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## HOUSE OF INVESTMENTS, INC.

A YGC Member

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

### STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of House of Investments, Inc. and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2020, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

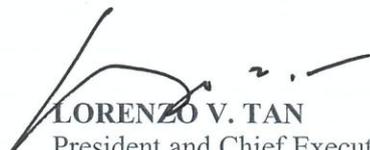
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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

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

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

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

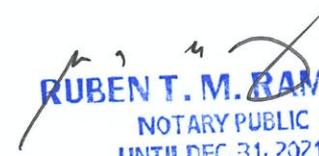
  
**HELEN Y. DEE**  
Chairman of the Board

  
**LORENZO V. TAN**  
President and Chief Executive Officer

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

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Signed this 30th day of April, 2021

  
**RUBEN T. M. RAMIREZ**  
NOTARY PUBLIC  
UNTIL DEC. 31, 2021  
IBP NO. 142536 / 01-04-21 CY 2021  
ROLL NO. 28947 / MCLE 6 / 3-22-19  
PTR NO. MKT. 6533046 / 1-4-21 APPT NO. M-168

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders  
House of Investments, Inc.

### Opinion

We have audited the consolidated financial statements of House of Investments, Inc. (the Parent Company) and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

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

### Key Audit Matters

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

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



### ***Recognition of revenue from construction contracts***

The Group's revenue from construction projects on electro-mechanical works, industrial, buildings and infrastructure accounts more than 60% of the total revenue of the Group. Under PFRS 15, *Revenue from Contracts with Customers*, the Group assessed that there is only one performance obligation for each construction agreement that it has entered and that the revenue arising from such agreements qualify for recognition over time. 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. 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.

Aside from the significance of the amount involved, we consider this as a key audit matter because the revenue recognition process involves significant judgment and estimates, particularly, with respect to the estimation of the variable considerations arising from the change orders and claims and calculation of estimated cost to complete construction projects (i.e., determination of the quantity of the inputs such as materials, labor and equipment needed to complete the construction), which requires the technical expertise of the Group's engineers.

The Group's disclosures about construction revenue are included in Notes 4 and 23 to the consolidated financial statements.

### ***Audit response***

We inspected sample contracts and supplemental agreements and reviewed management's assessment on the identification of performance obligation within the contract and the timing of revenue recognition. For construction revenue which includes significant effects of the variable considerations, we obtained an understanding and tested the relevant controls over the management's process to estimate the amount of consideration expected to be received from the customers. For change orders and claims of sample contracts, we compared the amounts recognized as revenue to the change orders and claims approved by the customers and other relevant documentary evidences supporting the management's estimate of revenue recognized.

For the measurement of progress of the construction projects, we obtained an understanding of the Group's process to accumulate actual costs incurred and to estimate the expected cost to complete and tested relevant controls. We also tested actual costs incurred by examining sample invoices and other supporting third party correspondences. We also considered the competence, capabilities and objectivity of the Group's cost engineers by referring to their qualifications, experience and reporting responsibilities. We examined the approved total estimated completion costs, any revisions thereto, and the cost variance analysis with supporting details. We conducted ocular inspections on selected sample projects and discussed the status of the projects under construction with the Group's engineers. We also inspected the related project documentation and inquired about the significant deviations from the targeted completion.



***Accounting for investment in Al-Rushaid Construction Company Ltd.***

The Group owns 49% equity interest in Al-Rushaid Construction Company Ltd. (ARCC), associate accounted for under the equity method. As of December 31, 2020, ARCC recognized deferred tax asset on net operating loss carryover of ₱330.10 million. We consider the accounting for the investment in ARCC as a key audit matter because the Group's share in ARCC's net earnings and the carrying value of the investment represents 43% of Group's consolidated net loss and 3% of the Group's total assets, respectively. The Group's share in ARCC's net earnings is significantly affected by ARCC's revenue recognition from its construction contracts. In addition, management's assessment process on the recognition of deferred tax asset is based on assumptions, which are affected by expected future market or economic conditions.

The Group's disclosures about the investment in ARCC are included in Note 12 to the consolidated financial statements.

***Audit response***

We sent instructions to statutory auditors of ARCC to perform an audit on the relevant financial information of ARCC for the purpose of the Group's consolidated financial statements. These audit instructions cover their scope of work, risk assessment procedures, audit strategy and reporting responsibilities. We discussed with ARCC's statutory auditors about their key audit areas, planning and execution of audit procedures, significant areas of estimation and judgment. We also reviewed their working papers and obtained relevant conclusion statements related to their audit procedures. We reviewed their working papers, focusing on the procedures performed on ARCC's revenue recognition and obtained relevant conclusion statements related to their audit procedures. Furthermore, we evaluated management's assumptions on the recognition of deferred tax assets and inquired with the Group's management on the basis of the financial forecast. We also evaluated management's forecast against historical performance of ARCC.

We also obtained the financial information of ARCC for the year ended December 31, 2020 and recomputed the Group's share in net earnings for the year ended December 31, 2020.

***Valuation of unquoted equity investments carried at fair value through other comprehensive income***

The Group has investments in unquoted equity securities of Hermosa Ecozone Development Corporation (HEDC) carried at fair value through other comprehensive income. As of December 31, 2020, the investments' carrying values amounted to ₱440.75 million. In determining the fair values of these investments, the Group engaged external valuers and exercised judgments in selecting the appropriate valuation methodology. This includes using assumptions and inputs taking into consideration the industry where the investee operates. This matter is significant to our audit because estimating the fair value of an unquoted equity instrument involves the use of valuation inputs that are not observable in the market.

The Group's disclosures about its unquoted equity investments are included in Notes 11 and 38 to the consolidated financial statements.



*Audit response*

We evaluated the competence, capabilities and qualifications of the external valuers by considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in the review of the methodology and assumptions used in the valuation of unquoted equity investment valued, which include sales price of comparable properties with reference to market data and cost to develop the parcels of land of HEDC. We also reviewed the Group's disclosures about those assumptions to which the outcome of the valuation is most sensitive; specifically, those that have the most significant effect on the determination of the fair value of the unquoted equity investments.

***Valuation of land classified as property and equipment***

The Group accounts for its land, where the school buildings and other facilities are located, using the revaluation model. As at December 31, 2020, the carrying value of the Group's land amounted to ₱7,957.66 million, representing 15% of the Group's total assets. The valuation of the land requires the assistance of external appraisers whose calculations involve certain assumptions, such as sales price of similar properties and adjustments to sales price based on internal and external factors. This matter is significant to our audit because it involves significant judgment and estimates.

Refer to Notes 4 and 13 to the consolidated financial statements for the detailed disclosures.

*Audit response*

With the assistance of our internal specialist, we reviewed the scope, bases, methodology and results of the work done by the Group's external appraisers whose professional qualifications and objectivity were also taken into consideration. We compared the relevant information supporting the sales price of similar properties and the adjustments made to the sales price against real estate industry data and made inquiries to the external appraisers as to the basis. We also reviewed the Group's disclosures with respect to the fair value of the land.

***Recoverability of nonfinancial assets***

The Group has nonfinancial assets attributable to the acquisition of Malayan Education System which are considered significant to the consolidated financial statements. Under PFRSs, the Group is required to annually test for impairment the goodwill amounting to ₱137.85 million and intellectual property rights with infinite life amounting to ₱523.10 million. In addition, management's assessment process involves judgments and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic. The assumptions used in estimating the discounted cash flow projections include forecasted revenue, long-term growth rates, royalty rates, and discount rates.

The Group's disclosures about nonfinancial assets are included in Notes 4, 15 and 17 to the consolidated financial statements.



*Audit response*

We involved our internal specialist in evaluating the methodology and assumptions used. We obtained an understanding of the Group's impairment model and the assumptions on the key business drivers of the cash flow forecasts such as the revenue from number of forecasted students and related tuition and other matriculation fees. We checked if the Group has considered the impact of the K to 12 Basic Education Program implementation and the coronavirus pandemic on these key assumptions and also compared them against historical performance. We compared the long-term growth rates and royalty rates against relevant published market information. We tested the parameters used in the determination of discount rates against market data. In addition, we reviewed the Group's disclosures about those assumptions to which the outcome of the impairment tests is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of these assets.

***Adequacy of allowance for expected credit loss (ECL)***

The Group applies simplified approach in calculating expected credit loss (ECL) on its receivables derived from education segment. Under this approach, the Group establishes a provision matrix that is based on its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment. Allowance for ECL and the provision for ECL as of and for the year ended December 31, 2020 amounted to ₱168.98 million and ₱48.76 million, respectively.

The Group's calculation of allowance for ECL is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures; defining default; determining assumptions to be used in the ECL model such as the expected life of the financial asset; and incorporating forward-looking information (called overlays), including the impact of the coronavirus pandemic, in calculating ECL.

The disclosures on the allowance for ECL are included in Notes 4 and 7 to the consolidated financial statements.

*Audit response*

We updated our understanding of the approved methodology and assumptions used for the Group's different credit exposures and reassessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome and the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place and management's assessment of the impact of the coronavirus pandemic on the counterparties; (c) tested historical loss rates by inspecting historical recoveries including the write-offs; (d) checked the classification of outstanding exposures to their corresponding aging buckets; and (e) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios and industry practices, including the impact of the coronavirus pandemic.



Further, we checked the data used in the ECL models, such as the historical analysis of defaults, and recovery data, by reconciling data from loss allowance analysis/model to the source reports and financial reporting system. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source reports to the loss allowance analysis.

We recalculated the impairment provisions. We checked the disclosures made in the financial statements on allowance for ECL by tracing such disclosures to the ECL analysis prepared by management.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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



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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

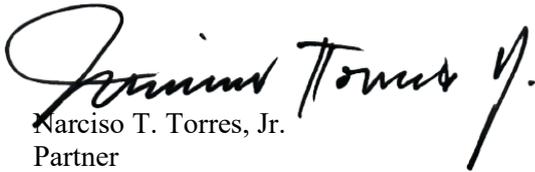


We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Narciso T. Torres, Jr.

SYCIP GORRES VELAYO & CO.



Narciso T. Torres, Jr.

Partner

CPA Certificate No. 84208

SEC Accreditation No. 1511-AR-1 (Group A),

October 18, 2018, valid until October 17, 2021

Tax Identification No. 102-099-147

BIR Accreditation No. 08-001998-111-2020,

November 27, 2020, valid until November 26, 2023

PTR No. 8534374, January 4, 2021, Makati City

April 30, 2021



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

	December 31	
	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 6)	₱3,218,733,775	₱2,686,669,074
Receivables (Note 7)	5,346,073,837	6,246,486,725
Contract assets (Note 8)	7,605,270,420	9,483,493,604
Inventories (Note 9)	1,888,033,691	2,362,277,465
Receivables from related parties (Note 22)	53,415,133	71,235,301
Prepaid expenses and other current assets (Note 10)	2,544,943,848	1,982,854,200
Total Current Assets	20,656,470,704	22,833,016,369
<b>Noncurrent Assets</b>		
Equity investments at fair value through other comprehensive income (FVOCI) (Note 11)	547,076,494	1,147,773,806
Investments in associates and joint ventures (Note 12)	7,092,623,906	6,193,051,356
Property and equipment (Note 13)		
At cost	8,450,819,862	8,808,917,553
At revalued amount	7,957,658,100	9,185,924,384
Investment properties (Note 16)	1,977,608,213	17,689,018
Deferred tax assets - net (Note 33)	1,580,396,762	195,020,389
Right-of-use assets (Note 14)	1,271,074,183	1,605,726,653
Goodwill (Note 15)	484,829,719	484,829,719
Retirement assets (Note 32)	4,726,582	18,289,597
Other noncurrent assets - net (Note 17)	1,862,191,461	1,505,524,395
Total Noncurrent Assets	31,229,005,282	29,162,746,870
Total Assets	₱51,885,475,986	₱51,995,763,239
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities (Note 18)	₱8,778,272,881	₱8,412,082,541
Loans payable (Note 19)	7,982,000,000	8,393,800,000
Current portion of long-term debt (Note 20)	2,302,998,099	1,385,714,285
Current portion of contract liabilities (Note 8)	898,322,177	1,694,367,011
Current portion of lease liabilities (Note 14)	164,647,368	215,416,367
Income tax payable	44,134,970	74,755,176
Due to related parties (Note 22)	10,214,099	126,417,175
Total Current Liabilities	20,180,589,594	20,302,552,555
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion (Note 20)	5,117,304,037	3,305,974,841
Contract liabilities - net of current portion (Note 8)	1,658,679,655	1,820,243,384
Lease liabilities - net of current portion (Note 14)	1,085,685,479	1,323,247,962
Deferred tax liabilities - net (Note 33)	1,047,739,837	1,023,530,274
Retirement liabilities (Note 32)	611,599,429	457,836,487
Other noncurrent liabilities (Note 38)	329,691,519	268,665,644
Total Noncurrent Liabilities	9,850,699,956	8,199,498,592
Total Liabilities	₱30,031,289,550	₱28,502,051,147

(Forward)



	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Equity</b>		
Attributable to equity holders of the Parent Company		
Preferred stock (Note 39)	<b>₱-</b>	₱6,710,402
Common stock (Note 39)	<b>1,162,540,326</b>	1,162,540,326
Additional paid-in capital	<b>154,578,328</b>	154,578,328
Equity reserve on acquisition of non-controlling interest (Note 36)	<b>1,623,004,873</b>	1,641,756,492
Revaluation increment on land - net (Note 13)	<b>1,294,577,413</b>	1,298,881,074
Cumulative translation adjustments	<b>225,033,109</b>	245,958,913
Fair value reserve of equity investments at FVOCI (Note 11)	<b>175,482,889</b>	311,094,152
Remeasurement loss on retirement (Note 32)	<b>(259,954,684)</b>	(188,329,963)
Retained earnings: (Note 40)		
Unappropriated	<b>3,280,479,055</b>	3,605,930,659
Appropriated	<b>6,505,355,000</b>	6,505,355,000
	<b>14,161,096,309</b>	14,744,475,383
Non-controlling interests (Note 36)	<b>7,693,090,127</b>	8,749,236,709
Total Equity	<b>21,854,186,436</b>	23,493,712,092
	<b>₱51,885,475,986</b>	₱51,995,763,239

*See accompanying Notes to Consolidated Financial Statements.*



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

	Years Ended December 31		
	2020	2019	2018
<b>REVENUE</b> (Note 23)	<b>₱21,176,075,057</b>	₱34,129,841,303	₱32,346,342,322
<b>COSTS OF SALES AND SERVICES</b> (Note 25)	<b>21,825,884,505</b>	29,374,547,818	28,052,537,041
<b>GROSS PROFIT (LOSS)</b>	<b>(649,809,448)</b>	4,755,293,485	4,293,805,281
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 29)	<b>(3,098,567,525)</b>	(2,818,964,302)	(2,651,245,784)
<b>EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES</b> (Note 12)	<b>1,368,427,558</b>	727,820,626	255,783,370
<b>INTEREST AND FINANCE CHARGES</b> (Notes 19, 20, 22 and 31)	<b>(712,571,097)</b>	(780,610,257)	(455,751,589)
<b>OTHER INCOME - Net</b> (Note 24)	<b>128,768,133</b>	225,287,334	219,968,414
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(2,963,752,379)</b>	2,108,826,886	1,662,559,692
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 33)			
Current	126,237,181	429,672,494	485,226,256
Deferred	<b>(1,396,274,909)</b>	29,704,330	13,050,924
	<b>(1,270,037,728)</b>	459,376,824	498,277,180
<b>NET INCOME (LOSS)</b>	<b>(₱1,693,714,651)</b>	₱1,649,450,062	₱1,164,282,512
Net income (loss) attributable to:			
Equity holders of the Parent Company	<b>(₱824,954,066)</b>	₱974,033,430	₱848,267,992
Non-controlling interests	<b>(868,760,585)</b>	675,416,632	316,014,520
	<b>(₱1,693,714,651)</b>	₱1,649,450,062	₱1,164,282,512
<b>EARNINGS (LOSS) PER SHARE</b> (Note 34)			
<b>Basic</b>	<b>(₱1.0626)</b>	₱1.2244	₱1.3369
<b>Diluted</b>	<b>(₱1.0626)</b>	₱1.2244	₱1.0862

*See accompanying Notes to Consolidated Financial Statements.*



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

	Years Ended December 31		
	2020	2019	2018
<b>NET INCOME (LOSS)</b>	<b>(₱1,693,714,651)</b>	₱1,649,450,062	₱1,164,282,512
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Items to be reclassified to profit or loss in subsequent periods:</i>			
Share in other comprehensive income (loss) of an associate (Note 12)	(46,303,277)	(8,684,333)	7,750,939
Cumulative translation adjustments	58,977,308	(95,749,469)	229,125,040
<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)	(149,929,175)	110,696,848	(7,435,251)
Revaluation increment on land (Note 13)	(72,695,173)	124,414,373	470,581,594
Remeasurement gain (loss) on net retirement (Note 32)	(148,660,020)	(317,906,260)	48,180,540
Income tax effect relating to items that will not be reclassified	(18,077,259)	34,004,702	(124,153,319)
	<b>(376,687,596)</b>	(153,224,139)	624,049,543
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(₱2,070,402,247)</b>	₱1,496,225,923	₱1,788,332,055
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	(₱1,061,197,972)	₱861,192,841	₱1,128,371,055
Non-controlling interests	(1,009,204,275)	635,033,082	659,961,000
	<b>(₱2,070,402,247)</b>	₱1,496,225,923	₱1,788,332,055

See accompanying Notes to Consolidated Financial Statements.



**HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**

Attributable to Equity Holders of the Parent Company

	Capital stock (Note 39)		Additional paid-in capital	Equity reserve on acquisition of non-controlling interest	Revaluation increment on land - net (Note 13)	Cumulative translation adjustments (Notes 12 and 38)	Fair Value reserve of equity investments at FVOCI (Note 11)	Remeasurement loss on retirement (Note 32)	Retained earnings		Subtotal	Non-controlling interests (Note 36)	Total
	Preferred stock	Common stock							Unappropriated (Note 40)	Appropriated (Note 40)			
<b>BALANCES AT JANUARY 1, 2018</b>	<b>₱253,758,109</b>	<b>₱921,836,572</b>	<b>₱154,578,328</b>	<b>(₱179,954,180)</b>	<b>₱1,329,730,248</b>	<b>₱224,366,002</b>	<b>₱254,766,791</b>	<b>(₱5,100,398)</b>	<b>₱8,414,417,152</b>	<b>₱600,000</b>	<b>₱11,368,998,624</b>	<b>₱5,157,194,941</b>	<b>₱16,526,193,565</b>
Net income	–	–	–	–	–	–	–	–	848,267,992	–	848,267,992	316,014,520	1,164,282,512
Other comprehensive income	–	–	–	–	272,500,479	25,337,343	5,088,916	(22,823,675)	–	–	280,103,063	343,946,480	624,049,543
Total comprehensive income	–	–	–	–	272,500,479	25,337,343	5,088,916	(22,823,675)	848,267,992	–	1,128,371,055	659,961,000	1,788,332,055
Redemption of preferred stock	(6,343,953)	–	–	–	–	–	–	–	–	–	(6,343,953)	–	(6,343,953)
Reversal of appropriated retained earnings	–	–	–	–	–	–	–	–	600,000	(600,000)	–	–	–
Appropriation of retained earnings	–	–	–	–	–	–	–	–	(6,105,300,000)	6,105,300,000	–	–	–
Dividend declaration	–	–	–	–	–	–	–	–	(64,772,686)	–	(64,772,686)	(71,619,746)	(136,392,432)
<b>BALANCES AT DECEMBER 31, 2018</b>	<b>247,414,156</b>	<b>921,836,572</b>	<b>154,578,328</b>	<b>(179,954,180)</b>	<b>1,602,230,727</b>	<b>249,703,345</b>	<b>259,855,707</b>	<b>(27,924,073)</b>	<b>3,093,212,458</b>	<b>6,105,300,000</b>	<b>12,426,253,040</b>	<b>5,745,536,195</b>	<b>18,171,789,235</b>
Net income	–	–	–	–	–	–	–	–	974,033,430	–	974,033,430	675,416,632	1,649,450,062
Other comprehensive income	–	–	–	–	(4,360,837)	(4,702,267)	49,199,478	(152,976,963)	–	–	(112,840,589)	(40,383,550)	(153,224,139)
Total comprehensive income	–	–	–	–	(4,360,837)	(4,702,267)	49,199,478	(152,976,963)	974,033,430	–	861,192,841	635,033,082	1,496,225,923
Conversion of preferred to common stock	(240,703,754)	240,703,754	–	–	–	–	–	–	–	–	–	–	–
Reversal of appropriated retained earnings	–	–	–	–	–	–	–	–	5,300,000	(5,300,000)	–	–	–
Appropriation of retained earnings	–	–	–	–	–	–	–	–	(405,355,000)	405,355,000	–	–	–
Acquisition and disposal of subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–
Changes in non-controlling interest	–	–	–	1,821,710,672	(298,988,816)	957,835	2,038,967	(7,073,725)	2,081,876	–	1,726,674	(12,108,346)	(10,381,672)
Dividend declaration	–	–	–	–	–	–	–	–	(63,342,105)	–	(63,342,105)	(124,828,074)	(188,170,179)
<b>BALANCES AT DECEMBER 31, 2019</b>	<b>6,710,402</b>	<b>1,162,540,326</b>	<b>154,578,328</b>	<b>1,641,756,492</b>	<b>1,298,881,074</b>	<b>245,958,913</b>	<b>311,094,152</b>	<b>(188,329,963)</b>	<b>3,605,930,659</b>	<b>6,505,355,000</b>	<b>14,744,475,383</b>	<b>8,749,236,709</b>	<b>23,493,712,092</b>
Net loss	–	–	–	–	–	–	–	–	(824,954,066)	–	(824,954,066)	(868,760,585)	(1,693,714,651)
Other comprehensive loss	–	–	–	–	(11,714,131)	(23,145,055)	(139,313,149)	(69,482,041)	–	–	(243,654,376)	(133,033,220)	(376,687,596)
Total comprehensive loss	–	–	–	–	(11,714,131)	(23,145,055)	(139,313,149)	(69,482,041)	(824,954,066)	–	(1,068,608,442)	(1,001,793,805)	(2,070,402,247)
Redemption of preferred stock	(6,710,402)	–	–	–	–	–	–	–	–	–	(6,710,402)	–	(6,710,402)
Changes in non-controlling interest	–	–	–	(18,751,619)	7,410,470	2,219,251	3,701,886	(2,142,680)	499,588,991	–	492,026,299	(11,396,980)	480,629,319
Dividend declaration	–	–	–	–	–	–	–	–	(86,529)	–	(86,529)	(42,955,797)	(43,042,326)
<b>BALANCES AT DECEMBER 31, 2020</b>	<b>₱–</b>	<b>₱1,162,540,326</b>	<b>₱154,578,328</b>	<b>₱1,623,004,873</b>	<b>₱1,294,577,413</b>	<b>₱225,033,109</b>	<b>₱175,482,889</b>	<b>(₱259,954,684)</b>	<b>₱3,280,479,055</b>	<b>₱6,505,355,000</b>	<b>₱14,161,096,309</b>	<b>₱7,693,090,127</b>	<b>₱21,854,186,436</b>

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax	(₱2,963,752,379)	₱2,108,826,886	₱1,662,559,692
Adjustments for:			
Depreciation and amortization (Notes 13, 14, 16 and 30)	1,369,129,177	1,366,140,404	990,169,507
Interest and finance charges (Notes 19, 20, 22 and 31)	712,571,097	780,610,257	455,751,589
Movements in net retirement liabilities	167,325,957	326,588,991	(39,709,903)
Unrealized foreign exchange loss (gain) (Note 24)	49,676,282	38,607,477	(44,861,160)
Provision for impairment loss on investment properties	—	—	1,800,309
Loss on write-off of an investment	—	—	58,218
Market gain on financial asset at fair value through profit or loss (FVPL)	(893,359)	(650,289)	(237,925)
Gain on sale of:			
Investment properties (Notes 16 and 24)	(204,500)	(409,952)	(5,534,890)
Property and equipment (Notes 13 and 24)	(14,855,241)	(101,530,669)	(16,966,241)
Interest income (Note 24)	(36,588,692)	(60,989,962)	(50,382,962)
Dividend income (Notes 4 and 24)	(37,855,583)	(54,808,659)	(954,613)
Equity in net earnings of associates and joint venture (Note 12)	(1,368,427,558)	(727,820,626)	(255,783,370)
Operating income (loss) before working capital changes	(2,123,874,799)	3,674,563,858	2,695,908,251
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	900,412,888	1,115,872,772	4,416,078,195
Contract assets	1,878,223,184	(4,517,058,820)	(5,691,810,971)
Inventories	474,243,774	331,894,833	(1,568,407,114)
Receivables from related parties	17,820,168	74,730,911	3,963,793
Prepaid expenses and other current assets	(562,089,649)	(329,011,292)	881,044
Other noncurrent assets	485,219,530	313,316,724	(922,345,269)
Increase (decrease) in:			
Accounts payable and other current liabilities	366,190,340	1,617,078,355	1,273,162,720
Contract liabilities	(957,608,563)	3,189,833,408	209,301,128
Due to related parties	(116,203,076)	(8,432,236)	(36,669,306)
Other noncurrent liabilities	(311,025,872)	351,354,972	—
Net cash generated from (used for) operations	51,307,925	5,814,143,485	380,062,471
Interest received	36,588,692	60,989,962	50,112,827
Income tax paid, including creditable withholding taxes	(60,723,415)	(397,585,443)	(566,863,820)
Interest and finance charges paid	(712,571,097)	(765,077,674)	(412,440,353)
Net cash flows provided by (used in) operating activities	(685,397,895)	4,712,470,330	(549,128,875)

(Forward)



	<b>Years Ended December 31</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of:			
Property and equipment (Note 13)	<b>₱583,053,137</b>	₱642,741,320	₱13,695,944
Equity investments at FVOCI (Note 11)	<b>26,632,056</b>	17,481,928	–
Investment properties (Note 16)	<b>873,500</b>	450,500	154,877,235
Dividends received	<b>37,855,583</b>	25,141,851	49,006,541
Acquisitions of:			
Investments in associates and joint ventures (Note 12)	<b>(450,000)</b>	(261,944,096)	(508,135,581)
Computer software (Note 17)	<b>(4,515,025)</b>	(8,195,665)	(7,670,451)
Property and equipment (Note 13)	<b>(1,386,009,107)</b>	(4,969,429,584)	(1,775,895,109)
Equity investments at FVOCI (Note 11)	–	(79,849,592)	(22,877,652)
Investment property (Note 16)	–	–	(3,250,000)
Deposit for future stock subscription (Note 17)	–	–	(80,999,919)
Net cash flows used in investing activities	<b>(742,559,856)</b>	(4,633,603,338)	(2,181,248,992)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>ACTIVITIES</b>			
Proceeds from:			
Loans payable (Note 19)	<b>16,524,230,000</b>	15,760,000,000	17,624,000,000
Long-term debt (Note 20)	<b>4,116,506,064</b>	2,862,403,404	1,815,476,193
Changes in non-controlling interests (Note 36)	<b>(59,970,000)</b>	1,291,500,000	–
Cash dividends paid (Note 39)	<b>(86,529)</b>	(67,705,370)	(142,094,297)
Redemption of preferred shares (Note 39)	<b>(6,710,402)</b>	–	(6,343,953)
Payments of:			
Lease liabilities (Note 14)	<b>(287,547,391)</b>	(420,761,700)	–
Long-term debt (Note 20)	<b>(1,387,893,054)</b>	(965,952,374)	(1,703,608,061)
Loans payable (Note 19)	<b>(16,936,030,000)</b>	(17,885,200,000)	(14,790,000,000)
Net cash flows provided by financing activities	<b>1,962,498,688</b>	574,283,960	2,797,429,882
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>			
<b>ON CASH AND CASH EQUIVALENTS</b>	<b>(2,476,235)</b>	(6,146,703)	5,114,385
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
	<b>532,064,701</b>	647,004,249	72,166,400
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
	<b>2,686,669,074</b>	2,039,664,825	1,967,498,425
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>			
	<b>₱3,218,733,775</b>	₱2,686,669,074	₱2,039,664,825

*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 and Authorization for Issuance of Consolidated Financial Statements**

#### Corporate Information

House of Investments, Inc. (the Parent Company) is a stock corporation incorporated under the laws of the Republic of the Philippines on May 21, 1959.

