COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	5	3	9	3							

COMPANY NAME

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	815-9636 to 38	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
386	July 20	September 30

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION

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

1. For the quarterly period ended September 30, 2018

2. SEC Identification Number 15393

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

4. Exact name of registrant as specified in its charter: HOUSE OF INVESTMENTS, INC.

5. Makati City, Philippines
Province, Country or other jurisdiction of incorporation or organization

6. /____/ (SEC Use Only)
Industry Classification Code:

7. 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City — 1200
Address of principal office — Postal Code

+63 (2) 8940320; +63 (2) 8134537
Issuer's telephone number, including area code

9. Not Applicable
Former name, or former address, if changed.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, P1.50 par value	615,996,114 shares of common stock
Preferred Stock, P0.40 par value	618,535,387 shares of preferred stock

Amount of debt as of September 30, 2018 P25.73 Billion

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

Yes (X) No ( )
Only the common stock is listed in the Philippine Stock Exchange

12. Check whether the registrant:

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

Yes (X) No ( )

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

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The interim consolidated financial statements of House of Investments, Inc. and Subsidiaries as of September 30, 2018 with comparative figures for the periods ended December 31, 2017 and September 30, 2017 and Schedule of Aging of Accounts Receivable are incorporated by reference as **Exhibit 1**.

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

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

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

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

None

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

None

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

•EEI Corp., a major subsidiary under the HI Group, continues to have a strong construction pipeline domestically. Major additions to its project pipeline will require additional investments in new capital equipment in order for EEI to deliver its projects to its customers. EEI expects to be able to pay for its capital equipment acquisitions through a combination of internally generated funds, and new borrowings.

•For iPeople inc., Malayan Education Systems, Inc. (operating under the name of Mapua University), a subsidiary of iPeople, inc., has finalized the purchase of a 5,114 sqm. property along P.Ocampo Sr. Ave. in Makati City on November 14, 2018. MESI will develop a new Mapua campus on the property. The total project budget is Php2.5 Billion.

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

For iPeople Inc., there are two factors that are expected to affect the enrolment, profitability and cash flows of iPeople, inc. and its subsidiary schools:

(1) The continuing effects of the K+12 transition will still be felt until normalization of enrolment is achieved in AY 2021-22.
(2) Universal Access to Quality Tertiary Education Act (RA10931) had its first-time implementation this AY 2018-19. There was a decline in college freshman intake in private schools as a result. A large portion of the incoming freshman had applied with SUC/LUCs to avail of the free education under the Act.

Other than the two listed above, there is no known trend, event or uncertainty that are expected to have a material impact on net sales or revenues or income of the group from continuing operations.

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

None

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

Income Statement Variances

As of the period ended 30 September 2018, the Group posted a consolidated net income after tax of P1.20 billion compared to P1.10 billion against last year. Net income attributable to Parent company is P836 million.

Total consolidated revenues is at P23.24 billion higher by 22% compared to P19.0 billion of last year, primarily attributable to higher revenues generated by the construction segment. Also, the results of operations as of the period reflect the adoption of the new accounting standards, PFRS 9 and 15.

Revenues from services, which pertain primarily from the construction segment, increased by 54% compared against year. Revenues from domestic construction grew by 53% as several right of way issues that slowed down the progress of infrastructure projects has been resolved. Sales of goods decreased from P6.97 billion last year to P5.65 billion this year primarily because of declined sales of car dealerships. Revenues from school operations dropped from P1.45 billion to P1.31 billion this period because of lower number of freshmen and sophomore enrolees for this year, as a result of the

K+12 program transition, softened by income from Senior High School offerings. Also, the transition to a new calendar for Academic Year 2018-2019 has affected the schools' income as of this period.

Interest and discounts, which are attributable to Zamboanga Industrial Finance Corp. (ZIFC), decreased from P7.53 million to P7.14 million because of lower lead of borrowers.

Dividend income pertains mainly to cash dividends from investments in affiliates and available-for-sale securities.

Increase in cost of services include a one-time additional cost in construction activities of P779.20 million, relative to adoption of PFRS 15. The decrease in cost of goods sold is attributable to the lower sales volume of the car dealerships. Cost of schools and related operations is higher primarily due to personnel related costs as the number of faculty and non-teaching personnel increased to accommodate the increasing number of SHS, tempered by significant reduction in utility costs, seminars and research and development related expenses.

Consolidated general and administrative expenses increased by 18%, from P1.58 billion to P1.87 billion this year. The increase is primary attributable to: (a) provision for doubtful accounts of EEI on its foreign affiliate (ARCC); (b) higher personnel and management expenses due to higher manpower requirements of EEI; (c) taxes and licenses due to higher DST from additional loans availed by the Group coupled by increase in DST rate; and (d) depreciation and amortization expense due to start of operations of the Mindanao campus, Malayan College of Mindanao ("MCM") last July 2018.

Other income is lower by 6% because last year includes gain from redemption of RCBC Realty Corporation of its preferred shares and reversal of long outstanding payables of EEI.

Equity in net earnings of associates and joint ventures is at P445.80 million compared to P427.64 million against last year mainly because of higher equity earnings intake from the Parent Company's investment in PetroEnergy Resources Corp. (PERC) coupled with increase in ownership stake from 22.41% to 28.36% effective February 2018.

Interest and finance charges are higher as of the period, from P199.94 million to P299.47 million, due to new loan availments of the Group to finance its new projects and business requirements, coupled with higher borrowing rates.

Balance Sheet Variances

Total consolidated assets of the Group stood at P43.94 billion as of the period ending September 2018 against P37.35 billion of the year ended December 2017.

Total current assets increased from P17.73 billion to P21.68 billion as of the period. The increase is driven by the impact of adoption of PFRS 15 (input method) which resulted to recognition of higher cost on on-going major domestic projects.

Financial assets at FVPL pertains to investment of IPO in UITF.

Accounts receivable are lower compared to December 2017 due to collection of trade receivables from various project owners and customers of the Group.

Current and non-current portion of loans receivable is related to ZIFC operations.

Receivable from related parties increased mainly from service fee and mobilization billings to Al Rushaid Construction Company, Ltd. (ARCC) by Gulf Asia International Inc. (GAIC), a wholly owned subsidiary of EEI.

Inventories increased due to lower sales of car dealerships during the period.

Prepaid expenses and other current assets increased primarily due to higher unutilized input value added tax and creditable withholding taxes as of the period.

Total noncurrent assets increased from P19.62 billion to P22.26 billion.

Equity investments at Fair value through other comprehensive income (FVOCI) significantly increased due to the effect of adoption of PFRS 9 which resulted to the revaluation of equity share at Hermoza Ecozone Development Corporation and Petrogreen Energy Corporation.

Investments in associates and joint ventures is higher due to the additional Petroenergy Resources Corporation (PERC) shares purchased by the Parent Company coupled with higher recognized equity earnings intake as of the period.

Increase in investment properties is attributable to reclassification of land from Property and Equipment account, softened by the sale of condominium units, parking space and memorial lots of EEI Group.

Property and equipment at cost increased by 17% relative to the newly constructed school building in Mindanao and, acquisition of machineries and equipment for EEI's on-going major domestic projects.

Deferred tax assets decreased by 17% due to the tax effect in recognition of allowance for impairment of receivables in compliance with PFRS 9.

Reduction in other noncurrent assets pertains to collection of EEI of its receivables from a client.

Total consolidated liabilities increased to P25.73 billion as of September 2018 from P21.0 billion as of December 2017.

Increase in total current liabilities is due to additional loan obtained by the Group to finance its business requirements.

Accounts payable and accrued expenses increased primarily because of higher production activities of EEI thereby, incurring higher billings from subcontractors and suppliers.

Loans payable is higher by 13% against last year due to additional operating requirements of the Group.

Increase in due to related parties pertains only to foreign currency adjustment on the share of EEI on the tax obligation of ARCC.

Contract liability is higher due to adoption of PFRS 15.

Unearned tuition fees is normally higher at this period due to timing of enrolment.

Customers' deposits pertains to reservation fees received by of EEI Realty (a local subsidiary of EEI) for its low-cost housing units, as well as collection of down payment from EEI's new local projects.

Total noncurrent liabilities increased from P2.90 billion as of December 2017 to P3.43 billion as of September 2018 primarily because of new loan availments of EEI to finance its on-going projects.

Reduction in accrued retirement liability pertains to contributions made by the Group on its retirement fund.

Deferred tax liabilities is higher due to the tax effect of the revaluation of equity share of EEI in Hermoza Ecozone Corporation and Petrogreen Energy Corporation.

Reduction in other non-current liabilities pertain to reclassification of deferred output tax, resulting from collection of outstanding billings of EEI.

Total consolidated equity rose from P16.35 billion to P18.21 billion.

Cumulative translation adjustments represents exchange differences arising from the translation of financial statements of foreign subsidiary, EEI BVI, whose functional currency is the US Dollar.

Increase in fair value reserve of equity instruments at FVOCI is related to the adoption of PFRS 9.

Total consolidated retained earnings increased from P8.41 billion to P9.31 billion.

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

Every summer quarter, the school operations undergo a material change. For the purposes of this discussion, the summer quarter occurs in the three months from late March to late May of every year.

During the summer term, student enrolment drops over 50 percent because majority of matriculating students go on break. Therefore there is a seasonal shift in revenues as enrolment drops in the summer term. Despite the drop in enrolment during the summer, the schools continue to carry the same periodic fixed costs over a lower revenue base. Therefore the schools realize much lower net profits during the summer months.

Financial Soundness Indicators

The company's top 11 key performance indicators as of the end of September 30, 2018 compared to September 30, 2017 and to December 31, 2017 are as follows:

Financial ratios		**Unaudited 30-Sep-18**	Unaudited 30-Sep-17	Audited 31-Dec-17
Current ratio *Indicates the Group's ability to pay short-term obligation*	Current Assets / Current Liabilities	**0.97:1**	1.07:1	0.98:1
Solvency Ratio *Shows how likely a company will be to continue meeting its debt obligations*	Net Income + Depreciation / Total Liabilities	**0.07:1**	0.09:1	0.11:1
Debt-to-equity ratio *Measures the Group's leverage*	Total Debt / Equity	**1.41:1**	1.28:1	1.28:1
Asset to Equity Ratio *Shows how the company's leverage (debt) was used to finance the firm*	Total Assets / Equity	**2.41:1**	2.28:1	2.28:1
Interest Rate Coverage *Shows how easily a company can pay interest on outstanding debt*	EBIT / Interest Expense	**6.23:1**	7.99:1	7.73:1
Return on Average Stockholders' Equity *Reflects how much the Group's has earned on the funds invested by the stockholders*	Net Income / Average Equity	**6.92%**	7.28%	9.45%
Return on Assets *Measure the ability to utilize the Group's assets to create profits*	Net Income / Total Assets	**2.94%**	3.18%	4.12%
Net Profit Margin *Shows how much profit is made for every peso of revenue*	Net Income / Total Revenues	**5%**	6%	5%
Asset Turnover *Shows efficiency of asset used in Operations*	Total Revenues / Total Assets	**0.53**	0.53	0.74
Return on Equity *Shows how much the business returns to the stockholders for every peso of equity capital invested*	Net Income/Total Revenues xTotal Revenues / Total Assets x Total Assets /Total Equity	**7.0%**	7.0%	9.0%

- Current ratio is at 0.97 for the period ended September 2018 compared to 0.98 as of December 2017 last year due to higher level of borrowings and various obligations of the Group coupled with increase in contract liabilities.
- Solvency ratio at 0.07 lower compared to 0.11 as of September 2017 due to higher level of debt, payable to suppliers and contractors and increase in contract liabilities of the period.
- Debt-to-equity ratio increased from 1.28 in December 2017 to 1.41 as of September 2018 because of higher level of loans and payables to suppliers and contractors.
- Asset to equity ratio went up from 2.28 as of December 2017 to 2.41 this period due to higher contract assets resulting from adoption of PFRS 15, coupled with increased property and equipment attributable to the newly opened campus in Mapua Mindanao.
- Interest rate coverage ratio is lower at 6.23 times compared to 7.99 as of September 2017 due to improved earnings (before interest and taxes) of the Group as compared against last year despite increase in interest expense.
- Return on equity is at 6.92% against 7.28% as of September 2017. This is lower due to higher total equity as of the period as a result of increased fair value of equity investments carried at FVOCI recognized due to adoption of PFRS 9.
- Return on assets (ROA) dropped from 3.18% last September 2017 to 2.94% this year due to increase in assets, specifically, contract assets (effect of PFRS 15 adoption) and investment in associates and joint ventures and take up of equity earnings for the period.
- Net profit margin is lower at 5% against 6% last September 2017. Despite an increase in net income, this is lower due to significant interest expense incurred by the Group, which is almost twice as last year because of additional borrowings.
- Asset turnover is 0.53 times, same as September 2017.
- Return on average stockholders’ equity is at 7%, same as last year.

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

PART II – OTHER INFORMATION

Item 3: 3Q 2018 DEVELOPMENTS
Significant developments during the third quarter of 2018 were briefly discussed in Item II: *Management Discussion and Analysis of Financial Condition and Results of Operations.*

Item 4: OTHER NOTES TO FINANCIAL STATEMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

THE HOLDING COMPANY

The executive management takes an active role in the management of the core businesses. In addition, the executive management monitors the business performance of these companies portfolio very closely. Through regular review of actual results compared to budgets and previous year performance, House of Investments is able to determine if the group is able to perform as expected.

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

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

Risks at the Holding Company Level
The following covers the risk management policies at the holding company level. *For a discussion of risks faced by each portfolio company, please refer to the appropriate section in this report.*

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

b. Foreign Exchange Risk
The Company's exposure to foreign exchange risk is minimal. The company has excess funds denominated in U.S. dollars. Where possible and when warranted, it is the company practice to pay dollar liabilities with its excess dollar funds. The company does not speculate on the direction of foreign exchange rates.

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

d. Credit Risk
The Company's holding of cash and short-term securities exposes the company to the credit risk of the counterparty. Given House of Investments's diverse body of counterparties, it does not have a concentrated credit risk exposure. The Company manages its receivables thru selective granting of credit lines to corporates and banks.

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

The Company has non-core holdings in its AFS investments. For its non-core holdings, the Company's investment policy is to monitor developments in the market and to monitor these securities very closely. The Company regularly assesses the opportunity cost of holding these securities. When a more appropriate use of the funds is determined, it is the Company's intention to liquefy these investments and put the excess cash to work.

f. Business Continuity Risk
The Company is acutely conscious of the risks posed by natural disasters, acts of God, or other man-made actions that can have an adverse impact on the continuity of regular operations. The Company's Board through its Risk Oversight Committee and the management team ensures that the business continuity plans of each operating subsidiary is in place and is up to date.

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

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

The Risk Management Committee of the Board meets regularly and exercises an oversight role on executive management who are accountable for managing the risks that arise out of regular business operations

Risk Factors at the Car Dealerships

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

b. Operational Risks
- Franchise Agreements with Honda and Isuzu.

Our dealerships operate under a franchise agreement with Honda and with Isuzu, which authorizes our dealerships to sell new vehicles of the brands we carry or perform manufacturer authorized warranty service. These agreements govern almost every aspect of the operation of our dealerships, and give manufacturers the discretion to terminate or not renew our franchise agreements for a variety of reasons.

- Information Technology

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

- Property loss, business interruption or other liabilities

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

  We have insurance cover for many of the named risks above, except those that maybe due to regulatory or political risks. In addition, the Group has business continuity programs in place.

c. Market Risk

- Overall success of the automotive industry and in particular on the success of Honda and Isuzu

  Significant adverse events that interrupt vehicle or parts supply to our dealerships, would likely have a significant and adverse impact on the industry as a whole, including us, particularly if the events relate to any of the manufacturers whose franchises generate a significant percentage of our revenue.

- Competition

  We generally compete with: other franchised automotive dealerships in our markets; private market buyers and sellers of used vehicles; local service and repair shops and parts retailers; and automotive manufacturers (those that own their own dealerships).

  Buying decisions by consumers when shopping for a vehicle are extremely price sensitive. The level of competition in the market can lead to lower selling prices and related profits.

d. Availability of financing and interest rate sensitivity

- To the Company

  The operations relies heavily on loans to fund its working capital and cash flow. The car divisions access credit through the lines available to the head office, i.e. House of Investments, Inc. while Honda Cars Kalookan, Inc. has its own lines with Banks.

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

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

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

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

- Tax Reform for Acceleration and Inclusion ("TRAIN"). In particular, the implementation of the TRAIN saw an increase in the Excise Taxes on vehicles sold effective January 2018, which may result in a decline in sales of some models. The probability of a second phase of increases is anticipated with the proposed TRAIN 2 that is currently being deliberated by lawmakers. An even more restrictive fiscal policy would further reduce the demand for brand new vehicles leading to lower revenues by the car dealerships.
- Data Privacy Act. The recently passed Data Privacy Law requires that personal and sensitive information of Car Dealerships' stakeholders held by the company be taken care of with utmost privacy. A breach of this requirement would mean stiff penalty and also possibly result to costly lawsuits that may tarnish our reputation. A committee has already been formed to spearhead the awareness for this requirement and implementation of necessary policies that protect personal data.

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

f. Environmental regulations
   We are subject to a wide range of environmental laws and regulations, including those governing: discharges into the air and water; the operation and removal of storage tanks; and the use, storage and disposal of hazardous substances.
   In the normal course of our operations we use, generate and dispose of materials covered by these laws and regulations. We face potentially significant costs relating to claims, penalties and remediation efforts in the event of non-compliance with existing and future laws and regulations.

Risk Factors at the Construction Sector

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

The company is expecting the following major risks and opportunities (in no particular order) to factor into its business and is doing the corresponding actions to properly address them:

a. Geopolitical risk and opportunities

- Expected Philippine Infrastructure Boom. As the government continues to change the political and economic situation in the country including EEI's relationships with other nations, the effects of which to the construction markets where EEI has interests is of particular interest: The "Build, build, build" initiative of the government is expected to provide a sizable opportunity for players in the construction industry but the funding for such and fairness of the government in awarding contracts are important factors; Though it is anticipated that a significant number of Chinese investors will be putting in money in the country, most of which to partner with the government to do new infrastructure projects, the credibility of these potential clients as "good" ones is somewhat suspect at least basing on the rating that the UN gave them; Japan has not only provided funding but also begun investing in infrastructure and other business ventures in the Philippines.

  To mitigate this risk, EEI has made alliances with foreign EPCs in its pursuit for more infrastructure projects. EEI is also establishing working relationships with known local developers that will most likely be awarded government projects. Due diligence on Chinese investors is also being done prior to entering into any partnership. Contracts related to such partnership are being thoroughly reviewed to ensure its fairness.

