

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-Q

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

1. For the quarterly period ended  
Sep 30, 2023
2. SEC Identification Number  
15393
3. BIR Tax Identification No.  
000-463-069-000
4. Exact name of issuer as specified in its charter  
House of Investments, Inc.
5. Province, country or other jurisdiction of incorporation or organization  
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office  
9th Flr., Grepalife Bldg, 219 Sen. Gil Puyat Avenue, Makati City  
Postal Code  
1200
8. Issuer's telephone number, including area code  
+63288159636
9. Former name or former address, and former fiscal year, if changed since last report  
Not Applicable
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

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

11. Are any or all of registrant's securities listed on a Stock Exchange?  
☒ Yes    ☐ No  
 If yes, state the name of such stock exchange and the classes of securities listed therein:  
 Common
12. Indicate by check mark whether the registrant:

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

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

☒ Yes ☐ No

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

☒ Yes ☐ No

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



## House of Investments, Inc. HI

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

For the period ended	Sep 30, 2023
Currency (indicate units, if applicable)	PHP

#### Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2023	Dec 31, 2022
Current Assets	6,232,477,857	19,875,840,280
Total Assets	38,121,778,111	65,226,825,286
Current Liabilities	6,850,464,093	21,531,642,028
Total Liabilities	11,272,454,187	29,362,442,031
Retained Earnings/(Deficit)	12,558,914,474	12,449,757,862
Stockholders' Equity	26,849,323,924	35,864,383,255
Stockholders' Equity - Parent	18,393,842,705	18,366,396,820
Book Value per Share	34.58	45.8

#### Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	2,607,884,805	2,199,647,956	7,761,603,318	6,569,018,973
Gross Expense	1,853,224,278	1,555,599,711	5,643,876,979	4,782,489,466
Non-Operating Income	229,227,109	212,360,720	(353,398,635)	661,208,351

<b>Non-Operating Expense</b>	595,864,958	388,039,916	1,710,336,737	1,164,292,723
<b>Income/(Loss) Before Tax</b>	388,022,678	468,369,049	53,990,967	1,283,445,135
<b>Income Tax Expense</b>	29,339,163	12,166,791	65,069,296	37,699,053
<b>Net Income/(Loss) After Tax</b>	358,683,515	456,202,258	(11,078,329)	1,245,746,082
<b>Net Income Attributable to Parent Equity Holder</b>	294,644,803	321,825,591	(40,997,193)	871,550,330
<b>Earnings/(Loss) Per Share (Basic)</b>	0.38	0.41	(0.18)	0.99
<b>Earnings/(Loss) Per Share (Diluted)</b>	0.38	0.41	(0.18)	0.99

	<b>Current Year (Trailing 12 months)</b>	<b>Previous Year (Trailing 12 months)</b>
<b>Earnings/(Loss) Per Share (Basic)</b>	0.21	1.35
<b>Earnings/(Loss) Per Share (Diluted)</b>	0.21	1.35

<b>Other Relevant Information</b>
Please see attached 17-Q Report.

**Filed on behalf by:**

<b>Name</b>	Ma. Teresa Bautista
<b>Designation</b>	Controller

# COVER SHEET

SEC Registration Number

1	5	3	9	3							
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COMPANY NAME

H	O	U	S	E		O	F		I	N	V	E	S	T	M	E	N	T	S	,		I	N	C	.		A	N	D
	S	U	B	S	I	D	I	A	R	I	E	S																	

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

9	t	h		F	l	o	o	r	,		G	r	e	p	a	l	i	f	e		B	u	i	l	d	i	n	g	,
	2	2	1		S	e	n	.		G	i	l		J	.		P	u	y	a	t		A	v	e	n	u	e	,
	M	a	k	a	t	i		C	i	t	y	,		M	e	t	r	o		M	a	n	i	l	a				

Form Type

1	7	-	Q
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Department requiring the report

C	R	M	D
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Secondary License Type, If  
Applicable

N	/	A	
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## COMPANY INFORMATION

Company's Email Address

<u><a href="http://www.hoi.com.ph">www.hoi.com.ph</a></u>
---

Company's Telephone Number

8815-9636 to 38
-----------------

Mobile Number

N/A
-----

No. of Stockholders

373
-----

Annual Meeting (Month / Day)

July 21
---------

Fiscal Year (Month / Day)

September 30
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## CONTACT PERSON INFORMATION

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

Name of Contact Person

Maria Teresa T. Bautista
--------------------------

Email Address

mtbautista@hoi.com.ph
-----------------------

Telephone Number/s

8815-9636
-----------

Mobile Number

N/A
-----

## CONTACT PERSON'S ADDRESS

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

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

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

Fw: HOUSE OF INVESTMENTS, INC.\_SEC Form 17-Q3 Report (September 30, 2023)

Sharon Fabi <sofabi@hoi.com.ph>

Tue 11/14/2023 12:05 PM

To: Nenibel Acabo <ncacabo@hoi.com.ph>

Official Business

Kind regards,

Sharon

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**From:** ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>

**Sent:** Tuesday, November 14, 2023 12:03 PM

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

**Subject:** Re: HOUSE OF INVESTMENTS, INC.\_SEC Form 17-Q3 Report (September 30, 2023)

Thank you for reaching out to ictdsubmission@sec.gov.ph!

Your submission is subject for Verification and Review of the Quality of the Attached Document only for Secondary Reports. The Official Copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 7 working days via order through the SEC Express at <https://secexpress.ph/>. For further clarifications, please call (02) 8737-8888.

----- NOTICE TO  
COMPANIES -----

Please be informed of the reports that shall be filed only through ictdsubmission@sec.gov.ph.

Pursuant to SEC MC Circular No. 3 s 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (pdf) through email at ictdsubmission@sec.gov.ph such as the following SECONDARY REPORTS:

1. 17-A 6. ICA-QR 11. IHAR 16. 39-AR 21. Monthly Reports
2. 17-C 7. 23-A 12. AMLA-CF 17. 36-AR 22. Quarterly Reports
3. 17-L 8. 23-B 13. NPM 18. PNFS 23. Letters
4. 17-Q 9. GIS-G 14. NPAM 19. MCG 24. OPC (Alternate Nominee)
5. ICASR 10. 52-AR 15. BP-FCLC 20. S10/SEC-NTCE-EXEMPT

Further, effective 01 July 2023, the following reports shall be submitted through <https://efast.sec.gov.ph/user/login>.

1. FORM MC 18 7. Completion Report
2. FORM 1 - MC 19 8. Certificate-SEC Form MCG- 2009
3. FORM 2- MC 19 9. Certificate-SEC Form MCG- 2002, 2020 ETC.
4. ACGR 10. Certification of Attendance in Corporate Governance
5. I-ACGR 11. Secretary's Certificate Meeting of Board Directors (Appointment)
6. MRPT

Please be informed that the submission of the abovementioned eleven (11) reports through the ictdsubmission@sec.gov.ph shall no longer be accepted. For further information, please access this link Notice for guidance on the filing of reports:

Likewise, the following reports shall be filed through the Electronic Filing and Submission Tool (eFAST) at <https://efast.sec.gov.ph/user/login> :

1. AFS 7. IHFS 13. SSF
2. GIS 8. LCFS 14. AFS with Affidavit of No Operation
3. BDFS 9. LCIF 15. AFS with NSPO Form 1,2, and 3
4. FCFS 10. OPC\_AO 16. AFS with NSPO Form 1,2,3 and 4,5,6
5. FCIF 11. PHFS 17. FS - Parent
6. GFFS 12. SFFS 18. FS - Consolidated

For the submission and processing of compliance in the filing of Memorandum Circular No. 28 Series of 2020, please visit this link – <https://apps010.sec.gov.ph/>

For your information and guidance.

Thank you.

**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, 2023
2. SEC Identification Number 15393
3. BIR Tax Identification No. 000-463-069-000
4. Exact name of registrant as specified in its charter: HOUSE OF INVESTMENTS, INC.
5. Makati City, Philippines  
Province, Country or other jurisdiction  
of incorporation or organization
6. / / (SEC Use Only)  
Industry Classification Code:
7. 9th Floor, Grepalife Building, 221 Sen. Gil J. Puyat Avenue, Makati City  
Address of principal office 1200  
Postal Code
- +63 (2) 8940320; +63 (2) 8134537  
Issuer's telephone number, including area code
9. Not Applicable  
Former name, or former address, if changed.

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

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

Amount of debt as of September 30, 2023    No debt registered pursuant to Section 4 and 8 of the RSA

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

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

12. Check whether the registrant:

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

Yes (X)                      No ( )

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

Yes (X)                      No ( )

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## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

The interim consolidated financial statements of House of Investments, Inc. and Subsidiaries as of September 30, 2023 with comparative figures for the periods ended December 31, 2022 and September 30, 2022 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 have, or anticipates having within the next twelve (12) months, any cash flow or liquidity problems?	No
Is the registrant in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments?	No
Has there been a significant amount of the registrant's trade payables have not been paid within the stated trade terms?	None
Describe internal and external sources of liquidity, and briefly discuss any sources of liquid assets used.	The Group depends on both internal and external sources of funds.

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

None.

*(iii) Any 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;*

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

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



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

None.

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

The disposal of investment in the construction sector has resulted to a net loss of P405.45 million. Please refer to the Exhibit 1, Notes to Financial Statements for the details.

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

## Results of Operations

	UNAUDITED			
	January 1 to September 30			
	2023	2022	% Change	% to Total Revenue
<b>Continuing Operations</b>				
<b>REVENUES</b>				
Sales of services	1,318,472,998	705,616,151	86.9%	17%
Sales of goods	3,335,872,527	3,107,448,616	7.4%	43%
School and related operations	3,107,257,793	2,755,954,206	12.7%	40%
	7,761,603,318	6,569,018,973	18.2%	100%
<b>COSTS OF SALES AND SERVICES</b>				
Cost of services	513,501,561	283,235,804	81.3%	7%
Cost of goods sold	3,199,701,459	2,942,422,718	8.7%	41%
School and related operations	1,930,673,959	1,556,830,944	24.0%	25%
	5,643,876,979	4,782,489,466	18.0%	73%
<b>GROSS PROFIT</b>	2,117,726,339	1,786,529,507	18.5%	27%
GENERAL AND ADMINISTRATIVE EXPENSE	(1,308,871,011)	(1,033,004,283)	26.7%	-17%
OTHER INCOME (EXPENSES)	(244,157,488)	103,040,906	-337.0%	-3%
EQUITY IN NET EARNINGS OF ASSOCIATES	338,470,084	414,162,967	-18.3%	4%
INTEREST AND FINANCE CHARGES	(401,465,726)	(131,288,440)	205.8%	-5%
<b>INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS</b>	501,702,198	1,139,440,657	-56.0%	6%
PROVISION FOR INCOME TAX	(65,069,296)	(37,699,053)	72.6%	-1%
<b>NET INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	436,632,902	1,101,741,604	-60.4%	6%
<b>Deconsolidated Operations</b>				
<b>NET INCOME (LOSS) FROM DECONSOLIDATED OPERATIONS</b>	(447,711,231)	144,004,478	-410.9%	-6%
<b>NET INCOME (LOSS)</b>	(11,078,329)	1,245,746,082	-100.9%	0%

Consolidated revenues of P7,761.60 million were higher by 18% compared to previous year's P6,569.02 million. Revenue from services grew by 87%, which is mainly attributable to the expansion of the leasing business of the Group. Likewise, vehicle sales have improved which resulted to higher revenues from goods. Due to higher enrollment, the education sector showed a 13% growth compared to last year.

Consolidated cost of sales and services, and general and administrative expenses (GAE) increased by 18% and 27%, respectively. The increase is attributable to higher a) advertising and promotions, as the group continuously intensifies its marketing activities; b) personnel costs, due to increase in manpower requirements; (c) professional fees, which are primarily driven by growth initiatives of the group; (d)

documentary tax on loans and (e) depreciation expense, relative to the new campus in Makati, which started operating in June 2022.

Other income and expense pertain mainly to interests from short-term time deposits and effect of the disposal of investment.

Equity in net earnings of associates is lower, at P338.47 million this year compared to P414.16 million same period last year, primarily due to lower results from affiliates under the automotive, healthcare and energy distribution sectors.

Interest and finance charges increased from P131.29 million to P401.47 million, due to higher level of debts coupled with higher average interest rates compared to last year.

In April 2023, the Parent Company disposed 20% of its investment in construction segment, which reduced its holdings from 55.34% to 35.34%. In May 2023, the Parent Company sold another 14.34% of its investment, which further reduced its holdings to 21%. In both transactions, the Parent Company recognized in its financial statements a gain which amounted to P1,143.81 million.

On the consolidated financial statement, the accounting measurement is different. The first sale, which reduced the holdings of the Parent Company to 35.34%, signified loss of control over the construction subsidiary. Due to loss of control, the net assets of the former subsidiary were deconsolidated, and the remaining investments were revalued based on the transaction price. The deconsolidation of the former subsidiary from the Parent Company's consolidated financial statement has resulted in a net accounting loss of P405.44 million, pending completion of independent valuation of the net assets of the construction subsidiary.

Excluding the impact of deconsolidation, the Group generated an income before tax of P907.16 million. However, after considering the losses incurred by the former subsidiary prior to divestment, coupled by the impact of deconsolidation, the Group reported a net loss of P11.08 million as of the period.

## Financial Position

	Unaudited 30-Sep-23	Audited 31-Dec-22	% Change	% to Total Assets
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	2,427,739,269	6,630,467,357	-63.4%	6.4%
Accounts receivable	2,373,205,931	4,250,815,749	-44.2%	6.2%
Contract Assets	-	5,182,274,282	-100.0%	0.0%
Receivable from related parties	1,899,553	178,008,353	-98.9%	0.0%
Inventories	527,262,459	1,502,027,586	-64.9%	1.4%
Prepaid expenses and other current assets	902,370,645	2,132,246,953	-57.7%	2.4%
Total Current Assets	6,232,477,857	19,875,840,280	-68.6%	16.3%
<b>Non-Current Assets</b>				
Equity investments at Fair value through OCI (FVOCI)	141,210,223	650,642,033	-78.3%	0.4%
Investments in associates and joint ventures	6,389,011,855	8,303,323,179	-23.1%	16.8%
Investment properties	8,087,027,970	8,109,162,827	-0.3%	21.2%
Property and Equipment				
At revalued amount	9,040,388,130	9,875,430,378	-8.5%	23.7%
At cost	6,439,714,358	7,225,811,452	-10.9%	16.9%
Right of use assets	475,891,472	1,194,764,548	-60.2%	1.2%
Goodwill	183,970,414	484,829,719	-62.1%	0.5%
Retirement Asset	41,405,457	93,338,840	-55.6%	0.1%
Deferred tax assets - net	129,208,879	1,412,438,716	-90.9%	0.3%
Contract Assets - net of current portion	-	5,190,526,530	-100.0%	0.0%
Other noncurrent assets - net	961,471,496	2,810,716,784	-65.8%	2.5%
Total Noncurrent Assets	31,889,300,254	45,350,985,006	-29.7%	83.7%
	<b>38,121,778,111</b>	<b>65,226,825,286</b>	<b>-41.6%</b>	<b>100.0%</b>
<b>LIABILITIES and EQUITY</b>				
<b>Current Liabilities</b>				
Loans payable	3,133,142,021	8,217,000,000	-61.9%	8.2%
Accounts payable and accrued expenses	1,991,440,716	7,023,609,751	-71.6%	5.2%
Current portion of long term debt	8,143,400	4,714,765,059	-99.8%	0.0%
Income tax payable	53,980,824	17,927,194	201.1%	0.1%
Due to related parties	3,352,986	2,532,535	32.4%	0.0%
Current portion of lease liability	38,149,716	168,473,399	-77.4%	0.1%
Current portion of contract liabilities	1,622,254,430	1,387,334,090	16.9%	4.3%
Total Current Liabilities	6,850,464,093	21,531,642,028	-68.2%	18.0%
<b>Noncurrent Liabilities</b>				
Long-term debt - net of current portion	2,740,208,957	4,316,758,220	-36.5%	7.2%
Contract liabilities - net of current portion	-	826,701,427	-100.0%	0.0%
Accrued retirement liability	237,691,886	200,096,343	18.8%	0.6%
Deferred tax liabilities	842,043,777	1,044,811,603	-19.4%	2.2%
Lease Liability	561,747,984	1,210,356,879	-53.6%	1.5%
Other noncurrent liabilities	40,297,489	232,075,531	-82.6%	0.1%
Total Noncurrent Liabilities	4,421,990,093	7,830,800,003	-43.5%	11.6%
Total Liabilities	11,272,454,186	29,362,442,031	-61.6%	29.6%
<b>Equity</b>				
Capital stock	1,162,540,326	1,162,540,326	0.0%	3.0%
Additional paid in capital	154,578,328	154,578,328	0.0%	0.4%
Equity reserve on acquisition of noncontrolling interest	2,170,434,047	1,932,007,449	12.3%	5.7%
Revaluation increment on land	2,199,524,450	2,218,473,182	-0.9%	5.8%
Cumulative translation adjustment	49,653,224	352,101,517	-85.9%	0.1%
Changes in fair value of equity investments carried at FVOCI	83,042,946	111,000,523	-25.2%	0.2%
Remeasurement losses on net retirement liability	15,154,910	(14,062,367)	-207.8%	0.0%
Retained Earnings	12,558,914,474	12,449,757,862	0.9%	32.9%
	18,393,842,705	18,366,396,820	0.1%	48.3%
Noncontrolling interest	8,455,481,219	17,497,986,435	-51.7%	22.2%
Total Equity	26,849,323,924	35,864,383,255	-25.1%	70.4%
	<b>38,121,778,111</b>	<b>65,226,825,286</b>	<b>-41.6%</b>	<b>100.0%</b>

The consolidated assets, liabilities and equity of the Group significantly dropped due to the partial disposal and deconsolidation of its former construction subsidiary.