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

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

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

#### Authorization for Issuance of Consolidated Financial Statements

The consolidated financial statements were approved for issuance and filing by the Board of Directors (BOD) on April 30, 2021.

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

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership			
				2020		2019	
				Direct	Indirect	Direct	Indirect
		Insurance agent, financing, trading and real estate	Philippine Peso	<b>100.00</b>	–	100.00	–
Investment Managers, Inc. (IMI)	Philippines		Philippine Peso	<b>100.00</b>	–	100.00	–
Landev Corporation	Philippines	Property management	Philippine Peso	<b>100.00</b>	–	100.00	–
San Lorenzo Ruiz Investment Holdings and Services Inc. (formerly San Lorenzo Ruiz Institute of Health Sciences, Inc.; SLRHSI) <sup>(a)</sup>	Philippines	Holding company	Philippine Peso	<b>100.00</b>	–	–	100.00
Xamdu Motors, Inc. (XMI)	Philippines	Car dealership	Philippine Peso	<b>100.00</b>	–	100.00	–
Zamboanga Carriers, Inc. (ZCI)	Philippines	Transportation	Philippine Peso	<b>100.00</b>	–	100.00	–
Zamboom Realty and Development Corporation (ZRDC)	Philippines	Real estate	Philippine Peso	<b>100.00</b>	–	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
Honda Cars Kalookan, Inc. (HCKI)	Philippines	Car dealership	Philippine Peso	<b>55.00</b>	–	55.00	–
La Funeraria Paz Sucat, Inc. (LFPSI)	Philippines	Memorial services	Philippine Peso	<b>50.00</b>	<b>13.00</b>	50.00	13.00
EEl Corporation (EEl) <sup>(b)</sup>	Philippines	Construction	Philippine Peso	<b>55.34</b>	–	54.65	–
EEl Limited	British Virgin Islands	Holding company	US Dollar	–	<b>100.00</b>	–	100.00
Clear Jewel Investments, Ltd.	British Virgin Islands	Holding company	US Dollar	–	<b>100.00</b>	–	100.00
Nimaridge Investments, Limited	British Virgin Islands	Holding company	US Dollar	–	<b>100.00</b>	–	100.00
EEl (PNG), Ltd	Papua New Guinea	Holding company	US Dollar	–	<b>100.00</b>	–	100.00
EEl Corporation (Guam), Inc.	America	Construction	US Dollar	–	<b>100.00</b>	–	100.00
EEl Construction and Marine, Inc.	Philippines	Construction	Philippine Peso	–	<b>100.00</b>	–	100.00
EEl Realty Corporation (EEl Realty)	Philippines	Real estate	Philippine Peso	–	<b>100.00</b>	–	100.00
EEl Subic Corporation	Philippines	Construction	Philippine Peso	–	<b>100.00</b>	–	100.00
Equipment Engineers, Inc. (EE)	Philippines	Construction	Philippine Peso	–	<b>100.00</b>	–	100.00
JP Systems Asia Inc. (JPSAI)	Philippines	Rental of scaffolding and formworks	Philippine Peso	–	<b>60.00</b>	–	60.00
BiotechJP Corporation	Philippines	Manufacturing food and therapeutic food	Philippine Peso	–	<b>60.00</b>	–	60.00
Learn JP Corp	Philippines	Service for improvement in language proficiency	Philippine Peso	–	<b>60.00</b>	–	60.00
EEl Power Corporation (EPC)	Philippines	Power generation	Philippine Peso	–	<b>100.00</b>	–	100.00
Gulf Asia International Corporation (GAIC)	Philippines	Manpower services	Philippine Peso	–	<b>100.00</b>	–	100.00
GAIC Professional Services, Inc. (GAPSI)	Philippines	Manpower services	Philippine Peso	–	<b>100.00</b>	–	100.00
GAIC Manpower Services, Inc. (GAMSI)	Philippines	Manpower services	Philippine Peso	–	<b>100.00</b>	–	100.00
Bagumbayan Equipment & Industrial Products, Inc.	Philippines	Consultancy services	Philippine Peso	–	<b>100.00</b>	–	100.00
Philmark, Inc.	Philippines	Construction	Philippine Peso	–	<b>100.00</b>	–	100.00
Philrock Construction and Services, Inc.	Philippines	Manpower services	Philippine Peso	–	<b>100.00</b>	–	100.00
EEl Energy Solutions Corporation (EESC) <sup>(c)</sup>	Philippines	Retail electricity supplier	Philippine Peso	–	<b>100.00</b>	–	–
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. (MCMCI)	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

(Forward)



	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership			
				2020		2019	
				Direct	Indirect	Direct	Indirect
		Education and Information Technology					
Mapua Information Technology Center, Inc. (MITC)	Philippines	Technology	Philippine Peso		100.00		100.00
Mapua Techserv, Inc. (MTI)	Philippines	Consultancy	Philippine Peso		100.00		100.00
Mapua Techpower Inc.	Philippines	Consultancy	Philippine Peso		75.00		75.00
		Education and Information Technology					
People eServe Corporation	Philippines	Technology	Philippine Peso		100.00		100.00
		Education and Information Technology					
Pan Pacific Computer Center, Incorporated (PPCCI)	Philippines	Technology	Philippine Peso		100.00		100.00
		Education and Information Technology					
Affordable Private Education Center, Inc doing business under the name of APEC Schools (APEC)	Philippines	Technology	Philippine Peso		100.00		100.00
		Education and Information Technology					
National Teachers College doing business under the name/s and style/s of The National Teachers College	Philippines	Technology	Philippine Peso		99.79		99.79
		Education and Information Technology					
University of Nueva Caceres	Philippines	Technology	Philippine Peso		83.62		83.62
		Education and Information Technology					
AC College of Enterprise and Technology, Inc	Philippines	Technology	Philippine Peso		100.00		100.00
		Education and Information Technology					
LINC Institute, Inc doing business under the Name and Style of LINC Academy	Philippines	Technology	Philippine Peso		100.00		100.00

(a) Acquired from MESI in December 2020 (Note 13)

(b) Purchased additional shares in February 2020

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

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 that the Group has adopted the following new accounting pronouncements starting January 1, 2020. Adoption of these pronouncements did not have any significant impact on the Group's financial statements unless otherwise indicated.

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



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

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

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

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

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

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

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

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

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

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

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

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

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



The Group as a lessee accounted for COVID-19 related lease concessions (e.g. rent holidays) as negative variable lease expense in the period when changes in facts and circumstances on which the variable lease payments are based occur (Note 14). The amendments did not significantly impact the consolidated financial statements as at December 31, 2020.

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

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

#### Effective beginning on or after January 1, 2021

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

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

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

The Group shall also disclose information about:

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

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

#### Effective beginning on or after January 1, 2022

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

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

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

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



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

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

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

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

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

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

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

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

- *Annual Improvements to PFRSs 2018-2020 Cycle*

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

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

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

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

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



exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

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

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

#### Effective beginning on or after January 1, 2023

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

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

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

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

- PFRS 17, *Insurance Contracts*

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

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



comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

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

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

#### Deferred Effectivity

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

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

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

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## 4. Summary of Significant Accounting Policies

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

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

#### *Group as a lessee*

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

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

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



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

	Years
Land	5 to 66
Building	2 to 10

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

#### *Lease liabilities*

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

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

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

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

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

### **Leases - Group as a lessee, Prior to January 1, 2019**

#### Operating Leases

Operating leases represent those leases under which substantially all risks and rewards of ownership of the leased assets remain with the lessors. Lease receipts (payments) under operating lease agreements are recognized as income (expense) on a straight-line basis over the term of the lease.

#### **Leases - Group as a lessor**

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due



to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

## **Revenue Recognition**

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

### *Revenue from construction contracts*

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

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



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

*Revenue from manpower services*

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

*Revenue from power generation*

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

*Onerous contracts*

If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognizes any impairment loss that has occurred on assets dedicated to that contract. An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of 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 is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

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

#### Cash and Cash Equivalents

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



### Fair Value Measurement

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

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

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

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

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

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

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

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

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

#### *'Day 1' difference*

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



### Financial Instruments

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

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

#### *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 and Receivables from related parties.

*Financial assets at fair value through profit or loss*

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

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

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

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

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

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

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

The Group does not have any debt financial assets at fair value through OCI as of December 31, 2020 and 2019.

*Impairment of financial assets*

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

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



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

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

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

#### Financial Liabilities

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

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

This category generally applies to the Group's accounts payable and other current liabilities, loans payable, long-term debt, 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) borrowing costs, planning and design cost, cost of site preparation, professional fees, property taxes, construction overheads and other related costs.

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

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

### Prepaid Expenses

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

### Advances to Suppliers and Subcontractors

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

### Value-Added Tax (VAT)

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



When VAT from sales of goods and/or services (output VAT) 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.

#### Other Current Assets

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

#### Investments in Associates and Joint Venture

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

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

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

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

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

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

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

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



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

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership	
				2020	2019
<b>Associates:</b>					
Hi-Eisai Pharmaceutical, Inc. (HEPI)	Philippines	Pharmaceutical	Philippine peso	<b>50.00</b>	50.00
Petroenergy Resources Corporation (PERC) <sup>(a)</sup>	Philippines	Renewable energy	Philippine peso	<b>29.10</b>	29.10
T'boli Agro-Industrial Development, Inc.	Philippines	Agriculture	Philippine peso	<b>28.47</b>	28.47
Manila Memorial Park Cemetery, Inc. (MMPC)	Philippines	Funeral service	Philippine peso	<b>25.98</b>	25.98
Sojitz G Auto Philippines Corporation (SGAPC)	Philippines	Automotive distributor	Philippine peso	<b>20.00</b>	20.00
RCBC Realty Corporation (RRC)	Philippines	Realty	Philippine peso	<b>10.00</b>	10.00
Al-Rushaid Construction Company Limited (ARCC)	Saudi Arabia	Construction	Saudi riyal	<b>49.00</b>	49.00
PetroSolar Corporation (PSOC)	Philippines	Renewable energy	Philippine peso	<b>44.00</b>	44.00
<b>Joint venture:</b>					
PetroWind Energy, Inc. (PWEI)	Philippines	Renewable energy	Philippine peso	<b>20.00</b>	20.00
Shinbayanihan Heavy Equipment Corporation (SHEC)	Philippines	Equipment rental	Philippine peso	<b>40.00</b>	40.00
BEO Distribution and Marketing Corporation (BEO DMC) <sup>(b)</sup>	Philippines	Distribution and marketing	Philippine peso	<b>30.00</b>	–
Shimizu-Fujita-Takenaka-EEI Joint Venture (SFTE) <sup>(b)</sup>	Philippines	Construction	Philippine peso	<b>5.00</b>	–
Acciona-EEI Joint Venture (AE) <sup>(b)</sup>	Philippines	Construction	Philippine peso	<b>30.00</b>	–

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

(b) Entered into in 2020

### Property and Equipment

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

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

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

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



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

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

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

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

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

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

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

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

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

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

#### Investment Properties

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



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

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

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

#### Software Costs

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

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

#### Impairment of Nonfinancial Assets

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

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

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



### Business Combination and Goodwill

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

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

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

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

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

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



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

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

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

#### Foreign Currency-denominated Transaction and Translation

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

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

As at reporting date, the assets and liabilities of subsidiaries whose functional currency is not the Philippines Peso are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date, and the consolidated statement of income accounts are translated at monthly weighted average exchange rate. Likewise, the 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 37.

#### Capital Stock

The Group records common stocks at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity shares. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. When the Group purchases the Group's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in equity (Note 39).

#### Equity Reserve

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

#### Retained Earnings

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

#### Events After the Financial Reporting Date

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



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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 (Note 14).



*Recognition of revenue from construction contracts*

Under PFRS 15, the Group assessed that there is only one performance obligation for each construction agreement that it has entered and that revenue arising from such agreements qualify for recognition over time. The Group elected to use the input method to measure the progress of the fulfilment of its performance obligation, which is based on the actual costs incurred to date relative to the total estimated cost to complete the construction projects. The Group believes that this method faithfully depicts the Group's performance towards satisfaction of its performance obligation because there is a direct relationship between the Group's effort (i.e., costs incurred) and the transfer of service to the customer (Notes 4 and 23).

*Recognition of tuition and other matriculation fees over time*

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

*Determination of significant influence on investment in an associate if ownership is less than 20%*

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

As of December 31, 2020 and 2019, the Parent Company holds 10% of interest in RRC. The Parent Company exercises significant influence in RRC since the Parent Company's President is the concurrent president of RRC. The president is also a member of the BOD. As such, the president of the Parent Company effectively has a participation in the policy-making process of RRC. Hence, the Parent Company is able to exercise significant influence even if ownership is less than 20%.

*Assessment of joint control*

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

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

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

*Distinguishing investment property from owner-occupied property*

The Group distinguishes between investment property, owner-occupied property and property held for sale in the ordinary course of business based on the actual use of the property (i.e. earn rentals or for capital appreciation, owner-occupation or commencement of development with a view to sale).

Management reclassified the land transferred from Property and equipment to Investment property amounting to ₱1,946.6 million due to change in the intended use of the land (Note 13).



### Estimates

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

#### *Leases - Estimating the incremental borrowing rate*

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

The Group's lease liabilities amounted to ₱1.25 billion and ₱1.54 billion as of December 31, 2020 and 2019, respectively (Note 14).

#### *Estimating variable considerations arising from change orders and claims*

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

The aggregate carrying values of receivables and contract assets amounted to ₱12.95 billion and ₱15.73 billion as of December 31, 2020 and 2019, respectively (Notes 7, 8 and 17).

#### *Fair value measurement of unquoted equity investments at FVOCI*

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

The fair value of unquoted equity investments amounted to ₱0.46 billion and ₱1.04 billion as of December 31, 2020 and 2019, respectively (Note 11).



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

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

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

As of December 31, 2020 and 2019, the aggregate carrying values of receivables and contract assets are disclosed in Notes 7, 8, 17 and 22 to the consolidated financial statements.

*Purchase price allocation in business combinations and goodwill*

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

The merger resulted in the recognition of student relationship, intellectual property rights and goodwill from the excess of the acquisition cost over the fair value of net assets acquired (Notes 15 and 17).

*Valuation of land under revaluation basis*

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

Land carried under revaluation basis amounted to ₱7.96 billion and ₱9.19 billion as of December 31, 2020 and 2019, respectively. The key assumptions used to determine the fair value of the parcels of land are disclosed in Note 13.

*Impairment of nonfinancial assets*

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



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

Impairment of goodwill, student relationship and intellectual property rights are assessed at least on an annual basis. In assessing the impairment, the Group determines the recoverable amount using value in use with detailed disclosures made in Note 15. There is no impairment loss recognized on these assets in 2020, 2019 and 2018. As at December 31, 2020 and 2019, the carrying value of goodwill amounted to ₱484.83 million (Note 15).

As to the Group's property and equipment, student relationship and noncurrent assets, no impairment loss was recognized for the years ended December 31, 2020, 2019 and 2018 except for the provision for impairment in value of land recognized in 2019 amounting to ₱21.00 million (Notes 13 and 17).

#### *Estimation of retirement benefits*

The determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates which were disclosed in Note 32. 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 ₱4.73 million and ₱18.29 million as of December 31, 2020 and 2019, respectively whereas retirement liabilities amounted to ₱611.6 million and ₱457.84 million as of December 31, 2020 and 2019, respectively (Note 32).

#### *Realizability of deferred tax assets*

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

Deferred tax assets recognized and unrecognized by the Group are disclosed in Note 33 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 18 and 35).



*Estimation of impact of coronavirus pandemic*

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

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

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

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## 6. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand and in banks	<b>₱1,924,416,281</b>	₱1,676,600,484
Short-term investments	<b>1,294,317,494</b>	1,010,068,590
	<b>₱3,218,733,775</b>	₱2,686,669,074

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

Interest income from cash in banks and short-term investments amounted to ₱25.10 million, ₱37.19 million and ₱17.53 million for the years ended December 31, 2020, 2019 and 2018, respectively (Note 24).



## 7. Receivables

This account consists of:

	2020	2019
<b>Trade</b>		
Construction and infrastructure	<b>₱3,460,003,600</b>	₱4,132,893,711
Education	<b>1,166,226,739</b>	901,585,558
Car dealership	<b>469,628,623</b>	708,660,520
Other services	<b>189,255,856</b>	114,165,831
<b>Other receivables</b>		
Receivables from plant	<b>38,118,335</b>	56,369,572
Receivable from EEI RFI	<b>38,000,000</b>	55,000,000
Advances to officers and employees	<b>29,425,653</b>	103,349,773
Receivable from sale of investment properties	<b>21,280,648</b>	22,790,885
Receivable from customers	<b>20,479,281</b>	35,174,526
Accrued referral incentives	<b>17,817,943</b>	29,334,923
Dividends receivable (Note 22)	<b>3,236,665</b>	29,666,808
Rent receivable	<b>111,322</b>	626,549
Others	<b>259,425,599</b>	342,911,593
	<b>5,713,010,264</b>	6,532,530,249
Less allowance for impairment	<b>366,936,427</b>	286,043,524
	<b>₱5,346,073,837</b>	₱6,246,486,725

### 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 ₱138.8 million and ₱131.1 million as at December 31, 2020 and 2019, 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 December 31, 2020 and 2019.



Other receivables

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

*Receivable from EEI RFI* pertains to the Group's sale of land to EEI RFI, a trustee of the Group's employee retirement fund in previous years. Both parties agreed the selling price will be repaid in installments and shall bear annual interest rate of 5%. In 2016, the Group agreed to extend the term of the payment of receivables based on scheduled payments until April 30, 2021 (Note 17).

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

*Receivable from sale of investment properties*

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

*Receivable from customers*

In 2017, certain trade receivables were reclassified as interest-bearing trade receivables after the Group and the customers agreed to extend the credit terms. These receivables bear interest of 5% per annum and will be repaid in five (5) years' time. As of December 31, 2020 and 2019, the current portion of receivable amounted to ₱20.5 million and ₱35.2 million, respectively, while the noncurrent portion of receivable as of December 31, 2020 and 2019 amounted to ₱2.8 million and ₱51.5 million, respectively (Note 17).

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

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

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

	2020					Total
	Construction and Infrastructure	Car Dealership	Education and Information Technology	Other Services	Other Receivables	
Balance at beginning of year	₱51,189,642	₱39,310,600	₱131,164,201	₱7,709,751	₱56,669,330	₱286,043,524
Provisions - net of recoveries (Note 29)	11,500,671	1,718,005	48,755,470	2,753,111	40,896,344	105,623,601
Write-offs	-	(4,477,424)	(5,038,602)	(787,503)	(14,427,169)	(24,730,698)
<b>Balance at end of year</b>	<b>₱62,690,313</b>	<b>₱36,551,181</b>	<b>₱174,881,069</b>	<b>₱9,675,359</b>	<b>₱83,138,505</b>	<b>₱366,936,427</b>
	2019					Total
	Construction and Infrastructure	Car Dealership	Education and Information Technology	Other Services	Other Receivables	
Balance at beginning of year	₱52,855,392	₱39,310,600	₱61,347,299	₱7,835,959	₱71,505,921	₱232,855,171
Provisions - net of recoveries (Note 29)	(1,665,750)	-	69,816,902	14,141	(14,836,591)	53,328,702
Write-offs	-	-	-	(140,349)	-	(140,349)
<b>Balance at end of year</b>	<b>₱51,189,642</b>	<b>₱39,310,600</b>	<b>₱131,164,201</b>	<b>₱7,709,751</b>	<b>₱56,669,330</b>	<b>₱286,043,524</b>



## 8. Contract Assets and Liabilities

### Contract Assets

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

The Group's contract assets amounted to ₱8.6 billion and ₱10.0 billion as of December 31, 2020 and 2019, respectively. The decrease in this account is largely caused by low production in construction works due to the COVID-19 pandemic restrictions and changes in the estimate of variable component of transaction price amounting to ₱1.3 billion.

Details of the Group's contract assets as of December 31, 2020 and 2019 are shown below (Note 17).

	2020		
	Current	Noncurrent	Total
Contract assets	₱7,642,055,723	₱993,635,397	₱8,635,691,120
Less: Allowance for expected credit losses	36,785,303	15,154,047	51,939,350
	<b>₱7,605,270,420</b>	<b>₱978,481,350</b>	<b>₱8,583,751,770</b>

	2019		
	Current	Noncurrent	Total
Contract assets	₱9,492,566,375	₱494,075,106	₱9,986,641,481
Less: Allowance for expected credit losses	9,072,771	226,907	9,299,678
	<b>₱9,483,493,604</b>	<b>₱493,848,199</b>	<b>₱9,977,341,803</b>

Movement in the allowance for expected credit losses for the years ended December 31, 2020 and 2019 follows:

	2020		
	Current	Noncurrent	Total
Balance at beginning of year	₱9,072,771	₱226,907	₱9,299,678
Provision (Note 29)	27,712,532	14,927,140	42,639,672
Balance at end of year	<b>₱36,785,303</b>	<b>₱15,154,047</b>	<b>₱51,939,350</b>

	2019		
	Current	Noncurrent	Total
Balance at beginning of year	₱13,257,601	₱1,624,975	₱14,882,576
Reclassification to current portion	1,398,068	(1,398,068)	–
Recoveries	(5,582,898)	–	(5,582,898)
Balance at end of year	<b>₱9,072,771</b>	<b>₱226,907</b>	<b>₱9,299,678</b>

### Contract Liabilities

Details of the Group's contract liabilities as of December 31, 2020 and 2019 are shown below.