- Looming Global Trade War. Donald Trump announced tariffs on up to $60 billion of imports from China, proposed new investment restrictions and promised to sue China at the WTO for its technology-licensing regime. In response, China could impose tariffs on $3 billion of imports from America or a nuclear trade option, sell off its US treasury bills holdings which will dampen the US bond market. Meanwhile, American customs officials started collecting levies of 25% on incoming steel and 10% on aluminum from China.

  Trade war rumblings have Wall Street investors on edge, sent market volatility soaring and may stunt global growth prospects. On the other hand, the US tariff will create a glut in steel products in the ASEAN region, which will ultimately reduce the price of steel.

  To mitigate this risk, EEI is closely monitoring the price of steel and other construction products affected by the US tariffs to capitalize on the expected benefits.

b. Saudi country risk

A relatively sizable operation of the company is situated in the Kingdom of Saudi Arabia and the uncertainties in that area is of some concern. The prevailing low oil prices, the political instability and regional security threats (Iran, Syria and Yemen) continue to be a factor that affects the operations there. On the other hand, emerging opportunities exist with the new Crown Prince's Vision 2030 initiatives, Saudi Aramco's 3 IPO and alliance with Russia, which will not only stabilize the oil price but also create new economic activities.

EEI continues to focus on sustainable operations and maintenance contracts where margins are higher. EEI will also develop new international markets particularly in the ASEAN region that will fill the void due to slowdown in Saudi Arabia.

c. Business concentration risk

As much as EEI values its current roster of regular clients, it is always better to create a wider client base. Doing this will not only expand the opportunities open to the company but also make the company more resilient to any fluctuations in the business of our clients.

EEI was able to establish new clients but at the same time recognize that expanding the client base has its limits. It is the reality of the Philippine business environment that investors are not that many. So EEI will expand its client base as much as possible but will give equal emphasis on the "quality" of the clients that EEI caters to – clients that have a track record of being fair and with sound financial standing are preferred. EEI also identified ways to expand our contracting capacity to be able to increase its government contracts portfolio when there are

favorable opportunities to do so and also possibly serve as a balancing force to EEI's non-government contracts portfolio.

d. Credit risk

It is typical in the industry, here and abroad, that executing a construction project involves a certain amount of credit between us (the contractor) and the client. Though the client's down payment is meant to provide working capital for the contractor, usually this is insufficient considering the fast-paced work, change orders, and timing difference between billing and collection. Thus, most of the time, a certain amount of work is being "financed" by the contractor and the probability of successfully collecting such is the risk. As EEI has undergone a significant increase in the number and size of projects that it are doing, the level of credit risk has also proportionately risen and should be given ample attention.

EEI performs close monitoring of project cash flow and prompt billing is being done, ensures that all change orders are only executed with proper approval documents from the client to ensure collectability of the work, initiate due diligence of new clients during tender stage as part of KYC, and negotiate for higher down-payment from the client

e. Interest rate risk

The era of quantitative easing known as QE3, using dollars created out of thin air to buy vast sums of bonds $4.4 trillion, is over in the United States. This will signal an end to easy money in Asia. Interest rates are expected to rise with US Federal Reserve Chairman recent announcement for a faster pace to rate hikes to address inflation caused by a strong economy. Higher interest rates result to higher borrowing costs.

To mitigate this risk, EEI's efforts to expand its facilities from banks to an optimum level have been successful and efforts to reduce debt levels are continuing.

f. Competition risk

Influx of new foreign competitors is expected with the loosening of the local laws for foreign contractor entry into the local construction market. EEI's local competitors tie up with specialty foreign contractors has also contributed to the intense competition inthe market.

EEI continues to focus on its core business where is has competitive advantage and has cemented its business relationship with its main customer base and is continuing with its initiative to enter into foreign markets with the help of its current and future foreign partners.

g. Succession planning

The retirement of EEI's senior executive officers at the Construction Division including a few officers who either retired or left the subsidiary companies factors into its succession planning. Ensuring that proper control of operations and strategic direction remains intact and effective during the transition will be important. To mitigate this risk, vacant positions were promptly filled up with capable people. EEI continues to run extensive management development training programs to prepare the successors of the retiring managers.

h. Manpower Sourcing

The construction boom in the Philippines has put considerable strain in the supply of human labor as various construction companies vie for their services. Although EEI's pool of workers is sufficient for the present amount of work, the anticipated award of new projects will require additional workers. The capacity of EEI's recruitment group to acquire talents from various parts of the country has been supplemented by increasing their manpower complement.

Efforts are now being done to make the deployment of our workers to various projects more efficient – that is, spot over-supply in certain areas and redistribute them to projects where they can be better utilized. In addition, the use of technology and machines in lieu of human labor is also being explored and training programs for zero-skilled applicants are being intensified to properly equip new recruits to work in our projects.

i. Implementation of PFRS 9 & 15 regulations

Starting January 1, 2018, the Philippine Financial Reporting Standard (PFRS) 9 and 15 will take effect. This means that management's discretion on the provisioning of savings or overruns for projects (which is intended to match revenue and cost recognition) will now be removed. Instead, revenues will be reported as contract obligations are satisfied while cost will be recognized when losses are incurred. In this case, the new standards will result to increased volatility in EEI's financial results. How its stakeholders react to this volatility may impact our stock price and the analysts' view of EEI's performance. Efforts will be taken to discuss such volatility with all relevant stakeholders to provide proper context and expectations and in managing credit and operational risks will help reduce such volatility.

j. Effects of TRAIN Law

The TRAIN Law is expected to induce price increase in the resources used in EEI's projects. These price movements may result to additional costs without compensating increase in revenue if not properly identified and managed.

To mitigate this risk, escalation clauses are included in contract provisions with our clients and medium term supply contracts have been arranged with major suppliers except for steel products where prices are expected to decline due to supply glut that may arise from the trade war between US and China.

k. Disruptive Technology

New technologies in construction – such as robotics, construction design by artificial intelligence – have the potential to disrupt the state of the industry. Players failing to adopt or even adapt to such changes may prove disastrous as they risk obsolescence. Efforts to explore and study the use of these new technologies are being done.

l. Sustainability

EEI is aware that our business' sustainability equally hinges in the state of our people, the society it serves and the environment we live in. Factors such as employee morale, militant ideological beliefs and natural disasters may have severe effects to its business if not properly managed.

To mitigate this risk, initiatives to provide EEI's people with a safe, orderly, fair and, as much as possible, comfortable working environment are continuing. EEI continues to cultivate the community within and outside the workplace. The methods EEI employs in the work adhere to the strictest environmental standards and a testament to this is EEI's ISO 14001 certification. Programs wherein EEI's people perform extracurricular activities that help the environment are continuing (e.g. regular tree planting activity). EEI have invested in a solar energy farm and a wind energy farm.

m. Cybersecurity

As EEI pushes to use more sophisticated technology in improving the way we do our work; the use of the Internet cannot be avoided. However, using the Internet includes the possibility of being a target of cyberattacks and the increasing global trend of such attacks needs to be considered. Assessments on this threat and equipment to protect against these attacks are already acquired and in-place.

n. Data Privacy

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

o. Operational Risk

- General. The company's construction projects can generally be divided into 3 types: buildings, infrastructure and electromechanical. Whatever the type of project, the operational risks that the company encounters can be categorized under the following types of risks: Estimation errors; Issues with manpower; Issues with equipment or tools; Issues with materials; inefficiencies in EEI's performance during project execution; Inefficiencies in client's and their nominated subcontractors' performance during project execution; Site conditions that may affect the work; Actions by third parties (i.e. the public at large or government) that may affect the work; and Government approvals and right of way issues.

  The operational risks that the company encounters from year to year changes only in its mix mainly depending on the mix of projects that are being executed. This is because the nature of the work in each type of project results to a different mix of operational risks.

  To mitigate this risk, increased awareness of project risk owners of the identification of risk and its impact on the project and performance of probabilistic forecasting to enable improved management of these external factors were implemented. Efforts to enhance the monitoring of project performance including the possible effects of all type of risk exposures are continuing in its development and is expected to further improve the company's anticipation of risks and response were done.

  Future construction contracts are being negotiated EEI to contain provisions that either transfers these externalities or at the very least provides a means of spreading or minimizing the risk. Risk mitigation also happens during the tender stage where EEI can decide to pursue or ignore a tender. Creation of rules of thumbs during project execution to contain losses when the risk materializes.

- Accidents. Possibility of accidents is a high risk for any of our projects and this has always been well managed. However, the company's portfolio of infrastructure projects (e.g. railways and elevated roads to name a few) has significantly increased recently. Such projects cannot be isolated from the general public as these are usually located within urbanized areas; there is heightened exposure of the public at-large to accidents due to EEI's construction activities.

  A more stringent safety plan is being implemented in all of the projects particularly those involving infrastructure executed in public areas. Proper insurance policies, properly designed to sufficiently cover any damage to 3rd parties, are procured to protect the welfare of the general public and also the financial performance of the projects.

- Right of way and obstruction issues. Another standard risk of infrastructure projects are Right of Way (ROW) and obstruction issues that impede the execution resulting to delays and, possibly, costs overruns. Considering that our big-ticket infrastructure projects are mostly located in developed cities, the occurrence of such issues cannot be prevented.

  Whenever possible, EEI taps the capabilities of our design team to explore and suggests redesign of the structure to the client in order circumvent any ROW or obstruction issues. EEI also anticipates effects of possible ROW or obstruction issues and adjust the plan of the schedule so as to minimize its financial impact without necessarily compromising the project duration.

- Contractual issues. The construction contract is critical in any project's success and the proper understanding and implementation of its provision is key to having a harmonious relationship with the client. However, there is the risk that certain provisions may be vague or even onerous which are contained in the contract that can put the contractor at a significant disadvantage during disputes thus result to unrecoverable costs. These issues should be identified and properly resolved with the other party to prevent any problems later on.

  EEI has made changes in our contracts management team and appointed a new Contracts Administrator so as to make the coordination between our legal department and project management team more effective in handling such issues. Lessons learned from the past experiences with contractual issues enabled us to come up with a checklist of provisions that we should carefully look at so as to make sure that it is stated in such a way that it is fair and protect our interests. This checklist is part of the considerations made during contract review of prospective construction projects.

Risk Factors at the Education Sector

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

- Accreditations. The schools are governed and regulated by the CHED and by the Department of Education ("DepEd"), depending on the program offerings. In addition, MES and MCL are also accredited by PCUCOA, while the initial accreditation of MCM is ongoing. MES is also accredited by the ABET; MES and MCL are both accredited by PTC-ACBET and PICAB.

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

- Tuition Fee. The Commission on Higher Education and the Department of Education regulates tuition increases at the university level and the secondary level, respectively, and routinely sets maximum limits on percentage increases in tuition fees. MES, MCL, MCM, and MHSS are subject to maximum percentage increase guidelines issued by both the CHEd and the DepEd, as applicable. The inability of our higher education institutions to increase tuition fees to cover higher operating costs may pose a risk to profits and cash flows over time.

- Changes in regulations. The DepEd K+12 program increases the total number of years of education at the pre-university level from 10 years to 12 years. The addition of two extra years of schooling prior to the university level means universities and colleges ended up with two academic years of no entering freshman classes.

  The reduction of the student population because of the K+12 program affected the Company's profits and cash flows in the medium term. MES, MCL and MHSS offered SHS starting 2016 to cushion the effects of the K + 12 Program. However, these measures may not offset the entire impact of a loss of two freshman batches.

b. Competition

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

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

- Students. Competition among schools for greater student enrolment is fierce. The schools compete against an impressive array of non-profit and for-profit schools. The competitors in the elite school level bring a formidable set of resources to the battle: money, facilities, history, tradition, an active alumni base, a spirited student body, established brands, and large marketing budgets.

  The Universal Access to Quality Tertiary Education Act (RA10931) shifts the proportion of college students between SUCs/LUCs and private Universities and Colleges. This will affect the enrollment in private Universities and Colleges.

  While Mapua is an established brand, it also has its own impressive set of resources. It continues to pursue accreditations from self-regulating private accreditation organizations in addition to the government accreditation bodies.

c. Credit Risk

As the schools increase their enrollment, the level of receivables also increases. Some of the students who cannot afford to make the full payment of tuition and miscellaneous fees during an academic quarter execute a Promissory Note and are expected to settle their accounts prior to the start of the next academic quarter. In certain cases, students who have signed promissory notes cannot pay these notes.

The schools do not aggressively pursue collection of defaulted student debt given that the default rate is small. Regardless, the schools face a risk that a rise in student defaults on promissory notes would impact profits and cash flows negatively.

d. Operational Risk

The following may hamper the operations of the Mapúa schools:

- Transportation Strikes. In the event of a transportation strike, students, faculty, and the admin staff are unable to come to the campuses affected. Classes are normally suspended during these events.

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

- Labor unrest. Mapúa University has two unions, Faculty Association of MIT (FAMIT) and MIT Labor Union (MITLU). A strike by any of the two unions would obstruct operations.

  Mapúa University is bound by the collective bargaining agreement (CBA) signed between the institution and the two unions. Mapúa University negotiates with each union separately. The FAMIT represents the faculty members. The MITLU represents the non-teaching staff. To the extent that unions negotiate CBA's with higher increases over time, this would negatively impact the cost structure of Mapúa University and lower the expected value of its profit and cash flows over time.

  In the event that a CBA is not negotiated successfully or there is an issue that results in labor unrest, it could have a material adverse impact on the operations of Mapúa University.

In the event of calamities, strikes, and the like that could hamper the operations of the schools, Mapúa has tested and instituted the use of Blackboard, its learning management system that is capable of conducting real-time online classes.

e. Interest Rate Risk
It is a company policy to use excess liquidity to pay down any borrowings in order to decrease financing costs, and reduce exposure to rising interest rates. It is also a company policy to actively discuss with lending banks on how to lower financing costs. The Company does not have a practice of speculating on the direction of interest rates. The main objective is to lower financing costs as much as possible.
The schools need capital to grow. All of our schools pursue growth opportunities, which may involve any of the following actions: building new teaching and non-teaching facilities at existing campuses; building campuses at new locations.

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

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

A certain portion of the student population depends on family members who are Overseas Filipino Workers to pay for their tuition and miscellaneous fees. International relations of the Philippines with the employer countries is a key element to avoid any serious disruption in the size and frequency of inward-bound overseas remittances.

Risk Factors at the Property Services

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

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

b. Credit Risk
Our business efficiency is highly dependent on our ability to manage our working capital well. If we experience delays in collections of accounts receivable, there will be a major impact on the availability of funding for our day-to-day operations. Any default by one or more of our significant customers due to bankruptcy or otherwise could have a material adverse impact on our liquidity, results of operations and financial condition.

c. Operational Risk

- Loss of Key Personnel. Our success depends upon the retention of our senior management, as well as our ability to attract and retain qualified and experienced employees. The departure of any of our key employees or the loss of a significant number of key revenue producers, if we are unable to quickly hire and integrate qualified replacements, could cause our business, financial condition and results of operations to suffer.

  In addition, the growth of our business is largely dependent upon our ability to attract and retain qualified support personnel in all areas of our business. Competition for these personnel is intense and we may not be able to successfully recruit, integrate or retain sufficiently qualified personnel. If we are unable to attract and retain these qualified personnel, our growth may be limited and our business and operating results could suffer.

- Natural calamities and disasters. Our operations can be hampered by property losses (both ours and our clients') due to fire, adverse weather conditions, earthquakes, and militant activities e.g. rallies and strikes, among others. In addition, our business is subject to substantial risk of loss resulting from: claims by employees, customers, and third parties for personal injury or property damage; and fines and penalties in connection with alleged violations of regulatory requirements.

  While we and our clients have insurance for many of these risks, we retain risk relating to certain of these perils and certain perils are not covered by our insurance.

d. Litigation Risk

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

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

e. Competition

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

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

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

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

Additionally, if we do not successfully manage our existing operational and administrative staff, we may not be able to achieve the anticipated gross margins, service quality, overtime levels and other performance measures that are important to our business, financial condition and results of operations.

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

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

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

In our role as a property or facility manager, we could be held liable as an operator for such costs. This liability may be imposed without regard to the legality of the original actions and without regard to whether we knew of, or were responsible for, the presence of the hazardous or toxic substances.

If we fail to disclose environmental issues, we could also be liable to a buyer or lessee of a property. If we incur any such liability, our business could suffer significantly as it could be difficult for us to sell such properties. Additionally, liabilities incurred to comply with more stringent future environmental requirements could adversely affect any or all of our lines of business.

h. Liability
In many cases, our property services contracts require us to indemnify our customers or may otherwise subject us to additional liability for events occurring on customer premises. We maintain insurance programs that we believe provide appropriate coverage for certain liability risks, including personal injury, death and property damage.

Insurance may not be adequate to cover all potential claims or damages. If a plaintiff brings a successful claim against us for punitive damages in excess of our insurance coverage, then we could incur substantial liabilities that would have a material adverse effect on our business, financial condition and results of operations.