Total consolidated assets of the Group stood at P38.12 billion.

Notwithstanding the impact of the deconsolidation, the Group's cash and cash equivalents decreased due to payment of loans. The Group has higher outstanding receivables mainly from the education sector which has higher level of receivable at the start of the school term. Inventories increased primarily due to timing of purchase of vehicles under the automotive segment. Prepaid expenses and other current assets decreased due to amortizations as of the period.

Total noncurrent assets are at P31.89 billion. Investments in associates and joint ventures includes the remaining investment in the construction business. Property, plant and equipment includes additional costs related to the ongoing building construction under the Property sector.

Total liabilities stood at P11.27 billion.

Total current liabilities are at P6.85 billion. Loans were significantly reduced to manage the Group's interest cost. Contract liabilities pertain to unearned tuition fees, which increased due to higher enrollment and timing of the start of the school term by the Education sector. Net movement in lease liabilities pertain to amortization.

Total noncurrent liabilities stood at P4.42 billion. Loans are religiously settled on its maturity period.

Consolidated equity is at P26.85 billion, while consolidated retained earnings is at P12.56 billion.

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

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

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

## Financial Soundness Indicators

The company's top 11 key performance indicators as of the end of September 30, 2023 compared to September 30, 2022 and to December 31, 2022 are as follows:

Financial ratios		Unaudited 30-Sep-23	Unaudited 30-Sep-22	Audited 31-Dec-22
Current ratio Indicates the Group's ability to pay short-term obligations	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	<b>0.91:1</b>	1.21:1	0.92:1
Solvency Ratio Shows how likely a company will be to continue meeting its debt obligations	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$	<b>0.04:1</b>	0.05:1	0.10:1
Debt-to-equity ratio Measures the Group's leverage	$\frac{\text{Total Debt}}{\text{Equity}}$	<b>0.42:1</b>	0.91:1	0.82:1
Asset to Equity Ratio Shows how the company's leverage (debt) was used to finance the firm	$\frac{\text{Total Assets}}{\text{Equity}}$	<b>1.42:1</b>	1.91:1	1.82:1
Interest Rate Coverage Shows how easily a company can pay interest on outstanding debt	$\frac{\text{EBIT}}{\text{Interest Expense}}$	<b>2.25:1</b>	9.68:1	3.75:1
Return on Average Stockholders' Equity Reflects how much the Group's has earned on the funds invested by the stockholders	$\frac{\text{Net Income}}{\text{Average Equity}}$	<b>-0.04%</b>	3.89%	5.23%
Return on Assets Measure the ability to utilize the Group's assets to create profits	$\frac{\text{Net Income}}{\text{Total Assets}}$	<b>-0.02%</b>	2.04%	2.82%
Net Profit Margin Shows how much profit is made for every peso of revenue	$\frac{\text{Net Income}}{\text{Total Revenues}}$	<b>-0.1%</b>	12%	7%

Asset Turnover Shows efficiency of asset used in operations	$\frac{\text{Total Revenues}}{\text{Total Assets}}$	<b>0.20</b>	0.16	0.37
Return on Equity Shows how much the business returns to the stockholders for every peso of equity capital invested	$\frac{\text{Net Income/Total Revenues} \times \text{Total Assets}}{\text{Total Assets} \times \text{Total Equity}}$	<b>-0.04%</b>	3.68%	4.81%

- Current ratio is lower at 0.91 as of the September 2023 compared with 1.21 as of September 2022. This is attributable to lower current assets resulting from derecognition of EEI assets, particularly the current portion of the contract assets.
- Solvency ratio is lower at 0.04 as of September 2023 compared to 0.05 as of September 2022 due to lower earnings posted by the Group this year.
- Debt-to-equity ratio decreased from 0.91 in September 2022 to 0.42 as of September 2023 due to derecognition of EEI liabilities, coupled with the settlement of bank loans by the Group.
- Asset to equity ratio went down from 1.91 in September 2022 to 1.42 in September 2023 as a result of lower assets due to derecognition of EEI assets.
- Interest rate coverage ratio is lower at 2.25 times compared to 9.68 as of September 2022 due to higher loan levels on the same period in previous year.
- Return on average stockholders' equity is lower at -0.04% compared to 3.89% last year due to net loss position of the group as of the period.
- Return on assets (ROA) decreased from 2.04% last September 2022 to -0.02% this quarter. This is attributable to the net loss registered by the Group.
- Net profit margin is lower at -0.1% against 12% last year due to net loss registered by the Group.
- Asset turnover is higher at 0.20 times compared to 0.16 times as of September 2022 because of higher revenues posted by the Group in the same period last year, coupled with decrease in total assets as a result of the derecognition of EEI assets.
- Return on equity is lower at -0.04% against 3.68% as of September 2022. This is due to net loss registered by the Group compared to net income in the same period last year.

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

**PART II – OTHER INFORMATION**

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

**EXHIBIT 1**

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

## **Interim Condensed Unaudited Consolidated Financial Statements**

**September 30, 2023 and 2022 (Unaudited)  
and  
December 31, 2022 (Audited)**



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

	Unaudited September 2023	Audited Dec 2022
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 8)	<b>₱2,427,739,269</b>	₱6,630,467,357
Receivables (Note 9)	<b>2,373,205,931</b>	4,250,815,749
Contract assets (Note 10)	<b>-</b>	5,182,274,282
Inventories (Note 11)	<b>527,262,459</b>	1,502,027,586
Receivables from related parties	<b>1,899,553</b>	178,008,353
Prepaid expenses and other current assets (Note 12)	<b>902,370,645</b>	2,132,246,953
Total Current Assets	<b>6,232,477,857</b>	19,875,840,280
<b>Noncurrent Assets</b>		
Equity investments at fair value through other comprehensive income (FVOCI) (Note 13)	<b>141,210,223</b>	650,642,033
Investments in associates and joint ventures (Note 14)	<b>6,389,011,855</b>	8,303,323,179
Property and equipment (Note 15)		
At revalued amount	<b>9,040,388,130</b>	9,875,430,378
At cost	<b>6,439,714,358</b>	7,225,811,452
Investment properties (Note 17)	<b>8,087,027,970</b>	8,109,162,827
Right-of-use assets	<b>475,891,472</b>	1,194,764,548
Goodwill (Note 16)	<b>183,970,414</b>	484,829,719
Deferred tax assets - net	<b>129,208,879</b>	1,412,438,716
Retirement assets	<b>41,405,457</b>	93,338,840
Contract assets - net of current portion (Note 10)	<b>-</b>	5,190,526,530
Other noncurrent assets (Note 18)	<b>961,471,496</b>	2,810,716,784
Total Noncurrent Assets	<b>31,889,300,254</b>	45,350,985,006
Total Assets	<b>₱38,121,778,111</b>	₱65,226,825,286
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Loans payable (Note 20)	<b>₱3,133,142,021</b>	8,217,000,000
Accounts payable and other current liabilities (Note 19)	<b>1,991,440,716</b>	₱7,023,609,751
Current portion of contract liabilities (Note 10)	<b>1,622,254,430</b>	1,387,334,090
Income tax payable	<b>53,980,824</b>	17,927,194
Current portion of lease liabilities	<b>38,149,716</b>	168,473,399
Current portion of long-term debt (Note 21)	<b>8,143,400</b>	4,714,765,059
Due to related parties	<b>3,352,986</b>	2,532,535
Total Current Liabilities	<b>6,850,464,093</b>	21,531,642,028
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion (Note 21)	<b>2,740,208,957</b>	4,316,758,220
Deferred tax liabilities – net	<b>842,043,777</b>	1,044,811,603
Lease liabilities - net of current portion	<b>561,747,984</b>	1,210,356,879
Retirement liabilities	<b>237,691,886</b>	200,096,343
Contract liabilities - net of current portion (Note 10)	<b>-</b>	826,701,427
Other noncurrent liabilities	<b>40,297,490</b>	232,075,531
Total Noncurrent Liabilities	<b>4,421,990,094</b>	7,830,800,003
Total Liabilities	<b>₱11,272,454,187</b>	₱29,362,442,031

(Forward)

	Unaudited September 2023	Audited Dec 2022
<b>Equity</b>		
Attributable to equity holders of the Parent Company		
Preferred stock (Note 23)	P–	P–
Common stock (Note 23)	1,162,540,326	1,162,540,326
Additional paid-in capital	154,578,328	154,578,328
Equity reserve on acquisition of non-controlling interest	2,170,434,047	1,932,007,449
Revaluation increment on land - net	2,199,524,450	2,218,473,182
Fair value reserve of equity investments at FVOCI (Note 13)	83,042,946	111,000,523
Cumulative translation adjustments	49,653,224	352,101,517
Remeasurement loss on retirement obligation	15,154,910	(14,062,367)
Retained earnings (Note 22)		
Unappropriated	8,558,914,474	4,944,402,862
Appropriated	4,000,000,000	7,505,355,000
	18,393,842,705	18,366,396,820
Non-controlling interests (Note 32)	8,455,481,219	17,497,986,435
Total Equity	26,849,323,924	35,864,383,255
	<b>P38,121,778,111</b>	<b>P65,226,825,286</b>

*See accompanying Notes to Consolidated Financial Statements.*

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

	July 1 to September 30		
	2023	2022	2021
<i>Continuing Operations</i>			
<b>REVENUE</b> (Note 25)	<b>2,607,884,805</b>	2,199,647,956	1,702,858,310
<b>COST OF SALES AND SERVICES</b> (Note 27)	<b>1,853,224,278</b>	1,555,599,711	1,231,320,858
<b>GROSS PROFIT (LOSS)</b>	<b>754,660,527</b>	644,048,245	471,537,452
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 28)	<b>(487,520,488)</b>	(350,129,406)	(294,936,902)
<b>EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURE</b>	<b>172,526,551</b>	138,385,893	117,017,394
<b>INTEREST AND FINANCE CHARGES</b> (Note 30)	<b>(108,344,470)</b>	(37,910,510)	(47,855,917)
<b>OTHER INCOME – net</b> (Note 26)	<b>56,700,558</b>	53,058,190	27,119,922
<b>INCOME (LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS</b>	<b>388,022,678</b>	447,452,412	272,881,949
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>	<b>(29,339,163)</b>	(12,166,791)	(6,668,912)
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	<b>358,683,515</b>	435,285,621	266,213,038
<i>Deconsolidated Operations</i>			
<b>NET INCOME (LOSS) FROM DECONSOLIDATED OPERATIONS</b> (Note 7)	<b>-</b>	20,916,637	47,885,309
<b>NET INCOME (LOSS)</b>	<b>358,683,515</b>	456,202,258	314,098,347
<b>Net Income (Loss) attributable to:</b>			
<b>Equity holders of the Parent Company</b>	<b>294,644,803</b>	321,825,591	219,071,543
<b>Non-controlling interests</b>	<b>64,038,712</b>	134,376,667	95,026,804
	<b>358,683,515</b>	456,202,258	314,098,347
<b>EARNINGS (LOSS) PER SHARE</b>			
<b>Basic</b>	<b>0.3795</b>	0.4145	0.2821
<b>Diluted</b>	<b>0.3795</b>	0.4145	0.2821

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

	<b>July 1 to September 30</b>		
	<b>2023</b>	<b>2022 (Restated)</b>	<b>2021 (Restated)</b>
<b>NET INCOME (LOSS)</b>	<b>358,683,514</b>	<b>456,202,259</b>	<b>314,098,346</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Items to be reclassified to profit or loss in subsequent periods:</i>			
Cumulative translation adjustments	-	147,434,966	72,471,346
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Changes in fair value of equity investments carried at FVOCI (Note 11)	<b>27,630,488</b>	(5,004,022)	(10,465,963)
Revaluation increments on land (Note 13)	<b>(3,509,403)</b>	-	-
Remeasurement gain (loss) on net retirement	-	(24,744)	(3,926,047)
	<b>24,121,085</b>	142,406,200	58,079,336
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>P382,804,599</b>	<b>P598,608,459</b>	<b>P372,177,682</b>
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	<b>P322,275,288</b>	P398,522,769	P249,286,399
Non-controlling interests	<b>60,529,311</b>	200,085,690	122,891,283
	<b>P382,804,599</b>	<b>P598,608,459</b>	<b>P372,177,682</b>

*See accompanying Notes to Consolidated Financial Statements.*

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

	January 1 to September 30		
	2023	2022	2021
<i>Continuing Operations</i>			
<b>REVENUE</b> (Note 25)	<b>7,761,603,318</b>	6,569,018,973	5,264,768,553
<b>COST OF SALES AND SERVICES</b> (Note 27)	<b>5,643,876,979</b>	4,782,489,466	3,819,569,298
<b>GROSS PROFIT (LOSS)</b>	<b>2,117,726,339</b>	1,786,529,507	1,445,199,255
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 28)	<b>(1,308,871,011)</b>	(1,033,004,283)	(906,916,411)
<b>EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURE</b>	<b>338,470,084</b>	414,162,967	388,122,134
<b>INTEREST AND FINANCE CHARGES</b> (Note 30)	<b>(401,465,726)</b>	(131,288,440)	(172,582,056)
<b>OTHER INCOME – net</b> (Note 26)	<b>(244,157,488)</b>	103,040,906	66,733,132
<b>INCOME (LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS</b>	<b>501,702,198</b>	1,139,440,657	820,556,055
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>	<b>(65,069,296)</b>	(37,699,053)	(8,160,603)
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	<b>436,632,902</b>	1,101,741,604	812,395,452
<i>Deconsolidated Operations</i>			
<b>NET INCOME (LOSS) FROM DECONSOLIDATED OPERATIONS</b> (Note 7)	<b>(447,711,231)</b>	144,004,478	371,943,957
<b>NET INCOME (LOSS)</b>	<b>(11,078,329)</b>	1,245,746,082	1,184,339,409
<b>Net Income (Loss) attributable to:</b>			
<b>Equity holders of the Parent Company</b>	<b>(40,997,193)</b>	871,550,330	798,432,012
<b>Non-controlling interests</b>	<b>29,918,863</b>	374,195,752	385,907,397
	<b>(11,078,329)</b>	1,245,746,082	1,184,339,409
<b>EARNINGS (LOSS) PER SHARE</b>			
<b>Basic</b>	<b>(0.1812)</b>	0.9941	1.0282
<b>Diluted</b>	<b>(0.1812)</b>	0.9941	1.0282

See accompanying Notes to Consolidated Financial Statements.