	2020	2019
Total contract liabilities	<b>₱2,557,001,832</b>	₱3,514,610,395
Less current portion	<b>898,322,177</b>	1,694,367,011
	<b>₱1,658,679,655</b>	₱1,820,243,384



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

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

## 9. Inventories

This account consists of:

	2020	2019
Construction materials	<b>₱1,042,419,432</b>	₱1,309,202,556
Merchandise	<b>624,248,970</b>	812,826,521
Real estate:		
Land and land development	<b>151,725,740</b>	152,110,988
Raw lands	<b>42,584,391</b>	43,121,391
Subdivision lots and contracted units for sale	<b>36,460,877</b>	44,305,060
	<b>230,771,008</b>	239,537,439
Spare parts and supplies	<b>72,729,484</b>	108,306,374
	<b>1,970,168,894</b>	2,469,872,890
Less: Allowance for inventory obsolescence	<b>82,135,203</b>	107,595,425
	<b>₱1,888,033,691</b>	₱2,362,277,465

Merchandise includes automotive units, parts and accessories, food and beverages, among others. The summary of the movement in real estate inventories is set out below:

	2020	2019
Balance at beginning of year	<b>₱239,537,439</b>	₱274,748,124
Construction/development costs incurred	<b>13,698,819</b>	25,703,794
Cost of real estate sales (Note 25)	<b>(22,465,250)</b>	(60,914,479)
Balance at end of year	<b>₱230,771,008</b>	₱239,537,439

The total cost of goods sold recognized in the Group's statements of comprehensive income amounted to ₱3,646.8 million, ₱6,604.4 million and ₱7,281.9 million in 2020, 2019 and 2018 respectively (Note 25).

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:

	2020	2019
Balance at beginning of year	<b>₱107,595,425</b>	₱96,442,347
Provision (Note 29)	<b>21,960,851</b>	21,533,760
Write-off	<b>(47,421,073)</b>	(10,380,682)
Balance at end of year	<b>₱82,135,203</b>	₱107,595,425



No inventories were pledged as security to obligations as of December 31, 2020 and 2019.

## 10. Prepaid Expenses and Other Current Assets

This account consists of:

	2020	2019
Advances to suppliers and contractors	₱1,004,942,386	₱925,755,733
Creditable withholding taxes (CWTs)	929,043,644	561,513,235
Prepaid expenses	190,085,167	161,401,961
Miscellaneous deposits	120,704,511	108,700,012
Advances to officers and employees	58,475,817	51,264,303
Input value added tax (VAT)	55,371,913	29,585,878
Restricted funds	30,960,042	21,029,868
Restricted cash investment	27,747,232	27,006,721
Others	144,071,804	101,506,527
	<b>2,561,402,516</b>	1,987,764,238
Less allowance for impairment	16,458,668	4,910,038
	<b>₱2,544,943,848</b>	₱1,982,854,200

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

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

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

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

Others include payments made on certain claims that are under protest (Note 35), financial assets at FVPL, various deposits, other supplies, among others.

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

	2020			
	Miscellaneous deposits	Advances to officers and employees	Advances to suppliers and subcontractors	Total
Balance at beginning of year	₱3,335,193	₱29,516	₱1,545,329	₱4,910,038
Provisions for ECL (Note 29)	-	-	11,548,630	11,548,630
Balance at end of year	₱3,335,193	₱29,516	₱13,093,959	₱16,458,668



	2019			
	Miscellaneous deposits	Advances to officers and employees	Advances to suppliers and subcontractors	Total
Balance at beginning of year	₱3,335,193	₱242,793	₱–	₱3,577,986
Provisions for ECL (Note 29)	–	–	1,545,329	1,545,329
Recoveries (Note 29)	–	(213,277)	–	(213,277)
<b>Balance at end of year</b>	<b>₱3,335,193</b>	<b>₱29,516</b>	<b>₱1,545,329</b>	<b>₱4,910,038</b>

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

This account consists of:

	2020	2019
Quoted equity investments	<b>₱91,603,168</b>	₱107,292,675
Unquoted equity investments	<b>455,473,326</b>	1,040,481,131
	<b>₱547,076,494</b>	<b>₱1,147,773,806</b>

In 2020, the Group's equity investment in PGEC, a 90%-owned subsidiary of PERC, amounting to ₱560.68 million was reclassified to investments in associate considering the significant influence exercised by the Group on PERC. PERC is the parent company of PGEC.

In 2019, the Group invested additional ₱79.8 million in various quoted and unquoted equity instruments. In 2020, there were no additional investment made in quoted and unquoted equity instruments.

In May 2019, IPO sold its shares in PERC for ₱17.5 million and the loss on disposal was recorded at ₱1.3 million.

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

	2020	2019
Attributable to equity holders of the parent:		
Balance at beginning of year	<b>₱311,094,152</b>	₱259,855,707
Income (loss) recognized in OCI	<b>(135,611,263)</b>	51,238,445
Balance at end of year	<b>175,482,889</b>	311,094,152
Non-controlling interests:		
Balance at beginning of year	<b>240,945,407</b>	202,090,420
Income (loss) recognized in OCI	<b>(8,449,929)</b>	38,854,987
Balance at end of year	<b>232,495,478</b>	240,945,407
	<b>₱407,978,367</b>	<b>₱552,039,559</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. The valuation was performed by an independent SEC-accredited appraiser as of December 31, 2020.



Dividends earned from equity investments at FVOCI amounted to ₱37.9 million, ₱54.8 million and ₱1.0 million in 2020, 2019 and 2018, respectively (Note 24).

No equity investments at FVOCI were pledged as security to obligations as of December 31, 2020 and 2019.

## 12. Investments in Associates and Joint Venture

The rollforward analysis of this account follows:

	2020	2019
Acquisition cost:		
Balance at beginning of year	₱4,841,636,714	₱4,622,763,779
Additions	450,000	261,944,096
Return of investment in ARCC	(575,959,276)	-
Reclassification from investment in FVOCI (Note 11)	424,136,082	-
Reclassification to subsidiary (Note 36)	-	(43,071,161)
Balance at end of year	4,690,263,520	4,841,636,714
Accumulated impairment loss	74,536,609	74,536,609
Accumulated equity in net earnings:		
Balance at beginning of year	1,262,916,499	742,132,503
Equity in net earnings	1,368,427,558	727,820,626
Dividends received	(171,616,331)	(207,036,630)
Balance at end of year	2,459,727,726	1,262,916,499
Subtotal	7,075,454,637	6,030,016,604
Share in other comprehensive income		
(loss) of an associate	(46,303,277)	55,887,540
Cumulative translation adjustment	63,472,546	107,147,212
	<b>₱7,092,623,906</b>	<b>₱6,193,051,356</b>

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

(Amounts in millions)

	2020										
	RRC	PERC	PGEC	MMPC	SGAPC	ARCC	PSOC	PWEI	SHEC	BEO	
									DMC	SFTE	
Acquisition cost:											
Balance, January 1	₱959	₱889	₱-	₱120	₱50	₱1,626	₱690	₱257	₱21	₱-	₱-
Additions (Advances)	-	-	470	-	-	-	-	-	-	1	-
Return of investments	-	-	-	-	-	(576)	-	-	-	-	-
Balance, December 31	959	889	470	120	50	1,050	690	257	21	1	-
Accumulated equity in net earnings (losses):											
Balance, January 1	479	452	-	431	-	(472)	267	130	(1)		
Equity in net earnings (losses)	147	95	46	82	(18)	741	182	55	(1)	(1)	4
Dividends declared	(110)	-	-	(24)	-	-	(55)	(20)	-	-	-
Balance, December 31	516	547	46	489	(18)	269	394	165	(2)	(1)	4
Subtotal	1,475	1,436	516	609	32	1,319	1,084	422	19	-	4
Accumulated share in other comprehensive income:											
Balance, January 1	603	72	-	-	-	(8)	-	-	-	-	-
Share in other comprehensive loss	-	(6)	(46)	-	-	(14)	-	-	-	-	-
Balance, December 31	603	66	(46)	-	-	(22)	-	-	-	-	-
Equity in cumulative translation adjustments											
	-	-	-	-	-	63	-	-	-	-	-
	<b>₱2,078</b>	<b>₱1,502</b>	<b>₱470</b>	<b>₱610</b>	<b>₱32</b>	<b>₱1,360</b>	<b>₱1,084</b>	<b>₱422</b>	<b>₱19</b>	<b>₱-</b>	<b>₱4</b>



	2019							
	RRC	PERC	MMPC	SGAPC	ARCC	PSOC	PWEI	SHEC
Acquisition cost:								
Balance, January 1	₱959	₱871	₱120	₱-	₱1,626	₱542	₱257	₱-
Additions	-	18	-	50	-	148	-	21
Balance, December 31	959	889	120	50	1,626	690	257	21
Accumulated equity in net earnings (losses):								
Balance, January 1	419	307	337	-	(685)	212	114	-
Equity in net earnings (losses)	147	81	116	-	213	88	46	(1)
Dividends declared	(79)	-	(22)	-	-	(33)	(30)	-
Balance, December 31	487	388	431	-	(472)	267	130	(1)
Subtotal	1,446	1,277	551	50	1,154	957	387	20
Accumulated share in other comprehensive income:								
Balance, January 1	603	72	-	-	1	-	-	-
Share in other comprehensive loss	-	-	-	-	(9)	-	-	-
Balance, December 31	603	72	-	-	(8)	-	-	-
Equity in cumulative translation adjustments								
	-	-	-	-	144	-	-	-
	₱2,049	₱1,349	₱551	₱50	₱1,290	₱957	₱387	₱20

#### RRC

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

#### PERC

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

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

Its share price amounted to ₱3.7 per share and ₱4.1 per share as of December 31, 2020 and 2019 respectively.

#### PGEC

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

#### MMPC

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

#### SGAPC

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

#### ARCC

In 2020, ARCC repaid investment amounting to ₱576.0 million. The transaction did not result to a change in the 49% ownership of EEI Limited over ARCC.



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

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

#### PSOC

In 2020 and 2019, the Group, through EEI made an additional investment of nil and ₱148.3 million respectively, in PSOC. These transactions did not result to a change in the % ownership of the Group over PSOC.

#### PWEI

In 2013, the Group, through EEI Power acquired 20% stake in PWEI for ₱118.75 million. PWEI has a wind energy project in Nabas, Aklan.

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

#### SHEC

In 2020, the Group, through EEI, acquired 40% stake in Shinbayanihan Heavy Equipment Corporation (SHEC) and was accounted as investment in joint venture. SHEC was incorporated on July 26, 2019 primarily to engage in the business of managing the operation of used and new construction equipment rental and used and new construction equipment wholesale business in the Philippines and import and export of used and new construction equipment without engaging in retail trading.

#### BEO DMC

In 2020, the Group, through EEI, acquired 30% stake in BEO Distribution and Marketing Corporation (BEO DMC) and was accounted as joint venture. BEO DMC was incorporated on September 20, 2019 primarily to engage in the business of distributing and marketing goods, products and items of commerce without engaging in retail activity.

#### SFTE JV

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

#### ACCIONA-EEI JV

On October 13, 2020, the Group entered into a joint venture agreement with Acciona Construction Philippines, Inc. to undertake the construction of the Malolos-Clark Railway Project-Package No. CP N-04. The Group's participating interest in the joint venture is 30%. Since the project is still on its pre-operating phase, the Group has not yet recognized its share in the operating results of the joint venture.



As of December 31, 2020 and 2019, no investments in associates were pledged as security to obligations.

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

2020												
	RRC	PERC	PGEC	MMPC	SGAPC	ARCC	PSOC	PWEI	SHEC	BEO		AE
										DMC	SFTE	
Net assets*	₱14,750	₱4,935	₱4,700	₱2,344	₱160	₱2,776	₱2,465	₱2,111	₱47	₱0.53	₱84	(₱37)
Proportionate ownership in the associate	10.00%	29.10%	10.00%	25.98%	20.00%	49.00%	44.00%	20.00%	40.00%	30.00%	5.00%	30.00%
Share in net identifiable assets	1,475	1,436	470	609	32	1,360	1,084	422	19	-	4	-
Premium	603	66	-	-	-	-	-	-	-	-	-	-
Carrying value	₱2,078	₱1,502	₱470	₱609	₱32	₱1,360	₱1,084	₱422	₱19	₱0.16	₱4	₱-

\*Excluding treasury shares and non-controlling interest

2019									
	RRC	PERC	MMPC	SGAPC	ARCC	PSOC	PWEI	SHEC	
Net assets*	₱14,460	₱4,388	₱2,120	₱250	₱2,633	₱2,176	₱1,935	₱50	
Proportionate ownership in the associate	10.00%	29.10%	25.98%	20%	49.00%	44.00%	20.00%	40.00%	
Share in net identifiable assets	1,446	1,277	551	50	1,290	957	387	20	
Premium	603	72	-	-	-	-	-	-	
Carrying value	₱2,049	₱1,349	₱551	₱50	₱1,290	₱957	₱387	₱20	

\*Excluding treasury shares and non-controlling interest

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

2020												
	RRC	PERC	PGEC	MMPC	SGAPC	ARCC	PSOC	PWEI	SHEC	BEO		AE
										DMC	SFTE	
Current assets	₱1,301	₱2,281	₱1,990	₱1,980	₱1,324	₱5,216	₱727	₱740	₱42	₱2	₱15,481	₱2,250
Noncurrent assets	6,104	11,125	10,054	1,423	442	1,669	3,568	3,502	26	-	-	-
Total assets	₱7,405	₱13,406	₱12,044	₱3,403	1,766	₱6,885	₱4,295	₱4,242	₱68	₱2	₱15,481	₱2,250
Current liabilities	₱2,046	₱1,246	₱967	₱903	₱1,474	₱2,912	₱268	₱342	₱4	₱1	₱15,397	₱2,287
Noncurrent liabilities	2,835	4,328	4,264	425	214	1,198	1,562	1,787	-	-	-	-
Total liabilities	₱4,881	₱5,574	₱5,231	₱1,328	₱1,688	₱4,110	₱1,830	₱2,129	₱4	₱1	₱15,397	₱2,287
Revenues	₱2,733	₱2,332	₱2,040	₱856	₱2,221	₱11,093	₱879	₱808	₱1	-	₱84	₱200
Cost	(716)	(1,179)	(910)	(112)	(1,971)	(8,969)	(268)	(350)	-	-	-	(48)
Gross margin	2,017	1,153	1,130	744	249	2,124	611	458	1	-	84	152
Selling and administrative, and other expenses	(168)	(211)	(126)	(303)	(341)	(308)	(163)	(181)	(4)	(1)	-	(284)
Pre-tax income (loss)	₱1,849	₱942	₱1,004	₱441	(₱92)	₱1,816	₱448	₱277	(₱3)	(₱1)	₱84	(₱132)
Proportionate ownership in the associate	10%	29.10%	10%	25.98%	20%	49%	44%	20%	40%	30%	5%	30%
Share in pre-tax income (loss)	185	274	100	115	(18)	890	197	55	(1)	-	4	(40)
Income tax	(38)	(9)	(3)	(33)	-	(149)	(15)	-	-	-	-	-
Non-controlling interest	-	(170)	(51)	-	-	-	-	-	-	-	-	-
Equity in net earnings (losses)	₱147	₱95	₱46	₱82	₱18	₱741	₱182	₱55	(₱1)	₱-	₱4	(₱40)
Dividends received	₱110	₱-	₱-	₱24	₱-	₱-	₱55	₱-	₱-	₱-	₱-	₱-



	2019							
	RRC	PERC	MMPC	SGAPC	ARCC	PSOC	PWEI	SHEC
Current assets	₹1,318	₹2,150	₹1,730	₹270	₹4,638	₹504	₹790	₹43
Noncurrent assets	6,170	11,204	1,384	507	1,398	3,707	3,629	26
<b>Total assets</b>	<b>₹7,488</b>	<b>₹13,354</b>	<b>₹3,114</b>	<b>₹777</b>	<b>₹6,036</b>	<b>₹4,211</b>	<b>₹4,419</b>	<b>₹69</b>
Current liabilities	₹2,012	₹1,573	₹831	382	₹2,165	₹278	₹466	₹2
Noncurrent liabilities	3,322	4,518	438	224	1,239	1,757	2,018	-
<b>Total liabilities</b>	<b>₹5,334</b>	<b>₹6,091</b>	<b>₹1,269</b>	<b>₹606</b>	<b>₹3,404</b>	<b>₹2,035</b>	<b>₹2,484</b>	<b>₹2</b>
Revenues	₹2,851	₹2,122	₹1,135	₹114	₹8,752	₹642	₹796	₹-
Cost	(804)	(1,106)	(419)	(96)	(7,778)	(115)	(154)	-
Gross margin	2,047	1,016	716	18	974	527	642	-
Selling and administrative, and other expenses	(121)	(471)	(143)	(20)	(430)	(316)	(410)	(2)
Pre-tax income (loss)	₹1,926	₹545	₹573	(₹2)	₹544	₹211	₹232	(₹2)
Proportionate ownership in the associate	10.00%	29.10%	25.98%	20.00%	49.00%	44.00%	20.00%	20.00%
Share in pre-tax income (loss)	193	159	149	-	266	93	46	(1)
Income tax	(42)	(5)	(33)	-	(53)	(5)	-	-
Non-controlling interest	-	(235)	-	-	-	-	-	-
Equity in net earnings (losses)	₹151	₹81	₹116	-	₹213	₹88	₹46	(₹1)
Dividends received	₹90	₹-	₹22	₹-	₹-	₹33	₹30	₹-

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

Other relevant financial information of RRC are as follows:

	2020	2019
Cash and cash equivalents	<b>₹968,680,271</b>	₹993,625,880
Current financial liabilities *	<b>994,389,407</b>	1,084,26,551
Noncurrent financial liabilities *	<b>2,835,462,778</b>	3,322,405,448
Depreciation and amortization	<b>181,476,361</b>	195,496,683
Interest income	<b>58,110,467</b>	48,549,717
Interest expense	<b>(252,078,899)</b>	(274,642,995)

\*Excluding trade and other payables and provisions

Other relevant financial information of PGEC are as follows:

	2020	2019
Cash and cash equivalents	<b>₹1,213,491,771</b>	₹887,023,563
Current financial liabilities *	<b>79,488,730</b>	948,030,061
Noncurrent financial liabilities *	<b>4,192,981,639</b>	4,421,138,351
Depreciation and amortization	<b>433,298,347</b>	418,053,028
Interest income	<b>15,774,504</b>	35,664,103
Interest expense	<b>369,768,105</b>	391,393,590

\*Excluding trade and other payables and provisions

Other relevant financial information of PERC are as follows:

	2020	2019
Cash and cash equivalents	<b>₹1,267,332,044</b>	₹1,066,698,077
Current financial liabilities *	<b>870,673,420</b>	1,216,530,061
Noncurrent financial liabilities *	<b>4,192,981,639</b>	4,421,138,351
Depreciation and amortization	<b>524,500,435</b>	481,425,080
Interest income	<b>18,362,302</b>	44,025,392
Interest expense	<b>386,788,348</b>	409,690,469

\*Excluding trade and other payables and provisions



Other relevant financial information of MMPC are as follows:

	2020	2019
Cash and cash equivalents	<b>₱216,283,088</b>	₱81,751,894
Current financial liabilities *	<b>25,266,411</b>	21,815,222
Noncurrent financial liabilities *	<b>425,226,349</b>	437,648,210
Depreciation and amortization	<b>40,794,840</b>	40,300,480
Interest income	<b>152,536,077</b>	125,682,782
Interest expense	<b>6,345,593</b>	9,217,411

*\*Excluding trade and other payables and provisions*

Other relevant financial information of SGAPC are as follows:

	2020	2019
Cash and cash equivalents	<b>₱350,025,000</b>	₱75,363,491
Current financial liabilities *	<b>501,424,000</b>	36,988,932
Noncurrent financial liabilities *	<b>214,292,000</b>	224,458,423
Interest income	<b>337,923</b>	25,997

*\*Excluding trade and other payables and provisions*

Other relevant financial information of PWEI are as follows:

	2020	2019
Cash and cash equivalents	<b>₱146,374,970</b>	₱359,036,098
Current financial liabilities *	<b>235,934,771</b>	240,000,000
Noncurrent financial liabilities *	<b>1,787,557,500</b>	1,998,726,542
Depreciation and amortization	<b>199,496,579</b>	192,496,481
Interest income	<b>6,792,292</b>	17,931,614
Interest expense	<b>(161,083,658)</b>	205,142,642

*\*Excluding trade and other payables and provisions*

Other relevant financial information of SHEC are as follows:

	2020	2019
Cash and cash equivalents	<b>₱36,954,405</b>	₱42,654,519
Current financial liabilities *	<b>3,756,956</b>	1,428,916
Depreciation and amortization	<b>1,457,940</b>	-
Interest income	<b>44,801</b>	24,629

*\*Excluding trade and other payables and provisions*

Other relevant financial information of BEO are as follows:

	2020
Cash and cash equivalents	₱1,501,854
Current financial liabilities *	672,106
Interest income	1,854

*Excluding trade and other payables and provisions*



Other relevant financial information of SFTE are as follows:

	2020
Cash and cash equivalents	P13,907,484,052
Interest income	83,969,837

Other relevant financial information of AE are as follows:

	2020
Cash and cash equivalents	P1,626,763,861
Current financial liabilities *	(605,001,690)
Depreciation and amortization	508,081
<i>Excluding trade and other payables and provisions</i>	

### 13. Property and Equipment

*Property and equipment at revalued amount*

Movements in the revalued land are as follows:

	2020	2019
Balance at beginning of year	<b>P9,185,924,384</b>	P7,023,425,494
Additions (deductions):		
Reversal of impairment	<b>5,237,506</b>	-
Acquisition	-	2,038,084,517
Appraisal increase	<b>(72,695,173)</b>	124,414,373
Reclassification to investment properties - net	<b>(1,160,808,617)</b>	-
Balance at end of year	<b>P7,957,658,100</b>	P9,185,924,384

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

In December 2020, MESI (a wholly-owned subsidiary of IPO), sold its investment in SLRHSI, its subsidiary, to the Parent Company for P1,946.6 million (Note 16). The only asset of SLRHSI is the parcel of land in Makati. The selling price represents the fair value of the land classified as owner-occupied property and equipment which was accounted for using the revaluation model. The sale is eliminated in the consolidated financial statements.

Upon transfer to the Parent Company, the land was reclassified to investment property which is accounted for using the cost model. Accordingly, the corresponding revaluation increment in IPO, amounting to P785.8 million, was transferred to retained earnings.

As of December 31, 2020 and 2019, the appraised values of the parcels of land were determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on size, shape and terrain and location among others. The significant unobservable valuation input is price per square meter (level 3 - Significant unobservable inputs). The parcels of land were valued in terms of their highest and best use. The valuation was performed by an independent SEC-accredited appraiser as of December 31, 2020.



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

Location	Valuation Techniques	Unobservable Inputs Used	Range (Weighted Average)	
			2020	2019
Quezon and Panay Avenue, Quezon City	Market Approach	Price per square meter	₱92,032 to ₱125,000 (₱107,000)	₱120,000 to ₱250,000 (₱94,800)
Barangay Tuding, Itogon, Benguet	Market Approach	Price per square meter	₱6,864 to ₱7,220 (₱7,000)	₱6,864 to ₱7,220 (₱7,000)
Barangay Sta. Maria, Itogon and Bolo Bauan, Batangas	Market Approach	Price per square meter	₱4,980 to ₱6,413, (₱5,400)	₱4,275 to ₱6,413 (₱5,400)
Barangay Biga I, Silang, Province of Cavite	Market Approach	Price per square meter	₱7,600 to ₱8,479 (₱8,000)	₱7,600 to ₱8,479 (₱8,000)
Makati and Intramuros, Manila	Market Approach	Price per square meter	₱40,500 to ₱250,000	₱40,500 to ₱273,125
Cabuyao, Laguna	Market Approach	Price per square meter	₱8,640 to ₱16,200	₱8,016 to ₱14,963
Davao City, Davao Del Sur	Market Approach	Price per square meter	₱13,553 to ₱40,800	₱12,339 to ₱39,738
Pandacan, Metro Manila	Market Approach	Price per square meter	₱51,300 to ₱85,500	₱51,300 to ₱76,950
San Jose Del Monte City, Bulacan	Market Approach	Price per square meter	₱50,468 to ₱59,993	₱47,025 to ₱58,500
Naga City, Camarines Sur	Market Approach	Price per square meter	₱15,750 to ₱31,050	₱2,748 to ₱6,804
Quiapo, Manila	Market Approach	Price per square meter	₱81,300 to ₱116,500	₱72,896 to ₱113,797

In 2019, IPO Group recorded provision for impairment in value of ₱21 million on a parcel of land charged to profit or loss [presented under ‘Other income (charges) - net] as there was no previous revaluation increment recognized on said land. Based on the 2020 appraisal of the same parcel of land, there was an increase in value of ₱5.2 million. The increase was credited to profit or loss as “Other income (charges) - net” in the 2020 consolidated statement of income.

Net adjustment factors arising from external and internal factors (i.e. market conditions, competitiveness, size/shape/terrain, and development) affecting the subject properties as compared to the market listing of comparable properties ranges from -30% to +35% in 2020 and from -20% to +20% in 2019.

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

In 2020, 2019 and 2018, the Group revalued its land based on the appraisals made by SEC accredited appraisers.

As of December 31, 2020 and 2019, the cost of the parcels of land carried at revalued amounts amounted to ₱4,723 million and ₱5,757 million, respectively.