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

EXHIBIT 1

HOUSE OF INVESTMENTS, INC. and SUBSIDIARIES

Interim Condensed
Unaudited Consolidated Financial Statements

September 30, 2018 and 2017 (Unaudited)
and
December 31, 2017 (Audited)

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

	Unaudited	Audited
	30-Sep-18	31-Dec-17
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱2,095,832,044**	₱1,967,498,425
Financial asset at fair value through profit or loss	**8,620,242**	8,461,820
Accounts receivable (Note 8)	**8,123,734,432**	9,300,540,566
Current portion of loans receivable (Note 7)	**9,682,944**	10,159,319
Cost and estimated earnings in excess of billings on uncompleted contracts (Note 31)	–	3,753,207,563
Contract assets (Note 31)	**7,964,406,118**	–
Receivables from related parties	**170,517,109**	155,102,232
Inventories (Note 9)	**1,632,969,332**	1,117,527,767
Prepaid expenses and other current assets (Note 10)	**1,677,803,424**	1,418,625,854
Total Current Assets	**21,683,565,645**	17,731,123,546
Noncurrent Assets		
Equity investments at Fair value through other comprehensive income (FVOCI) (Note 11)	**1,124,122,279**	449,585,193
Loans receivable - net of current portion (Note 7)	**3,492,033**	3,507,320
Investments in associates and joint ventures (Note 12)	**5,620,945,877**	4,821,213,966
Investment properties (Note 15)	**20,975,022**	18,715,503
Property and equipment (Note 13)		
At revalued amount	**6,418,770,282**	6,312,509,812
At cost	**7,706,405,196**	6,585,840,280
Goodwill (Note 14)	**471,357,459**	471,357,459
Retirement asset	**46,321,084**	46,490,063
Deferred tax assets - net	**86,084,913**	103,817,692
Other noncurrent assets - net (Note 16)	**760,786,166**	808,546,988
Total Noncurrent Assets	**22,259,260,311**	19,621,584,276
Total Assets	**₱43,942,825,956**	₱37,352,707,822
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 18)	**₱8,649,000,000**	₱7,685,000,000
Accounts payable and other current liabilities (Note 17)	**6,611,419,820**	5,586,176,162
Current portion of long-term debt (Note 19)	**854,351,537**	491,865,198
Income tax payable	**37,398,776**	21,834,468
Due to related parties	**134,430,893**	124,038,237
Billings in excess of costs and estimated earnings on uncompleted contracts	–	4,085,077,913
Contract liabilities	**5,620,840,817**	–
Unearned tuition fees	**369,601,170**	89,159,755
Customers' deposits	**26,770,898**	18,213,875
Total Current Liabilities	**22,303,813,911**	18,101,365,608

	Unaudited	Audited
	30-Sep-18	31-Dec-17
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 19)	**2,738,259,443**	2,180,081,616
Retirement liability	**125,619,993**	148,565,857
Deferred tax liabilities - net	**513,360,300**	412,856,405
Other noncurrent liabilities (Note 17)	**49,087,951**	158,414,754
Total Noncurrent Liabilities	**3,426,327,687**	2,899,918,632
Total Liabilities	**₱25,730,141,598**	₱21,001,284,240
Equity		
Attributable to equity holders of the Parent Company		
Preferred stock (Note 21)	**₱247,414,156**	₱253,758,109
Common stock (Note 21)	**921,836,572**	921,836,572
Additional paid-in capital	**154,578,328**	154,578,328
Equity reserve on acquisition of noncontrolling interest	**(179,954,180)**	(179,954,180)
Revaluation increment on land - net (Note 13)	**1,329,730,248**	1,329,730,248
Cumulative translation adjustments	**267,158,109**	224,366,002
Fair value reserve of equity instruments at FVOCI (Note 11)	**395,898,868**	87,185,459
Remeasurement loss on defined benefit plans	**(5,133,141)**	(5,100,398)
Retained earnings (Note 20)	**9,306,948,530**	8,407,828,501
	12,438,477,490	11,194,228,641
Noncontrolling interests (Note 28)	**5,774,206,868**	5,157,194,941
Total Equity	**18,212,684,358**	16,351,423,582
	₱43,942,825,956	₱37,352,707,822

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	July 1 to September 30		
	2018	2017	2016
REVENUE			
Sales of services – net	**₱6,020,081,177**	₱3,829,861,808	₱3,967,074,883
Sales of goods – net	**1,816,540,484**	2,209,174,620	1,872,877,218
School and related operations	**478,208,045**	529,613,621	578,535,756
Interest and discounts	**2,233,547**	2,456,041	2,703,815
Dividends	**234,023**	9,712	3,953,979
	8,317,297,276	6,571,115,802	6,425,145,651
COSTS OF SALES AND SERVICES			
Cost of services (Note 25)	**5,016,433,432**	3,449,426,981	3,354,680,196
Cost of goods sold (Note 25)	**1,703,107,838**	2,072,341,897	1,773,209,922
Cost of tuition and other fees (Notes 25 and 26)	**333,543,973**	320,153,106	309,280,520
	7,053,085,243	5,841,921,984	5,437,170,638
GROSS PROFIT	**1,264,212,033**	729,193,818	987,975,013
OTHER INCOME - Net (Note 24)	**117,987,611**	94,324,278	117,887,894
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES (Note 12)	**70,815,222**	92,440,006	(675,311,180)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 27)	**(720,489,632)**	(488,629,021)	(519,070,937)
INTEREST AND FINANCE CHARGES	**(114,204,695)**	(68,380,918)	(68,388,567)
INCOME BEFORE INCOME TAX	**618,320,539**	358,948,163	(156,907,777)
PROVISION FOR INCOME TAX	**209,123,397**	74,880,076	38,861,785
NET INCOME	**₱409,197,142**	₱284,068,087	(₱118,045,992)
Net income (loss) attributable to:			
Equity holders of the Parent Company	**₱285,991,943**	₱189,851,747	₱16,365,241
Noncontrolling interests	**123,205,199**	94,216,340	(134,411,233)
	₱409,197,142	₱284,068,087	(₱118,045,992)
EARNINGS PER SHARE (Note 23)			
BASIC	**₱0.4590**	₱0.3037	₱0.0225
DILUTED	**₱0.3662**	₱0.2405	₱ 0.0203

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	July 1 to September 30		
	2018	2017	2016
NET INCOME	**₱409,197,142**	₱284,068,087	(₱118,045,992)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustments	**20,928,800**	10,630,119	51,529,999
Changes in fair value of equity investments carried at FVOCI (Note 11)	**(917,509)**	(2,499,615)	(13,968,125)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods			
Remeasurement gains (losses) on net retirement liability	**–**	–	–
Total other comprehensive income (loss)	**20,011,291**	8,130,504	37,561,874
TOTAL COMPREHENSIVE INCOME	**₱429,208,433**	₱292,198,591	(₱80,484,118)
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱296,147,624**	₱193,787,697	₱30,870,402
Noncontrolling interest in consolidated subsidiaries	**133,060,809**	98,410,894	(111,354,520)
	₱429,208,433	₱292,198,591	(₱80,484,118)

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	January 1 to September 30		
	2018	2017	2016
REVENUE			
Sales of services – net	**₱16,266,666,100**	₱10,563,126,845	₱11,665,913,169
Sales of goods – net	**5,654,159,282**	6,974,531,318	5,752,107,702
School and related operations	**1,306,989,363**	1,450,734,487	1,665,867,927
Interest and discounts	**7,145,711**	7,528,770	7,977,283
Dividends	**931,917**	1,508,180	24,184,990
	23,235,892,373	18,997,429,600	19,116,051,071
COSTS OF SALES AND SERVICES			
Cost of services (Note 25)	**14,059,852,644**	9,139,023,899	9,919,609,408
Cost of goods sold (Note 25)	**5,307,169,737**	6,583,329,285	5,415,432,559
Cost of tuition and other fees (Notes 25 and 26)	**973,638,377**	943,837,258	924,922,950
	20,340,660,758	16,666,190,442	16,259,964,917
GROSS PROFIT	**2,895,231,615**	2,331,239,158	2,856,086,154
OTHER INCOME - Net (Note 24)	**394,211,536**	418,229,133	323,174,229
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES (Note 12)	**445,795,872**	427,643,457	(733,275,685)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 27)	**(1,870,909,381)**	(1,579,764,774)	(1,572,587,439)
INTEREST AND FINANCE CHARGES	**(299,470,636)**	(199,943,828)	(232,066,842)
INCOME BEFORE INCOME TAX	**1,564,859,006**	1,397,403,146	641,330,417
PROVISION FOR INCOME TAX	**368,149,090**	296,781,880	91,848,273
NET INCOME	**₱1,196,709,916**	₱1,100,621,266	₱549,482,144
Net income (loss) attributable to:			
Equity holders of the Parent Company	**₱836,604,742**	₱757,266,804	₱519,457,741
Noncontrolling interests	**360,105,174**	343,354,462	30,024,403
	₱1,196,709,916	₱1,100,621,266	₱549,482,144
EARNINGS PER SHARE (Note 23)			
BASIC	**₱1.3252**	₱1.1962	₱0.8090
DILUTED	**₱1.0713**	₱0.9592	₱0.6429

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	January 1 to September 30		
	2018	2017	2016
NET INCOME	**₱1,196,709,916**	₱1,100,621,266	₱ 549,482,144
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustments	**78,719,854**	21,438,372	43,400,623
Changes in fair value of equity investments carried at FVOCI (Note 11)	**571,759,026**	15,052,446	(5,132,507)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods			
Remeasurement gains (losses) on net retirement liability	**(49,233)**	–	–
Total other comprehensive income (loss)	**650,429,647**	36,490,818	38,268,116
TOTAL COMPREHENSIVE INCOME	**₱1,847,139,563**	₱1,137,112,084	₱587,750,260
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱1,188,077,515**	₱779,320,033	₱537,395,488
Noncontrolling interest in consolidated subsidiaries	**659,062,048**	357,792,051	50,354,772
	₱1,847,139,563	₱1,137,112,084	₱587,750,260

See accompanying Notes to Consolidated Financial Statements.

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

	Attributable to the Group											
	Preferred Stock (Note 20)	Common Stock (Note 20)	Additional Paid-in Capital	Premium on Acquisition of Noncontrolling Interest	Revaluation Increment on Land - Net	Cumulative Translation Adjustment	Fair value reserve of equity instruments at FVOCI	Remeasurement losses on Net Retirement Liability	Retained Earnings	Total	Attributable to Noncontrolling Interest	Total
	For the Period Ended September 30, 2018											
Balances as at January 1, 2018	**₱253,758,109**	**₱921,836,572**	**₱154,578,328**	**(₱179,954,180)**	**₱ 1,329,730,248**	**₱ 224,366,002**	**₱ 87,185,459**	**(₱5,100,398))**	**₱8,407,828,501**	**₱11,194,228,641**	**₱5,157,194,941**	**₱16,351,423,582**
Changes in adoption of PFRS 9 & 15	–	–	–	–	–	–	–	–	**122,838,849**	**122,838,849**	–	**122,838,849**
Redemption of preferred shares	**(6,343,953)**	–	–	–	–	–	–	–	–	**(6,343,953)**	–	**(6,343,953)**
Acquisition of noncontrolling interest	–	–	–	–	–	–	–	–	–	–	–	–
	247,414,156	**921,836,572**	**154,578,328**	**(179,954,180)**	**1,329,730,248**	**224,366,002**	**87,185,459**	**(5,100,398)**	**8,530,667,350**	**11,310,723,537**	**5,157,194,941**	**16,467,918,478**
Net income	–	–	–	–	–	–	–	–	**836,604,742**	**836,604,742**	**360,105,174**	**1,196,709,916**
Other comprehensive income	–	–	–	–	–	**42,792,107**	**308,713,409**	**(32,743)**	–	**351,472,773**	**298,956,874**	**650,429,647**
Total comprehensive income	–	–	–	–	–	**42,792,107**	**308,713,409**	**(32,743**	**836,604,742**	**1,188,077,515**	**659,062,048**	**1,847,139,563**
Dividends declared by Parent Company	–	–	–	–	–	–	–	–	**(60,323,562)**	**(60,323,562)**	–	**(60,323,562)**
Dividends declared by subsidiaries	–	–	–	–	–	–	–	–	–	–	**(42,050,121)**	**(42,050,121)**
Total dividends declared	–	–	–	–	–	–	–	–	**(60,323,562)**	**(60,323,562)**	**(42,050,121)**	**(102,373,683)**
Balances as at September 30, 2018	**₱253,758,109**	**₱921,836,572**	**₱154,578,328**	**(₱179,954,180)**	**₱1,329,730,248**	**₱267,158,109**	**₱395,898,868**	**(₱5,133,141)**	**₱9,306,948,530**	**₱12,438,477,490**	**₱5,774,206,868**	**₱18,212,684,358**
	For the Period Ended September 30, 2017											
Balances as at January 1, 2017	₱280,802,820	₱ 921,836,572	₱154,578,328	(₱179,954,180)	₱1,106,401,670	₱159,864,897	₱79,859,050	(₱2,832,302)	₱7,529,455,996	₱10,050,012,851	₱4,555,875,042	₱14,605,887,893
Redemption of preferred shares	(20,538,093)	–	–	–	–	–	–	–	–	(20,538,093)	–	(20,538,093)
Acquisition of noncontrolling interest	–	–	–	–	–	–	–	–	–	–	20,000,000	20,000,000
	260,264,727	921,836,572	154,578,328	(179,954,180)	1,106,401,670	159,864,897	79,859,050	(2,832,302)	7,529,455,996	10,029,474,758	4,575,875,042	14,605,349,800
Net income	–	–	–	–	–	–	–	–	757,266,804	757,266,804	343,354,462	1,100,621,266
Other comprehensive income	–	–	–	–	–	11,653,899	10,399,331	–	–	22,053,230	14,437,589	36,490,819
Total comprehensive income	–	–	–	–	–	11,653,899	10,399,331	–	757,266,804	779,320,034	357,792,051	1,137,112,085
Dividends declared by Parent Company	–	–	–	–	–	–	–	–	(60,452,310)	(60,452,310)	–	(60,452,310)
Dividends declared by subsidiaries	–	–	–	–	–	–	–	–	–	–	(45,480,725)	(45,480,725)
Total dividends declared	–	–	–	–	–	–	–	–	(60,452,310)	(60,452,310)	(45,480,725)	(105,933,035)
Balances as at September 30, 2017	₱260,264,727	₱921,836,572	₱154,578,328	(179,954,180)	₱1,106,401,670	₱ 171,518,796	₱90,258,381	(₱2,832,302)	₱8,226,270,490	₱10,748,342,482	₱4,888,186,368	₱15,636,528,850

For the Period Ended September 30, 2016

Balances as at January 1, 2016	₱310,729,869	₱ 921,836,572	₱154,578,328	(₱179,954,180)	₱876,113,387	₱100,057,558	₱86,516,972	(₱31,137,535)	₱7,190,445,946	₱9,429,186,917	₱4,745,893,595	₱14,175,080,512
Redemption of preferred shares	(22,726,977)	–	–	–	–	–	–	–	–	(22,726,977)	–	(22,726,977)
Acquisition of noncontrolling interest	–	–	–	–	–	–	–	–	–	–	–	
	288,002,892	921,836,572	154,578,328	(179,954,180)	876,113,387	100,057,558	86,516,972	(31,137,535)	7,190,445,946	9,406,459,940	4,745,893,595	14,152,353,535
Net income	–	–	–	–	–	–	–	–	519,457,741	519,457,741	30,024,404	549,482,145
Other comprehensive income	–	–	–	–	–	23,592,578	(5,654,829)	–	–	17,937,749	20,330,368	38,268,117
Total comprehensive income	–	–	–	–	–	23,592,578	(5,654,829)	–	519,457,741	537,395,490	50,354,772	587,750,262
Dividends declared by Parent Company	–	–	–	–	–	–	–	–	(61,182,672)	(61,182,672)	–	(61,182,672)
Dividends declared by subsidiaries	–	–	–	–	–	–	–	–	–	–	(140,314,583)	(140,314,583)
Total dividends declared	–	–	–	–	–	–	–	–	(61,182,672)	(61,182,672)	(140,314,583)	(201,497,255)
Balances as at September 30, 2016	₱288,002,892	₱921,836,572	₱154,578,328	(179,954,180)	₱876,113,387	₱123,650,136	₱80,862,143	(₱31,137,535)	₱7,648,721,015	₱9,882,672,758	₱4,655,933,784	₱14,538,606,542

See accompanying Notes to Consolidated Financial Statements

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

	Periods Ended September 30		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,564,859,006**	₱1,397,403,145	₱641,330,417
Adjustments for:			
Depreciation and amortization	**557,833,085**	528,351,008	136,662,841
Interest and finance charges	**299,470,636**	199,943,827	231,590,543
Movement in accrued retirement liability	**–**	–	–
Dividend income	**(931,917)**	(1,508,180)	(24,184,990)
Interest income	**(33,166,391)**	(60,729,873)	(46,170,418)
Prior period adjustments	**122,838,849**	–	–
Equity earnings in associates	**(445,795,872)**	(427,643,457)	733,275,686
Operating income working capital changes	**2,065,107,396**	1,635,816,470	1,672,504,079
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	**1,176,806,134**	(711,176,390)	(490,715,278)
Loans receivable	**491,662**	(1,247,213)	(1,515,640)
Costs and estimated earnings in excess of billings on uncompleted contracts	**(4,211,198,555)**	80,361,277	171,169,761
Inventories	**(515,441,565)**	272,675,914	(138,078,101)
Prepaid expenses and other current assets	**(259,177,572)**	141,837,394	30,339,066
Financial asset at FVPL	**(158,422)**	(90,025)	(99,379)
Increase (decrease) in:			
Accounts payable and accrued expenses	**1,025,243,658**	(908,848,877)	(794,433,652)
Customers' deposits	**8,557,023**	14,681,246	20,803,526
Billings in excess of costs and estimated earnings on uncompleted contracts	**1,535,762,904**	217,120,519	1,159,267,635
Unearned tuition fees	**280,441,415**	227,920,208	183,218,201
Accrued retirement liability	**(22,978,607)**	(3,551,303)	(23,755,131)
Net cash generated from (used for) operations	**1,083,455,471**	965,499,220	1,788,705,087
Interest received	**33,166,391**	60,729,873	46,170,418
Interest and finance charges paid	**(299,470,636)**	(199,943,827)	(231,590,543)
Income tax paid	**(234,348,108)**	(248,751,470)	(292,359,027)
Net cash flows provided by (used in) operating activities	**582,803,118**	577,533,796	1,310,925,935
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments received from (advances to) related parties	**(5,022,221)**	(780,985,096)	1,062,536
Investments in associates and joint ventures	**(311,143,932)**	7,393,082	(233,064,487)
Increase (decrease) in other noncurrent assets	**45,670,282**	(184,770,647)	(221,983,864)
Available-for-sale securities, net	**(365,823,677)**	51,987,378	35,339,263
Property, plant and equipment, net	**(1,784,658,471)**	(1,179,202,272)	(259,380,162)
Dividends received	**931,917**	1,508,180	24,184,990
Net Addition (deduction) to minority interest	**256,906,754**	(11,043,136)	(119,984,215)
Net cash flows used in investing activities	**(2,163,139,348)**	(2,095,112,511)	(773,825,939)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds (payments) from:			
Loans payable	**964,000,000**	1,610,000,000	(150,000,000)
Long-term debt	**920,664,166**	(369,463,156)	(475,753,590)
Other non-current liability	**(109,326,803)**	–	–
Redemption of preferred shares	**(6,343,953)**	(20,538,093)	(22,726,977)

Forward

	Periods Ended September 30		
	2018	2017	2016
Cash dividends paid	**(60,323,561)**	(60,452,310)	(61,182,672)
Net cash flows provided by (used in) financing activities	**1,708,669,849**	1,159,546,441	(709,663,239)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**128,333,619**	(358,032,274)	(172,563,243)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,967,498,425**	2,393,201,221	2,339,213,766
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱2,095,832,044**	₱2,035,168,947	₱2,166,650,523

See accompanying Notes to Consolidated Financial Statements

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

1. Corporate Information

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

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

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

The registered office address and principal place of business of the Parent Company is at 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila.

2. 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 asset at FVPL and available-for-sale financial assets 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 comprise the financial statements of the Group as of September 30, 2018 and December 31, 2017, and for each of the three years in the period ended September 30, 2018.