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

	<b>January 1 to September 30</b>		
	<b>2023</b>	<b>2022 (Restated)</b>	<b>2021 (Restated)</b>
<b>NET INCOME (LOSS)</b>	<b>(P11,078,329)</b>	<b>P1,245,746,082</b>	<b>P1,184,339,408</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Items to be reclassified to profit or loss in subsequent periods:</i>			
Cumulative translation adjustments	<b>(307,773,789)</b>	290,040,357	84,489,792
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Changes in fair value of equity investments carried at FVOCI (Note 11)	<b>(19,222,390)</b>	15,969,856	(41,856,108)
Revaluation increments on land (Note 13)	<b>87,254,199</b>	30,517,858	6,514,111
Remeasurement gain (loss) on net retirement	<b>29,217,278</b>	957,398	(34,349,136)
	<b>(210,524,702)</b>	337,485,469	14,798,659
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(P221,603,031)</b>	<b>P1,583,231,551</b>	<b>P1,199,138,067</b>
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	<b>(P361,134,517)</b>	P1,069,453,894	P773,312,271
Non-controlling interests	<b>139,531,486</b>	513,777,657	425,825,796
	<b>(P221,603,031)</b>	<b>P1,583,231,551</b>	<b>P1,199,138,067</b>

*See accompanying Notes to Consolidated Financial Statements.*

# HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### FOR THE PERIOD ENDED SEPTEMBER 30, 2023, 2022 AND 2021

Attributable to the Group

	Common Stock (Note 20)	Additional Paid-in Capital	Premium on Acquisition of Noncontrolling Interest	Revaluation Increment on Land - Net	Cumulative Translation Adjustment	Changes in fair value of equity investments carried at FVOCI	Remeasurement losses on Net Retirement Liability	Deposit for Future Subscription	Retained Earnings	Total	Attributable to Noncontrolling Interest	Total
For the Period Ended September 30, 2023												
Balances as at January 1, 2023	P1,162,540,326	P154,578,328	P1,932,007,449	P2,218,473,182	P352,101,517	P111,000,523	(P14,062,367)	P-	P12,449,757,862	P18,366,396,820	P17,497,986,435	P35,864,383,255
Deconsolidation	-	-	238,426,598	-	-	-	-	-	150,153,805	388,580,403	(8,979,537,007)	(8,590,956,604)
	1,162,540,326	154,578,328	2,170,434,047	2,218,473,182	352,101,517	111,000,523	(14,062,367)	-	12,599,911,667	18,754,977,223	8,518,449,428	27,273,426,651
Net income	-	-	-	-	-	-	-	-	(40,997,193)	(40,997,193)	29,918,864	(11,078,329)
Other comprehensive income	-	-	-	(18,948,732)	(302,448,293)	(27,957,577)	29,217,277	-	-	(320,137,325)	109,612,623	(210,524,703)
Total comprehensive income	-	-	-	(18,948,732)	(302,448,293)	(27,957,577)	29,217,277	-	(40,997,193)	(361,134,518)	139,531,486	(221,603,032)
Dividends declared by Parent Company	-	-	-	-	-	-	-	-	-	-	-	-
Dividends declared by subsidiaries	-	-	-	-	-	-	-	-	-	-	(202,499,695)	(202,499,695)
Total dividends declared	-	-	-	-	-	-	-	-	-	-	-	-
Balances as at September 30, 2023	P1,162,540,326	P154,578,328	P2,170,434,047	P2,199,524,450	P49,653,224	P83,042,946	P15,154,910	P-	P12,558,914,474	P18,393,842,706	P8,455,481,219	P26,849,323,925
For the Period Ended September 30, 2022												
Balances as at January 1, 2022	P1,162,540,326	P154,578,328	P1,598,421,700	P1,445,367,746	P271,303,940	P67,330,660	(P101,768,611)	P-	P11,076,014,388	P15,673,788,477	P14,441,764,107	P30,115,552,584
Deposit for future subscription	-	-	-	-	-	-	-	1,945,609,904	-	1,945,609,904	-	1,945,609,904
Acquisition of noncontrolling interest	-	-	2,785,862	-	-	-	-	-	-	2,785,862	(85,411,321)	(82,625,459)
	1,162,540,326	154,578,328	1,601,207,562	1,445,367,746	271,303,940	67,330,660	(101,768,611)	1,945,609,904	11,076,014,388	17,622,184,243	14,356,352,786	31,978,537,029
Net income	-	-	-	-	-	-	-	-	1,202,350,217	1,202,350,217	374,195,752	1,576,545,969
Other comprehensive income	-	-	-	30,056,581	152,358,217	14,652,815	835,948	-	-	197,903,561	139,581,905	337,485,466
Total comprehensive income	-	-	-	30,056,581	152,358,217	14,652,815	835,948	-	1,202,350,217	1,400,253,778	513,777,657	1,914,031,435
Dividends declared by Parent Company	-	-	-	-	-	-	-	-	-	-	-	-
Dividends declared by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Total dividends declared	-	-	-	-	-	-	-	-	-	-	-	-
Balances as at September 30, 2022	P1,162,540,326	P154,578,328	1,601,207,562	P1,475,424,327	P423,662,157	P81,983,475	P(100,932,663)	P1,945,609,904	P12,278,364,606	P19,022,438,022	P14,870,130,443	P33,892,568,465
For the Period Ended September 30, 2021												
Balances as at January 1, 2021	P1,162,540,326	P154,578,328	P1,623,004,873	P1,294,577,413	P225,003,108	P175,482,889	(P259,954,683)	-	P9,785,834,055	P14,161,096,308	P7,693,090,127	P21,854,186,436
Impact of PFRS 16 adoption	-	-	-	-	-	-	-	-	217,173,007	217,173,007	-	217,173,007
Acquisition of noncontrolling interest	-	-	(24,583,173)	-	-	-	-	-	-	(24,583,173)	16,764,086	(7,819,086)
	1,162,540,326	154,578,328	1,598,421,700	1,294,577,413	225,003,108	175,482,889	(259,954,683)	-	10,003,007,062	14,353,686,142	7,709,854,213	22,063,540,357
Net income	-	-	-	-	-	-	-	-	798,432,012	798,432,012	385,907,397	1,184,339,409
Other comprehensive income	-	-	-	3,138,498	46,756,651	(55,378,892)	(19,635,999)	-	-	(25,119,740)	39,918,400	14,798,658
Total comprehensive income	-	-	-	3,138,498	46,756,651	(55,378,892)	(19,635,999)	-	798,432,012	773,312,272	425,825,797	1,199,138,067
Dividends declared by Parent Company	-	-	-	-	-	-	-	-	-	-	-	-
Dividends declared by subsidiaries	-	-	-	-	-	-	-	-	-	-	(32,466,596)	(32,466,596)
Total dividends declared	-	-	-	-	-	-	-	-	-	-	(32,466,596)	(32,466,596)
Balances as at September 30, 2021	P1,162,540,326	P154,578,328	1,598,421,700	P1,297,715,911	271,759,759	120,103,997	(279,590,682)	-	10,801,439,074	15,126,998,414	8,103,213,414	P23,230,211,828

See accompanying Notes to Consolidated Financial Statements.

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

	January 1 to September 30		
	2023	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax	<b>P501,702,198</b>	P1,139,440,657	P820,556,055
Adjustments for:			
Depreciation and amortization (Note 29)	<b>421,540,524</b>	382,005,723	368,317,980
Interest and finance charges (Note 30)	<b>401,465,726</b>	131,288,440	172,582,056
Movements in net retirement liabilities	<b>23,881,708</b>	89,508,474	20,080,112
Market gain on financial asset at fair value through profit or loss (FVPL)	<b>(435,554)</b>	(7,258,995)	-
Dividend income (Note 26)	<b>(2,542,066)</b>	(330,950)	(992,028)
Unrealized foreign exchange loss (gain) (Note 26)	<b>(4,161,526)</b>	(22,437,479)	(4,636,884)
Interest income (Note 26)	<b>(104,031,608)</b>	(31,066,726)	(7,760,704)
Gain on sale of:			
Investment properties (Note 26)	<b>-</b>	(204,048)	(204,500)
Property and equipment (Note 26)	<b>(8,524,468)</b>	(10,316,211)	(7,307,032)
Deconsolidated operations – net (Note 7)	<b>(426,083,481)</b>	167,835,059	615,773,973
Equity in net earnings of associates and joint venture (Note 14)	<b>(338,470,084)</b>	(414,162,967)	(388,122,134)
Operating income (loss) before working capital changes	<b>464,341,369</b>	1,424,300,977	1,588,286,894
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	<b>(656,400,717)</b>	(1,606,424,898)	403,971,221
Contract assets	<b>-</b>	443,346,593	(1,412,345,052)
Inventories	<b>(152,048,946)</b>	(92,758,366)	243,586,884
Receivables from related parties	<b>36,473,005</b>	286,222,568	758,479,380
Prepaid expenses and other current assets	<b>953,424</b>	(18,411,417)	(45,261,108)
Other noncurrent assets	<b>313,904,327</b>	(305,008,979)	(741,226,120)
Increase (decrease) in:			
Accounts payable and other current liabilities	<b>91,367,675</b>	690,909,617	(1,028,112,352)
Contract liabilities	<b>3,352,987</b>	7,915,010	215,477
Due to related parties	<b>669,325,730</b>	1,231,445,538	(280,506,874)
Other noncurrent liabilities	<b>(63,609,726)</b>	105,491,742	(74,769,938)
Net cash generated from (used in) operations	<b>707,659,128</b>	2,167,028,385	(587,681,588)
Interest received	<b>104,031,608</b>	31,066,726	7,760,704
Income tax	<b>(401,465,726)</b>	(131,288,440)	(172,582,056)
Interest and finance charges paid (Note 30)	<b>(17,314,182)</b>	(116,445,798)	(245,119,886)
Net cash flows used in operating activities	<b>392,910,828</b>	1,950,360,873	(997,622,826)

(Forward)



	January 1 to September 30		
	2023	2022	2021
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of:			
Property and equipment (Note 15)	<b>₱8,524,468</b>	₱10,316,211	₱7,307,032
Investment in subsidiary	<b>2,308,613,930</b>	—	—
Investment properties (Note 17)	—	624,548	204,500
Dividends received	<b>80,987,030</b>	234,527,115	210,035,937
Acquisitions of:			
Computer software (Note 18)	<b>(521,348)</b>	(23,227,056)	(144,137,032)
Investment in AFS	<b>(1,000,000,000)</b>	—	—
Investment in Associates	<b>(1,444,039,167)</b>	(16,290,700)	—
Property and equipment	<b>(1,478,109,756)</b>	(492,843,892)	—
Investments properties (Note 17)	<b>(63,962,512)</b>	(6,155,975,000)	—
Net cash flows provided by (used in) investing activities	<b>(1,588,507,355)</b>	(6,442,868,774)	73,410,437
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from:			
Loans payable (Note 20)	<b>1,861,000,000</b>	13,980,806,863	9,050,200,000
Long-term debt - inclusive of transaction costs (Note 21)	<b>7,445,089</b>	2,458,333,284	1,592,832,074
Proceeds from deposit for future subscription	—	1,945,609,904	—
Changes in non-controlling interests	<b>213,182,292</b>	56,956,445	216,805,723
Payments of:			
Lease Liability	<b>(58,542,289)</b>	(76,369,864)	(110,663,841)
Loans payable (Note 20)	<b>(3,509,857,979)</b>	(12,132,600,000)	(7,530,750,000)
Long-term debt (Note 21)	<b>(1,524,430,201)</b>	(2,639,171,250)	(2,304,660,519)
Net cash flows provided by financing activities	<b>(3,011,203,088)</b>	3,593,565,382	913,763,437
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>4,161,526</b>	22,437,479	4,636,884
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(4,202,728,088)</b>	(876,505,040)	(5,812,069)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>6,630,467,357</b>	9,056,486,073	3,218,733,775
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 8)</b>	<b>₱2,427,739,269</b>	₱8,179,981,033	₱3,212,921,705

See accompanying Notes to Consolidated Financial Statements.

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

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### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **1. Corporate Information**

##### Corporate Information

House of Investments, Inc. (the Parent Company) is a stock corporation incorporated under the laws of the Republic of the Philippines on May 21, 1959. As per Section 11 of Revised Corporation Code (RCC) enacted in 2021, a corporation shall have perpetual existence unless its articles of incorporation provide otherwise. Further explained in Securities and Exchange Commission (SEC) Memorandum Circular No. 22 Series of 2021, “the corporate term of a corporation with certificate of incorporation issued prior to the effectivity of the RCC and which continue to exist, shall be deemed perpetual upon the effectivity of the RCC, without any action on the part of the corporation.” Thus, there is no need to amend or extend Parent Company’s corporate life as it already enjoys perpetual existence.

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

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

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

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#### **2. Basis of Preparation and Statement of Compliance**

##### Basis of Preparation

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

##### Statement of Compliance

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

##### Basis of Consolidation

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

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership			
				2023		2022	
				Direct	Indirect	Direct	Indirect
		Insurance agent, financing, trading and real estate	Philippine Peso	<b>100.00</b>	—	100.00	—
Investment Managers, Inc. (IMI)	Philippines	Property management	Philippine Peso	<b>100.00</b>	—	100.00	—
Landev Corporation	Philippines						
San Lorenzo Ruiz Investment Holdings and Services Inc. (SLRHSI)	Philippines	Holding company	Philippine Peso	<b>60.00</b>	—	60.00	—
ATYC, Inc. (ATYC) <sup>(a)</sup>	Philippines	Property leasing	Philippine Peso	<b>100.00</b>	—	—	—
Xamdu Motors, Inc. (XMI)	Philippines	Car dealership	Philippine Peso	<b>100.00</b>	—	100.00	—
Zamboanga Carriers, Inc. (ZCI) <sup>(b)</sup>	Philippines	Transportation	Philippine Peso	—	—	100.00	—
Zamboom Realty and Development Corporation (ZRDC) <sup>(b)</sup>	Philippines	Real estate	Philippine Peso	—	—	100.00	—
Greyhounds Security and Investigation Agency Corp.	Philippines	Security agency	Philippine Peso	—	<b>100.00</b>	—	100.00
Hexagon Lounge, Inc.	Philippines	Restaurant	Philippine Peso	—	<b>100.00</b>	—	100.00
Secon Professional Security Training Academy Inc.	Philippines	Training service provider	Philippine Peso	—	<b>100.00</b>	—	100.00
HI Cars, Inc. (HCI)	Philippines	Car dealership	Philippine Peso	<b>100.00</b>	—	100.00	—
La Funeraria Paz Sucat, Inc. (LFPSI)	Philippines	Memorial services	Philippine Peso	<b>50.00</b>	<b>13.00</b>	50.00	13.00
EEI Corporation (EEI) <sup>(c)</sup>	Philippines	Construction	Philippine Peso	—	—	55.34	—
EEI Limited <sup>(c)</sup>	British Virgin Islands	Holding company	US Dollar	—	—	—	100.00
Clear Jewel Investments, Ltd. <sup>(c)</sup>	British Virgin Islands	Holding company	US Dollar	—	—	—	100.00
Nimaridge Investments, Limited <sup>(c)</sup>	British Virgin Islands	Holding company	US Dollar	—	—	—	100.00
EEI (PNG), Ltd <sup>(c)</sup>	Papua New Guinea	Holding company	US Dollar	—	—	—	100.00
EEI Corporation (Guam), Inc. <sup>(c)</sup>	United States of America	Construction	US Dollar	—	—	—	100.00
EEI Construction and Marine, Inc. <sup>(c)</sup>	Philippines	Construction	Philippine Peso	—	—	—	100.00
EEI Realty Corporation (EEI Realty) <sup>(c)</sup>	Philippines	Real estate	Philippine Peso	—	—	—	100.00
EEI Subic Corporation <sup>(c)</sup>	Philippines	Construction	Philippine Peso	—	—	—	100.00
EEI Business Solutions, Inc. (formerly Equipment Engineers, Inc., EBSI) <sup>(c)</sup>	Philippines	Construction	Philippine Peso	—	—	—	100.00
JP Systems Asia Inc. (JPSAI) <sup>(c)</sup>	Philippines	Rental of scaffolding and formworks	Philippine Peso	—	—	—	60.00
BiotechJP Corporation <sup>(c)</sup>	Philippines	Manufacturing food and therapeutic food	Philippine Peso	—	—	—	60.00
Learn JP Corp <sup>(c)</sup>	Philippines	Service for improvement in language proficiency	Philippine Peso	—	—	—	60.00
EEI Power Corporation (EPC) <sup>(c)</sup>	Philippines	Power generation	Philippine Peso	—	—	—	100.00
Gulf Asia International Corporation (GAIC) <sup>(c)</sup>	Philippines	Manpower services	Philippine Peso	—	—	—	100.00
GAIC Professional Services, Inc. (GAPSI) <sup>(c)</sup>	Philippines	Manpower services	Philippine Peso	—	—	—	100.00
GAIC Manpower Services, Inc. (GAMSI) <sup>(c)</sup>	Philippines	Manpower services	Philippine Peso	—	—	—	100.00
Bagumbayan Equipment & Industrial Products, Inc. <sup>(c)</sup>	Philippines	Consultancy services	Philippine Peso	—	—	—	100.00
Philmark, Inc. <sup>(c)</sup>	Philippines	Construction	Philippine Peso	—	—	—	100.00
Philrock Construction and Services, Inc.	Philippines	Manpower services	Philippine Peso	—	—	—	100.00
EEI Energy Solutions Corporation (EESC) <sup>(c)</sup>	Philippines	Retail electricity supplier	Philippine Peso	—	—	—	100.00
EEI Carga Digital Logistics Corporation (EEI Carga) <sup>(c)</sup>	Philippines	Digital logistics	Philippine Peso	—	—	—	100.00
iPeople, inc. (IPO)	Philippines	Education and Information Technology	Philippine Peso	<b>48.18</b>	—	48.18	—
Malayan Education System, Inc. (MESI) (Operating Under the Name of Mapua University)	Philippines	Education and Information Technology	Philippine Peso	—	<b>100.00</b>	—	100.00
Malayan Colleges Laguna, Inc., A Mapua School (MCLI)	Philippines	Education and Information Technology	Philippine Peso	—	<b>100.00</b>	—	100.00
Malayan Colleges Mindanao (A Mapua School), Inc. (MCMI)	Philippines	Education and Information Technology	Philippine Peso	—	<b>100.00</b>	—	100.00
Malayan High School of Science, Inc. (MHSSI)	Philippines	Education and Information Technology	Philippine Peso	—	<b>100.00</b>	—	100.00
Mapua Information Technology Center, Inc. (MITC)	Philippines	Education and Information Technology	Philippine Peso	—	<b>100.00</b>	—	100.00
Mapua Techserv, Inc. (MTI)	Philippines	Consultancy	Philippine Peso	—	<b>100.00</b>	—	100.00
Mapua Techpower Inc.	Philippines	Consultancy	Philippine Peso	—	<b>75.00</b>	—	75.00
People eServe Corporation	Philippines	Education and Information Technology	Philippine Peso	—	<b>100.00</b>	—	100.00