Gain on sale of property and equipment amounted to ₱14.86 million, ₱101.53 million and ₱16.97 million in 2020, 2019 and 2018, respectively.

#### 14. Leases

##### *Group as a lessor*

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

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

	2020	2019
Within one year	<b>₱869,675</b>	₱790,614
More than one year but not more than five years	<b>4,036,164</b>	4,036,164
Later than five years	<b>106,108</b>	1,273,292
	<b>₱5,011,947</b>	₱6,100,070

##### *Group as a lessee*

The Group has lease contracts for various items of land, improvements, office spaces, warehouses, school sites and annexes and other equipment used in its operations, among others. Leases of land, improvements and school sites generally have lease terms between 4 and 66 years, while other equipment generally have lease terms between 1 and 3 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

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

- a. The Parent Company's lease contract term is one (1) year and includes renewal option for another year subject to mutual agreement of the Company and lessor. Management exercises significant judgement in determining whether the renewal option is reasonably certain to be exercised.
- b. Starting January 2007, EEI and EEI Retirement Fund, Inc. (RFI) entered into a lease agreement for the lease of land and improvements. The lease terms are for one year and renewable every year with 5% increase effective January 1, 2014.
- c. EEI Group leases a staff house which it occupies for its operations for a period of two years, both parties has the option to renew as per agreement. EEI Group entered into a lease contract covering the period of July 2, 2019 to July 2, 2020.
- d. EEI Group leases a lot and offices which it occupies for its operations during the period of the projects of the Group with option to renew as per agreement. The Group entered into a lease contract covering the period of October 16, 2011 to October 15, 2014. The contract has a rate of ₱450 per square meter for the first two years and ₱460 per square meter for the third year.
- e. In May 2016, EEI Group entered into a lease agreement for a period of five (5) years commencing on July 7, 2016 and expired on July 6, 2021. The leased premises has an escalation



of 10% on the rent starting the second year. The lease contract has a rate of ₱630 per square meter for the first year and 5% yearly increase thereafter.

- f. IPO Group leases staffhouses for a period of one (1) year that are renewable annually upon mutual agreement of IPO Group and its lessors. Monthly lease payments range from ₱14,000 to ₱65,000.
- g. Landev Corporation entered into lease agreements that are renewable upon mutual agreement of Landev Corporation and the lessors:

<b>Lessor</b>	<b>Commencement date</b>	<b>Term</b>	<b>Monthly Rental</b>
Grepa Realty Holdings Corporation	January 1, 2020	1 year	₱324,802
Rizal Commercial Banking Corporation	July 25, 2020	3 years	129,975*
Rizal Commercial Banking Corporation	July 25, 2017	3 years	93,756*
Grepa Realty Holdings Corporation	January 1, 2020	1 year	7,252
RCBC Savings Bank	January 1, 2015	5 years	6,300*

\*subject to 5% annual escalation rate

Rent expense recognized in 2020 and 2019 amounted ₱5.66 million and ₱6.45 million, respectively.

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

	<b>2020</b>	<b>2019</b>
Within one year	<b>₱1,512,585</b>	₱728,554
After one year but not more than five years	<b>2,417,638</b>	—
	<b>₱3,930,223</b>	₱728,554

- h. The Greyhounds Security and Investigation Agency Corporation entered into an agreement with Grepa Realty Holdings Corporation for the lease of office space. The lease is renewable annually upon mutual agreement by both parties. Rent expense recognized in 2020 and 2019 amounted to ₱0.66 million and ₱0.64 million, respectively.
- i. In 2011, IMI entered into lease agreements with Mapua Information Technology Centers, Inc., Malayan Colleges, Inc. and Malayan High School of Science for canteen spaces. In 2016, the Company started to lease a canteen space from Malayan Colleges Laguna, Inc. These lease agreements cover a period of one year with monthly lease payments ranging from ₱4,464 to ₱165,934.
- j. Hexagon Lounge, Inc. entered into a lease agreement for the lounge and office space it occupies. The lease is renewable annually as may be mutually agreed upon by the parties with monthly minimum lease payments of ₱10,000 or 2% of net restaurant sales, whichever is higher.
- k. In 2020, the Group pre-terminated the lease contracts of property used by the following closed car dealership branches:

<b>Closed Branches</b>	<b>Contract Date</b>	<b>Contract End Date</b>	<b>Date Terminated</b>
Honda Cars Kalookan	December 26, 2018	December 25, 2023	June 30, 2020
Honda Cars Fairview	April 24, 2014	April 23, 2020	June 30, 2020
Honda Cars Marikina	January 1, 2009	June 15, 2020	June 30, 2020
Honda Cars Marcos Highway	June 1, 2013	May 31, 2023	July 30, 2020
Isuzu Greenhills	January 26, 2009	January 25, 2024	June 30, 2020



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

	2020	2019
Balance at beginning of year	₱1,605,726,653	₱1,378,023,041
Additions	41,738,517	474,569,625
Derecognition	(136,826,253)	-
Amortization of right-of-use asset	(239,564,734)	(246,866,013)
Balance at end of year	<b>₱1,271,074,183</b>	<b>₱1,605,726,653</b>

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

	2020	2019
Cost of sales and services		
Construction contracts (Note 27)	₱71,004,873	₱43,008,349
Tuition and other fees (Note 28)	4,628,679	63,477,198
	<b>75,633,552</b>	<b>106,485,547</b>
General and administrative expenses	163,931,182	140,380,466
	<b>₱239,564,734</b>	<b>₱246,866,013</b>

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

	2020	2019
Balance at beginning of year	₱1,538,664,329	₱1,436,130,147
Interest expense	107,042,613	79,459,539
Additions	94,311,240	443,836,343
Derecognition	(202,137,944)	-
Payments	(287,547,391)	(420,761,700)
Balance at end of year	<b>1,250,332,847</b>	<b>1,538,664,329</b>
Less: Current portion	164,647,368	215,416,367
Noncurrent portion	<b>₱1,085,685,479</b>	<b>₱1,323,247,962</b>

Derecognition pertains to termination of lease contracts of closed car dealership branches. The difference between right-of-use asset and lease liability is accounted for under miscellaneous expense of General and administrative expenses in the 2020 consolidated statement of income (Note 29).

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

	2020	2019
Amortization of right-of-use assets under cost of sales and services (Notes 27, 28, and 30)	₱75,633,552	₱106,485,547
Amortization of right-of-use assets under general and administrative expenses (Notes 29 and 30)	144,513,052	140,380,466
Gain on derecognition of right-of-use assets and lease liabilities	(65,311,691)	-
Interest expense on lease liabilities	107,042,613	79,459,539
Expenses relating to short-term leases and low value assets	526,005,056	25,919,076
	<b>₱787,882,582</b>	<b>₱352,244,628</b>



The COVID-19-related lease concessions amounting to ₱19.42 million were accounted as negative variable lease expense charged against depreciation and amortization under General and administrative expense account in the 2020 consolidated statement of income.

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## 15. Goodwill

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

	2020	2019
EEI Corporation and Subsidiaries	<b>₱300,859,305</b>	₱300,859,305
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>₱484,829,719</b>	₱484,829,719

### 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, 2020 and 2019 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 2020, 2019 and 2018, Management assessed that the recoverable amount of the goodwill balances exceed their carrying values, thus, no impairment loss should be recognized.

### Goodwill of MESI

The goodwill recognized in the consolidated statement of financial position amounting ₱137.85 million as at December 31, 2020 and 2019 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.

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

As at December 31, 2020 and 2019, 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 K to 12 Basic Education Program on MESI's financial performance effective 2016 and the coronavirus pandemic.
- Long-term growth rates (3.78% for 2020 and 3.73% for 2019). The Long-term growth rate is the expected growth rate in the education industry sector.



- Discount rate (10.9% for 2020 and 8.3% for 2019). 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 Parent Company'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 2020, 2019 and 2018, Management assessed that no impairment loss should be recognized.

Goodwill arising from Business Combination

On October 1, 2018, the BOD of IPO executed a MOA for a proposed Plan of Merger between IPO and AEI with IPO as the surviving entity with HI and AC owning 48.18% and 33.5%, respectively. The merger would bring together the educational groups of HI and AC.

On April 24, 2019, the SEC approved the merger between IPO and AEI, with IPO as the surviving entity, and to take effect five business working days thereafter or May 2, 2019. On said date, IPO issued 295,329,976 common shares from its unissued capital stock to AC, the parent company of AEI. IPO being the surviving corporation is deemed to have acquired all the assets and to have assumed all the liabilities of AEI in a business combination accounted for under the acquisition method. In exchange for the transfer of the net assets of AEI to IPO, the latter issued to AC an aggregate of 295,329,976 shares with par value of ₱1.0 per share for a total fair value of ₱3.6 billion based on IPO's quoted closing rate per share as of May 2, 2019. The excess of the fair value of shares issued over the par value was recognized as additional paid-in capital by IPO.

Assets acquired from AEI includes investments in the following subsidiaries:

<u>Subsidiaries</u>	<u>Ownership Interest</u>
APEC	100.00%
NTC	99.79%
UNC	58.63%
ACCET	100.00%
LINC	100.00%

The fair values of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition follows (amounts in thousands):

<b>Assets</b>	
Cash and cash equivalents	₱1,291,500
Trade and other receivables	231,421
Other current assets	188,222
Land	2,038,085
Property, plant and equipment	725,681
Right-of-use assets	363,029
Intellectual property rights	523,103
Student relationship	116,009
Other noncurrent assets	102,717
	<u>₱5,579,767</u>



<b>Liabilities</b>	
Accounts and other payables	₱319,124
Loans payable	260,000
Deferred tax liabilities	432,946
Leased liabilities	374,622
Other liabilities	77,815
	<u>1,464,507</u>
<b>Total identifiable net assets at fair value</b>	<b>4,115,260</b>
Non-controlling interest	(537,520)
Goodwill	13,472
<b>Cost of acquisition</b>	<b>₱3,591,212</b>

The non-controlling interests have been measured at the proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

The goodwill arising from the merger between IPO and AEI on May 2, 2019 amounted to ₱13.47 million. No impairment testing was done on the goodwill as the Group assessed it as not material to the consolidated financial statements.

The merger between IPO and AEI resulted to the Group identifying other intangible assets such as the intellectual property rights with infinite life and student relationship with 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. The carrying value and movement of student relationship as of and for the year ended December 31 follows (amount in thousands):

	<b>2020</b>	2019
Cost from business combination	<b>₱116,009</b>	₱116,009
Accumulated amortization:		
Balance at beginning of year	<b>(14,874)</b>	-
Amortization for the year	<b>(22,310)</b>	(14,874)
Balance at end of year	<b>(37,184)</b>	(14,874)
Balance at end of year (Note 17)	<b>₱78,825</b>	₱101,135

The carrying value of intellectual property rights amounted to ₱523.10 million as of December 31, 2020 and 2019 (Note 17). As of December 31, 2020 and 2019, the Group performed impairment testing on intellectual property rights using the income approach. Key assumptions used are as follows:

- Revenue projections and long-term growth rate (3% for 2020 and 2.5% to 3% for 2019). Revenue projections based on financial budgets approved by management and considers the impact of the K to 12 Basic Education Program effective 2016 and the coronavirus pandemic. The long-term growth rate is the expected growth rate in the education industry sector.
- Discount rates (13% to 14% for 2020 and 12% to 15% for 2019). 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 2020 and 1% to 5% for 2019). 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.

In 2020 and 2019, Management assessed that no impairment loss should be recognized.



## 16. Investment Properties

The rollforward analysis of this account follows:

	2020	2019
<b>Cost</b>		
Balance at beginning of year	<b>₱17,689,018</b>	₱18,157,018
Reclassification	<b>1,961,065,975</b>	–
Disposals	<b>(1,146,780)</b>	(468,000)
Balance at end of year	<b>₱1,977,608,213</b>	₱17,689,018

Land classified as investment properties include the following:

- Parcel of land located in Makati owned by SLRHSI (Note 13). The carrying value of land reclassified from property and equipment to investment properties in 2020 amounted to ₱1,961.1 million as of December 31, 2020, which represents its fair value at the date of transfer amounting to ₱1,946.6 million (Note 13) and ₱14.50 million costs directly attributable to the transfer.
- Other parcels of land owned by EEI located in Benguet, Cavite, Nueva Ecija, Bulacan and memorial lots in Las Piñas with carrying values of ₱6.6 million, ₱0.5 million, ₱0.2 million, ₱7.0 million and ₱0.2 million, respectively, as of December 31, 2020 and ₱6.6 million, = ₱0.5 million, ₱0.2 million, ₱7.0 million and ₱0.9 million, respectively, as of December 31, 2019.
- Heritage lots held for capital appreciation of the Parent Company amounted to ₱2.0 million as of December 31, 2020 and 2019.

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

Rental income derived from the investment properties amounted to ₱1.2 million, ₱0.3 million, and ₱6.8 million in 2020, 2019 and 2018, respectively. Total direct operating expenses incurred in relation to these investment properties amounted to ₱0.1 million in 2020, ₱0.1 million in 2019 and ₱0.4 million in 2018.

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

None of the investment properties were pledged as a security to obligations as of December 31, 2020 and 2019.



## 17. Other Noncurrent Assets

This account consists of:

	2020	2019
Contract asset- net of noncurrent portion (Note 8)	₱978,481,350	₱493,848,199
Intellectual property rights (Note 15)	523,103,000	523,103,000
Deferred input VAT	150,221,650	181,103,198
Student relationship (Note 15)	78,824,857	101,135,343
Miscellaneous deposit	29,321,863	27,489,054
Computer software	13,234,817	15,872,318
Interest-bearing trade receivables - net of current portion (Note 7)	2,768,265	51,479,840
Receivable from EEI-RFI - net of current portion (Note 7)	-	23,000,000
Others	86,235,659	88,493,443
	<b>₱1,862,191,461</b>	<b>₱1,505,524,395</b>

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.

Rollforward of Computer software follows:

	2020	2019
<b>Cost</b>		
Balance at beginning of year	₱139,735,882	₱131,540,217
Additions	4,515,025	8,195,665
Reclassification	(113,875)	-
Balance at end of year	144,137,032	139,735,882
<b>Accumulated Amortization</b>		
Balance at beginning of year	123,863,564	117,241,991
Amortization (Note 30)	7,038,651	6,621,573
Balance at end of year	130,902,215	123,863,564
<b>Net Book Value</b>	<b>₱13,234,817</b>	<b>₱15,872,318</b>

As of December 31, 2020, the average remaining useful of the software is two (2) year.

## 18. Accounts Payable and Other Current Liabilities

This account consists of:

	2020	2019
Accounts payable	₱7,725,459,889	₱7,206,088,780
Deferred output taxes	411,024,600	470,071,993
Accrued expenses	239,891,188	334,851,087
Provisions (Note 35)	159,266,271	154,307,388
Withholding taxes and others	89,598,081	82,850,499

(Forward)



	2020	2019
Output tax payable	₱47,586,547	₱69,703,441
Dividends payable	19,613,877	378,640
Subscriptions payable	13,125,000	13,125,000
SSS and other contributions	11,840,694	10,937,385
Chattel mortgage payable	10,249,382	12,906,807
Payable to Land Transportation Office	4,919,430	4,427,438
Deferred income	3,707,011	2,348,003
Others	41,990,911	50,086,080
	<b>₱8,778,272,881</b>	<b>₱ 8,412,082,541</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:

	2020	2019
Accrued salaries and wages	₱70,658,629	₱99,784,432
Accrued interest	36,148,858	25,193,482
Accrued insurance	24,094,116	24,387,237
Accrued professional fees	21,514,578	15,210,248
Accrued security services	18,711,311	10,673,278
Accrued utilities	7,762,397	8,453,023
Others	61,001,299	151,149,387
	<b>₱239,891,188</b>	<b>₱334,851,087</b>

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

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

## 19. Loans Payable

This account consists of:

	2020	2019
Unsecured bank loans	₱7,607,000,000	₱8,085,000,000
Secured bank loans	375,000,000	308,800,000
	<b>₱7,982,000,000</b>	<b>₱8,393,800,000</b>

### Unsecured

Unsecured bank loans are obtained from local banks and related party financial institutions with annual interest rates ranging from 3.50% to 5.50% and 3.40% to 6.25% in 2020 and 2019, respectively.



Secured

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

The Group, through MCMI, also obtained short-term loans from Land Bank of the Philippines (LBP) in 2020 and 2019 amounting to ₱57.3 million and ₱15.0 million, respectively, with annual interests ranging from 4.70% to 6.25%. The loans are secured by the land owned by MCMI (Note 13).

Outstanding balance of short-term loans obtained by MCMI amounted to ₱375.0 million and ₱308.8 million as at December 31, 2020 and 2019, respectively.

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

	2020	2019
Balance at beginning of year	₱8,393,800,000	₱10,519,000,000
Availments	16,574,230,000	15,760,000,000
Payments	(16,986,030,000)	(17,885,200,000)
Balance at end of year	₱7,982,000,000	₱8,393,800,000

Interest expense incurred on these loans amounted to ₱434.3 million, ₱561.6 million and ₱309.3 million in 2020, 2019 and 2018, respectively.

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## 20. Long-term Debt

This account consists of:

	2020	2019
Fixed-rate corporate promissory notes	₱5,204,857,924	₱2,446,428,571
Fixed-rate term loan	2,215,444,212	2,245,260,555
	7,420,302,136	4,691,689,126
Less current portion of long-term debt	2,302,998,099	1,385,714,285
	₱5,117,304,037	₱3,305,974,841

Parent Company

On December 16, 2015, the Parent Company acquired from BPI loan amounting ₱500.0 million, payable within five (5) years. The proceeds of the loan were used for general financing requirements and working capital purposes. In 2020, the loan was fully settled.

EEI

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



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

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

On November 11, 2019, the Group received ₱909 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 3.90%. The promissory note matures within three (3) years from the date of issuance. The proceeds from the promissory notes were used for general corporate and project financing requirements.

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

On November 23, 2020, the Group received ₱1,000.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 3.25%. The promissory note matures within three (3) years from the date of issuance.

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

#### EEI Power Corporation

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

#### Biotech JP

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

On October 1, 2018, the Biotech JP obtained an unsecured 4.5 year long-term loan from Biotech Japan Corporation that bears an annual interest rate of 0.30%. The loan is payable in five equal annual installments and will mature on March 31, 2021.

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

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

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

Interest expense incurred on these corporate notes amounted to ₱9.6 million, ₱12.3 million and ₱15.7 million in 2020, 2019 and 2018, respectively.



### IPO

IPO, through NTC, entered into a 10-year unsecured term loan facility with a third party local bank for ₱650.0 million to finance its building refurbishment and/or expansion. The principal payments will be made in 28 quarterly payments starting May 2022. Total drawdown from the long-term loan facility amounted to ₱380.0 million in 2019, which are subject to annual interest rate of 4.675% with 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 2019, the IPO Group, through MCMI, entered into a ten-year secured long-term loan agreement with a local bank for ₱1,500.0 million to refinance the construction of MCMI's school buildings and facilities that were initially funded by short-term loans. MCMI made partial drawdowns against this agreement amounting to ₱680.0 million, ₱350.0 million and ₱470.0 million in January, June and July 2019, respectively. The loans were subject to prevailing borrower's rate, plus a minimum spread of 0.50% per annum, but in no case lower than 4% per annum, subject to quarterly repricing. MCMI shall repay the loan in 20 equal quarterly installments to start at the end of 21st quarter from the initial drawdown date. The loans were secured by the land and related improvements owned by MCMI with carrying value of ₱2,361.5 million and ₱2,376.8 million as of December 31, 2020 and 2019, respectively, and suretyship of MESI.

Movements in the account follow:

	2020	2019
Balance at beginning of year	<b>₱4,691,689,126</b>	₱2,795,238,096
Availments	<b>4,114,134,660</b>	2,862,403,404
Payments	<b>(1,387,893,054)</b>	(965,952,374)
Amortization of transaction costs	<b>2,371,404</b>	-
Balance at end of year	<b>7,420,302,136</b>	4,691,689,126
Less current portion	<b>(2,302,998,099)</b>	(1,385,714,285)
	<b>₱5,117,304,037</b>	₱3,305,974,841

Interest expense incurred on these loans amounted to ₱159.4 million, ₱124.1 million and ₱139.4 million in 2020, 2019 and 2018, respectively.

The aforementioned loans require the Group to maintain certain financial ratios such as debt to equity ratio, current ratio and debt service coverage ratio calculated based on stipulation with the lender banks. As of December 31, 2020, and 2019, the Group was in compliance with the loan covenants.

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## 21. EEI's Stock Option Plan

The EEI's stock option plan, as amended (Amended Plan), had set aside 35 million common shares for stock options available to regular employees, officers and directors of the Parent Company and its subsidiaries.

Under the Amended Plan, the option or subscription price must be equal to the book value of the EEI's common stock but not less than 80% of the average market price quoted in PSE for five trading days immediately preceding the grant, but in no case less than the par value. The option or subscription price should be paid over a period of five years in 120 equal semi-monthly installments. Shares acquired under the Amended Plan are subject to a holding period of one year.



A summary of the plan availments is shown below:

	Number of Shares
Shares allocated under the Original Stock Option Plan	19,262,500
Shares allocated under the Amended Stock Option Plan	15,737,500
<b>Total shares allocated</b>	<b>35,000,000</b>
Shares subscribed under the Original Stock Option Plan	19,365,815
Shares subscribed under the Amended Stock Option Plan	10,886,188
<b>Total shares subscribed</b>	<b>30,252,003</b>
<b>Shares allocated at end of year</b>	<b>4,747,997</b>

The EEI opted to avail the exemption in PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*, from applying PFRS 2 upon adoption on January 1, 2005 as it allows non-adoption of PFRS 2 for equity instruments that were granted on or before November 7, 2002. Since 2000, there were no shares under the stock option plan that were granted, forfeited, exercised and expired.

No benefit expense is recognized relative to the shares issued under the stock option plan. When options are exercised, these are treated as capital stock issuances.

## 22. Related Party Transactions

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

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

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

Category	2020		Terms	Conditions
	Amount/ Volume	Outstanding Balance Receivable (Payable)		
<b>Parent Company - PMMIC</b>				
a. Accounts payable	<b>₱3,513</b>	<b>(₱3,284)</b>	Noninterest-bearing	Unsecured
Miscellaneous expenses incurred	<b>3,513</b>	-		
<b>Associates</b>				
c. Dividends earned	<b>152,760</b>	<b>3</b>	Noninterest-bearing	Unsecured, no impairment
d. Receivables from related parties	-	<b>1,702</b>	Noninterest-bearing	Unsecured
Rendering management and audit services	<b>1,854</b>	-		
Rendering of services	-	<b>33,357</b>		
e. Due to related parties	<b>126,417</b>	-	Noninterest-bearing	Unsecured

(Forward)



2020				
Category	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
f. Subscriptions payable	₱-	(₱9,375)	Noninterest-bearing	Unsecured
<b>Other affiliates</b>				
g. Sale of property	3,238	38,000	Interest-bearing, 5% per annum	Unsecured
Lease of property	(70,918)	-	Non-interest bearing	Unsecured
<b>Entities under common control</b>				
h. Cash and cash equivalents	-	2,713,594	Interest-bearing at prevailing bank deposit rates	Unrestricted
Interest earned	18,656	-		
Trust fees	5,670	-		
i. Accounts receivable - Trade	310,209	64,733	Noninterest-bearing	Unsecured, no impairment
Sale of vehicles	77,514	-		
Agency fee income earned	53,330	-		
j. Dividends earned	306	-		
k. Receivables from related parties	2,690	51,982	Noninterest-bearing	Unsecured, no impairment
Rendering janitorial service	225,921	-		
Other income earned	(382)	357		
Audit fee income earned	2,690	-		
l. Management fee receivable	-	55,290	Noninterest-bearing	Unsecured, no impairment
Rendering management services	104,582	-		
m. Accounts payable and accrued expenses	-	171	Noninterest-bearing	Unsecured, no impairment
Rental of office space	6,500	-		
n. Insurance expense	12,803	-		
<b>Entities with significant influence</b>				
o. Management fee receivable	10,530	-		
Due to related parties	-	10,214	Noninterest-bearing	Unsecured, no impairment
2019				
Category	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
<b>Parent Company - PMMIC</b>				
a. Accounts payable	₱989	(₱357)	Noninterest-bearing	Unsecured
Miscellaneous expenses incurred	989	-		
b. Dividends declared	27,868	-		
<b>Associates</b>				
c. Dividends receivable		30,000	Noninterest-bearing	Unsecured, no impairment
Dividends earned	129,100	-		
d. Receivables from related parties	-	305	Noninterest-bearing	Unsecured
Rendering management and audit services	1,755	2,999		
Rendering of services	-	23,952		
Extension of advances	797,451	3,402		
e. Due to related parties	(126,417)	(126,417)	Noninterest-bearing	Unsecured
f. Subscriptions payable	-	(9,375)	Noninterest-bearing	Unsecured

(Forward)



		2019		
Category	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
<b>Other affiliates</b>				
g. Rendering of construction services	₱7,058	₱76,112	Interest-bearing, 5% per annum	Unsecured
Sale of property	5,678	78,000	Interest-bearing, 5% per annum	Unsecured
Lease of property	(67,541)	-	Non-interest bearing	Unsecured
Extension of advances	-	68		
<b>Entities under common control</b>				
h. Cash and cash equivalents	-	2,073,885	Interest-bearing at prevailing bank deposit rates	Unrestricted
Interest earned	32,582	-		Unsecured, no impairment
i. Accounts receivable	-	108,582	Noninterest-bearing	Unsecured, no impairment
Sale of vehicles	161,898	-		
Agency fee income earned	55,584	-		
j. Dividends earned	29	-		Unsecured, no impairment
k. Commission receivable	-	392	Noninterest-bearing	Unsecured, no impairment
Commission earned	133	-		
l. Receivables from related parties	-	70,930	Noninterest-bearing	Unsecured, no impairment
Rendering janitorial service	392,037	-		
Other income earned	416	-		
Audit fee income earned	2,858	-		Unsecured, no impairment
m. Management fee receivable	-	55,985	Noninterest-bearing	Unsecured, no impairment
Rendering management services	131,559	-		
n. Accounts payable and accrued expenses	-	96	Noninterest-bearing	Unsecured
Rental of office space	7,312	-		
o. Insurance expense	12,577	-		

**Parent Company - PMMIC**

- a. Accounts payable to PMMIC pertains to unpaid expenses on shared costs such as legal expenses which are included under "Miscellaneous expense". Accounts payable to PMMIC as at December 31, 2020 and 2019 amounted to ₱3.3 million and ₱0.4 million, respectively.
- b. Dividends declared in 2020 and 2019 by the Parent Company amounted to ₱0.01 million and ₱63.3 million, respectively (Note 40). There were no outstanding dividends payable to PMMIC as at December 31, 2020 and 2019.