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

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership September 2018 Direct	September 2018 Indirect	December 2017 Direct	December 2017 Indirect
Landev Corporation	Philippines	Property management	Philippine peso	100.00	–	100.00	–
Hexagon Lounge, Inc.	Philippines	Restaurant	Philippine peso	–	100.00	–	100.00
Greyhounds Security and Investigation Agency Corp.	Philippines	Security agency	Philippine peso	–	100.00	–	100.00
Secon Professional Security Training Academy Inc.[a]	Philippines	Training service provider	Philippine peso	–	100.00	–	100.00
Xamdu Motors, Inc. (XMI)	Philippines	Car dealership	Philippine peso	100.00	–	100.00	–
Investment Managers, Inc. (IMI)	Philippines	Insurance agent, financing, trading and real estate	Philippine peso	100.00	–	100.00	–
Zambowood Realty and Development Corporation (ZRDC)	Philippines	Real estate	Philippine peso	100.00	–	100.00	–
Zamboanga Carriers, Inc. (ZCI)	Philippines	Transportation	Philippine peso	100.00	–	100.00	–
Honda Cars Kalookan, Inc. (HCKI)	Philippines	Car dealership	Philippine peso	55.00	–	55.00	–
Zamboanga Industrial Finance Corporation (ZIFC)	Philippines	Consumer Finance	Philippine peso	50.00	–	50.00	–
EEI Corporation (EEI)	Philippines	Construction	Philippine peso	54.36	–	54.36	–
EEI Limited	British Virgin Islands	Holding company	US Dollar	–	100.00	–	100.00
Clear Jewel Investments, Ltd.	British Virgin Islands	Holding company	US Dollar	–	100.00	–	100.00
EEI Corporation (Singapore) Pte. Ltd[b]	Singapore	Construction	Singapore Dollar	–	–	–	100.00
EEI Nouvelle-Caledonie SARL[b]	New Caledonia	Construction	French Franc	–	–	–	100.00
Nimaridge Investments, Limited	British Virgin Islands	Holding company	US Dollar	–	100.00	–	100.00
EEI (PNG), Ltd	Papua New Guinea	Holding company	US Dollar	–	100.00	–	100.00
EEI Corporation (Guam), Inc.	United States of America	Construction	US Dollar	–	100.00	–	100.00
EEI Construction and Marine, Inc.	Philippines	Construction	Philippine peso	–	100.00	–	100.00
EEI Realty Corporation (EEI Realty)	Philippines	Real estate	Philippine peso	–	100.00	–	100.00
EEI Subic Corporation	Philippines	Construction	Philippine peso	–	100.00	–	100.00
Equipment Engineers, Inc. (EE)	Philippines	Construction	Philippine Peso	–	100.00	–	100.00
JP Systems Asia Inc. (JPSAI)[c]	Philippines	Rental of scaffolding and formworks	Philippine Peso	–	60.00	–	–
EEI Power Corporation (EPC)	Philippines	Power generation	Philippine Peso	–	100.00	–	100.00
Gulf Asia International Corporation (GAIC)	Philippines	Manpower services	Philippine peso	–	100.00	–	100.00
GAIC Professional Services, Inc. (GAPSI)	Philippines	Manpower services	Philippine peso	–	100.00	–	100.00
GAIC Manpower Services, Inc. (GAMSI)	Philippines	Manpower services	Philippine peso	–	100.00	–	100.00
Bagumbayan Equipment & Industrial Products, Inc.	Philippines	Consultancy services	Philippine peso	–	100.00	–	100.00
Philmark, Inc.	Philippines	Construction	Philippine peso	–	100.00	–	100.00
Philrock Construction and Services, Inc.	Philippines	Manpower services	Philippine peso	–	100.00	–	100.00
iPeople, Inc. (IPO)	Philippines	Education and Information Technology	Philippine peso	67.34	–	67.34	–
Malayan Colleges, Inc. (MCI)	Philippines	Education and Information Technology	Philippine peso	7.00	93.00	7.00	93.00
Mapua Information Technology Center, Inc. (MITC)	Philippines	Education and Information Technology	Philippine peso	–	100.00	–	100.00
Mapua Techserv, Inc. (MTI)	Philippines	Consultancy	Philippine peso	–	100.00	–	100.00
Mapua Techpower, Inc.	Philippines	Consultancy	Philippine peso	–	75.00	–	75.00
San Lorenzo Ruiz Institute of Health Sciences, Inc. (SLRHSI)	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
Malayan Colleges Laguna, Inc. (MCLI)	Philippines	Education and Information Technology	Philippine peso	–	100.00	–	100.00
Malayan Colleges Mindanao, Inc. (MCMI)	Philippines	Education and Information Technology	Philippine peso	–	100.00	–	100.00
People eServe Corporation (People eServe)	Philippines	Technology	Philippine peso	–	100.00	–	100.00
Pan Pacific Computer Center, Inc. (PPCCI)	Philippines	Technology	Philippine peso	–	100.00	–	100.00

(a) Acquired in 2016
(b) Liquidated in 2016
(c) Incorporated in December 2016

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 Group 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 Group controls an investee if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group 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 Group's voting rights and potential voting rights.

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

Noncontrolling interest represents the portion of profit or loss and net assets not held by the Group. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the noncontrolling interests having a deficit balance.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

3. **Changes in Accounting Policies**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2017, except for the adoption of new standards effective as of January 1, 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, PFRS 15, *Revenue from Contracts with Customers* and PFRS 9, *Financial Instruments* that require restatement of previous financial statements. As required by PAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim consolidated financial statements of the Group.

<u>Impact of Adoption of PFRS 9 and PFRS 15</u>
The Group adopted PFRS 9 and PFRS 15 in the required effective date.

- PFRS 9, *Financial Instruments*

  Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

  (a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
  (b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
     - The determination of the business model within which a financial asset is held.
     - The designation of certain investments in equity instruments not held for trading as at FVOCI.
     - If a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue. PFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced PAS 18, PAS 11 and related interpretations. The Group has adopted PFRS 15 from January 1, 2018 and the effect of applying this standard is mainly attributed to revenue from construction segment being recognized over time. There were no other impacts in the other revenue streams upon adoption of this new standard. The Group has adopted the new standard on the required effective date using the modified retrospective approach and did not restate the comparative information.

  The effect of applying the above new standards have been recognized directly in retained earnings as at January 1, 2018 as follows with the discussion of the nature of adjustments:

	Impact as of January 1, 2018				
	Balances Before Adjustments	**PFRS 9**	**PFRS 15**	**Total Adjustments**	**After Adjustments**
Statement of Financial Position					
Cash and cash equivalents	₱667,151	(₱1)	-	(₱1)	₱667,150
Trade and other receivables	7,567,551	(34,004)	8,263	(25,741)	7,541,810
Contract assets	3,753,208	(17,153)	3,206,094	3,188,941	6,942,149
Other current assets	1,073,525	(8)	(31,724)	(31,732)	1,041,793
Deferred tax assets	78,608	16,038		16,038	94,646
Accounts payable & other current liabilities	3,984,264		(7,996)	(7,996)	3,976,268
Contract liabilities	4,103,265	-	3,135,263	3,135,263	7,238,528
Deferred tax liabilities	-	688	-	688	688
Retained earnings	4,982,608	(35,816)	55,365	19,549	5,002,157

a. Impact of adoption of PFRS 9:

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to record an allowance for impairment losses for all loans and other debt financial assets not held at FVPL. 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. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For Cash and cash equivalents, the Group applied the general approach and the impact is immaterial. For Due from related parties, the Group also applied the general approach, however, the ECL is nil because the amount is payable on demand and that the expected cash flows is the same as the contractual cash flows.

The Group considers a financial asset in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of served invoices which are administrative in nature which may extend the definition of default to 180 days and beyond. 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.

PFRS 9 also had an impact on the reclassification of the Group's financial assets. The following table shows the previous measurement category in accordance with PAS 39 to their new measurement categories upon transition to PFRS 9 on January 1, 2018:

	PAS 39	**PFRS 9**
Debt instruments:	Loans and receivables	Amortized cost
Cash and other cash items	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Due from other related parties	Loans and receivables	Amortized cost
Other assets	Loans and receivables	Amortized cost
Quoted AFS	Available for sale	FVOCI
Unquoted AFS	Available for sale	FVOCI

The new classification and measurement of the Group's debt financial assets are as follow:

- Debt instruments at amortized cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the Solely Payments of Principal and Interest (SPPI) criterion. This category includes the Group's cash and other cash items, trade and other receivables, due from other related parties and other assets.

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss upon derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to reclassify upon initial recognition or transition. The Group classified its quoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not

subject to an impairment assessment under PFRS 9. Under PAS 39, the Group's quoted equity instruments were classified as AFS financial assets, with recycling of gains or losses to profit or loss upon derecognition. There were adjustments to retained earnings as of January 1, 2018 arising from this reclassification and measurement.

The assessment of the Group's business models was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

b. Impact of adoption of PFRS 15:

One of the business segments of the Group is construction which revenues arise from contracts with customer.

The adjustment to revenue pertains to the recognition of construction revenue over time using input method wherein revenue is recognized on the basis of the Group's efforts or inputs to the satisfaction of the performance obligation to the customer. The measurement basis is the actual cost incurred to date over the total estimated cost of completion of the construction contracts as of the reporting date. The related cost of services and deferred tax assets were also adjusted.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PFRS 9, Prepayment Features with Negative Compensation
- Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures
- Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments

Deferred effectivity

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

4. **Summary of Significant Accounting Policies**

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

Financial Instruments
Date of recognition
The Group's 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 instruments that require delivery of financial instruments within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities include transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, or loans and receivables. The Group classifies its financial liabilities as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every financial reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

The Group do not have any HTM investments and financial liabilities at FVPL as of September 30, 2018 and of December 31, 2017.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies contractual cash flows.

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' profit or loss
Where the transaction price in a non-active market is different from the fair value based on 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' profit or loss) in the consolidated statement of income unless it qualifies for recognition as some other type of asset or liability. 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 the consolidated statement of income 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' profit or loss amount.

Financial assets at FVPL
This includes financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial assets at FVPL are recorded in the consolidated statement of financial position at fair value with unrealized mark-to-market gains and losses reported as part of the current year operations in the consolidated statement of income. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded when the right to receive payment has been established. Derivatives, including separated

embedded derivatives are also classified as FVPL unless they are designated as effective hedging instruments or a financial guarantee contract.

Financial assets may be designated at initial recognition as at FVPL if any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative that would need to be separately recorded.

The Group's financial asset at FVPL consist of peso-denominated investment in unit investment trust fund (UITF) in Rizal Commercial Banking Corporation (RCBC).

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as available-for-sale or as financial assets at FVPL. After initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

This category includes the Group's cash and cash equivalents, accounts receivable, loans receivable, receivables from related parties, receivable from a customer, miscellaneous deposits (included in the prepaid expenses and other current assets) and receivable from EEI Retirement Fund, Inc.

Financial Assets and Financial Liabilities
Except for certain trade receivables, under PFRS 9, 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.

Under PFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The Group has no debt financial assets at FVPL, debt financial assets at FVOCI and equity financial assets at FVPL.

The new classification and measurement of the Group's financial assets are, as follows:

- Debt instruments at amortized cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify

upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under PFRS 9. Under PAS 39, the Group's unquoted equity instruments were classified as AFS financial assets.

The assessment of the Group's business models was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

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

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

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.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, 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 considers a financial asset in default when contractual payment are 90 days past due. 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

The Group's equity investments at fair value through other comprehensive income (FVOCI) include investments in quoted and unquoted golf club and equity shares (Note 11).

Derivative financial instruments
Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in the statement of income.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at FVPL.

The Group has no derivative financial instruments as at September 30, 2018 and December 31, 2017.

Other financial liabilities
Other financial liabilities are nonderivative financial liabilities with fixed or determinable payments that are not quoted in an active market. These liabilities are carried at amortized cost in the consolidated statement of financial position. Amortization is determined using the effective interest method. Gains and losses are recognized in the consolidated statement of comprehensive income, when the liabilities are derecognized as well as through the amortization process.

Other financial liabilities are classified as current liabilities when it is expected to be settled within twelve (12) months from the financial reporting date or the Group does not have an unconditional right to defer settlement for at least 12 months from financial reporting date. Otherwise, these are classified as noncurrent liabilities. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized.

The Group's other financial liabilities consist of loans payable, accounts payable and other current liabilities, due to related parties and long-term debt.

Derecognition of Financial Assets and Financial Liabilities
Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- 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: (a) has transferred substantially all the risks and rewards of the asset; or (b) 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 liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

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

This accounting policy relates to the net payable to Philippine Transmarine Carriers, Inc. (PTC) amounting ₱2.27 million and ₱1.34 million as of September 30, 2018 and December 31, 2017, respectively, and included under “Accounts payable and other current liabilities” in the consolidated statements of financial position (Note 17).

The memorandum of agreement of the joint operation has a provision to settle the amounts due from and due to on a net basis.

Impairment of Financial Assets

The Group assesses at each financial reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a borrower or a group of borrowers are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

The Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets’ carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred).

The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the consolidated statement of income. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as year-level of students for information technology and education segment, customer profile and mode of payment for car dealership segment.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss

experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

AFS financial assets carried at cost
If there is an objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS financial assets carried at fair value
In case of equity instruments classified as available-for-sale, impairment would include a significant or prolonged decline in the fair value of investments below its cost. If an available-for-sale security is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated statement of income, is transferred from other comprehensive income to the consolidated statement of income. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the consolidated statement of income but in other comprehensive income. Reversals of impairment losses on debt instruments classified as available-for-sale are reversed to operations if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income.

Jointly Controlled Operations
A jointly controlled operation involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer uses its own property, plant and equipment and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations.

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

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

The cost of real estate inventories includes (a) land cost; (b) freehold and leasehold rights for land; (c) amounts paid to contractors for construction; (d) borrowing costs, planning and design cost, cost of site preparation, professional fees, property taxes, construction overheads and other related costs.

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

Value-Added Tax (VAT)
The input value-added tax pertains to the 12% indirect tax paid by the Group in the course of the Group’s trade or business on local purchase of goods or services.

Output VAT pertains to the 12% tax due on the local sale of goods or services by the Group.

If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under “Accounts payables and other current liabilities” account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under “Prepaid expenses and other current assets” account.

Prepaid Expenses

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

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 over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint venture are accounted for under the equity method of accounting.

Under the equity method, the investment in the investee company is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group’s share in the net assets of the investee company, less any impairment in value. The profit or loss reflects the share of the results of the operations of the investee company reflected as “Equity in net earnings (losses) of associates and joint venture” in the consolidated statement of comprehensive income. Goodwill relating to associate is included in the carrying amount of the investment and is not amortized. The Group’s share in the investee’s post acquisition movements in the investee’s equity reserves is recognized directly in equity. Profit and losses resulting from transactions between the Group and the investee company are eliminated to the extent of the interest in the investee company and for unrealized losses to the extent that there is no evidence of impairment of the assets transferred. Dividends received are treated as a reduction of the carrying value of the investment.

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 ventures accounted for using the equity method as of September 30, 2018 follows:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership	
				Sep 2018	Dec 2017
Associates:					
Hi-Eisai Pharmaceutical, Inc. (HEPI)	Philippines	Pharmaceutical	Philippine peso	**50.00**	50.00
La Funeraria Paz Sucat, Inc. (LFPSI)	Philippines	Funeral Service	Philippine peso	**37.50**	37.50
T'boli Agro-Industrial Development, Inc.	Philippines	Agriculture	Philippine peso	**28.47**	28.47
Manila Memorial Park Cemetery, Inc. (MMPC)	Philippines	Funeral Service	Philippine peso	**25.98**	25.98
Lo-oc Limestone Development Corporation (LLDC)	Philippines	Mining	Philippine peso	**25.00**	25.00
Petroenergy Resources Corporation (PERC)	Philippines	Renewable energy	Philippine peso	**28.36**	22.41
RCBC Realty Corporation (RRC)	Philippines	Realty	Philippine peso	**10.00**	10.00
Al-Rushaid Construction Company Limited (ARCC)	Saudi Arabia	Construction	Saudi riyal	**49.00**	49.00
PetroSolar Corporation (PSOC)	Philippines	Renewable energy	Philippine peso	**44.00**	44.00
Joint venture:					
PetroWind Energy, Inc. (PWEI)	Philippines	Renewable energy	Philippine peso	**20.00**	20.00

Property and Equipment

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

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

Depreciation is computed using the straight-line method over the following average estimated useful lives (EUL):

	Years
Buildings and improvements	10-20
Machinery, tools and construction equipment	5-10
Transportation and service equipment	4-5
Furniture, fixtures and office equipment	2-10

Amortization of leasehold 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.

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

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

Investment Properties

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

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

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

Transfers between investment property, owner-occupied property and inventories do not change the

carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Software Costs

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

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

Impairment of Nonfinancial Assets

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

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

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

Borrowing Costs

Interest and other related financing charges on borrowed funds used to finance property development are capitalized as part of development costs (included under "Inventories" account) and the acquisition and construction of a qualifying asset (included under "Construction in progress" account in property and equipment) are capitalized to the appropriate asset accounts. Capitalization of borrowing costs commences when the expenditures and borrowing costs are being incurred during the construction and related activities necessary to prepare the asset for its intended use are in progress. It is suspended during extended periods in which active development is interrupted and ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. The capitalization for inventories account is based on the weighted average borrowing cost and specific borrowing for property, plant and equipment.

The borrowing costs capitalized as part of property and equipment are amortized using the straight-line method over the estimated useful lives of the assets. If after capitalization of the borrowing costs, the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded in the consolidated statement of income.

All other borrowing costs are expensed in the period in which they occur.

Interest expense on loans and borrowings is recognized using the EIR method over the term of the loans and borrowings.

Business Combination and Goodwill

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

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

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

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

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

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment

testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall recognize immediately in the consolidated statement of income any excess remaining after reassessment.

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. When the Group is acting as a principal in an arrangement, revenue is recorded at gross. When the Group is acting as an agent, the revenue recorded is only the commission. Except for Greyhounds and certain arrangements of Equipment Engineers, Inc. (EE), the Group has concluded that it is acting as principal in all of its arrangements.

The following specific recognition criteria must also be met before revenue and cost are recognized:

PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted PFRS 15 using the modified retrospective method of adoption and elected to use the practical expedient to apply the method to only those that were not completed at the date of initial application. The Group has quantified the impact of the adoption on its January 1, 2018

retained earnings. For management purposes, the Group is organized into business units based on geographical location, which comprises of two (2) main groupings as follows:

1. *Domestic* - all transactions and contracts entered in the Philippines
2. *Foreign* - all transactions and contracts entered outside the Philippines

Domestic and foreign business units are engaged in construction contracts, power supply, power generation, real estate sales and rendering of service. Management monitors construction revenue and segment net income for the purpose of making decision about resources allocation.

