)	(167,016,594)
BALANCES AT DECEMBER 31, 2021	1,162,540,326	154,578,328	1,598,421,700	1,445,367,746	271,303,940	67,330,660	(101,768,611)	3,570,659,388	7,505,355,000	15,673,788,477	14,441,764,107	30,115,552,584
Net income	–	–	–	–	–	–	–	1,174,088,374	–	1,174,088,374	550,255,245	1,724,343,619
Other comprehensive income	–	–	–	883,594,568	80,797,577	43,669,863	87,706,244	–	–	1,095,768,252	581,539,770	1,677,308,022
Total comprehensive income	–	–	–	883,594,568	80,797,577	43,669,863	87,706,244	1,174,088,374	–	2,269,856,626	1,131,795,015	3,401,651,641
Movement in equity	–	–	–	(110,489,132)	–	–	–	199,655,100	–	89,165,968	(89,165,968)	–
Declaration of dividend by subsidiary	–	–	–	–	–	–	–	–	–	–	(485,316,910)	(485,316,910)
Movement in non-controlling interest	–	–	333,585,749	–	–	–	–	–	–	333,585,749	2,498,910,191	2,832,495,940
BALANCES AT DECEMBER 31, 2022	**1,162,540,326**	**154,578,328**	**1,932,007,449**	**2,218,473,182**	**352,101,517**	**111,000,523**	**(14,062,367)**	**4,944,402,862**	**7,505,355,000**	**18,366,396,820**	**17,497,986,435**	**35,864,383,255**
Net income	–	–	–	–	–	–	–	440,794,487	–	440,794,487	174,810,431	615,604,918
Other comprehensive income	–	–	–	1,090,299,035	(3,276,506)	(96,260,600)	(47,249,261)	–	–	943,512,668	972,119,875	1,915,632,543
Total comprehensive income	–	–	–	1,090,299,035	(3,276,506)	(96,260,600)	(47,249,261)	440,794,487	–	1,384,307,155	1,146,930,306	2,531,237,461
Issuance of new shares	1,039,255,420	14,653,663,278	–	–	–	–	–	–	–	15,692,918,698	–	15,692,918,698
Acquisition of new subsidiary	–	–	(3,038,511,149)	–	–	–	–	–	–	(3,038,511,149)	8,521,039,293	5,482,528,144
Deconsolidation of a subsidiary (Note 6)	–	–	238,426,598	(18,948,731)	(302,448,293)	(62,407,141)	42,930,656	3,244,283,049	(3,505,355,000)	(105,173,085)	(8,841,126,356)	(9,204,645,218)
Dividend declaration	–	–	–	–	–	–	–	(38,823,264)	–	(38,823,264)	–	(38,823,264)
Declaration of dividend by subsidiary	–	–	–	–	–	–	–	–	–	–	(112,979,166)	(112,979,166)
Appropriation of retained earnings	–	–	–	–	–	–	–	(1,200,000,000)	1,200,000,000	–	–	–
BALANCES AT DECEMBER 31, 2023	**₱2,201,795,746**	**₱14,808,241,606**	**(₱868,077,102)**	**₱3,289,823,486**	**₱46,376,718**	**(₱47,667,218)**	**(₱18,380,972)**	**₱7,390,657,134**	**₱5,200,000,000**	**₱32,002,769,398**	**₱18,211,850,514**	**₱50,214,619,914**

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	**₱1,180,234,356**	₱1,605,958,235	₱1,162,490,425
Income (loss) before income tax from deconsolidated operations	**(247,702,593)**	236,601,852	756,802,731
Income before income tax	**932,531,763**	1,842,560,087	1,919,293,157
Adjustments for:			
Depreciation, amortization and impairment (Notes 33 and 34)	**984,350,548**	1,179,698,333	1,148,132,605
Interest and finance charges (Notes 35)	**740,275,851**	669,698,366	708,368,551
Movements in net retirement liabilities	**27,042,493**	64,776,084	(230,386,853)
Unrealized foreign exchange loss (gain)	**3,458,049**	(40,582,623)	(10,151,384)
Market gain on financial asset at fair value through profit or loss (FVTPL)	**–**	(118,787)	(197,848)
Dividend income	**(816,700)**	(10,614,069)	(35,266,666)
Interest income (Note 32))	**(139,048,319)**	(107,629,251)	(18,758,054)
Gain on sale of:			
Investment properties (Notes 19)	**–**	(2,052,300)	(14,750)
Property and equipment (Notes 20)	**(5,383,232)**	(383,220,587)	(19,732,100)
Equity in net earnings of associates and joint venture (Note 18)	**(116,716,080)**	(425,036,868)	(1,430,345,902)
Operating income before working capital changes	**2,425,694,373**	2,787,478,386	2,030,940,756
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts receivables	**(586,976,413)**	(522,250,702)	1,617,508,789
Contract assets	–	(1,607,138,174)	(1,135,982,629)
Inventories	**(121,447,874)**	38,239,688	347,766,417
Prepaid expenses and other current assets	**(174,800,420)**	(444,439,385)	857,136,279
Increase (decrease) in:			
Accounts payable and other current liabilities	**284,384,730**	(13,652,127)	(1,741,011,003)
Contract liabilities	**318,600,218**	535,668,114	(878,634,431)
Other noncurrent liabilities	**161,779,141**	707,181,820	(119,798,953)
Net cash generated from operations	**2,307,233,755**	1,481,087,620	977,925,225
Interest received	**165,963,537**	107,629,251	18,758,054
Income tax paid, including creditable withholding taxes	**(150,740,171)**	(127,916,137)	(143,005,151)
Interest and finance charges paid	**(897,608,931)**	(669,698,366)	(708,368,551)
Net cash flows used in operating activities	**1,424,848,190**	791,102,368	145,309,577

(Forward)

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Changes in fair value through other comprehensive income investments	**(₱213,650,000)**	₱1,200,000	₱590
Changes in other noncurrent assets	**(362,630,099)**	(1,020,166,692)	(1,275,326,484)
Proceeds from sale of:			
Property and equipment (Note 20)	**24,979,828**	713,586,006	83,175,888
Investment properties (Note 19)	**–**	420,504	80,750
Sale of controlling interest over EEI (Note 6)	**(1,230,007,964)**	–	–
Sale of investment in associate	**1,075,555,630**	–	–
Return of investments to ARCC	**–**	–	454,139,216
Dividends received	**77,532,868**	345,055,362	393,559,175
Acquisitions of:			
Computer software (Note 24)	**(13,519,989)**	(17,403,328)	(20,131,041)
Investments in associates and joint ventures	**–**	(47,761,482)	–
Property and equipment	**(1,780,281,531)**	(856,119,690)	(631,905,739)
Investments properties (Note 19)	**(2,737,129,912)**	(6,155,975,000)	–
Net cash flows provided by (used in) investing activities	**(5,159,151,169)**	(7,037,164,320)	(996,407,645)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash from new subsidiary consolidated under pooling of interest method	**4,168,135,133**	–	–
Net capital change related to share swap transaction	**(42,177,463)**	–	–
Cash dividends paid	**(38,823,264)**	(485,316,910)	–
Changes in non-controlling interests	**–**	3,015,301,881	6,386,504,163
Payment of lease	**(149,706,182)**	(107,531,867)	(50,235,057)
Receipts (disbursements) from related party transactions	**42,810,910**	(32,674,629)	(99,600,156)
Proceeds from:			
Loans payable	**3,175,000,000**	16,510,806,863	10,778,700,000
Long-term debt – net of transaction cost	**2,138,533,920**	2,419,177,388	5,502,371,405
Payments of:			
Loans payable (Note 26)	**(4,020,857,979)**	(14,000,276,041)	(13,054,230,822)
Long-term debt (Note 27)	**(1,532,573,600)**	(3,540,026,072)	(2,784,810,551)
Net cash flows provided by financing activities	**3,740,341,475**	3,779,460,613	6,678,698,982
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(3,458,049)**	40,582,623	10,151,384
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,580,448**	(2,426,018,716)	5,837,752,298
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**6,630,467,357**	9,056,486,073	3,218,733,775
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱6,633,047,805**	₱6,630,467,357	₱9,056,486,073

See accompanying Notes to Consolidated Financial Statements.

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

Corporate Information

House of Investments, Inc. (the Parent Company) is a stock corporation incorporated under the laws of the Republic of the Philippines on May 21, 1959. As per Section 11 of Revised Corporation Code (RCC) enacted in 2020, a corporation shall have perpetual existence unless its articles of incorporation provide otherwise. Further explained in Securities and Exchange Commission (SEC) Memorandum Circular No. 22 Series of 2020, "the corporate term of a corporation with certificate of incorporation issued prior to the effectivity of the RCC and which continue to exist, shall be deemed perpetual upon the effectivity of the RCC, without any action on the part of the corporation." Thus, there is no need to amend or extend Parent Company's corporate life as it already enjoys perpetual existence.

The Parent Company undertook a portfolio realignment with a bias for recurring income and growth in 2023. As a result, the core business focus of the Company is organized into four segments, namely: Financial Services, Property and Property Services, Education and Automotive. The Company's portfolio investments are in, Energy, Healthcare, Deathcare and Construction.

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

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

Authorization for Issuance of Consolidated Financial Statements

The consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 29, 2024.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

Statement of Compliance

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

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

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership 2023 Direct	2023 Indirect	2022 Direct	2022 Indirect
Investment Managers, Inc. (IMI)	Philippines	Insurance agent, financing, trading and real estate	Philippine Peso	**100.00**	**–**	100.00	–
Landev Corporation	Philippines	Property management	Philippine Peso	**100.00**	**–**	100.00	–
San Lorenzo Ruiz Investment Holdings and Services Inc. (SLRHSI)[a]	Philippines	Holding company	Philippine Peso	**60.00**	**–**	60.00	–
ATYC, Inc. (ATYC) [b]	Philippines	Property leasing	Philippine Peso	**100.00**	**–**	100.00	–
Xamdu Motors, Inc. (XMI)	Philippines	Car dealership	Philippine Peso	**100.00**	**–**	100.00	–
Zamboanga Carriers, Inc. (ZCI)	Philippines	Transportation	Philippine Peso	**100.00**	**–**	100.00	–
Zambowood Realty and Development Corporation (ZRDC)	Philippines	Real estate	Philippine Peso	**100.00**	**–**	100.00	–
Greyhounds Security and Investigation Agency Corp.	Philippines	Security agency	Philippine Peso	**–**	**100.00**	–	100.00
Hexagon Lounge, Inc.	Philippines	Restaurant	Philippine Peso	**–**	**100.00**	–	100.00
Secon Professional Security Training Academy Inc.	Philippines	Training service provider	Philippine Peso	**–**	**100.00**	–	100.00
HI Cars, Inc. (HCI)[c]	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	**21.00**	**–**	55.34	–
EEI Limited	British Virgin Islands	Holding company	US Dollar	**–**	**–**	–	100.00
Clear Jewel Investments, Ltd.	British Virgin Islands	Holding company	US Dollar	**–**	**–**	–	100.00
Nimaridge Investments, Limited	British Virgin Islands	Holding company	US Dollar	**–**	**–**	–	100.00
EEI (PNG), Ltd	Papua New Guinea	Holding company	US Dollar	**–**	**–**	–	100.00
EEI Corporation (Guam), Inc.	United States of America	Construction	US Dollar	**–**	**–**	–	100.00
EEI Construction and Marine, Inc.	Philippines	Construction	Philippine Peso	**–**	**–**	–	100.00
EEI Realty Corporation (EEI Realty)	Philippines	Real estate	Philippine Peso	**–**	**–**	–	100.00
EEI Subic Corporation	Philippines	Construction	Philippine Peso	**–**	**–**	–	100.00
EEI Business Solutions, Inc. (formerly Equipment Engineers, Inc., EBSI) [d]	Philippines	Construction	Philippine Peso	**–**	**–**	–	100.00
JP Systems Asia Inc. (JPSAI)	Philippines	Rental of scaffolding and formworks	Philippine Peso	**–**	**–**	–	60.00
BiotechJP Corporation	Philippines	Manufacturing food and therapeutic food	Philippine Peso	**–**	**–**	–	60.00
Learn JP Corp	Philippines	Service for improvement in language proficiency	Philippine Peso	**–**	**–**	–	60.00
EEI Power Corporation (EPC)	Philippines	Power generation	Philippine Peso	**–**	**–**	–	100.00
Gulf Asia International Corporation (GAIC)	Philippines	Manpower services	Philippine Peso	**–**	**–**	–	100.00
GAIC Professional Services, Inc. (GAPSI)	Philippines	Manpower services	Philippine Peso	**–**	**–**	–	100.00
GAIC Manpower Services, Inc. (GAMSI)	Philippines	Manpower services	Philippine Peso	**–**	**–**	–	100.00
Bagumbayan Equipment & Industrial Products, Inc.	Philippines	Consultancy services	Philippine Peso	**–**	**–**	–	100.00
Philmark, Inc.	Philippines	Construction	Philippine Peso	**–**	**–**	–	100.00
Philrock Construction and Services, Inc.	Philippines	Manpower services	Philippine Peso	**–**	**–**	–	100.00
EEI Energy Solutions Corporation (EESC)	Philippines	Retail electricity supplier	Philippine Peso	**–**	**–**	–	100.00
EEI Carga Digital Logistics Corporation (EEI Carga)[e]	Philippines	Digital logistics	Philippine Peso	**–**	**–**	–	100.00
iPeople, inc. (IPO)	Philippines	Education and Information Technology	Philippine Peso	**48.18**	**–**	48.18	–
Malayan Education System, Inc. (MESI) (Operating Under the Name of Mapua University)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
Malayan Colleges Laguna, Inc., A Mapua School (MCLI)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
Malayan Colleges Mindanao (A Mapua School), Inc. (MCMI)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
Malayan High School of Science, Inc. (MHSSI)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership 2023 Direct	2023 Indirect	2022 Direct	2022 Indirect
Mapua Information Technology Center, Inc. (MITC)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
Mapua Techserv, Inc. (MTI)	Philippines	Consultancy	Philippine Peso		**100.00**		100.00
Mapua Techpower Inc.	Philippines	Consultancy	Philippine Peso	**–**	**75.00**	–	75.00
People eServe Corporation	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
Pan Pacific Computer Center, Incorporated (PPCCI)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
Affordable Private Education Center, Inc doing business under the name of APEC Schools (APEC)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
National Teachers College doing business under the name/s and style/s of The National Teachers College	Philippines	Education and Information Technology	Philippine Peso	**–**	**99.79**	–	99.79
University of Nueva Caceres	Philippines	Education and Information Technology	Philippine Peso	**–**	**83.62**	–	83.62
AC College of Enterprise and Technology, Inc	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
LINC Institute, Inc doing business under the Name and Style of LINC Academy	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
MICO Equities, Inc. [(b)]	Philippines	Insurance	Philippine Peso	**77.33**	**–**	–	–
Sunlife Grepa Financial Inc. [(c)]	Philippines	Insurance	Philippine Peso	**51.00**	**–**	–	–
Grepa Realty Holdings Corp.	Philippines	Real estate	Philippine Peso	**49.00**	**26.01**	–	–
Tarlac Terra Ventures, Inc.[(d)]	Philippines	Real estate	Philippine Peso	**100.00**	**–**	–	–
RCBC Trust Corporation[(e)]	Philippines	Financial Services	Philippine Peso	**60.00**	**–**	–	–

(a) On April 26, 2023, the Parent Company sold 207,256,297 common shares, representing 20% of the outstanding shares of EEI Corporation (EEI) for a consideration of P1.25 billion. The sale has reduced the holdings of the Parent Company in EEI from 55.34% to 35.34% which signified loss of control over the subsidiary. This transaction resulted to deconsolidation of EEI and its subsidiaries. On May 22, 2023, the Parent Company sold 148,664,942 common shares representing 14.34% of the outstanding shares of EEI which further reduced the holdings of the Parent Company to 21%.

(b) On April 25, 2023, the Board of House of Investments Inc. approved the authority to enter in a Share Swap Agreement with Pan Malayan Management & Investment Corporation (PMMIC), whereby HI will issue 397,703,801 common shares to PMMIC in exchange for the acquisition of 100% of PMMIC's outstanding shareholdings in MICO Equities, Inc (MEI). As of this date PMMIC owns 77.33% of MEI.

(c) On April 25, 2023, the Board of House of Investments Inc. approved the authority to enter in a Share Swap Agreement with GPL Holdings, Inc, whereby HI will issue 295,133,148 common shares common shares to GPLH in exchange for the acquisition of 100% of GPLH's outstanding shareholdings in Sunlife Grepa Financial Inc. (SLGFI) and Grepa Realty Holdings Corporation (GRHC). As of this date GPL directly owns 51% of SLGFI and 49% of GRHC. SLGFI also owns 51% of GRHC, thus GPL's effective ownership in GRHC is 75%.

(d) On Dec 29, 2023, the Parent Company invested P800.0 million for a 100% stake in Tarlac Terra Ventures, Inc.

(e) The Parent company invested P40.0 million for a 40% stake in RCBC Trust Corporation.

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:

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

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

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

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

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

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

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

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

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

- 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.

- 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.

- 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).

- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

  The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

  The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

  The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023.

Standards Issued But Not Yet Effective

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

Effective beginning on or after January 1, 2024

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

  The amendments clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - 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, 2024 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.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

  The amendments do not have a material impact on the Group.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

  The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier adoption is permitted and that fact must be disclosed.

  The amendments do not have a material impact on the Group.

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

  On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

  The amendments do not have a material impact on the Group.

- Amendments to PAS 21*, Lack of exchangeability*

  The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

  The amendments do not have a material impact on the Group.

Deferred effectivity

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

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

On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the 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.

The amendments do not have a material impact on the Group.

4. Summary of Significant Accounting Policies

Leases

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, land improvements and sites	5 to 66
Building, office spaces and warehouses	2 to 10
Other equipment	1 to 3

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). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Sale and leaseback
When entering into a sale and leaseback transaction, the Group determines whether the transfer qualifies as a sale based on the requirements satisfying a performance obligation under PFRS 15.

When the transfer of the asset is a sale, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained by the Group. Gain or loss is recognized only at the amount that relates to the rights transferred to the buyer-lessor.

When the transfer of the asset is not a sale under PFRS 15 requirements, the Group continues to recognize the asset in its statement of financial position and accounts for the proceeds from the sale and leaseback as a financial liability in accordance with PFRS 9.

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

Revenue Recognition

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

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

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

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

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

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

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

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

Premiums Revenue
Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods.

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period are accounted for as "Provision for unearned premiums" as part of "Insurance contract liabilities" and presented in the liabilities section of the statements of financial position. The related reinsurance premiums ceded that pertains to the unexpired periods at end of the reporting period are accounted for as "Deferred reinsurance premiums" and shown as part of reinsurance assets in the statements of financial position. The net changes in these accounts between each end of reporting periods are recognized in profit or loss.

Reinsurance Commissions
Commissions earned from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at end of the reporting period are accounted for as "Deferred reinsurance commissions" and presented in the liabilities section of the statement of financial position.

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

Contract balances arising from revenue with customer contracts

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

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

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

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

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

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

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

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 includes Cash and cash equivalents, Receivables, Receivables from related parties and Loan receivable under Other noncurrent asset account.

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 Unit Investment Trust Fund in Rizal Commercial Banking Corporation (RCBC) under Prepaid expenses and other current assets account.

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

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

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

The Group does not have any debt financial assets at fair value through OCI as of December 31, 2023 and 2022.

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 Group initially measures a financial liability at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs. The Group has no financial liabilities at FVPL.

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

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

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

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

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

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.

Advance to Suppliers and Subcontractors

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

Creditable Withholding Tax (CWT)

CWT pertains to the tax withheld source by the Group's customers and lessees and is creditable against its income tax liability.

Value-Added Tax (VAT)

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

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

Short-term Investments

Short-term investment pertains to interest bearing time deposits with terms of not more than one year and held for investment purposes.

Other Current Assets

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

Investments in Associates and Joint Ventures

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

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

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

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

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

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

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

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

The Group's associates and joint venture accounted for using the equity method as of December 31 follows:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership	
				2023	2022
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	–	8.55
T'boli Agro-Industrial Development, Inc.	Philippines	Agriculture	Philippine peso	–	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
EEI Corporation [(b)]	Philippines	Construction	Philippine peso	**21.00**	55.34
Al-Rushaid Construction Company Limited (ARCC)	Saudi Arabia	Construction	Saudi riyal	–	49.00
PetroSolar Corporation (PSOC)	Philippines	Renewable energy	Philippine peso	–	44.00
Joint ventures:					
PetroWind Energy, Inc. (PWEI)	Philippines	Renewable energy	Philippine peso	–	20.00
Shinbayanihan Heavy Equipment Corporation (SHEC)	Philippines	Equipment rental	Philippine peso	–	40.00
BEO Distribution and Marketing Corporation (BEO DMC)	Philippines	Distribution and marketing	Philippine peso	–	30.00
Shimizu-Fujita-Takenaka-EEI Joint Venture (SFTE)	Philippines	Construction	Philippine peso	–	5.00

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership	
				2023	2022
Acciona-EEI Joint Venture (AE)	Philippines	Construction	Philippine peso	–	30.00
DL E&C-EEI-HEC Joint Venture (DEH)	Philippines	Construction	Philippine peso	–	20.00
LOTTE-GULERMAK-EEI Joint Venture (LGE)	Philippines	Construction	Philippine peso	–	25.00

(a) In 2022, the Parent Company's indirect investment in PGEC, a subsidiary of PERC, was reduced from 10% to 8.55% due to sale of shares to Kyuden International Corporation (KIC). In 2023, PGEC applied for increase in authorized capital stock, which was subscribed and issued to KIC, this further reduced the Group's indirect investment from 8.55% to 7.50%.
(b) On April 26, 2023, the Parent Company sold 207,256,297 common shares, representing 20% of the outstanding shares of EEI Corporation (EEI) for a consideration of P1.25 billion. The sale has reduced the holdings of the Parent Company in EEI from 55.34% to 35.34% which signifies loss of control over the subsidiary. This resulted to derecognition of EEI assets in the Group's financial statements. On May 22, 2023, the Parent Company sold 148,664,942 common shares representing 14.34% of the outstanding shares of EEI which further reduced the holdings of the Parent Company to 21%.

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.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation and amortization are credited to or charged against current operations.

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.

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.

Except for land, depreciation is computed using the straight-line method over the following average EUL:

	Years
Building	32.5
Other equipment	12.5

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.

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.

Impairment of Nonfinancial Assets
For Investments in associate and joint venture, Property and equipment, Right-of-use asset and Investment properties, 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.

Goodwill
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.

Combination of Entities under Common Control

In 2023, the Group accounted for its share swap transaction as combination of entities under common control accounted for by applying the pooling-of-interests method. The pooling-of-interests method generally involved the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair value or recognize any new assets or liabilities at the date of combination. The only adjustments that are made are those adjustments to harmonize the accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the entity acquired is reflected within equity.
- The consolidated statement of income, comprehensive income and cash flows reflect the result of the combining entities in full, irrespective of when the combination takes place.
- Comparative financial information are presented as if the entities had always been combined, or on date the common control existed on the combining entities, whichever comes earlier.
- The effects of any intercompany transactions are eliminated to the extent possible.

Intangible Assets Other Than Goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Subsequently, intangible assets are measured at cost less accumulated amortization and provision for impairment loss, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The estimated useful life of intangible assets is assessed as either finite or indefinite. The estimated useful lives of intangible assets are as follows:

	Number of Years
Intellectual property rights	Indefinite
Student relationship	5-7

The estimated useful lives of intangible assets with finite lives are assessed at the individual asset level. Intangible assets with finite lives are amortized over their estimated useful lives on a straight- line basis. Periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier when an indicator of impairment exists.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the intangible assets and is recognized in the consolidated statement of comprehensive income when the intangible asset is derecognized.

Insurance Contract Liabilities

Life insurance contract liabilities

Life insurance contact liabilities are recognized when the contracts are entered into and the premiums are recognized. The provision for life insurance contracts is calculated on the basis of a stringent prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing at the inception of the contract. Assumptions and actuarial valuation methods are also subject to provisions of the Insurance Code (the Code) and guidelines set by the IC.

Subsequently, new estimates are developed at each reporting date to determine whether the liabilities reflect the current experience using the gross premium valuation which considers assumptions on mortality, morbidity, lapse and/or persistency, expenses, non-guaranteed benefits, discount rate and margin for adverse deviation. The initial assumptions could not be altered if the Group deems the current assumptions to still be reflective of their experience. As a result, the effect of changes in the underlying variables on insurance liabilities and related assets is not symmetrical. Improvements and significant deteriorations in estimates have an impact on the value of the liabilities and related assets.

Movements in legal policy reserves attributable to changes in discount rate are recorded under "Remeasurement on legal policy reserves" in other comprehensive income and the changes in policies and assumptions are recorded under "Gross change in legal policy reserves" in the statement of income.

Insurance contracts with fixed and guaranteed terms

Premiums are recognized as revenue when they become due from the policyholders which for single premium business, is the date on which the policy becomes effective.

Benefits are recorded as an expense when they are incurred and are accrued as a liability. An increase in liability for contractual benefits that are expected to be incurred in the future is recorded under 'Change in legal policy reserves' in the Group statements of income when the premiums are recognized. The liability is determined as the sum of the present value of future benefits and expenses, less the present value of the future gross premiums arising from the policy contract discounted at the appropriate risk-free discount rate. The expected future cash flows is determined using the best estimate assumptions with due regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.

The liability is based on actuarial assumptions such as mortality and morbidity, maintenance expenses, and lapse and/or persistency rates that are established at the time the contract is issued. A margin for adverse deviation (MfAD) is also included in the assumptions. For group life insurance and accident and health insurance, reserves are computed by calculating the unearned portion of the written premiums for the year.

Provision is also made for the cost of claims incurred but not reported (IBNR) as of the reporting date based on the Group's experience. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in the statement of income in later years. Policy and contract claims payable forms part of the insurance contract liability section of the statement of financial position.

Unit-linked insurance contracts
The Group issues unit-linked insurance contracts. In addition to providing life insurance coverage, a unit-linked contract links payments to insurance investment funds set-up by the Parent Company with consideration received from the policyholders. As allowed by PFRS 4, the Parent Company chose not to unbundle the investment portion of its unit-linked products. Premiums received (including premium load and bid-offer spread) from the issuance of unit-linked insurance contracts are recognized as premium revenue. Consideration received from policyholders that are transferred to the segregated funds is recognized as part of gross change in legal policy reserves in the statements of income.

The Group withdraws the cost of insurance and administrative charges from the consideration received from the policyholders in accordance with the provisions of the unit-linked insurance contracts. After deduction of these charges, the remaining amounts in fund assets are equal to the surrender value of the unit-linked policies, and are withdrawable anytime.

The investment returns on the insurance investment funds belong to policyholders and the Group does not bear the risk associated with these assets (outside of guarantees offered). Accordingly, investment income earned and expenses incurred by these funds and payments to policyholders have the same corresponding change in the reserve for unit-linked liabilities. Management fee income earned by the Parent Company for managing the insurance investment funds and the monthly load and cost of insurance charges are included in fee income.

Insurance investment funds primarily include investments in debt securities, equities, short-term investments and cash and cash equivalents. The methodology applied to determine the fair value of the investments held in these funds is consistent with that applied to investments held by general fund. Segregated fund liabilities is measured based on the value of the insurance investment funds attributable to the policyholders.

The equity of each unit-linked policyholder in the fund is monitored through the designation of outstanding units for each policy. Hence, the equity of each unit-linked insurance contract in the fund is equal to its total number of outstanding units multiplied by the net asset value per unit (NAVPU). The NAVPU is the market value of the fund divided by its total number of outstanding units.

Policy and contract claims payable
Claims payable includes the sum of the individual amounts that are due and have already been approved for payment but have not actually been paid as of the end of the reporting period. This also includes accrual of reported claims that are not yet approved for payment. This is recognized when due and measured on initial recognition at fair value. Subsequent to initial recognition, this is measured at amortized cost using the EIR method. This also includes provision for incurred but not reported losses.

Provision for Claims Reported and Incurred But Not Reported (IBNR) Losses
Provision for claims reported and IBNR losses are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the reporting date. The IBNR is calculated based on standard actuarial projection techniques or combination of such techniques, such as but not limited to the chain ladder method, the expected loss ratio approach, the Bornhuetter - Ferguson method. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to provision.