**Associates**

- c. In 2020 and 2019, dividend income earned from associates amounted to ₱152.8 million and ₱129.1 million, respectively. Outstanding dividends receivable from associates as at December 31, 2020 and 2019 amounted to ₱14.3 million and ₱30.0 million, respectively.
- d. Receivable from related parties arises from services rendered by the Parent Company and EEI to its associates. These services include management consultancy, internal audit fees and extension of advances. As at December 31, 2020 and 2019, the Group has an outstanding receivable from its associates amounting ₱35.1 million and ₱123.2 million, respectively. Management fee income charged to associates is fixed per month while audit fee income depends on the audit engagement letter agreed by both parties.



- e. Due to related parties pertains to advances extended by EEI Limited to ARCC. As at December 31, 2020 and 2019, the Group has an outstanding payable to its associates amounting nil and ₱126.4 million, respectively.
- f. Outstanding subscription payable to an associate amounted to ₱9.4 million as at December 31, 2020 and 2019.

Other affiliates

- g. In 2013, EEI was contracted by PWEI for the construction of 18 units WTG foundations, roadways and temporary landing pad intended for the 36MW Nabas Wind Power Project (NWPP) in Nabas, Aklan for ₱1,100.0 million. The project was completed on April 30, 2015.

The outstanding receivables amounted to nil and ₱76.1 million as of December 31, 2020 and 2019, respectively.

In 2006, EEI sold parcels of land to EEI Retirement Fund, Inc. (EEI-RFI), a trustee of the EEI employees retirement fund. EEI-RFI is managed by RCBC Trust and Investment Division. The parcels of land sold are located in Manggahan, Quezon City and Bauan, Batangas (Note 13). Interest income recognized from the receivables from EEI-RFI is disclosed in Note 24. The receivables bear interest of 5% per annum in 2020, 2019 and 2018.

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

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

Outstanding receivables amounted to ₱38.0 million and ₱78.0 million as of December 31, 2020 and 2019 respectively (Notes 7 and 17). Interest income earned from receivable from EEI-RFI amounted to ₱3.2 million, ₱5.7 million and ₱7.7 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Entities under common control of PMMIC

- h. The Group maintains cash and cash equivalents with RCBC, an entity under common control. As at December 31, 2020 and 2019, cash and cash equivalents with RCBC amounted to ₱2,713.6 million and ₱2,073.9 million, respectively. The related deposits earn interest at the prevailing bank deposit rates. Interest income earned from cash and cash equivalents amounted to ₱18.7million, ₱32.6 million and ₱17.7 million in 2020, 2019 and 2018, respectively.
- i. The Group generates income by providing security services at a 20% mark-up to entities under common control. In 2020, 2019 and 2018, the Group's agency fee income is attributable to security services provided to majority of RCBC branches in the country. As at December 31, 2020 and 2019, the Group's accounts receivable from RCBC amounted to ₱43.9 million and ₱50.8 million, respectively. Agency fees amounted to ₱53.3 million, ₱55.6 million and ₱49.2 million in 2020, 2019 and 2018, respectively.

The Group sold vehicle units to various entities under common control of PMMIC with terms ranging from 30-60 days. The outstanding receivable from the sale amounted to ₱20.8 million and ₱57.8 million as at December 31, 2020 and 2019 respectively. Revenues from motor vehicle



sales amounted to ₱77.5 million, ₱161.9 million and ₱85.4 million in 2020, 2019 and 2018, respectively.

- j. Dividend income earned in 2020, 2019 and 2018 from entities under common control of PMMIC amounted to ₱0.31 million, ₱0.03 million and ₱0.03 million, respectively. Dividends were all collected in 2020 and 2019.
- k. The Group earns commission income from insurance referrals to all insurance affiliate. As at December 31, 2020 and 2019, commission receivables amounted to nil and ₱0.39 million, respectively. Commission income amounted to nil, ₱0.1 million and ₱0.1 million in 2020, 2019, and 2018, respectively.
- l. Receivable from related parties arises mainly from janitorial services rendered by EEI (GAMSI) to the Group's affiliates. The service revenue earned from janitorial serviced rendered in 2020, 2019 and 2018 amounted to ₱225.9 million, ₱392.0 million and ₱429.2 million, respectively.
- m. One of the subsidiaries entered into various agreements with entities under common control to perform property and project management services. Receivable from this transaction is accounted under "Management fee receivable". The Group's outstanding receivable from property and project management fees amounted to ₱55.3 million and 55.9 million as at December 31, 2020 and 2019, respectively. Services fees amounted to ₱104.6 million, ₱131.6 million and ₱133.3 million in 2020, 2019 and 2018, respectively.
- n. Payable to an entity under common control pertains to rental of office space and share in the utilities expense of the Group amounting to ₱0.1 million and ₱0.1 million as at December 31, 2020 and 2019, respectively.
- o. IPO and EEI obtains property and personnel insurance from its affiliated insurance company, Malayan Insurance Company, Inc. (MICO). Insurance contract coverage pertains to Group's fire, accident, group and other insurance policies. No outstanding payable in 2020 and 2019.
- p. In 2020, payable to an entity with significant influence mainly pertains to management fees charged for the administration of the operations of IPO amounting to ₱10.2 million.

The Group maintains its retirement fund with RCBC trust division. As at December 31, 2020 and 2019, the fair values of the plan assets of the retirement fund amounted to ₱1,620.4 million and ₱1,548.9 million, respectively (Note 32). Trust fees amounting to ₱6.2 million, ₱5.1 million and ₱5.0 million were recognized by the retirement plan arising from its transactions with RCBC for the years ended December 31, 2020, 2019 and 2018, respectively.

*Remuneration of key management personnel*

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

	2020	2019	2018
Compensation and short-term benefits	<b>₱422,792,086</b>	₱328,537,483	₱295,874,351
Post-employment benefits	<b>28,962,153</b>	52,506,507	13,748,867
	<b>₱451,754,239</b>	₱381,043,990	₱309,623,218

*Terms and conditions of transactions with related parties*

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. These mainly consist of advances and reimbursement of expenses. The Group has not recognized any impairment on



amounts due from related parties for the years ended December 31, 2020 and 2019. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

*Identification, review and approval of related party transactions*

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

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

### 23. Revenue from Contracts with Customers

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

	2020	2019	2018
Revenue from construction contracts	<b>₱12,631,990,026</b>	₱21,360,242,366	₱20,262,488,228
Sales of goods	<b>3,810,574,547</b>	7,040,475,333	7,884,084,729
Schools and related operations	<b>3,017,106,523</b>	2,996,772,925	1,807,593,037
Manpower	<b>555,262,502</b>	669,811,598	625,826,773
Power generation	<b>118,446,748</b>	348,840,955	411,113,436
Others	<b>1,042,694,711</b>	1,713,698,126	1,355,236,119
	<b>₱21,176,075,057</b>	₱34,129,841,303	₱32,346,342,322

Others comprised mainly of revenues from property management and car repairs and maintenance services.

*Disaggregation of Revenues from construction contracts:*

	2020	2019	2018
Infrastructure	<b>₱6,503,627,515</b>	₱11,344,227,918	₱10,657,941,730
Building	<b>4,113,537,063</b>	6,479,980,648	5,843,255,741
Electro-mechanical	<b>1,570,133,485</b>	2,685,576,381	2,412,682,797
Industrial	<b>444,691,963</b>	850,457,419	1,348,607,960
	<b>₱12,631,990,026</b>	₱21,360,242,366	₱20,262,488,228

*Disaggregation of Revenues from sale of goods:*

	2020	2019	2018
Merchandise sales	<b>₱3,777,839,060</b>	₱6,951,914,939	₱7,820,392,682
Real estate sales	<b>32,735,487</b>	87,899,956	63,237,940
Rent income	-	660,438	454,107
	<b>₱3,810,574,547</b>	₱7,040,475,333	₱7,884,084,729



*Disaggregation of Revenue from schools and related operations:*

	2020	2019	2018
Tuition and other matriculation fees	<b>₱2,950,748,493</b>	₱2,829,934,217	₱1,671,496,122
Other student-related income:			
Bookstore sales	7,589,123	50,654,978	39,828,321
Seminar fee income	4,352,513	16,572,886	14,335,836
Others	54,416,394	99,610,844	81,932,758
	<b>₱3,017,106,523</b>	₱2,996,772,925	₱1,807,593,037

Performance obligations

The Group recognized revenue amounting to ₱12.2 billion and ₱16.5 billion in 2020 and 2019, respectively, from performance obligations partially satisfied in the previous periods.

Information about the Group's performance obligations are summarized below:

The transaction price allocated to the remaining performance obligations of the Group (unsatisfied or partially unsatisfied) that have an original expected duration of more than one year as at December 31 are as follows:

	2020	2019	2018
Within one year	<b>₱12,653,212,583</b>	₱8,803,236,672	₱4,646,334,288
More than one year	30,942,788,536	47,698,616,553	2,379,773
	<b>₱43,596,001,119</b>	₱56,501,853,225	₱4,648,714,061

**24. Other Income - Net**

This account consists of:

	2020	2019	2018
Dividend income	<b>₱37,855,583</b>	₱54,808,659	₱954,613
Interest income	36,588,692	60,989,962	59,012,581
Gain on sale of assets	15,059,741	101,940,621	24,981,758
Space and car rental	8,658,371	-	-
Commission income	7,142,857	-	-
Rental income	6,418,072	25,194,574	42,195,891
Income from reversal of impairment	5,237,506	-	40,702
Tax refund/discount	249,490	4,804,879	392,721
Foreign exchange gain (loss)	(49,676,282)	(38,607,477)	56,505,871
Miscellaneous	61,234,103	16,156,116	35,884,277
	<b>₱128,768,133</b>	₱225,287,334	₱219,968,414

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

	2020	2019	2018
Property and equipment (Note 13)	<b>₱14,855,241</b>	₱101,530,669	₱17,058,635
Investment properties (Note 16)	204,500	409,952	7,923,123
	<b>₱15,059,741</b>	₱101,940,621	₱24,981,758



Interest income consists of income from:

	2020	2019	2018
Savings deposit and short-term investments (Note 6)	<b>₱25,104,821</b>	₱37,191,409	₱17,532,694
Receivable from EEI-RFI (Notes 7, 17 and 22)	<b>3,237,599</b>	5,677,703	7,671,131
Installment contract receivable	<b>2,288,438</b>	10,647,486	19,396,680
Others	<b>5,957,834</b>	7,473,364	14,412,076
	<b>₱36,588,692</b>	₱60,989,962	₱59,012,581

In 2020, 2019 and 2018, certain payables that were long-outstanding amounting to ₱5.24 million, nil, and ₱0.04 million, respectively, were written-off and recognized as other income. Based on management's assessment, the settlement of these payables are remote.

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

## 25. Costs of Sales and Services

This account consists of:

	2020	2019	2018
Cost of services (Note 27)			
Cost of construction contracts	<b>₱15,038,354,818</b>	₱18,825,368,263	₱17,774,856,638
Cost of manpower and other services	<b>1,125,289,917</b>	1,905,955,718	1,716,344,334
	<b>16,163,644,735</b>	20,731,323,981	19,491,200,972
Cost of goods sold			
Cost of merchandise sold (Note 26)	<b>3,624,366,462</b>	6,543,465,005	7,243,611,097
Cost of real estate sold (Note 9)	<b>22,465,250</b>	60,914,479	38,321,997
	<b>3,646,831,712</b>	6,604,379,484	7,281,933,094
Cost of tuition and other fees (Note 28)	<b>2,015,408,058</b>	2,038,844,353	1,279,402,975
	<b>₱21,825,884,505</b>	₱29,374,547,818	₱28,052,537,041

## 26. Cost of Merchandise Sold

This account consists of (Notes 9 and 25):

	2020	2019	2018
Inventory, beginning	<b>₱2,122,740,026</b>	₱2,465,032,904	₱809,783,825
Purchases	<b>3,149,623,135</b>	6,185,829,667	8,890,747,762
Total goods available for sale	<b>5,272,363,161</b>	8,650,862,571	9,700,531,587
Less inventory end	<b>1,657,262,683</b>	2,122,740,026	2,465,032,904
Cost of inventories sold	<b>3,615,100,478</b>	6,528,122,545	7,235,498,683
Personnel expenses	<b>5,957,078</b>	7,547,944	5,171,961
Others	<b>3,308,906</b>	7,794,516	2,940,453
	<b>₱3,624,366,462</b>	₱6,543,465,005	₱7,243,611,097



## 27. Cost of Services

	2020	2019	2018
Cost of construction contracts (Note 25)			
Labor	₱6,592,720,054	₱5,918,411,505	₱6,725,263,743
Materials	4,745,558,101	6,909,445,920	2,669,585,470
Equipment costs and others	3,182,242,113	5,449,447,595	7,846,306,554
Depreciation and amortization (Notes 13, 14 and 29)	517,834,550	548,063,243	533,700,871
	<b>15,038,354,818</b>	18,825,368,263	17,774,856,638
Cost of manpower and other services (Note 25)			
Personnel expenses	626,705,529	808,871,227	779,402,074
Materials	238,395,229	460,667,622	432,461,177
Parts and accessories	98,867,614	319,374,007	277,309,550
Depreciation and amortization (Notes 13, 14 and 29)	13,483,485	85,027,698	48,899,227
Others	147,838,060	232,015,164	178,272,306
	<b>1,125,289,917</b>	1,905,955,718	1,716,344,334
	<b>₱16,163,644,735</b>	₱20,731,323,981	₱19,491,200,972

## 28. Cost of Tuition and Other Fees

This amount consists of:

	2020	2019	2018
Personnel expenses	₱1,037,807,796	₱927,213,682	₱608,761,306
Depreciation and amortization (Notes 13, 14, 16 and 17)	372,612,389	336,843,147	187,605,487
Management and other professional fees	129,207,556	166,467,504	113,974,424
Student-related expenses	100,529,199	216,292,493	110,314,055
Periodicals	89,553,547	40,197,909	21,693,225
IT expense - software license	76,467,455	45,668,629	36,622,759
Utilities	61,547,432	128,761,390	84,042,240
Accreditation cost	31,681,806	11,121,935	8,951,062
Repairs and maintenance	20,049,447	34,663,605	15,720,212
Advertising	18,478,261	19,696,101	19,901,017
Tools and library books (Note 13)	17,587,086	33,969,025	26,333,830
Research and development fund	10,738,408	16,210,975	8,806,118
Insurance	10,600,753	10,100,644	7,350,745
Taxes and licenses	7,320,662	2,880,056	1,527,092
Seminar	7,266,635	16,769,308	12,667,874
Office supplies	6,437,394	16,083,800	7,405,855
Laboratory supplies	3,727,810	7,955,109	3,810,433
Entertainment, amusement and recreation	1,209,702	1,375,485	510,375
Transportation and travel	917,313	2,162,552	1,844,524
Rent	183,544	430,020	205,301
Miscellaneous	11,483,863	3,980,984	1,355,041
	<b>₱2,015,408,058</b>	₱2,038,844,353	₱1,279,402,975



## 29. General and Administrative Expenses

This account consists of:

	2020	2019	2018
Personnel expenses	<b>₱1,349,418,384</b>	₱1,118,817,633	₱929,513,234
Depreciation and amortization (Notes 13, 14, 17 and 30)	<b>465,198,753</b>	396,206,316	219,409,779
Taxes and licenses	<b>313,930,251</b>	315,799,454	203,665,580
Rent, light and water	<b>107,830,247</b>	132,347,524	256,172,009
Provision for probable losses on loans and accounts receivables and contract assets (Notes 7, 8 and 22)	<b>148,263,273</b>	47,745,804	331,816,497
Management and other fees	<b>87,769,526</b>	67,963,961	47,631,687
Repairs and maintenance	<b>84,500,850</b>	96,939,658	44,588,159
Professional fees	<b>80,527,537</b>	73,134,515	77,936,754
Transportation and travel	<b>74,627,404</b>	100,003,901	92,599,351
Securities and utilities	<b>72,986,778</b>	56,933,309	51,715,038
Advertising and promotions	<b>41,805,526</b>	41,208,673	59,361,741
Insurance	<b>31,513,021</b>	29,347,397	24,814,252
Entertainment, amusement and recreation	<b>28,478,722</b>	57,880,809	56,707,083
Commissions	<b>23,715,324</b>	22,199,733	22,686,652
Provision for inventory obsolescence (Note 9)	<b>21,960,851</b>	21,533,760	25,567,947
Seminars	<b>19,061,446</b>	14,838,297	3,176,366
Office expenses	<b>14,611,586</b>	25,505,879	21,738,960
Donations and contributions	<b>12,020,323</b>	13,182,360	12,200,117
Selling expenses	<b>4,266,581</b>	6,327,424	18,647,870
Provision for impairment	<b>3,001,773</b>	45,474,203	2,301,307
Loss on damaged properties	<b>16,410</b>	-	-
Accreditation cost	-	60,313	89,679
Miscellaneous	<b>113,062,959</b>	135,513,379	148,905,722
	<b>₱3,098,567,525</b>	₱2,818,964,302	₱2,651,245,784

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

Below are the details of net provision for probable losses on loans receivable and accounts receivable (Note 7):

	2020	2019	2018
Provision			
Receivable	<b>₱105,623,601</b>	₱53,328,702	₱1,012,516
Write-off of consultancy fee receivable	-	-	330,335,559
Loans receivable	-	-	468,422
	<b>₱105,623,601</b>	₱53,328,702	₱331,816,497



### 30. Depreciation and Amortization

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

	2020	2019	2018
Cost of sales and services			
Construction contracts (Note 27)	₱517,834,550	₱548,063,243	₱533,700,871
Tuition and other fees (Note 28)	372,612,389	336,843,147	187,605,487
Manpower and other services (Note 27)	13,483,485	85,027,698	48,899,277
Capitalized as part of cost of inventories	-	-	554,093
	<b>903,930,424</b>	969,934,088	770,759,728
General and administrative expenses (Note 29)	465,198,753	396,206,316	219,409,779
	<b>₱1,369,129,177</b>	₱1,366,140,404	₱990,169,507

Depreciation and amortization for the different assets follow:

	2020	2019	2018
Property and equipment (Note 13)	₱1,141,943,922	₱1,112,635,318	₱982,974,860
Right-of-use asset (Note 14)	220,146,604	246,866,013	-
Computer software (Note 17)	7,038,651	6,621,573	6,848,413
Investment property (Note 16)	-	17,500	346,234
	<b>₱1,369,129,177</b>	₱1,366,140,404	₱990,169,507

### 31. Interest and Finance Charges

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

	2020	2019	2018
Long-term debt (Note 20)	₱159,410,033	₱124,062,908	₱92,904,155
Loans payable (short-term) (Note 19)	434,306,860	561,555,227	358,786,552
Lease liabilities (Note 14)	107,042,613	79,459,539	-
Advances to affiliates and other finance charges (Note 22)	11,811,591	15,532,583	4,060,882
	<b>₱712,571,097</b>	₱780,610,257	₱455,751,589

### 32. Retirement Plan

The Group has funded, noncontributory retirement plans (the Plans) for all of its regular employees, in compliance with RA No. 7641, The New Retirement Pay Law. The Plans provide for normal, early retirement, death and disability benefits. The most recent actuarial valuation was made for the Group's retirement plans as of December 31, 2020.



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

	2020	2019
Retirement liabilities	<b>₱611,599,429</b>	₱457,836,487
Retirement assets	<b>4,726,582</b>	18,289,597
Net retirement liabilities	<b>606,872,847</b>	439,546,890
Net retirement expenses	<b>186,330,471</b>	124,715,271

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

	2020	2019	2018
Current service cost	<b>₱180,066,728</b>	₱117,938,111	₱128,964,699
Net interest cost	<b>19,356,338</b>	6,777,160	5,152,317
Past service cost	<b>(7,488,530)</b>	-	(1,779,531)
Actuarial gain on settlement	<b>(5,604,065)</b>	-	-
	<b>₱186,330,471</b>	₱124,715,271	₱132,337,485

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

<i>Net retirement liabilities</i>	2020	2019
Present value of defined benefit obligation	<b>₱2,175,645,385</b>	₱1,948,334,688
Fair value of plan assets	<b>(1,564,045,956)</b>	(1,490,498,201)
	<b>₱611,599,429</b>	₱457,836,487

<i>Net retirement assets</i>	2020	2019
Present value of defined benefit obligation	<b>₱51,603,000</b>	₱37,445,007
Fair value of plan assets	<b>(56,484,000)</b>	(57,957,371)
Effect of asset ceiling	<b>154,418</b>	2,222,767
	<b>(₱4,726,582)</b>	(₱18,289,597)

The movements in the net retirement liability follow:

	2020	2019
Balance at beginning of year	<b>₱439,546,890</b>	₱112,957,899
Net retirement expense	<b>186,330,471</b>	135,946,303
Remeasurement loss	<b>148,660,020</b>	317,906,260
Adjustment to defined benefit obligation	<b>17,576,834</b>	23,278,771
Derecognition	<b>(224,503)</b>	-
Benefit paid	<b>(5,630,563)</b>	-
Contributions	<b>(179,386,302)</b>	(147,248,479)
Withdrawal of plan asset	-	(3,293,864)
Balance at end of year	<b>₱606,872,847</b>	₱439,546,890



The movements in the present value of defined obligation follow:

	2020	2019
Balance at beginning of year	₱1,988,485,244	₱1,399,830,973
Current service cost	181,473,856	119,094,029
Remeasurement loss	164,004,573	323,703,290
Interest cost on obligation	94,231,893	104,910,736
Gain on settlement	(5,604,065)	-
Past service cost	(7,488,530)	-
Reversal of defined benefit obligation	(14,785,084)	-
Derecognition	(16,690,967)	-
Benefits paid	(156,378,535)	(137,046,331)
New subsidiaries	-	174,483,709
Transfer from affiliates	-	3,508,838
<b>Balance at end of year</b>	<b>₱2,227,248,385</b>	<b>₱1,988,485,244</b>

The movements in the fair value of plan assets follow:

	2020	2019
Balance at beginning of year	₱1,548,938,354	₱1,286,873,075
Contributions	183,270,404	142,695,168
Asset return in net interest cost	75,324,201	99,112,880
Remeasurement gain	15,344,553	5,797,030
Derecognition	(16,446,464)	-
Adjustments to plan assets	(33,573,288)	117,605
Benefits paid	(152,482,222)	(127,654,322)
New subsidiaries	-	139,088,080
Transfer from affiliates	-	3,508,838
Withdrawal of plan assets	-	(600,000)
<b>Balance at end of year</b>	<b>₱1,620,375,538</b>	<b>₱1,548,938,354</b>

The Group derecognized the present value of defined benefit obligation and fair value of plan asset of the closed car dealership branches namely Honda Cars Fairview, Honda Cars Marikina, and Honda Cars Kalookan.

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

	2020	2019
Cash	₱473,097,185	₱312,759,829
Investment in government securities	727,163,282	785,172,322
Investments in shares of stock	327,580,235	311,852,866
Investments in other securities and debt instruments	82,941,015	134,693,827
Interest receivables and other receivables	14,856,362	13,268,786
Accrued trust fees and other payables	(5,262,541)	(8,809,276)
<b></b>	<b>₱1,620,375,538</b>	<b>₱1,548,938,354</b>

The Group expects to contribute ₱181.91 million to its defined benefit retirement plans in 2021.

The Retirement fund (Fund) of the Group is being maintained and managed, in trust, by RCBC Trust and Investment Group (TIG), an affiliate financial institution.



Trust fees paid in 2020, 2019 and 2018 amounted to ₱6.17 million, ₱5.20 million and ₱5.00 million, respectively.