Construction contracts
Contracts with customers for the Group's construction segment generally include construction of infrastructures, buildings, industrial and electro-mechanical.

For construction contracts, the Group has assessed that there is only one performance obligation in these contracts and that construction revenue qualifies to be recognized over time under PFRS 15 because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The Group has chosen to use input method (on the basis of costs incurred) to measure progress towards complete satisfaction of the performance obligation. Prior to adoption of PFRS 15, the Group's construction revenue are recognized over time and measured on the basis of estimated completion of the physical proportion of the contract work.

Upon adoption of PFRS 15, the Group's construction costs are recognized as incurred except for those costs to fulfill that qualify to be capitalized under PFRS 15. These costs to fulfill are amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

Moreover, under PFRS 15, any earned consideration that is conditional should be recognized as a contract asset rather than receivable. Therefore, upon adoption of PFRS 15, the Group made reclassifications from costs and estimated earnings in excess of billings on uncompleted contracts and billings in excess of costs and estimated earnings on uncompleted contracts to contract assets. Advance payments received from customers are presented as contract liabilities in the interim condensed consolidated statement of financial position.

Management and consultancy fees, and commission income are recognized as the related services are rendered.

Equipment rental arises from the Group equipment's that are being held for rentals. Revenue is measured on straight-line basis over the term of the lease agreement.

Cost of services includes all expenses associated with sale of services. Cost of services include all materials and supplies used, direct labor, depreciation of production equipment, power and water and other expenses related to services rendered. Such costs are recognized when the related services have been rendered.

Sale of goods:

Merchandise sales
Revenue from merchandise sales is normally recognized when the buyer accepts delivery and when installation and inspection are complete. However, revenue is recognized immediately upon the buyer's acceptance of delivery when the installation process is simple in nature.

Cost of goods sold
Cost of goods sold includes all expenses associated with the specific sale of goods. Cost of goods sold include all materials and supplies used, direct labor, depreciation of production equipment, royalty, power and water and other expenses related to production. Such costs are recognized when the related sales have been recognized.

Real estate
Revenue on sale of raw parcels of land with no future obligation to develop the property is recognized using the full accrual method.

Sale of developed lots and residential units is accounted for using the full accrual method of accounting. Under this method, the revenue is recognized when: (a) the collectibility of the sales price is reasonably assured; (b) the earnings process is virtually complete; and (c) the seller does not have a substantial continuing involvement with the subject properties. The collectibility of the sales price is considered reasonably assured when: (a) the buyers have actually confirmed their acceptance of the related loan applications after the same have been delivered to and approved by either the banks or other financing institutions for externally financed accounts; and (b) the down payment comprising a substantial portion of the contract price is received and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

If any of the criteria under the full accrual method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers is recognized as deposit from customers presented under the "Customers' deposits" account in the liabilities section of the consolidated statement of financial position.

Cost of real estate
Cost of real estate sales is recognized consistent with the revenue recognition method applied. The cost of real estate sales recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property and an allocation of any non-specific cost based on the relative size of the property sold.

School and related operations:
Revenues from school operations are recognized as income over the corresponding school term. Unearned revenues are shown as unearned tuition fees in the consolidated statement of financial position and will be recognized as revenues when the educational service has been fulfilled in the applicable school term.

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.

Cost of tuition and other fees constitute expenses directly related to the Group's school and related operations which include expenses for salaries and wages of teaching and academic support personnel, student welfare activities, advertising, and all other student-related costs and expenses. Cost of school and related operations are recognized as expense when school and related services have been provided to the students.

Others:
Interest income is recognized as it accrues taking into account the effective yield on the asset.

Rent income is recognized as revenue on a straight-line basis over the lease term.

Dividend income is recognized when the Group's right to receive the payment is established.

Other cost of sales and services arise in the ordinary activities of the Group and are recognized as incurred.

<u>General and Administrative Expenses</u>
The Group's general and administrative expenses constitute costs of administering the business. General and administrative expenses are recognized as incurred.

<u>Foreign Currency-denominated Transaction and Translation</u>
The consolidated financial statements are presented in Philippine Peso. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

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

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

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

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

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

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

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

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by

applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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

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

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

Income Tax

Current tax

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

Deferred tax

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

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

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

Group as a lessee

Operating lease of the Group represents those under which substantially all the risks and benefits of ownership of the assets remain with the lessor. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the leased term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Basic and Diluted Earnings Per Share (EPS)

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

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

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits

will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingencies

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

Stock Option Plan

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

Segment Reporting

The Group's operating business are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 29.

Capital Stock

The Group records common stocks at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity shares. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. When the Group purchases the Group's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in equity (Note 21).

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. The individual accumulated retained earnings of the subsidiaries are available for dividends when they are declared by the subsidiaries as approved by their respective BOD. Retained earnings are further restricted for the payment of dividends to the extent of the cost of treasury shares (Note 20).

Events After the Financial Reporting Date

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

5. Significant Accounting Judgments and Estimates

The preparation of the interim 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

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

As of September 30, 2018 and December 31, 2017, the Group holds 10% of interest in RRC. The Group 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 Board of Directors. 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%.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Recognition of revenue and cost from construction contracts

Revenues and costs from construction projects are determined using the percentage of completion based on the physical progress of the construction projects. Apart from involving significant estimates, this process is complex and requires the technical expertise of the Group's engineers, particularly with respect to the calculation of estimated costs to completion, stage of completion and contract price variations.

As of September 30, 2018 and December 31, 2017, the costs and estimated earnings in excess of billings on uncompleted contracts amounted to ₱7,964.4 million and ₱3,753.2 million, respectively. Billings in excess of costs and estimated earnings on uncompleted contracts amounted to ₱5,620.8 million and ₱4,085.1 million as of September 30, 2018 and December 31, 2017, respectively.

Estimating allowance for impairment of receivables

The Group maintains an allowance for impairment at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. For education segment, the evaluation factors will include the number of days the receivables is outstanding, year level of students and historical experience. For other segments the evaluation of collectability considers the length of the Group's relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis or those with existing allowances needing reversals.

The carrying value of loans and receivables are disclosed in Notes 7 and 8 to the consolidated financial statements.

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

Land carried under revaluation basis amounted to ₱6,418.8 million and ₱6,312.5 million as of September 30, 2018 and December 31, 2017, respectively. The key assumptions used to determine the fair value of the parcels of land are disclosed in Note 13.

Provisions and Contingencies

The Group is currently involved in various proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Management does not believe that these proceedings will have a material adverse effect on the Group's financial statement because management and its legal counsels believe that the Group has substantial legal and factual bases for its position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 17).

Impairment of goodwill of Malayan Colleges, Inc.
The Group determines whether goodwill is impaired on an annual basis every December 31, or more frequently, if events or changes in circumstances indicate that it may be impaired. This requires an estimation of the recoverable amount, which is the higher of fair value less costs of disposal and value in use of the CGU to which the goodwill is attributed.

Estimating value in use requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. This estimate is based on the Group's past results and future expectations on cash flow from the CGU.

However, there is no assurance that the Group will generate sufficient cash flow to associate that the goodwill will not be impaired in the future.

Management determined that the goodwill of Malayan Colleges, Inc. amounting to ₱137.9 million as of September 30, 2018 and December 31, 2017 is not impaired (Note 14).

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

Retirement assets amounted to ₱46.3 million and ₱46.5 million as of September 30, 2018 and December 31, 2017, respectively whereas retirement liabilities amounted to ₱125.6 million and ₱148.6 million as of September 30, 2018 and December 31, 2017, respectively.

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.

6. Cash and Cash Equivalents

This account consists of:

	Unaudited September 2018	Audited December 2017
Cash on hand and in banks	**₱1,517,676,696**	₱1,250,528,876
Short-term investments	**578,155,348**	716,969,549
	₱2,095,832,044	₱1,967,498,425

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

Interest income from cash in banks and short-term investments amounted to ₱11.0 million, ₱13.50 million and ₱19.92 million for the periods ended September 30, 2018, 2017 and 2016, respectively (Note 24).

7. Loans Receivable

Loans receivable consists of:

	Unaudited September 2018	Audited December 2017
Gross receivables	**₱17,461,365**	₱17,536,598
Less allowance for impairment	**4,286,388**	3,869,959
	13,174,977	13,666,639
Less noncurrent portion	**3,492,033**	3,507,320
Current portion	**₱9,682,944**	₱10,159,319

Loans receivable is composed of receivables of ZIFC with the following details:

	Unaudited September 2018	Audited December 2017
Time loan principals	**₱26,698,781**	₱25,207,600
Unearned discount and interest	**(9,237,416)**	(7,671,002)
	17,461,365	17,536,598
Less allowance for impairment	**4,286,388**	3,869,959
	₱13,174,977	₱13,666,639

Time loan principals are collectible in full at maturity date while interest is due monthly or at maturity. Annual interest rates range from 12% to 31% in 2018, 2017 and 2016. The term of the loan ranges from one (1) to five (5) years.

Details of receivables follow:

a) As to secured and unsecured and type of security for secured loans

	Unaudited September 2018	Audited December 2017
Secured loans		
Chattel mortgage	**₱6,743,581**	₱6,928,996
Real estate mortgage	**18,305,710**	16,629,114
	25,049,291	23,558,110
Unsecured loans	**1,649,490**	1,649,490
	₱26,698,781	₱25,207,600

b) As to maturity

	Unaudited September 2018	Audited December 2017
Maturing within one year	**₱22,817,986**	₱21,326,805
Maturing one year to five years	**3,880,795**	3,880,795
	₱26,698,781	₱25,207,600

The changes in individually assessed allowance for impairment as at September 30 follow:

	Unaudited September 2018	Audited December 2017
Balance at beginning of year	**₱3,869,959**	₱4,053,542
Provision for impairment losses	**416,429**	380,000
Accounts written off	–	(563,583)
Balance at end of year	**₱4,286,388**	₱3,869,959

8. **Accounts Receivables**

This account consists of:

	Unaudited September 2018	Audited December 2017
Trade		
Construction and infrastructure (including retention receivable of ₱3.3 billion and ₱2.7 billion as of September 30, 2018 and December 31, 2017, respectively)	**₱6,576,588,818**	₱6,751,234,748
Car dealership	**596,848,000**	1,552,261,016
Education and information technology	**319,829,745**	159,320,973
Other services	**103,194,516**	75,631,683
Other receivables		
Consultancy fee	**166,666,530**	306,621,841
Receivable from customers	**107,544,591**	61,400,000
Receivable from sale of investment properties	**52,198,930**	121,760,316
Receivables from plant	**50,593,642**	27,877,545
Advances to officers and employees	**17,569,125**	20,048,873
Receivable from EEI RFI (Notes 17 and 22)	**15,000,000**	45,000,000
Rent receivable	**1,335,270**	399,328
Others	**343,650,070**	380,158,023
	8,351,019,237	9,501,714,346
Less allowance for impairment	**227,284,805**	201,173,780
	₱8,123,734,432	₱9,300,540,566

Trade receivables

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

Receivable from construction and infrastructure

Receivables from construction and infrastructure represent amounts arising from domestic and foreign construction contracts. These receivables are based on the monthly progress billings provided to customers over the period of the construction and collectible over a period of thirty (30) to ninety (90)-day period. Retention receivables are recouped upon completion of the construction contract.

Receivables from car dealership

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

Receivables from education and information technology

Receivables from education and information technology represent amounts arising from tuition and other fees generally collectible within 90 days.

Receivables from other services

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

No trade receivables were used as collaterals to secure obligations as of September 30, 2018 and December 31, 2017.

Other receivables

Consultancy fees pertain to receivables arising from contract negotiations, administration of commercial issues and claims, sales leads and application of computerization programs.

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

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

Receivable from customers
In 2016, receivable from customers bear interest of 7.25% per annum and will mature in 2017. In 2017, trade receivables with gross value of ₱290.8 million (provided with allowance of ₱11.2 million) were reclassified to receivables from customers 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.

Details of the abovementioned receivables follow:

	Unaudited September 2018	Audited December 2017
Receivable from sale of investment properties		
Current portion	**₱52,198,930**	₱121,760,316
Noncurrent portion (Note 16)	**249,142,236**	252,642,633
Receivable from EEI RFI		
Current portion	**15,000,000**	45,000,000
Noncurrent portion (Note 16)	**133,000,000**	133,000,000
Receivable from customers		
Current portion	**107,544,591**	61,400,000
Noncurrent portion (Note 16)	**103,907,263**	150,807,263

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

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

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

9. **Inventories**

This account consists of:

	Unaudited September 2018	Audited December 2017
At cost		
Land and land development	**₱210,645,570**	₱217,303,784
Subdivision lots and contracted units for sale	**81,267,996**	91,619,497
Raw lands	**45,229,389**	45,229,389
	337,142,955	354,152,670
At NRV		
Merchandise	**1,244,036,380**	651,266,483
Construction materials	**16,860,158**	74,421,644
Spare parts and supplies	**34,929,839**	37,686,970
	1,295,826,377	763,375,097
	₱1,632,969,332	₱1,117,527,767

The related costs of inventories recorded at NRV follow:

	Unaudited September 2018	Audited December 2017
Merchandise	**1,271,393,536**	₱679,423,637
Construction materials	**16,860,158**	74,421,644
Spare parts and supplies	**53,181,412**	55,938,544
	₱1,341,435,106	₱809,783,825

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

The total cost of goods sold recognized in the Group's statements of comprehensive income amounted to ₱5,307.2 million, ₱6,583.3 million and ₱5,415.4 million in September 30, 2018, 2017 and 2016, respectively (Note 25).

The rollforward of allowance for inventory obsolescence is as follows:

	Unaudited September 2018	Audited December 2017
Balances at beginning of year	**₱70,874,400**	₱45,228,031
Provisions (Note 27)	**(800,000)**	34,451,669
Reversals	–	(8,805,300)
Balances at end of year	**₱70,074,400**	₱70,874,400

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

	Unaudited September 2018	Audited December 2017
Balance at beginning of year	**₱354,152,670**	₱362,706,061
Repossessed inventories	**–**	–
Construction/development costs incurred	**–**	18,587,513
Disposals (recognized as cost of real estate sales)	**(17,009,715)**	(27,140,904)
Balances at end of year	**₱337,142,955**	₱354,152,670

No inventories were pledged as security to obligations as of September 30, 2018 and December 31, 2017.

10. Prepaid Expenses and Other Current Assets

This account consists of:

	Unaudited September 2018	Audited December 2017
Advances to suppliers and contractors	**651,241,810**	₱651,696,569
Creditable withholding taxes	**438,630,709**	317,959,744
Input value added tax (VAT)	**270,677,444**	138,938,652
Prepaid expenses	**91,567,478**	89,608,794
Miscellaneous deposits	**80,974,976**	78,266,698
Restricted funds	**40,770,732**	40,770,732
Advances to officers and employees	**30,304,045**	21,729,986
Restricted cash investment	**26,481,207**	22,026,782
Prepaid taxes	**11,551,791**	19,957,723
Unused office supplies	**3,428,398**	4,583,204
Others	**35,983,292**	36,849,397
	₱1,681,611,882	1,422,388,281
Less allowance for impairment	**3,808,458**	3,762,427
	₱1,677,803,424	₱1,418,625,854

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

Input VAT represents taxes imposed to the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. This will be used against future output VAT liabilities or will be claimed as tax credits. Management has estimated that all input VAT is recoverable at its full amount.

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

Restricted funds significantly pertain to funds invested in money market placements exclusively for use in CWTS, NSTP, for financing of scholars of certain private entities and 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.

11. **Equity investments at Fair value through other comprehensive income (FVOCI)**

This account consists of:

	Unaudited September 2018	Audited December 2017
Quoted shares - at fair value	**₱62,779,960**	₱70,037,553
Unquoted shares	**1,061,342,319**	379,547,640
	₱1,124,122,279	₱449,585,193

Rollforward analysis of the account follow:

	Unaudited September 2018	Audited December 2017
Balance at beginning of year	**₱449,585,193**	₱524,064,241
Additions	**503,608**	20,865,766
Disposals and redemption	–	(104,069,193)
Reclassification	–	(1,980,000)
Net unrealized gain (loss) recognized in other comprehensive income	**674,033,478**	10,704,379
	₱1,124,122,279	₱449,585,193

Movements in the net accumulated unrealized gain on equity investments at fair value through other comprehensive income (FVOCI) are as follows:

	Unaudited September 2018	Audited December 2017
Attributable to equity holders of the parent:		
Balance at beginning of year	**₱87,185,459**	₱79,859,050
Loss recognized in OCI	**308,713,409**	7,326,409
Balance at end of year	**395,898,868**	87,185,459
Noncontrolling interest:		
Balance at beginning of year	**6,063,829**	2,685,859
Loss recognized in OCI	**263,045,617**	3,377,970
Balance at end of year	**269,109,446**	6,063,829
	₱665,008,314	₱93,249,288

The unquoted shares consist of shares of the following nonlisted companies:

	Unaudited September 2018	Audited December 2017
PetroGreen Energy Corporation	**₱533,408,141**	₱258,079,889
Hermosa Ecozone Development Corporation	**506,888,702**	100,000,000
Brightnote Assets Corporation	**10,677,732**	11,000,000
Sta. Elena Properties	**7,680,033**	7,680,033
Subic Power Corporation	**37,500**	37,500
Others	**2,650,211**	2,750,218
	₱1,061,342,319	₱379,547,640

12. Investments in Associates and Joint Venture

The rollforward analysis of this account follows:

	Unaudited September 2018	Audited December 2017
Acquisition cost		
Balances at beginning	**₱4,114,397,589**	₱3,320,189,223
Additions	**332,570,006**	–
Reclassification	**–**	794,208,366
Return of investments	**–**	–
Balance at end of year	**4,446,967,595**	4,114,397,589
Accumulated impairment loss	**74,536,609**	74,536,609
Accumulated equity in net earnings		
Balance at beginning of year	**642,289,767**	394,177,443
Prior year adjustments	**(988,738)**	–
Equity in net earnings (losses)	**445,795,872**	289,372,254
Dividends received	**(108,960,659)**	(41,259,930)
Balance at end of year	**978,136,242**	642,289,767
Subtotal	**5,350,567,228**	4,682,150,747
Share in other comprehensive income of an associate	**63,646,185**	63,646,185
Equity in cumulative translation adjustment	**206,732,464**	75,417,034
	₱5,620,945,877	₱4,821,213,966

13. Property and Equipment

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

	Unaudited September 2018	Audited December 2017
Balance at beginning of year	**₱6,312,509,812**	₱4,955,173,600
Additions:		
Acquisition	**76,353,936**	934,327,800
Capitalizable costs	**29,906,534**	405,825,900
Appraisal increase	**–**	17,182,512
Balance at end of year	**₱6,418,770,282**	₱6,312,509,812

Capitalizable costs include taxes paid for purchase of land and borrowing costs. Borrowing costs capitalized as part of the cost of the land acquired in 2017 amounted to ₱6.5 million based on capitalization rate of 3.13% which is the interest rate of the specific borrowing.