Provision for Unearned Premiums
The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. This is accounted for as "Provision for unearned premiums" as part of "Insurance contract liabilities" and presented in the liabilities section of the statement of financial position. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The change in the provision for unearned premiums is taken to profit or loss in order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Other insurance contract liabilities
Other insurance contract liabilities include advanced or excess collections and unpaid policy related disbursements.

Reinsurance
The Group cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies for its share on the unpaid losses incurred by the Group. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. Reinsurance recoverable on paid losses are included as part of "Insurance receivables".

Reinsurance assets are reviewed for impairment at each end of the reporting period or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for insurance contracts. Premiums and claims on assumed reinsurance are recognized in profit or loss as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.

When the Group enters into a proportional treaty reinsurance agreement for ceding out its insurance business, the Group initially recognizes a liability at transaction price. Subsequent to initial recognition, the portion of the amount initially recognized as a liability which is presented as “Insurance payables” in the liabilities section of the statement of financial position will be withheld and recognized as “Funds held for reinsurers” and included as part of the “Insurance payables” in the liabilities section of the consolidated statement of financial position. The amount withheld is generally released after a year.

Deferred Acquisition Costs (DAC)

Commissions and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognized as expense when incurred.

Subsequent to initial recognition, these costs are amortized using the 24th method over the life of the contract. Amortization is charged against the profit or loss. The unamortized acquisition costs are shown as “Deferred acquisition costs” in the assets section of the statement of financial position.

An impairment review is performed at each end of the reporting period or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount. The impairment loss is charged to profit or loss. DAC is also considered in the liability adequacy test for each end of the reporting period.

Foreign Currency-denominated Transaction and Translation

The consolidated financial statements are presented in Philippine Peso. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

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

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

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

Retirement Cost

Defined benefit plan

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

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

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

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

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

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

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

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

Income Tax

Current tax

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

Deferred tax

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

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

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associate and interest in joint venture. With respect to investments in foreign subsidiaries, associate and interest in joint venture, deferred tax liabilities are recognized except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

Basic and Diluted Earnings Per Share (EPS)

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

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

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

Provisions

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

Contingencies

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

Stock Option Plan

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

Segment Reporting

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

Capital Stock

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

Treasury Shares

When the Group purchases the Group's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in equity (Note 39).

Equity Reserve
Equity reserve consist of equity transactions other than capital contributions, such as equity transactions arising from transactions with NCI and difference between considerations paid or transferred and the net assets of the entity acquired through business combinations involving entities under common control.

Retained Earnings
Retained earnings represent accumulated earnings of the Group and any adjustment arising from application of new accounting standards, policies or corrections of errors applied retroactively less dividends declared. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by subsidiaries. Appropriated retained earnings are those that are restricted for planned investments and business expansion. Unappropriated retained earnings are those that can be allocated for specific purposes and can be distributed as dividend. Retained earnings are further restricted for the payment of dividends to the extent of the cost of treasury shares (Note 40).

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

5. **Significant Accounting Judgments and Estimates**

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

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

Judgment
Determining control over an entity in which Parent Company holds less than majority of voting rights
The Parent Company has determined that it is still the largest stockholder of IPO with 48.18% equity interest and continues to have control over IPO by virtue of 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 th e economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the following were considered:

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

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

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

The Group included the renewal period as part of the lease term for leases with shorter non-cancellable period (i.e., three to ten years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of land and office spaces with longer non-cancellable periods are not included as part of the lease term as these are not reasonably certain to be exercised (Note 22).

Recognition of schools and related operations fees over time
The Group determined that schools and related operations fees are to be recognized over time using the output method on the basis of time lapsed over the service period since it provides a faithful depiction of the Group's performance in transferring control of the services to the students. The fact that another entity would not need to re-perform the service that the Group has provided to date demonstrates that the customer or the student simultaneously receives and consumes the benefits of the Group's performance as it performs (Note 23).

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

As of December 31, 2023 and 2022, 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%.

Combination of Entities under Common Control
A combination involving entities or businesses under common control is 'a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory'. This will include transactions such as the transfer of subsidiaries or businesses between entities within a group.

The share swap transaction entered into by the Parent Company with PMMIC and GPLH for acquisition of insurance business were determined to be common control business combinations (see Note 39).

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 18 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 ₱0.61 billion and ₱1.38 billion as of December 31, 2023 and 2022, respectively (see Note 22).

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 ₱11.69 billion and ₱14.62 billion as of December 31, 2023 and 2022, respectively (Notes 9 and 10).

Fair value measurement of unquoted equity investments at FVOCI
The Group uses valuation techniques such as dividend discount model, adjusted net asset method, and others to estimate the fair value of unquoted investment. 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, discount rates, among others. Changes in assumptions relating to these factors could affect the reported fair value of these unquoted equity financial instruments.

The fair value of unquoted equity investments amounted to ₱8.09 billion and ₱514.14 billion as of December 31, 2023 and 2022, respectively (see Note 16).

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 default rates and adjusted to include forward looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

As of December 31, 2023 and 2022, the aggregate carrying values of receivables and contract assets are disclosed in Notes 9 and 10 to the consolidated financial statements.

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

Land carried under revaluation basis amounted to ₱15.47 billion and ₱9.88 billion as of December 31, 2023 and 2022, respectively. The key assumptions used to determine the fair value of the parcels of land are disclosed in Note 20.

Impairment of nonfinancial assets
The Group assesses impairment on its nonfinancial assets other than goodwill and intellectual property rights 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.

Impairment of Goodwill and Intellectual property rights are assessed at least on an annual basis. In assessing the impairment, the Group determines the recoverable amount using value in use with detailed disclosures made in Notes 23 and 24.

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.

As to the Group's property and equipment, right-of-use asset and goodwill, no impairment loss was recognized for the years ended December 31, 2023, 2022 and 2021 (Notes 20, 22 and 23).

Impairment of 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 23 and 24.

Estimation of retirement benefits
The determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates which were disclosed in Note 35. 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 ₱21.30 million and ₱93.34 million as of December 31, 2023 and 2022, respectively whereas retirement liabilities amounted to ₱684.97 million and ₱200.10 million as of December 31, 2023 and 2022, respectively (Note 35).

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

Deferred tax assets recognized and unrecognized by the Group are disclosed in Note 36 to the consolidated financial statements.

Classification of CWT
The Group classify its 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.

CWT recognized by the Group are disclosed in Notes 15 and 24 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.

6. Deconsolidation of a Subsidiary Arising from Loss of Control

On April 26, 2023, the Parent Company sold 207,256,297 common shares, representing 20% investment in EEI Corporation ("EEI") for a total consideration of ₱1.25 billion. Total holdings after the sale were reduced from 55.34% to 35.34% which resulted to loss of control over EEI. The Group recognized loss on loss of control amounting to ₱945.35 million

With 35.34% retained interest, the Group assessed that it has retained significant influence over EEI with its representation in the board of directors of EEI. Accordingly, the retained interest was accounted as investment in associate. The Group measured the retained interest at fair value based on provisional purchase price allocation. The Group recognized gain on bargain purchase amounting to ₱1,087.24 million arising from the difference between the fair value of the investment recognized and the share in the fair value of the net assets of EEI as of transaction date as follows:

Fair value of retained investment		₱2,209,143,065
Fair value of acquired net assets of EEI		
Contract assets	₱10,312,311,714	
Accounts receivable	3,289,253,141	
Cash and cash equivalents	2,480,007,964	
Property and equipment	3,445,476,205	
Other assets	13,838,548,131	
Loans payable	(4,600,000,000)	
Long-term debt	(5,508,339,253)	
Accounts payable and other expenses	(5,391,045,595)	
Other liabilities	(2,453,580,975)	
Fair value of net assets	15,412,631,332	
Less: Share of other shareholders	(12,116,252,849)	3,296,378,483
Gain on bargain purchase		**₱1,087,235,418**

The fair value of the identifiable assets and liabilities of EEI as at April 26, 2023, the acquisition date, were based on the assessment of fair based on internal and independent valuation of the net assets of EEI. If new information obtained within one year of the transaction date about facts and circumstances that existed at the transaction date identifies adjustments to the above amounts, or any additional provisions that existed at the transaction date, then the fair value of the net assets of EEI will be updated.

The net loss on the disposal of investments is as follows:

Loss from Deconsolidation	(₱945,354,003)
Gain on bargain purchase	1,087,235,418
Net Loss on Disposal of Investment	**₱141,881,415**

7. Deconsolidated Operations

On April 26, 2023, the Parent Company sold a controlling interest over EEI resulting to a loss of control (see Note 6).

PFRS 5 requires income and expenses from disposal groups to be presented separately from continuing operations, down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in the consolidated statements of income. Accordingly, the consolidated statements of income for the years ended December 31, 2022 and 2021 have been restated to present the results of operations of EEI as 'Net income (loss) from deconsolidated operations' in the consolidated statements of income.

	2023*	2022	2021
Deconsolidated Operations			
Revenue	**₱5,181,488,858**	₱14,426,606,321	₱16,104,895,152
Costs of sales and services	**4,423,634,707**	12,477,715,872	14,376,334,928
Gross profit	**757,854,151**	1,948,890,449	1,728,560,224
General and administrative expenses	**(450,994,039)**	(1,638,885,873)	(1,520,567,339)
Equity in net earnings (loss) of associates and joint ventures	**(366,256,080)**	(105,851,646)	925,173,365
Interest and finance charges	**(214,496,734)**	(378,389,078)	(469,481,845)
Other income	**26,190,109**	410,838,000	93,118,327
Income (loss) from deconsolidated operations before income tax	**(247,702,593)**	236,601,852	756,802,732
Provision for income tax	**46,754,695**	69,812,427	304,762,925
Net income (loss)	**(294,457,288)**	166,789,425	452,039,807
Loss on deconsolidation	**(945,354,003)**	–	–
Bargain purchase on fair valuation	**1,087,235,418**	–	–
Loss on subsequent sale of investment	**(252,823,886)**	–	–
Remeasurement loss	**(20,907,379)**	–	–
Net income (loss) from deconsolidated operations	**(₱426,307,138)**	₱166,789,425	₱452,039,807

**Represents period activity prior to the sale on April 26, 2023 and impact of the deconsolidation.*

The related cash flows arising from deconsolidated operation follow:

	2023	2022	2021
Net cash used in operating activities	**(₱759,439,533)**	(₱727,804,083)	(₱248,323,136)
Net cash provided by (used in) investing activities	**(1,165,527,776)**	24,111,957	(660,635,689)
Net cash provided by (used in) financing activities	**1,852,544,989**	(3,868,888,367)	6,702,238,193

Income (loss) per share from deconsolidated operation:

	2023	2022	2021
Net income (loss) attributable to equity holders of the Parent Company from deconsolidated operation	**(₱426,307,138)**	₱166,789,425	₱452,039,807
Weighted average number of common shares	**1,469,302,230**	776,465,281	776,465,281
Earnings (Loss) per share - basic/diluted	**(₱0.2901)**	₱0.2148	₱0.5822

8. Cash and Cash Equivalents

This account consists of:

	2023	2022
Cash on hand and in banks	**₱4,088,225,625**	₱2,093,208,409
Cash equivalents	**2,544,822,180**	4,537,258,948
	6,633,048,633	6,630,467,357
Less: allowance for impairment loss	**414**	–
	₱6,633,047,805	₱6,630,467,357

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents have terms with varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earns annual interest at the respective rates.

Interest income from cash in banks and short-term investments amounted to ₱114.55 million, ₱75.78 million, and ₱10.55 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 32).

The rollforward analysis of allowance for impairment losses on cash and cash equivalents follows:

	2023	2022
Balance at beginning of period	**₱–**	₱–
Effect of common control business combination	**414**	–
Balance at end of period	**₱414**	₱–

9. Receivables

This account consists of:

	2023	2022
Trade		
Insurance	**₱8,963,874,319**	₱–
Education	**1,666,380,234**	1,472,085,613
Car dealership	**467,109,694**	575,277,366
Other services	**224,105,184**	141,001,981
Construction and infrastructure	–	2,459,706,582
Other receivables		
Accrued interest receivable	**440,916,539**	6,905,308
Advances to suppliers and contractors	**71,921,327**	17,391,613
Advances to officers and employees	**67,317,730**	40,055,559
Receivables from car plant	**49,813,875**	11,040,734
Dividends receivable (Note 22)	**28,215,273**	7,501,626
Receivable from customers	**6,493,760**	39,303,953
Accrued referral incentives	**5,027,224**	16,228,561
Others	**170,334,245**	24,876,571
	12,161,509,404	4,811,375,467
Less allowance for impairment	**475,834,793**	560,559,718
	₱11,685,674,611	₱4,250,815,749

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

Insurance receivables
Insurance receivables consists of premiums due and uncollected premiums on in-force policies which are collectible within the Group's grace period, as well as premiums receivable for assumed business from other insurance and reinsurance companies.

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 ₱240.60 million and ₱319.80 million as at December 31, 2023 and 2022, 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 / automotive
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.

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.

No trade receivables were used as collaterals to secure obligations as of December 31, 2023 and 2022.

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

Receivable from customers
In 2017, certain trade receivables were reclassified as interest-bearing trade receivables after the Group and the customers agreed to extend the credit terms. These receivables bear interest of 5% per annum and will be repaid in five (5) years' time. As of December 31, 2023 and 2022, receivable from customers amounted to ₱6.49 million and ₱23.31 million, respectively.

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

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

	2023					
	Construction and Infrastructure	**Car Dealership**	**Education ***	**Other Services**	**Other Receivables**	**Total**
Balance at beginning of year	**₱85,880,485**	**₱36,551,181**	**₱346,388,414**	**₱9,675,359**	**₱82,064,279**	**₱560,559,718**
Provisions – net of recoveries (Note 33)	–	**(544,431)**	**43,958,166**	**89,258**	–	**43,502,993**
Write-offs	–	**(12,094,415)**	**(5,815,184)**	**(502,483)**	–	**(18,412,082)**
Effect of common control business combination				**1,984,441**		**1,984,441**
Effect of deconsolidation of a subsidiary	**(85,880,485)**	–	–	–	**(25,919,792)**	**(165,904,089)**
Balance at end of year	**₱–**	**₱23,912,334**	**₱384,531,396**	**₱11,246,576**	**₱56,144,487**	**₱475,834,793**

Inclusive of tuition and other education-related receivables amounting to ₱375.80 million and ₱8.77 million, respectively.

	2022					
	Construction and Infrastructure	Car Dealership	Education*	Other Services	Other Receivables	Total
Balance at beginning of year	₱67,770,535	₱36,551,181	₱289,889,812	₱9,675,359	₱75,623,833	₱479,510,720
Provisions – net of recoveries (Note 33)	18,109,950	–	114,297,312	–	6,440,446	138,847,708
Write-offs	–	–	(57,798,710)	–	–	(57,798,710)
Balance at end of year	₱85,880,485	₱36,551,181	₱346,388,414	₱9,675,359	₱82,064,279	₱560,559,718

**Inclusive of tuition and other education-related receivables amounting to ₱337.62 million and ₱8.77 million, respectively.*

10. **Contract Assets and Liabilities**

<u>Contract Assets</u>
The Group presents contract receivable and retentions withheld by customers as contract assets as the Group's right for consideration is conditioned on the customer's approval of the related work performed and the lapse of the defect and liability period and the receipt of customer certification that there are no defects on the constructed asset, respectively. Amount recorded as contract receivable is reclassified to trade receivable upon customer's approval of the work performed while retentions withheld by customers are reclassified as trade receivables upon the lapse of the defects liability period and final customer acceptance.

The Group's contract assets amounted to ₱10.37 billion as of December 31, 2022 (nil in 2023).

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

	Current	Noncurrent	Total
Contract assets	₱5,201,785,067	₱5,199,970,342	₱10,401,755,409
Less: Allowance for expected credit losses	19,510,785	9,443,812	28,954,597
	₱5,182,274,282	₱5,190,526,530	₱10,372,800,812

Contract Liabilities
Details of the Group's contract liabilities as of December 31, 2023 and 2022 are shown below.

	2023	2022
Current		
Education	**₱978,261,397**	₱796,163,721
Leasing	**168,928,051**	155,112,361
Construction	–	434,405,390
Others	–	1,652,618
Total current contract liabilities	**₱1,147,189,447**	₱1,387,334,090
Noncurrent		
Leasing	**₱124,339,470**	₱–
Construction	–	826,701,427
Total noncurrent contract liabilities	**124,339,470**	826,701,427
Total contract liabilities	**₱1,271,528,917**	₱2,214,035,517

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. As of December 31, 2023, contract liabilities from construction and infrastructure segment amounted to nil as a result of deconsolidation of EEI (see Note 6).

Contract liabilities from education segment represent the unearned tuition fees 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.

11. Segregated funds

Segregated fund assets
The group issues unit-linked insurance contracts. Premiums received from issuance of unit-linked insurance contracts are recognized as premium revenue. The consideration received from policyholders that are transferred to the segregated funds is recognized as part of the gross change in legal policy reserves in the statement of income. Cost of insurance and administrative charges are withdrawn from the consideration received from policyholders in accordance with the provisions of the unit-linked insurance contracts. After deduction of these charges, the remaining amounts in the fund assets are equal to the surrender value of unit-linked policies and are withdrawable anytime.

This account consists of the following:

	2023	2022
Variable-unit linked fund	**₱37,498,338,513**	₱–
GEM trust fund	**71,646,712**	–
	₱37,569,985,225	₱–

Variable-unit linked (VUL) fund
This fund consists of:

	2023	2022
Net asset value of segregated funds	**₱37,999,404,335**	₱–
Seed capital in segregated funds	**(501,065,822)**	–
	₱37,498,338,513	₱–

Subscriptions allocated to unit-linked funds represent the investment portion of variable unit-linked policies issued by the Group which were subsequently invested to unit-linked funds at the discretion of the policyholder.

The Group issues variable unit-linked insurance contracts where payments to policyholders are linked to internal investment funds set up.

Bond Fund
The SLG Bond Fund is one of the investment options for policyholders of Sun Grepa Power Builder 5 and 10. The fund is invested in high-quality fixed-income securities issued by the Philippine government and in high-quality corporate debt securities issued by Philippine companies.

Balanced and Opportunity Fund
These funds are designed to provide optimum returns consisting of current income and capital growth through investment in a mix of debt (bonds) and equity (stocks) securities from both domestic and foreign issuers.

Equity and Growth Fund
These funds are designed to generate long-term capital appreciation by investing in high-quality equities diversified across sectors.

Income Fund
This fund is designed to stay invested only in high-quality fixed income instruments that are classified as below average risk.

Global Asset Builder Fund ProIncome
This fund is designed to provide protection and also allows policyholders to participate in the performance of selected global investment assets.

Global Asset Builder (PriMO)
This fund is an investment-linked life insurance plan that provides protection for 7 years and enables the US dollars to benefit from global investment opportunities without the fear of losing its capital.

Peso Asset Builder
This fund is an investment-linked life insurance plan that provides protection for 7 years and enables the investment to benefit from global investment opportunities while protecting the capital.

Peso Global Growth
The fund is denominated in Philippine peso, but invests in foreign currency denominated financial assets, which may include, but are not limited to: Equity-centric mutual funds and Exchange-traded Funds (ETFs) or any other similar security; and common stocks and other equity-linked securities, such as preferred stock and convertible securities.

Peso Global Income
The fund is denominated in Philippine peso, but invests in foreign currency denominated financial assets, which may include, but are not limited to: Fixed income-centric mutual funds and Exchange-traded Funds (ETF) or any other similar security; and Fixed income instruments issued by Philippine, United States and other foreign governments and corporations.

Peso Global Opportunity
The fund is denominated in Philippine peso, but invests in foreign currency denominated financial assets, which may include, but are not limited to: Equity-centric and Fixed income-centric mutual funds and Exchange-traded Funds (ETF) or any other similar security; and Fixed income instruments issued by Philippine, United States and other foreign governments and corporations; and common stocks and other equity-linked securities such as preferred stock and convertible securities.

Peso Global Opportunity Payout
The fund is denominated in Philippine peso but may invest in foreign currency denominated financial assets such as, but are not limited to: Mutual funds and Exchange-traded Funds (ETFs), Fixed income instruments issued by the Philippines, United States and other foreign governments and corporations; Equity-linked securities or any other similar security.

Global Opportunity Payout
The fund may invest in foreign currency denominated, income-generating financial assets such as, but not limited to: Mutual funds and Exchange-traded Funds (ETFs); Fixed income instruments issued by the Philippines, United States and other foreign governments and corporations; Equity-linked securities or any other similar security.

Dynamic Fund
This fund is an adaptive, agile, and flexible fund that aims to maximize returns by taking advantage of market highs and engaging in opportunistic trades. It is designed to provide optimum returns consisting of current income and capital growth through investment in a mix of high quality fixed-income and equity instruments from domestic issuers.

Index Fund
This fund tracks the performance of the benchmark PSEi, mainly by investing in listed equities that are part of the PSEi, in such proportion that the performance of the Fund will match that of the PSEi.

Captains Fund
This fund invests in publicly-listed local firms that are among the country’s largest in terms of revenues, profits, assets and market values, there is more opportunity for upside potential earnings.

My Future Fund
This fund is a target date fund that invests primarily in high-quality stocks and a mix of government and domestic corporate debt in accordance with an asset allocation strategy that promotes capital appreciation at the onset to maximize earning potential in the earlier years and shifts to wealth preservation to reduce exposure to risk as the maturity of the fund approaches.

Growth Plus Fund
This Fund aims to maximize returns through a combination of long-term capital growth and current income by investing in a portfolio of high-quality Philippine listed equity and equity-linked securities that yield dividends.

Global Opportunity Fund
This Fund may invest in, but is not limited to, USD-denominated mutual funds, USD-denominated exchange-traded funds (ETFs), and any securities similar to said funds.

Global Income Fund
This Fund is invested only in foreign currency-denominated high-quality fixed income and fixed income-linked instruments that are classified as average to below average risk.

Money Market Fund
This Fund is available in Philippine Peso and US Dollar currencies. Money Market Fund is designed to maximize yields on short to medium-term placements while ensuring adequate liquidity for the policy owners.

Global Growth Fund
The Fund is a pure equity mandate which endeavors to provide clients access to an active and concentrated suite of global equity outlets.

Opportunity Tracker Fund
The Fund provides a middle ground between equity and fixed income asset classes by utilizing an indexing strategy, which tracks the performance of the Philippine Stock Exchange Index (PSEi) and the portfolio duration of the Bloomberg Phil Sovereign Bond Index AI (BPHILR).

Peso Global Sustainability Growth Fund
The Fund is offered as a fund option exclusive to Sun Grepa Power Builder 1, Sun Grepa Power Builder 5, Sun Grepa Power Builder 10, and Sun Grepa Power Builder 100, which are investment-linked life insurance products regulated by the Insurance Commission. The Fund is denominated in Philippine Peso, but may invest in foreign currency denominated, ESG-focused financial assets, which may include, but not limited to: mutual funds and Exchange-traded Funds (ETFs); common stocks and other equity-linked securities, such as preferred stock and convertible securities.

Peso Asset Builder (Hybrid Income)
This Fund is a peso-denominated, investment-linked life insurance product that provides protection for seven years and allows policyholders to potentially grow their money through global investment opportunities.

Peso Global Opportunity Payout
The fund is denominated in Philippine peso but may invest in foreign currency denominated financial assets such as, but are not limited to: Mutual funds and Exchange-traded Funds (ETFs), Fixed income instruments issued by the Philippines, United States and other foreign governments and corporations; Equity-linked securities or any other similar security.

Dynamic Fund
This fund is an adaptive, agile and flexible fund that aims to maximize returns by taking advantage of market highs and engaging in opportunistic trades. It is designed to provide optimum returns consisting of current income and capital growth through investment in a mix of high quality fixed-income and equity instruments from domestic issuers.

Index Fund
This fund tracks the performance of the benchmark PSEi, mainly by investing in listed equities that are part of the PSEi, in such proportion that the performance of the Fund will match that of the PSEi.

Captains Fund
This fund invests in publicly-listed local firms that are among the country's largest in terms of revenues, profits, assets and market values, there is more opportunity for upside potential earnings.

My Future Fund
This fund is a target date fund that invests primarily in high-quality stocks and a mix of government and domestic corporate debt in accordance with an asset allocation strategy that promotes capital appreciation at the onset to maximize earning potential in the earlier years and shifts to wealth preservation to reduce exposure to risk as the maturity of the fund approaches.

Growth Plus Fund
This Fund aims to maximize returns through a combination of long-term capital growth and current income by investing in a portfolio of high-quality Philippine listed equity and equity-linked securities that yield dividends.

Global Opportunity Fund
This Fund may invest in, but is not limited to, USD-denominated mutual funds, USD-denominated exchange-traded funds (ETFs), and any securities similar to said funds.

Global Income Fund
This Fund is invested only in foreign currency-denominated high-quality fixed income and fixed income-linked instruments that are classified as average to below average risk.

Money Market Fund
This Fund is available in Philippine Peso and US Dollar currencies. Money Market Fund is designed to maximize yields on short to medium-term placements while ensuring adequate liquidity for the policy owners.

Global Growth Fund
The Fund is a pure equity mandate which endeavors to provide clients access to an active and concentrated suite of global equity outlets.

Opportunity Tracker Fund
The Fund provides a middle ground between equity and fixed income asset classes by utilizing an indexing strategy, which tracks the performance of the Philippine Stock Exchange Index (PSEi) and the portfolio duration of the Bloomberg Phil Sovereign Bond Index AI (BPHILR).