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

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

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

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

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

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

In 2020, the Fund has investment in equity securities of related parties with fair values and accumulated loss of ₱93.17 million and ₱10.1 million, respectively.

In 2019, the Fund has investment in equity securities of related parties with fair values and accumulated gain of ₱99.0 million and ₱60.1 million, respectively.

In 2018, the Fund has investment in equity securities of related parties with fair values and accumulated gain of ₱120.2 million and ₱60.5 million, respectively.

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

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

	2020	2019
Discount rate		
Beginning	4.79%-5.54%	7.26%-7.38%
End	3.42%-6.00%	4.79%-5.54%
Future salary increases		
Beginning	3.00%-6.61%	3.00%-6.50%
End	3.00%-6.50%	3.00%-6.61%

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

	2020		2019	
	Increase (decrease)	Effect on defined benefit obligation	Increase (decrease)	Effect on defined benefit obligation
Discount rates	+50bps to +100bps	(₱227,516,665)	+50bps to +100bps	(₱329,123,394)
	-50bps to -100bps	396,070,475	-50bps to -100bps	388,635,316
Salary increase rates	+50bps to +100bps	415,504,646	+50bps to +100bps	474,793,299
	-50bps to -100bps	(239,653,997)	-50bps to -100bps	(386,285,183)



### 33. Income Taxes

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

	2020	2019	2018
Statutory income tax rate	<b>(30.00%)</b>	30.00%	30.00%
Add (deduct) reconciling items:			
Equity in net loss (earnings) of associates and joint venture	<b>(13.86)</b>	(0.66)	4.62
Movement of deferred income tax assets not recognized	<b>(1.01)</b>	(1.59)	-
Others	<b>2.02</b>	(5.97)	(4.62)
Effective income tax rate	<b>(42.85%)</b>	21.78%	30.00%

All companies in the Group are subject to the RCIT rate of 30%, except for MESI, MHSSI MCLI, MCMI, UNC, NTC and APEC which are subject to a lower tax rate of 10%.

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

	2020	2019
Net deferred income tax assets on a per subsidiary level:		
NOLCO	<b>₱1,305,283,658</b>	₱9,550,041
Remeasurement loss on defined benefit plans	<b>155,273,331</b>	129,563,769
Allowance for ECL, inventory, obsolescence and other expenses	<b>79,197,282</b>	36,120,706
Unrealized foreign exchange loss	<b>10,554,361</b>	9,192,817
Retirement	<b>6,926,610</b>	3,238,393
MCIT	<b>26,234,789</b>	10,440,784
Excess of right-of-use-assets over lease liability	<b>(15,357,951)</b>	(43,623,303)
Others	<b>12,284,682</b>	40,537,182
	<b>₱1,580,396,762</b>	₱195,020,389
Net deferred income tax liabilities on a per subsidiary level:		
Revaluation increment on land	<b>₱1,055,891,512</b>	₱795,578,682
Accrued expenses	<b>(15,430,739)</b>	89,474,043
Retirement	<b>(32,125,335)</b>	(18,883,312)
Others	<b>39,404,399</b>	157,360,861
	<b>₱1,047,739,837</b>	₱1,023,530,274

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

	2020	2019
Balance at beginning of year	<b>₱828,509,885</b>	₱405,471,104
Tax expense (income) recognized in:		
Other comprehensive income	<b>35,108,099</b>	452,743,111
Profit and loss	<b>(1,396,274,909)</b>	(29,704,330)
	<b>(₱532,656,925)</b>	₱828,509,885



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

	2020	2019
Allowance for ECL, inventory obsolescence and other expenses	<b>₱169,436,196</b>	₱119,304,699
NOLCO	<b>160,333,661</b>	85,601,553
MCIT	<b>6,090,550</b>	6,239,920
Accrued retirement expense	<b>1,005,000</b>	6,466,559
Others	<b>41,000</b>	794,385

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

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

Year incurred	Amount	Applied/Expired	Balance	Expiry Year
2020	₱4,372,873,806	₱-	₱ 4,372,873,806	2025

As of December 31, 2020, the amount of NOLCO incurred before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years:

Year incurred	Amount	Applied/Expired	Balance	Expiry Year
2019	₱30,586,211	₱436,657	₱30,149,554	2022
2018	46,936,501	22,168	46,914,333	2021
2017	31,932,649	31,932,649	-	2020
	<b>₱109,455,361</b>	<b>₱32,391,474</b>	<b>₱77,063,887</b>	

As of December 31, 2020, the amounts of MCIT still allowable as tax credit consist of:

Year incurred	Amount	Applied/Expired	Balance	Expiry Year
2020	₱15,757,849	₱-	₱15,757,849	2023
2019	14,444,622	-	14,444,622	2022
2018	2,122,868	-	2,122,868	2021
2017	113,214	113,214	-	2020
	<b>₱32,438,553</b>	<b>₱113,214</b>	<b>₱32,325,339</b>	

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

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



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

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax is repealed.

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

Applying the provisions of the CREATE Act, the Group would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020. This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020, which will be reflected in the Group's 2020 annual income tax return but will only be recognized for financial reporting purposes in its 2021 consolidated financial statements. This will result in lower deferred tax assets and liabilities as of December 31, 2020 and provision for deferred tax for the year then ended by ₱259.25 million. These reductions will be recognized in the 2021 consolidated financial statements.

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#### 34. 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*

	2020	2019	2018
Net income (loss)	(₱824,954,066)	₱974,033,430	₱848,267,992
Less dividends attributable to preferred shares	86,529	23,302,357	24,732,938
Net income (loss) applicable to common shares	(825,040,595)	950,731,073	823,535,054
Divided by the weighted average number of common shares	776,465,281	776,465,281	615,996,114
Basic earnings (loss) per share	(₱1.0626)	₱1.2244	₱1.3369



*Diluted earnings (loss) per share*

	2020	2019	2018
Net income (loss) applicable common share for basic earnings per share	<b>(₱825,040,595)</b>	₱950,731,073	₱823,535,054
Add dividends attributable to preferred shares	-	-	24,732,938
Net income (loss) applicable to common stockholders for diluted earnings per share	<b>(825,040,595)</b>	950,731,073	848,267,992
Weighted average number of shares of common stock	<b>776,465,281</b>	776,465,281	615,996,114
Dilutive shares arising from convertible preferred stock	-	-	164,942,770
Weighted average number of shares of common stock for diluted earnings per share	<b>776,465,281</b>	780,938,881	780,938,884
<b>Diluted earnings (loss) per share</b>	<b>(₱1.0626)</b>	<b>₱1.2244</b>	<b>₱1.0862</b>

In 2020 and 2019, the preferred stock conversion to common share has significantly reduced the number of potential common stock outstanding as of December 31, 2020 and 2019 making the options anti-dilutive, hence, no diluted earnings per share calculated. Thus, basic and diluted EPS are stated at the same amount.

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

	2020	2019	2018
Number of shares of common stock issued	<b>776,765,281</b>	776,765,281	616,296,114
Less treasury shares	<b>300,000</b>	300,000	300,000
	<b>776,465,281</b>	776,465,281	615,996,114

### 35. Contingencies and Commitments

#### Provisions and Contingencies

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

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



- b. Prior to 2018, the Group's provisions include the Group's recognized payable associated with the Faculty Associations of Mapua Institute of Technology (FAMIT) reranking case. This case involves the faculty ranking and evaluation instrument that was part of the 2001 Collective Bargaining Agreement negotiations with the FAMIT. The Supreme Court reversed an earlier Court of Appeals decision in favor of Management. An entry of judgment dated March 13, 2008 was made in the Supreme Court Book of Entries of Judgments, making the decision final and executory. A Memorandum of Agreement was entered into by management with FAMIT before the Voluntary Arbitrators wherein the parties agreed to continue the process of faculty ranking. The evaluation process was completed in December 2008.

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

As at December 31, 2018, total accumulated payments to faculty members amounted to ₱230.78 million. Management assessed that the liability already prescribed after applying the 10-year prescription period which ended in March 2018 (Note 18).



### 36. Non-controlling Interests

The summarized financial information attributable to non-controlling interests for significant subsidiaries as of and for the years ended December 31, 2020, 2019 and 2018 are as shown below:

	Honda Cars Kalookan, Inc. (HCKI) <sup>(a)</sup>			iPeople, inc. (IPO) and Subsidiaries <sup>(b)</sup>			EEI Corporation (EEI) and Subsidiaries <sup>(c)</sup>			La Funeraria Paz Sucat, Inc. (d)	
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019
<b>Assets</b>											
Current assets	<b>₱380</b>	₱671	₱777	<b>₱2,662</b>	₱2,316	₱1,007	<b>15,938</b>	₱18,223	₱12,536	<b>₱37</b>	₱29
Noncurrent assets	<b>122</b>	235	95	<b>13,050</b>	13,957	8,965	<b>10,955</b>	9,824	9,919	<b>97</b>	127
	<b>502</b>	906	872	<b>15,712</b>	16,273	9,972	<b>26,893</b>	28,047	22,455	<b>134</b>	156
<b>Liabilities and Equity</b>											
Current liabilities	<b>₱462</b>	₱665	₱739	<b>₱2,298</b>	₱3,464	₱3,310	<b>14,374</b>	₱15,023	₱12,514	<b>₱15</b>	₱29
Noncurrent liabilities	<b>58</b>	135	11	<b>2,922</b>	3,076	248	<b>6,111</b>	4,419	2,229	<b>34</b>	37
	<b>520</b>	800	750	<b>5,220</b>	6,540	3,558	<b>20,485</b>	19,442	14,743	<b>49</b>	66
<b>Revenue</b>	<b>₱1,175</b>	₱2,717	₱2,966	<b>₱3,017</b>	₱2,997	₱1,809	<b>13,881</b>	₱23,581	₱22,148	<b>₱84</b>	₱141
<b>Net income (loss)</b>	<b>(₱121)</b>	(₱6)	₱11	<b>₱242</b>	274	237	<b>(2,072)</b>	₱1,155	₱529	<b>₱4</b>	₱14
<b>Total comprehensive income (loss)</b>	<b>(₱124)</b>	(₱8)	₱9	<b>₱832</b>	232	581	<b>(2,197)</b>	₱1,070	₱1,081	<b>₱4</b>	₱15
<b>Share of NCI in net assets</b>	<b>(₱11)</b>	₱48	₱55	<b>₱4,336</b>	₱5,044	₱2,095	<b>3,083</b>	₱3,902	₱3,520	<b>₱32</b>	₱35
<b>Share of NCI in net income (loss)</b>	<b>(₱54)</b>	(₱3)	₱5	<b>₱127</b>	₱142	₱77	<b>(914)</b>	₱524	₱241	<b>₱2</b>	₱8
<b>Dividends paid</b>	<b>₱-</b>	₱3	₱11	<b>₱38</b>	₱23	₱59	<b>₱-</b>	₱94	₱-	<b>₱5</b>	₱5
<b>Operating</b>	<b>₱117</b>	₱142	₱109	<b>₱95</b>	₱988	₱556	<b>(2,418)</b>	₱991	(₱1,538)	<b>₱34</b>	₱31
<b>Investing</b>	<b>96</b>	(10)	4	<b>1,220</b>	(1,073)	(1,819)	<b>778</b>	(235)	(677)	<b>(15)</b>	(15)
<b>Financing</b>	<b>(205)</b>	(210)	(112)	<b>(1,152)</b>	651	1,218	<b>1,824</b>	(633)	2,581	<b>(17)</b>	(14)

(a) Proportion of ownership owned by non-controlling interests as of December 31, 2020 and 2019: 45.00%

(b) Proportion of ownership owned by non-controlling interests as of December 31, 2020 and 2019: 51.82%

(c) Proportion of ownership owned by non-controlling interests as of December 31, 2020 and 2019: 44.66% and 45.35%, respectively

(d) Proportion of ownership owned by non-controlling interests as of December 31, 2020 and 2019: 37.00%



*Material Partly-Owned Subsidiaries*

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

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

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

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

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

The Group recognized equity reserve from the changes in ownership amounting to a decrease by ₱18.75 million and an increase by ₱1,821.7 million in 2020 and 2019, 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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### 37. 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 generation, steel fabrication, real estate and others.



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

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

Car Dealership - represents automotive dealerships of the Group.

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

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

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

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

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

In 2020, revenues from two (2) customers from the construction and infrastructure segment each represents 10% or more of the Group's revenue. Following are the revenue contributed by each of these customers: ₱2,668 million and ₱2,384 million.

In 2019, revenues from two (2) customers from the construction and infrastructure segment each represents 10% or more of the Group's revenue. Following are the revenue contributed by each of these customers: ₱4,557 million and ₱3,144 million.

In 2018, revenues from two (2) customers from the construction and infrastructure segment each represents 10% or more of the Group's revenue. Following are the revenue contributed by each of these customers: ₱10,193 million and ₱2,667 million.



(Amounts in Millions)

	Construction and Infrastructure			Education			Car Dealerships			Property Management			Other Services			Elimination			Consolidation		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
<b>Revenue</b>	<b>₱13,881</b>	₱23,582	₱22,148	<b>₱3,017</b>	₱2,997	₱1,809	<b>₱4,155</b>	₱7,542	₱8,445	<b>₱225</b>	₱266	₱233	<b>₱322</b>	₱373	₱539	<b>(₱424)</b>	(₱629)	(₱866)	<b>₱21,176</b>	₱34,130	₱32,309
<b>Net Income attributable to share of parent</b>	<b>(₱2,046)</b>	₱1,156	₱533	<b>₱246</b>	₱255	₱211	<b>(₱114)</b>	(₱64)	₱41	<b>₱61</b>	₱89	₱90	<b>₱131</b>	₱1,033	₱319	<b>₱897</b>	(₱1,495)	(₱346)	<b>(₱825)</b>	₱974	₱848
<b>Other Information</b>																					
Segment assets	<b>₱26,893</b>	₱28,047	₱22,454	<b>₱15,712</b>	₱16,273	₱9,972	<b>₱2,686</b>	₱3,145	₱3,227	<b>₱223</b>	₱202	₱186	<b>₱9,165</b>	₱5,289	₱4,819	<b>(₱2,792)</b>	(₱959)	(₱1,058)	<b>₱51,885</b>	₱51,996	₱39,601
Deferred tax assets	<b>(1,471)</b>	(117)	(70)	<b>(32)</b>	(20)	(5)	<b>(26)</b>	(19)	(18)	<b>(4)</b>	(2)	(2)	<b>(79)</b>	(4)	(78)	<b>32</b>	(33)	34	<b>(1,580)</b>	(195)	(140)
Net segment assets	<b>₱25,422</b>	₱27,930	₱22,384	<b>₱15,680</b>	₱16,253	₱9,967	<b>₱2,660</b>	₱3,126	₱3,209	<b>₱219</b>	₱200	₱184	<b>₱9,086</b>	₱5,285	₱4,741	<b>(₱2,760)</b>	(₱992)	(₱1,024)	<b>₱50,305</b>	₱51,801	₱39,461
Segment liabilities	<b>₱20,485</b>	₱19,442	₱14,743	<b>₱5,220</b>	₱6,540	₱3,559	<b>₱1,505</b>	₱1,579	₱1,176	<b>₱176</b>	₱152	₱133	<b>₱2,835</b>	₱1,092	₱2,055	<b>(₱189)</b>	(₱303)	(₱236)	<b>₱30,031</b>	₱28,502	₱21,429
Income tax payable	<b>(23)</b>	(43)	(28)	<b>(12)</b>	(21)	(11)	<b>(6)</b>	(4)	–	<b>(2)</b>	(4)	(3)	–	(3)	(1)	–	–	–	–	(75)	(42)
Deferred tax liabilities	<b>(90)</b>	(93)	(76)	<b>(477)</b>	(658)	(209)	<b>(173)</b>	(156)	(147)	–	–	–	<b>(166)</b>	18	(2)	<b>(141)</b>	(134)	(110)	<b>(1,048)</b>	(1,023)	(545)
Net segment liabilities	<b>₱20,371</b>	₱19,306	₱14,639	<b>₱4,730</b>	₱5,861	₱3,339	<b>₱1,326</b>	₱1,419	₱1,029	<b>₱174</b>	₱148	₱130	<b>₱2,669</b>	₱1,107	₱2,052	<b>(₱331)</b>	(₱437)	(₱346)	<b>₱28,939</b>	₱27,404	₱20,842
Investments in associates and joint ventures	<b>₱2,890</b>	₱2,655	₱2,255	<b>₱–</b>	₱–	₱–	<b>₱–</b>	₱–	₱–	<b>₱7</b>	₱6	₱6	<b>₱5,066</b>	₱4,403	₱4,369	<b>(₱871)</b>	(₱871)	(₱1,124)	<b>₱7,093</b>	₱6,193	₱5,506
Equity in net earnings (losses) of associates	<b>₱981</b>	₱346	(₱127)	<b>₱–</b>	₱–	₱–	<b>₱–</b>	₱–	₱–	<b>₱–</b>	₱–	₱–	<b>₱–</b>	₱–	₱–	<b>₱388</b>	₱382	₱382	<b>₱1,368</b>	₱728	₱256
Cash flows arising from:																					
Operating activities	<b>(₱2,418)</b>	₱991	(₱1,604)	<b>₱95</b>	₱1,477	₱557	<b>₱397</b>	(₱170)	(₱6)	<b>₱78</b>	₱77	₱87	<b>(₱495)</b>	(₱790)	₱4	<b>(₱620)</b>	₱644	₱413	<b>(₱2,963)</b>	₱2,229	(₱549)
Investing activities	<b>778</b>	(235)	(649)	<b>1,220</b>	(1,561)	(1,820)	<b>170</b>	327	(9)	–	(6)	(2)	<b>1,373</b>	(186)	1	<b>(2,361)</b>	6,962	298	<b>1,180</b>	(5,301)	(2,181)
Financing activities	<b>(1,824)</b>	(633)	2,581	<b>(1,152)</b>	649	1,218	<b>(290)</b>	(270)	(137)	<b>53</b>	(74)	(90)	<b>5,634</b>	99	1,069	–	3,361	(1,844)	<b>2,315</b>	3,590	2,797
Capital expenditures	<b>(489)</b>	(512)	(803)	<b>(881)</b>	(1,997)	(2,107)	<b>(73)</b>	–	(40)	–	(6)	(2)	<b>53</b>	449	35	–	5,595	599	<b>(1,391)</b>	7,661	(2,318)
Interest income	<b>17</b>	26	35	<b>11</b>	23	11	<b>2</b>	1	–	–	1	–	<b>8</b>	10	10	<b>(2)</b>	–	(106)	<b>37</b>	61	(50)
Interest expense	<b>466</b>	564	300	<b>178</b>	107	36	<b>69</b>	90	62	1	–	–	–	20	–	<b>(2)</b>	–	57	<b>713</b>	781	456
Provision for income tax	<b>(1,285)</b>	343	435	<b>33</b>	68	28	<b>4</b>	4	5	<b>20</b>	26	27	<b>(42)</b>	18	12	<b>(1)</b>	–	(9)	<b>(1,270)</b>	459	498
Earnings before income tax	<b>(3,358)</b>	1,499	964	<b>275</b>	342	265	<b>(295)</b>	(60)	45	<b>81</b>	115	117	<b>274</b>	1,051	332	<b>59</b>	(838)	(60)	<b>(2,964)</b>	2,109	1,663
Earnings before income tax and depreciation and amortization	<b>(2,592)</b>	2,865	1,672	<b>738</b>	509	484	<b>(203)</b>	165	103	<b>85</b>	87	120	<b>326</b>	1,123	339	<b>50</b>	(846)	(65)	<b>(1,595)</b>	3,902	2,653
Noncash items:																					
Additional revaluation increment on land	<b>₱–</b>	₱–	₱–	<b>₱312</b>	₱2	₱389	<b>₱62</b>	₱42	₱22	<b>₱–</b>	₱–	₱–	<b>₱–</b>	₱80	₱–	<b>₱177</b>	(₱82)	(₱3)	<b>(₱73)</b>	₱124	₱408
Depreciation and amortization	<b>766</b>	809	708	<b>463</b>	902	219	<b>92</b>	135	58	<b>4</b>	3	3	<b>53</b>	9	7	<b>(9)</b>	(492)	(5)	<b>1,369</b>	1,366	990



### 38. Financial Instruments and Financial Risk Management Objectives and Policies

#### Financial Risk Management Objectives and Policies

The main purpose of the Group's financial instruments is to raise finances for the Group's operations.

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

#### *a. Liquidity risk*

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

The tables below summarize the maturity profile of the Group's financial assets and financial liabilities as at December 31 based on undiscounted contractual cash flows.

	2020				Total
	On demand	< 1 year	1 to < 2 years	> 2 years	
<b>Financial Liabilities</b>					
Accounts payable and accrued expenses*(Note 18)	₱3,036,692,938	₱4,468,332,570	₱184,227,979	₱524,050,042	₱8,213,303,529
Bank loans					
Peso loan (Note 19)	–	7,982,000,000	–	–	7,982,000,000
Interest	–	13,656,359	–	–	13,656,359
Long-term debt (Note 20)					
Peso loan	–	4,592,878,361	1,796,899,021	1,030,524,754	7,420,302,136
Interest	–	1,063,784,192	89,117,343	33,048,487	1,185,950,022
Due to related parties	10,214,099	–	–	–	10,214,099
Lease liabilities	–	177,919,491	374,385,470	721,828,452	1,274,133,413
	<b>3,046,907,037</b>	<b>15,995,572,874</b>	<b>2,444,629,813</b>	<b>2,309,451,735</b>	<b>23,796,561,459</b>
<b>Financial Assets</b>					
Cash (Note 6)					
Cash on hand and in banks	1,924,416,281	–	–	–	1,924,416,281
Short-term investments	1,294,317,494	–	–	–	1,294,317,494
Accounts receivables (Note 7)					
Trade receivables	2,714,027,149	2,233,481,387	316,110,180	21,496,102	5,285,114,818
Receivables from plant	38,118,335	–	–	–	38,118,335
Others	389,777,111	–	–	–	389,777,111
Receivable from related parties	53,415,133	–	–	–	53,415,133
	<b>6,414,071,503</b>	<b>2,233,481,387</b>	<b>316,110,180</b>	<b>21,496,102</b>	<b>8,985,159,172</b>
Liquidity gap (position)	<b>(3,367,164,466)</b>	<b>₱13,762,091,487</b>	<b>₱2,128,519,633</b>	<b>₱2,287,955,633</b>	<b>₱14,811,402,287</b>

\*Excluding statutory liabilities



	2019				Total
	On demand	< 1 year	1 to < 2 years	> 2 years	
<b>Financial Liabilities</b>					
Accounts payable and accrued expenses*(Note 18)	₱7,215,918,280	₱503,148,490	₱204,393,465	₱498,451,803	₱8,421,912,038
<b>Bank loans</b>					
Peso loan (Note 19)	45,000,000	8,348,800,000	-	-	8,393,800,000
Interest	-	27,271,246	-	-	27,271,246
<b>Long-term debt (Note 20)</b>					
Peso loan	-	1,385,714,285	-	3,305,974,841	4,691,689,126
Interest	-	106,453,849	62,701,214	15,200,650	184,355,713
Due to related parties	126,417,175	-	-	-	126,417,175
Lease liabilities	95,243,839	190,789,312	450,434,491	2,318,570,760	3,055,038,402
	7,482,579,294	9,176,462,897	717,529,170	6,138,198,054	23,514,769,415
<b>Financial Assets</b>					
<b>Cash (Note 6)</b>					
Cash on hand and in banks	1,676,600,484	-	-	-	1,676,600,484
Short-term investments	1,010,068,590	-	-	-	1,010,068,590
<b>Accounts receivables (Note 7)</b>					
Trade receivables	4,132,893,711	1,724,411,909	-	-	5,857,305,620
Receivables from plant	56,369,572	-	-	-	56,369,572
Others	604,245,744	-	13,809,313	-	618,055,057
Receivable from related parties	71,235,301	-	-	-	71,235,301
	7,551,413,402	1,724,411,909	13,809,313	-	9,289,634,624
<b>Liquidity gap (position)</b>	(68,834,108)	₱7,452,050,988	₱703,719,857	₱6,138,198,054	₱14,225,134,791

\*Excluding statutory liabilities

As of December 31, 2020, the Group has available undrawn committed borrowing facilities with local banks totaling to ₱15.9 billion.

*b. Market risk*

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

*c. Equity price risk*

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

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



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

Market Index	2020		2019	
	Change in variable	Effect on equity	Change in variable	Effect on equity
PSE	<b>20.76%</b> <b>(20.76%)</b>	<b>4,152,303</b> <b>(4,152,303)</b>	7.94% (7.94%)	₱1,340,776 (1,340,776)
Others	<b>33.24%</b> <b>(33.24%)</b>	<b>2,027,396</b> <b>(2,027,396)</b>	14.40% (14.40%)	863,858 (863,858)

The percentage of increase and decrease in market price is based on the movement in the Philippine Stock Exchange Index (PSEI) and other market index pertaining to golf and country club shares from beginning to end of the year. The sensitivity analyses shown above are based on the assumption that the movement in PSE composite index and other quoted equity securities will be most likely be limited to an upward or downward fluctuation of in 2020, respectively, of 5% and 26% in 2019, respectively.