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership			
				2023		2022	
				Direct	Indirect	Direct	Indirect
Pan Pacific Computer Center, Incorporated (PPCCI)	Philippines	Education and Information Technology	Philippine Peso	—	100.00	—	100.00
Affordable Private Education Center, Inc doing business under the name of APEC Schools (APEC) <sup>(d)</sup>	Philippines	Education and Information Technology	Philippine Peso	—	—	—	100.00
National Teachers College doing business under the name/s and style/s of The National Teachers College	Philippines	Education and Information Technology	Philippine Peso	—	99.79	—	99.79
University of Nueva Caceres	Philippines	Education and Information Technology	Philippine Peso	—	83.62	—	83.62
AC College of Enterprise and Technology, Inc	Philippines	Education and Information Technology	Philippine Peso	—	100.00	—	100.00
LINC Institute, Inc doing business under the Name and Style of LINC Academy	Philippines	Education and Information Technology	Philippine Peso	—	100.00	—	100.00

(a) On September 1, 2022, the Parent Company acquired 5,000,000 common shares representing 100% ownership in ATYC.

(b) Corporate life of ZCI and ZRDC has ended effective January 1, 2023.

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

(d)

The consolidated financial statements are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All significant intercompany balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intercompany transactions that are recognized in assets are eliminated in full.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

Control is achieved when the Parent Company is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Parent Company controls an investee if and only if the Parent Company has:

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

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

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

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

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

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

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

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

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### 3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The adoption of these pronouncements does not have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. The amendment has no impact to the consolidated financial statements.

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

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

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

The amendments have no impact to the consolidated financial statements.

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

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

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

The amendments have no impact to the consolidated financial statements.

- Annual Improvements to PFRSs 2018-2021 Cycle

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

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments have no impact to the consolidated financial statements.

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

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

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group. The amendments have no impact to the consolidated financial statements.

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

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

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments have no impact to the consolidated financial statements.

*Effective beginning on or after January 1, 2023*

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

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

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

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

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

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

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

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

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

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

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

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

#### Standards Issued But Not Yet Effective

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

#### *Effective beginning on or after January 1, 2024*

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

The amendments clarify:

- o That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- o That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- o That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

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

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



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

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

*Effective beginning on or after January 1, 2025*

- *PFRS 17, Insurance Contracts*

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

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

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

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

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

*Deferred Effectivity*

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

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

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of

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

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

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#### 4. Summary of Significant Accounting Policies

##### **Leases**

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

##### *Group as a lessee*

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

##### *Right-of-use assets*

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

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

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

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

##### *Lease liabilities*

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

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

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

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

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

#### *Sale and leaseback*

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

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

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

#### *Group as a lessor*

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

### **Revenue Recognition**

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

#### *Revenue from construction contracts*

The Group assessed that there is only one performance obligation for each construction agreement that it has entered and that revenue arising from such agreements qualify for recognition over time because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced by applying par. 35(b) of PFRS 15. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. The customer, having the ability to specify the design (or any changes thereof) of the asset, controls the asset as it is being constructed. Furthermore, the Group builds the asset on the customer's land

(or property controlled by the customer), hence, the customer generally controls any work in progress arising from the Group's performance. The Group also recognized as part of its construction revenue, the effects of variable considerations arising from various change orders and claims; to the extent that they reflect the amounts the Group expects to be entitled to and to be received from the customers, provided that it is highly probable that a significant reversal of the revenue recognized in connection with these variable considerations will not occur in the future. For unpriced change orders and claims, the Group uses the "most likely amount" method to predict the amounts the Group expects to be entitled to and to be received from the customers. The Group updates its estimate of the transaction price at the end of each reporting period to reflect any changes in circumstances that would result to changes in amount of variable consideration.

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

#### *Revenue from sale of goods*

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

#### *Revenue from schools and related operations*

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

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

#### *Revenue from manpower services*

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

#### *Onerous contracts*

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

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the

economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

*Contract balances arising from revenue with customer contracts*

*Receivables*

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

*Contract assets*

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

*Contract liabilities*

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

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

Expenses

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

*Cost of sales and services*

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

*General and administrative expenses*

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

Current versus Non-current Classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

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

#### Cash and Cash Equivalents

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

#### Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-

assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

#### *'Day 1' difference*

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

#### Financial Instruments

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

#### **Financial Instruments - Initial Recognition and Subsequent Measurement**

##### *Initial recognition and measurement*

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

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

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

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

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

##### *Subsequent measurement*

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

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

*Financial assets at amortized cost (debt instruments)*

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

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

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

The Group's financial assets at amortized cost includes Cash and cash equivalents, Receivables, Receivables from related parties and Loan receivable under Other noncurrent asset account.

*Financial assets at fair value through profit or loss*

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

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

Included in this classification is the peso-denominated investment in Unit Investment Trust Fund in Rizal Commercial Banking Corporation (RCBC) under Prepaid expenses and other current assets account.

*Financial assets designated at fair value through OCI (equity instruments)*

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

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

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



The Group does not have any debt financial assets at fair value through OCI as of September 30, 2023 and December 31, 2022.

*Impairment of financial assets*

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

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

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

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

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

Financial Liabilities

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

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

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

### Derecognition of Financial Instruments

#### *Financial assets*

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

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

#### *Financial liabilities*

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

### Offsetting of Financial Instruments

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

### Inventories

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

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

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

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

Materials issued but still uninstalled to construction projects are not considered as part of

computation for percentage of completion of projects.

Prepaid Expenses

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

*Advance to Suppliers and Subcontractors*

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

*Creditable Withholding Tax (CWT)*

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

*Value-Added Tax (VAT)*

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

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

*Short-term Investments*

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

Other Current Assets

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

Investments in Associates and Joint Ventures

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

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

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

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

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

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

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

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

The Group's associates and joint venture accounted for using the equity method as of September 30, 2023 and December 31, 2022 follows:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership	
				2023	2022
<b>Associates:</b>					
EEI Corporation <sup>(a)</sup>	Philippines	Construction	Philippine peso	21.00	-
Hi-Eisai Pharmaceutical, Inc. (HEPI)	Philippines	Pharmaceutical	Philippine peso	50.00	50.00
Petroenergy Resources Corporation (PERC)	Philippines	Renewable energy	Philippine peso	29.10	29.10
PetroGreen Energy Corporation (PGECE) <sup>(b)</sup>	Philippines	Renewable energy	Philippine peso	-	8.55
T'boli Agro-Industrial Development, Inc.	Philippines	Agriculture	Philippine peso	28.47	28.47
Manila Memorial Park Cemetery, Inc. (MMPC)	Philippines	Funeral service	Philippine peso	25.98	25.98
Sojitz G Auto Philippines Corporation (SGAPC)	Philippines	Automotive distributor	Philippine peso	20.00	20.00
RCBC Realty Corporation (RRC)	Philippines	Realty	Philippine peso	10.00	10.00
Al-Rushaid Construction Company Limited (ARCC) <sup>(a)</sup>	Saudi Arabia	Construction	Saudi riyal	-	49.00
PetroSolar Corporation (PSOC) <sup>(a)</sup>	Philippines	Renewable energy	Philippine peso	-	44.00
Rice Integrated Commercial Enterprise, Inc. (RICEI) <sup>(a)</sup>	Philippines	Support activities to agriculture and post- harvest crop activities	Philippine peso	-	49.00
<b>Joint ventures:</b>					
PetroWind Energy, Inc. (PWEI) <sup>(a)</sup>	Philippines	Renewable energy	Philippine peso	-	20.00
Shinbayanihan Heavy Equipment Corporation (SHEC) <sup>(a)</sup>	Philippines	Equipment rental	Philippine peso	-	40.00
BEO Distribution and Marketing Corporation (BEO DMC) <sup>(a)</sup>	Philippines	Distribution and marketing	Philippine peso	-	30.00
Shimizu-Fujita-Takenaka-EEI Joint Venture (SFTE) <sup>(a)</sup>	Philippines	Construction	Philippine peso	-	5.00
Acciona-EEI Joint Venture (AE) <sup>(a)</sup>	Philippines	Construction	Philippine peso	-	30.00

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership	
				2023	2022
DL E&C-EEI-HEC Joint Venture (DEH) <sup>(a)</sup>	Philippines	Construction	Philippine peso	-	20.00
LOTTE-GULERMAK-EEI Joint Venture (LGE) <sup>(a)</sup>	Philippines	Construction	Philippine peso	-	25.00

(a) On April 26, 2023, the Parent Company sold 207,256,297 common shares, representing 20% of the outstanding shares of EEI Corporation (EEI) for a consideration of P1.25 billion. The sale has reduced the holdings of the Parent Company in EEI from 55.34% to 35.34% which signifies loss of control over the subsidiary. The Parent company accounted for the retained holding in EEI as an investment in associate. Subsequently, on May 22, 2023, the Parent Company sold 148,664,942 common shares representing 14.34% of the outstanding shares of which further reduced the holdings of the Parent Company to 21%.

(b) As of September 2023, indirect investment of the Parent Company in PGEC is at 19.64%, thus Parent Company no longer recognize PGEC as an associate.

### Property and Equipment

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

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

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

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

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

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

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset

(calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

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

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

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

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

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

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

#### Investment Properties

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

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

	Years
Building	32.5
Other equipment	12.5

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

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

Investment properties are derecognized when they either have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected

from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

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

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

#### Impairment of Nonfinancial Assets

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

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. Impairment losses are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognized in equity up to the amount of any previous revaluation.

#### Business Combination and Goodwill

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is

deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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

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

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

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



### Intangible Assets Other Than Goodwill

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

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

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

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

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

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

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

### Foreign Currency-denominated Transaction and Translation

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

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

As at reporting date, the assets and liabilities of subsidiaries whose functional currency is not the Philippines Peso are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date, and the consolidated statement of income accounts are translated at monthly weighted average exchange rate. Likewise, the financials of the Group's

associate whose functional currency is not the Philippine Peso that is accounted for under equity method are translated to the presentation currency of the Parent Company in a similar manner. The exchange differences arising on the *translation* are taken directly to a separate component of equity under “Cumulative translation adjustments” account.

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

#### Retirement Cost

##### *Defined benefit plan*

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

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

Defined benefit costs comprise the following:

- (a) service cost;
- (b) net interest on the net defined benefit liability or asset; and
- (c) remeasurements of net defined benefit liability or asset.

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

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

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

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

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

## Income Tax

### *Current tax*

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

### *Deferred tax*

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

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

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

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

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

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

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

### Basic and Diluted Earnings Per Share (EPS)

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

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

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

#### Provisions

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

#### Contingencies

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

#### Stock Option Plan

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

#### Segment Reporting

The Group's operating business are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 33.

#### Capital Stock

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

#### Treasury Shares

When the Group purchases the Group's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in equity (Note 23).

#### Equity Reserve

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

#### Retained Earnings

Retained earnings represent accumulated earnings of the Group and any adjustment arising from application of new accounting standards, policies or corrections of errors applied retroactively less

dividends declared. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by subsidiaries. Appropriated retained earnings are those that are restricted for planned investments and business expansion. Unappropriated retained earnings are those that can be allocated for specific purposes and can be distributed as dividend. Retained earnings are further restricted for the payment of dividends to the extent of the cost of treasury shares (Note 22).

#### Events After the Financial Reporting Date

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

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### 5. Significant Accounting Judgments and Estimates

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

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

#### Judgment

*Determining control over an entity in which Parent Company holds less than majority of voting rights*

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

#### *Determination of functional currency*

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

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

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

#### *Determination of lease term of contracts with renewal and termination options - Group as a lessee*

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the

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

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

#### *Recognition of schools and related operations fees over time*

The Group determined that schools and related operations fees are to be recognized over time using the output method on the basis of time lapsed over the service period since it provides a faithful depiction of the Group's performance in transferring control of the services to the students. The fact that another entity would not need to re-perform the service that the Group has provided to date demonstrates that the customer or the student simultaneously receives and consumes the benefits of the Group's performance as it performs (Note 25).

*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, 2023 and December 31, 2022, the Parent Company holds 10% of interest in RRC. The Parent Company exercises significant influence in RRC since the Parent Company's President is the concurrent president of RRC. The president is also a member of the BOD. As such, the president of the Parent Company effectively has a participation in the policy-making process of RRC. Hence, the Parent Company is able to exercise significant influence even if ownership is less than 20%.

#### *Assessment of joint control*

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

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

Refer to Note 14 for details of the Group's investment in joint venture.

#### Estimates

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

assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

*Leases - Estimating the incremental borrowing rate*

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

The Group's Lease liabilities amounted to ₱0.60 billion and ₱1.38 billion as of September 30, 2023 and December 31, 2022.

*Estimating variable considerations arising from change orders and claims*

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

The aggregate carrying values of receivables and contract assets amounted to ₱2.37 billion and ₱14.62 billion as of September 30, 2023 and December 31, 2022, respectively (Notes 9 and 10).

*Fair value measurement of unquoted equity investments at FVOCI*

The fair value of unquoted equity investments amounted to ₱0.01 billion as of September 2023 and ₱0.51 billion as of December 31, 2022, respectively (Note 13).

*Provision for expected credit losses of trade receivables and contract assets*

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

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

As of September 30, 2023 and December 31, 2022, the aggregate carrying values of Receivables and Contract assets are disclosed in Notes 9 and 10 of the consolidated financial statements.

*Purchase price allocation in business combinations and goodwill*

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

The merger resulted in the recognition of student relationship, intellectual property rights and goodwill from the excess of the acquisition cost over the fair value of net assets acquired (Notes 16 and 18).