The details of these internal investment funds, which comprise the assets backing unit-linked liabilities, are presented in the tables below:

	2023												
	Cash and cash equivalents	Government debt securities	Equity securities	Corporate loans	Private peso bonds	Structured notes	Subscriptions receivable (Note 17)	Investment receivable	Accrued income	Seed capital (Note 8)	Total Assets	Accounts payable and accrued expenses	Net Assets
Bond Fund	₱48,499,485	₱311,047,588	₱15,286,460	₱17,621,653	93,157,098	₱–	₱577,130	₱23,844	₱7,060,757	(₱2,128,050)	₱491,145,965	(₱1,576,472)	489,569,493
Balanced Fund	51,760,552	385,513,436	731,841,943	29,592,313	153,817,481	–	856,382	39,631	10,794,525	(1,642,650)	1,362,573,613	(3,643,383)	1,358,930,230
Equity Fund	45,822,042	–	1,115,693,842	–	–	–	3,823,768	1,642,040	654,899	(1,657,650)	1,165,978,941	(2,061,510)	1,163,917,431
Growth Fund	28,049,921	–	1,019,652,350	–	–	–	(13,906)	1,667,624	592,438	(1,637,100)	1,048,311,327	(1,874,977)	1,046,436,350
Opportunity Fund	90,055,706	775,315,045	1,505,733,540	124,914,836	342,098,098	–	(341,360)	173,702	25,708,558	(1,710,450)	2,861,947,675	(7,638,857)	2,854,308,818
Income Fund	60,585,944	495,068,759	-	69,387,251	152,333,623	–	45,292	96,128	12,859,228	(2,253,300)	788,122,925	(2,724,718)	785,398,207
Dynamic Fund	38,803,310	478,951,959	742,993,788	–	–	–	(645,493)	–	5,565,188	(8,648,000)	1,257,020,752	(3,280,301)	1,253,740,451
Index Fund	26,965,626	–	5,335,724,019	–	–	–	5,600,148	–	5,548,747	(7,667,000)	5,366,171,540	(9,845,047)	5,356,326,493
Captains Fund	175,483,320	–	1,485,187,623	–	–	–	708,503	5,614,520	2,660,923	(9,490,000)	1,660,164,889	(13,096,644)	1,647,068,245
Money Market Fund	1,313,366	–	24,237,996	–	–	–	(179)	–	153	(10,703,000)	14,848,336	(11,382)	14,836,954
My Future 2025 Fund	8,038,114	415,768,800	79,068,936	–	–	–	(247,253)	–	7,344,632	(1,507,350)	508,465,879	(2,364,060)	506,101,819
My Future 2030 Fund	8,188,148	96,596,816	81,645,567	–	–	–	186,725	–	1,786,212	(9,125,000)	179,278,468	(675,509)	178,602,959
My Future 2035 Fund	2,326,769	22,979,142	53,119,359	–	–	–	86,425	–	386,203	(8,708,000)	70,189,898	(205,411)	69,984,487
My Future 2040 Fund	2,668,498	17,118,958	72,075,045	–	–	–	39,821	–	352,127	(8,709,000)	83,545,449	(218,812)	83,326,637
Growth Plus Fund	288,555,246	-	6,632,583,184	–	–	–	2,365,595	–	1,663,516	(9,372,000)	6,915,795,541	(43,721,347)	6,872,074,194
MyFuture 2045 Fund	791,129	7,575,365	39,805,919	–	–	–	(57,235)	–	227,717	(47,410,000)	932,895	(122,851)	810,044
MyFuture 2050 Fund	729,431	6,603,840	40,435,435	–	–	–	4,812	–	211,244	(47,225,000)	759,762	(118,607)	641,155
MyFuture 2055 Fund	569,985	6,787,280	40,993,540	–	–	–	(3,260)	–	216,470	(47,220,000)	1,344,015	(120,597)	1,223,418
Global Opportunity Fund	87,422,603	39,879,143	1,903,107,147	–	–	–	(87,736)	47,539,463	605,464	(33,628,970)	2,044,837,114	(53,353,557)	1,991,483,557
Global Income Fund	38,324,056	74,701,998	576,488,924	–	17,919,149	–	(31,404)	5,813,850	1,158,344	(24,157,930)	690,216,987	(17,961,113)	672,255,874
Global Growth Fund	80,423,371	–	1,788,937,288	–	–	–	(981,424)	13,842,500	11,826	(33,961,190)	1,848,272,371	(3,324,850)	1,844,947,521
Global Asset Builder - PriMO	–	–	–	–	–	704,402,855	(5,987,712)	–	–	–	698,415,143	–	698,415,143
Peso Asset Builder - PriMO	–	–	–	–	–	365,129,600	–	–	–	–	365,129,600	–	365,129,600
Dollar Money Market Fund	1,158,859	–	40,068,040	–	–	–	(110)	–	–	(28,443,569)	12,783,220	(18,530)	12,764,690
Opportunity Tracker Fund	7,479,412	205,281,026	101,704,170	–	–	–	1,913,885	–	2,415,699	(1,574,700)	317,219,492	(1,023,333)	316,196,159
Peso Global Growth Fund	12,044,345	-	230,349,356	–	–	–	80,137	–	1,438	(25,337,500)	217,137,776	(424,677)	216,713,099
Peso Global Income Fund	998,541	3,213,858	30,747,688	–	–	–	29,040	–	27,363	(23,182,500)	11,833,990	(53,663)	11,780,327
Peso Global Opportunity Fund	636,657	4,343,733	107,190,284	–	–	–	19,449	943,160	34,786	(24,297,500)	88,870,569	(474,823)	88,395,746
Global Opportunity Payout Fund	103,630,706	–	2,030,277,254	–	–	–	2,063,791	–	15,134	(24,169,005)	2,111,817,880	(3,758,542)	2,108,059,338

(Forward)

	2023												
	Cash and cash equivalents	Government debt securities	Equity securities	Corporate loans	Private peso bonds	Structured notes	Subscriptions receivable (Note 17)	Investment receivable	Accrued income	Seed capital (Note 8)	Total Assets	Accounts payable and accrued expenses	Net Assets
Peso Global Opportunity Payout	**₱16,751,487**	**₱–**	**₱293,597,215**	**₱–**	**₱–**	**₱–**	**₱397,842**	**₱–**	**₱2,460**	**(₱25,032,500)**	**₱285,716,504**	**(₱542,293)**	**₱285,174,211**
Peso Global Sustainability Growth Fund	**1,464,398**	**–**	**29,828,047**	**–**	**–**	**–**	**4,892**	**–**	**–**	**(26,485,000)**	**4,812,337**	**(54,580)**	**4,757,757**
Peso Asset Builder - Hybrid Income Fund	**–**	**–**	**–**	**–**	**–**	**2,302,390,190**	**(3,340,350)**	**–**	**–**	**(962,900)**	**2,298,086,940**	**–**	**2,298,086,940**
Peso Asset Builder - Hybrid Income 2 Fund	**–**	**–**	**–**	**–**	**–**	**1,175,275,500**	**(2,267,800)**	**–**	**–**	**(970,500)**	**1,172,037,200**	**–**	**1,172,037,200**
Peso Asset Builder - Hybrid Income 3 Fund	**–**	**–**	**–**	**–**	**–**	**825,384,900**	**1,095,100**	**–**	**–**	**(969,900)**	**825,510,100**	**–**	**825,510,100**
Global Asset Builder - ProIncome Fund	**–**	**–**	**–**	**–**	**–**	**904,412,473**	**–**	**–**	**–**	**(1,078,608)**	**903,333,865**	**–**	**903,333,865**
	₱1,229,541,027	**₱3,346,746,746**	**₱26,148,373,959**	**₱241,516,054**	**₱759,325,449**	**₱6,276,995,518**	**₱5,893,515**	**₱77,396,462**	**₱87,906,051**	**(₱501,065,822)**	**₱37,672,628,959**	**(₱174,290,446)**	**₱37,498,338,513**

Cash and cash equivalents
Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods not exceeding three months depending on the immediate cash requirements of the funds and earn interest at the prevailing short-term deposit rates.

Government debt securities
Government securities pertain to peso denominated bonds with interest rates ranging from 2.375% to 9.25% in 2023.

Equity securities
Equity securities consist mainly of shares which are listed and actively traded.

Corporate loans
This consists of unquoted corporate loans which are carried at amortized cost.

Private peso bonds
Private peso bonds are either a plain bond, a callable bond, a credit-linked bond or a structure product. The Company rely on counterparty valuations for plain bond and credit-linked notes while the Company use discounted cash flow approach for callable bond.

Structured notes
Structured notes are issued by foreign investment-grade banks with underlying assets invested in pre-defined mix of equities, bonds, commodity-linked assets and exchange traded funds.

Subscriptions receivable
Subscriptions receivable pertain to amounts due from the Company for subscriptions from unitholders which have not yet been transferred to the corresponding VUL fund as of reporting date.

Investment receivable
Investment receivable pertains to amounts due from brokers which represent receivables for securities sold that have been contracted for but not yet settled as of the end of the reporting period.

Accrued income
Accrued income includes interest receivable and dividends receivable. Interest receivable pertains to interest accrued on cash equivalents and government debt securities. Dividends receivable pertain to dividends accrued on listed equity securities.

Accounts payable and accrued expenses
Accounts payable and accrued expenses pertain to amounts due to brokers which represent payables for securities purchased that have been contracted for but not yet settled as of the end of the reporting period. It also includes redemptions payable to unitholders.

Seed capital
Seed capital is the initial funding that allows Exchange-traded Funds (ETFs) to launch and become available to investors.

The unit-linked financial assets at fair value are classified as follows:

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Segregated fund assets				
Equity securities	**₱26,148,373,959**	**₱–**	**₱–**	**₱26,148,373,959**
Structured notes	–	–	**7,034,108,784**	**7,034,108,784**
Government debt securities	–	**3,346,746,746**	–	**3,346,746,746**
Corporate loans	–	–	**235,911,147**	**235,911,147**
Private peso bonds		**2,212,183**	–	**2,212,183**
	₱26,148,373,959	**₱3,348,958,929**	**₱7,270,019,931**	**₱36,767,352,819**

Following are the stress testing schedules of the unit-linked financial assets classified as level 3 as of December 31, 2023:

1. Sun Grepa Global Asset Builder - PriMO

Bloomberg ISIN	XS1792287267	
Maturity	17-Dec-25	
Valuation Date	30-Dec-23	
Note Provider	Goldman Sachs	
Remaining Time to Maturity	1.96	*assume this is duration factor for the scenario/stress testing, given ZCB duration = remaining tenor*
Option Value	2.20%	
Fixed Income Value	89.30%	

	Scenario 1	**Scenario 2**	**Scenario 3**
Current Value	91.50%	91.50%	91.50%
USD IRS	-1.09%	0.81%	-0.34%
ROP CDS	-1.09%	0.65%	-0.27%
GS CDS	-1.16%	0.85%	-0.34%
Fixed Income Level	88.15%	93.80%	90.55%
Option Sensitivity	-2.20%	-2.20%	-2.20%
MTM Level	**85.95%**	**91.60%**	**88.35%**

2. Sun Grepa Peso Asset Builder - PriMO

Bloomberg ISIN	XS1934993764	
Maturity	4-Mar-26	
Valuation Date	30-Dec-23	
Note Provider	Goldman Sachs	
Remaining Time to Maturity	2.18	*assume this is duration factor for the scenario/stress testing, given ZCB duration = remaining tenor*
Option Value	1.90%	
Fixed Income Value	92.60%	

	Scenario 1	**Scenario 2**	**Scenario 3**
Current Value	94.50%	94.50%	94.50%
PHP NDS	-0.04%	0.00%	0.00%
ROP CDS	-1.21%	0.72%	-0.29%
GS CDS	-1.28%	0.94%	-0.38%
Fixed Income Level	91.97%	96.16%	93.83%
Option Sensitivity	-1.90%	-1.90%	-1.90%
MTM Level	**90.07%**	**94.26%**	**91.93%**

<u>Segregated fund liabilities</u>
This is measured based on the value of the insurance investment funds attributable to the policyholders.

12. **Reinsurance Assets**

This account consists of:

	2023	2022
Reinsurance recoverable on unpaid losses	**₱27,625,857,042**	₱–
Deferred reinsurance premiums	**(3,395,458,957)**	–
	₱24,230,398,085	₱–

Reinsurance recoverable on unpaid losses represents balances due from reinsurance companies.

Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

13. **Inventories**

This account consists of:

	2023	2022
Merchandise:		
Automotive units	**₱420,960,715**	₱295,774,798
Parts, service materials and accessories	**110,973,384**	114,029,054
Others	**693,543**	88,452,247
	532,627,643	498,256,099
Real estate:		
Land and land development	–	158,670,638
Raw lands	–	42,398,913
Subdivision lots and contracted units for sale	–	35,988,542
	–	237,058,093
Construction materials	–	721,551,074
Spare parts and supplies	–	88,819,064
	532,627,643	1,545,684,330
Less: Allowance for inventory obsolescence	**35,966,256**	43,656,744
	₱496,661,387	₱1,502,027,586

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

Spare parts and supplies pertain to inventory items used in the repair and maintenance of the Group's property and equipment.

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

	2023	2022
Balance at beginning of year	**₱237,058,093**	₱235,940,298
Construction/development costs incurred	–	4,250,108
Cost of real estate sales (Note 31)	–	(3,132,313)
Deconsolidation	**(237,058,093)**	–
Balance at end of year	**₱–**	₱237,058,093

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

The cost of inventories with allowance for inventory obsolescence amounted to ₱35.97 million and ₱43.66 million as of December 31, 2023 and 2022, respectively.

The rollforward of allowance for inventory obsolescence is as follows:

	2023	2022
Balance at beginning of year	**₱43,656,744**	₱75,778,306
Provision (Recoveries) (Note 33)	**651,220**	(14,301,872)
Write-off	**–**	(17,819,690)
Impairment balance	**44,307,964**	43,656,744
Effect of deconsolidated operations	**(8,341,709)**	14,301,872
Balance at end of year	**₱35,966,256**	₱57,958,616

In 2022, the Group reversed allowance for inventory obsolescence amounting to ₱14.30 million (nil in 2023) after the spare parts and supplies inventory were found to be still serviceable. These were consumed and recorded as part of cost of services in 2022.

No inventories were pledged as security to obligations as of December 31, 2023 and 2022.

14. **Loans receivable**

This account consists of:

	2023	2022
Policy loans	**₱670,968,139**	₱–
Due from:		
Held for trust	**1,109,164,285**	–
Agents	**4,080,475**	–
GEM trust fund	**2,474,625**	–
Others	**85,324,043**	–
	1,872,011,567	–
Less: Allowance for impairment	**6,200,460**	–
	₱1,865,811,107	₱–

The rollforward of allowance for impairment of loans receivable is as follows:

	2023	2022
Balance at beginning of year	**₱–**	₱–
Consolidation of a new subsidiaries	**6,200,460**	–
Balance at end of year	**₱6,200,460**	₱–

15. **Prepaid Expenses and Other Current Assets**

This account consists of:

	2023	2022
CWTs	**₱1,151,877,069**	₱538,908,901
Prepaid expenses	**344,013,281**	239,843,886
Short-term investments	**279,406,974**	161,153,004
Prepaid taxes	**117,987,103**	30,490,161
Input VAT	**68,071,124**	179,180,977
Miscellaneous deposits	**28,779,489**	205,582,976
Unused supplies	**18,480,867**	–
Advances	**–**	729,955,108
Others	**107,687,784**	87,634,335
	2,116,303,691	2,172,749,348
Less allowance for impairment	**55,395,197**	55,395,197
	₱2,060,908,494	₱2,117,354,151

CWTs pertain to unutilized creditable withholding tax which will be used as tax credit against income taxes due. CWTs were classified as current in 2023 are assessed to be utilized in 2024.

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

Short-term investments earn interest at the prevailing investment rates and have maturity of less than one year. These include investments held for government and private entities for the purpose of undertaking socio-economic studies and development projects.

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

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.

Others include various deposits and other supplies, among others.

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

	2023			
	Miscellaneous deposits	**Advances to officers and employees**	**Advances to suppliers and subcontractors**	**Total**
Balance at beginning of year	**₱41,265,425**	**₱1,035,813**	**₱13,093,959**	**₱55,395,197**
Provisions for ECL	**–**	**–**	**–**	**–**
Balance at end of year	**₱41,265,425**	**₱1,035,813**	**₱13,093,959**	**₱55,395,197**

	2022			
	Miscellaneous deposits	Advances to officers and employees	Advances to suppliers and subcontractors	Total
Balance at beginning of year	₱3,335,193	₱29,516	₱13,093,959	₱16,458,668
Provisions for ECL	37,930,232	1,006,297	–	38,936,529
Balance at end of year	₱41,265,425	₱1,035,813	₱13,093,959	₱55,395,197

16. **Financial Assets**

A. Financial assets at fair value through profit or loss (FVTPL)

This account consists of:

	2023	2022
General Fund	**₱5,741,112,076**	₱14,892,802
Mutual funds	**100,792,453**	–
Seed capital in variable unit-linked segregated funds	**501,065,822**	–
Investment in government securities	**80,011,439**	–
	₱6,422,981,790	₱14,892,802

The calculated range of fair values are based on the following combination of inputs/ methodologies:

- Underlying index's volatility
- Reference entity's credit risk
- Discount rate

B. Financial assets at fair value through other comprehensive income (FVOCI)

This account consists of:

	2023	2022
Quoted shares	**₱22,839,900,002**	₱136,503,716
Unquoted shares	**8,090,402**	514,138,317
	₱22,847,990,404	₱650,642,033

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

	2023	2022
Attributable to equity holders of the parent:		
Balance at beginning of year	**₱111,000,523**	₱67,330,660
Income (loss) recognized in OCI	**(58,487,673)**	43,999,863
Reclassification	**(37,772,927)**	–
Disposal	**–**	(330,000)
Effect of deconsolidation of a subsidiary	**(62,407,141)**	–
Balance at end of year	**(47,667,218)**	111,000,523
Non-controlling interests:		
Balance at beginning of year	**324,284,048**	321,570,569
Income recognized in OCI	**(679,365)**	2,713,479
Balance at end of year	**323,604,683**	324,284,048
	₱275,937,465	₱435,284,571

Dividend earned from equity investments at FVOCI amounted to ₱0.82 million, ₱6.61 million and ₱5.74 million in 2023, 2022, and 2021, respectively (Note 32).

No equity investments at FVOCI were pledged as security to obligations as of December 31, 2023 and 2022.

C. Investment securities at amortized cost

Investment securities at amortized cost consists of private debt securities amounting to ₱3,312.78 million as of December 31, 2023 (nil in 2022).

No financial assets (FVTPL, FVOCI, Amortized cost) were pledged as security to obligations as of December 31, 2023 and 2022.

17. Assets Held for Sale

This account consists of:

	2023	2022
Investment in EEI (Note 18)	**₱337,378,019**	₱ –
Real estate property for sale	**71,441,198**	–
	₱408,819,217	₱ –

As at December 31, 2023, the Group classified 4.5% interest in EEI as "Asset Held for Sale" and remeasured at fair value less cost of disposal of ₱337.38 million. The transaction was accounted as noncash investing activity in the 2023 parent company statement of cash flows. The asset was subsequently sold on January 5, 2024.

Real estate properties for sale consist of condominium units and memorial lots.

18. Investments in Associates and Joint Ventures

The Group's associates and joint venture accounted for using the equity method as of December 31 follows:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership **2023**	2022
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)*	Philippines	Renewable energy	Philippine peso	–	8.55
T'boli Agro-Industrial Development, Inc.	Philippines	Agriculture	Philippine peso	–	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
EEI Corporation	Philippines	Construction	Philippine peso	**21.00**	–
Al-Rushaid Construction Company Limited (ARCC)*	Saudi Arabia	Construction	Saudi riyal	–	49.00
PetroSolar Corporation (PSOC)*	Philippines	Renewable energy	Philippine peso	–	44.00

(Forward)

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership 2023	2022
Joint ventures:				–	
PetroWind Energy, Inc. (PWEI)*	Philippines	Renewable energy	Philippine peso	–	20.00
Shinbayanihan Heavy Equipment Corporation (SHEC)*	Philippines	Equipment rental	Philippine peso	–	40.00
BEO Distribution and Marketing Corporation (BEO DMC)*	Philippines	Distribution and marketing	Philippine peso	–	30.00
Shimizu-Fujita-Takenaka-EEI Joint Venture (SFTE)*	Philippines	Construction	Philippine peso	–	5.00
Acciona-EEI Joint Venture (AE)*	Philippines	Construction	Philippine peso	–	30.00
LOTTE-GULERMAK-EEI Joint* Venture (LGE)	Philippines	Construction	Philippine peso	–	25.00

**This investment is part of EEI Group which was deconsolidated in 2023.*

The rollforward analysis of this account follows:

	2023	2022
Acquisition cost:		
Balance at beginning of year	**₱4,283,885,786**	₱4,236,124,304
Additions	**3,296,378,483**	47,761,482
Disposal	**(1,686,664,911)**	–
Effect of deconsolidation of a subsidiary	**(1,612,532,888)**	–
Balance at end of year	**4,281,066,470**	4,283,885,786
Accumulated impairment loss	**(364,312,330)**	(74,536,609)
Accumulated equity in net earnings:		
Balance at beginning of year	**3,622,376,692**	3,531,781,118
Equity in net earnings	**116,716,080**	425,036,868
Dividend received	**(97,429,815)**	(334,441,296)
Effect of deconsolidation of a subsidiary	**(1,548,900,797)**	–
Balance at end of year	**2,092,762,160**	3,622,376,690
Share in other comprehensive gain (loss) of an associate:		
Cumulative translation adjustments	**46,376,718**	365,209,541
Remeasurement gain (loss) on retirement liability	**(32,203,598)**	715,708
Revaluation increment	**75,107,937**	–
Changes in fair value of investments carried at FVOCI	**(78,957,186)**	105,672,061
	10,323,871	471,597,310
	₱6,019,840,170	₱8,303,323,179

EEI

As disclosed on Note 6, the Parent Company sold 20% investment holdings in EEI resulting to loss of control over the subsidiary. The remaining investment of 35.34% was accounted for as an investment in associate. Subsequently, on May 22, 2023, the Parent Company sold 148,664,942 common shares representing 14.34% of the outstanding shares of EEI. Proceed from the sale amounted to ₱1.08 billion. The sale which reduced the Parent Company's holdings of EEI to 21% is accounted as disposal of investment in an associate. . The Parent Company recognized gain from sale amounting to ₱0.58 billion.

As of December 31, 2023, the Parent Company classified 4.5% interest in EEI as "Asset Held for Sale" and remeasured at ₱337.38 million. The transaction was accounted as noncash investing activity in the 2023 consolidated statement of cash flows. The asset was subsequently sold on January 5, 2024.

RRC

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

PERC

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

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

Its share price amounted to ₱4.95 and ₱4.80 per share as of December 31, 2023 and 2022, respectively.

PGEC

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

In 2023, PGEC applied for increase in authorized capital stock, which was subscribed and issued to KIC, this further reduced the Group's indirect investment from 8.55% to 7.50%.

In 2022, the effective ownership in PGEC was reduced due to sale of shares to KIC, the Group's indirect investment was reduced from 10% to 8.55%.

MMPC

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

SGAPC

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

ARCC

In 2021 and 2020, ARCC repaid investment amounting to ₱454.11 million and ₱576.01 million, respectively. The transactions did not result to a change in the 49% ownership of EEI Limited over ARCC.

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

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

PSOC

In 2022 and 2021, dividend received amounted to ₱118.80 million and ₱156.90 million, respectively.

In 2022, 2019 and 2018, EPC made additional investments of ₱2.75 million, ₱148.3 million and ₱175.80 million, respectively, in PSOC. These transactions did not result to a change in the 44% ownership of EPC over PSOC.

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

PWEI

In 2022, EPC made an additional investment of ₱31.51 million. This did not result to a change in the 20% ownership of EPC over PWEI.

In 2013, EPC acquired 20% stake in PWEI for ₱118.75 million. PWEI was incorporated on March 6, 2013, primarily to carry on the general business of generating, transmitting and/or distributing power derived from renewable energy sources such as, but not limited to wind, biomass, hydro, solar, geothermal, ocean, wave and such other renewable sources of power, and from conventional sources such as coal, fossil fuel, natural gas, nuclear, and other viable or hybrid sources of power corporation, public electric utilities, electric cooperative and markets. PWEI has a wind energy project in Nabas, Aklan and has started construction activities on April 29, 2013.

On November 21, 2013, PGEC, CapAsia ASEAN Wind Holdings Cooperative, U.A. (CapAsia) and EPC entered into a Shareholders' Agreement (SA). The SA will govern their relationship as the shareholders of PWEI as well as containing their respective rights and obligations in relation to PWEI. Further, the SA contains provisions regarding voting requirements for relevant activities that require unanimous consent of all the parties. PGEC, CapAsia and EPC agree that their equity ownership ratio in PWEI is at 40%, 40% and 20%, respectively.

Although the Share Purchase Agreement (SPA) and the SA were executed on November 21, 2013, these did not result to PGEC's loss of control over PWEI in 2013. The loss of control did not happen until the Closing Date. On February 14, 2014, the Closing Date, the payment has been received from sale of the shares as executed in the Deed of Assignment covering the transfer of shares from PGEC to CapAsia and all the conditions precedent have been satisfactorily completed. Hence, the transaction made PWEI a joint venture among PGEC, CapAsia and EPC by virtue of the SA signed among the three parties governing the manner of managing PWEI. PGEC lost control over PWEI while CapAsia was given full voting and economic rights as a 40% shareholder.

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

SHEC

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

BEO DMC
In 2019, BiotechJP deposited ₱0.5 million with BEO Distribution and Marketing Corporation (BEO DMC) in exchange for 30% ownership in the latter. BEO DMC is in the business of distributing and marketing of goods. The deposit was recorded as "Deposit for Future Stock Subscription" pending receipt of the shares of capital stock of the investee.

In 2020, BiotechJP reclassified the deposit to investment in joint venture upon receipt of stock certificate of BEO DMC.

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

AE
On October 13, 2020, EEI entered into a joint venture agreement with Acciona Construction Philippines, Inc. to undertake the construction of the Malolos-Clark Railway Project-Package No. CP N-04. The Group's participating interest in the joint venture is 30%. The group has no initial capital investment on the joint venture as it is an unincorporated joint venture. The joint venture agreement also requires unanimous vote of all joint venture partners on the relevant activities of the joint venture.

The EEI also entered into joint venture agreements with certain contractors for the purpose of establishing unincorporated joint ventures, the objective of which are to submit bids for certain projects, and if such bids are successful, execute the project and jointly deliver the works in accordance with the project documents. As of December 31, 2022, these projects are yet to be awarded. EEI has no initial capital investment on the joint ventures as these are unincorporated. EEI accounts for these joint ventures under equity method of accounting.

RICEI
In 2022, the EEI acquired 49% stake in RICE Integrated Commercial Enterprises, Incorporation (RICEI) and was accounted for as an associate. RICEI was incorporated on February 23, 2019 primarily to engage in the production and trading of crops, orchards, groves, and all types of agricultural, fishery and farm products on wholesale basis.

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

As of December 31, 2023 and 2022, no investments in associates were pledged as security to obligations.