The impact of sensitivity of equity prices on the Group's equity already excludes the impact on transactions affecting the consolidated statements of income.

*Foreign currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's currency risk arise mainly from cash and receivables which are denominated in a currency other than the Group's functional currency or will be denominated in such a currency.

Foreign currency risk is monitored and analyzed systematically and is managed centrally by the central finance department. The Group's policy is to maintain foreign currency exposure within existing internal regulations, and within acceptable risk limits as approved by the BOD.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar (USD, US\$), Singaporean dollar (SGD, S\$), Euro (EUR, €), Japanese yen (JPY, ¥) and British pound (GBP, £) currency rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	2020		2019	
	Percentage increase/decrease in foreign currency	Effect on profit before tax	Percentage increase/decrease in foreign currency	Effect on profit before tax
USD	<b>3.00%</b>	<b>6,261,228</b>	2.70%	2,383,953
SGD	<b>1.50%</b>	<b>9,403</b>	2.00%	13,564
EUR	<b>0.50%</b>	<b>1,154</b>	1.50%	73,079
JPY	<b>3.70%</b>	<b>60,623</b>	2.10%	1,658,631
GBP	<b>4.10%</b>	-	0.10%	-
USD	<b>-3.00%</b>	<b>(6,261,228)</b>	-2.70%	(2,383,953)
SGD	<b>-1.50%</b>	<b>(9,403)</b>	-2.00%	(13,564)
EUR	<b>-0.50%</b>	<b>(1,154)</b>	-1.50%	(73,079)
JPY	<b>-3.70%</b>	<b>(60,623)</b>	-2.10%	(1,658,631)
GBP	<b>-4.10%</b>	-	-0.10%	-



The forecasted movements in percentages used were sourced by management from an affiliated bank. These are forecasted movements in the next twelve months.

The foreign currency-denominated financial assets and financial liabilities in original currencies and equivalents to the functional and presentation currency are as follows:

	2020					Equivalents in PHP
	SD <sup>1</sup>	SGD <sup>2</sup>	EUR <sup>3</sup>	JPY <sup>4</sup>	GBP <sup>4</sup>	
<b>Financial assets</b>						
Cash and cash equivalents	US\$4,108,867	S\$ 17,680	€3,797	¥ 2,101,739	£	₱199,207,883
Receivables	1,191,113	—	—	—	—	57,881,225
	5,299,980	17,680	3,797	2,101,739	—	257,089,108
<b>Financial liabilities</b>						
Accounts payable and accrued expenses	—	—	—	—	—	—
	US\$ 5,299,980	S\$ 17,680	€3,797	¥ 2,101,739	(£-)	₱257,089,108

<sup>1</sup> Exchange rate used - ₱48.02 to US\$1

<sup>2</sup> Exchange rate used - ₱36.12 to S\$1

<sup>3</sup> Exchange rate used - ₱58.69 to €1

<sup>4</sup> Exchange rate used - ₱0.46 to ¥1

<sup>5</sup> Exchange rate used - ₱64.62 to £1

	2019					Equivalents in PHP
	SD <sup>1</sup>	SGD <sup>2</sup>	EUR <sup>3</sup>	JPY <sup>4</sup>	GBP <sup>4</sup>	
<b>Financial assets</b>						
Cash and cash equivalents	US\$844,322	S\$18,222	€19,803	¥291,383	£-	₱15,430,509
Receivables	1,321,728	-	530	1,439,193	—	67,765,856
	2,166,050	18,222	20,333	1,730,576	—	83,196,365
<b>Financial liabilities</b>						
Accounts payable and accrued expenses	419,565	—	106,431	170,508,916	—	106,216,482
	US\$1,746,485	S\$18,222	(€86,098)	¥168,778,340	(£-)	(23,020,117)

<sup>1</sup> Exchange rate used - ₱50.74 to US\$1

<sup>2</sup> Exchange rate used - ₱37.49 to S\$1

<sup>3</sup> Exchange rate used - ₱56.35 to €1

<sup>4</sup> Exchange rate used - ₱0.46 to ¥1

<sup>5</sup> Exchange rate used - ₱65.99 to £1

There are no other effects of the foreign currency sensitivity on the Group's equity other than those already affecting the consolidated statements of income.

#### *Interest rate risk*

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short-term and long-term obligations.

In order to effectively manage its interest rate risk and its financing costs, the Group closely monitors the movements of interest rates, as well as, economic factors affecting the trends of these movements. In certain cases, depending on its assessment of future movements of interest rates, the Group would pre-terminate its debt and obtain a new loan facility which provides for either floating or fixed interest rates. This is intended to minimize its financing costs.



The table below demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings):

	2020		2019	
	Increase/decrease in basis points	Effect on profit before tax	Increase/decrease in basis points	Effect on profit before tax
Peso floating rate borrowing	+690	(55,442,960)	+405	(P16,905,088)
	-690	55,442,960	-405	16,905,088

The forecasted movements in percentages of interest rates used were sourced by management from an affiliated bank. These are forecasted movements in the next twelve months.

There are no other impact on the Group's equity other than those already affecting the consolidated statements of income.

d. *Credit risk*

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

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 90 days from the completion of the construction project. The Group's normal credit terms for construction projects is within 90 days based on its historical experience. 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. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Group's maximum credit risk exposure for its secured loans receivables is equal to its carrying value amounting nil in 2020 and 2019. The Group holds collateral against these loans receivables in the form of mortgage interests over property. The fair values of the collateral amounts to nil in 2020 and 2019. This resulted to a nil net exposure as at December 31, 2020 and 2019.

With respect to credit risk arising from cash and cash equivalents, unsecured loans receivables, accounts receivable, due from related parties, available-for-sale securities and receivables from EEI- RFI, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.



As at December 31, the analysis of financial assets that were past due but not impaired follows:

	2020						
	Neither past due nor impaired	Past due but not impaired				Impaired Assets	Total
		< 30 days	30 - 60 days	60 - 90 days	> 90 days		
Cash in bank and cash equivalents	₱1,294,317,494	₱-	₱-	₱-	₱-	₱-	₱1,294,317,494
Loans receivable	-	-	-	-	-	-	-
Receivables from:							
Construction and infrastructure	1,323,692,706	853,996,629	343,941,192	98,625,659	777,057,101	62,690,313	3,460,003,600
Education	442,657,670	485,318,000	-	-	63,370,000	174,881,069	1,166,226,739
Car dealership	284,537,041	59,387,719	29,190,097	11,173,166	48,789,419	36,551,181	469,628,623
Other services	118,230,929	46,770,635	6,512,836	3,985,111	4,080,986	9,675,359	189,255,856
Other receivables:							
Receivables from plant	38,118,335	-	-	-	-	-	38,118,335
Others	192,392,007	10,134,622	4,455,633	2,354,850	46,517,764	75,442,955	331,297,831
Miscellaneous deposits	15,579	-	-	-	114,370,736	3,335,193	117,721,508
Due from related parties	53,415,133	-	-	-	-	-	53,415,133
Receivable from a customer	20,479,281	-	-	-	-	-	20,479,281
Receivable from EEI Retirement Fund, Inc.	38,000,000	-	-	-	-	-	38,000,000
	<b>₱3,805,856,175</b>	<b>₱1,455,607,605</b>	<b>₱384,099,758</b>	<b>₱116,138,786</b>	<b>₱1,054,186,006</b>	<b>₱363,660,390</b>	<b>₱7,178,464,400</b>

	2019						
	Neither past due nor impaired	Past due but not impaired				Impaired Assets	Total
		< 30 days	30 - 60 days	60 - 90 days	> 90 days		
Cash in bank and cash equivalents (Note 6)	₱2,686,669,074	₱-	₱-	₱-	₱-	₱-	₱2,686,669,074
Loans receivable	-	-	-	-	-	-	14,289,823
Receivables from:							
Construction and infrastructure	1,785,815,920	870,870,584	327,501,827	359,077,073	745,111,512	20,364,075	4,108,740,991
Car dealership	579,405,679	114,017,406	45,531,488	16,583,070	18,445,791	39,310,600	708,660,520
Education	225,366,564	10,615,569	2,047,423	3,418,382	-	61,347,299	901,585,558
Other services	38,337,095	40,363,272	4,800,174	2,180,059	4,080,986	7,835,959	114,165,831
Other receivables:							
Receivables from plant	47,222,895	-	-	-	-	5,304,918	56,369,572
Others	351,175,500	21,430,714	3,812,160	10,475,684	80,703,350	56,505,314	524,102,722
Miscellaneous deposits	4,876,749	6,650,647	476,098	4,132,224	89,229,103	3,335,193	108,700,014
Due from related parties	71,235,301	-	-	-	-	-	71,235,301
Receivable from a customer	35,174,526	-	-	-	-	-	35,174,526
Receivable from EEI Retirement Fund, Inc.	78,000,000	-	-	-	-	-	78,000,000
	<b>₱4,424,384,481</b>	<b>₱236,723,814</b>	<b>₱468,889,691</b>	<b>₱259,742,941</b>	<b>₱1,894,931,081</b>	<b>₱236,427,322</b>	<b>₱7,521,099,330</b>

There are no past due financial assets other than those stated above.



The following table provides information regarding the credit quality by class of financial assets (amounts gross of allowance for credit losses) based on the Group's credit rating system.

	2020			
	Neither past due nor impaired		Past due or	Total
	High Grade	Standard	Individually Impaired	
Cash in banks and cash equivalents	₱1,294,317,494	₱-	₱-	₱1,294,317,494
Receivables from:				
Construction and infrastructure	3,385,424,855	11,888,432	62,690,313	3,460,003,600
Education	956,186,073	35,159,597	174,881,069	1,166,226,739
Car dealership	433,077,442	-	36,551,181	469,628,623
Other services	179,580,497	-	9,675,359	189,255,856
Other receivables:				
Rent receivable	111,322	-	-	111,322
Others	398,350,317	26,642,336	79,372,795	504,365,448
Due from related parties	53,415,133	-	-	53,415,133
Receivables from EEI-RFI	38,000,000	-	-	38,000,000
Receivable from sale of investment properties	21,280,648	-	-	21,280,648
Receivable from a customers	20,479,281	-	-	20,479,281
Miscellaneous deposits	15,579	-	3,335,193	3,350,772
	₱6,780,238,641	₱73,690,365	₱366,505,910	₱7,220,434,916

	2019			
	Neither past due nor impaired		Past due or	Total
	High Grade	Standard	Individually Impaired	
Cash in banks and cash equivalents	₱2,686,669,074	₱-	₱-	₱2,686,669,074
Receivables from:				
Construction and infrastructure	2,504,001,799	600,891,778	52,855,392	3,157,748,969
Car dealership	773,983,434	-	39,310,600	813,294,034
Education	206,288,341	35,159,597	61,347,299	302,795,237
Other services	47,599,315	42,162,271	7,835,959	97,597,545
Other receivables:				
Rent receivable	202,463	88,818	430,517	721,798
Others	537,478,609	29,825,901	71,075,404	638,379,914
Due from related parties	126,417,175	-	-	126,417,175
Miscellaneous deposits	83,051,923	571,340	3,572,151	87,195,414
Receivables from EEI-RFI	78,000,000	-	-	78,000,000
Receivable from a customers	35,174,525	-	-	35,174,525
Receivable from sale of investment properties	22,790,885	-	-	22,790,885
	₱6,877,808,585	₱708,699,705	₱236,427,322	₱7,822,935,612

Neither past due nor impaired accounts receivables, other receivables are classified into 'high grade' and 'standard grade'. Neither past due nor impaired cash and cash equivalents, loans receivable, due from related parties, receivable from a customer and receivables from EEI-RFI are normally 'high grade' in nature. The Group sets financial assets as 'high grade' based on the Group's positive collection experience. On the other hand, 'standard grade' are those which have credit history of default in payments.

The Company has the following financial assets that are subject to the expected credit loss model under PFRS 9:

- Cash and cash equivalents;
- Receivables;
- Contract assets
- Advances to officers and employees



The ending loss allowances as of December 31, 2020 and 2019 reconcile to the opening loss allowances as follows:

	2020	2019
Balance at beginning of year	₱286,043,524	₱232,855,171
Provisions	105,623,601	53,328,702
Write off (Note 7)	(24,730,698)	(140,349)
<b>Balance at end of year</b>	<b>₱366,936,427</b>	<b>₱286,043,524</b>

#### *Credit Quality*

The Group maintains internal credit rating system. Neither past due nor impaired financial assets are graded as either “A” or “B” based on the following criteria:

- Grade A are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.
- Grade B are active accounts with minimal to regular instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to the Group’s collection efforts and update their payments accordingly.

Cash in banks and cash equivalents are short-term placements and working cash fund placed, invested or deposited in reputable foreign and local banks in the Philippines. These financial assets are classified as Grade A due to the counterparties’ low probability of insolvency.

Receivables and receivables from related parties are Grade A because they are from related parties, employees and accredited customers who are highly reputable, progressive and consistently pay their accounts.

Security and other deposits and construction bond are Grade A since these were paid to creditworthy third parties.

The Group’s financial assets considered as neither past due nor impaired are all graded “A” based on the Group’s assessment.

A summary of Group exposure to credit risk under general and simplified approach as of December 31, 2020 and 2019 follows:

#### **2020**

	General Approach			Simplified Approach
	Stage 1	Stage 2	Stage 3	
<b>Amortized cost</b>				
Cash and cash equivalents	₱3,218,733,775	₱–	₱–	₱–
Trade receivables	–	–	–	5,285,114,818
Nontrade receivables	427,895,446	–	–	–
Contract asset	–	–	–	7,642,055,723
<b>FVOCI</b>	<b>547,076,494</b>	–	–	–
<b>Total gross carrying amounts</b>	<b>4,193,705,715</b>	–	–	<b>12,927,170,541</b>
<b>Less allowance</b>	–	–	–	<b>403,721,730</b>
	<b>₱4,193,705,715</b>	<b>₱–</b>	<b>₱–</b>	<b>₱12,523,448,811</b>



2019

	General Approach			Simplified Approach
	Stage 1	Stage 2	Stage 3	
Amortized cost				
Cash and cash equivalents	₱2,686,669,074	₱-	₱-	₱-
Trade receivables	-	-	-	5,857,305,620
Nontrade receivables	675,224,629	-	-	-
Contract asset	-	-	-	9,492,566,375
FVOCI	1,147,773,806	-	-	-
Total gross carrying amounts	4,509,667,509	-	-	15,349,871,995
Less allowance	-	-	-	295,116,295
	₱4,509,667,509	₱-	₱-	₱15,054,755,700

In 2020 and 2019, there were no movements between stage 1, 2 and 3.

### Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group which is composed of diversified operations (i.e. construction and infrastructure operations, education and finance and leasing activities) manages its capital on a per entity basis. Each entity manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2020 and 2019.

As at December 31, 2020 and 2019, the Group is subject to externally imposed capital requirements from its debt covenants including maintaining a maximum debt-to-equity structure ratio of 3:1 on NTC's unsecured bank loan and debt-to-equity structure ratio of 2.5:1 on the Parent Company's unsecured bank loan (Note 20). As of December 31, 2020 and 2019, the Group has complied with the provisions of the debt covenants. The Group considers total equity as its capital.

### *Parent Company, EEI and IPO*

The Parent Company, EEI (construction and infrastructure operations) and IPO (education) monitor capital using gearing ratio. The Parent Company, EEI and IPO's policies are to keep the gearing ratio up to a maximum of 2:1, 3:1 and 2:1, respectively.

	2020	2019
Current liabilities	<b>₱19,847,587,457</b>	₱15,026,914,112
Noncurrent liabilities	<b>9,570,310,084</b>	4,421,638,989
Total liabilities (a)	<b>29,417,897,541</b>	19,448,553,101
Equity (b)	<b>22,581,715,462</b>	8,614,509,528
Debt to Equity Ratio (a/b)	<b>1.29:1</b>	2.26:1

### Fair Value Information

The Group uses the following hierarchy in determining and disclosing the fair value of financial instruments by valuation techniques:

- *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



- *Level 3* - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

- *Cash and cash equivalents, receivables, due from related parties, accounts payable and other current liabilities, short-term loans and due to related parties*  
Carrying amounts approximate fair values due to the short-term nature of these accounts.
- *Receivable from EEI RFI* (Notes 7 and 17)  
The fair values of the receivable amounting to ₱38.0 million and ₱78.0 million as of December 31, 2020 and 2019, respectively, were estimated as the present value of all future cash flows discounted using the applicable rates for similar types of loans (Level 2 - significant observable inputs). Discount rates used in 2020 and 2019 were 1.41% and 3.74%, respectively.
- *Interest-bearing trade receivables* (Notes 7 and 17)  
The fair value of interest-bearing trade receivables amounting to ₱23.2 million and ₱86.7 million as of December 31, 2020 and 2019, respectively, was estimated as the present value of all future cash flows discounted using the applicable rates for similar types of loans (Level 2 - significant observable inputs). Discount rate used in 2020 and 2019 was 1.41% and 3.74%, respectively.
- *Receivable from sale of investment properties* (Notes 7)  
The fair value of the receivable from sale of investment property amounting to ₱21.3 million and ₱22.8 million as of December 31, 2020 and 2019, respectively, was estimated as the present value of all future cash flows discounted using the applicable rates for similar types of loans (Level 2 - significant observable inputs). Discount rate used in 2020 and 2019 was 1.41% and 3.74%, respectively.
- *Equity investments at FVOCI* (Note 11)  
Quoted investments  
Fair value of investments in equity shares listed with Philippine Stock Exchange amounting to ₱91.6 million and ₱107.3 million as of December 31, 2020 and 2019, respectively, were determined by reference to the quoted price in the stock exchange at the end of the reporting period (Level 1 - quoted prices in active market).

Fair values of investments in club/golf shares amounting to ₱16.9 million and ₱18.5 million as of December 31, 2020 and 2019, respectively, were determined by reference to the price of the most recent transaction at the end of the reporting period (Level 2 - significant observable inputs).

#### *Hermosa Ecozone Development Corporation*

The fair value of the Group's investment in HEDC is determined using the adjusted net asset approach wherein the assets of HEDC consisting mainly of parcels of land are adjusted from cost to their fair value. The valuation was performed by an independent SEC-accredited appraiser as of December 31, 2020.



The significant unobservable inputs (Level 3) used in the fair value measurement of HEDC are as follows:

The fair values of the land were determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on size (20%), location (20%) and facilities and utilities (5%). Significant favorable (unfavorable) adjustments to the aforementioned factors based on the professional judgment of the independent appraisers would increase (decrease) the fair value of land. Depending on the status of the development, the value of the land per sqm ranges from ₱460 to ₱5,820 in 2020.

A 5% increase (decrease) in the appraised value of the land per sqm could increase (decrease) the Group's investment by ₱15.7 million.

- *Long-term debt* (Note 20)

The carrying value approximates the fair value using the EIR method because future payments are discounted based on interest at market rate.

The fair values of the interest-bearing long-term debt amounting to ₱7,420.3 million and ₱4,691.7 million as of December 31, 2020 and 2019, respectively, were estimated as the present value of all future cash flows discounted using the applicable rates for similar types of loans (Level 2 - significant observable inputs). Discount rates used in 2020 and 2019 were and 4.31% to 5.11%, respectively.

- *Long-term retention payable*

The fair values of the retention payable which is included in other noncurrent liabilities amounting to ₱273.6 million and ₱210.3 million as of December 31, 2020 and 2019, respectively, were estimated as the present value of all future cash flows discounted using the applicable rates for similar types of loans (Level 2 - significant observable inputs). Discount rates used in 2020 and 2019 were 1.41% and 3.74%, respectively.

As at December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements. There are no financial assets and financial liabilities recognized at fair value based on Level 3 and there are no transfers in and out of Level 3 categories in 2020 and 2019. No financial instrument fall within Level 3.

There were no transfers between levels of fair value measurements in 2020 and 2019. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.

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### 39. Capital Stock

The authorized preferred stock is 2,500,000,000 shares at ₱0.40 par value. A reconciliation of the number of preferred shares outstanding as at December 31, 2020, 2019 and 2018 follows:

	2020		2019		2018	
	Amount	Shares	Amount	Shares	Amount	Shares
Balance at beginning of year	₱6,710,402	16,776,001	₱247,414,156	618,535,387	₱253,758,109	634,395,272
Redemption of preferred stock	(6,710,402)	(16,776,001)	-	-	(6,343,953)	(15,859,885)
Conversion of preferred stock to common stock	-	-	(240,703,754)	(601,759,386)	-	-
Balance at end of year	₱-	-	₱6,710,402	16,776,001	₱247,414,156	618,535,387



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, 2020, 2019 and 2018 follows:

	2020		2019		2018	
	Amount	Shares	Amount	Shares	Amount	Shares
Balance at beginning of year	₱1,165,147,926	776,765,281	₱924,444,172	616,296,114	₱924,444,172	616,296,114
Conversion of preferred stock	-	-	240,703,754	160,469,167	-	-
Balance at end of year	1,165,147,926	776,765,281	1,165,147,926	776,765,281	924,444,172	616,296,114
Treasury stock	(2,607,600)	(300,000)	(2,607,600)	(300,000)	(2,607,600)	(300,000)
	₱1,162,540,326	776,465,281	₱1,162,540,326	776,465,281	₱921,836,572	615,996,114

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

Details of the capital redemption and conversion follow:

Date of Redemption	Amount		Record Date	Payment Date
March 30, 2020	₱6,710,402	₱0.40	April 27, 2020	May 20, 2020
April 6, 2018	₱6,343,953	₱0.40	May 3, 2018	May 30, 2018
March 31, 2017	₱7,020,070	₱0.40	April 28, 2017	May 21, 2017
July 21, 2017	6,844,569	0.40	August 18, 2017	September 12, 2017
September 29, 2017	6,673,454	0.40	October 27, 2017	November 24, 2017
December 8, 2017	6,506,618	0.40	January 4, 2018	January 30, 2018
	₱27,044,711			
March 31, 2016	₱7,768,247	₱0.40	April 28, 2016	May 24, 2016
July 15, 2016	7,574,040	0.40	August 12, 2016	September 8, 2016
September 30, 2016	7,384,690	0.40	October 28, 2016	November 24, 2016
December 2, 2016	7,200,072	0.40	December 29, 2016	January 23, 2017
	₱29,927,049			

On March 30, 2020, after the declaration of cash dividends (Note 40), the BOD approved the redemption of 16,766,001 preferred shares at par value with a total amount of ₱6.71 million to the stockholders of the Parent Company's preferred shares on record as of April 27, 2020, payable on May 20, 2020.

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

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

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



Below is the summary of the outstanding number of shares and holders of security as at December 31, 2020:

Year	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities
<b>Preferred shares:</b>				
January 31, 2018	634,395,272			48
Movement	(15,859,885)	0.40	April 6, 2018	
December 31, 2018	618,535,387			48
Movement	(601,759,386)			
December 31, 2019	16,776,001			42
Movement	(16,776,001)			
<b>December 31, 2020</b>	<b>-</b>			
<b>Common Shares:</b>				
December 31, 2018	615,996,114			386
No Movement	-			
December 31, 2018	615,996,114			394
Movement	160,469,167			
December 31, 2019	776,465,281			384
Movement	-			
<b>December 31, 2019</b>	<b>776,465,281</b>			<b>384</b>

SEC approved the registration of the Parent Company's authorized capital stock before its listing date with the PSE, which was on July 2, 1962. The actual number of shares initially listed were 584,085 at an offer price of ₱10.0 per share. Total number of preferred and common shareholders was nil and 384, respectively, as of December 31, 2020 and 42 and 384, respectively, as of December 31, 2019.

#### 40. Retained Earnings

##### Cash Dividends

The BOD declared cash dividends in 2020, 2019 and 2018 as follows:

Date of BOD Approval	Amount	Amount per share		Record Date	Payment Date
		Preferred Shares	Common Shares		
March 30, 2020	₱86,529	₱0.00515	₱-	April 27, 2020	May 20, 2020
April 5, 2019	₱4,688,498	₱0.00758	₱-	May 2, 2019	May 28, 2019
July 19, 2019	4,459,640	0.00721	-	August 15, 2019	September 10, 2019
July 19, 2019	50,758,965	0.01733	0.065	August 15, 2019	September 10, 2019
October 4, 2019	3,349,141	0.005415	-	October 31, 2019	November 20, 2019
December 6, 2019	85,860	0.005118	-	January 2, 2020	January 28, 2020
	<b>₱63,342,104</b>				
April 6, 2018	₱2,949,050	₱0.005	₱-	May 3, 2018	May 29, 2018
July 20, 2018	3,342,256	0.005	-	August 16, 2018	September 11, 2018
July 20, 2018	50,758,966	0.017	0.065	August 16, 2018	September 11, 2018
September 28, 2018	3,273,289	0.005	-	October 25, 2018	November 21, 2018
December 18, 2018	4,449,125	0.007	-	January 11, 2019	February 6, 2019
	<b>₱64,772,686</b>				

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



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

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

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

Retained earnings include ₱2,580.1 million and ₱2,524.4 million as of December 31, 2020 and 2019, respectively, representing treasury shares, appropriated retained earnings and deferred tax assets that are not available for dividend declaration. After reconciling items, the retained earnings of the Parent Company that are available for dividend declaration amounted to ₱1,359.3 million and ₱1,305.4 million as of December 31, 2020 and 2019, 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 ₱5,846.8 million and ₱6,281.5 million as of December 31, 2020 and 2019, respectively, not declared as dividends to the Group. Accordingly, these are not available for dividend declaration.