*Valuation of land under revaluation basis*

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

Land carried under revaluation basis amounted to ₱9.04 billion and ₱9.88 billion as of September 30, 2023 and December 31, 2022, respectively.

*Impairment of nonfinancial assets*

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

Impairment of Goodwill and Intellectual property rights are assessed at least on an annual basis. In assessing the impairment, the Group determines the recoverable amount using value in use with detailed disclosures made in Note 16.

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

Details of impairment of Intellectual property rights and Student relationships are disclosed in Note 16. As to the Group's other nonfinancial assets, no impairment loss was recognized for the period ended September 30, 2023 and December 31, 2022.



*Estimation of retirement benefits*

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

Retirement assets amounted to ₱41.41 million and ₱93.34 million as of September 30, 2023 and December 31, 2022, respectively whereas retirement liabilities amounted to ₱237.69 million and ₱200.1 million as of September 30, 2023 and December 31, 2022, respectively.

*Realizability of deferred tax assets*

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

*Classification of CWT*

The Group classifies its CWT as current when it is expected to be realized (e.g., will be used as tax credit against income taxes due) for at least twelve months after the reporting period. The portion of CWT that is expected to be realized after twelve months after the reporting period is classified as noncurrent. CWT recognized by the Group are disclosed in Notes 12 and 18 to the consolidated financial statements.

*Provisions and contingencies*

The Group is currently involved in various proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Management does not believe that these proceedings will have a material adverse effect on the Group's financial statement because management and its legal counsels believe that the Group has substantial legal and factual bases for its position (Notes 19 and 31).

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## **6. Deconsolidation of a Subsidiary Arising from Loss of Control**

On April 26, 2023, the Parent Company sold 207,256,297 common shares, representing 20% of its outstanding shares in EEI Corporation ("EEI") for a total consideration of ₱1.25 billion. Total holdings after the sale were reduced from 55.34% to 35.34%.

On May 22, 2023, the Parent Company sold 148,664,942 common shares representing 14.34% of the outstanding shares of EEI which further reduced the holdings of the Parent Company to 21%.

*Impact on the Parent Financial Statements*

The Parent Company recognized total gain on the sale amounting to ₱1,143.81 million, based on the difference between the cash proceeds and acquisition cost of the investment sold.

*Impact on the Consolidated Financial Statements*

The sale in April 2023, which is measured based on the difference between the transaction price (i.e., ₱6.03 per share) and carrying amount of the net assets of the subsidiary at the consolidation level (i.e., ₱7.28 per share), resulted to a loss of ₱715.90 million.

The remaining investment of 35.34% was accounted for as an investment in associate, and was revalued at ₱6.03 per share.

The Parent Company recognized gain on bargain purchase amounting to ₱234.95 million arising from the difference between the fair value of the investment recognized and the share in the fair value of the net assets of EEI as of transaction date (*Note 4- 'Day 1' difference*).

Fair value of retained investment		₱2,209,143,065
Fair value of acquired net assets of EEI		
Contract Assets	₱10,159,253,306	
Accounts Receivable	3,312,770,599	
Cash and cash equivalents	2,469,223,402	
Property and Equipment	2,332,744,104	
Other Assets	11,930,326,226	
Loans payable	(4,600,000,000)	
Long-term debt	(5,508,339,253)	
Accounts Payable and other expenses	(5,560,062,222)	
Other Liabilities	(1,665,383,731)	
Fair value of net assets	₱12,870,532,430	
Less: Share of other shareholders	(10,426,434,515)	2,444,097,914
<b>Gain on bargain purchase</b>		<b>₱234,954,849</b>

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

This revaluation, including the gain recognized on the second sale transaction, have tempered the impact of the loss on disposal of the investment by the Parent Company.

The net loss on the disposal of investments pending completion of independent valuation is as follows:

Loss from Deconsolidation	(₱715,896,914)
Gain on bargain purchase (Day 1 difference)	234,954,849
Gain on disposal of investment (14.34%)	75,496,882
<b>Net Loss on Disposal of Investment</b>	<b>(₱405,445,182)</b>

## 7. Deconsolidated Operations

On April 26, 2023, the Parent Company partially sold its investment in EEI resulting to a loss of control over the subsidiary (See Note 6). The comparative consolidated statement of income has been re-stated to show the deconsolidated operations separately from continuing operations.

The results of the deconsolidated operations were as follows:

	Quarter Ended September 30		
	2023*	2022	2021
<i>Deconsolidated Operations</i>			
<b>REVENUE</b>	<b>P5,175,639,044</b>	P10,408,000,083	P12,383,305,224
<b>COSTS OF SALES AND SERVICES</b>	<b>4,618,644,245</b>	9,248,202,972	10,985,184,561
<b>GROSS PROFIT (LOSS)</b>	<b>556,994,799</b>	1,159,797,111	1,398,120,663
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>(417,997,279)</b>	(1,141,101,602)	(1,078,062,645)
<b>EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES</b>	<b>(370,555,229)</b>	385,287,170	596,644,119
<b>INTEREST AND FINANCE CHARGES</b>	<b>(220,367,253)</b>	(310,189,880)	(375,107,233)
<b>OTHER INCOME</b>	<b>25,841,481</b>	74,042,261	74,179,070
<b>INCOME (LOSS) FROM DECONSOLIDATED OPERATIONS BEFORE INCOME TAX</b>	<b>(426,083,481)</b>	167,835,059	615,773,973
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>	<b>21,627,752</b>	23,830,581	243,830,016
<b>NET INCOME (LOSS) FROM DECONSOLIDATED OPERATIONS</b>	<b>(P447,711,231)</b>	P144,004,478	P371,943,957

\*Represents period activity prior to the sale on April 26, 2023

## 8. Cash and Cash Equivalents

This account consists of:

	Unaudited September 2023	Audited December 2022
Cash on hand and in banks	<b>P1,088,561,083</b>	P2,093,208,409
Cash equivalents	<b>1,339,178,186</b>	4,537,258,948
	<b>P2,427,739,269</b>	P6,630,467,357

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

Interest income from cash in banks and short-term investments amounted to P104.23 million, P21.11 million, and P5.81 million for the period ended September 30, 2023, 2022 and 2021, respectively (Note 26).

## 9. Receivables

This account consists of:

	Unaudited September 2023	Audited December 2022
Trade		
Education	<b>₱1,960,541,033</b>	₱1,472,085,613
Car dealership	<b>427,189,184</b>	575,277,366
Other services	<b>190,715,031</b>	141,001,981
Construction and infrastructure (Note 6)	—	2,459,706,582
Other receivables		
Loans to officers and employees	<b>44,196,364</b>	40,055,559
Receivables from car plant	<b>42,175,326</b>	11,040,734
Accrued referral incentives	<b>16,667,513</b>	16,228,561
Receivable from sale of investment properties (Note 6)	—	15,997,014
Receivable from customers (Note 6)	—	23,306,939
Dividends receivable	<b>69,616,285</b>	7,501,626
Others	<b>74,925,262</b>	49,173,492
	<b>2,826,025,998</b>	4,811,375,467
Less allowance for impairment	<b>452,820,067</b>	560,559,718
	<b>₱2,373,205,931</b>	₱4,250,815,749

### Trade receivables

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

#### *Receivable from construction and infrastructure*

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

#### *Receivables from education*

Receivables from education represent amounts arising from tuition and other matriculation fees which are normally collected at end of every school term before the students can proceed to the next term. This also includes receivable from Department of Education amounting to ₱276.5 million and ₱319.8 million as of September 30, 2023 and December 31, 2022, respectively, arising from the Senior High School (SHS) Voucher Program wherein qualified SHS students are given assistance on tuition fees. These receivables are noninterest-bearing and are generally collectible within one year.

#### *Receivables from car dealership*

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

#### *Receivables from other services*

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

No trade receivables were used as collaterals to secure obligations as of September 30, 2023 and December 31, 2022.

### Other receivables

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

*Receivable from customers*

In 2017, certain trade receivables were reclassified as interest-bearing trade receivables after the Group and the customers agreed to extend the credit terms. These receivables bear interest of 5% per annum and will be repaid in five (5) years' time.

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

## 10. Contract Assets and Liabilities

### Contract Assets

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

After derecognition of balances as a result of the loss of control arising from Parent Company's sale of its investment in EEI, the Group's contract assets amounted to nil and P10.37 billion as of September 30, 2023 and December 31, 2022, respectively (*Note 6*).

Details of the Group's contract assets as of September 30, 2023 and December 31, 2022 are shown below.

	2023		Total
	Current	Noncurrent	
Contract assets	P—	P—	P—
Less: Allowance for expected credit losses	—	—	—
	P—	P—	P—

	2022		Total
	Current	Noncurrent	
Contract assets	P5,201,785,067	P5,199,970,342	P10,401,755,409
Less: Allowance for expected credit losses	19,510,785	9,443,812	28,954,597
	P5,182,274,282	P5,190,526,530	P10,372,800,812

### Contract Liabilities

Details of the Group's contract liabilities as of September 30, 2023 and December 31, 2022 are shown below.

	Unaudited September 2023	Audited December 2022
Current	P1,622,254,430	P1,387,334,090
Non-current	—	826,701,427
	P1,622,254,430	P2,214,035,517

Contract liabilities from construction and infrastructure segment consist of down payments received in relation to construction contracts that will be recognized as revenue in the future as the Group satisfies its performance obligations. As of September 30, 2023, contract liabilities from construction and infrastructure segment amounted to nil after derecognition of balances as a result of the loss of control arising from Parent Company's sale of its investment in EEI (*Note 6*).

Contract liabilities from education segment represent the unearned tuition fees and accounts payable to students and will be recognized as revenue when the related educational services are rendered. Contract liabilities related to the remaining performance obligations of the education segment are generally recognizable within one (1) year.

## 11. Inventories

This account consists of:

	Unaudited September 2023	Audited December 2022
Construction materials <i>(Note 6)</i>	P–	P721,551,074
Merchandise:		
Automotive units	453,844,099	295,774,798
Parts, service materials and accessories	88,754,702	114,029,054
Others	28,320,402	88,452,247
	570,919,203	498,256,099
Real estate <i>(Note 6)</i> :		
Land and land development	–	158,670,638
Raw lands	–	42,398,913
Subdivision lots and contracted units for sale	–	35,988,542
	–	237,058,093
Spare parts and supplies <i>(Note 6)</i>	–	88,819,064
	570,919,203	1,545,684,330
Less: Allowance for inventory obsolescence	43,656,744	43,656,744
	P527,262,459	P1,502,027,586

Merchandise includes food and beverages, bookstore inventory, among others.

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

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

	Unaudited September 2023	Audited December 2022
Balance at beginning of year	P237,058,093	P235,940,298
Construction/development costs incurred	87,732	4,250,108
Cost of real estate sales (Note 7)	–	(3,132,313)
Deconsolidation (Note 6)	(237,145,825)	–
Balance at end of year	P0	P237,058,093

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

The rollforward of allowance for inventory obsolescence is as follows:

	Unaudited September 2023	Audited December 2022
Balance at beginning of year	P43,656,744	P75,778,306
Provision (Recoveries)	–	(14,301,872)
Write-off	–	(17,819,690)
Balance at end of year	P43,656,744	P43,656,744

In 2022, the Group reversed allowance for inventory obsolescence amounting to P14.30 million after the spare parts and supplies inventory were found to be still serviceable. These were consumed and recorded as part of cost of services in 2022.

No inventories were pledged as security to obligations as of September 30, 2023 and December 31, 2022.

## 12. Prepaid Expenses and Other Current Assets

This account consists of:

	Unaudited September 2023	Audited December 2022
CWTs	P421,479,695	P538,908,901
Input VAT	172,387,805	179,180,977
Prepaid expenses	157,338,792	239,843,886
Short-term investments	86,454,791	161,153,004
Prepaid taxes	14,588,059	30,490,161
Advances to suppliers and contractors (Note 6)	–	677,201,222
Miscellaneous deposits (Note 6)	–	145,760,576
Advances to officers and employees (Note 6)	–	52,753,886
Bid deposit (Note 6)	–	59,822,400
Others	50,121,503	102,527,137
	902,370,645	2,187,642,150
Less allowance for impairment	–	55,395,197
	P902,370,645	P2,132,246,953

CWTs pertain to unutilized creditable withholding tax which will be used as tax credit against income taxes due. This will be used as tax credit against income taxes due.

Short-term investments earn interest at the prevailing investment rates and have maturity of less than one year. These include investments held for government and private entities for the purpose of undertaking socio-economic studies and development projects amounting to P40.40 million and P40.19 million as of September 30, 2023 and December 31, 2022, respectively.

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

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

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

This account consists of:

	Unaudited September 2023	Audited December 2022
Quoted equity investments	P133,119,821	P136,503,716
Unquoted equity investments ( <i>Note 6</i> )	8,090,402	514,138,317
	<b>P141,210,223</b>	<b>P650,642,033</b>

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

	Unaudited September 2023	Audited December 2022
Attributable to equity holders of the parent:		
Balance at beginning of year	P111,000,523	P67,330,660
Income (loss) recognized in OCI	153,699,567	43,999,863
Disposal/Deconsolidation ( <i>Note 6</i> )	(181,657,144)	(330,000)
Balance at end of year	83,042,946	111,000,523
Non-controlling interests:		
Balance at beginning of year	324,284,048	321,570,569
Income recognized in OCI	8,735,187	2,713,479
Deconsolidation ( <i>Note 6</i> )	(333,019,235)	2,713,479
Balance at end of year	-	324,284,048
	<b>P83,042,946</b>	<b>P435,284,571</b>

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

The fair value of the Group's unquoted equity investments in HEDC is determined using the adjusted net asset approach wherein the assets of investee are adjusted from cost to their fair value (*Note 5*). The valuation was performed by an independent SEC-accredited appraiser as of December 31, 2022. As of September 30, 2023, unquoted equity investments in HEDC are derecognized due to loss of control arising from Parent Company's sale of its investment in EEI (*Note 6*).

In 2022, the Parent Company sold a golf share for total selling price of P1.20 million, resulting to a gain of P0.87 million.

Dividends earned from equity investments at FVOCI amounted to P2.54 million, P0.33 million, and P0.99 million in 2023, 2022 and 2021, respectively (*Note 26*).

No equity investments at FVOCI were pledged as security to obligations as of September 30, 2023 and December 31, 2022.



#### 14. Investments in Associates and Joint Venture

The rollforward analysis of this account follows:

	Unaudited September 2023	Audited December 2022
Acquisition cost:		
Balance at beginning of year	P4,283,885,786	P4,236,124,304
Additions	2,444,097,914	47,761,482
Disposal	(1,000,058,748)	—
Deconsolidation ( <i>Note 6</i> )	(1,612,532,888)	—
Balance at end of year	4,115,392,064	4,283,885,786
Accumulated impairment loss	74,536,609	74,536,609
Accumulated equity in net earnings:		
Balance at beginning of year	3,622,376,692	3,531,781,118
Equity in net earnings	338,470,084	425,036,868
Dividends received	(78,354,964)	(334,441,296)
Deconsolidation ( <i>Note 6</i> )	(1,373,630,377)	—
Balance at end of year	2,508,861,435	3,622,376,690
Subtotal	6,549,716,890	7,831,725,867
Share in other comprehensive gain (loss) of an associate	(210,358,259)	106,387,770
Share of cumulative translation adjustment	49,653,224	365,209,542
	<b>P6,389,011,855</b>	<b>P8,303,323,179</b>

As disclosed on Note 6, the Parent Company sold 20% investment holdings in EEI resulting to loss of control over the subsidiary. The remaining investment of 35.34% was accounted for as an investment in associate, and was revalued at P6.03 per share.

The Parent Company recognized gain on bargain purchase amounting to P234.95 million arising from the difference between the fair value of the investment recognized and the share in the fair value of the net assets of EEI as of transaction date (Note 4- 'Day 1' difference).

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

On May 22, 2023, the Parent Company sold 148,664,942 common shares representing 14.34% of the outstanding shares of EEI which further reduced the holdings of the Parent Company to 21%.

As of September 30, 2023 and December 31, 2022, no investments in associates were pledged as security to obligations.