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

(Amounts in millions)

	2023														
Acquisition cost:	**HEPI**	**MMP**	**RRC**	**SGAP**	**PERC**	**EEI**	**PGEC**	**ARCC**	**PSOC**	**PWEI**	**SHEC**	**DMC**	**SFTE**	**AE**	**RICEI**
Balance, January 1	**₱24**	**₱120**	**₱1,018**	**₱50**	**₱889**	**₱–**	**₱478**	**₱596**	**₱694**	**₱288**	**₱21**	**₱1**	**–**	**–**	**₱14**
Additions	–	–	–	–	–	**1,610**	**(478)**	–	–	–	–	–	–	–	–
Deconsolidation	–	–	–	–	–	–	–	**(596)**	**(694)**	**(288)**	**(21)**	**(1)**	–	–	**(14)**
Balance, December 31	**24**	**120**	**1,018**	**50**	**889**	**1,610**	–	–	–	–	–	–	–	–	–
Accumulated equity in net earnings (losses):															
Balance, January 1	**195**	**728**	**450**	**52**	**738**	–	**116**	**542**	**511**	**258**	**-**	**(1)**	**9**	**54**	**(1)**
Equity in net earnings (losses)	**36**	**126**	**94**	**(96)**	**206**	**(272)**	**23**	–	–	–	–	–	–	–	–
Deconsolidation	–	–	–	–	–	–	–	**(542)**	**(511)**	**(258)**	**-**	**1**	**(9)**	**(54)**	**1**
Dividends declared	**(38)**	**(19)**	**(32)**	–	**(8)**	–	–	–	–	–	–	–	–	–	–
Balance, December 31	**193**	**834**	**511**	**(44)**	**936**	**(272)**	**139**	–	–	–	–	–	–	–	–
Subtotal	**217**	**955**	**1,530**	**6**	**1,824**	**1,338**	**139**	–	–	–	–	–	–	–	–
Accumulated share in other comprehensive income:															
Balance, January 1	–	–	–	–	**128**	–	**140**	**(112)**	–	–	–	–	–	–	–
Deconsolidation	–	–	–	–	–	–	–	**112**	–	–	–	–	–	–	–
Share in other comprehensive income (loss)	–	–	–	–	**(127)**	**(37)**	**(140)**	–	–	–	–	–	–	–	–
Balance, December 31	–	–	–	–	**1**	**(37)**	–	–	–	–	–	–	–	–	–
Equity in cumulative translation adjustments	–	–	–	–	**33**	**13**	–	–	–	–	–	–	–	–	–
	₱217	**₱955**	**₱1,530**	**₱6**	**₱1,859**	**₱1,314**	**₱139**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**

	2023														
	HEPI	**MMP**	**RRC**	**SGAP**	**PERC**	**EEI**	**PGEC**	**ARCC**	**PSOC**	**PWEI**	**SHEC**	**DMC**	**SFTE**	**AE**	**RICEI**
Net asset before adjustments	**₱426**	**₱3,354**	**₱3,036**	**(₱69)**	**₱11,790**	**₱15,596**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Adjustments	**8**	**320**	**12,263**	**100**	**(5,402)**	**(9,340)**	–	–	–	–	–	–	–	–	–
Net assets	**435**	**3,674**	**15,229**	**31**	**6,388**	**6,256**	–	–	–	–	–	–	–	–	–
Proportionate ownership in the associate	**50%**	**26%**	**10%**	**20%**	**29%**	**21%**	–	–	–	–	–	–	–	–	–
Share in net identifiable assets	**217**	**955**	**1,530**	**6**	**1,859**	**1,314**	–	–	–	–	–	–	–	–	–
Carrying value	**₱217**	**₱955**	**₱1,530**	**₱6**	**₱1,859**	**₱1,314**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**

(Amounts in millions)

	2022												
.	**HEPI**	**MMP**	**RRC**	**SGAP**	**PERC**	**PGEC**	**ARCC**	**PSOC**	**PWEI**	**SHEC**	**DMC**	**SFTE**	**AE**
Acquisition cost:													
Balance, January 1	₱24	₱120	₱959	₱50	₱889	₱478	₱596	₱691	₱257	₱21	₱1	₱–	₱–
Additions	–	–	–	–	–	–	–	3	31	–	–	–	–
Balance, December 31	24	120	959	50	889	478	596	694	288	21	1	–	–
Accumulated equity in net earnings (losses):													
Balance, January 1	158	610	559	37	576	79	929	429	214	(1)	(1)	7	21
Equity in net earnings (losses)	52	130	105	42	164	38	(387)	201	44	1	–	2	33
Dividends declared	(15)	(13)	(160)	(27)	(1)	–	–	(119)	–	–	–	–	–
Balance, December 31	195	727	504	53	739	117	542	511	258	–	(1)	9	54
Subtotal	219	847	1,463	103	1,628	595	1,138	1,205	546	21	–	9	54
Accumulated share in other comprehensive income:													
Balance, January 1	–	–	–	–	78	(46)	(57)	–	–	–	–	–	–
Share in other comprehensive income (loss)	–	–	–	–	50	186	(55)	–	–	–	–	–	–
Balance, December 31	–	–	–	–	128	140	(112)	–	–	–	–	–	–
Equity in cumulative translation adjustments	–	–	–	–	–	–	316	–	–	–	–	–	–
	₱219	₱847	₱1,463	₱103	₱1,756	₱735	₱1,342	₱1,205	₱546	₱21	₱–	₱9	₱54

	2022												
	RRC	PERC	PGEC	MMPC	SGAPC	ARCC	PSOC	PWEI	SHEC	BEO DMC	SFTE	AE	RICEI
Net assets before adjustments	₱2,421	₱12,066	₱11,203	₱2,956	₱414	₱2,738	₱2,738	₱2,730	₱53	₱0.22	₱186	₱181	₱27
Adjustments	12,210	(5,792)	(2,637)	302	99	–	–	–	–	–	–	–	–
Net assets	₱14,631	₱6,274	₱8,596	₱3,258	₱513	₱2,738	₱2,738	₱2,730	₱53	₱0.22	₱186	₱181	₱27
Proportionate ownership in the associate	10%	29%	8.55%	26%	20%	49%	44%	20%	40%	30%	5%	30%	49%
Share in net identifiable assets	1,463	1,819	735	847	103	1,342	1,205	546	21	0.07	9	54	13
Carrying value	₱1,463	₱1,819	₱735	₱847	₱103	₱1,342	₱1,205	₱546	₱21	₱0.07	₱9	₱54	₱13

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

(Amounts in millions)

	2022												
	RRC	PERC	PGEC	MMPC	SGAPC	ARCC	PSOC	PWEI	SHEC	BEO DMC	SFTE	AE	RICEI
Current assets	₱1,094	₱5,331	₱4,950	₱2,642	₱7,468	₱14,560	₱633	₱687	₱45	₱2	₱29,393	₱2,690	₱27
Noncurrent assets	5,890	11,498	10,282	1,852	598	2,441	3,504	3,677	73	–	–	389	1
Total assets	₱6,984	₱16,829	₱15,232	₱4,494	₱8,066	₱17,001	₱4,137	₱4,364	₱118	₱2	₱29,393	₱3,079	₱28
Current liabilities	₱1,614	₱1,500	₱1,140	₱1,078	₱7,464	₱10,820	₱291	₱321	₱49	₱2	₱29,207	₱1,588	₱1
Noncurrent liabilities	2,949	2,963	2,889	460	188	3,443	1,109	1,313	–	–	–	1,309	–
Total liabilities	₱4,563	₱4,463	₱4,029	₱1,538	₱7,652	₱14,263	₱1,400	₱1,634	₱49	₱2	₱29,207	₱2,897	₱1
Revenues	₱2,291	₱2,551	₱1,821	₱1,124	₱11,178	₱16,230	₱872	₱641	₱7	2	₱46	₱2,143	₱3
Cost	–	(1,303)	(879)	(412)	(10,285)	(16,772)	(257)	(475)	(4)	(2)	–	(1,438)	(5)
Gross margin	2,291	1,248	942	712	893	(542)	615	166	3	–	46	705	(2)
Selling and administrative, and other expenses	(1,025)	(372)	(264)	(82)	(605)	(444)	(137)	57	(1)	–	–	(594)	–
Pre-tax income (loss)	₱1,266	₱876	₱678	₱630	₱288	(₱986)	₱478	₱223	₱2	₱–	₱46	₱111	(₱2)
Proportionate ownership in the associate	10%	29%	9%	26%	20%	49%	44%	20%	40%	30%	5%	30%	49%
Share in pre-tax income (loss)	127	254	61	164	58	(483)	210	45	1	–	2	33	(1)
Income tax (benefit)	(22)	(13)	(6)	(34)	(3)	(96)	8	2	–	–	–	–	–
Non-controlling interest	–	(77)	(17)	–	(13)	–	–	–	–	–	–	–	–
Equity in net earnings (losses)	₱105	₱164	₱38	₱130	₱42	(₱387)	₱202	₱43	₱1	₱–	₱2	₱33	(₱1)
Dividends received	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–

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

Other relevant financial information of HEPI are as follows:

	2023	2022
Cash and cash equivalents	**₱718,364,000**	₱706,615,152
Current financial liabilities *	**597,350,000**	359,035,952
Noncurrent financial liabilities *	**2,078,332,000**	2,843,703,410
Depreciation and amortization	**185,012,958**	179,916,232
Interest income	**41,688,959**	21,434,630
Interest expense	**180,593,317**	224,837,382

**Excluding trade and other payables and provisions*

Other relevant financial information of RRC are as follows:

	2023	2022
Cash and cash equivalents	**₱718,364,000**	₱706,615,152
Current financial liabilities *	**597,350,000**	359,035,952
Noncurrent financial liabilities *	**2,078,332,000**	2,843,703,410
Depreciation and amortization	**185,012,958**	179,916,232
Interest income	**41,688,959**	21,434,630
Interest expense	**180,593,317**	224,837,382

**Excluding trade and other payables and provisions*

Other relevant financial information of PERC are as follows:

	2023	2022
Cash and cash equivalents	**₱2,251,742,845**	₱1,677,231,584
Current financial liabilities *	**3,703,810,352**	947,144,643
Noncurrent financial liabilities *	**4,187,028,164**	2,530,784,409
Depreciation and amortization	**730,880,693**	551,078,397
Interest income	**217,515,216**	51,154,475
Interest expense	**347,303,382**	292,324,806

**Excluding trade and other payables and provisions*

Other relevant financial information of PGEC are as follows:

	2023	2022
Cash and cash equivalents	**₱1,210,137,931**	₱1,358,773,144
Current financial liabilities *	**145,957,587**	696,564,794
Noncurrent financial liabilities *	**100,265,643**	2,537,602,499
Depreciation and amortization	**437,693,615**	437,326,559
Interest income	**166,443,900**	47,096,107
Interest expense	**204,521,257**	286,056,967

**Excluding trade and other payables and provisions*

Other relevant financial information of MMPC are as follows:

	2023	2022
Cash and cash equivalents	**₱322,196,768**	₱542,678,726
Current financial liabilities *	**45,619,964**	20,964,238
Noncurrent financial liabilities *	**162,716,262**	95,489,617
Depreciation and amortization	**58,690,751**	52,402,456
Interest income	**228,654,877**	204,156,140
Interest expense	**3,496,762**	3,122,109

**Excluding trade and other payables and provisions*

Other relevant financial information of SGAPC are as follows:

	2023	2022
Cash and cash equivalents	**₱142,651,551**	₱383,160,000
Current financial liabilities *	**2,150,000,000**	1,160,634,000
Noncurrent financial liabilities *	**164,506,656**	188,289,000
Depreciation and amortization	**102,952,143**	83,247,152
Interest income	**205,884**	803,000
Interest expense	**172,969,802**	24,420,853

**Excluding trade and other payables and provisions*

Other relevant financial information of PWEI are as follows:

	2023	2022
Cash and cash equivalents	–	₱241,434,172
Current financial liabilities *	–	293,945,601
Noncurrent financial liabilities *	–	1,321,286,339
Depreciation and amortization	–	196,284,720
Interest income	–	6,334,910
Interest expense	–	122,621,186

**Excluding trade and other payables and provisions*

Other relevant financial information of SHEC are as follows:

	2023	2022
Cash and cash equivalents	–	₱31,503,060
Current financial liabilities *	–	7,164,732
Depreciation and amortization	–	4,301,670
Interest income	–	36,135

**Excluding trade and other payables and provisions*

Other relevant financial information of BEO are as follows:

	2023	2022
Cash and cash equivalents	–	₱1,686,802
Current financial liabilities *	–	970,183
Interest income	–	1,002

Excluding trade and other payables and provisions

Other relevant financial information of SFTE are as follows:

	2023	2022
Cash and cash equivalents	–	₱12,488,879,930
Interest income	–	46,086,858

Other relevant financial information of AE are as follows:

	2023	2022
Cash and cash equivalents	–	₱1,000,462,212
Current financial liabilities *	–	1,588,232,594
Interest income	–	4,420,740
Depreciation and amortization	–	44,385,972

Excluding trade and other payables and provisions

19. **Investment Properties**

The rollforward analysis of this account follows:

	2023	2022
Cost:		
Balance at beginning of year	**₱8,137,011,850**	₱1,981,457,350
Additions	**2,737,129,912**	6,155,975,000
Effect of common control business combination	**150,403,582**	–
Effect of deconsolidation of a subsidiary	**(14,496,211)**	–
Disposals	**–**	(420,500)
Balance at year end	**11,010,049,133**	8,137,011,850
Accumulated depreciation:		
Balance at beginning of year	**27,849,023**	3,915,137
Depreciation	**95,735,543**	23,933,886
Effect of common control business combination	**62,276,162**	–
Deconsolidation	**(200,500)**	–
Balance at year end	**185,660,228**	27,849,023
	₱10,824,388,905	₱8,109,162,827

Properties classified as investment properties include the following:

- Parcel of land located in Makati owned by SLRHSI with the carrying value of ₱1,961.07 million.
- Heritage lots held for capital appreciation of the Parent Company amounted to ₱1.7 million.
- Parcel of land, building, building improvements and machinery and equipment situated in Taguig City owned by ATYC with carrying value of ₱6,132.04 million.
- Parcel of land located in Tarlac with carrying value of ₱2,673.17 million acquired by the Group in 2023. The acquisition includes cash paid in 2023 amounting to ₱534.63 million and the balance for installment payment and is treated as noncash investing activity in the 2023 consolidated statement of cashflow. As of December 31, the installment payable is consist of the following:

	2023	2022
Current	**₱669,152,694**	₱–
Noncurrent	**1,469,381,226**	–
	₱2,138,533,920	₱–

As of December 31, 2023, the aggregate fair values of land amounted to ₱15.06 billion, which was determined based on valuation performed by an independent SEC accredited appraiser in 2023. The fair value of the land was determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on size, and shape (Level 3 – Significant unobservable inputs).

Rental income derived from the investment properties amounted to ₱767.46 million, ₱181.78 million, and ₱0.3 million in 2023, 2022 and 2021, respectively. Total direct expenses incurred in relation to these investment properties amounted to ₱271.15 million, ₱73.73 million and nil in 2023, 2022 and 2021, respectively.

None of the investment properties were pledged as a security to obligations as of December 31, 2023 and 2022.

20. Property and Equipment

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

	2023	2022
Balance at beginning of year	**₱9,875,430,377**	₱8,291,619,850
Change in revaluation increment	**2,264,799,250**	1,783,465,628
Transfer to retained earnings	**(18,948,731)**	(199,655,100)
Effect of common control business combination	**4,194,991,649**	–
Effect of deconsolidation of a subsidiary	**(846,446,726)**	–
Balance at end of year	**₱15,469,825,819**	₱9,875,430,378

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

As of December 31, 2023 and 2022, the appraised values of the parcels of land were determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on size, shape and terrain and location among others. The significant unobservable valuation input is price per square meter (level 3 – Significant unobservable inputs). The parcels of land were valued in terms of their highest and best use. The valuation was performed by an independent SEC-accredited appraiser as of December 31, 2023.

In 2023, 2022 and 2021, the Group revalued its land based on the appraisals made by SEC accredited appraisers. As of December 31, 2023 and 2022, the cost of the parcels of land carried at revalued amounts amounted to ₱4,284 million and ₱5,551 million, respectively.

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

Location	Valuation Techniques	Unobservable Inputs Used	Range (Weighted Average) 2023	2022
Quezon and Panay Avenue, Quezon City	Market Approach	Price per square meter	**₱220,000 to ₱250,000**	₱220,000 to ₱250,000
Makati and Intramuros, Manila	Market Approach	Price per square meter	**₱130,050 to ₱246,926**	₱85,050 to ₱246,926
Cabuyao, Laguna	Market Approach	Price per square meter	**₱8,507 to ₱16,335**	₱11,875 to ₱13,500
Davao City, Davao Del Sur	Market Approach	Price per square meter	**₱41,535 to ₱49,140**	₱22,088 to ₱35,340
Pandacan, Metro Manila	Market Approach	Price per square meter	**₱85,781 to ₱102,375**	₱85,781 to ₱102,375
San Jose Del Monte City, Bulacan	Market Approach	Price per square meter	**₱55,510 to ₱60,493**	₱55,510 to ₱60,493
Naga City, Camarines Sur	Market Approach	Price per square meter	**₱19,000 to ₱34,913**	₱19,000 to ₱34,913
Quiapo, Manila	Market Approach	Price per square meter	**₱89,100 to ₱135,000**	₱89,100 to ₱135,000
Barangay Tuding, Itogon, Benguet	Market Approach	Price per square meter	**–**	₱8,200 to ₱8,200
Barangay Biga I, Silang, Province of Cavite	Market Approach	Price per square meter	**–**	₱11,500 to ₱11,600

Adjustment factors arising from external and internal factors (i.e., location, size, and road frontage) affecting the subject properties as compared to the market listing of comparable properties, ranges from -20% to +15% in 2023 and 2022.

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

In 2019, IPO recorded provision for impairment in value of ₱21 million on a parcel of land charged to profit or loss [presented under 'Other income (charges) – net] as there was no previous revaluation increment recognized on said land. Based on the 2021 and 2020 appraisal of the same parcel of land, there was an increase in value that resulted to the reversal of the impairment loss amounting to ₱15.8 million in 2021 and ₱5.2 million in 2020. The increase was credited to profit or loss as "Other income (charges) - net" in the 2021 and 2020 statement of comprehensive income.

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

	2023	2022
Cost		
Balance at beginning of year	**₱17,304,445,588**	₱17,786,267,664
Additions	**1,780,281,531**	856,119,690
Disposals/Retirements	**(10,807,170)**	(1,337,941,766)
Transfers/Reclassification	**(760,000)**	–
Effect of common control business combination	**2,253,199,420**	–
Effect of deconsolidation of a subsidiary	**(6,558,234,265)**	–
Balance at end of year	**14,768,125,104**	17,304,445,588

(Forward)

	2023	2022
Accumulated Depreciation and Amortization		
At beginning of year	**₱10,078,634,137**	₱9,846,146,751
Depreciation and amortization	**592,534,582**	934,235,500
Disposals/retirements	**(8,789,426)**	(701,748,116)
Transfers/reclassifications	**(44,301,480)**	–
Effect of common control business combination	**1,904,055,630**	–
Effect of deconsolidation of a subsidiary	**(4,827,537,092)**	–
Balance at end of year	**7,694,596,350**	10,078,634,137
Net book value	**₱7,073,528,753**	₱7,225,811,452

	2023					
	Buildings and Improvements	**Machinery, Tools and Construction Equipment**	**Transportation and Service Equipment**	**Furniture, Fixtures, and Office Equipment**	**Construction in Progress**	**Total**
Cost						
Balance at beginning of year	**₱5,462,001,151**	**₱5,283,860,417**	**₱1,270,060,624**	**₱3,505,305,266**	**₱1,783,218,129**	**₱17,304,445,587**
Acquisitions	**147,238,199**	**1,422,868**	**24,715,567**	**270,019,292**	**1,336,885,605**	**1,780,281,531**
Disposals/Retirements	**–**	**–**	**(10,197,657)**	**(609,513)**	**–**	**(10,807,170)**
Reclassifications	**17,671,000**	**–**	**–**	**45,000**	**(18,476,000)**	**(760,000)**
Effect of common control business combination	**773,198,036**	**–**	**274,318,479**	**1,205,500,762**	**182,143**	**2,253,199,420**
Effect of deconsolidation of a subsidiary	**(592,720,907)**	**(3,415,648,761)**	**(917,486,167)**	**(355,135,894)**	**(1,277,242,535)**	**(6,558,234,264)**
Balance at end of year	**₱5,807,387,479**	**₱1,869,634,524**	**₱641,410,846**	**₱4,625,124,913**	**₱1,824,567,342**	**₱14,768,125,104**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**2,711,332,333**	**3,290,410,922**	**1,056,434,915**	**3,020,455,965**	**–**	**10,078,634,135**
Depreciation and amortization (Note 34)	**337,633,776**	**649,367**	**20,779,756**	**233,471,682**	**–**	**592,534,581**
Disposals/retirements	**–**	**–**	**(7,840,966)**	**(948,460)**	**–**	**(8,789,426)**
Transfers	**879,000**	**–**	**(179,267)**	**(45,001,213)**	**–**	**(44,301,480)**
Effect of common control business combination	**630,452,071**	**–**	**222,172,095**	**1,051,431,464**	**–**	**1,904,055,630**
Effect if deconsolidation of a subsidiary	**(330,211,008)**	**(3,270,661,641)**	**(763,189,509)**	**(463,474,931)**	**–**	**(4,827,537,089)**
Balance at end of year	**3,350,086,172**	**20,398,648**	**528,177,024**	**3,795,934,507**	**–**	**7,694,596,351**
Net Book Value at Cost	**₱2,457,301,307**	**₱1,849,235,876**	**₱113,233,822**	**₱829,190,406**	**₱1,824,567,342**	**₱7,073,528,753**

	2022					
	Buildings and Improvements	Machinery, Tools and Construction Equipment	Transportation and Service Equipment	Furniture, Fixtures, and Office Equipment	Construction in Progress	Total
Cost						
Balance at beginning of year	₱6,039,128,545	₱5,258,333,361	₱1,389,472,442	₱3,325,451,969	₱1,773,881,346	₱17,786,267,663
Acquisitions	400,821,288	203,057,739	58,141,274	184,762,606	9,336,783	856,119,690
Disposals	(977,948,682)	(177,530,683)	(177,553,092)	(4,909,309)	–	(1,337,941,766)
Balance at end of year	5,462,001,151	5,283,860,417	1,270,060,624	3,505,305,266	1,783,218,129	17,304,445,587
Accumulated Depreciation and Amortization						
Balance at beginning of year	2,657,759,859	3,408,396,310	993,820,883	2,786,169,699	–	9,846,146,751
Depreciation and amortization (Note 30)	498,255,753	110,005,610	88,096,481	237,877,656	–	934,235,500
Disposals/retirements	(444,683,279)	(227,990,998)	(25,482,449)	(3,591,390)	–	(701,748,116)
Balance at end of year	2,711,332,333	3,290,410,922	1,056,434,915	3,020,455,965	–	10,078,634,135
Net Book Value at Cost	₱2,750,668,818	₱1,993,449,495	₱213,625,709	₱484,849,301	₱1,783,218,129	₱7,225,811,452

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

	2023	2022	2021
Cost of sales and services			
Construction contracts (Note 27)	**₱–**	₱–	₱–
Tuition and other fees (Note 28)	**353,081,000**	286,481,061	292,352,937
Manpower and other services (Note 16 and 27)	**7,610,414**	32,231,047	9,803,937
	360,691,414	318,712,108	302,156,974
General and administrative expenses (Note 29)	**115,531,208**	168,438,910	146,543,398
Deconsolidated operation	**116,311,960**	447,084,482	484,209,587
	₱592,534,582	₱934,235,500	₱932,909,859

In 2022, the Group, thru EEI entered into a sale and leaseback transaction with EEI Retirement Fund Inc. (EEI-RFI) for properties located in Bauan, Batangas for ₱1.2 billion. This transaction resulted to a gain on sale of ₱341.0 million and the recognition of right-of-use asset and lease liability amounting to ₱56.7 million and ₱206.1 million, respectively. The revaluation increment in equity relating to the asset disposed of is transferred directly to retained earnings when the asset was derecognized.

Gain on sale of property and equipment follows:

	2023	2022	2021
Continued operation	**₱5,030,534**	₱38,301,459	₱15,468,767
Deconsolidated operation	**352,698**	344,919,128	4,263,333
	₱5,383,232	₱383,220,587	₱19,732,100

The land and related improvements owned by MCMI with carrying value of ₱1,826.7 million and ₱2,385.5 million as of December 31, 2023 and 2022, respectively, were used to secure the long-term loans of MCMI.

21. Deferred Acquisition Costs - net

As of December 31, 2023, details of deferred acquisition costs net of deferred reinsurance commissions follow:

	2023	2022
Deferred acquisition costs	**₱499,447,146**	₱–
Deferred reinsurance commissions	**(198,267,206)**	–
	₱301,179,940	₱–

22. Leases

Group as a lessor

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

ATYC entered into lease agreements as a lessor covering office and parking spaces renewable by mutual agreement of both parties generally under the same terms and conditions. The lease period ranges from three (3) to ten (10) years with annual escalation clauses ranging from 5% to 6%.

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

	2023	2022
Within one year	**₱497,191,187**	₱74,235,000
More than one year but not more than five years	**1,228,017,114**	315,474,000
Later than five years	–	168,035,000
	₱1,725,208,301	₱557,744,000

Group as a lessee
The Group has lease contracts for various items of land, improvements, office spaces, warehouses, school sites and annexes and other equipment used in its operations, among others. Leases of land, improvements and school sites generally have lease terms between 2 and 66 years, while other equipment generally have lease terms between 1 and 3 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

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

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

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

c. EEI entered into a sublease agreement for a lease of 2,459.22 square meters of land in Clark City, Pampanga. Lease term is until 2085.

d. EEI Group leases a staff house which it occupies for its operations for a period of two years, both parties has the option to renew as per agreement.

e. In May 2016, EEI Group entered into a lease agreement for a period of five (5) years commencing on July 7, 2016 and expired on July 6, 2021. The leased premises has an escalation of 10% starting the second year of lease. This was renewed for a period of five (5) years covering July 7, 2021 to July 6, 2026.

f. In June 2020, the EEI Group entered into a lease of parcel of land for a period of fourteen (14) months commencing on July 1, 2020 and expiring on August 31, 2021. The said lease is no longer renewed.

g. In December 2022, the EEI Group entered into a lease contract with EEI-RFI for the lease of land and improvements where its fabricated shop is located. The lease is for a term of 5 years with annual escalation of 5%.

h. IPO leases building spaces for office and school sites and annexes from third-party lessors for a period ranging from one to ten years. The Group applies the 'short-term lease' recognition exemption for those leases with lease term of one year or less.

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

Lessor	Commencement date	Term	Monthly Rental
Grepa Realty Holdings Corporation	January 1, 2023	1 year	₱341,042
Frame Properties, Inc.	July 25, 2023	3 years	233,217*
Grepa Realty Holdings Corporation	January 1, 2022	1 year	7,252*
Rizal Commercial Banking Corporation	July 25, 2020	3 years	143,295*
Rizal Commercial Banking Corporation	January 1, 2020	5 years	14,595

**subject to 5% annual escalation rate*

Rent expense recognized in 2023, 2022 and 2021 amounted ₱7.50 million, ₱5.7 million, and ₱4.9 million, respectively.

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

	2023	2022
Within one year	**₱3,040,813**	₱1,178,201
After one year but not more than five years	**4,799,620**	183,896
	₱7,840,433	₱1,362,097

j. The Greyhounds Security and Investigation Agency Corporation entered into an agreement with Grepa Realty Holdings Corporation for the lease of office space. The lease is renewable annually upon mutual agreement by both parties. Rent expense recognized in 2023, 2022 and 2021 amounted to ₱0.64 million, ₱0.69 million and ₱0.68 million respectively.

k. In 2011, IMI entered into lease agreements with Mapua Information Technology Centers, Inc., Malayan Colleges, Inc. and Malayan High School of Science for canteen spaces. In 2016, the Company started to lease a canteen space from Malayan Colleges Laguna, Inc. In 2022, another canteen space started to lease from Malayan Colleges Mindanao. The Company subleases its leased canteen spaces from the aforementioned related parties to third-party lessees for a period ranging from six (6) months to one (1) year. These sublease agreements are renewable based on mutual agreement of both parties.

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

m. SLGFI has lease contracts for its branch office premises for a period of 3 years renewable by mutual agreement of the parties at the end of term of the lease.

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

	2023	2022
Balance at beginning of year	**₱1,194,764,548**	₱1,106,174,929
Additions	**51,371,587**	265,110,318
Effect of common control business combination	**49,612,120**	–
Pre-termination/expiration	**(56,767,010)**	–
Derecognition/adjustments	–	(1,277,968)
Effect of deconsolidation of a subsidiary	**(639,558,281)**	–
Amortization of right-of-use asset	**(113,404,933)**	(175,242,731)
Balance at end of year	**₱486,018,030**	₱1,194,764,548

In 2023, the carrying amounts of leased land, land improvements and sites, building, office spaces and warehouses and other equipment are ₱335.01 million, ₱140.93 million and ₱10.01 million, respectively.

In 2022, the carrying amounts of leased land, land improvements and sites, building, office spaces and warehouses and other equipment are ₱1,041.7 million, ₱139.5 million and ₱13.6 million, respectively.

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

	2023	2022	2021
Cost of sales and services			
Construction contracts	**₱–**	₱–	₱–
Tuition and other fees	**60,220,636**	51,833,674	52,013,000
	60,220,636	51,833,674	52,013,000
General and administrative expenses	**53,184,298**	44,270,786	40,852,147
Deconsolidated operation	–	79,138,271	116,641,068
	₱113,404,933	₱175,242,731	₱209,506,215

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

	2023	2022
Balance at beginning of year	**₱1,378,830,278**	₱1,115,360,254
Interest expense	**40,779,802**	68,565,220
Additions	**58,469,693**	322,091,268
Effect of deconsolidation of a subsidiary	**(720,390,289)**	(19,654,597)
Payments	**(149,706,182)**	(107,531,867)
Balance at end of year	**607,983,302**	1,378,830,278
Less: Current portion	**97,874,024**	168,473,399
Noncurrent portion	**₱510,109,278**	₱1,210,356,879

Derecognition pertains to termination of lease contracts of closed car dealership branches. The difference between right-of-use asset and lease liability is accounted for under miscellaneous expense of General and administrative expenses in the consolidated statement of income (Note 32).

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

	2023	2022	2021
Amortization of right-of-use assets under cost of sales and services	**₱60,220,636**	₱51,833,674	₱52,013,000
Amortization of right-of-use assets under general and administrative expenses	**53,184,298**	44,270,786	40,852,147
Gain on derecognition of right-of-use assets and lease liabilities	–	(18,376,629)	(41,058,003)
Interest expense on lease liabilities	**40,769,409**	68,565,220	97,449,099
Expenses relating to short-term leases	**36,460,000**	12,528,360	19,980,316
	₱190,634,343	₱158,821,411	₱169,236,559

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

	2023	2022
Within one year	**₱131,507,327**	₱239,499,588
After one year but not more than five years	**455,310,982**	816,997,091
Five years and more	**148,957,000**	721,251,232
Total	**₱735,775,309**	₱1,777,747,911

23. Goodwill

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

	2023	2022
IPO	**₱32,644,808**	₱32,644,808
MESI	**137,583,345**	137,853,346
Business combination of IPO and AEI	**13,742,260**	13,472,260
EEI Corporation and Subsidiaries	–	300,859,305
	₱183,970,413	₱484,829,719

Goodwill of EEI and IPO

In 2022, the Group performed impairment testing on goodwill arising from acquisition of EEI and IPO. In 2023, the Group's impairment testing on goodwill pertains only to IPO. For purposes of impairment testing, EEI and IPO are considered as the CGUs.

Management determined that the recoverable amount of the goodwill balances of EEI and IPO were fair values less costs of disposal wherein the fair values are the quoted prices of the shares of stocks of EEI and IPO in the Philippine Stock Exchange as of December 31, 2023 and 2022 and incorporated control premium in the said fair values (Level 3 – Significant unobservable inputs). Management assessed that the costs of disposal, which mainly consist of the stock transaction tax, brokers' commission and transaction fee with the stock exchange to be insignificant.

In 2023 and 2022, management assessed that the recoverable amount of the goodwill balances exceeds their carrying values, thus, no impairment loss should be recognized.