Acquisition cost pertains to additional property of the Group in Mindanao.

As of September 30, 2018 and December 31, 2017, 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.

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

	Unaudited September 2018	Audited December 2017
At Cost		
Land, Buildings and Improvements	**₱4,670,562,260**	₱3,117,422,633
Machinery, Tools and Construction Equipment	**5,901,658,347**	4,901,377,474
Transportation and Service Equipment	**1,260,006,932**	1,388,034,898
Furniture, Fixtures and Office Equipment	**2,574,123,499**	2,324,244,550
	14,406,351,038	11,731,079,555
Less: Accumulated Depreciation	**(6,854,467,128)**	(6,161,976,919)
	7,551,883,910	5,569,102,636
Construction in Progress	**154,521,286**	1,016,737,644
Net book value at Cost	**₱7,706,405,196**	₱6,585,840,280

14. Goodwill

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

	Unaudited September 2018	Audited December 2017
EEI Corporation and Subsidiaries	**₱300,859,305**	₱300,859,305
Malayan Colleges, Inc.	**137,853,346**	137,853,346
iPeople,inc.	**32,644,808**	32,644,808
	₱471,357,459	₱471,357,459

15. Investment Properties

The rollforward analysis of this account follows:

	Unaudited September 30, 2018		
	Land Held for Capital Appreciation	**Condominium Units and Parking Slots**	**Total**
Cost			
Balances at beginning of year	**₱13,680,421**	**₱11,759,375**	**₱25,439,796**
Reclassification	**7,000,000**	**–**	**7,000,000**
Disposals	**(1,555,975)**	**(7,146,947)**	**(8,702,921)**
Balances at end of year	**19,124,446**	**4,612,428**	**23,736,875**
Accumulated Depreciation and Amortization			
Balances at beginning of year	**–**	**6,724,293**	**6,724,293**
Additions	**–**	**340,401**	**340,401**
Disposals	**–**	**(4,302,841)**	**(4,302,841)**
Balances at end of year	**–**	**2,761,853**	**2,761,853**
Net Book Value	**₱19,124,446**	**₱1,850,575**	**₱20,975,022**

	Audited December 31, 2017		
	Land Held for Capital Appreciation	Condominium Units and Parking Slots	Total
Cost			
Balances at beginning of year	₱194,030,421	₱24,507,418	₱218,537,839
Reversal of impairment	14,182,841	–	14,182,841
Reclassification	1,980,000	–	1,980,000
Disposals	(196,512,841)	(12,748,043)	(209,260,884)
Balances at end of year	13,680,421	11,759,375	25,439,796
Accumulated Depreciation			
Balances at beginning of year	–	12,103,242	12,103,242
Depreciation (Note 29)	–	979,946	979,946
Disposals	–	(6,358,895)	(6,358,895)
Balances at end of year	–	6,724,293	6,724,293
Net Book Value	₱13,680,421	₱5,035,082	₱18,715,503

Investment properties represent various parcels of land, condominium units and parking slots held for capital appreciation and rental, respectively.

The fair value of the land and condominium units and parking slots was arrived at using the Market Data Approach. In this approach, the value of the land and condominium units and parking slots are based on sales and listings of comparable properties registered within the vicinity.

The land was valued in terms of their highest and best use which is categorized under Level 3 of the fair value hierarchy. There was no transfer between levels of fair value measurement in 2018 and 2017.

None of the investment properties were pledged as a security to obligations as of September 30, 2018 and December 31, 2017.

16. Other Noncurrent Assets

This account consists of:

	Unaudited September 2018	Audited December 2017
Receivable from sale of investment property - net of current portion (Note 8)	**₱249,142,236**	₱252,642,633
Deferred input VAT	**221,664,909**	226,209,383
Receivable from EEI-RFI - net of current portion (Notes 8)	**133,000,000**	133,000,000
Receivable from customers - net of current portion (Note 8)	**103,907,263**	150,807,263
Computer software	**15,468,974**	13,476,188
Others	**37,602,784**	32,411,521
	₱760,786,166	₱808,546,988

Rollforward of computer software follows:

	Unaudited September 2018	Audited December 2017
Cost		
Balance at the beginning of the year	**₱123,869,767**	₱105,095,475
Additions	**7,433,249**	18,774,291
Balance at the end of the year	**131,303,016**	123,869,766
Accumulated Amortization		
Balance at the beginning of the year	**110,393,578**	91,322,803
Amortization (Note 29)	**5,440,464**	19,070,775
Balance at the end of the year	**115,834,042**	110,393,578
Net Book Value	**₱15,468,974**	₱13,476,188

As of September 30, 2018 and December 31, 2017, the remaining amortization period of the software range from 4 months to 2 years.

17. Accounts Payable and Accrued Expenses

This account consists of:

	Unaudited September 2018	Audited December 2017
Accounts payable	**₱5,046,244,625**	₱4,241,886,166
Deferred output taxes	**670,001,509**	573,701,211
Accrued expenses	**298,017,517**	335,267,975
Output tax payable	**212,676,942**	17,855,181
Provisions	**153,558,082**	142,976,418
Withholding taxes and others	**89,517,703**	87,450,053
Subscriptions payable	**31,988,718**	31,988,718
Chattel mortgage payable	**15,062,411**	12,156,245
SSS and other contributions	**9,190,920**	28,716,373
Deferred income	**4,360,104**	6,041,506
Dividends payable	**4,198,290**	25,113,996
Payable to PTC	**2,266,041**	1,340,016
Others	**74,336,958**	81,682,304
	₱6,611,419,820	₱5,586,176,162

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.

Subscriptions payable represents unpaid subscriptions on equity securities.

Accrued expenses consist of:

	Unaudited September 2018	Audited December 2017
Accrued salaries and wages	**₱68,150,133**	₱125,239,867
Accrued insurance	**27,192,764**	35,616,733
Accrued interest	**22,978,627**	11,002,531
Accrued rent	**17,338,427**	9,814,754
Accrued professional fees	**13,226,835**	14,271,684
Accrued security services	**10,532,318**	10,447,373
Accrued utilities	**5,391,730**	3,613,796
Others	**133,206,683**	125,261,237
	₱298,017,517	₱335,267,975

Provisions include the Groups's recognized payable associated with the Faculty Associations of Mapua Institute of Technology (FAMIT) reranking case. This case involves the faculty ranking and evaluation instrument that was part of the 2001 Collective Bargaining Agreement negotiations with the FAMIT. The Supreme Court reversed an earlier Court of Appeals decision in favor of management. An entry of judgment dated March 13, 2008 was made in the Supreme Court Book of Entries of Judgments, making the decision final and executory. A Memorandum of Agreement was entered into by management with FAMIT before the Voluntary Arbitrators wherein the parties agreed to continue the process of faculty ranking. The evaluation process was completed in December 2008.

On January 12, 2016, a service agreement was executed between MCLI and PTC to support the services to be rendered by PTC related to Mapua-PTC CMET such as the provision of adequate facilities for the conduct of training requirements of the students, support in scholarship programs and ship-board trainings, and support in obtaining grants and donations from international shipping companies.

In consideration for the above services, PTC will bill MCLI a service fee commensurate to the services. PTC charged service fee amounting to nil and ₱1.11 million in 2018 and 2017, respectively.

Other noncurrent liability pertains to the noncurrent portion of the deferred output tax that are expected to be collected amounting to ₱49.1 million and ₱158.4 million as of September 30, 2018 and December 31, 2017, respectively, beyond 1 year from the end of reporting period.

18. Loans Payable

This account consists of:

	Unaudited September 2018	Audited December 2017
Unsecured bank loans	**₱ 8,649,000,000**	₱7,685,000,000

Unsecured

Unsecured bank loans are obtained from local banks and related party financial institutions with annual interest rates ranging from 3.13% to 4.00% and 2.50% to 4.00% in June 2018 and December 31, 2017, respectively. In 2017, the Group availed loans amounting to ₱947.0 million specifically for the acquisition of a parcel of land in Makati City and loans amounting to ₱940 million specifically for the construction of MCMI school building in Davao.

19. Long-term Debt

This pertains to the long-term debt of the following companies:

	Unaudited September 2018	Audited December 2017
Parent Company		
Peso-denominated syndicated bank loan payable within ten (10) years which shall commence after three (3) years from the date of issue with a floating rate per annum based on the higher of (i) the three (3) - month Philippine Dealing System Treasury Reference Rates - Fixing (PDST-F) plus a spread of two percent (2.0%) per annum or (ii) the BSP overnight rate plus a spread of 1.5%	**₱534,277,646**	₱578,830,550
Peso-denominated syndicated bank loan payable within 10 years which shall commence after three (3) years from the date of issue with a fixed rate per annum based on the highest of (i) five (5)-year PDST-F, plus a spread of 2.0% per annum or (ii) floating rate per annum based on the higher of (i) the three (3) - month Philippine Dealing System Treasury Reference Rates - Fixing (PDST-F) plus a spread of 2.0% per annum or (ii) the BSP overnight rate plus a spread of 1.5% or (iii) 5.5% per annum	–	578,830,550
Peso-denominated five (5) year term loan, payable in twenty (20) equal quarterly installments starting March 2016 with interest of 5.11% per annum	**225,000,000**	300,000,000
EEI		
Fixed-rate corporate promissory notes with interest rate of 4.80% per annum	**2,547,619,048**	875,000,000
EEI Power		
Peso-denominated seven (7) year term loan, payable in equal quarterly installments and will mature on August 27, 2022 with interest of 4.80% per annum.	**285,714,286**	339,285,714
	3,592,610,980	2,671,946,814
Less current portion of long-term debt	**854,351,537**	491,865,198
	₱2,738,259,443	₱2,180,081,616

Parent Company

On September 17, 2013, the Parent Company obtained interest-bearing loans from various local commercial banks which were executed through individual loan agreements with chattel mortgage. Each interest-bearing loan has a term of ten years. Fifty percent (50%) of the total loan will be paid on the 10th year, while the remaining 50% of the loan, inclusive of a three (3) year grace period on principal payment, will be paid in 28 quarterly instalments commencing on the 13th quarter.

The proceeds of the loan were used for the acquisition of the 10% ownership in RRC. A portion of each loan bears a fixed annual effective interest rate of 5.5%, subject to repricing on the fifth (5) year while the remaining portion bears a floating effective interest rate of 5%, subject to quarterly repricing. The Parent Company paid off the loan on the fixed rate portion last September 2018.

In 2017, the Parent Company's creditors released all of the former's deed of collateral on its long-term debt.

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

EEI

In 2014, EEI received ₱500.0 million proceeds from the issuance of unsecured fixed-rate corporate promissory notes to a local bank that bear annual interest of 5.2%. Subsequently, the bank reduced the interest rate to 4.8% starting May 26, 2015 until maturity. The promissory notes mature within seven (7) years from the date of issuance.

On June 15, 2015, the Parent Company received ₱1,000.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 4.8%. The promissory note matures within seven (7) years from the date of issuance.

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

EEI Power Corporation

On August 28, 2015, EEI Power availed a ₱500.0 million long-term loan from a local bank that bears an annual interest of 4.8%. The loan is payable in equal quarterly installments and will mature on August 27, 2022.

The aforementioned loans require the Group to maintain certain financial ratios. As of September 30, 2018 and December 31, 2017, the Group was in compliance with the loan covenants.

20. **Retained Earnings**

In accordance with SRC Rule No. 68, As Amended (2011), Annex 68-C, after reconciling items, the Parent Company's retained earnings available for dividend declaration as of Septembere 30, 2018 amounted to ₱2,886.8 million.

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

Restrictions

The Group's retained earnings include accumulated earnings of subsidiaries, associate and joint venture amounting to ₱6,722.4 million and ₱6,472.2 million as of September 30, 2018 and December 31, 2017, respectively, not declared as dividends to the Group. Accordingly, these are not available for dividend declaration.

The Group's retained earnings is restricted to payment of dividends to the extent of the cost of shares held in treasury amounting ₱2.6 million.

21. Capital Stock

The authorized preferred stock is 2,500,000,000 shares at ₱0.40 par value. A reconciliation of the number of preferred shares outstanding as at September 30, 2018 and as at December 31, 2017 and 2016 follows:

	2018		2017		2016	
	Amount	**Shares**	Amount	Shares	Amount	Shares
Beginning of the year	**₱253,758,109**	**634,395,272**	₱280,802,820	702,007,052	₱310,729,869	776,824,673
Redemption of preferred stock	**(6,343,953)**	**(15,859,885)**	(27,044,711)	(67,611,780)	(29,927,049)	(74,817,621)
Conversion of preferred stock to common stock (Note 40)	**–**	**–**	–	–	–	–
	₱247,414,156	**618,535,387**	₱253,758,109	634,395,272	₱280,802,820	702,007,052

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 June 30, 2018 and as at December 31, 2017 and 2016 follows:

	2018		2017		2016	
	Amount	**Shares**	Amount	Shares	Amount	Shares
Beginning of the year	**₱924,444,172**	**616,296,114**	₱924,444,172	616,296,114	₱924,444,172	616,296,114
Conversion of preferred stock to common stock	**–**	**–**	–	–	–	–
	924,444,172	**616,296,114**	924,444,172	616,296,114	924,444,172	616,296,114
Treasury stock	**(2,607,600)**	**(300,000)**	(2,607,600)	(300,000)	(2,607,600)	(300,000)
	₱921,836,572	**615,996,114**	₱921,836,572	615,996,114	₱921,836,572	615,996,114

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

Details of the capital redemption and conversion follow:

Date of Redemption	**Amount**		**Record Date**	**Payment Date**
April 6, 2018	₱6,343,953	₱0.40	May 3, 2018	May 30, 2018
	₱6,343,953			
March 31, 2017	₱7,020,070	₱0.40	April 28, 2017	May 21, 2017
July 21, 2017	6,844,569	0.40	August 18, 2017	September 12, 2017
September 29, 2017	6,673,454	0.40	October 27, 2017	November 24, 2017
December 8, 2017	6,506,618	0.40	January 4, 2018	January 30, 2018
	27,044,711			
March 31, 2016	₱7,768,247	₱0.40	April 28, 2016	May 24, 2016
July 15, 2016	7,574,040	0.40	August 12, 2016	September 8, 2016
September 30, 2016	7,384,690	0.40	October 28, 2016	November 24, 2016
December 2, 2016	7,200,072	0.40	December 29, 2016	January 23, 2017
	₱29,927,049			

On November 26, 2015, 372,591 shares of preferred stock were converted into 99,357 of common stock with cost amounting to ₱0.1 million. There is no capital conversion as of September 30, 2018 and December 31, 2017.

The Parent Company's preferred shares have the following features:

a) Entitled to dividends at the rate of average 91-day T-Bill plus two percent;

b) Fully participating as to distribution of dividends;
c) Convertible into common shares at the option of the holders thereof from the date of issue at the conversion rate of 3 and 3/4 preferred shares to 1 common share for a price of ₱1.50 per common share subject to adjustments;
d) Redeemable at any one time or from time to time, at the option of the BOD of the Parent Company, subject to availability of funds; and
e) With voting rights and preferences as to assets upon dissolution of the Parent Company over common shareholders.

Below is the summary of the outstanding number of shares and holders of security as at September 30, 2018:

Year	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities as of year end
Preferred shares:				
January 1, 2017	776,824,673			48
Movement:	(17,550,176)	0.40	March 31, 2017	
	(17,111,422)	0.40	July 21, 2017	
	(16,683,636)	0.40	September 29, 2017	
	(16,266,546)	0.40	December 8, 2017	
December 31, 2017	634,395,272			48
Conversion	–			
December 31, 2017	634,395,272			
Movement:	(15,859,885)	0.40	April 6, 2018	
September 30, 2018	618,535,387			48
Common Shares:				
January 1, 2017	615,996,114			402
Movement	–	–		
December 31, 2017	615,996,114			402
Movement	–	–		
September 30, 2018	615,996,114			392

SEC approved the registration of the Parent Company’s authorized capital stock before its listing date with the PSE, which was on July 2, 1962. The actual number of shares initially listed were 584,085 at an offer price of ₱10.0 per share. Total number of preferred and common shareholders was 48 and 386, respectively, as of September 30, 2018 and 48 and 394, as of December 31, 2017, respectively.

22. Cash Dividends

Cash Dividends

The BOD declared cash dividends as follows:

Date of BOD Approval	Amount	Amount per share: Preferred Shares	Amount per share: Common Shares	Record Date	Payment Date
April 6, 2018	₱2,949,050	₱0.004	₱–	May 3, 2018	May 20, 2018
July 21, 2018	50,758,966	0.017	0.065	August 16, 2018	September 11, 2018
July 21, 2018	3,342,256	0.005	–	August 16, 2018	September 11, 2018
September 28, 2018	3,273,290	0.005	–	October 25, 2018	November 21, 2018
	₱60,323,562				

Date of BOD Approval	Amount	Amount per share: Preferred Shares	Amount per share: Common Shares	Record Date	Payment Date
March 31, 2017	₱2,915,295	₱0.004	₱–	April 28, 2017	May 21, 2017
July 21, 2017	51,901,385	0.017	0.065	August 18, 2017	September 12, 2017
July 21, 2017	2,878,826	0.004	–	August 18, 2017	September 12, 2017
September 29, 2017	2,756,804	0.004	–	October 27, 2017	November 24, 2017
December 12, 2017	2,616,312	0.004	–	January 4, 2018	January 29, 2018
	₱63,068,622				
March 31, 2016	₱2,761,612	₱0.004	₱–	April 28, 2016	May 20, 2016
July 15, 2016	53,165,560	0.017	0.065	August 12, 2016	September 6, 2016
July 15, 2016	2,729,936	0.004	–	August 12, 2016	September 2, 2016
September 30, 2016	2,525,564	0.003	–	October 28, 2016	November 22, 2016
December 8, 2016	2,476,824	0.003	–	December 29, 2016	January 23, 2017
	₱63,659,496				

23. Earnings Per Share

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

Unaudited basic earnings per share

	January to September 30		
	2018	2017	2016
Net income attributable to equity holders of parent company	**₱836,604,742**	₱757,266,804	₱519,457,741
Less dividends attributable to preferred shares (Note 21)	**20,283,813**	20,412,562	21,142,672
Net income applicable to common shares	**816,320,929**	736,854,242	498,315,069
Divided by the weighted average number of common shares	**615,996,114**	615,996,114	615,996,114
Basic earnings per share	**₱1.3252**	₱1.1962	₱0.8090

Unaudited diluted earnings per share

	January to September 30		
	2018	2017	2016
Net income applicable to common shares	**₱ 816,320,929**	₱736,854,242	₱498,315,069
Add dividends attributable to preferred shares	**20,283,813**	20,412,562	21,142,672
Net income applicable to common shares for diluted earnings per share	**836,604,742**	757,266,804	519,457,741
Weighted average number of common shares	**615,996,114**	615,996,114	615,996,114
Dilutive shares arising from convertible preference shares	**164,942,770**	173,509,818	192,001,928
Weighted average number of common shares for diluted earnings per share	**780,938,884**	789,505,932	807,998,042
Diluted earnings per share	**₱1.0713**	₱0.9592	₱0.6429

24. Other Income (Expense) - Net

This account consists of:

	January to September 30		
	2018	2017	2016
Commission income	**₱108,594,496**	₱83,057,318	₱73,724,490
Dealers Income	**96,320,962**	77,487,589	94,942,093
Foreign exchange gain/(loss)	**81,523,509**	10,416,781	258,951
Interest income	**33,166,391**	60,729,873	46,702,502
Insurance income	**15,417,516**	9,911,122	10,752,171
Gain on sale from property and equipment	**15,252,612**	2,600,512	2,906,803
Rental income	**10,220,329**	13,466,951	11,377,390
Reversal of allowance for inventory obsolescence	**4,706,374**	–	–
Gain on sale from investment property	**4,669,128**	5,016,577	9,866,000
Reversal of provision	**1,310,915**	–	–
Refund and discount	**202,138**	2,401,143	16,987,217
Income from sale of pre-owned cars	**153,681**	330,333	326,903
Income from reversal of payables	**40,702**	62,634,385	2,019,240
Gain on redemption of preferred stock	–	42,565,500	18,918,000
Income from defaults	–	5,712,468	–
Recoveries of previously written-off receivables	–	4,241,071	–
Gain on sale from AFS securities	–	–	4,118,571
Miscellaneous	**22,632,783**	37,657,510	30,273,898
	₱394,211,536	₱418,229,133	₱323,174,229

Commission income pertains to the commission received by the Parent Company as compensation for the services they performed as a third party for the processing of bills of PLDT, SMART and

regular purchases of its affiliates in the Yuchengco Group of Companies (YGC).