## 15. Property and Equipment

### *Property and equipment at revalued amount*

Movements in the revalued land are as follows:

	Unaudited September 2023	Audited December 2022
Balance at beginning of year	<b>P9,875,430,378</b>	P8,291,619,850
Change in revaluation increment	–	1,783,465,628
Transfer to Retained earnings	–	(199,655,100)
Deconsolidation (Note 6)	<b>(835,042,248)</b>	199,655,100
	<b>(835,042,248)</b>	1,583,810,528
Balance at end of year	<b>P9,040,388,130</b>	P9,875,430,378

Land at revalued amounts consists of owner-occupied property wherein the school buildings, car dealership showroom, and other facilities are located. As of September 30, 2023, land value amounting to P835.0 million is derecognized due to loss of control arising from Parent Company's sale of its investment in EEI.

### *Property and equipment at cost*

The rollforward analysis of this account follows:

	Unaudited September 2023	Audited December 2022
At Cost		
Land, Buildings and Improvements	<b>P6,616,877,762</b>	P5,982,107,795
Machinery, Tools and Construction Equipment	<b>31,377,847</b>	5,283,860,417
Transportation and Service Equipment	<b>355,642,387</b>	1,270,060,624
Furniture, Fixtures and Office Equipment	<b>3,527,087,585</b>	3,740,323,144
	<b>10,530,985,581</b>	16,276,351,980
Less: Accumulated Depreciation	<b>(5,670,649,668)</b>	(10,078,634,136)
	<b>4,860,335,913</b>	6,197,717,844
Construction in Progress	<b>1,579,378,445</b>	1,028,093,608
Net book value at Cost	<b>P6,439,714,358</b>	P7,225,811,452

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

## 16. Goodwill

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

	Unaudited September 2023	Audited December 2022
EEI Corporation and Subsidiaries (Note 6)	<b>P–</b>	P300,859,305
MESI	<b>137,853,346</b>	137,853,346
IPO	<b>32,644,808</b>	32,644,808
Business combination of IPO and AEI	<b>13,472,260</b>	13,472,260
	<b>P183,970,414</b>	P484,829,719

#### Goodwill of EEI and IPO

The Group performed impairment testing on goodwill arising from acquisition of EEI and IPO. For purposes of impairment testing, EEI and IPO are considered as the CGUs.

Management determined that the recoverable amount of the goodwill balances of EEI and IPO were fair values less costs of disposal wherein the fair values are the quoted prices of the shares of stocks of EEI and IPO in the Philippine Stock Exchange as of December 31, 2022 and 2021 and incorporated control premium in the said fair values (Level 3 – Significant unobservable inputs). Management assessed that the costs of disposal, which mainly consist of the stock transaction tax, brokers' commission and transaction fee with the stock exchange to be insignificant. In 2023, 2022 and 2021, Management assessed that the recoverable amount of the goodwill balances exceeds their carrying values, thus, no impairment loss should be recognized.

As a result of the loss of control arising from Parent Company's sale of its investment, goodwill balance from EEI is derecognized as of September 30, 2023 (Note 6).

#### *Sensitivity to changes in assumptions*

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

#### Goodwill of MESI

The goodwill recognized in the consolidated statement of financial position amounting ₱137.85 million as at December 31, 2022 and 2021 pertains to the excess of the acquisition cost over the fair values of the net assets of MESI acquired by the Group through IPO in 1999.

The Group performed impairment testing on goodwill arising from acquisition of MESI wherein MESI was considered as the CGU.

In 2023, 2022 and 2021, Management assessed that the recoverable amount of the goodwill balances exceeds their carrying values, thus, no impairment loss should be recognized.

#### *Key assumptions used in the value in use (VIU) calculation*

As at December 31, 2022 and 2021, the recoverable amount of the CGU has been determined based on a VIU calculation using five-year cash flow projections. Key assumptions in the VIU calculation of the CGU are most sensitive to the following:

- Future revenues and revenue growth rates. Cash flow projections based on financial budgets approved by management covering a five-year period and considers the impact of the coronavirus pandemic, among others.
- Long-term growth rates (5.79% for 2022 and 4.84% for 2021). The Long-term growth rate is the expected growth rate in the education industry sector.
- Discount rate (14% for 2022 and 11% for 2021). The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to IPO's capital structure.

#### *Sensitivity to changes in assumptions*

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

In 2023, 2022 and 2021, Management assessed that no impairment loss should be recognized.

Goodwill arising from Business Combination

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

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

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

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

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

*Intellectual Property Rights*

As of December 31, 2022 and 2021, the Group performed impairment testing on intellectual property rights using the income approach (royalty relief method) wherein recoverable value is computed based on royalty savings.

Key assumptions used are as follows:

- Revenue projections and long-term growth rate (3% for 2022 and 2021). Revenue projections based on financial budgets approved by management and considers the impact of the coronavirus pandemic. The long-term growth rate is the expected growth rate in the education industry sector.
- Discount rates (16% to 17% for 2022 and 14% to 15% for 2021). The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to comparable listed companies in the educational sector.
- Royalty rates (1% to 6% for 2022 and 2021). This is based on the publicly available information on franchising of educational institutions in the Philippines, with consideration on the operational risk of the involved entity.

The IPO Group's impairment testing on intellectual property rights resulted to the recognition of ₱32.2 million impairment loss on APEC in 2022 (nil in 2021 and 2021) and presented as part of General and administrative expense in the consolidated statement of income. The carrying value of intellectual property rights as of September 30, 2023 and December 31, 2022 amounted to ₱490.9 million.

### Student Relationship

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

	<b>Unaudited September 2023</b>	Audited December 2022
Cost from business combination	<b>₱116,009</b>	₱116,009
Accumulated amortization:		
Beginning balance	<b>(105,250)</b>	(72,248)
Amortization and impairment	<b>(3,545)</b>	(33,002)
Ending balance	<b>(108,795)</b>	(105,250)
Balance at end of the year	<b>₱7,214</b>	₱10,759

Amortization amounted to ₱2.4 million and ₱33.0 million in September 2023 and December 2022, respectively.

### 17. Investment Properties

The rollforward analysis of this account follows:

<b>Unaudited September 2023</b>				
	Land	Building and building improvements	Machinery and equipment	Total
<b>Cost</b>				
Balance at beginning of year	₱5,321,546,713	₱2,624,140,525	₱187,409,475	₱8,133,096,713
Acquisitions	63,962,512	—	—	63,962,512
Disposals	—	—	—	—
Deconsolidation	(14,295,711)	—	—	(14,295,711)
Balance at end of year	5,371,213,514	2,624,140,525	187,409,475	8,182,763,514
<b>Accumulated Depreciation</b>				
Balance at beginning of year	—	20,185,696	3,748,190	23,933,886
Depreciation	—	60,557,089	11,244,568	71,801,657
Balance at end of year	—	80,742,785	14,992,758	95,735,543
<b>Net Book Value</b>	<b>₱5,371,213,514</b>	<b>₱2,543,397,740</b>	<b>₱172,416,717</b>	<b>₱8,087,027,970</b>

<b>Audited December 2022</b>				
	Land	Building and building improvements	Machinery and equipment	Total
<b>Cost</b>				
Balance at beginning of year	₱1,977,542,213	₱—	₱—	₱1,977,542,213
Acquisitions	3,344,425,000	2,624,140,525	187,409,475	6,155,975,000
Disposals	(420,500)	—	—	(420,500)
Balance at end of year	5,321,546,713	2,624,140,525	187,409,475	8,133,096,713
<b>Accumulated Depreciation</b>				
Balance at beginning of year	—	—	—	—
Depreciation	—	20,185,696	3,748,190	23,933,886
Balance at end of year	—	20,185,696	3,748,190	23,933,886
<b>Net Book Value</b>	<b>₱5,321,546,713</b>	<b>₱2,603,954,829</b>	<b>₱183,661,285</b>	<b>₱8,109,162,827</b>

Land classified as investment properties include the following:

- Parcel of land located in Makati owned by SLRHSI with the carrying value of ₱1,763.30 million.
- Other parcels of land owned by EEI located in Benguet, Cavite, Nueva Ecija, and Bulacan with carrying values of ₱6.6 million, ₱0.5 million, ₱0.2 million, and ₱7.0 million, respectively, as of December 31, 2022. Carrying values of parcels of land located in Benguet, Cavite, Nueva Ecija, Bulacan and memorial lots in Las Piñas were ₱6.6 million, ₱0.5 million, ₱0.2 million, ₱7.0 million and ₱0.2 million, respectively, as of December 31, 2022. These are all derecognized as of September 30, 2023 due to the loss of control arising from Parent Company's sale of its investment in EEI (Note 6).
- Heritage lots held for capital appreciation of the Parent Company amounted to ₱1.7 million and ₱2.0 million as of December 31, 2022 and 2021, respectively.

Additions pertain to parcel of land, building and building improvements and machinery and equipment situated in Taguig City owned by ATYC with carrying value of ₱6,132.04 million, which was acquired by the Parent Company in 2022.

Depreciation expense recognized on Investment properties in 2022 amounted to ₱23.93 million is accounted for under of Cost of services in the consolidated statement of income (Note 27).

In 2022 and 2021, the Group sold parcels of land located in various locations for ₱2.44 million and ₱0.1 million, respectively. The Group recognized a gain of ₱2.05 million and ₱0.01 million in 2022 and 2021, respectively in relation to the sale.

As of December 31, 2022, the aggregate fair values of Investment properties amounted to ₱10.05 billion, which was determined based on valuation performed by an independent SEC accredited appraiser in 2022. The fair value of the land was determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on size, and shape (Level 3 – Significant unobservable inputs).

None of the investment properties were pledged as a security to obligations as of September 30, 2023 and December 31, 2022.

## 18. Other Noncurrent Assets

This account consists of:

	Unaudited September 2023	Audited December 2022
Intellectual property rights	P490,882,064	P490,882,064
Deferred input VAT	177,802,739	71,151,288
CWT - net of current portion	99,836,821	857,168,028
Miscellaneous deposit	45,970,476	40,721,209
Computer software	23,379,633	31,456,026
Accrued rent income – noncurrent	9,433,764	–
Student relationship (Note 15)	7,213,921	10,759,086
Loans receivable (Note 6)	–	1,200,000,000
Others	106,952,078	108,579,083
	<b>961,471,496</b>	<b>2,810,716,784</b>

In December 2022, the Group, thru EEI entered into an agreement with EEI-RFI granting a loan amounting to P1.20 billion to the latter. The loan is to be paid in 10 annual installments commencing in 2025 with annual interest rate of 5%. As of September 30, 2023, loans receivable is derecognized in the Group's consolidated financial statement due to the loss of control arising from Parent Company's sale of its investment in EEI.

Intellectual property rights and student relationship are the intangible assets acquired in May 2019 through the merger between IPO and AC Education, Inc. (AEI), the wholly owned education arm of Ayala Corporation (Note 15).

Miscellaneous deposits include rental and security deposits.

As of September 30, 2023, the average remaining useful of the computer software is 1 to 2 years.

Rollforward of computer software follows:

	Unaudited September 2023	Audited December 2022
<b>Cost</b>		
Balance at beginning of year	P181,358,988	P163,955,660
Additions	521,348	17,403,328
Reclassification	–	–
Balance at end of year	<b>181,880,336</b>	<b>181,358,988</b>
<b>Accumulated Amortization</b>		
Balance at beginning of year	149,902,962	136,618,746
Amortization (Note 30)	8,597,741	13,284,216
Balance at end of year	<b>158,500,703</b>	<b>149,902,962</b>
<b>Net Book Value</b>	<b>P23,379,633</b>	<b>P31,456,026</b>

## 19. Accounts Payable and Other Current Liabilities

This account consists of:

	Unaudited September 2023	Audited December 2022
Accounts payable	P1,414,370,755	P5,669,425,919
Accrued expenses	180,658,811	256,799,240
Provisions (Note 35)	169,749,510	168,717,150
Output tax payable	115,071,296	292,171,632
Deferred output taxes	48,603,394	305,215,529
Withholding taxes and others	25,552,095	174,456,359
SSS and other contributions	8,739,187	57,141,763
Chattel mortgage payable	8,234,323	8,986,234
Subscriptions payable	3,750,000	34,687,540
Payable to Land Transportation Office	3,580,589	4,180,525
Deferred income	1,823,008	2,663,589
Dividends payable	608,938	26,153,938
Others	10,698,810	23,010,333
	<b>P1,991,440,716</b>	<b>P7,023,609,751</b>

Accounts payable pertains to the Group's obligation to local suppliers. The normal trade credit terms of accounts payable and accrued expenses of the Group are expected to be settled within the next twelve (12) months.

Accrued expenses consist of accrual for salaries, professional fees, security and outside services, utilities, insurance, interest and other expenses that are expected to be settled within one year.

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

## 20. Loans Payable

This account consists of:

	Unaudited September 2023	Audited December 2022
Unsecured bank loans	P3,133,142,021	P8,217,000,000
Secured bank loans	—	—
	<b>P3,133,142,021</b>	<b>P8,217,000,000</b>

### Unsecured

Unsecured bank loans are obtained from local banks and related party financial institutions with annual interest rates ranging from 6.04% to 7.34% and 2.50% to 5.50% in 2023 and 2022, respectively.



## 21. Long-term Debt

This account consists of:

	Unaudited September 2023	Audited December 2022
Fixed-rate corporate promissory notes	P2,413,783,957	P7,016,954,132
Fixed-rate term loan	334,568,400	2,014,569,147
	<b>2,748,352,357</b>	9,031,523,279
Less: Current portion of long-term debt	8,143,400	3,218,142,674
Reclassification to current liability of secured loan		1,496,622,385
	<b>8,143,400</b>	4,714,765,059
	<b>P2,740,208,957</b>	P4,316,758,220

### IPO

IPO, through NTC, entered into a 10-year unsecured term loan facility with a third-party local bank for P650.0 million to finance its building refurbishment and/or expansion. The principal payments will be made in 28 quarterly payments starting May 2022. As of December 30, 2021, total drawdown from the long-term loan facility amounted to P380 million. The P300 million is subject to 5.5% fixed rate and the P80 million is subject to annual repricing based on higher of 5.5% or the prevailing one-year benchmark rate or done rate of a liquid/active security, as agreed by the parties, with the same tenor if benchmark rate is not reflective of market rate, plus interest spread.

In September 2022, the P80 million is converted to a 5.5% fixed rate.

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

In 2019, the IPO Group, through MCMI, entered into a ten-year secured long-term loan agreement with a local bank for P1,500.0 million to refinance the construction of MCMI's school buildings and facilities that were initially funded by short-term loans. MCMI made partial drawdowns against this agreement amounting to P680.0 million, P350.0 million and P470.0 million in January, September and July 2019, respectively. The loans were subject to prevailing borrower's rate, plus a minimum spread of 0.50% per annum, but in no case lower than 4% per annum, subject to quarterly repricing. MCMI shall repay the loan in 20 equal quarterly installments to start at the end of 21st quarter from the initial drawdown date. The loans were secured by the land and related improvements owned by MCMI with carrying value of P2,385.0 million and P2,382.0 million as of December 31, 2022 and 2021, respectively, and suretyship of MESI. The loans were subject to certain positive and negative covenants such as the requirement for MCMI to maintain its debt service cover ratio of at least 1.0 at all times and its debt-to-equity ratio of at least 75:25 starting on the third year of the loan reckoned from initial drawdown date of January 2019.

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

As of December 31, 2022, the D:E ratio of 77:23 did not meet the required D:E ratio. Hence, MCMI classified the loan from bank amounting to P1.5 billion as current liability. The loans were reclassified from noncurrent to current because the letter from the bank was issued after

December 31, 2022. Although the loans are classified as current as of December 31, 2022, it will remain long-term based on the terms of the loan agreement and will not be paid in the next twelve months. The long-term loans were only classified under current liability on December 31, 2022 to comply with Philippine Financial Reporting Standards (PFRS).

In July 2023, MCMI fully paid its long-term loan.

#### ATYC

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

#### EEl

On May 23, 2018, the Group through EEI received ₱2,000.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 4.80%. The promissory note matures within five (5) years from the date of issuance.

On October 15, 2021, the Group through EEI received ₱3,000.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 3.5%. The promissory note matures within three (3) years from the date of issuance.

On November 23, 2021, the Group through EEI received ₱1,000.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 3.3%. The promissory note matures within three (3) years from the date of issuance.