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

Goodwill of MESI
The goodwill recognized in the consolidated statement of financial position amounting ₱137.85 million as at December 31, 2023 and 2022 pertains to the excess of the acquisition cost over the fair values of the net assets of MESI acquired by the Group through IPO in 1999.

In 2023 and 2022, Management assessed that the recoverable amount of the goodwill balances exceeds their carrying values, thus, no impairment loss should be recognized.

Key assumptions used in the value in use (VIU) calculation
The Group performed impairment testing on goodwill arising from acquisition of MESI wherein MESI was considered as the CGU. No impairment testing was done on the goodwill from business combination of IPO and AEI amounting to ₱13.5 million goodwill as the Group assessed it as not material to the consolidated financial statements. In 2023, 2022 and 2021, management assessed that no impairment loss should be recognized.

Key assumptions used in the value in use (VIU) calculation
As at December 31, 2023 and 2022, the recoverable amount of the CGU has been determined based on a VIU calculation using five-year cash flow projections. Key assumptions in the VIU calculation of the CGU are most sensitive to the following:

- Future revenues and revenue growth rates. Cash flow projections based on financial budgets approved by management and the BOD covering a five-year period.
- Long-term growth rates (4.66% for 2023 and 5.79% for 2022). The long-term growth rate considers the historical growth rate of MESI and the long-term growth rate for the education industry sector.
- Discount rate (11.4% for 2023 and 14% for 2022). The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to comparable listed companies in the educational sector.

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

Goodwill arising from Business Combination
With the effectivity of the merger on May 2, 2019 between IPO and AC Education, Inc. (AEI), the wholly owned education arm of Ayala Corporation (AC), IPO became 48.18% owned by HI and 33.5% owned by AC.

As a result of the merger, IPO issued to AC an aggregate of 295,329,976 shares with par value of ₱1.0 per share for a total fair value of ₱3,591.21 million based on IPO's quoted closing rate per share as of May 2, 2019 in exchange for the transfer of the net assets of AEI. The excess of the fair value of shares issued over the par value was recognized as additional paid-in capital.

The IPO Group recognized the following intangible assets in 2019 as a result of the merger (amount in thousands):

Intellectual property rights	₱523,103
Student relationship	116,009
Goodwill	13,472
	₱652,584

Intellectual property rights have infinite life and the student relationship have an estimated useful life of 5 years to 7 years based on the contractual relationship between the school entities and its students. These assets are attributed from the acquisition of operating schools NTC, APEC and UNC.

Intellectual Property Rights
As of December 31, 2023 and 2022, the Group performed impairment testing on intellectual property rights using the income approach (royalty relief method) wherein recoverable value is computed based on royalty savings. Key assumptions used are as follows:

- Revenue projections and long-term growth rate (3% for 2023 and 2022). Revenue projections based on financial budgets approved by management and the BOD. The long-term growth rate considers the expected growth rate in the education industry sector.
- Discount rates (14% to 16% for 2023 and 16% to 17% for 2022). The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to comparable listed companies in the educational sector.
- Royalty rates (0.5% to 5% for 2023 and 1% to 5% for 2022). This is based on the publicly available information on franchising of educational institutions in the Philippines, with consideration on the operational risk of the involved entity.

The Group's impairment testing resulted to the recognition of ₱32.8 million and ₱32.2 million impairment loss on intellectual property rights of APEC in 2023 and 2022, respectively (nil in 2021). The carrying value of intellectual property rights as of December 31, 2023 and 2022 amounted to ₱458.1 million and ₱490.9 million, respectively (Note 24).

Student Relationship
The carrying value and movement of student relationship as of and for the year ended December 31 follows (amount in thousands):

	2023	2022
Cost from business combination	**₱116,009**	₱116,009
Accumulated amortization:		
Beginning balance	**(105,250)**	(72,248)
Amortization and impairment	**(4,727)**	(33,002)
Ending balance	**(109,977)**	(105,250)
Balance at end of the year	**₱6,032**	₱10,759

Amortization amounted to ₱4.7 million in 2023, ₱33.0 million in 2022 and ₱22.3 million 2021. In 2021, the Group recognized ₱12.8 million impairment loss on APEC student relationship because the remaining students from the time of the merger in 2019 significantly declined as of December 31, 2021 due to the impact of coronavirus pandemic.

24. **Other Noncurrent Assets**

This account consists of:

	2023	2022
Intellectual property rights (Note 23)	**₱458,110,748**	₱490,882,064
Deferred Input VAT	**207,771,335**	81,552,491
CWT – net of current portion	**119,313,582**	857,168,028
Miscellaneous deposit	**88,608,854**	40,721,209
Accrued rent income	**43,986,195**	–
Computer software	**26,289,885**	31,456,026
Student relationship	**6,032,200**	10,759,086
Loans receivable	**–**	1,200,000,000
Others	**51,988,313**	98,177,880
	₱1,002,101,112	₱2,810,716,784

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 (see Note 23).

In December 2022, the Group, thru EEI entered into an agreement with EEI-RFI granting a loan amounting to ₱1.20 billion to the latter. The loan is to be paid in 10 annual installments commencing in 2025 with annual interest rate of 5%.

Miscellaneous deposits include rental and security deposits.

Rollforward of computer software follows:

	2023	2022
Cost		
Balance at beginning of year	**₱181,358,988**	₱163,955,660
Additions	**13,519,989**	17,403,328
Effect of deconsolidation of a subsidiary	**(37,793,403)**	–
Balance at end of year	**157,085,574**	181,358,988
Accumulated Amortization		
Balance at beginning of year	**149,902,962**	136,618,746
Amortization	**13,992,941**	13,284,216
Effect of deconsolidation of a subsidiary	**(33,100,214)**	
Balance at end of year	**130,795,689**	149,902,962
Net Book Value	**₱26,289,885**	₱31,456,026

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

This account consists of:

	2023	2022
Accounts payable	**₱2,270,094,120**	₱5,669,425,919
Output tax payable	**1,191,321,223**	597,387,161
Commission payable	**1,141,072,692**	–
Accrued expenses	**1,058,458,191**	256,799,240
Withholding taxes and others	**781,976,568**	174,456,359
Installment payable - current portion (Note 19)	**669,152,694**	–
Customer's deposit	**191,136,923**	–
Provisions	**169,749,510**	168,717,150
Reserve for guards	**58,260,486**	–
Chattel mortgage payable	**21,806,979**	8,986,234
SSS and other contributions	**13,580,558**	57,141,763
Dividends payable	**2,749,371**	26,153,938
Payable to land transportation office	**2,999,917**	4,180,525
Miscellaneous payables	**77,492,844**	60,361,462
	₱7,649,852,076	₱7,023,609,751

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:

	2023	2022
Salaries and wages	**₱418,169,860**	₱51,251,570
Utilities expenses	**187,125,732**	7,777,006
Payable to suppliers	**125,963,000**	67,117,000
Interest	**74,516,146**	17,352,492
Accrued insurance	**46,343,086**	4,855,724
Security services	**17,477,734**	8,505,172
Professional fees	**8,837,560**	16,648,558
Others	**180,025,073**	83,291,718
	₱1,058,458,191	₱256,799,240

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

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

26. **Loans Payable**

The Group availed loans from local banks. These loans are uncollateralized and short-term in nature. These loans have terms up to 1 year and bears interest ranging from 5.50% to 7.65%.

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

	2023	2022
Balance at beginning of year	**₱8,217,000,000**	₱5,706,469,178
Availments	**3,175,000,000**	16,510,806,863
Payments	**(4,020,857,979)**	(14,000,276,041)
Effect of deconsolidation of a subsidiary	**(3,400,000,000)**	–
Balance at end of year	**₱3,971,142,021**	₱8,217,000,000

Interest expense incurred on these loans follows:

	2023	2022	2021
Continued operation	**₱218,596,013**	₱100,419,626	₱79,721,123
Deconsolidated operation	**101,267,748**	85,919,895	239,754,068
	₱319,863,761	₱186,339,521	₱319,475,191

27. **Long-term Debt**

Movements in the account follow:

	2023	2022
Balance at beginning of year	**₱9,031,523,279**	₱10,137,862,990
Availments	–	2,433,686,361
Payments	**(1,532,573,600)**	(3,540,026,072)
Effect of deconsolidation of a subsidiary	**(4,766,185,810)**	–
Transaction costs	**9,047,381**	–
Balance at end of year	**2,741,811,250**	9,031,523,279
Less current portion	**(32,573,600)**	(4,714,765,059)
	₱2,709,237,650	₱4,316,758,220

The Group through IPO has secured loans amounting to ₱1,497.02 million as of December 31, 2022 (nil in 2023).

<u>IPO</u>

Unsecured

The Group, 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 (see Note 10). The principal payments will be made in 28 quarterly payments starting May 2022. As of December 31, 2020, total drawdown from the long-term loan facility amounted to ₱380 million. As of December 31, 2023 and 2022, the loan is subject to 5.5% fixed rate.

The loan is subject to certain covenants including maintaining a maximum debt-to-equity structure ratio (D:E ratio) of 3:1. As of December 31, 2023 and 2022, NTC has complied with its covenant obligations, including maintaining the required D:E ratio.

Secured
In 2019, the Group, through MMCM, entered into a ten-year secured long-term loan agreement with a local bank for ₱1,500.0 million to refinance the construction of MMCM's school buildings and facilities that were initially funded by short-term loans. MMCM 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. MMCM 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 ₱2,385.0 million as of December 31, 2022, and suretyship of MESI (Note 10).

The loans were subject to certain positive and negative covenants such as the requirement for MCMI to maintain its debt service cover ratio of at least 1.0 at all times and maximum D:E ratio of 75:25 starting on the third year of the loan (January 2022) reckoned from initial drawdown date of January 2019.

In April 2022, MMCM obtained a waiver from the bank to waive the compliance in D:E ratio requirement in 2022. In February 2023, the bank confirmed in writing the approval of the non-declaration of MMCM in default for not meeting the required financial covenant for D:E ratio for as long as MMCM continues to follow the existing payment term/schedule and other terms and conditions stipulated in the loan agreement.

As of December 31, 2022, the D:E ratio of 77:23 did not meet the required D:E ratio. Hence, MMCM classified the loan from bank amounting to ₱1.5 billion as current liability. The loans were reclassified from noncurrent to current because the letter from the bank was issued after December 31, 2022. Although the loans are classified as current as of December 31, 2022, it will remain long-term based on the terms of the loan agreement. The reclassification was done to comply with PFRS.

MMCM incurred debt issue cost amounting to ₱11.2 million which is being amortized over the loan term of 10 years using the effective interest method. The amortization of debt issue cost amounting to ₱2.98 million in 2023 and ₱2.4 million in 2022 and 2021 were recorded as part of interest expense.

In July 2023, the long-term loan amounting to ₱1.5 billion was fully paid.

ATYC
On September 29, 2022, ATYC received ₱2.4 billion proceeds from the issuance of promissory note to RCBC that bears annual interest of 6.04%. The promissory note matures within three (3) years from the date of issuance.

Interest expense incurred on these loans follows:

	2023	2022	2021
Continued operation	**₱266,394,401**	₱125,569,272	₱84,870,456
Deconsolidated operation	**132,276,354**	272,965,660	188,685,870
	₱398,670,755	₱398,534,932	₱273,556,326

The aforementioned loans require the Group to maintain certain financial ratios such as debt to equity ratio, current ratio and debt service coverage ratio calculated based on stipulation with the lender banks. As of December 31, 2023 and 2022, the Group was in compliance with all other loan covenants.

28. **Insurance Contract Liabilities**

This account consists of:

	2023	2022
Claims reported and IBNR	**₱23,658,454,852**	₱–
Legal policy reserves - net	**13,405,176,560**	–
Provision for unearned premiums	**7,070,743,214**	–
Insurance payables	**5,079,139,199**	–
Policy and contract claims payable	**1,476,003,441**	–
Premium deposit fund	**445,561,530**	–
Policyholders' dividends	**313,648,287**	–
Total insurance contract liabilities	**51,448,727,082**	–
Current contract liabilities	**37,422,659,896**	–
Noncurrent contract liabilities	**₱14,026,067,186**	₱–

Claims reported and IBNR

This account consists of:

	2023	2022
Provision for claims reported and loss adjustment	**₱15,460,759,076**	₱–
Provision for IBNR	**8,197,695,776**	–
Total claims reported and IBNR	**23,658,454,852**	–

Provision for unearned premiums

This pertains to the proportion of deferred written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired as of the period ended.

Legal policy reserves - net

This account consists of:

	2023			2022		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities**	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
Ordinary life	**₱13,278,815,031**	**₱5,347,455**	**₱13,273,467,575**	₱–	₱–	₱–
Group life	**461,367,788**	**1,819,879**	**459,547,910**	–	–	–
Accident and health	**88,403,212**	–	**88,403,212**	–	–	–
Variable life	**(410,317,674)**	**5,924,463**	**(416,242,137)**	–	–	–
	₱13,418,268,357	**₱13,091,797**	**₱13,405,176,560**	₱–	₱–	₱–

Policy and contract claims payable

This account consists of:

	2023	2022
Claims payable	**₱934,880,095**	₱–
Maturities and surrenders payable	**541,123,346**	–
	₱1,476,003,441	₱–

Claims payable pertain to approved but unpaid claims which are due and demandable. This account also includes incurred but not reported (IBNR) claims that already occurred but notice still has not been received by the Group. The Group estimates reasonable unreported claims based on historical experience.

Maturities and surrenders payable represent claims on matured and surrendered policies which are due and unpaid as at reporting date.

Policyholders' dividends

Policyholders' dividends pertain to due and unpaid dividends on participating policies which are in-force for three (3) or more years. Policyholders are given an option to deposit the dividends with the Group to accumulate and earn interest.

Premium deposit fund

This account pertains to funds held for policyholders which bear interest at annual rates.

Insurance payables

	2023	2022
Life insurance deposits	**₱249,805,427**	₱–
Funds held for reinsurers	**1,458,324,090**	–
Subscriptions to variable unit-linked funds	**8,011,328**	–
Due to reinsurers	**3,362,998,354**	–
	₱5,079,139,199	₱–

Life insurance deposits pertain to premiums collected in advance and are not yet credited to premium income until these become due.

Subscriptions to variable unit-linked funds pertain to unremitted contributions to the segregated funds relating to variable unit-linked policies.

Due to reinsurers represents premiums due and unpaid on treaty and facultative reinsurance agreements entered into by the Group.

29. **Related Party Transactions**

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

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

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

			2023			
Category			**Amount/ Volume**	**Outstanding Balance Receivable (Payable)**	**Terms**	**Conditions**
Parent Company - PMMIC						
a.	Miscellaneous expenses incurred	**2023**	**1,566**	**(48)**	Non-interest bearing	Unsecured, unimpaired
		2022	2,400	–		
	Dividends paid	**2023**	**14,738**	–	Non-interest bearing	Unsecured, unimpaired
		2022	–	–		
	Clinic procedures	**2023**	**155**	–	Non-interest bearing	Unsecured, unimpaired
		2022	–	–		
	Accounts payable	**2023**	–	–	Non-interest bearing	Unsecured, unimpaired
		2022	**2,389**	(61)		
Associates						
b.	Management and audit fee income	**2023**	**4,323**	**5,269**	Non-interest bearing	Unsecured, unimpaired
		2022	2,897	–		
c.	Dividends earned / receivable	**2023**	**97,460**	**27,515**	Non-interest bearing	Unsecured, unimpaired
		2022	41,590	–		
d.	Rendering of service	**2023**	–	–	Non-interest bearing	Unsecured, unimpaired
		2022	–	125,528		
e.	Advances	**2023**	–	–	Non-interest bearing	Unsecured, unimpaired
		2022	–	(1,562)		
Entities under common control						
f.	Rental income	**2023**	–	**21,827**	Non-interest bearing	Unsecured
		2022	2,000	18,986		
g.	Rendering of janitorial services	**2023**	–	–	Non-interest bearing	Unsecured
		2022	763,774	49,415		
h.	Sale of vehicle units	**2023**	**337,509**	**38,702**	Non-interest bearing	Unsecured
		2022	–	–		
i.	Management and audit fee income	**2023**	**2,173**	**6,504**	Non-interest bearing	Unsecured
		2022	2,400	864		
j.	Clinic procedures	**2023**	**8,504**	**1,053**	Non-interest bearing	Unsecured
		2022	–	–		
k.	Dividends earned / receivables	**2023**	**30,484**	–	Non-interest bearing	Unsecured
		2022	1	–		

				2023		
l.	Construction-related payments	**2023**	–	**(45,207)**	Non-interest bearing	Unsecured
		2022	–	–		
m.	Insurance expense	**2023**	**21,839**	–	Non-interest bearing	Unsecured
		2022	14,927	–		
n.	Rental of office space	**2023**	–	–	Non-interest bearing	Unsecured
		2022	–	(970,620)		
o.	Cash and cash equivalents	**2023**	–	**3,627,995**	Non-interest bearing	Unsecured
		2022	26,714	1,607,063		
p.	Interest income	**2023**	**29,386**	–	Non-interest bearing	Unsecured
		2022	1,684	–		
q.	Financial assets at FVPL	**2023**	–	**10**	Non-interest bearing	Unsecured
		2022	–	–		
r.	Short-term investments	**2023**	–	**59**	Non-interest bearing	Unsecured
		2022	–	–		
s.	Loan payables	**2023**	**(119,000)**	**51,000**	Non-interest bearing	Unsecured
		2022	–	–		
t.	Interest expense	**2023**	**27,584**	–	Non-interest bearing	Unsecured
		2022	–	–		
u.	Retirement fund	**2023**	**25,318**	**10,899**	Non-interest bearing	Unsecured
		2022	–	–		
Other affiliates						
v.	Management fee	**2023**	**391,352**	**(44,123)**	Non-interest bearing	Unsecured
		2022	9	–		
w.	Management and audit fee income	**2023**	**483**	–	Non-interest bearing	Unsecured
		2022	–	–		
x.	Rendering of construction service	**2023**	–	–	Non-interest bearing	Unsecured
		2022	–	1,387		
	Receivable from related parties	**2023**		**17,279**		
		2022		178,008		
	Due to related parties	**2023**		**(89,379)**		
		2022		(2,532)		

Parent Company - PMMIC

a. Accounts payable to PMMIC pertains to unpaid expenses on shared costs such as legal expenses which are included under “Miscellaneous expense”. Accounts payable to PMMIC as at December 31, 2023 and 2022 amounted to ₱0.6 million and ₱1.1 million, respectively.

Associates

b. In 2022 and 2021, dividend income earned from associates amounted to ₱41.6 million and ₱124.6 million, respectively. Outstanding dividends receivable from associates as at December 31, 2023 and 2022 amounted to ₱7.5 million and ₱10.4 million, respectively.

c. Receivable from related parties arises from services rendered by the Parent Company and EEI to its associates. These services include management consultancy, internal audit fees and extension of advances. As at December 31, 2023 and 2022, the Group has an outstanding receivable from its associates amounting ₱126.3 million and ₱32.5 million, respectively. Management fee income charged to associates is fixed per month while audit fee income depends on the audit engagement letter agreed by both parties.

d. Due to related parties pertains to advances extended by EEI Limited to ARCC. As at December 31, 2023 and 2022, the Group has an outstanding payable to its associates amounting nil.

e. Outstanding subscription payable to an associate amounted to nil and ₱9.4 million as at December 31, 2023 and 2022, respectively.

Other affiliates

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

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

   Outstanding receivables amounted to nil and ₱38.0 million as of December 31, 2023 and 2022 respectively. Interest income earned from receivable from EEI-RFI amounted to nil, ₱0.3 million and ₱3.2 million for the years ended December 31, 2022, 2021 and 2020, respectively.

   In December 2022, EEI entered into a sale and leaseback transaction with EEI-RFI, a trustee of the Parent Company employees retirement fund (the Fund) for parcels of land sold located in Bauan, Batangas. The related lease is for a term of 5 years, with an annual escalation rate of 5%.

   In December 2022, EEI extended a loan to EEI-RFI amounting to ₱1.2 billion payable in 10 annual installments commencing in 2025. The loan bears an annual interest of 5%.

Entities under common control of PMMIC

g. The Group maintains cash and cash equivalents with RCBC, an entity under common control. As at December 31, 2023 and 2022, cash and cash equivalents with RCBC amounted to ₱2,612.2 million and ₱3,303.8 million, respectively. The related deposits earn interest at the prevailing bank deposit rates. Interest income earned from cash and cash equivalents amounted to ₱21.7 million, ₱12.1 million and ₱18.7 million in 2023, 2022 and 2021, respectively.

h. The Group generates income by providing security services at a 20% mark-up to entities under common control. In 2023, 2022 and 2021, the Group's agency fee income is attributable to security services provided to majority of RCBC branches in the country. As at December 31, 2023 and 2022, the Group's accounts receivable from RCBC amounted to ₱47.2 million and ₱52.8 million, respectively. Agency fees amounted to ₱81.2 million, ₱50.8 million and ₱53.3 million in 2023, 2022 and 2021, respectively.

The Group sold vehicle units to various entities under common control of PMMIC with terms ranging from 30-60 days. The outstanding receivable from the sale amounted to ₱47.1 million and ₱29.0 million as at December 31, 2023 and 2022 respectively. Revenues from motor vehicle sales amounted to ₱52.1 million, ₱113.3 million and ₱77.5 million in 2023, 2022 and 2021, respectively.

i. Dividend income earned in 2023, 2022 and 2021 from entities under common control of PMMIC amounted to nil, ₱0.55 million and ₱0.31 million, respectively. Dividends were all collected in 2022 and 2021.

j. Receivable from related parties arises mainly from janitorial services rendered by EEI (GAMSI) to the Group's affiliates. The service revenue earned from janitorial serviced rendered in 2023, 2022 and 2021 amounted to ₱381.9 million, ₱351.0 million and ₱225.9 million, respectively.

k. One of the subsidiaries entered into various agreements with entities under common control to perform property and project management services. Receivable from this transaction is accounted under "Management fee receivable". The Group's outstanding receivable from property and project management fees amounted to ₱44.1 million and 59.6 million as at December 31, 2023 and 2022, respectively. Services fees amounted to ₱197.5 million, ₱160.1 million and ₱104.6 million in 2023, 2022 and 2021, respectively.

l. Payable to an entity under common control pertains to rental of office space and share in the utilities expense of the Group amounting to ₱0.6 million and ₱0.1 million as at December 31, 2023 and 2022, respectively.

m. IPO and EEI obtains property and personnel insurance from its affiliated insurance company, Malayan Insurance Company, Inc. (MICO). Insurance contract coverage pertains to Group's fire, accident, group and other insurance policies.

The Group maintains its retirement fund with RCBC trust division. As at December 31, 2023 and 2022, the fair values of the plan assets of the retirement fund amounted to ₱1,629.7 million and ₱1,749.4 million, respectively (Note 32). Trust fees amounting to ₱0.5 million, ₱6.5 million and ₱6.2 million were recognized by the retirement plan arising from its transactions with RCBC for the years ended December 31, 2023, 2022 and 2021, respectively.

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

	2023	2022	2021
Compensation and short-term benefits	**₱517,037,183**	₱517,037,183	₱538,722,773
Post-employment benefits	**24,827,707**	24,827,707	37,690,202
	₱541,864,890	₱541,864,890	₱576,412,975

Terms and conditions of transactions with related parties
Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. These mainly consist of advances and reimbursement of expenses. The Group has not recognized any impairment on amounts due from related parties for the years ended December 31, 2023 and 2022. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

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

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

30. Revenue from Contracts with Customers

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

	2023	2022	2021
Revenue from sale of goods	**₱4,561,727,510**	₱4,221,006,804	₱3,180,798,597
Revenue from sale of services	**2,041,058,483**	1,312,727,027	962,313,340
Revenue from school and related operations	**4,491,425,637**	3,944,946,283	3,351,067,231
	₱11,094,211,630	₱9,478,680,114	₱7,494,179,168

Disaggregation of Revenue from sale of goods:

	2023	2022	2021
Merchandise sales			
Vehicle units	**₱4,534,024,207**	₱3,962,455,165	₱2,994,187,788
Parts and Accessories	**7,648,805**	247,395,206	183,462,516
Food and Beverage	**20,054,498**	11,156,433	3,148,293
	₱4,561,727,510	₱4,221,006,804	₱3,180,798,597

Disaggregation of Revenue from sale of services:

	2023	2022	2021
Automotive services	**₱767,776,317**	₱599,157,343	₱548,105,600
Leasing services	**781,195,919**	181,781,496	960,000
Death care services	**152,524,092**	139,570,728	98,084,866
Security services	**56,647,000**	52,830,040	54,839,081
Admin and management services	**282,915,155**	339,387,420	260,323,793
	₱2,041,058,483	₱1,312,727,027	₱962,313,340

Disaggregation of Revenue from school and related operations:

	2023	2022	2021
Tuition and other matriculation fees	**₱4,220,006,288**	₱3,646,100,244	₱3,281,270,686
Other student-related income	**271,419,349**	298,846,039	69,796,545
	₱4,491,425,637	₱3,944,946,283	₱3,351,067,231

31. **Cost of Sales and Services**

This account consists of:

	2023	2022	2021
Cost of merchandise sold	**4,399,400,290**	4,016,697,418	2,998,526,200
Cost of services	**814,281,045**	597,370,024	486,823,366
Cost of school and related operations	**2,759,847,601**	2,259,171,742	1,914,579,015
	₱7,973,528,936	₱6,873,239,184	₱5,399,928,581

Disaggregation of Costs from sale of merchandise:

	2023	2022	2021
Inventory, beginning	**₱418,870,257**	₱420,729,352	₱1,657,262,683
Purchases	**4,513,157,676**	4,007,509,412	1,761,992,869
Total goods available for sale	**4,932,027,933**	4,428,238,764	3,419,255,552
Less: Inventory, ending	**532,627,643**	418,870,257	420,729,352
Cost of inventory sold	**4,399,400,290**	4,009,368,507	2,998,526,200
Others	**–**	7,328,911	–
	₱4,399,400,290	₱4,016,697,418	₱2,998,526,200

Disaggregation of Costs from sale of services:

	2023	2022	2021
Personnel expenses	**₱170,061,084**	₱96,558,811	₱139,923,518
Materials, parts and accessories	**247,648,823**	313,816,738	224,318,637
Depreciation and amortization	**106,488,876**	32,231,047	14,455,928
Others	**290,082,262**	154,763,428	108,125,283
	₱814,281,045	₱597,370,024	₱486,823,366

Disaggregation of Costs from school and related operations:

	2023	2022	2021
Personnel expenses	**₱1,218,803,054**	₱1,086,584,504	₱1,032,944,491
Depreciation and amortization	**401,620,078**	338,314,735	344,365,937
Student-related expenses	**200,928,997**	158,724,908	70,926,030
Management and other professional fees	**174,886,153**	142,905,192	91,715,625
Periodicals	**165,340,990**	139,507,039	94,060,084
IT expense - software license	**155,356,754**	98,622,799	79,619,671
Utilities	**126,975,594**	82,589,418	50,130,961
Advertising	**67,640,408**	45,019,490	30,388,180
Accreditation cost	**40,130,081**	31,267,549	23,077,466
Repairs and maintenance	**49,134,820**	34,443,423	24,628,924
Tools and library books	**40,494,558**	27,907,252	15,991,777
Research and development fund	**38,288,718**	20,403,120	19,870,435
Insurance	**21,034,591**	13,886,139	10,325,336
Seminar	**12,614,002**	11,179,819	7,620,601
Taxes and licenses	**9,212,725**	7,296,766	7,978,310
Transportation and travel	**6,925,881**	4,134,122	1,150,313
Office supplies	**7,293,677**	3,756,042	2,432,053
Rent	**6,871,644**	2,687,795	265,209

(Forward)

	2023	2022	2021
Entertainment, amusement and recreation	**₱1,576,256**	₱1,775,372	₱1,124,314
Provision for impairment of receivables	**1,761,109**	–	–
Miscellaneous	**12,957,511**	8,166,258	5,963,298
	₱2,759,847,601	₱2,259,171,742	₱1,914,579,015

32. **Other Income - Net**

This account consists of:

	2023	2022	2021
Interest income	**₱115,450,699**	₱76,202,805	₱10,783,331
Rental income	**23,713,862**	7,124,612	4,691,721
Space and car rental	**7,031,779**	12,198,673	18,346,346
Gain on sale of assets	**5,030,534**	40,353,759	15,483,517
Foreign exchange gain (loss)	**(3,458,049)**	18,554,291	3,082,685
Dividend income (Note 11)	**816,700**	6,609,469	5,744,844
Miscellaneous	**94,896,659**	150,956,047	40,729,300
	₱243,482,184	₱311,999,656	₱98,861,744

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

	2023	2022	2021
Property and equipment (Note 20)	**₱5,030,534**	₱38,301,459	₱15,468,767
Investment properties (Note 19)	**–**	2,052,300	14,750
	₱5,030,534	₱40,353,759	₱15,483,517

In 2022, certain payables that were long-outstanding amounting to ₱119.81 million were written-off and recognized as other income. Based on management's assessment, the settlement of these payables is remote.