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#### 41. Other Matters

On March 11, 2020, the World Health Organization has declared COVID-19 outbreak a global pandemic. In the Philippines, in a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until May 15, 2020. Effective May 16, 2020, some provinces in Luzon was placed under general community quarantine while National Capital Region (NCR) was placed under modified enhanced community quarantine. Effective June 1, 2020, NCR was placed under general community quarantine (GCQ). On August 4, 2020, the Philippine Government has placed NCR back to modified enhanced community quarantine (MECQ) until it was placed to general community quarantine starting August 19, 2020 until August 31, 2020. On September 1, 2020, the Office of the President of the Philippines declared GCQ until September 30, 2020. The GCQ over NCR and other risk areas was further extended until January March 29, 2021 while the rest of the country was put under MGCQ. From March 29, 2021 to April 4, 2021, following spike in the number of new COVID-19 cases, the Philippine Government has placed NCR back to ECQ and was later extended to April 11, 2021. From April 12, 2021 to April 30, 2021, NCR is placed under MECQ. The Government has been easing quarantine measures in key areas in the Philippines. Further, the rollout of the national vaccination program starting first quarter of 2021 is expected to further improve market activities in the Philippines.



### Risks and Impacts of COVID-19

The Group, in cooperation with the Yuchengco Group of Companies Business Continuity Management - Disaster Recovery Management (“YGC BCM-DRM) Council have taken the necessary precautionary measures to mitigate the risks that may cause disruptions to its various businesses.

1. Risk to the health and safety of employees, clients, suppliers, and communities. House of Investments and its subsidiaries have adopted the Department of Health guidelines and regularly give advisories on COVID-19 precautionary measures to ensure compliance with the Inter-Agency directives on Community Quarantine. The Group has also adopted its own protocols, including, but not limited to regular and frequent disinfection of buildings and office premises, temperature checks at all entry points and restricting entry of visitors to office premises. To further minimize the risk of person-to-person transmission, the Group has limited the assembly of people by conducting meetings via video- and/or tele-conferencing. The Group also implemented a combination of Four-day Work Week and Work-from-Home arrangements while ensuring that service interruptions to its clients are minimized.
2. Disrupted business operations. The Group is compliant with national and local ordinances. To ensure minimal service interruptions and that its operations are not hampered, its various businesses have identified and designated essential and non-essential employees and wherever appropriate, have setup skeletal workforce.

Despite the suspension of classes, disruptions on the academic outcomes of students were minimized as the Group’s schools utilized alternative means to continue course work, e.g. on-line classes, coursework online, and independent projectized learning, among others. All these blended learning initiatives using multiple e-learning and course monitoring platforms allowed the students to fulfill their course requirements to comply with CHED or DepEd academic requirements amid the prolonged suspension of classes.

The Group’s Property Management team enhanced their services being at the forefront of the crisis management operations. The team is working hand-in-hand with the YGC BCM-BRM Council on the Group’s group-wide risk mitigation initiatives.

3. Disrupted supply chain management. The Group is conducting assessments on all resources expected to come in and those expected to be ordered, particularly on the supply of resources coming from infected areas while taking into consideration the community quarantine declared in Metro Manila. In coordination with their respective planning groups, each business unit is working on making adjustments to minimize the impact of such disruption. This includes focusing on activities that have no issues with the supply of resources and looking for alternative suppliers from “virus-free” areas.
4. Disruption in Construction Segment. The outbreak of COVID-19 in 2020 disrupted the business of the Group in 2020. This includes the temporary stoppage of construction activities during the period of enhanced community quarantine (ECQ) in adherence to Government’s directive and incurrence of additional construction cost.

At the end of 2020, the construction segment’s unworked portion of existing contracts stood at ₱60.4 billion, including ARCC’s backlog of ₱17.38 billion. The Group considers this backlog of projects as healthy and sustainable. The Group expects an overall strong performance in its domestic operations driven by the current buildings, infrastructure, electromechanical, and industrial projects in its pipeline as production continues to pick-up. Despite the delays in operations caused by the COVID-19 pandemic, the backlog was preserved and will be realized as construction works resume.



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and the Stockholders  
House of Investments, Inc.  
3rd Floor, Grepalife Building  
219 Sen. Gil J. Puyat Avenue  
Makati City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of House of Investments, Inc. and its Subsidiaries (the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, included in this Form 17-A, and have issued our report thereon dated April 30, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Narciso T. Torres, Jr.

Partner

CPA Certificate No. 84208

SEC Accreditation No. 1511-AR-1 (Group A),

October 18, 2018, valid until October 17, 2021

Tax Identification No. 102-099-147

BIR Accreditation No. 08-001998-111-2020,

November 27, 2020, valid until November 26, 2023

PTR No. 8534374, January 4, 2021, Makati City

April 30, 2021

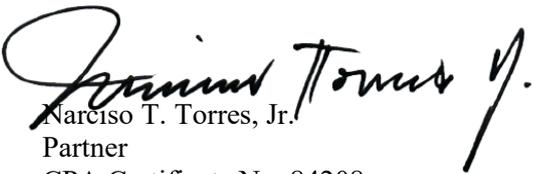


## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Board of Directors and the Stockholders  
House of Investments, Inc.  
3rd Floor, Grepalife Building  
219 Sen. Gil J. Puyat Avenue  
Makati City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of House of Investments, Inc. and its Subsidiaries (the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated April 30, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Narciso T. Torres, Jr.

Partner  
CPA Certificate No. 84208  
SEC Accreditation No. 1511-AR-1 (Group A),  
October 18, 2018, valid until October 17, 2021  
Tax Identification No. 102-099-147  
BIR Accreditation No. 08-001998-111-2020,  
November 27, 2020, valid until November 26, 2023  
PTR No. 8534374, January 4, 2021, Makati City

April 30, 2021



**HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES**  
**SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON**  
**REVISED SRC RULE 68**  
**DECEMBER 31, 2020**

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 ₱547.08 million do not constitute 5% or more of the total current assets of the Group as at December 31, 2020.

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

As at December 31, 2020, the Group has no receivable above P1 million or 1% of the total assets, whichever is lower from directors, officers, employees, and principal stockholders (other than related parties).

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

Below is the schedule of receivables with subsidiaries, which are eliminated in the consolidated financial statements as at December 31, 2020:

<b>Name and designation of debtor</b>	<b>Balance at beginning of year</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Balance at end of year</b>
<i>Landev Corporation</i>					
Due from affiliates	₱720,065	₱78,042,552	(₱77,493,985)	₱-	<b>₱1,268,632</b>
Dividends receivable	35,000,145	40,000,000	(15,000,000)	-	<b>60,000,145</b>
	35,720,210	118,042,552	(92,493,985)	-	<b>61,268,777</b>
<i>Greyhounds Security and Investigation Agency Corporation</i>					
Due from affiliates	165,206	1,307,542	(1,371,002)	-	<b>101,746</b>
<i>Investment Managers, Inc.</i>					
Due from affiliates	441,975	5,159,260	(4,927,535)	-	<b>673,700</b>
<i>iPeople, inc. and subsidiaries</i>					
Due from affiliates	7,341,817	210,876,377	(196,611,638)	-	<b>21,606,556</b>
Dividends receivable	-	35,209,553	(35,209,553)	-	<b>-</b>
	7,341,817	246,085,930	(231,821,191)	-	<b>21,606,556</b>
<i>EEl Corporation and subsidiaries</i>					
Due from affiliates	400,041	5,448,125	(4,327,205)	-	<b>1,520,961</b>
<i>La Funeraria Paz Sucat, Inc</i>					
Due from affiliates	2,383,664	8,643,307	(9,472,370)	-	<b>1,554,601</b>
<i>Zambowood Realty and Development Corp</i>					
Due from affiliates	1,742	122,874	(120,274)	-	<b>4,342</b>
<i>Xamdu Motors Inc.</i>					
Due from affiliates	390	171,953	(168,343)	-	<b>4,000</b>
<i>Zamboanga Carrier Inc</i>					
Due from affiliates	2,543	142,286	(137,886)	-	<b>6,943</b>
<i>Honda Cars Kalookan</i>					
Due from affiliates	-	734,366	(308,421)	-	<b>425,945</b>
	<b>₱46,457,588</b>	<b>₱385,858,195</b>	<b>₱273,688,561</b>	<b>₱-</b>	<b>₱65,549,730</b>

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 December 31, 2020, the Group's intangible assets consist of goodwill and computer software. Goodwill in the Group's consolidated statements of financial position arose from the acquisition of EEI, iPeople, and MESI. Details of the Group's intangible assets are as follows:

<b>Description</b>	<b>Balance at beginning of year</b>	<b>Additions at cost</b>	<b>Charged to cost and expenses</b>	<b>Charged to other accounts</b>	<b>Other changes additions (deductions)</b>	<b>Balance at end of year</b>
Goodwill	₱484,829,719	₱-	₱-	₱-	₱-	₱484,829,719
Intellectual property rights	523,103,000	-	-	-	-	523,103,000
Student relationship	101,135,343	-	-	-	22,310,486	78,824,857
Computer software	15,872,318	4,515,025	(7,038,651)	-	-	13,348,692
	<b>₱1,124,940,380</b>	<b>₱4,515,025</b>	<b>(₱7,038,651)</b>	<b>₱-</b>	<b>₱22,310,486</b>	<b>₱1,100,106,268</b>

**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>
<b>Parent Company</b>			
Peso-denominated five (5) year term loan, payable quarterly starting March 2016 with interest of 5.11% per annum	₱-	₱-	₱-
<b>EEI</b>			
Fixed-rate corporate promissory notes with effective interest of 4.8% per annum for seven (7) years	5,229,964,088	2,160,714,286	3,069,249,802
<b>EEI Power</b>			
Peso-denominated seven (7) year term loan, with interest of 5.0526% per annum inclusive of two-year grace period on principal amortization	125,000,000	71,428,571	53,571,429
<b>Biotech JP</b>			
Yen-denominated five (5) year with interest of 0.05% per annum, yen denominated four and half (4.5) year term with interest of 0.98% per annum, yen denominated four and half (4.5) year term loan with interest of 0.30% per annum, USD-denominated April 2020 – Nov. 2029, with interest of floating rate plus margin (0.075%), Yen-denominated ten (10) year term loan with interest of 0.30% per annum and Yen-denominated ten (10) year term with interest of 2.975% per annum, respectively	193,063,237	70,855,242	122,207,995
<b>MCM</b>			
Peso-denominated ten (10) year term loan, payable in 20 equal quarterly payments which will start at the end of 21st quarter from the initial drawdown date. Interest is subject to quarterly repricing	1,492,274,811	-	1,492,274,811
<b>NTC</b>			
Peso-denominated ten (10) year term loan, payable in 28 quarterly payments starting May 2022 with interest subject to annual repricing based on higher of 5.5% or prevailing 1-year rate plus interest spread	380,000,000	-	380,000,000
	<b>₱7,420,302,136</b>	<b>₱2,302,998,099</b>	<b>₱5,117,304,037</b>

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

As at December 31, 2020, the Group has no long-term loans from its related parties.

Schedule G. Guarantees of Securities of Other Issuers

There are no guarantees of securities of other issuing entities by the Group as at December 31, 2020.

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	487,289,351	2,286,920	286,889,010
Preferred shares	2,500,000,000	—	—	—	—

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

Unappropriated retained earnings, January 1, 2020	₱1,307,987,401
Less: Deferred tax asset	21,799,403
Less: Treasury stock	2,607,600
<b>Unappropriated retained earnings, January 1, 2020, as adjusted</b>	<b>1,283,580,398</b>
Add: Net income during the period closed to Retained Earnings	131,514,348
Movement in deferred tax asset	(55,694,882)
<b>Net income actually earned during the period</b>	<b>75,819,466</b>
Less: Dividend declarations during the period	(86,529)
Appropriations of retained earnings during the year	—
	(86,529)
<b>Unappropriated retained earnings available for dividend distribution, December 31, 2020</b>	<b>₱1,359,313,335</b>

**HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS AS OF**  
**DECEMBER 31, 2020 AND 2019**

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*Financial Soundness Indicator*

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2020 and 2019:

<b>Financial ratios</b>		<b>2020</b>	2019
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	<b>1.02:1</b>	1.12:1
Solvency ratio	$\frac{\text{Net income plus depreciation}}{\text{Total liabilities}}$	<b>(0.011:1)</b>	0.11:1
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	<b>1.37:1</b>	1.21:1
Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	<b>2.37:1</b>	2.21:1
Interest rate coverage	$\frac{\text{EBIT*}}{\text{Interest expense}}$	<b>(3.16:1)</b>	3.70:1
Return on assets	$\frac{\text{Net income}}{\text{Average total assets}}$	<b>(3.26%)</b>	3.60%
Return on equity	$\frac{\text{Net income}}{\text{Average total equity}}$	<b>(7.47%)</b>	7.92%

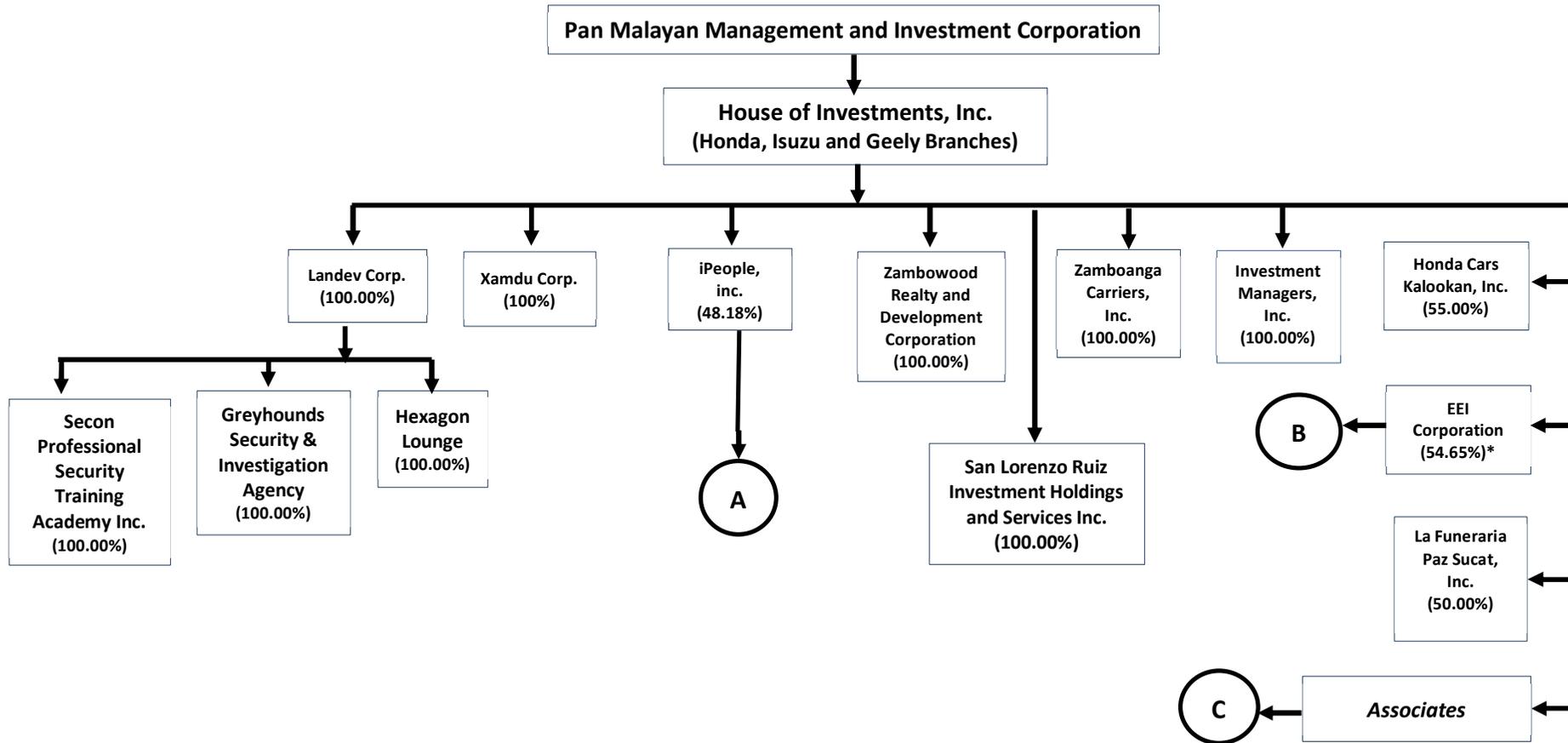
*\*Earnings before interest and taxes (EBIT)*

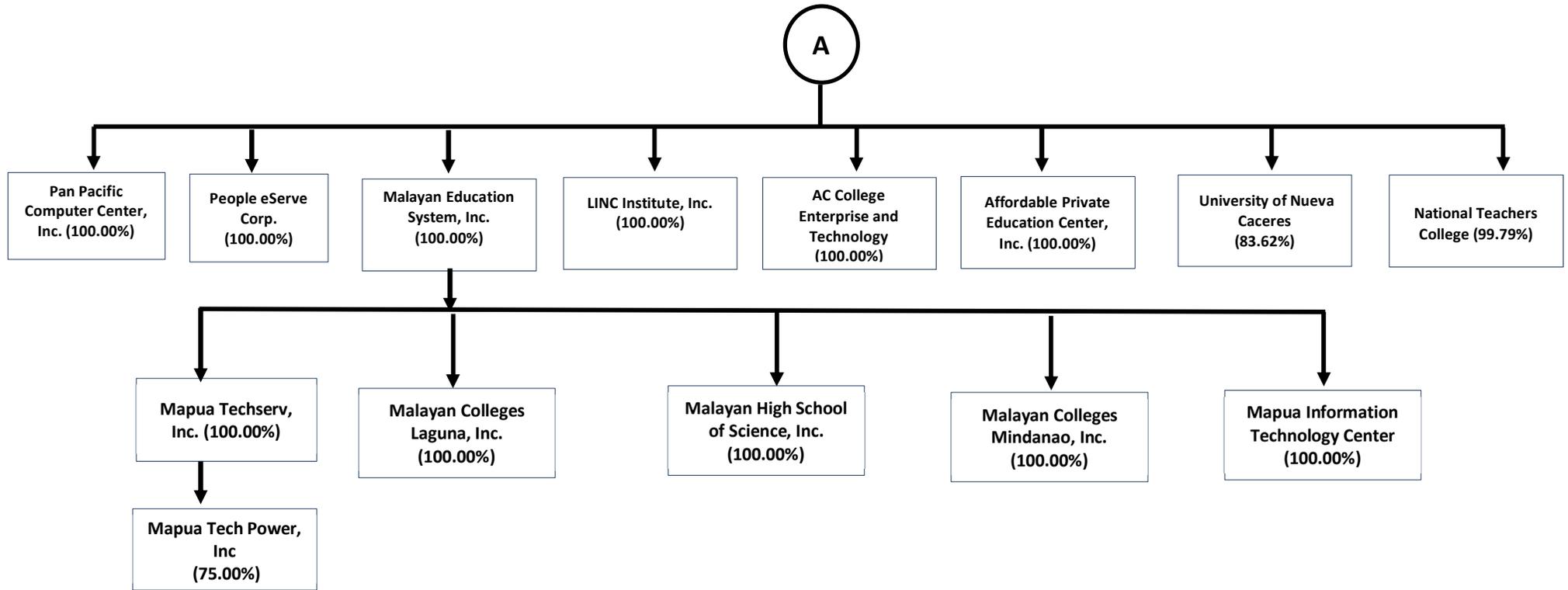
# HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

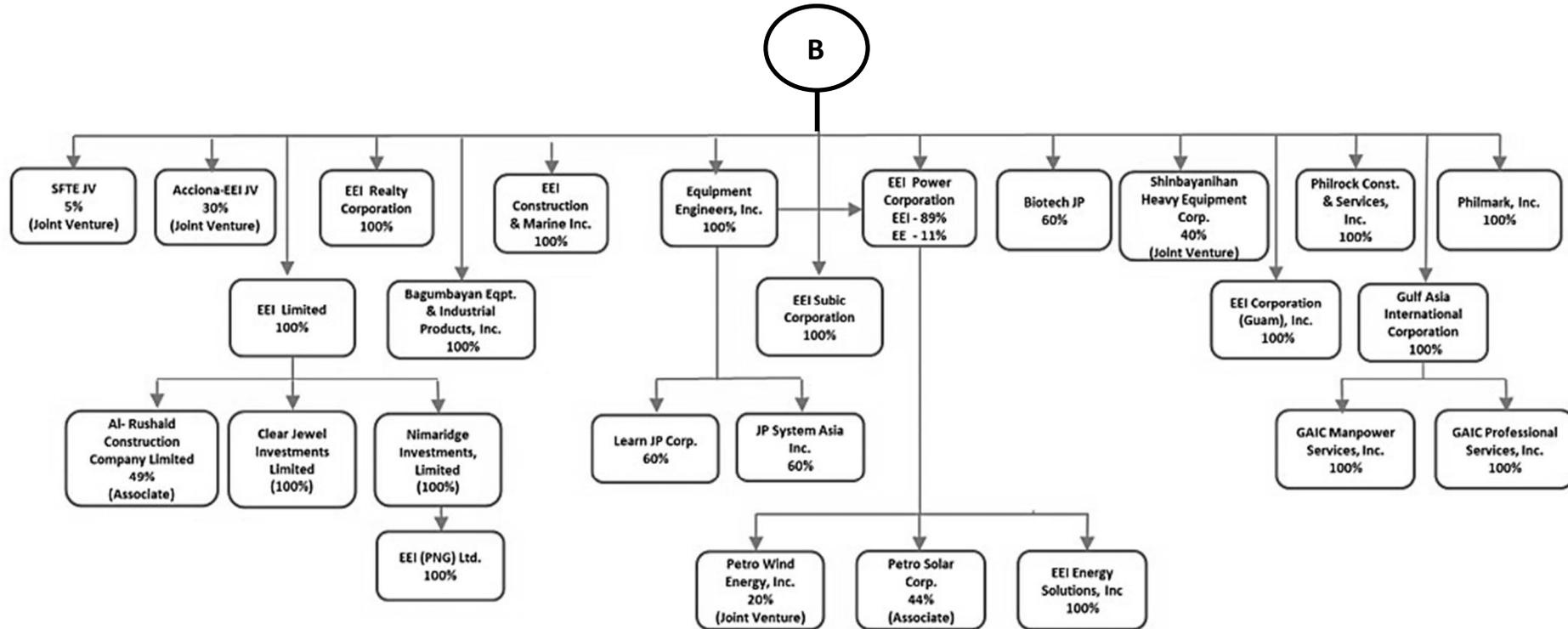
## MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

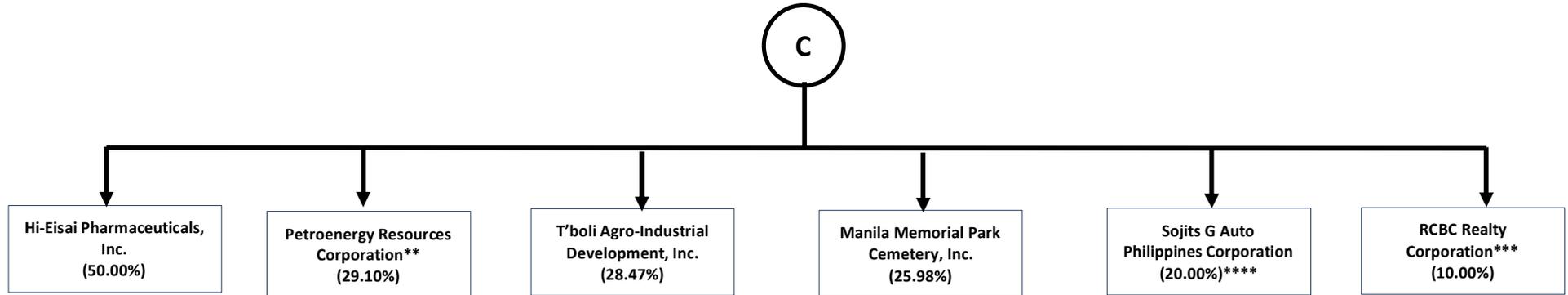
### Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of December 31, 2020:









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

\*\* On February 21, 2013, significant influence was obtained through piecemeal acquisition. In 2014, the Group purchased additional 6.6 million shares of PERC increased ownership interest from 20.00% to 22.41%. In 2018, the Parent purchased additional 69,285,418 shares amounting to P332.6M from stock rights offering, which increased ownership to 28.36%. In 2019, Parent purchased additional 4.2 million shares resulting to an increased ownership to 29.10%

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

\*\*\*\*On November 8, 2019, the Parent purchased 2,500,000 shares of Sojitz G Auto Philippines Corporation from Sojitz Corporation amounting to P50,000,000 equivalent to 20% ownership equity.