Interest income consists of income from:

	January to September 30		
	2018	2017	2016
Installment contract receivable	**₱12,480,758**	₱37,972,378	₱13,429,000
Cash in banks and short-term investments	**10,991,597**	13,502,555	19,916,478
Receivable from EEI-RFI	**6,022,321**	7,549,479	9,271,000
Receivable from related parties	**158,421**	236,835	3,825,156
Others	**3,513,294**	1,468,626	260,868
	₱33,166,391	₱60,729,873	₱46,702,502

Miscellaneous include income from sale of sludge and used oil, rebate from purchase of fuel, and share in savings from utility companies.

25. Costs of Sales and Services

This account consists of:

	January to September 30		
	2018	2017	2016
Cost of services			
Cost of construction contracts	**₱12,799,529,864**	₱8,035,361,469	₱8,953,299,000
Cost of manpower and other services	**1,260,322,780**	1,103,662,430	966,310,408
	14,059,852,644	9,139,023,899	9,919,609,408
Cost of goods sold			
Cost of merchandise sold	**5,278,732,267**	6,566,291,348	5,407,991,559
Cost of real estate sold	**28,437,470**	17,037,937	7,441,000
	5,307,169,737	6,583,329,285	5,415,432,559
Cost of school and related operations	**973,638,377**	943,837,258	924,922,950
	₱20,340,660,758	₱16,666,190,442	₱16,259,964,917

26. Costs of Tuition and other fees

This amount consists of:

	January to September 30		
	2018	2017	2016
Personnel	**₱445,069,722**	₱431,605,281	₱448,016,171
Depreciation and amortization	**146,993,265**	142,598,423	139,297,086
Student-related expenses	**111,479,417**	106,959,454	107,521,017
Management and other professional fees	**84,884,530**	82,700,206	66,568,236
Utilities	**62,124,515**	63,814,519	63,151,680
Tools and library	**25,333,168**	18,679,954	17,201,637
IT Expense - Software	**20,377,798**	18,152,703	17,146,985
Periodicals	**15,717,102**	13,929,327	11,223,454
Repairs and maintenance	**11,622,838**	8,697,890	8,081,923
Seminar	**11,585,750**	14,186,323	9,823,268
Research and development	**8,267,622**	10,059,642	6,080,611
Accreditation cost	**6,741,739**	6,604,848	3,836,946

Forward

	January to September 30		
	2018	2017	2016
Laboratory supplies	**6,041,224**	4,884,000	6,081,221
Insurance	**5,888,716**	4,693,310	3,969,376
Office supplies	**4,286,767**	5,126,713	3,533,949
Advertising	**3,126,133**	6,537,009	9,531,816
Taxes and licenses	**1,254,282**	1,281,502	1,459,835
Transportation and travel	**1,044,158**	933,345	500,510
Rent	**369,175**	541,117	665,711
Entertainment, amusement and recreation	**107,890**	287,154	205,981
Miscellaneous	**1,322,566**	1,564,536	1,025,536
	₱973,638,377	₱943,837,258	₱924,922,950

27. **General and Administrative Expenses**

This account consists of:

	January to September 30		
	2018	2017	2016
Personnel expenses	**₱691,478,164**	₱618,374,418	₱ 650,559,695
Rent, light and water	**192,050,845**	177,568,605	161,295,464
Depreciation and amortization	**165,684,726**	142,007,269	130,710,120
Provision for probable losses	**142,621,753**	1,874,646	235,493
Taxes and licenses	**137,104,830**	89,138,981	86,450,900
Advertising and promotions	**73,796,370**	96,323,460	60,040,542
Transportation and travel	**65,759,205**	55,297,967	48,068,542
Professional fees	**61,505,046**	44,901,830	47,581,045
Securities and utilities	**39,524,948**	40,759,336	35,973,468
Entertainment, amusement and recreation	**36,573,232**	50,466,252	58,924,257
Repairs and maintenance	**32,932,071**	21,590,689	20,409,465
Management and other fees	**32,922,778**	24,335,128	24,302,991
Insurance	**17,766,513**	19,119,794	18,465,143
Commissions	**17,675,268**	19,761,458	22,419,607
Office expenses	**16,672,202**	20,107,827	21,389,222
Direct expenses	**6,327,161**	11,082,431	29,923,730
Donations and contributions	**4,301,760**	12,484,756	18,733,126
Seminars	**2,159,865**	1,221,051	3,355,817
Accreditation cost	**35,000**	-	-
Provision (recovery) for inventory obsolescence	**(800,000)**	(1,390,000)	-
Miscellaneous	**134,817,644**	134,738,876	133,748,812
	₱1,870,909,381	₱ 1,579,764,774	₱1,572,587,439

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

28. **Noncontrolling Interest**

Noncontrolling interest in consolidated subsidiaries represents shareholdings in subsidiaries not held by the Group.

Dividends paid to noncontrolling interest in consolidated subsidiaries amounted to ₱42.05 million, ₱45.48 million and ₱140.31 million as at September 30, 2018, 2017 and 2016, respectively.

29. **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 revenues from the following reportable segments:

Construction and Infrastructure - mainly consists of revenues from EEI Corporation and subsidiaries as a general contractor and trader of construction equipment and parts. The subsidiaries of EEI are mainly involved in the provision for manpower services, construction, trading of equipment, power generation, steel fabrication, real estate and others.

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

Education and Information Technology - primarily consists of revenues from iPeople and subsidiaries (including MCI) in education, consulting, development, installation and maintenance of information technology systems.

Car Dealership - represents automotive dealerships of the Group.

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

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

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

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

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

House of Investments Inc and Subsidiaries
Unaudited Operating Segment
For the Quarter Ended September 30, 2018 and 2017 (Unaudited)
and
December 31, 2017 (Audited)
(In million pesos)

	Construction and Infrastructure		Car Dealerships		Education and Information Technology		Property Services		Others		Elimination		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Total Revenues	**15,853**	10,532	**6,103**	7,369	**1,312**	1,498	**179**	149	**295**	209	**(506)**	(760)	**23,236**	18,997
Net Income	**687**	504	**36**	56	**132**	329	**63**	39	**524**	393	**(245)**	(220)	**1,197**	1,101
Other Information														
Segment assets	**27,244**	21,392	**3,255**	3,800	**8,645**	7,897	**182**	167	**6,856**	6,916	**(2,239)**	(2,819)	**43,943**	37,353
Segment liabilities	**19,098**	14,717	**1,949**	2,507	**2,585**	1,872	**129**	122	**2,932**	3,148	**(963)**	(1,365)	**25,730**	21,001
Deferred tax assets	**60**	79	**17**	16	**6**	6	**2**	2	**1**	-	**-**	-	**86**	103
Deferred tax liabilities	**103**	-	**143**	143	**175**	177	**-**	-	**-**	-	**92**	92	**513**	412
Interest expense	**207**	115	**43**	40	**11**	4	**-**	-	**64**	69	**(26)**	(28)	**299**	200
Provision for income tax	**304**	205	**14**	24	**21**	39	**20**	17	**9**	12	**-**	-	**368**	297
Depreciation and amortization	**483**	468	**44**	41	**170**	52	**2**	2	**5**	5	**-**	-	**704**	568

30. Other Matters

- On December 20, 2017, HI formally notified MESI that its BOD has approved on December 8, 2017 to exercise the option to convert the 281,642 MESI preferred shares into MESI common shares. On April 24, 2018, the Securities and Exchange Commission (SEC) approved the conversion of 281,642 MESI preferred shares to common shares.

31. Contract Assets and Contract Liabilities

The adoption of PFRS 15 requires classification of Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts to Contract Assets, and Billings in Excess of Costs and Estimated Earnings on Uncompleted Contracts to Contact Liabilities. Total upward adjustments resulting from the adoption of the new standards amounted to P3.7 billion in Contracts Assets, and P3.5 billion in Contract Liabilities.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68 and 68.1 AS AMENDED

September 30, 2018

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule 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 SRC Rule 68, as Amended (2011), that are relevant to the Group. This information is presented for purposes 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 total available-for-sale securities amounting ₱1,124.12 million do not constitute 5% or more of the total current assets of the Group as at September 30, 2018.

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

Below is the schedule of advances to employees of the Group with balances above ₱100,000 as of September 30, 2018:

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of period
EEI Group				
Macapagal, Norman K.	₱1,532,896	₱143,836	(₱131,390)	₱1,545,342
Sta. Maria, Edwin R.	–	1,000,000		1,000,000
Narzoles, Laila L.	–	752,610	(25,000)	727,610
Marco, Dindo H. Realin	668,405	–	–	668,405
Serrano, Efren A.	–	400,927	(6,857)	394,070
Abrenica, Frances Estrella S.	357,090	–	-	357,090
Satur, Salustiano O.	111,947	250,000	(5,000)	356,947
Rodelas, Nilo R.	–	350,000	-	350,000
Nacpil, Almario R.	348,384	–	–	348,384
Torres, Joel R.	–	358,000	(10,513)	347,487
Tutor, Ritchel R.	–	302,191	(15,110)	287,081
Puyat, Gil S.	280,001	300	(300)	280,001
Sumastre, Elizabeth M.	–	250,000	(10,000)	240,000
Sarno, Stephen A.	–	236,495		236,495
Jao, Mario A.	–	202,146		202,146
Aguilar, Mary June O.	–	200,000		200,000
Ander Jr., Herminio R.	–	200,000	-	200,000
Tampos Jr. Eduardo C.	241,945	–	(48,182)	193,763
Orias, Mary Jean A.	–	200,000	(20,000)	180,000
Madarang, Lito O.	–	173,929		173,929
Gapasin, Jorge Timothy T.	–	180,000	(9,500)	170,500
Destacamento, Noel M.	–	162,119	-	162,119
Villanueva, Cirilo D.	–	159,228	-	159,228
Mapalad, Virgilio S.	–	157,459		157,459
Cubillan, Ernesto T.	–	156,644	-	156,644
Villania, Junard I	–	151,492	-	151,492
Bayeta, Eddie S.	118,324	30,000	(9,000)	139,324
Penas, Abrilleno F.	168,120	–	(32,000)	136,120
Alcaraz, Jimmy S.	142,845	2,300	(26,756)	118,389

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of period
Lanchica, Ryan H.	117,143	–	(5,525)	111,618
Burgos, Manuel B.	108,150	300	(300)	108,150
Montecalvo, Dennis S.	108,115	–	–	108,115
Espiritu, Jaime S.	107,784	–	–	107,784
De Vera Jr., Federico S.	–	416,660	(310,689)	105,971
Manrique, Reynaldo S.	–	164,086	(58,853)	105,233
Villanueva, Jose P.	103,915	–	–	103,915
De Guzman, Alvin R.	–	103,107		103,107
Bundalian, Rolando S.	101,760	1,300	(1,300)	101,760
Albarda, Joh Christian	123,169	–	(21,600)	101,569
Ofalla, Frances Katherine R.	–	100,000		100,000
Agtoto, Jerry O.	100,000	1,300	(1,300)	100,000
Padrique, Danilo N.	100,000	–	-	100,000
	₱4,939,993	₱6,806,429	(₱749,175)	₱10,997,247
iPeople Group				
Uy, Francis Aldrine	₱46,141	₱396,500	(₱56,054)	₱386,587
Teodoro, Gloria	–	–	(39,000)	351,000
Tiongco, Danilo R.	417,099	390,000	(69,517)	347,582
Caparanga, Alvin	–	377,000	(39,000)	338,000
Camacho, Margarita	383,480	–	(61,221)	322,259
Robielos, Rex Aurelius	621,299	–	(302,973)	318,326
Hofilena, Joy	374,354	–	(56,625)	317,729
Kikuchi, Khristian	374,354	–	(56,625)	317,729
Medrano, Anthony H.	371,208	–	(56,625)	314,583
Salayo, John Vincent	371,190	–	(56,607)	314,583
Austria, Maria Rhodora	366,698	–	(60,856)	305,842
Costales, Aloysius Nathaniel	389,668	–	(97,437)	292,231
Lanuza, Dionisia	302,100	–	(47,700)	254,400
Sabino, Lilibeth	309,167	–	(55,650)	253,517
Agbulos, Erlin C.	312,827	–	(67,030)	245,797
Gochioco, Geraldine	297,584	–	(57,117)	240,467
Salvacion, Jonathan	286,362	–	(55,425)	230,937
Songsong, Maribel	272,800	–	(55,800)	217,000
Francisco, Ruth C.	232,373	–	(61,652)	170,721
Adanza, Carina Victoria T.	221,729	–	(55,425)	166,304
Sauquillo, Dante	211,888	–	(56,925)	154,963
Tablante, Dennis H.	175,933	–	(28,275)	147,658
Doma, Bonifacio T. Jr.	175,519	–	(28,463)	147,056
	₱6,513,773	₱1,163,500	(₱1,522,002)	₱6,155,271
HI-Parent				
Medina, Maricar M.	₱–	₱922,321	(₱497,342)	424,979
Monserate, Lalaine Pena	473,485	61,072	(127,934)	406,623
Estrella, Joselito D.	415	517,274	(162,012)	355,678
Fabi, Sharon O.	–	356,000	(42,487)	313,513
Rafael, Victor V.	–	571,685	(282,054)	289,632
Panelo, Danilo P	341,998	2,707	(66,999)	277,707
Bautista, Maria Teresa	320,724	31,945	(87,774)	264,895
Nuguid, Marissa P.	298,448	–	(50,850)	247,598
De Lara, Ma. Elisa	321,072	3,770	(80,627)	244,215
Cacho, Chona B.	293,058	23,153	(75,394)	240,817
Galang, Alexander G.	225,566	346	(79,712)	146,201
Villegas, Sonia P	205,096	20,001	(101,062)	124,035
Joven, Ma. Esperenza F	189,721	37,314	(111,772)	115,263
Apsay, Christopher C.	174,304	41,263	(108,779)	106,788
Tanjangco, Joey	177,221	–	(76,043)	101,178
	₱3,021,108	₱2,588,851	(₱1,950,841)	₱3,659,122
Total	₱14,474,874	₱9,395,280	(₱2,700,016)	₱14,656,369

iPeople and HI-Parent's advances mainly pertain to the officers and employees car plan agreements. Such advances are interest-bearing and are liquidated on a monthly basis.

There were no amounts written off during the year. All receivables are expected to be collected within the next twelve months.

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

Below is the schedule of receivables (payables) with subsidiaries, which are eliminated in the consolidated financial statements as at September 30, 2018:

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Balance at end of period
Landev Corporation					
Due from affiliates	₱879,425	₱2,952,149	(₱3,707,034)	₱–	₱124,540
Dividends receivable	28,000,000	50,000,000	(52,999,921)	–	25,000,079
	28,879,425	52,952,149	(56,706,955)	–	25,124,619
Greyhounds Security and Investigation Agency Corporation					
Due from affiliates	790,047	287,807	(1,076,401)	–	1,453
Investment Managers, Inc.					
Due from affiliates	398,649	5,429,354	(5,384,396)	–	443,607
Dividends receivable	750,000	–	(750,000)	–	0
	1,148,649	5,429,354	(6,134,396)	–	443,607
iPeople, inc. and subsidiaries					
Due from affiliates	8,863,995	83,470,376	(73,066,630)	–	19,267,741
Dividends receivable	58,864,678	60,371,850	(90,349,335)	–	28,887,193
	67,728,673	143,842,226	(160,616,204)	–	48,154,934
EEI Corporation and subsidiaries					
Due from affiliates	611,820	3,576,551	(2,929,465)	–	1,258,906
Zamboanga Industrial Finance Corporation					
Dividends receivable	–	1,300,000	(975,000)	–	325,000
Zambowood Realty and Development Corp.					
Due from affiliates	2,200	1,993	(4,085)	–	108
Dividends receivable	6,000,000	2,000,000	(6,000,000)	–	2,000,000
	6,002,200	2,001,993	(6,004,085)		2,000,108
Xamdu Motors, Inc.					
Due from affiliates	250	150	(300)	–	100
	₱105,161,064	₱209,390,230	(₱234,442,806)	₱–	₱77,308,727

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

Schedule D. Intangible Asset - Other Noncurrent Assets

As at September 30, 2018, the Group's intangible assets consist of goodwill and computer software. Goodwill in the Group's consolidated statements of financial position arose from the acquisition of EEI, iPeople, and Honda Cars Group. Details of the Group's intangible assets are as follows:

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	₱471,357,459	₱–	₱–	₱–	₱–	₱471,357,459
Computer Software	13,476,189	7,433,249	(5,440,464)	–	–	15,468,974
	₱484,833,648	₱7,433,249	(5,440,464)	₱–	₱–	₱486,826,433

Schedule E. Long-term Debt
Below is the schedule of long-term debt of the Group:

Type of Obligation	Amount	Current	Noncurrent
Parent Company			
Peso-denominated syndicated bank loan payable within 10 years which shall commence after 3 years from the date of issue with a floating rate per annum based on the higher of (i) the three (3) - month Philippine Dealing System Treasury Reference Rates - Fixing (PDST-F) plus a spread of two (2.0%) per annum or (ii) the BSP overnight rate plus a spread of 1.5%.	₱534,277,646	₱79,748,362	₱454,529,284
Peso-denominated syndicated bank loan payable within 10 years which shall commence after 3 years from the date of issue with a fixed rate per annum based on the highest of (i) 5-year PDST-F, plus a spread of two (2.0%) per annum or (ii) floating rate per annum based on the higher of (i) the three (3) - month Philippine Dealing System Treasury Reference Rates - Fixing (PDST-F) plus a spread of two (2.0%) per annum or (ii) the BSP overnight rate plus a spread of 1.5% or (iii) 5.5% per annum.	–	–	–
Peso-denominated five (5) year term loan, payable quarterly starting March 2016 with interest of 5.11% per annum	225,000,000	100,000,000	125,000,000
EEI			
Fixed-rate corporate promissory notes with effective interest of 5.1875% on first draw down, 5.1667% on second draw down and 4.8% on subsequent draw downs as of May 2015 per annum for seven (7) years.	2,547,619,048	603,174,603	1,944,444,445
EEI Power			
Peso-denominated seven (7) year term loan, payable quarterly starting June 2014 with interest of 6.50% per annum inclusive of two (2) year grace period on principal amortization	285,714,286	71,428,572	214,285,714
	₱3,592,610,980	₱854,351,537	₱2,738,259,443

Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)
As at September 30, 2018, the Group has no long-term loans from its related parties.

Schedule G. Guarantees of Securities of Other Issuers
There are no guarantees of securities of other issuing entities by the Group as at September 30, 2018.

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	615,996,114	294,759,570	2,695,400	318,541,144
Preferred shares	2,500,000,000	618,535,387	232,024,666	−	386,510,721

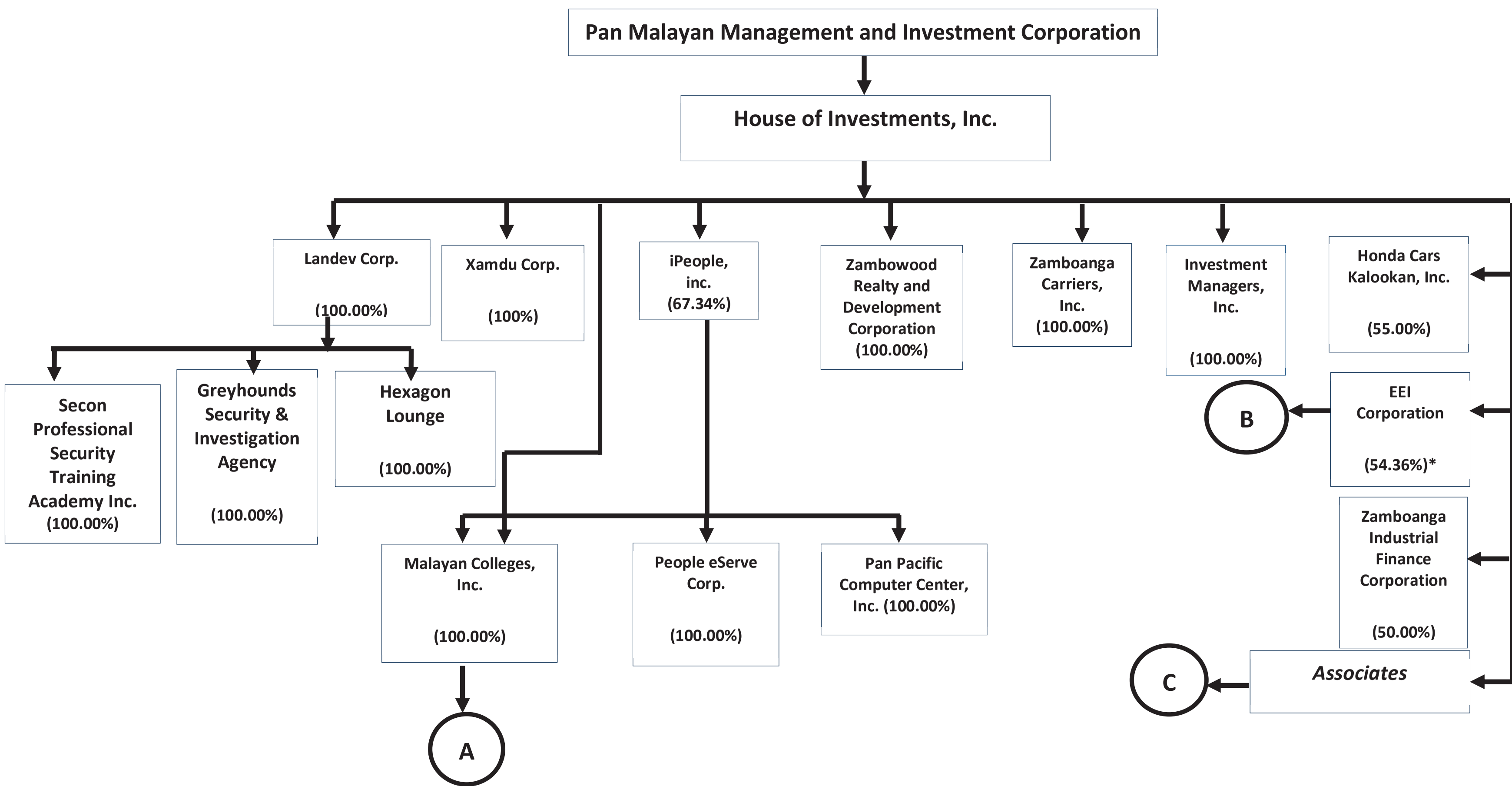
HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

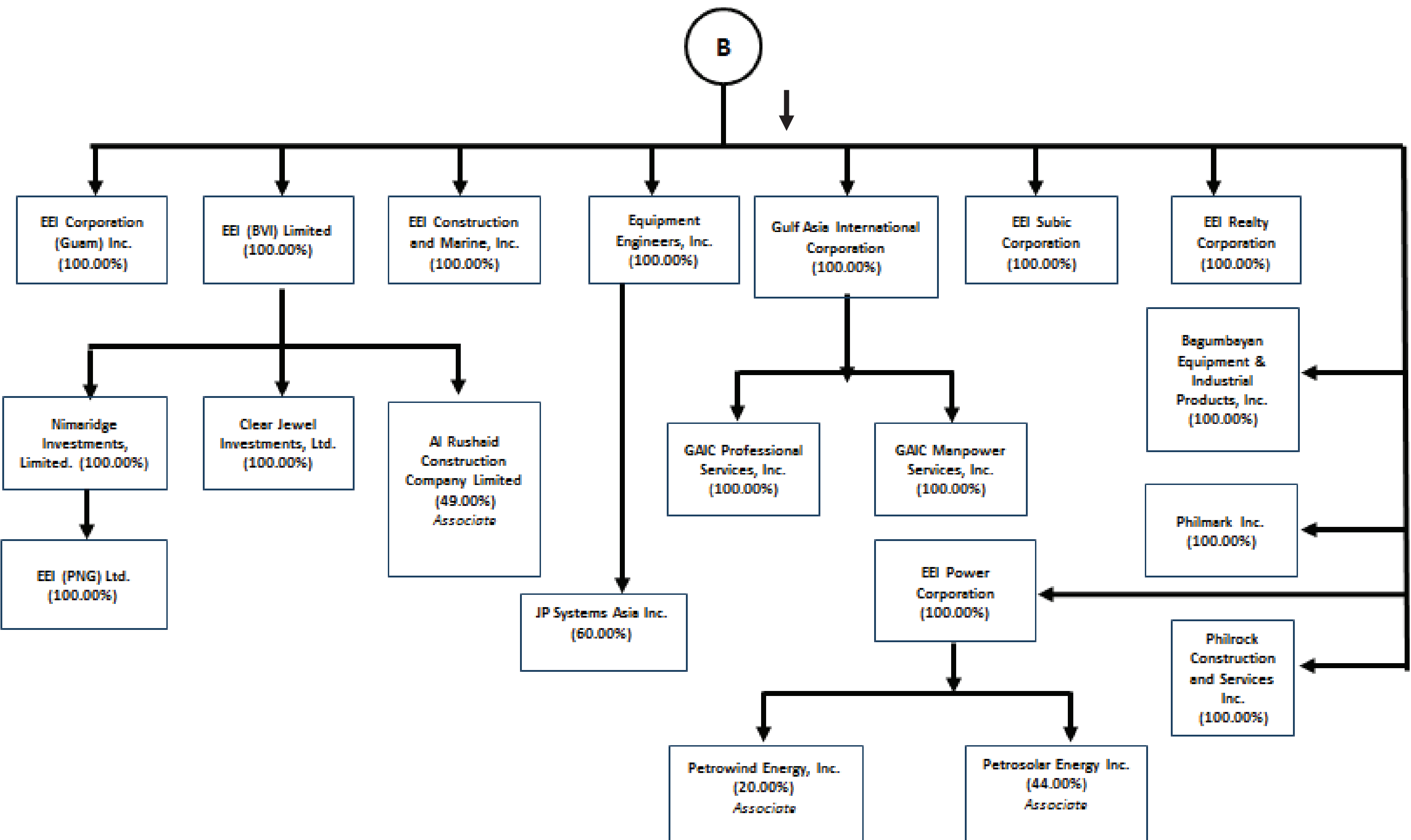
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE QUARTER ENDED SEPTEMBER 30, 2018

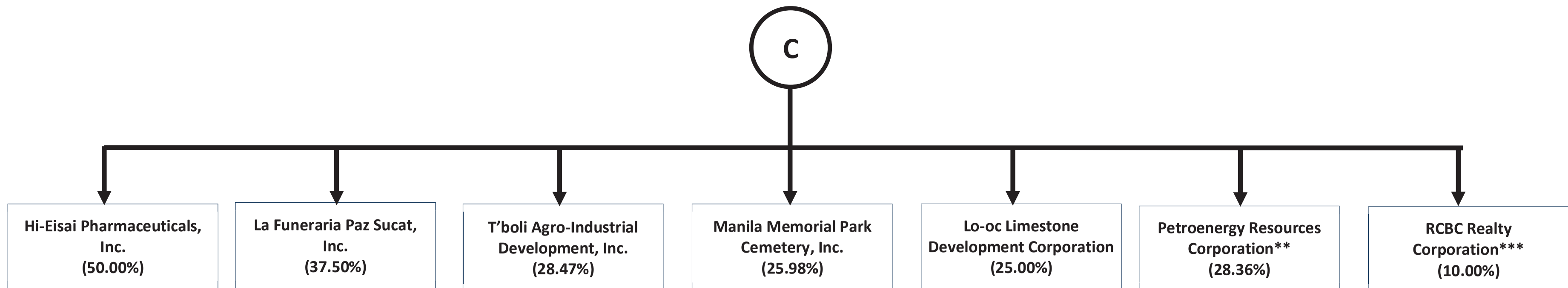
Unappropriated retained earnings, beginning	₱2,578,886,755
Less: Deferred tax asset	–
Treasury shares	2,607,600
Unappropriated retained earnings, as adjusted to amount available for dividend declaration, beginning	2,576,279,155
Net income during the year closed to retained earnings	250,161,505
Less movement in deferred tax asset that increased net income	–
Net income actually earned during the period	250,161,505
Dividend declared	(60,323,562)
UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, ENDING	₱2,886,764,222

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 Sept. 30, 2018:




B
EEI Corporation (Guam) Inc. (100.00%)
EEI (BVI) Limited (100.00%)
EEI Construction and Marine, Inc. (100.00%)
Equipment Engineers, Inc. (100.00%)
Gulf Asia International Corporation (100.00%)
EEI Subic Corporation (100.00%)
EEI Realty Corporation (100.00%)
Bagumbayan Equipment & Industrial Products, Inc. (100.00%)
Nimaridge Investments, Limited. (100.00%)
Clear Jewel Investments, Ltd. (100.00%)
Al Rusheid Construction Company Limited (49.00%) Associate
GAIC Professional Services, Inc. (100.00%)
GAIC Manpower Services, Inc. (100.00%)
Philmark Inc. (100.00%)
EEI (PNG) Ltd. (100.00%)
JP Systems Asia Inc. (60.00%)
EEI Power Corporation (100.00%)
Philrock Construction and Services Inc. (100.00%)
Petrowind Energy, Inc. (20.00%) Associate
Petrosolar Energy Inc. (44.00%) Associate



** In 2015, the Group purchased additional 41.9 million shares resulting to an increased ownership interest from 50.32% to 54.36%.*

*** On February 21, 2013, significant influence was obtained through piecemeal acquisition. In 2014, the Group purchased additional 6.6 million shares of PERC increased ownership interest from 20.00% to 22.41%. In February 2, 2018, the company purchased additional 69,285,418 shares amounting to P332.6M from stock rights offering.*

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

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PFRS AS OF SEPTEMBER 30, 2018

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of September 30, 2018:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2018		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions		✓*	
PFRS 3 (Revised)	Business Combinations			✓

**Not early adopted*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2018		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts		✓*	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Amendments to PFRS 7: Hedge Accounting			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		✓*	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation		✓*	

**Not early adopted*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2018		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓**	
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities – Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
	Amendments to PFRS 15, Clarifications to PFRS 15	✓		
PFRS 16	Leases		✓*	

**Not early adopted*
***Effectivity was deferred by the Financial Reporting Standards Council*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2018		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1, Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16: Agriculture -Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2018		Adopted	Not Adopted	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 28 (Amended)	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓**	
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures		✓*	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		

**Not early adopted*
***Effectivity was deferred by the Financial Reporting Standards Council*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2018		Adopted	Not Adopted	Not Applicable
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PAS 39: Hedge Accounting			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2018		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Transfers of Investment Property		✓*	
PAS 41	Agriculture			✓
	Amendments to PAS 41: Agriculture – Bearer Plants			✓
Annual Improvements to PFRSs				
Improvements to PFRSs (2008)		✓		
Improvements to PFRSs (2009)		✓		
Improvements to PFRSs (2010)		✓		
Annual Improvements to PFRSs (2009-2011 Cycle)		✓		
Annual Improvements to PFRSs (2010-2012 Cycle)		✓		
Annual Improvements to PFRSs (2011-2013 Cycle)		✓		
Annual Improvements to PFRSs (2012-2014 Cycle)		✓		
Annual Improvements to PFRSs (2014-2016 Cycle)			✓**	

**Not early adopted*

***Only amendment to PFRS 12, Clarification of the Scope of the Standard, was adopted in 2017. The amendment to PAS 28, Measuring an Associate or Joint Venture at Fair Value will be adopted in 2018.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2018		Adopted	Not Adopted	Not Applicable
IFRIC 22	Foreign Currency Transactions and Advance Consideration		✓*	
IFRIC 23	Uncertainty over Income Tax Treatments		✓*	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**Not early adopted*

Standards tagged as “Not applicable” have been adopted by the Group but have no significant covered transactions.

Standards tagged as “Not adopted” are standards issued but not yet effective as of September 30, 2018. The Group will adopt the Standards and Interpretations when these become effective.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

AGING OF ACCOUNTS RECEIVABLE
FOR THE QUARTER ENDED SEPTEMBER 30, 2018

		No. of days due		
	TOTAL	**0-30**	**31-60**	**Over 61 days**
Construction	**₱6,576,588,818**	**₱4,837,040,000**	**₱966,594,000**	**₱772,954,818**
Car Dealership	**596,848,000**	**415,048,512**	**93,974,392**	**87,825,096**
Education and Information Technology	**319,829,745**	**261,248,316**	**11,818,066**	**46,763,363**
Parent and Others	**857,752,674**	**504,828,835**	**173,866,919**	**179,056,920**
Total	**8,351,019,237**	**6,018,165,663**	**1,246,253,377**	**1,086,600,197**
Less: Allowance for doubtful accounts	**(227,284,805)**	**–**	**–**	**(227,284,805)**
	₱8,123,734,432	**₱6,018,165,663**	**₱1,246,253,377**	**₱859,315,392**

SIGNATURES

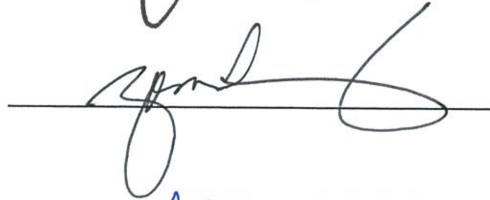
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Makati on November ___, 2018.

IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this ____ day of November, 2018 at Makati City.

By:

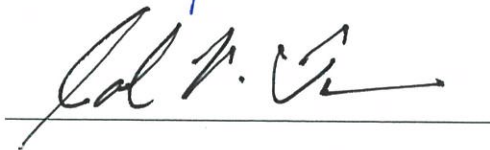
Medel T. Nera
President & CEO

Gema O. Cheng
EVP-Finance, COO, CFO & Treasurer



Maria Teresa T. Bautista
VP –Controller

Atty. Samuel V. Torres
Corporate Secretary

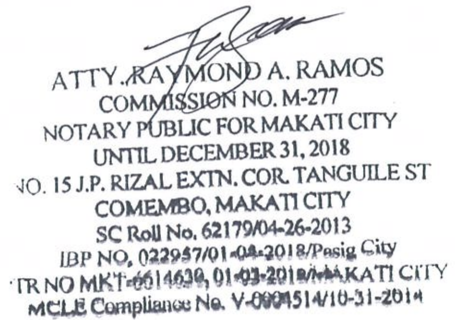


04 NOV 2018

SUBSCRIBED AND SWORN to before me this ____ day of November, 2018, at MAKATI CITY. Affiant exhibited to me their Residence Certificate Numbers indicated below each name.

Names	Document No.	Date & Place of Issue/Expiration
Medel T. Nera	P1271862A	12-19-2016 Manila / 12-18-2021
Gema O. Cheng	DL#N06-84-036923	12-14-2017 Mandaluyong / 12-08-2022
Maria Teresa T. Bautista	DL#6-92-094899	11-23-2017 Makati / 11-23-2022
Atty. Samuel V. Torres	DL#13-83-001463	11-08-2017 QC / 11-10-2022

Doc. No. 476;
Page No. 97;
Book No. 83;
Series of 2018



ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-277
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2018
NO. 15 J.P. RIZAL EXTN. COR. TANGUILE ST
COMEMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 022957/01-04-2018/Pasig City
PTR NO MKT-6614630, 01-03-2018/MAKATI CITY
MCLE Compliance No. V-0001514/10-31-2014