Interest income consists of income from:

	2023	2022	2021
Cash and cash equivalents (Note 8)	**₱114,552,290**	₱75,782,063	₱10,552,161
Others	**898,409**	420,742	231,170
	₱115,450,699	₱76,202,805	₱10,783,331

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

33. **General and Administrative Expenses**

This account consists of:

	2023	2022	2021
Personnel expenses	**₱547,925,826**	₱506,417,529	₱470,121,298
Advertising and promotions	**219,767,682**	110,184,082	100,477,491
Taxes, licenses and fees	**176,038,636**	179,843,119	83,322,111
Depreciation and amortization	**172,858,051**	212,720,172	191,525,079
Management and other fees	**148,999,149**	77,825,641	66,354,650
Rent, light and water	**66,899,749**	60,536,342	47,662,242
Security, janitorial and utilities	**42,985,999**	33,706,260	31,421,054
Provision for impairment of intellectual property rights	**32,771,071**	–	–
Commission	**48,420,017**	41,410,612	28,627,187
Provision for probable losses	**41,741,885**	138,847,708	122,176,169
Transportation and travel	**26,685,504**	18,547,951	19,548,500
Repairs and maintenance	**25,920,437**	26,882,357	26,344,281
Entertainment, amusement and recreation	**23,728,462**	21,891,655	16,981,879
Insurance expense	**22,990,946**	14,616,881	19,418,990
Office expense	**40,236,252**	34,483,570	12,140,767
Professional fees	**34,982,295**	11,848,527	7,514,811
Direct selling expenses	**17,459,269**	28,949,524	5,899,498
Seminars	**8,311,768**	3,122,536	3,876,650
Donations and charitable contribution	**5,680,236**	–	8,728
Provision for inventory obsolescence	**651,221**	–	6,035,242
Recovery of provision for impairment of inventories	**(24,097,236)**	–	–
Miscellaneous	**93,910,268**	48,959,977	37,451,111
	₱1,774,867,486	₱1,570,794,443	₱1,296,907,738

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

34. **Depreciation and Amortization**

This account consists of depreciation and amortization from continued operation as follows:

	2023	2022	2021
Cost of sales and services (Note 31)			
Manpower and other services	**₱106,488,876**	₱32,231,047	₱14,455,928
School and related operations	**401,620,078**	338,314,735	344,365,937
	508,108,954	370,545,782	358,821,865
General and administrative expenses (Note 33)	**172,858,051**	212,720,172	191,525,079
	₱680,967,005	₱583,265,954	₱550,346,944

Depreciation and amortization from continued operation for the different assets follow:

	2023	2022	2021
Property and equipment (Note 20)	**₱476,222,622**	₱487,151,018	₱448,700,372
Right-of-use asset (Note 22)	**90,289,014**	25,894,692	60,866,411
Investment property (Note 19)	**95,735,543**	23,933,886	–
Computer software (Note 24)	**13,992,941**	13,284,216	5,716,532
Student relationship	**4,726,885**	33,002,142	35,063,629
	₱680,967,005	₱583,265,954	₱550,346,944

35. Interest and Finance Charges

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

	2023	2022	2021
Long-term debt (Note 27)	**₱266,394,401**	₱125,569,272	₱84,870,456
Loans payable (short-term) (Note 26)	**218,596,013**	100,419,626	79,721,123
Lease liabilities (Note 22)	**40,779,802**	37,330,637	56,581,989
Advances to affiliates and other finance charges	**8,900**	8,256,885	17,713,138
	₱525,779,116	₱271,576,420	₱238,886,706

36. Retirement Plan

The Group has funded, noncontributory retirement plans (the Plans) for all of its regular employees, in compliance with RA No. 7641, The New Retirement Pay Law. The Plans provide for normal, early retirement, death, and disability benefits. The most recent actuarial valuation was made for the Group's retirement plans as of December 31, 2023.

The following tables summarize the components of the benefit expense recognized in the consolidated statements of comprehensive income and amounts recognized in the consolidated statements of financial position for the retirement plans.

	2023	2022
Retirement liabilities	**₱684,971,030**	₱200,096,343
Retirement assets	**21,302,255**	93,338,840
Net retirement liabilities	**₱663,668,775**	₱106,757,503
Net retirement expenses	**₱111,572,812**	₱170,945,496

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

	2023	2022	2021
Current service cost	**₱47,642,825**	₱165,107,134	₱217,307,806
Net interest cost	**63,929,987**	5,838,362	24,883,272
Past service cost	**–**	–	(3,497,005)
Actuarial gain on settlement	**–**	–	(239,428)
	₱111,572,812	₱170,945,496	₱238,454,645

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

Net retirement liabilities	**2023**	2022
Present value of defined benefit obligation	**₱1,534,984,486**	₱1,612,418,233
Fair value of plan assets	**(850,013,456)**	(1,412,321,890)
	₱684,971,030	₱200,096,343

Net retirement assets	**2023**	2022
Present value of defined benefit obligation	**₱40,096,456**	₱89,939,839
Fair value of plan assets	**(72,036,770)**	(188,964,404)
Effect of asset ceiling	**10,638,059**	5,685,725
	(₱21,302,255)	(₱93,338,840)

The movements in the net retirement liability follow:

	2023	2022
Balance at beginning of year	**₱106,757,503**	₱204,896,842
Net retirement expense	**111,572,812**	170,945,496
Adjustment to defined benefit obligation	**–**	25,371,284
Derecognition/ transfer	**483,939,688**	–
Benefit paid	**(16,631,000)**	(894,155)
Contributions	**(44,657,829)**	(35,470,349)
Remeasurement gain	**43,989,855**	(258,091,615)
Balance at end of year	**₱684,971,029**	₱106,757,503

The movements in the present value of defined obligation follow:

	2023	2022
Balance at beginning of year	**₱1,736,418,737**	₱1,954,270,323
Current service cost	**53,422,357**	165,107,134
Interest cost on obligation	**42,691,913**	92,883,321
Derecognition/transfer	**(222,699,789)**	–
Benefits paid	**(48,945,841)**	(143,972,262)
Remeasurement gain	**27,856,821**	(331,869,779)
Balance at end of year	**₱1,588,764,821**	₱1,736,418,737

The movements in the fair value of plan assets follow:

	2023	2022
Balance at beginning of year	**₱1,629,661,234**	₱1,749,373,481
Contributions	**17,235,709**	35,470,349
Derecognition/transfer	**(709,404,593)**	–
Asset return in net interest cost	**32,596,678**	87,044,959
Adjustments to plan assets	**(5,019,000)**	(25,371,284)
Remeasurement loss	**96,030**	(73,778,164)
Benefits paid	**(42,383,091)**	(143,078,107)
Balance at end of year	**₱922,782,967**	₱1,629,661,234

The major categories of plan assets and its fair value are as follows:

	2023	2022
Cash	**₱240,012,089**	₱388,797,594
Investment in government securities	**223,084,094**	923,017,305
Investments in shares of stock	**299,846,502**	281,657,933
Investments in other securities and debt instruments	**154,860,560**	18,445,031
Interest receivables and other receivables	**13,128,423**	19,876,541
Accrued trust fees and other payables	**(8,148,701)**	(2,133,170)
	₱922,782,967	₱1,629,661,234

The Group expects to contribute ₱112.12 million to its defined benefit retirement plans in 2023.

The Retirement fund (Fund) of the Group is being maintained and managed, in trust, by RCBC Trust and Investment Group (TIG), an affiliate financial institution. Investment in shares of stocks comprised of investments in shares within the Group that are traded in the Philippine Stock Exchange.

Trust fees paid in 2023, 2022 and 2021 amounted ₱0.69 million, ₱4.84 million and ₱6.57 million, respectively.

The composition of the fair value of the trust fund includes:

Investment in government securities - include investment in Philippine Retail Treasury Bonds (RTBs) and Fixed Rate Treasury Notes (FXTNs).

Cash - include savings and time deposit with affiliated bank and special deposit account with Bangko Sentral ng Pilipinas (BSP SDA).

Investment in equity securities - include investment in common and preferred shares traded in the Philippine Stock Exchange.

Investment in debt and other securities - include investment in long-term debt notes and retail bonds.

Interest and other receivables - pertain to interest and dividends receivable on the investments in the fund.

In 2023, the Fund has investment in equity securities of related parties with fair values and accumulated loss of ₱159.96 million and ₱3.6 million, respectively.

In 2022, the Fund has investment in equity securities of related parties with fair values and accumulated loss of ₱86.42 million and ₱0.69 million, respectively.

The voting rights of the above equity securities were assigned to RCBC TIG, being the investment manager who manages and administers the investments and reinvestments of the fund.

The principal actuarial assumptions used in determining retirement expense are as follows:

	2023	2022
Discount rate		
Beginning	**4.00%-7.60%**	3.42%-5.17%
End	**4.20%-6.25%**	7.02%-8.03%
Future salary increases		
Beginning	**3.98%-7.11%**	3.31%-6.50%
End	**4.04%-6.06%**	2.95%-6.00%

The sensitivity analysis that follows has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of the end of financial reporting date, assuming all other assumptions were held constant.

	2023		2022	
	Increase (decrease)	**Effect on defined benefit obligation**	Increase (decrease)	Effect on defined benefit obligation
Discount rates	**+50bps to +100bps**	**(₱329,165,418)**	+50bps to +100bps	(₱299,244,307)
	-50bps to -100bps	**374,264,185**	-50bps to -100bps	348,428,787
Salary increase rates	**+50bps to +100bps**	**405,426,069**	+50bps to +100bps	361,456,243
	-50bps to -100bps	**(252,915,092)**	-50bps to -100bps	(221,086,835)

Shown below is the maturity analysis of the undiscounted benefit payments:

	2023	2022
Less than one year	**₱122,759,976**	₱247,470,711
More than one to five years	**289,557,604**	378,128,511
More than five years	**6,920,384,611**	11,182,480,141

The average duration of the defined benefit obligation ranges from 15-24 years and 16-24 years as of December 31, 2023 and 2022, respectively.

Income Taxes

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

	2023	2022	2021
Statutory income tax rate	**25.00%**	25.00%	25.00%
Add (deduct) reconciling items:			
Movement of deferred income tax assets not recognized	**0.21**	1.31	(1.00)
Impact of CREATE	**–**	–	10.29
Equity in net earnings of associates and joint venture	**(9.89)**	(33.06)	(45.67)
Income subject to final taxes and lower rates	**(9.78)**	(4.75)	(0.93)
Others	**6.18**	8.49	13.45
Effective income tax rate	**(11.72%)**	(3.01%)	1.14%

All companies in the Group are subject to the RCIT rate of 25%, except for MESI, MHSSI, MCLI, MCMI, UNC, NTC and APEC which are subject to a lower tax rate of 1% as provided by CREATE that special tax rate is to be applied to proprietary educational institutions and hospitals.

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

	2023	2022
Net deferred tax assets on a per subsidiary level:		
Contract deposits	**₱–**	₱1,200,855,490
NOLCO	**17,566,444**	113,637,664
Allowance for ECL, inventory, obsolescence and other expenses	**352,952,645**	95,723,667
Leases	**20,094,368**	32,362,049
MCIT	**6,348,069**	23,587,499
Deferred income	**24,900,524**	–
Retirement	**179,964,825**	–
Others	**235,399,740**	(44,939,981)
	₱837,226,633	₱1,421,226,338
Net deferred tax liabilities on a per subsidiary level:		
Revaluation increment on land	**₱2,166,514,848**	₱1,201,404,707
Right-of-use asset	**5,550,644**	8,787,672
Accrued expenses	**(15,739,000)**	(16,479,000)
Retirement	**(15,469,000)**	(10,622,430)
Others	**(145,102,551)**	(129,491,674)
	₱1,995,754,941	₱1,053,599,275

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

	2023	2022
Balance at beginning of year	**(₱367,203,536)**	(₱367,203,536)
Tax expense (income) recognized in:		
Other comprehensive income (loss)	**1,145,218,992**	252,584,074
Other adjustments	**490,184,001**	–
Profit and loss	**(109,671,130)**	(253,007,651)
	1,158,528,327	(₱367,627,113)

The Group did not recognize deferred tax assets on the following temporary differences because the Group believes that it may not be probable that sufficient taxable income will be available in the near foreseeable future against which the tax benefit can be realized.

	2023	2022
NOLCO	**₱34,684,739**	₱327,675,164
Allowance for inventory obsolescence	**24,097,263**	283,478,560
Estimated credit losses on receivables	**94,715,978**	–
MCIT	**1,356,311**	871,742
Accrued retirement expense	**2,149,165**	3,883,620

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 25-2020 implementing Section 4 (bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2022, the amount of NOLCO incurred before taxable year 2022 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years:

Year incurred	Amount	Applied/Expired	Adjustments	Balance	Expiry Year
2023	₱66,307,938	₱–	₱–	₱66,307,938	2026
2022	60,541,134	1,037,000	(141,828,960)	59,504,134	2025
	₱126,849,072	₱1,037,000	(₱141,828,960)	₱125,812,072	

As of December 31, 2022, the Group has incurred NOLCO in taxable years 2021 and 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year incurred	Amount	Applied/Expired	Adjustments	Balance	Expiry Year
2021	₱229,200,542	₱118,811,090	(₱321,204,614)	₱110,389,452	2026
2020	256,381,702	3,604,406	(4,327,645,492)	252,777,296	2025
	₱485,582,244	₱122,415,496	(₱4,648,850,106)	₱363,166,748	

As of December 31, 2022, the amounts of MCIT still allowable as tax credit consist of:

Year incurred	Amount	Applied/Expired	Adjustments	Balance	Expiry Year
2023	₱2,860,229	₱–	₱–	₱2,860,229	2026
2022	1,310,353	37,334	(2,151,924)	1,273,019	2025
2021	7,277,110	5,897,971	(1,630,337)	1,379,139	2024
2020	10,971,187	10,971,187	(1,583,938)	–	2023
	₱22,418,879	₱16,906,492	(₱5,366,199)	₱5,512,387	

<u>RA No. 11534 otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE</u>

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. RA No. 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes. Current and deferred taxes as of and for the year ended December 31, 2021 were computed and measured using the new tax rates in 2021.

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

37. **Earnings Per Share**

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

Basic earnings (loss) per share

	2023	2022	2021
Net income attributable to equity holders of parent company	**₱440,794,487**	₱1,174,088,374	₱1,073,009,638
Less dividends attributable to preferred shares	–	299,050,374	–
Net income applicable to common shares	**440,794,487**	875,038,000	1,073,009,638
Divided by the weighted average number of common shares	**1,469,302,230**	776,465,281	776,465,281
Basic earnings per share	**₱0.3000**	₱1.1270	₱1.3819

Diluted earnings (loss) per share

	2023	2022	2021
Net income applicable to common share for basic earnings per share	**₱440,794,487**	₱875,038,000	₱1,073,009,638
Net income applicable to common stockholders for diluted earnings per share	**₱440,794,487**	₱875,038,000	1,073,009,638
Weighted average number of shares of common stock	**1,469,302,230**	776,465,281	776,465,281
Weighted average number of shares of common stock for diluted earnings per share	**1,469,302,230**	776,465,281	776,465,281
Diluted earnings per share	**₱0.3000**	₱1.1270	₱1.3819

The weighted average number of shares of common stock is computed as follows:

	2023	2022	2021
Number of shares of common stock issued	**776,765,281**	776,765,281	776,765,281
Less treasury shares	**300,000**	300,000	300,000
		776,465,281	776,465,281

38. **Capital Stock**

Preferred stock

The authorized preferred stock is 2,500,000,000 shares at ₱0.40 par value. There are no preferred shares outstanding as at December 31, 2023 and 2022.

Common stock

The authorized common stock is 1,250,000,000 shares at ₱1.50 par value.

A reconciliation of the number of common shares outstanding as at December 31, 2023, 2022 and 2021 follows:

	2023		2022		2021	
	Amount	**Shares**	Amount	Shares	Amount	Shares
Balance at beginning of year	**₱1,165,147,926**	**776,765,281**	₱1,165,147,926	776,765,281	₱1,165,147,926	776,765,281
Issuance of new shares	**1,039,255,421**	**692,836,949**	–	–	–	–
Balance at end of year	**2,204,403,350**	**1,469,602,230**	1,165,147,926	776,765,281	1,165,147,926	776,765,281
Treasury stock	**(2,607,600)**	**(300,000)**	(2,607,600)	(300,000)	(2,607,600)	(300,000)
	₱2,201,795,746	**1,469,302,230**	₱1,162,540,326	776,465,281	₱1,162,540,326	776,465,281

On April 25, 2023, the BOD of the Parent Company approved the resolution to increase the authorized capital stock of the Parent Company from ₱2,875 million divided into 1,250,000,000 common shares with par value of ₱1.50 per share and 2,500,000,000 preferred shares with par value of ₱0.40 per share to ₱3,205 million divided into 1,470,000,000 common shares with par value of ₱1.50 per share and 2,500,000,000 preferred shares with par value of ₱0.40 per share.

On December 29, 2023, the Securities and Exchange Commission (SEC) approved the amendment of the Parent Company's Articles of Incorporation for the increase in its authorized capital stock relative to the share swap agreement between the Parent Company and GPL Holdings, Inc. (GPLHI) and PMMIC. Under the share swap agreement with GPLHI, the Parent Company issued 221,716,590 common shares to GPLHI in exchange for the acquisition of GPLH's 51% ownership over SunLife Grepa Financial, Inc. (SGFI) and 73,416,558 common shares in exchange for the acquisition of Grepa Realty Holdings Corporation (GRHC's) 51% ownership. Under the share swap agreement with PMMIC, the Parent Company issued 397,703,801 common shares to PMMIC in exchange for the acquisition of PMMIC's 77.33% ownership over MICO Equities, Inc. (MEI). As a result of the share swap agreements, the Parent Company recorded an increase in "Common Stock" and "Additional Paid-in Capital" amounting to ₱1.04 billion and ₱14.70 billion, respectively. The share swaps were accounted as noncash investing activities in the 2023 parent company statement of cash flows.

The following are summarized net assets of the following new subsidiaries:

Account	MEI	SLGFI
Cash and cash equivalents	2,699,665,724	1,468,469,409
Receivables	8,749,984,821	537,136,247
Reinsurance assets	24,230,398,085	–
FVOCI	7,473,695,109	15,077,443,196
Other assets	8,236,718,299	44,210,988,068
Accounts payable and other current liabilities	(4,074,248,961)	(569,362,754)
Long-term notes and loans payable	(35,379,435,131)	–
Retirement liability	(352,662,099)	(77,765,400)
Other liabilities	(278,154,424)	(53,542,114,672)
Net assets	11,305,961,423	7,104,794,094

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

SEC approved the registration of the Parent Company's authorized capital stock before its listing date with the PSE, which was on July 2, 1962. The actual number of shares initially listed were 584,085 shares at an offer price of ₱10.0 per share. Total number of common shareholders was 371 and 377 as of December 31, 2023 and 2022, respectively.

39. **Retained Earnings**

On July 21, 2023, the Company declared dividends of ₱38.82 million or ₱0.05 per share to ordinary shareholders on record as at August 4, 2023 and was subsequently paid on September 1, 2023.

On November 24, 2023 and April 12, 2023, the Parent Company's BOD approved additional appropriation of retained earnings amounting to ₱1,705.0 billion and ₱0.5 billion, for planned investments and business expansion that the Parent Company intends to carry out for the next three (3) years, respectively.

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.

Retained earnings include ₱6,034.3 million and ₱4,831.3 million as of December 31, 2023 and 2022, 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 ₱_______ million and ₱1,560.75 million as of December 31, 2023 and 2022, 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.

<u>Restrictions</u>
The Group's retained earnings include accumulated earnings of subsidiaries, associate and joint venture amounting to ₱6,334.50 million and ₱7,365.54 million as of December 31, 2023 and 2022, respectively, not declared as dividends to the Group. Accordingly, these are not available for dividend declaration.

40. Non-controlling Interests

The summarized financial information attributable to non-controlling interests for significant subsidiaries as of and for the years ended December 31, 2023, 2022 and 2021 are as shown below:

	IPO [a]			EEI [b]			SLRIHSI [c]			MICO Equities Corporation, Inc. and Subsidiaries [d]			Sunlife Grepa Financial Inc. and Subsidiaries [e]			RCBC Trust Corporation [f]		
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Assets																		
Current assets	3,805	3,614	3,063	–	3,614	3,063	22	1,430	–	38,889	–	–	45,618	–	–	–	–	–
Noncurrent assets	16,159	14,088	13,065	–	14,088	13,065	3,801	2,279	–	12,501	–	–	15,676	–	–	–	–	–
	19,964	17,702	16,128	–	17,702	16,128	3,823	3,709	–	51,390	–	–	61,294	–	–	–	–	–
Liabilities and Equity											–							
Current liabilities	3,257	3,516	2,183	–	3,516	2,183	97	8	–	39,454	–	–	40,076	–	–	–	–	–
Noncurrent liabilities	1,623	1,445	2,826	–	1,445	2,826	–	–	–	631	–	–	14,113	–	–	–	–	–
	4,880	4,961	5,009	–	4,961	5,009	97	8	–	40,085	–	–	54,189	–	–	–	–	–
Revenue	4,491	3,945	3,351	–	3945	3,351	–	–	–	–	–	–		–	–	–	–	–
Net income (loss)	662	782	664	–	782	664	25	27	–	–	–	–		–	–	–	–	–
Total comprehensive income (loss)	2,543	1,813	940	–	1,813	940	25	27	–	–	–	–		–	–	–	–	–
Share of NCI in net assets	7,117	5,472	4,655	–	5,472	4,655	2.525	1,480	–	4,593	–	–	3,868	–	–	60	–	–
Share of NCI in net income (loss)	351	399	341	–	399	341	10	11	–	–	–	–		–	–	–	–	–
Dividends paid	103	87	162	–	87	162	–	–	–	–	–	–		–	–	–	–	–
Operating	1,114	1,231	848	–	1,231	848	(137)	(58)	–	(529)	–	–	1,548	–	–	–	–	–
Investing	(436)	(214)	(193)	–	(214)	(193)	(1,274)	(374)	–	190	–	–	(1,472)	–	–	–	–	–
Financing	(832)	(659)	(370)	–	(659)	(370)	10	1,851	–	(32)	–	–	(350)	–	–	100	–	–

(a) Proportion of ownership owned by non-controlling interests as of December 31, 2023 and 2022: 51.82%
(b) Proportion of ownership owned by non-controlling interests as of December 31, 2023 and 2022: 0% and 44.66%, respectively
(c) Proportion of ownership owned by non-controlling interests as of December 31, 2023 and 2022: 40.00% and 0.00%, respectively
(d) Proportion of ownership owned by non-controlling interests as of December 31, 2023 and 2022: 49.00% and 0.00%, respectively
(e) Proportion of ownership owned by non-controlling interests as of December 31, 2023 and 2022: 22.670% and 0.00%, respectively
(f) Proportion of ownership owned by non-controlling interests as of December 31, 2023 and 2022: 60.00% and 0.00%, respectively

Material Partly-Owned Subsidiaries

MEI

On April 25, 2023, the Board of House of Investments Inc. approved the authority to enter in a Share Swap Agreement with Pan Malayan Management & Investment Corporation (PMMIC), whereby HI will issue 397,703,801 common shares to PMMIC in exchange for the acquisition of 100% of PMMIC's outstanding shareholdings in MICO Equities, Inc (MEI which is equivalent to 77.33% of MEI.

SLGFI

On April 25, 2023, the Board of House of Investments Inc. approved the authority to enter in a Share Swap Agreement with GPL Holdings, Inc, whereby HI will issue 295,133,148 common shares to GPLH in exchange for the acquisition of 100% of GPLH's outstanding shareholdings in Sunlife Grepa Financial Inc. (SLGFI) and Grepa Realty Holdings Corporation (GRHC). As of this date GPL directly owns 51% of SLGFI and 49% of GRHC. SLGFI also owns 51% of GRHC, thus GPL's effective ownership in GRHC is 75%.

RTC

In 2023, the Parent company invested ₱40.0 million for a 40% stake in RCBC Trust Corporation.

SLRHSI

In February 2022, the Parent Company sold 1,612,759 common shares representing 14.64% ownership of SLRHSI to Sojitz Corporation. Further, on November 15, 2022, Sojitz Corporation subscribed and paid for additional authorized capital stock applied for by SLRHSI. Accordingly, the ownership stake of the Parent Company decreased from 100% to 60%.

IPO

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

EEI

On April 26, 2023, the Parent Company sold 207,256,297 common shares, representing 20% of the outstanding shares of EEI Corporation (EEI) for a consideration of ₱1.25 billion. The sale has reduced the holdings of the Parent Company in EEI from 55.34% to 35.34% which signified loss of control over the subsidiary. This transaction resulted to deconsolidation of EEI and its subsidiaries. On May 22, 2023, the Parent Company sold 148,664,942 common shares representing 14.34% of the outstanding shares of EEI which further reduced the holdings of the Parent Company to 21%. The sale is accounted as disposal of investment in an associate.

41. **Operating Segment Information**

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

Segment financial information is reported on the basis that it is used internally for evaluating segment performance and allocating resources to segments.

The Group derives its revenue from the following reportable segments:

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 automotive dealerships of the Group.

Financial services - consists of non-life and life insurance arm 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 arises 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.