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

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

On December 3, 2021, the Group through EEI received ₱1,500.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 3.4%. The promissory note matures within three (3) years from the date of issuance.

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

As of September 30, 2023, balance of the abovementioned loan is derecognized following loss of control arising from Parent Company's sale of its investment in EEI (Note 6).

#### Biotech JP

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

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

On April 24, 2021, BiotechJP availed an unsecured ₱21.8 million long-term loan from a foreign

bank that bears an annual interest based from floating rate. In absence of quotations, if the then-current Floating Rate is USD LIBOR and no rate is quoted pursuant to the definition of USD LIBOR on any Quotation Date, the applicable Floating Rate shall be the average (rounded upwards, if necessary, to the nearest one-sixteenth of one per cent (1/16%)) of the rates per annum. The loan is payable in 18 equal semi-annual installments and will mature on September 13, 2030.

On September 25, 2021, BiotechJP availed an unsecured ₱92.3 million long-term loan from Biotech Japan Corporation that bears an annual interest of 3.0%. The loan is payable in equal semi-annual installments and will mature on September 30, 2030.

As of September 30, 2023, balance of the abovementioned loan is derecognized following loss of control arising from Parent Company's sale of its investment in EEI (Note 6).

The aforementioned loans require the Group to maintain certain financial ratios such as debt to equity ratio, current ratio and debt service coverage ratio calculated based on stipulation with the lender banks. As of September 30, 2023, the Group was in compliance with all other loan covenants.

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## **22. Retained Earnings**

On April 12, 2023, the Parent Company's BOD approved additional appropriation of retained earnings amounting to ₱0.5 billion, for planned investments and business expansion that the Parent Company intends to carry out for the next 2-3 years.

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

On September 30, 2021, the BOD approved the declaration of cash dividends of ₱0.00516 per share with a total amount of ₱0.09 million to the stockholders of the Parent Company's preferred shares on record as of April 27, 2021, payable on May 20, 2021.

Retained earnings include ₱4,131.8 million and ₱4,831.3 million as of September 30, 2023 and December 31, 2022, respectively, representing treasury shares, appropriated retained earnings and deferred tax assets that are not available for dividend declaration. After reconciling items, the retained earnings of the Parent Company that are available for dividend declaration amounted to ₱2,662.81 million and ₱1,419.74 million as of September 30, 2023 and December 31, 2022, respectively.

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

### **Restrictions**

The Group's retained earnings include accumulated earnings of subsidiaries, associate and joint venture amounting to ₱5,764.29 million and ₱7,365.54 million as of September 30, 2023 and December 31, 2022, respectively, not declared as dividends to the Group. Accordingly, these are not available for dividend declaration.

## 23. Capital Stock

### Preferred stock

The authorized preferred stock is 2,500,000,000 shares at ₱0.40 par value.

No preferred shares were issued and outstanding as of September 30, 2023 and December 31, 2022.

In 2021, 16,776,001 preferred shares were redeemed and carried at ₱0.40 par value as treasury shares.

### Common stock

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

	2023		2022		2021	
	Amount	Shares	Amount	Shares	Shares	Shares
Balance at beginning of year	₱1,162,540,326	776,465,281	₱1,162,540,326	776,465,281	₱1,165,147,926	776,765,281
Conversion of preferred stock	—	—	—	—	—	—
Balance at end of year	1,165,147,926	776,765,281	1,165,147,926	776,765,281	1,165,147,926	776,765,281
Treasury stock	(2,607,600)	(300,000)	(2,607,600)	(300,000)	(2,607,600)	(300,000)
	₱1,162,540,326	776,465,281	₱1,162,540,326	776,465,281	₱1,162,540,326	776,465,281

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

Details of the capital redemption and conversion follow:

Date of Redemption	Amount		Record Date	Payment Date
September 30, 2021	₱6,710,402	₱0.40	April 27, 2021	May 20, 2021
April 6, 2018	₱6,343,953	₱0.40	May 3, 2018	May 30, 2018
September 30, 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			
September 30, 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 September 30, 2021, after the declaration of cash dividends, the BOD approved the redemption of 16,766,001 preferred shares at par value with a total amount of ₱6.71 million to the stockholders of the Parent Company's preferred shares on record as of April 27, 2021, payable on May 20, 2021.

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

- Entitled to dividends at the rate of average 91-day T-Bill plus two percent;
- Fully participating as to distribution of dividends;
  - Convertible into common shares at the option of the holders thereof from the date of issue at the conversion rate of 3 and 3/4 preferred shares to 1 common share for a price of ₱1.50 per common share subject to adjustments;
- Redeemable at any one time or from time to time, at the option of the BOD of the Parent Company, subject to availability of funds; and

- d) With voting rights and preferences as to assets upon dissolution of the Parent Company over common shareholders.

Below is the summary of the outstanding number of shares and holders of security as at September 30, 2023:

<b>Year</b>	<b>Number of shares registered</b>	<b>Number of holders of securities</b>
<b>Preferred shares:</b>		
January 1, 2021	—	—
Movement	—	—
December 31, 2021	—	—
Movement	—	—
December 31, 2022	—	—
Movement	—	—
<b>September 30, 2023</b>	—	—
<b>Common Shares:</b>		
January 1, 2021	776,465,281	384
Movement	—	—
December 31, 2021	776,465,281	384
Movement	—	(7)
December 31, 2022	776,465,281	377
Movement	—	(4)
<b>September 30, 2023</b>	776,465,281	373

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 numbers of shares initially listed were 584,085 at an offer price of ₱10.0 per share. Total number of preferred and common shareholders was nil and 375, respectively, as of September 30, 2023 and nil and 377, respectively, as of December 31, 2022.

## 24. Earnings Per Share

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

### *Basic earnings (loss) per share*

	January 1 to September 30		
	2023	2022	2021
Net income (loss)	(P40,997,192)	P871,550,330	P798,432,012
Less dividends attributable to preferred shares	99,683,625	99,683,625	86,529
Net income (loss) applicable to common shares	(P140,680,817)	771,866,705	798,345,483
Divided by the weighted average number of common shares	776,465,281	776,465,281	776,465,281
Basic earnings (loss) per share	(P0.1812)	P0.9941	P1.0282

### *Diluted earnings (loss) per share*

	January 1 to September 30		
	2023	2022	2021
Net income (loss) applicable common share for basic earnings per share	(P140,680,817)	771,866,705	798,345,483
Net income (loss) applicable to common stockholders for diluted earnings per share	(P140,680,817)	771,866,705	798,345,483
Weighted average number of shares of common stock	776,465,281	776,465,281	776,465,281
Weighted average number of shares of common stock for diluted earnings per share	776,465,281	776,465,281	776,465,281
Diluted earnings (loss) per share	(P0.1812)	P0.9941	P1.0282

## 25. Revenue from Contracts with Customers

Set out below is the disaggregation of the Group's revenue from contracts with customers for the period ended September 30:

	January 1 to September 30		
	2023	2022	2021
Sales of goods	P3,335,872,527	P3,107,448,616	P2,242,946,471
Schools and related operations	3,107,257,793	2,755,954,206	2,357,256,584
Others	1,318,472,998	705,616,151	664,565,498
	P7,761,603,318	P6,569,018,973	P5,264,768,553

## 26. Other Income - Net

This account consists of:

	January 1 to September 30		
	2023	2022	2021
Interest income (Notes 6 and 7)	<b>P105,424,421</b>	P31,066,726	P7,760,704
Rental income	<b>11,027,359</b>	4,777,876	3,434,190
Space and car rental	<b>10,618,794</b>	8,727,509	14,595,130
Gain on sale of assets (Notes 13 and 16)	<b>8,524,468</b>	12,540,259	7,511,532
Foreign exchange gain	<b>4,161,526</b>	22,437,479	4,636,884
Dividend income (Note 11)	<b>2,542,066</b>	330,950	992,028
Loss on disposal of investment (Note 6)	<b>(405,445,182)</b>	—	—
Miscellaneous	<b>18,989,060</b>	23,160,107	27,802,664
	<b>(P244,157,488)</b>	P103,040,906	P66,733,132

Interest income consists of income from:

	January 1 to September 30		
	2023	2022	2021
Cash and cash equivalents (Note 6)	<b>P104,225,468</b>	P21,106,447	P5,808,945
Others	<b>1,198,953</b>	9,960,279	1,951,759
	<b>P105,424,421</b>	P31,066,726	P7,760,704

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

## 27. Costs of Sales and Services

This account consists of:

	January 1 to September 30		
	2023	2022	2021
Cost of merchandise sold (Notes 9)	<b>P3,199,701,459</b>	P2,942,422,718	P2,144,146,682
Cost of school and related operations	<b>1,930,673,959</b>	1,556,830,944	1,362,088,117
Cost of manpower and other services	<b>513,501,561</b>	283,235,804	343,334,499
	<b>P5,643,876,979</b>	P4,782,489,466	P3,849,569,298

Details of the Cost of Merchandise sold follows:

	January 1 to September 30		
	2023	2022	2021
Inventory, beginning	<b>P1,502,027,586</b>	P1,728,364,681	P2,354,357,400
Purchases	<b>2,268,593,076</b>	2,609,855,476	1,247,822,793
Total goods available for sale	<b>3,770,620,662</b>	4,338,220,157	3,602,180,193
Less inventory end	<b>570,919,203</b>	1,395,797,439	1,488,033,511
Cost of inventories sold	<b>P3,199,701,459</b>	P2,942,422,718	P2,114,146,682

Details of the Cost of School and Related Operations follows:

	<b>January 1 to September 30</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Personnel expenses	<b>P870,625,093</b>	P775,500,531	P743,716,080
Depreciation and amortization (Notes 13 and 14)	<b>291,783,035</b>	257,856,016	251,226,380
Management and other professional fees	<b>134,263,720</b>	94,767,796	63,684,771
Student-related expenses	<b>131,109,663</b>	94,604,700	44,927,173
Periodicals	<b>114,544,315</b>	70,862,764	68,863,449
IT expense - software license	<b>105,962,769</b>	76,004,998	56,953,483
Utilities	<b>101,352,179</b>	49,605,916	41,074,751
Accreditation cost	<b>30,033,419</b>	20,423,380	9,802,674
Repairs and maintenance	<b>28,247,870</b>	23,748,433	11,591,582
Tools and library books (Note 13)	<b>27,325,098</b>	18,102,364	12,922,669
Research and development fund	<b>23,859,477</b>	11,779,246	15,054,382
Advertising	<b>15,569,352</b>	30,555,382	15,885,345
Insurance	<b>14,740,659</b>	11,079,152	7,229,976
Taxes and licenses	<b>8,702,147</b>	6,251,606	6,810,983
Seminar	<b>7,029,652</b>	3,753,765	5,605,239
Rent	<b>5,276,936</b>	1,699,320	162,858
Transportation and travel	<b>5,002,394</b>	2,128,863	892,918
Laboratory supplies	<b>3,798,825</b>	1,724,293	1,046,290
Office supplies	<b>3,576,536</b>	2,142,293	795,061
Entertainment, amusement and recreation	<b>1,035,259</b>	1,010,160	865,061
Miscellaneous	<b>6,835,561</b>	3,229,966	2,976,992
	<b>P1,930,673,959</b>	P1,556,830,944	P1,362,088,117

Details of the Cost of Manpower and Services:

	<b>January 1 to September 30</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Cost of manpower and other services (Note 25)			
Parts, accessories and others	<b>167,105,129</b>	84,334,556	85,795,290
Personnel expenses	<b>150,248,808</b>	46,192,315	40,351,361
Materials	<b>70,831,728</b>	47,073,748	44,164,087
Depreciation and amortization	<b>7,652,327</b>	6,679,102	5,980,706
Others	<b>117,663,569</b>	98,956,083	167,043,055
	<b>P513,501,561</b>	P283,235,804	P343,334,499



## 28. General and Administrative Expenses

This account consists of:

	January 1 to September 30		
	2023	2022	2021
Personnel expenses	<b>P432,009,408</b>	P363,906,438	P397,623,608
Advertising and promotions	<b>165,000,058</b>	83,843,670	73,500,404
Taxes and licenses	<b>124,006,368</b>	76,750,360	67,028,390
Depreciation and amortization (Notes 13, 14, 17 and 28)	<b>122,105,162</b>	117,470,605	111,110,894
Management and other fees	<b>88,447,088</b>	53,469,749	49,226,262
Rent, light and water	<b>54,917,087</b>	52,630,802	64,545,117
Security, janitorial and other services	<b>41,418,293</b>	40,829,875	67,184,826
Professional fees	<b>33,819,668</b>	28,715,394	(2,412,254)
Commissions	<b>32,317,202</b>	31,299,171	17,979,119
Office expenses	<b>30,290,388</b>	13,546,138	6,187,289
Transportation and travel	<b>30,090,306</b>	22,636,294	13,859,769
Repairs and maintenance	<b>21,270,121</b>	18,108,447	20,435,058
Selling expenses	<b>27,179,523</b>	25,056,240	16,488,338
Insurance	<b>16,382,874</b>	13,332,443	14,731,478
Provision for probable losses	<b>11,896,339</b>	21,679,510	41,751,099
Seminars	<b>6,059,476</b>	3,237,638	3,203,507
Donations and contributions	<b>5,546,144</b>	3,122,536	-
Entertainment, amusement and recreation	<b>3,055,165</b>	3,075,959	10,757,651
Miscellaneous	<b>63,060,341</b>	60,293,014	(66,284,144)
	<b>P1,308,871,011</b>	P1,033,004,283	P906,916,411

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

## 29. Depreciation and Amortization

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

	January 1 to September 30		
	2023	2022	2021
Cost of sales and services			
School and related operations	<b>P291,783,035</b>	P257,856,016	P251,226,380
Manpower and other services	<b>7,652,327</b>	6,679,102	5,980,706
Subtotal	<b>299,435,362</b>	264,535,118	257,207,086
General and administrative expenses	<b>122,106,162</b>	117,470,605	111,110,894
	<b>P421,541,524</b>	P382,005,723	P368,317,980

### 30. Interest and Finance Charges

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

	January 1 to September 30		
	2023	2022	2021
Long-term debt (Note 19)	<b>P146,047,865</b>	P64,320,893	P64,730,330
Loans payable (short-term) (Note 18)	<b>242,854,055</b>	38,486,267	85,515,569
Lease liabilities	<b>12,563,806</b>	28,481,280	22,336,157
	<b>P401,465,726</b>	P131,288,440	P172,582,056

### 31. Contingencies and Commitments

#### Provisions and Contingencies

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

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

### 32. Non-controlling Interests

#### *Material Partly-Owned Subsidiaries*

##### SLRHSI

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

##### HCI

In July 2021, the Parent Company purchased additional 27,000,000 HCI shares for P9.18 million or 0.34 per share resulting to an increase in ownership interest from 55.00% to 100.00%. The non-controlling interest decreased from 45.00% to 0.00%.

##### EEI

On December 23, 2021, EEI issued and listed in the PSE non-convertible preferred shares generating net proceeds of P5.96 billion. Cumulative dividends in arrears on preferred shares as at December 31, 2022 and 2021 amounted to P229.05 million and P6.55 million, respectively.

As of December 31, 2022 and 2021, the Parent Company holds 55.34% ownership stake in EEI while the non-controlling interest is at 44.66%.

On April 26, 2023, the Parent Company sold 207,256,297 common shares, representing 20% of the outstanding shares of EEI Corporation (EEI) for a consideration of P1.25 billion. The sale has reduced the holdings of the Parent Company in EEI from 55.34% to 35.34% which signifies loss of control over the subsidiary. As a result, EEI is deconsolidated from the Group's consolidated financial statements and recognized the retained interest in EEI as an investment in associate account under equity method (Note 6).

#### IPO

In May 2019, the Parent Company sold the 281,642 shares of MESI to IPO, which represents 7% ownership in MESI. With this acquisition, MESI became 100% indirectly-owned subsidiary of the Parent Company through IPO. Subsequently, IPO issued 295,329,976 common shares from its unissued capital stock to AC, the parent company of AEI, in exchange for the merger of IPO and AEI, with IPO being the surviving corporation. Upon merger, the Parent Company's ownership interest over IPO was reduced from 67.34% to 48.18%. The non-controlling interest increased from 32.66% to 51.82% or an increase of P2.52 billion.

#### LFPSI

As of December 31, 2022 and 2021, the Parent Company's effective ownership including its indirect ownership through MMPC is 63.00%. As a result, Parent Company has obtained control over LFPSI and started accounted for the investee as a subsidiary using consolidation method under PFRS 10. The non-controlling interest is 27.00%.

The Group recognized equity reserve from the changes in ownership amounting to an increase and a decrease of P333.59 million and P24.58 million in 2022 and 2021, respectively. This was included in "Equity reserve" representing the excess consideration paid for the carrying amount of the non-controlling interest.

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### **33. Operating Segment Information**

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

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

The Group derives its revenue from the following reportable segments:

Construction and Infrastructure - mainly consists of revenues from EEI as a general contractor and trader of construction equipment and parts. The subsidiaries of EEI are mainly involved in the provision for manpower services, construction, trading of equipment, power-related activities, steel fabrication, real estate and others. As a result of the sale of 35.34% investment in EEI Corporation, this segment is no longer reported as a separate segment, instead it is included as part of the deconsolidated operations (Note 6 and 7).

Property and Property Services- represents property leasing activities from ATYC and project management services of the Group.

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

Automotive - represents automotive dealerships of the Group.

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

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

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

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

**House of Investments Inc. and Subsidiaries**  
**Unaudited Operating Segment**  
**For the Quarters Ended September 30, 2023 and 2022**

	Automotive		Education		Property and Property Services		Others		Eliminations		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<b>Revenues</b>	<b>3,884,895</b>	3,568,334	<b>3,107,258</b>	2,755,954	<b>759,658</b>	200,224	<b>481,472</b>	552,617	<b>(471,679)</b>	(508,111)	<b>7,761,603</b>	6,569,019
<b>Net Income (Loss)</b>	<b>(43,073)</b>	89,626	<b>390,556</b>	590,481	<b>215,225</b>	132,135	<b>1,647,286</b>	931,603	<b>(1,773,360)</b>	(642,104)	<b>436,633</b>	1,101,742
<b>Other Information</b>												
Segment Assets	<b>3,308,525</b>	3,115,752	<b>18,068,603</b>	17,701,492	<b>10,303,219</b>	10,538,213	<b>8,354,837</b>	8,392,424	<b>(1,913,406)</b>	(3,495,173)	<b>38,121,778</b>	65,226,825
Segment Liabilities	<b>1,630,706</b>	1,518,893	<b>5,136,259</b>	4,961,294	<b>4,365,267</b>	5,740,703	<b>628,666</b>	1,968,377	<b>(488,445)</b>	(384,174)	<b>11,272,454</b>	29,362,442
Investments in Associates	-	-	-	-	<b>6,750</b>	6,750	<b>5,992,410</b>	7,134,157	<b>389,852</b>	(2,027,513)	<b>6,389,012</b>	8,303,323
Investments Properties	-	-	-	-	<b>8,032,883</b>	8,093,107	<b>1,760</b>	1,760	<b>52,385</b>	-	<b>8,087,028</b>	8,109,163

**HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES**  
**SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON**  
**REVISED SRC RULE 68**  
**SEPTEMBER 30, 2023**

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

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

Schedule A. Financial Assets in Equity Securities

The Group is not required to disclose the financial assets in equity securities as the equity investments at fair value through other comprehensive income (FVOCI) amounting ₱141.21 million do not constitute 5% or more of the total noncurrent assets of the Group as at September 30, 2023.

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

As at September 30, 2023, the Group has no receivable above ₱1 million or 1% of the total assets, whichever is lower from directors, officers, employees, and principal stockholders (other than related parties).

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

Below is the schedule of receivables with subsidiaries, which are eliminated in the consolidated financial statements as at September 30, 2023:

Name and designation of debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts written-off	Balance at end of period
<b><i>Landev Corporation</i></b>					
Due from affiliates	4,307,691	3,258,000	(6,864,636)		701,054
Dividends receivable	47,999,940		(47,999,940)		-
	52,307,631	3,258,000	(54,864,576)	-	701,054
<b><i>Greyhounds Security and Investigation Agency Corporation</i></b>					
Due from affiliates	1,716,504	-	279,995		1,996,499
Dividend receivable	-		-		-
	1,716,504	-	279,995	-	1,996,499
<b><i>Investment Managers, Inc.</i></b>					
Due from affiliates	5,066,212	-	(4,601,244)		464,968
Dividend receivable	-		-		-
	5,066,212	-	(4,601,244)	-	464,968
<b><i>iPeople, inc. and subsidiaries</i></b>					
Due from affiliates	24,132,248		(9,323,614)		14,808,634
Dividend receivable	-	95,593,946	(95,593,946)		-
	24,132,248	95,593,946	(104,917,560)	-	14,808,634

Name and designation of debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts written-off	Balance at end of period
<b><i>EEI Corporation and subsidiaries</i></b>					
Due from affiliates	1,897,741	4,184,000	(6,081,741)		0
Dividend receivable	-		-		-
	1,897,741	4,184,000	(6,081,741)	-	0
<b><i>La Funeraria Paz Sucat, Inc.</i></b>					
Due from affiliates	1,743,419	3,976,425	(5,278,019)		441,825
Dividend receivable	-		-		-
	1,743,419	3,976,425	(5,278,019)	-	441,825
<b><i>Xamdu Motors, Inc.</i></b>					
Due from affiliates	-	726	(726)		(0)
Due to affiliates	-		-		-
	-	726	(726)	-	(0)
<b><i>Zamboanga Carriers, Inc</i></b>					
Due from affiliates	2,893		(2,893)		-
Dividend receivable			-		-
	2,893	-	(2,893)	-	-
<b><i>Hexagon Lounge, Inc.</i></b>					
Due from affiliates	-	-	100		100
Dividend receivable			-		-
	-	-	100	-	100
<b><i>San Lorenzo Ruiz Investment Holdings</i></b>					
Due from affiliates	796,036	8,559,000	(8,032,836)		1,322,200
Dividend receivable			-		-
	796,036	8,559,000	(8,032,836)	-	1,322,200
<b><i>Secon Professional</i></b>					
Due from affiliates	43,214		(43,114)		100
Dividend receivable			-		-
	43,214	-	(43,114)	-	100
<b><i>ATYC, Inc.</i></b>					
Due from affiliates	6,039,360	-	(4,689,152)		1,350,208
Dividend receivable			-		-
	6,039,360	-	(4,689,152)	-	1,350,208
<b><i>Honda Cars Kalookan</i></b>					
Due from affiliates	1,085,003		(1,082,994)		2,009
Dividend receivable			-		-
	1,085,003	-	(1,082,994)	-	2,009

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, 2023, the Group's intangible assets consist of goodwill and computer software. Goodwill in the Group's consolidated statements of financial position arose from the acquisition of EEI, IPO, and MESI. Details of the Group's intangible assets are as follows:

Description	Balance at beginning of year	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Balance at end of year
Goodwill	P484,829,719	P-	P-	P-	(P300,859,306)	P183,970,413
Intellectual property rights	490,882,064	-	-	-	-	490,882,064
Student relationship	10,759,086	-	(3,545,165)	-	-	7,213,921
Computer software	31,456,026	521,348	(8,597,741)	-	-	23,379,633
	P1,017,926,895	P521,348	(12,142,905)	P-	(P300,859,306)	P705,446,031

**Schedule E. Long-term Debt**

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

<b>Type of Obligation</b>	<b>Amount</b>	<b>Current</b>	<b>Noncurrent</b>
<i>NTC</i>			
Peso-denominated seven (10) year term loan, payable in 28 quarterly payments starting May 2022 with interest subject to annual repricing based on higher of 5.5% or prevailing 1-year rate plus interest spread	334,568,400	8,143,400	326,425,000
<i>ATYC</i>			
Peso-denominated promissory note payable on or before September 30, 2025 together with annual interest of 6.04% due every anniversary of the note starting on September 30, 2023 until the note is fully paid	2,413,783,957	—	2,413,783,957
	<b>P2,748,352,357</b>	<b>P8,143,400</b>	<b>P2,740,208,957</b>

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

As at September 30, 2023, the Group has Peso-denominated promissory note with a related party amounting to P2.4 billion that is payable on or before September 30, 2025 together with the annual interest of 6.04% due every anniversary of the note starting September 30, 2023 until the note is fully paid.

**Schedule G. Guarantees of Securities of Other Issuers**

There are no guarantees of securities of other issuing entities by the Group as at September 30, 2023.

**Schedule H. Capital Stock**

<b>Title of issue</b>	<b>Number of shares authorized</b>	<b>Number of shares issued and outstanding as shown under related statement of financial position caption</b>	<b>Number of shares held by related parties</b>	<b>Directors, Officers and Employees</b>	<b>Others</b>
Common shares	1,250,000,000	776,465,281	574,655,552	2,853,400	198,956,329
Preferred shares	2,500,000,000	—	—	—	—



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

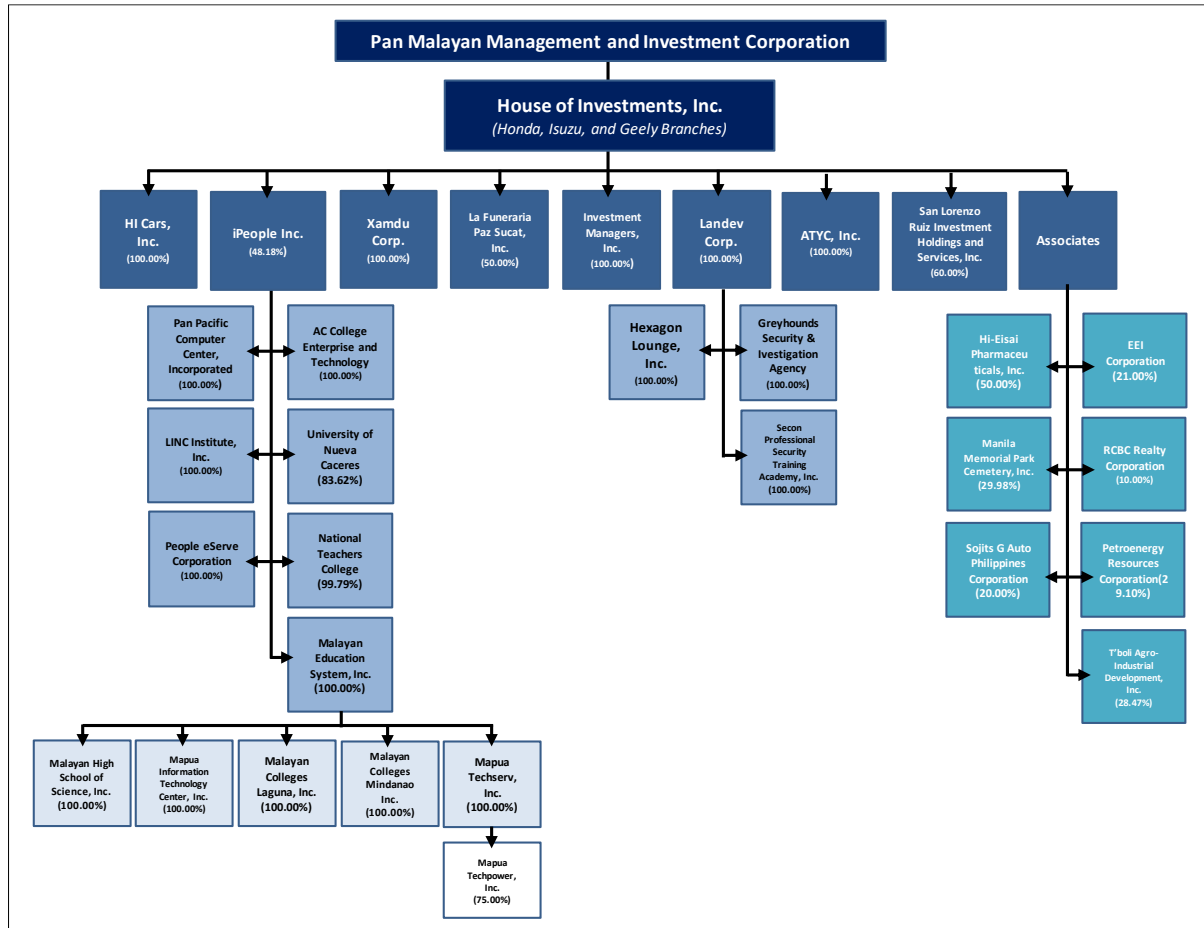
Items	Amount
Unappropriated retained earnings, beginning	P1,419,741,924
Cumulative prior year adjustments on provision for deferred taxes	(74,882,029)
Unappropriated retained earnings as adjusted, beginning	1,344,859,895
Net income for the year	1,317,948,783
Provision for deferred income tax through profit or loss	—
Less: Non-actual/unrealized income	
Equity in net income of associate/joint venture	—
Unrealized foreign exchange gain	—
Fair value adjustment (M2M gains)	—
Fair value adjustment of investment property resulting to gain adjustment due to deviation from PFRS/GAAP-gain	—
Other unrealized gain or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	—
Adjustment to deviation from PFRS/GAAP-loss	—
Loss in fair value adjustment of investment property (after tax)	—
Net income realized	1,317,948,783
Dividends declaration during the year	—
Appropriations of retained earnings during the year	—
Reversal of appropriations during the year	—
Unappropriated retained earnings, as adjusted, ending	P2,662,808,678

## HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

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

#### Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of September 30, 2023:



**HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES****AGING OF ACCOUNTS RECEIVABLE****FOR THE QUARTER ENDED SEPTEMBER 30, 2023**

	<b>TOTAL</b>	<b>No. of days due</b>		
		<b>0-30</b>	<b>31-60</b>	<b>Over 61 days</b>
Education	<b>₱1,960,541,032</b>	1,208,391,039	213,772,135	538,377,858
Car Dealership	<b>427,189,185</b>	295,328,999	105,661,231	26,198,955
Parent and Others	<b>438,295,781</b>	379,180,559	23,717,944	35,397,278
Total	<b>2,826,025,998</b>	1,882,900,596	343,151,310	599,974,091
Less: Allowance for doubtful accounts	<b>(452,820,067)</b>	(25,362,092)	(48,996,492)	(378,461,483)
	<b>₱2,373,205,931</b>	₱1,857,538,504	₱294,154,818	₱221,512,608

## SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Makati on \_\_\_\_\_, 2023.

IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this 14 NOV 2023, 2023 at Makati City.

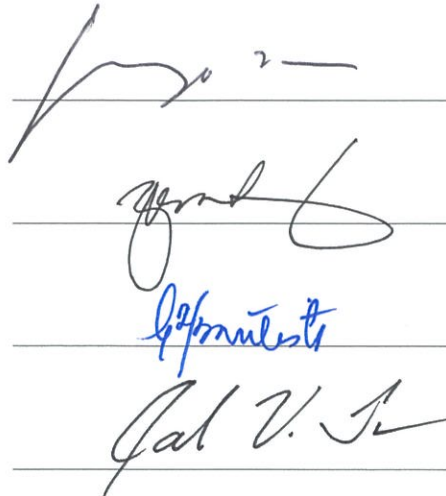
By:

**Lorenzo V. Tan**  
President & CEO

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

**Maria Teresa T. Bautista**  
VP –Controller

**Atty. Samuel V. Torres**  
Corporate Secretary



14 NOV 2023

MAKATI CITY

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of \_\_\_\_ 2023, at \_\_\_\_.  
Affiant exhibited to me their Residence Certificate Numbers indicated below each name.

Names	Document No.	Date & Place of Issue/Expiration
Lorenzo V. Tan	P9150965B	03-10-2022 Manila / 03-09-2032
Gema O. Cheng	DL#N06-84-036923	12-08-2022 Mandaluyong / 12-08-2032
Maria Teresa T. Bautista	DL#6-92-094899	11-23-2022 Makati / 11-23-2032
Atty. Samuel V. Torres	CTC No. 07663747	10-14-2022 Manila / 10-13-2032

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Book No. 14  
Series of 2023.

**ATTY. JOSELINO N. SUCION**  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2023  
2746 ZENaida ST. POBLACION MAKATI  
IBP NO. 257632/01/02/23  
PTR NO. 956233/01/03/23  
MCLE COMPLAINT NO. VII-0013028/04/14/2025  
ROLL NO. 60799  
APPOINTMENT NO. M-078