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

(Amounts in Millions)

	Construction			Automotive			Education			Property and Service			Financial Services			Other Services			Eliminations			Consolidation		
	2023	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021
Revenue	**5,327**	14,652	16,150	**5,309**	4,855	3,726	**4,491**	3,945	3,351	**1,079**	458	231	–	–	–	**682**	390	691	**(395)**	(550)	(424)	**11,904**	23,905	23,599
Net Income (loss) attributable to share of parent	**(257)**	209	490	**(59)**	30	61	**662**	769	659	**327**	120	200	–	–	–	**1,503**	844	664	**(798)**	(1,000)	897	**441**	1,174	1,073
Other Information														–	–									
Segment assets	–	28,974	32,215	**3,969**	11,135	2,566	**19,964**	17,701	16,129	**13,429**	10,538	2,287	**112,785**	–	–	**25,352**	7,874	7,402	**(10,995)**	(3,405)	(2,792)	**159,964**	65,227	57,194
Deferred tax assets	–	(1,289)	(1,112)	**(22)**	59	(26)	**(49)**	(38)	(38)	**(26)**	(29)	(4)	**(676)**	–	–	**(58)**	(84)	(3)	**(31)**	39	32	**(832)**	(1,412)	(1,223)
Net segment assets	–	27,685	31,103	**3,947**	11,194	2,540	**19,915**	17,663	16,091	**13,403**	10,509	2,283	**112,109**	–	–	**25,294**	7,790	7,399	**(11,026)**	(3,444)	(2,760)	**159,132**	63,815	56,500
Segment liabilities	–	15,557	18,874	**1,740**	9,453	1,507	**4,880**	4,961	5,009	**6,689**	5,741	307	**94,274**	–	–	**1,630**	2,040	1,782	**(8,390)**	(401)	(189)	**109,750**	29,362	27,078
Income tax payable	–	(6)	(16)	–	–	(7)	**(20)**	(5)	(2)	**(9)**	(1)	(1)	**(4)**	–	–	**(8)**	(6)	(1)	–	–	–	**(40)**	(18)	(27)
Deferred tax liabilities	–	(128)	(128)	**(341)**	(237)	(192)	**(795)**	(590)	(489)	–	(2)	–	–	–	–	–	–	(46)	**(88)**	(116)	(141)	**(1,990)**	(1,045)	(856)
Net segment liabilities	–	15,423	18,730	**1,399**	9,216	1,308	**4,065**	4,366	4,518	**6,680**	5,738	306	**94,270**	–	–	**1,622**	2,034	1,735	**(8,477)**	(285)	(331)	**107,720**	28,299	26,724
Investments in associates and joint ventures	–	3,190	3,260	–	–	–	–	–	–	**7**	7	7	–	–	–	**22,394**	7,134	6,399	**(2,028)**	(1,831)	(871)	**6,020**	8,303	7,834
Equity in net earnings (losses) of associates	**(366)**	(106)	925	**(96)**	42	55	–	–	–	**94**	105	139	–	–	–	**119**	384	311	–	–	388	**117**	425	1,430
Cash flows arising from:														–	–									
Operating activities	–	(543)	(1,578)	**16**	397	397	**1,114**	1,231	849	**38**	78	78	**1,019**	–	–	**(287)**	(495)	(495)	**(991)**	(1,926)	538	**1,309**	(323)	(1,299)
Investing activities	–	(210)	583	**(2)**	170	170	**(436)**	(214)	(194)	**(4,011)**	–	–	**(1,282)**	–	–	**(5,986)**	1,373	1,373	**(7,089)**	4,075	(3,536)	**(7,729)**	(5,970)	279
Financing activities	–	(3,820)	(6,789)	**(39)**	(290)	(290)	**(832)**	(659)	(370)	**1,710**	53	53	**(382)**	–	–	**(3,799)**	5,634	5,634	**2,909**	(4,357)	459	**6,429**	3,827	6,778
Capital expenditures	–	(171)	(171)	–	(73)	(73)	–	(184)	(184)	**3,947**	6,156	–	–	–	–	–	53	53	**1,248**	(2,042)	(2,781)	**4,524**	7,029	652
Interest income	**24**	35	8	**1**	1	0	**64**	20	6	**40**	27	1	–	–	–	**40**	26	3	**(1)**	(7,407)	(5,928)	**115**	108	19
Interest expense	**(214)**	(398)	413	**(54)**	(24)	15	**(149)**	(113)	137	**(284)**	(77)	1	–	–	–	**(68)**	(58)	85	–	47	1	**(526)**	(670)	708
Provision/ (Benefit) for income tax	**(47)**	(70)	305	**(22)**	(16)	1	**(45)**	5	(30)	**(61)**	(22)	14	–	–	–	**(28)**	(15)	2	–	–	–	**(138)**	(118)	292
Earnings (loss) before income tax	**(210)**	270	784	**(37)**	57	(17)	**707**	777	633	**388**	142	75	–	–	–	**1,530**	848	444	**(251)**	–	(59)	**1,180**	1,843	1,919
Earnings before income tax and depreciation and amortization	**(210)**	817	959	**31**	128	2	**1,214**	1,252	746	**490**	163	77	–	–	–	**1,550**	858	615	**(263)**	(668)	(51)	**1,861**	2,955	3,067
Noncash items:														–	–									
Additional revaluation increment on land	–	129	–	**1,038**	614	37	**4,517**	1,005	201	–	–	–	**329**	–	–	–	–	–	**(385)**	96	(659)	**3,290**	1,363	334
Depreciation and amortization	–	547	176	**68**	70	19	**507**	475	112	**102**	21	2	–	–	–	**20**	44	171	**(11)**	(668)	9	**681**	1,146	1,148

42. Financial Instruments and Financial Risk Management Objectives and Policies

Financial Risk Management Objectives and Policies
The main purpose of the Group's financial instruments is to raise finances for the Group's operations.

The main risks arising from the Group's financial instruments are liquidity risk, market risk, and credit risk. The BOD reviews and agrees on the policies for managing these risks, as well as approving and authorizing risk limits set by management, summarized below. There were no changes in the policies for managing these risks.

a. *Liquidity risk*
Liquidity risk is the risk that the Group will be unable to meet its payment obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and service maturing debts. As an inherent part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. To cover its short-term and funding requirements, the Group intends to use internally generated funds and available short-term and long-term credit facilities.

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

The tables below summarize the maturity profile of the Parent Company's financial liabilities as of December 31 based on contractual undiscounted payments.

	2023				
	On demand	**Less than 6 months**	**6 months to 1 year**	**More than 1 year**	**Total**
Accounts payable and other current liabilities:					
Accounts payable, accrued expenses and others*	**₱484,508,665**	₱ –	₱ –	₱ –	₱484,508,665
Accrued interest	**2,774,712**	–	–	–	2,774,712
Due to related parties	**87,897,408**	–	–	–	87,897,408
Loans payable	**1,456,642,021**	–	–	–	1,456,642,021
Lease liabilities	–	–	33,917,745	72,060,463	105,978,208
	₱2,031,822,806	₱ –	₱ 33,917,745	₱72,060,463	₱2,031,822,806

**Excludes statutory liabilities*

	2022				
	On demand	Less than 6 months	6 months to 1 year	More than 1 year	Total
Accounts payable and other current liabilities:					
Accounts payable, accrued expenses and others*	₱441,434,303	₱–	₱–	₱–	₱441,434,303
Accrued interest	–	2,590,631	–	–	2,590,631
Due to related parties	10,935,754	–	–	–	10,935,754
Loans payable	–	1,852,000,000	–	–	1,852,000,000
Lease liabilities	–	3,853,820	3,853,820	157,597,107	165,304,747
	₱452,370,057	₱1,858,444,451	₱3,853,820	₱157,597,107	₱2,472,265,435

**Excludes statutory liabilities*

The tables below summarize the maturity profile of the Parent Company’s financial assets used to manage liquidity risk.

	2023		
	On demand	**Less than 1 year**	**Total**
Cash and cash equivalents	**₱178,474,820**	**₱–**	**₱178,474,820**
Receivables			
Trade	**166,935,483**	**215,868,166**	**382,803,649**
Due from related parties	**124,332,282**	**–**	**124,332,282**
Receivables from plant	**29,810,947**	**13,598,602**	**43,409,549**
Accrued referral incentive	**18,575,090**	**–**	**18,575,090**
Others	**82,433,028**	**–**	**82,433,028**
Dividends receivable	**–**	**86,715,000**	**86,715,000**
Equity investments at FVOCI	**–**	**1,261,334,015**	**1,261,334,015**
	₱600,561,650	**₱225,758,128**	**₱899,307,113**

	2022		
	On demand	Less than 1 year	Total
Cash and cash equivalents	₱ 154,506,222	₱–	₱154,506,222
Receivables			
Trade	223,382,915	64,906,062	288,288,977
Due from related parties	165,858,926	–	165,858,926
Receivables from plant	11,040,734	–	11,040,734
Accrued referral incentive	12,684,253	–	12,684,253
Others	106,179,310	–	106,179,310
Dividends receivable	–	55,500,918	55,500,918
Equity investments at FVOCI	–	105,351,148	105,351,148
	₱673,548,985	₱225,758,128	₱899,307,113

The tables below analyze financial assets and financial liabilities of Malayan Insurance Company, Inc. (MICO) into their relevant maturity groups based on the remaining period at the reporting date to their contractual maturities or expected repayment dates.

	2023			
	Up to a year*	**1-3 years**	**More than 3 years**	**Total**
Cash and cash equivalents	**₱2,588,984,230**	**₱–**	**₱–**	**₱2,588,984,230**
Short-term cash investments	**2,570,978**	**–**	**–**	**2,570,978**
Insurance receivables	**8,645,622,127**	**–**	**–**	**8,645,622,127**
Financial assets at FVTPL	**90,661,398**	**214,662,673**	**49,173,347**	**354,497,418**
Financial assets at FVOCI	**1,042,595,844**	**1,179,010,114**	**980,336,120**	**3,201,942,077**
Investment securities at amortized cost	**100,177,378**	**82,259,931**	**2,897,049,785**	**3,079,487,093**
Long-term commercial papers	**277,326,639**	**548,608,342**	**258,002,918**	**1,083,937,899**
Loans and receivables	**123,214,735**	**–**	**–**	**123,214,735**
Accrued income	**86,631,925**	**–**	**–**	**86,631,925**
Reinsurers’ share of liabilities	**20,059,867,836**	**–**	**–**	**20,059,867,836**
Total financial assets	**₱33,017,653,090**	**₱2,024,541,060**	**₱4,184,562,170**	**₱39,226,756,318**
Insurance contract liabilities	**₱23,636,788,796**	**₱–**	**₱–**	**₱23,636,788,796**
Insurance payables	**4,747,026,858**	**–**	**–**	**4,747,026,858**
Accounts payable, accrued expenses and other liabilities**	**2,346,461,228**	**–**	**–**	**2,346,461,228**
Lease contract liabilities	**32,002,022**	**–**	**–**	**32,002,022**
Total financial liabilities	**₱30,762,278,904**	**₱–**	**₱–**	**₱30,762,278,904**

**Up to a year are all commitments which are either due within one year or are payable on demand.*

***Excluding statutory payables.*

The table below analyzes nonfinancial assets and liabilities of the Company into amounts expected to be recovered/settled within 12 months (current) and beyond 12 months (noncurrent).

	2023	
	Current	**Noncurrent**
Deferred acquisition costs	**₱484,882,750**	**₱–**
Deferred reinsurance premiums	**4,200,880,711**	**–**
Investment properties – net	**–**	**26,563,988**
Property and equipment – net	**–**	**775,152,525**
Right-of-use assets	**–**	**29,425,520**
Deferred tax assets – net	**–**	**560,589,060**
Other assets – net	**113,109,743**	**883,942,886**
Total nonfinancial assets	**₱4,798,873,204**	**₱2,275,673,979**
Provision for unearned premiums	**₱6,968,079,251**	**₱–**
Accounts payable, accrued expenses and other liabilities	**1,719,759,023**	**–**
Deferred reinsurance commissions	**246,152,402**	
Pension liability – net	**–**	**352,662,099**
Total nonfinancial liabilities	**₱8,933,990,676**	**₱352,662,099**

It is unusual for a Company primarily transacting insurance business to predict the requirements of funding with absolute certainty as theory of probability is applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will require settlement. The amounts and maturities in respect of insurance liabilities are, thus, based on management's best estimate based on statistical techniques and past experience.

The tables below summarize the maturity profile of financial assets and liabilities of Sun Life Grepa Financial Inc. and its Subsidiaries (SLGFI Group) using undiscounted contractual maturities based on remaining contractual obligations.

	2023				
	Up to a year*	1 - 5 years	Over 5 years	No Maturity Date	Total
Financial assets:					
Cash and cash equivalents	**₱1,468,469,409**	**₱–**	**₱–**	**₱–**	**₱1,468,469,409**
Insurance receivables					
Premiums due and uncollected	**167,272,832**	–	–	–	**167,272,832**
Reinsurance recoverable on paid losses	**232,670**	–	–	–	**232,670**
Financial assets at FVTPL					
Debt securities	–	–	**4,725,088,555**	–	**4,725,088,555**
Seed capital in segregated funds	–	–	–	**501,065,822**	**501,065,822**
Mutual fund	–	–	–	**100,792,453**	**100,792,453**
Financial assets at FVOCI					
Equity securities	**78,405,548**	**1,109,363,530**	**12,804,083,444**	–	**13,991,852,522**
Debt securities	–	–	–	**1,085,590,674**	**1,085,590,674**
Financial assets at amortized costs	–	**233,289,210**	–	–	**233,289,210**
Loans and receivables					
Due from related parties and GEM trust	**13,373,470**	–	–	–	**13,373,470**
Due from agents	**3,102,079**	–	–	–	**3,102,079**
Policy loans	**560,415,719**	–	–	–	**560,415,719**
Held for trust	**25,226,387**	–	–	–	**25,226,387**
Others	**80,746,198**	**16,181,302**	–	–	**96,927,500**
Accrued income	**347,522,733**	–	–	–	**347,522,733**
Other assets – refundable deposits	–	**43,638,852**	–	–	**43,638,852**
Total financial assets	**₱2,744,767,045**	**₱1,358,834,042**	**₱17,529,172,000**	**₱1,687,448,949**	**₱23,363,860,888**
Financial liabilities:					
Policy and contract claims	**₱541,123,346**	**₱692,210,021**	**₱242,670,074**	**₱–**	**₱1,476,003,441**
Premium deposit fund	**445,561,530**	–	–	–	**445,561,530**
Insurance payables	**263,710,270**	–	–	–	**263,710,270**
Policyholders' dividend	**313,648,287**	–	–	–	**313,648,287**
Lease liabilities	**10,615,431**	**9,516,581**	–	–	**20,132,012**
Accounts payable and accrued expenses	**450,336,948**	–	–	–	**450,336,948**
Other liabilities	**105,579,126**	**(12,431,504)**	–	–	**93,147,622**
Total financial liabilities	**₱2,130,574,938**	**₱689,295,098**	**₱242,670,074**	**₱–**	**₱3,062,540,110**

**Maturities up to a year are all commitments which are either due within the time frame or are payable on demand.*

The Group manages its liquid assets and investment positions to meet its obligations arising from its insurance contracts and other financial liabilities. In addition, the Group is required to maintain a certain margin of solvency under IC regulations. The estimated timing of net cash outflows for legal policy reserves included in the insurance contract liabilities are mostly expected to be settled beyond one year.

The Group has an Asset Liability Committee (“ALCO”), which is composed of the CEO, CFO, Chief Actuary, CIO and ALM Director, and has ultimate responsibility for the ALM operations of SLGFI. It is accountable for the regular reporting and monitoring of ALM performance, and the development of ALM tactics and strategies. The functions of the SLGFI ALCO include the review of the annual investment plan, review of the asset and liability segmentation, and annual review of the Portfolio Policies and Parameters for each segment. SLGFI ALCO monitors ALM matching positions and overall compliance with the specific portfolio policies and limits as well as other policies and limits applicable to SLGFI. The compliance results are summarized and provided to the SLF Asia Chief Risk Officer on a quarterly basis.

Entities within the Sun Life Financial Group are required to have appropriate liquidity. This means having sufficient liquidity to be able to meet all obligations promptly under foreseeable adverse circumstances, whilst not having excessive liquidity that entails an opportunity cost in terms of product competitiveness and asset yields.

The tables below summarize the maturity profile of iPeople Group financial assets held for liquidity purposes. The maturity groupings are based on the remaining period from the end of the financial reporting date to the contractual maturity date.

	2023			
	On demand	**Less than 1 year**	**More than 1 year**	**Total**
Financial assets at amortized cost				
Cash	**₱711,829**	**₱–**	**₱–**	**₱711,829**
Cash equivalents	**1,092,009**	**–**	**–**	**1,092,009**
Receivables*	**464,630**	**730,763**	**143,729**	**1,339,122**
Receivables from related parties	**1,643**	**–**	**–**	**1,643**
Short-term investments	**208,887**	**–**	**–**	**208,887**
Financial assets at FVTPL	**9,767**	**–**	**–**	**9,767**
Deposits	**–**	**–**	**26,359**	**26,359**
	₱2,488,765	**₱730,763**	**₱170,088**	**₱3,389,616**

**excluding advances to officers and employees*

	2022			
	On demand	Less than 1 year	More than 1 year	Total
Financial assets at amortized cost				
Cash	₱544,228	₱–	₱–	₱544,228
Cash equivalents	1,414,100	–	–	1,414,100
Receivables*	366,030	765,456	–	1,131,486
Receivables from related parties	1,825	–	–	1,825
Short-term investments	120,962	–	–	120,962
Financial assets at FVTPL	9,332	–	–	9,332
Deposits	–	–	26,404	26,404
	₱2,456,477	₱765,456	₱26,404	₱3,248, 337

**excluding advances to officers and employees*

The tables below summarize the maturity profile of the Group's other financial liabilities as at December 31 based on contractual undiscounted payments and contractual remaining maturities.

	2023			
	On demand	**Less than 1 year**	**More than 1 year**	**Total**
Accounts payable and accrued expenses*	**₱579,212**	**₱146,083**	**₱–**	**₱725,295**
Payables to related parties	**8,706**	**–**	**–**	**8,706**
Dividends payable	**924**	**–**	**–**	**924**
Lease liabilities	**–**	**37,047**	**354,549**	**391,597**
Current portion of the long-term loans	**–**	**32,574**	**–**	**32,574**
Long-term loans	**–**	**–**	**293,851**	**293,851**
Short-term loans	**–**	**1,000,000**	**–**	**1,000,000**
	₱588,842	**₱1,215,704**	**₱648,401**	**₱2,452,947**

**excluding payables to regulatory bodies, funds payable and provisions*

	2022			
	On demand	Less than 1 year	More than 1 year	Total
Accounts payable and accrued expenses*	₱559,892	₱113,220	₱–	₱673,112
Payables to related parties	16,797	–	–	16,797
Dividends payable	26,154	–	–	26,154
Lease liabilities	–	74,235	483,509	557,744
Current portion of the long-term loans		24,430	1,497,018	1,521,448
Long-term loans	–	–	334,568	334,568
	₱602,843	₱211,885	₱2,315,095	₱3,129,823

**excluding payables to regulatory bodies, funds payable and provisions*

b. *Market risk*

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in equity prices, foreign currency exchange rates and interest rates.

c. *Equity price risk*

The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as available-for-sale securities.

Quoted available-for-sale securities assets are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector.

The Parent Company's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity investments at FVOCI.

Equity investments at FVOCI are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The analysis below is performed for reasonably possible movements in the market index with all other variables held constant, showing the impact on equity.

	2023		2022	
Market Index	**Change in variable**	**Effect on equity**	Change in variable	Effect on equity
PSE	**18.28%**	**4,069,020**	23.15%	6,107,555
	(18.28%)	**(4,069,020)**	(23.15%)	(6,107,555)
Others	**20.51%**	**1,948,004**	35.18%	2,392,586
	(20.51%)	**(1,948,004)**	(35.18%)	(2,392,586)

The percentage of increase and decrease in market price is based on the movement in the PSE Index and other market index from beginning to end of the year.

The following table shows the impact of reasonably possible change of Philippine Stock Exchange index (PSEi) and Dow Jones STOXX (DJ STOXX) Euro and SCX5E Index on equity of MICO:

		Impact on equity increase (decrease)		**Impact on equity increase (decrease)**
	Change in equity prices	PSEi	**Change in equity prices**	DJ STOXX
December 31, 2023	**15%**	**₱236,804,358**	+15%	**₱65,182,874**
	-15%	**(236,804,358)**	-15%	**(65,182,874)**
December 31, 2022	+15%	₱316,893,698	+15%	₱91,823,935
	-15%	(316,893,698)	-15%	(91,823,935)

The analysis below is performed by Sun Life Financial Group for reasonably possible movements in key variables with all other variables held constant, showing the impact on other comprehensive income (that reflects changes in fair value of financial assets at FVOCI).

	Change in variable	**Impact on OCI**
2023	**+2 bps**	**₱28,338,051**
	-2 bps	**(28,338,051)**
2022	+2 bps	₱33,270,118
	-2 bps	(33,270,118)

The Group determined the reasonably possible change in equity pricing using percentage changes in the Philippine Stock Exchange (PSE) composite index for the past three years. The sensitivity analysis includes the Group's stock portfolio with amounts adjusted by the specific beta for these investments as at reporting date.

The Group measures the sensitivity of its investments in mutual funds through fluctuations in the net asset value per share (NAVPS). Since the Group's investments in mutual funds is limited only to seed capital in VUL segregated funds and SLAMCI mutual funds as of December 31, 2021, the sensitivity analysis on the reasonably possible movements of NAVPS and its impact to the net income is not material to the financial statements.

d. Credit risk

The Parent Company's exposure to credit risk on its receivables relates primarily to the inability of the debtors to pay and fully settle the unpaid balance of receivables owed to the Parent Company. The Parent Company manages its credit risk in accordance with its credit risk policies which requires the evaluation of the creditworthiness of the debtors. The Parent Company's exposure to credit risk on its other receivables from debtors and related parties is managed through close account monitoring and setting limits.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Parent Company does not have any significant exposure to any individual customer or counterparty. With respect to credit risk arising from receivables, the Parent Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of this financial asset.

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for various customer segments. With similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The table below shows the credit quality of the Parent Company's financial assets as of December 31:

	2023		
	Neither past due nor impaired		
	High Grade	**Standard Grade**	**Total**
Cash and cash equivalents			
Cash in banks	**₱93,399,017**	**₱–**	**₱93,399,017**
Short-term investments	**83,611,922**	**–**	**83,611,922**
Accounts receivable:			
Receivables from:			
Trade	**382,803,649**	**–**	**382,803,649**
Due from related parties	**124,332,282**	**–**	**124,332,282**
Advances to officers and employees	**5,898,781**	**–**	**5,898,781**
Advances to suppliers	**88,406,030**	**–**	**88,406,030**
Insurance receivable	**3,815,311**	**–**	**3,815,311**
Other receivables:	**59,500,994**	**–**	**59,500,994**
Dividend receivable	**86,715,000**	**–**	**86,715,000**
	₱ 928,482,986	**₱–**	**₱ 928,482,986**

	2022		
	Neither past due nor impaired		
	High Grade	Standard Grade	Total
Cash and cash equivalents			
Cash in banks	₱75,376,592	₱–	₱75,376,592
Short-term investments	78,827,432	–	78,827,432
Accounts receivable:			
Receivables from:			
Trade	288,288,977	–	288,288,977
Due from related parties	165,858,926	–	165,858,926
Advances to officers and employees	37,874,416	–	37,874,416
Advances to suppliers	28,523,043	–	28,523,043
Accrued referral incentive	12,684,253	–	12,684,253
Insurance receivable	3,282,389	–	3,282,389
Other receivables:	36,499,462	–	36,499,462
Dividend receivable	55,500,918	–	55,500,918
	₱782,716,408	₱–	₱782,716,408

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

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

The table below shows the credit risk exposure on iPeople Group's financial assets as at December 31, 2023:

	Gross carrying amount at default	**Expected credit loss (Impaired)**
Cash in banks	**₱711,829**	**₱–**
Cash equivalents	**1,092,009**	**–**
Receivables from:		
Tuition and other fees	**1,634,740**	**375,312**
Related parties	**1,643**	**–**
Others	**129,464**	**9,258**
Short-term investments	**208,887**	**–**
Financial assets at FVTPL	**9,767**	**–**
Deposits	**26,359**	**–**
	₱3,814,698	**₱384,570**

December 31, 2022:

	Gross carrying amount at default	Expected credit loss (Impaired)
Cash in banks	₱544,228	₱–
Cash equivalents	1,414,100	–
Receivables from:		
Tuition and other fees	1,429,781	337,619
Related parties	1,825	–
Others	62,966	8,770
Short-term investments	120,962	–
Financial assets at FVTPL	9,332	–
Deposits	26,404	–
	₱3,609,598	₱346,389

The Group recognizes an allowance for ECLs for all debt instruments not held at fair value. 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 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The mechanics of the ECL calculations and the key elements are, as follows:

a. *Probability of default (PD)* is an estimate of the likelihood of default over a given time horizon.
b. *Exposure at default (EAD)* is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date.
c. *Loss given default (LGD)* is an estimate of the loss arising in the case where a default occurs at a given time.

The Group's debt instruments at amortized cost comprise of cash and cash equivalents, short-term investments, and refundable deposits that are considered to have low credit risk. Hence, it is the Group's policy to measure ECL on such instrument on a 12-month basis applying the low credit risk simplification and based on the PD which is publicly available. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses external credit ratings both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECL.

For tuition and other fees receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Group generally uses a provision matrix to calculate ECL. The provision rates are based on days past due for groupings based on school term. The provision matrix is initially based on the Group's historical observed default rates. The Group will then consider directly relevant forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are considered.

The Group may 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.
The aging of tuition and other fees (current and past due accounts) and the ECL as at December 31 follows:

	2023					
		Past Due				
	Current	< 1 quarter	1 – 2 quarters	> 2 quarters	ECL	Total
Tuition and other fees	**₱921,968**	**₱51,614**	**₱304,641**	**₱356,567**	**(₱375,312)**	**₱1,259,478**

	2022					
		Past Due				
	Current	< 1 quarter	1 – 2 quarters	> 2 quarters	ECL	Total
Tuition and other fees	₱684,401	₱22,651	₱355,466	₱367,263	(₱337,619)	₱1,092,162

The table below shows the maximum exposure to credit risk of the components of MICO's statements of financial position, net of impairment losses.

	2023	2022
Financial assets at FVTPL		
Listed equity securities:		
Common shares	**190,557,221**	₱236,110,261
Funds	**352,953,664**	434,215,709
Private debt securities	**354,497,418**	389,247,188
Financial assets at FVOCI		
Listed equity securities:		
Common shares	**2,558,547,229**	3,195,207,229
Preferred shares	**92,440**	92,440
Unlisted equity securities:		
Common shares	**492,489,493**	402,798,481
Preferred shares	**17,540**	17,540
Government debt securities:		
Local currency	**898,280,725**	692,210,460
Foreign currency	**306,005,077**	184,349,970
Private debt securities	**1,997,656,275**	1,313,814,520
Investments securities at amortized cost		
Government debt securities:		
Local currency	**2,728,174,415**	2,715,365,369
Foreign currency	**273,643,653**	124,282,199
Private debt securities-net	77,669,485	312,818,547
Cash and cash equivalents	2,588,984,230	2,839,762,280
Short-term investments	2,570,978	3,042,926

(Forward)

	2023	2022
Loans and receivables:		
Long-term commercial papers	**₱1,083,937,899**	₱1,064,692,674
Accounts receivable	**108,501,810**	96,249,059
Notes receivable	**11,564,438**	5,084,603
Security fund	**1,279,554**	909,737
Cash advances	**909,737**	1,279,554
Insurance receivables:		
Due from policyholders, agents and brokers	**6,370,782,100**	6,766,034,190
Due from ceding companies:		
Treaty	**884,377,027**	840,038,005
Facultative	**117,551,909**	87,646,155
Funds held by ceding companies – treaty	**566,050,157**	578,045,132
Reinsurance recoverable on paid losses	**671,444,341**	628,644,560
Accrued income:		
Accrued interest income:		
Investment securities at amortized cost	**41,415,101**	36,596,599
Financial assets at FVOCI	**32,623,534**	21,029,422
Financial assets at FVTPL	**5,493,112**	7,074,405
Long-term commercial papers	**5,832,915**	5,148,718
Funds held by ceding companies – treaty	**654,176**	780,924
Cash and cash equivalents	**225,109**	432,835
Security fund	**145,853**	145,853
Accrued dividend income	**242,125**	768,005
	₱22,725,170,740	₱22,983,935,549

The following table provides information regarding the credit risk exposure of MICO by classifying gross carrying amounts of financial assets according to credit ratings of the counterparties:

	2023				
	Neither past due nor impaired		Past due but	Past due or	
	High Grade	Medium Grade	not impaired	Impaired	Total
Financial assets at FVTPL					
Listed equity securities:					
Common shares	**₱190,557,221**	**₱–**	**₱–**	**₱–**	**190,557,221**
Private debt securities	**265,714,318**	**88,783,100**	–	–	**354,497,418**
Funds	**352,953,664**	–	–	–	**352,953,664**
Financial assets at FVOCI					
Listed equity securities:					
Common shares	**2,558,547,229**	–	–	–	**2,558,547,229**
Preferred shares	**92,440**	–	–	–	**92,440**
Unlisted equity securities:					
Common shares	–	**492,489,493**	–	–	**492,489,493**
Preferred shares	–	**17,540**	–	–	**17,540**
Government debt securities:					
Local currency	**898,280,725**	–	–	–	**898,280,725**
Foreign currency	**306,005,077**	–	–	–	**306,005,077**
Private debt securities	**1,825,554,952**	**172,101,324**	–	–	**1,997,656,275**
(forward)					
Investments securities at amortized cost					
Government debt securities:					
Local currency	**₱2,728,174,008**	**₱–**	**₱–**	**₱–**	**₱2,728,174,008**
Foreign currency	**273,643,635**	–	–	–	**273,643,635**
Private debt securities-net	**77,669,450**	–	–	–	**77,669,450**
Cash and cash equivalents	**2,588,984,230**	–	–	–	**2,591,555,622**
Short-term investments	**2,570,978**	–	–	–	**2,570,978**
Loans and receivables					
Long-term commercial papers	**1,040,635,282**	**43,303,431**	–	–	**1,083,938,713**
Notes receivable	**11,564,438**	–	–	**1,097,877**	**12,662,315**

	2023				
	Neither past due nor impaired		Past due but	Past due or	
	High Grade	Medium Grade	not impaired	Impaired	Total
Accounts receivable	**108,501,810**	–	–	**2,050,610**	**110,552,420**
Cash advances	**978,396**	–	–	–	**978,396**
Security fund	**909,737**	–	–	–	**909,737**
Insurance receivables:	**1,672,517,827**	**1,765,547,835**	**3,028,777,510**	**9,939,525**	**6,476,782,697**
Due from policyholders, agents and brokers					
Due from ceding companies:					
Treaty	**810,121**	**23,860,981**	**861,205,924**	–	**885,877,026**
Facultative	**10,816,674**	**31,869,148**	**79,238,023**	–	**121,923,845**
Funds held by ceding companies – treaty	**86,217**	**198,173,286**	**367,790,654**	–	**566,050,157**
Reinsurance recoverable on paid losses	**20,756,118**	**99,728,484**	**567,396,934**	–	**687,881,536**
Accrued income:					
Accrued interest:					
Financial assets at FVTPL	**5,493,112**	–	–	–	**5,493,112**
Financial assets at FVOCI	**32,623,534**	–	–	–	**32,623,534**
Investment securities at amortized cost	**41,415,101**	–	–	–	**41,415,101**
Long-term commercial papers	**5,832,915**	–	–	–	**5,832,915**
Funds held by ceding companies – treaty	**654,176**	–	–	–	**654,176**
Cash and cash equivalents	**225,109**	–	–	–	**225,109**
Security fund	**145,853**	–	–	–	**145,853**
Dividend income	**242,125**	–	–	–	**242,125**
	₱15,022,956,472	**₱2,915,874,622**	**₱4,904,409,045**	**₱13,088,012**	**₱22,856,328,150**

The credit rating is based on the following:

a) *Cash and cash equivalents, short-term investments and related accrued income*
High grade pertains to those deposited, placed or invested in foreign and local banks belonging to the top banks in the Philippines in terms of resources and profitability, while medium grade pertains to those deposited, placed or invested in thrift banks and rural banks in the Philippines.

b) *Insurance receivables, loans and receivables and accrued rent income*
For insurance receivables, loans and receivables and accrued rent income except due from ceding companies, funds held by ceding companies and long-term commercial papers, the Company uses a credit rating concept based on the borrowers and counterparties' overall creditworthiness. High grade is given to borrowers and counterparties who possess strong to very strong capacity to meet its obligations. Standard grade is given to borrowers and counterparties who possess above average capacity to meet its obligations. These counterparties are somewhat susceptible to adverse changes in business and economic conditions.

For due from ceding companies and funds held by ceding companies from local sources, the Company uses a credit rating concept based on the debt-to-equity ratios of the borrowers and counterparties. High grade is given to borrowers and counterparties with debt-to-equity ratio of less than or equal to 2:1, while medium grade is given to borrowers and counterparties with debt-to-equity ratio of more than 2:1.

For due from ceding companies and funds held by ceding companies from foreign sources, the Company uses Standard & Poor's (S&P) and A.M. Best's credit rating of insurance companies. High grade pertains to insurance companies rated by S&P and A.M. Best as higher than BB+, which means that the insurance company has good to strong financial security characteristics, but may be affected by adverse business conditions. Medium grade pertains to insurance companies that are ungraded and rated by S&P and A.M. Best as lower than BB+, which means that the insurance company has marginal financial security characteristics. Positive attributes exist, but adverse business conditions could lead to insufficient ability to meet financial commitments.

In compliance with PFRS 9, MICO developed ECL parameters and methodologies for each portfolio, using historical data as well as forward-looking inputs and assumptions.

c) *Equity securities and related accrued income*
Listed equity securities are classified as high grade. Unlisted equity securities are classified as medium grade.

d) *Debt securities, long-term commercial papers and related accrued income*
These are based on the credit ratings by the international rating agency and by Philippine Ratings Services Corporation (Philratings), the only domestic credit rating services in the Philippines accredited by Bangko Sentral ng Pilipinas (BSP) and SEC, in cases where the international rating agency's rating is not available. High grade pertains to investments rated by the rating agency as BBB- and higher, which means that the counterparties have extremely strong to adequate capacity of paying interest and repaying principal, as well as investments in securities issued by the Philippine Government. Medium grade pertains to investments rated as Baa and higher by Philratings, as well as investments rated by the rating agency as BB+ to B- (except Philippine Government Securities). The Company's holdings under this category are rated either BB- by the rating agency (due to sovereign credit rating ceiling) or Aaa by Philratings which is defined by Philratings to mean that the obligor's capacity to meet its financial commitment on the obligation is extremely strong.

e) *Notes receivables*
Receivables from related entities are considered as high grade.

The following tables show the aging analysis of insurance receivables that were past due but not impaired.

	2023			
	<60 days	61 to 120 days	More than 120 days	Total Past Due but not Impaired
Due from ceding companies	**₱19,206,514**	**₱319,021,948**	**₱602,215,485**	**₱940,443,947**
Funds held by ceding companies	**124,067,008**	**101,182,094**	**142,541,552**	**367,790,654**
Reinsurance recoverable for paid losses	**29,778,220**	**(20,439,964)**	**558,058,678**	**567,396,934**
	₱173,051,742	**₱399,764,078**	**₱1,302,815,715**	**₱1,875,631,535**

Past due but not impaired balances have an aging of more than ninety (90) days but less than one year.

The credit quality of insurance receivables and investment securities, gross of allowance for credit losses, as of December 31 follows:

	2023		
	Individual	**Collective**	**Total**
Financial Assets at FVTPL			
High Grade	**₱–**	**₱809,225,203**	**₱809,225,203**
Standard Grade	**–**	**88,783,100**	**88,783,100**
	₱–	**₱898,008,303**	**₱898,008,303**
Financial Assets at FVOCI			
High Grade	**₱–**	**₱5,588,480,423**	**₱5,588,480,423**
Standard Grade	**–**	**664,608,357**	**664,608,357**
	₱–	**₱6,253,088,779**	**₱ 6,253,088,779**

	2023		
	Individual	**Collective**	**Total**
Investment Securities at Amortized Cost			
High Grade	**₱–**	**₱3,079,487,553**	**₱3,079,487,553**
Standard Grade	**–**	**–**	**–**
	₱–	**₱ 3,079,487,553**	**₱3,079,487,553**
Insurance Receivables			
High Grade	**₱–**	**₱1,704,986,957**	**₱1,704,986,957**
Standard Grade	**–**	**2,119,179,734**	**2,119,179,734**
Past due but not impaired	**–**	**4,904,409,045**	**4,904,409,045**
Impaired	**–**	**9,939,525**	**9,939,525**
	₱–	**₱8,738,515,261**	**₱8,738,515,261**

Movements of insurance receivables and investment securities are as follows:

	2023		
	Individual	**Collective**	**Total**
Financial Assets at FVTPL			
Balance as of January 1, 2023	**₱–**	**₱1,059,573,158**	**₱1,059,573,158**
New assets originated	–	353,363,380	353,363,380
Assets derecognized or repaid	–	(486,926,564)	(486,926,564)
Foreign exchange movement	–	(28,001,672)	(28,001,672)
Balance at December 31, 2023	**₱–**	**₱898,008,303**	**₱898,008,303**
Financial Assets at FVOCI			
Balance as of January 1, 2023	**₱–**	**₱5,788,490,640**	**₱5,788,490,640**
New assets originated	–	2,089,568,372	2,089,568,372
Assets derecognized or repaid	–	(1,568,724,747)	(1,568,724,747)
Amortization and foreign exchange movement	–	(56,245,486)	(56,245,486)
Balance at December 31, 2023	**₱–**	**₱6,253,088,779**	**₱6,253,088,779**
Investment Securities at Amortized Cost			
Balance as of January 1, 2023	**₱–**	**₱3,152,466,575**	**₱3,152,466,575**
New assets originated	–	**1,036,677,999**	**1,036,677,999**
Assets derecognized or repaid	–	**(1,100,039,545)**	**(1,100,039,545)**
Amortization	–	**(9,617,476)**	**(9,617,476)**
Balance at December 31, 2023	**₱–**	**₱3,079,487,553**	**₱3,079,487,553**
Insurance Receivables			
Balance as of January 1, 2023	**₱–**	**₱–**	**₱–**
New assets originated	–	–	–
Assets derecognized or repaid	–	–	–
Balance at December 31, 2023	**₱–**	**₱–**	**₱–**

Movements of the allowance for credit losses on insurance receivables and investment securities during the year are as follows:

	2023		
	Individual	**Collective**	**Total**
Financial Assets at FVOCI			
Balance as of January 1, 2023	**₱–**	**₱31,944,246**	**₱ 31,944,246**
New assets originated	–	–	–
Assets derecognized or repaid	–	**(101,969)**	**(101,969)**
Balance at December 31, 2023	**₱–**	**₱31,842,277**	**₱31,842,277**
Investment Securities at Amortized Cost			
Balance as of January 1, 2023	**₱–**	**₱460**	**₱460**
New assets originated	–	–	–
Assets derecognized or repaid	–	–	–
Balance at December 31, 2023	**₱–**	**₱460**	**₱460**
Insurance Receivables			
Balance as of January 1, 2023	**₱–**	**₱128,309,728**	**₱128,309,728**
New assets originated	–	**44,118,290**	**44,118,290**
Assets derecognized or repaid		–	–
Amounts written off	–	**(79,534,884)**	**(79,534,884)**
Balance at December 31, 2023	**₱–**	**₱92,893,134**	**₱92,893,134**

As of December 31, 2023 and 2022, the carrying values of the SLGFI Group's financial instruments represent maximum exposure to credit risk as of reporting date. In 2023 and 2022, all financial assets of the Group are classified as Stage 1 and there were no transfers between stages during the year.

The table below provides information regarding the credit risk exposure of the Group by classifying financial assets according to the Group's credit ratings of counterparties:

	2023			
	Investment Grade	**Non-investment grade - Satisfactory**	**Past due and impaired**	**Total**
Cash and cash equivalents	**₱1,467,105,709**	**₱1,363,700**	**₱–**	**₱1,468,469,409**
Insurance receivables				
Premiums due and uncollected	–	**167,272,832**	–	**167,272,832**
Reinsurance recoverable on paid losses	–	**232,670**	–	**232,670**
Financial assets at FVTPL				
Debt securities	**4,725,088,555**	–	–	**4,725,088,555**
Seed capital in segregated funds	**501,065,822**	–	–	**501,065,822**
Mutual Fund	**100,792,453**	–	–	**100,792,453**
Financial assets at FVOCI				
Debt securities	**13,991,852,522**	–	–	**13,991,852,522**
Equity securities	**1,084,375,674**	**1,215,000**	–	**1,085,590,674**
Financial assets at amortized cost	**233,289,210**	–	–	**233,289,210**
Segregated fund assets				
Cash and cash equivalents	**1,229,541,027**	–	–	**1,229,541,027**
Government debt securities	**3,346,746,746**	–	–	**3,346,746,746**
Loans and receivables	**241,516,054**	–	–	**241,516,054**
Equity securities	**26,148,373,959**	–	–	**26,148,373,959**
Structured notes	**7,034,108,784**	–	–	**7,034,108,784**
Private peso bonds	**2,212,183**	–	–	**2,212,183**
Subscription receivable	–	**5,893,515**	–	**5,893,515**
Investment receivable	–	**77,396,462**	–	**77,396,462**
Accrued income	**87,906,051**	–	–	**87,906,051**
Loans and receivables				
Due from related parties and GEM trust	**2,474,625**	**8,914,403**	**1,984,442**	**13,373,470**
Due from agents	–	**3,102,079**	–	**3,102,079**
Policy loans	**560,415,719**	–	–	**560,415,719**
Held in trust	**25,226,387**	–	–	**25,226,387**
Others	**70,345,990**	**21,545,095**	**3,051,973**	**94,943,058**
Accrued income	**347,522,733**	–	–	**347,522,733**
Other assets – refundable deposits	–	**43,638,852**	–	**43,638,852**
	₱61,199,960,203	**₱330,574,608**	**₱5,036,415**	**₱61,535,571,226**

Investment grade financial assets are assets which have strong capacity to meet the Group's financial commitments and are unsusceptible to adverse effects of changes in economic conditions.

Non-investment grade financial assets are assets which are vulnerable to impairment due to the assets' significant speculative characteristics. Adverse economic conditions will likely impair non-investment grade financial assets.

Cash and cash equivalents are substantially deposited to a related party commercial bank in good financial standing and covered by the standard deposit insurance. As part of Group policy, bank deposits are only maintained with reputable financial institutions.

Financial assets at FVTPL consist of unquoted debt securities, investments in seed capital and mutual funds. Financial assets at FVOCI consist mostly of government bonds while others are private local corporations issued debt and equity securities.

Loans and receivables are composed significantly of loan to policyholders which are 100% secured by earned cash values, net of outstanding premiums and due from cedants.

The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or Group of counterparty, and to geographical and line of risk segments. The policy of the Group is to deal only with creditworthy counterparties.

The Group has allowance for impairment losses for its loans receivables which are already past due amounting to ₱5.04 million and ₱6.04 million as of December 31, 2023 and 2022, respectively.

The Group conducts a periodic review of allowance for impairment losses based on the corresponding age of past due accounts, payment behaviour, credit capacity and length of relationship with the counterparty.

The Group did not have any significant concentration of credit risk with a single counterparty or group of counterparties, geographical and industry segments as of December 31, 2023 and 2022.

f. Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

MICO's principal transactions are carried out in Philippine Peso and its exposure to foreign exchange risk arises primarily with respect to US Dollar and Euro. In addition, MICO enters into non-deliverable forward contracts to hedge its exposure on foreign currency exchange risks.

The tables below summarize the Company's exposure to foreign currency exchange rate risks by categorizing financial assets and liabilities by major currencies.

	2023				
	Philippine Peso	US Dollar	Euro	Others	Total
Financial assets at FVTPL					
Listed equity securities:					
Common shares	₱11,608,050	₱178,949,171	₱–	₱–	₱190,557,221
Private debt securities		326,942,434		27,554,984	354,497,418
Funds	183,708,301	136,166,662	6,866,806	26,211,895	352,953,664
Financial assets at FVOCI					
Listed equity securities:					
Common shares	2,407,151,002	113,873,853	4,917,997	32,604,377	2,558,547,229
Preferred shares	92,440	–	–	–	92,440
Unlisted equity securities:					
Common shares	492,489,493	–	–	–	492,489,493
Preferred shares	17,540	–	–	–	17,540
Government debt securities:					
Local currency	898,280,725	–	–	–	898,280,725
Foreign currency	–	306,005,077	–	–	306,005,077
Private debt securities	–	1,997,656,275	–	–	1,997,656,275
Investments securities at amortized cost					
Government debt securities:					
Local currency	2,728,174,008	–	–	–	2,728,174,008
Foreign currency	–	273,643,635	–	–	273,643,635
Private debt securities-net	–	77,669,450	–	–	77,669,450
Cash and cash equivalents	1,611,806,197	962,950,116		14,227,917	2,588,984,230
Short-term investments	2,570,978	–	–	–	2,570,978
Insurance receivables – net	6,002,071,737	2,620,357,851	3,267,580	–	19,924,959
Loans and receivables	1,611,806,197	962,950,116		14,227,917	2,588,984,230
Long-term commercial papers	1,083,937,899	–	–	–	1,083,937,899
Accounts receivable	108,501,810	–	–	–	108,501,810
Notes receivable	11,564,438	–	–	–	11,564,438
Cash advances	978,396	–	–	–	978,396
Security fund	909,737	–	–	–	909,737
Accrued interest:					
Financial assets at FVTPL	–	4,864,516	–	628,596	5,493,112
Financial assets at FVOCI	3,294,683	29,328,851	–	–	32,623,534
Investment securities at amortized cost	36,811,020	4,604,081	–	–	41,415,101
Long-term commercial papers	5,832,915	–	–	–	5,832,915
Funds held by ceding companies – treaty	3,896	650,280	–	–	654,176
Cash and cash equivalents	179,333	45,776			
Security fund	145,853	–	–	–	145,853
Accrued dividend income	242,125	–	–	–	242,125
Total Financial Assets	15,590,372,576	7,033,708,028	15,052,383	101,227,769	14,134,363,438
Insurance payables:					
Due to reinsurers and ceding companies	1,900,233,413	1,415,695,743	–	35,311,888	3,351,241,044
Funds held for reinsurers	1,395,785,814	–	–	–	1,395,785,814
Accounts payable, accrued expenses and other liabilities:					
Accounts payable	896,717,399	–	–	–	896,717,399
Commissions payable	1,118,775,995	–	–	–	1,118,775,995
Accrued expenses	145,829,471	–	–	–	145,829,471
Surety deposits	147,840,753	–	–	–	147,840,753
Others	37,297,610	–	–	–	37,297,610
Lease contract liabilities	32,002,022	–	–	–	32,002,022
Total Financial Liabilities	₱5,674,482,477	₱1,415,695,743	₱–	₱35,311,888	₱7,125,490,108

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar, euro and other currency exchange rates, with all other variables held constant, of the Company's profit before tax (due to changes in the foreign exchange rate).

Currency	Change in rate	**Impact on income before tax increase (decrease)** 2023	Change in rate	Impact on income before tax increase (decrease) 2022
US Dollar	**+5%**	**₱186,258,858**	+5%	₱204,671,198
	-5%	**(186,258,858)**	-5%	(204,671,198)
Euro	**+5%**	**734,925**	+5%	694,129
	-5%	**(734,925)**	-5%	(694,129)
Others*	**+5%**	**4,331,503**	+5%	3,817,901
	-5%	**(4,331,503)**	-5%	(3,817,901)

**Others include Australian dollar, Canadian dollar, Japanese yen, Hong Kong dollar, British pound, Swiss franc, Indonesian rupiah, Singaporean dollar, Swedish krona, Norwegian krone, Danish krone, and New Zealand dollar*

The following table shows the details of the SLGFI Group's foreign currency denominated monetary assets and liabilities and their Philippine Peso equivalents.

	2023*	
	US$	**PHP**
Assets		
Cash and cash equivalents	**$3,973,547**	**₱220,015,308**
Financial assets	**41,843,318**	**2,316,864,518**
Accrued income	**918,365**	**50,849,870**
	46,735,230	**2,587,729,696**
Liabilities		
Legal policy reserves	**19,210,273**	**1,063,672,816**
Premium deposit fund	**3,959,670**	**219,246,928**
	23,169,943	**1,282,919,744**
	$23,565,287	**₱1,304,809,952**

** The exchange rate used in 2023 was ₱55.37 to US$1.*

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on income before income tax (due to changes in fair value of currency sensitive monetary assets and liabilities). There is no other impact on the Group's equity other than those already affecting the statement of income.

	Currency	**Change in variable**	**Impact on income before income tax**
2023	**USD**	**+4.42%**	**(57,711,388)**
	USD	**-4.42%**	**57,711,388**
2022	USD	+3.06	(₱36,850,262)
	USD	-3.06	36,850,262

Reasonably possible movements in foreign exchange rates are computed based on average percentage changes in the PDEx closing rate for the past 3 years.

43. Changes in Liabilities Arising from Financing Activities

2023

	January 1, 2022	**Net cash flows**	**Non-cash movement**	**December 31, 2023**
Loans payable (Note 19)	**₱8,217,000,000**	**(₱845,857,979)**	**(₱3,400,000,000)**	**₱3,971,142,021**
Long-term debt (Note 20)	**9,031,523,279**	**615,007,701**	**(4,766,185,810)**	**4,880,345,170**
Lease liabilities (Note 14)	**1,378,830,278**	**(149,706,182)**	**(621,140,794)**	**607,983,302**
	₱18,627,353,557	**(₱380,556,460)**	**(₱8,787,326,604)**	**₱9,459,470,493**

2022

	January 1, 2022	Net cash flows	Non-cash movement	December 31, 2022
Loans payable (Note 19)	₱5,706,469,178	₱2,510,530,822	₱–	₱8,217,000,000
Long-term debt (Note 20)	10,137,862,990	(1,106,339,711)	–	9,031,523,279
Lease liabilities (Note 14)	1,115,360,254	(38,966,647)	302,436,671	1,378,830,278
	₱16,959,692,422	₱1,365,224,464	₱302,436,671	₱18,627,353,557

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON REVISED SRC RULE 68

DECEMBER 31, 2022

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

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

Schedule A. Financial Assets in Equity Securities

The Group is not required to disclose the financial assets in equity securities as the equity investments at fair value through other comprehensive income (FVOCI) amounting ₱650.64 million do not constitute 5% or more of the total noncurrent assets of the Group as at December 31, 2022.

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

As at December 31, 2022, the Group has no receivable above ₱1 million or 1% of the total assets, whichever is lower from directors, officers, employees, and principal stockholders (other than related parties).

Schedule C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements

Below is the schedule of receivables with subsidiaries, which are eliminated in the consolidated financial statements as at December 31, 2022:

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Balance at end of year
Landev Corporation					
Due from affiliates	₱3,571,667	₱4,307,691	(₱3,571,667)	₱–	**₱4,307,691**
Dividends receivable	49,999,850	47,999,940	(49,999,850)	–	**47,999,940**
	53,571,517	52,307,631	(53,571,517)	–	**52,307,631**
Greyhounds Security and Investigation Agency Corporation					
Due from affiliates	765,532	5,759,404	(4,808,432)	–	**1,716,504**
Dividends receivable	17,999,064	–	(17,999,064)	–	–
	18,764,596	5,759,404	(22,807,496)	–	**1,716,504**
Investment Managers, Inc.					
Due from affiliates	4,894,281	171,932	–	–	**5,066,213**
iPeople, inc. and subsidiaries					
Due from affiliates	13,488,728	100,014,084	(89,370,564)	–	**24,132,248**
Dividends receivable	–	80,310,571	(80,310,571)	–	–
	13,488,728	180,324,655	(89,370,564)	–	**24,132,248**
EEI Corporation and subsidiaries					
Due from affiliates	2,400,000	10,500,437	(11,002,696)	–	**1,897,741**
La Funeraria Paz Sucat, Inc					
Due from affiliates	433,328	6,699,794	(5,389,703)	–	**1,743,419**
Dividends receivable	–	10,000,000	(10,000,000)	–	–
	433,328	16,699,794	(15,389,703)	–	**1,743,419**
Zambowood Realty and Development Corp					
Due from affiliates	15,743	2,158	(17,901)	–	–
Dividends receivable	277,098	–	(277,098)	–	–
	4,342	288,499	–	–	–
Xamdu Motors, Inc.					
Due from affiliates	15,328	905	(16,233)	–	–
Zamboanga Carriers, Inc					
Due from affiliates	18,630	2,179	(17,916)	–	**2,893**
Dividends receivable	–	–	–	–	–
	18,630	2,179	(17,916)	–	**2,893**

(Forward)

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Balance at end of year
Hexagon Lounge, Inc.					
Due from affiliates	₱55,370	₱–	(₱55,370)	₱–	₱–
San Lorenzo Ruiz Investment Holdings and Services, Inc.					
Due from affiliates	1,472,602	6,006,856	(6,683,422)	–	**796,036**
Secon Professional					
Due from affiliates	89,911	43,999	(90,697)	–	**43,213**
ATYC, Inc.					
Due from affiliates	–	6,892,921	(853,561)		**6,039,360**
HI Cars, Inc. (formerly Honda Cars Kalookan Inc.)					
Due from affiliates	1,016,415	818,070	(749,482)	–	**1,085,003**
	₱96,225,048	₱279,817,282	(₱200,608,657)	₱–	**₱94,830,261**

These receivables are non-interest bearing and are expected to be settled within the next twelve (12) months.

Schedule D. Intangible Asset - Other Noncurrent Assets

As at December 31, 2022, the Group's intangible assets consist of goodwill and computer software. Goodwill in the Group's consolidated statements of financial position arose from the acquisition of EEI, IPO and MESI. Details of the Group's intangible assets are as follows:

Description	Balance at beginning of year	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Balance at end of year
Goodwill	₱484,829,719	₱–	₱–	₱–	₱–	₱484,829,719
Intellectual property rights	523,103,000	–	(32,220,936)	–	–	490,882,064
Student relationship	43,761,227	–	(33,002,141)	–	–	10,759,086
Computer software	27,336,914	17,403,328	(13,284,216)	–	–	31,456,026
	₱1,079,030,860	₱17,403,328	(₱78,507,293)	₱–	₱–	₱1,017,926,895

Schedule E. Long-term Debt

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

Type of Obligation	Amount	Current	Noncurrent
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	₱1,497,017,619	₱1,497,017,619	₱–
NTC Peso-denominated seven (10) year term loan, payable in 28 quarterly payments starting May 2022 with interest subject to annual repricing based on higher of 5.5% or prevailing 1-year rate pluss interest spread	358,998,600	24,430,200	334,568,400
EEI Floating-rate corporate promissory notes with effective interest of 3.5000%, 3.2500% and 3.4200% per annum for three years (3) years	4,607,632,881	3,153,445,912	1,454,186,969
BIOTECH JP Yen-denominated five (5) year, four and half (4.5) year term and ten (10) year term loan, with interest rate of 0.05% per annum, 0.30% per annum and 2.975% per annum, respectively	₱158,552,929	₱39,871,329	₱118,681,600
ATYC Peso-denominated promissory note payable on or before September 30, 2025 together with annual interest of 6.04% due every anniversary of the note starting September 30, 2023 until the note is fully paid.	2,409,321,250	–	2,409,321,250
	₱9,031,523,279	₱4,714,765,060	₱4,316,758,219

Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)
As at December 31, 2022, the Group has Peso-denominated promissory note with a related party amounting to ₱2.4 billion that is payable on or before September 30, 2025 together with annual interest of 6.04% due every anniversary of the note starting September 30, 2023 until the note is fully paid.

Schedule G. Guarantees of Securities of Other Issuers
There are no guarantees of securities of other issuing entities by the Group as at December 31, 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	–	–	–	–

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of House of Investments, Inc. and its Subsidiaries (the Group) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 29, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Lloyd S Chua

Lloyd Kenneth S. Chua
Partner
CPA Certificate No. 109688
Tax Identification No. 223-270-891
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-115-2022, January 20, 2022, valid until January 19, 2025
PTR No. 10079919, January 5, 2024, Makati City

April 29, 2024

HOUSE OF INVESTMENTS, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

		Amount
Unappropriated retained earnings, beginning		₱1,419,741,924
Add (Category A): Items that are directly credited to unappropriated retained earnings		–
Reversal of Retained Earnings appropriation/s		–
Effect of restatements of prior-period adjustments		–
Others (sale of FVOCI shares)		37,772,927
		1,457,514,851
Less (Category B): Items that are directly debited to unappropriated retained earnings		
Dividend declaration during the reporting period		(38,823,264)
Retained Earnings appropriated during the period		(1,700,000,000)
Effect of restatements of prior-period adjustments		–
Others (describe nature)		–
Unappropriated retained earnings as adjusted, beginning		(281,308,413)
Net income for the year		1,426,905,278
Less (Category C.1): Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	–	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	–	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Unrealized fair value gain of investment property	–	
Other unrealized gain or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Subtotal		–
Add (Category C.2): Unrealized income recognized in the profit or loss during the reporting period (net of tax)		

		Amount
Realized foreign exchange gain, except those attributable to cash and cash equivalents	–	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Realized fair value gain on investment property	–	
Other realized gain or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Subtotal		–
Add (Category C.3): Unrealized income recognized in prior periods but reversed in the current reporting period (net of tax)		
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	–	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Reversal of previously recorded fair value gain on investment property	–	
Reversal of other unrealized gain or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded	–	
Subtotal		–
Adjusted Net Income/Loss		1,145,596,865
Add (Category D): Non-actual losses recognized in the profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)	–	
Subtotal		–
Add/Less (Category E): Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of the reporting relief	–	
Total amount of reporting relief granted during the year	–	
Others (describe nature)	–	
Subtotal		–

		Amount
Add/Less (Category F): Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	–	
Net movement of deferred tax asset and deferred tax liabilities related to same transaction	(103,492)	
Adjustment due to deviation from PFRS/GAAP - gain (loss)	–	
Others	–	
Subtotal		(103,492)
Total Retained Earnings, end of the reporting period available for dividend		₱1,145,493,373

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS AS OF DECEMBER 31, 2023 AND 2022

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2023 and 2022:

Financial ratios		**2023**	2022
Current ratio	Current assets / Current liabilities	0.92:1	0.92:1
Solvency ratio	Net income plus depreciation / Total liabilities	0.10:1	0.10:1
Debt to equity ratio	Total liabilities / Total equity	0.82:1	0.82:1
Asset-to-equity ratio	Total assets / Total equity	1.82:1	1.82:1
Interest rate coverage	EBIT* / Interest expense	3.75:1	3.75:1
Return on assets	Net income / Average total assets	2.82%	2.82%
Return on equity	Net income / Average total equity	5.23%	5.23%

**Earnings before interest and taxes (EBIT)*

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

Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of December 31, 2023: