COVER SHEET

1 2 3 9 7

S.E.C. Registration Number

P H I N M A   C O R P O R A T I O N

.

(Company's Full Name)

L E V E L   1 2 - P H I N M A   P L A Z A   3 9   P L A Z A

D R I V E ,   R O C K W E L L   C E N T E R   M A K A T I

(Business Address: No. Street City/Town/Province)

A N N A B E L L E   G U Z M A N

Contact Person

8 8 7 0 0 1 0 0

Company Telephone Number

Definitive Information Statement

1 2   3 1

Month Day

Calendar Year

S E C   2 0 - I S

FORM TYPE

0 3   1 6

Month Day

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = Pls. Use black ink for scanning purpose

PHINMA
Making Lives Better

PHINMA Corporation

Certification

I, **Annabelle S. Guzman, Vice President - Controller** of **PHINMA Corporation** with SEC registration number **12397** with principal office at **Level 12, PHINMA Plaza, Plaza Drive, Rockwell Center, Makati City**, on oath state:

1) That on behalf of **PHINMA Corporation**, I have caused this report on **SEC Definitive Information Statement 2022** to be prepared;

2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;

3) That the company **PHINMA Corporation** will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and

4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this 10th day of March, 2023.

Annabelle S. Guzman
Annabelle S. Guzman
Vice President - Controller

SUBSCRIBED AND SWORN to before me this ____day of MAR 10 2023, 2023 in PASIG CITY, affiant exhibited to me her Driver's License No. N01-01-266669 issued on April 19, 2019 at Makati DO with expiration date of April 15, 2024.

NOTARY PUBLIC

ATTY. ARLES B. MIRANDILLA
Appointment No. 120 (2022-2023)
Notary Public for and in the Cities of
Pasig and San Juan and the Municipality of Pateros
Roll of Attorneys No. 58826
IBP NO. 257440 / 1-2-2023/RSM CHAPTER
PTR NO. 0163620 / 1-10-2023 / PASIG CITY
MCLE Compliance No. VI-0020543/March 18, 2019
Commission until December 31, 2023
Ground Floor, AD Center Square Building,
Santolan, Pasig City

Doc. No. 422
Page No. 86
Book No. 352
Series of 2022

PHINMA
Making Lives Better

PHINMA Corporation

NOTICE OF ANNUAL SHAREHOLDERS' MEETING

TO ALL SHAREHOLDERS:

Please be informed that the Annual Shareholders' Meeting of PHINMA CORPORATION will be held at The Fifth at Rockwell, R5 Level, Power Plant Mall, Rockwell Center, Makati City and will also be conducted through remote communication via www.asm.phinmacorp.ph on Tuesday, 11 April 2023, at 10:00 a.m., with the following agenda:

1. Call to Order
2. Proof of Notice and Determination of Quorum
3. Minutes of Previous Meeting
4. Annual Report of Management
5. Ratification of all acts of the Board of Directors, Committees and Management
6. Election of Directors
7. Amendment of Articles of Incorporation and By-Laws
8. Appointment of External Auditors
9. Other Matters
10. Adjournment

For the explanation of each agenda item, please refer to the attached Annex "**A**".

The record date for the determination of the shareholders entitled to notice of said meeting and to vote thereat is March 17, 2023.

PHINMA
Making Lives Better

PHINMA Corporation

Votes of all stockholders attending by remote communication may only be cast through ballots or proxies submitted on or before April 6, 2023. A sample of the Ballot/ Proxy will be included in the Information Statement.

All Ballots/Proxies should be received by the Corporate Secretary on or before April 6, 2023 physically or by email to phncorpsec@phinma.com.ph.

Validation of proxies is set on April 06, 2023 starting at 9:00 a.m.

TROY A. LUNA
Corporate Secretary

Annex "A"

PHINMA CORPORATION
ANNUAL SHAREHOLDERS MEETING
Tuesday, April 11, 2023, 10:00 am

Explanation of Each Item on the Agenda

1. Call to Order

The Chairman, Mr. Ramon R. del Rosario, Jr. will formally begin the annual meeting of the stockholders of PHINMA Corporation (the "Corporation").

2. Proof of Notice and Determination of Quorum

The Corporate Secretary, Atty. Troy A. Luna, will certify the date when the notice of meeting and Information Statement were sent to the stockholders of record as of March 17, 2023 and to the Securities and Exchange (SEC) and Philippine Stock Exchange (PSE), as well as the date of publication of the notice in a newspaper of general circulation.

Stockholders may participate in-person at the venue of the meeting stated in the Notice or by remote communication. Stockholders attending remotely must inform the Corporation of their attendance by email to phncorpsec@phinma.com.ph on or before April 06, 2023. Stockholders present at the venue of the meeting and attending remotely, subject to the procedure set forth in Annex "F" of the Information Statement to be posted on the Company's website, shall be considered present at the meeting.

The Corporate Secretary will likewise certify as to the existence of a quorum. Owners of shares constituting at least a majority of the issued and outstanding capital stock of the Corporation, present either in person, physically or remotely, or by proxy with the proxy attending physically or remotely, shall constitute a quorum for the transaction of business at this meeting.

The following are the rules of conduct and procedures for the meeting:

i) Votes of all stockholders may be cast at the meeting on each item of the agenda either by *viva voce* or raising of hands or, when balloting is deemed necessary, by ballots to be distributed at the meeting.

Stockholders attending remotely may cast their votes only through ballots/ proxies actually submitted on or before April 06, 2023. A sample of the Ballot/Proxy will be included in the Information Statement.

Stockholders attending physically by proxy must also submit their Ballot/should be received by the Corporate Secretary on or before April 06, 2023 physically or by email to phncorpsec@phinma.com.ph.

ii) All the items in the agenda for approval by the stockholders, except the election of directors and the approval of the proposed amendment of the Articles of Incorporation, will need the affirmative vote of stockholders, in person or by proxy, representing at least a majority of the shares of stock present or represented at the meeting. Each of the proposed resolutions will be shown on the screen as the same is taken-up at the meeting.

iii) Election of directors will be based on the number of votes cast by each stockholder present at the meeting, as described below.

iv) The approval of the proposed amendment of the Articles of Incorporation will require the affirmative vote of stockholders representing at least two-thirds of the total issued and outstanding capital stock of the Corporation.

v) The Committee of Inspectors of Proxies and Ballots will tabulate all votes cast and received by Ballot/Proxies, and an independent third party will validate the results.

vi) Stockholders attending remotely may email to phncorpsec@phinma.com.ph questions or comments on matters that are relevant and of general concern to them on or before April 06, 2023. These will be answered during the meeting or via email to the stockholder sending the question, subject to appropriateness, relevance and time limits.

vii) Stockholders attending the meeting physically may raise questions on matters relevant and of general concern to them during the meeting, at the appropriate time based on the agenda of the meeting, and as determined by the Chairman.

3. <u>Minutes of Previous Meeting</u>

The minutes of the Annual Shareholders' Meeting held on April 12, 2022 are available at the Company website, www.phinma.com.ph and will be presented to the shareholders during the meeting for approval.

4. <u>Annual Report of Management</u>

Management will deliver the report on the performance of the Company for 2022 and other matters deemed relevant to the stockholders.

The Audited Financial Statements as of December 31, 2022 and management's report will be included in the Information Statement.

5. <u>Ratification of all acts of the Board of Directors, Committees and Management</u>

The acts of the Board of Directors, Committees and Management of the Corporation since the last Annual Meeting of Shareholders will likewise be presented to the stockholders for confirmation, ratification and approval. Details will be provided in the Information Statement.

6. <u>Election of Directors</u>

The Corporate Secretary will present the nominees qualified for election to the Board of Directors, including the Independent Directors. A brief description of the qualifications and business experience of the nominees for election to the Board of Directors will be included in the Information Statement.

Each shareholder is entitled to one (1) vote per share multiplied by the number of board seats to be filled, i.e. eleven (11), and may cumulate his/her votes by giving as many votes as he/she wants to any candidate, provided that the total votes cast shall not exceed the total votes to which he/she is entitled. In the event the votes cast by a stockholder exceeds that to which he/she is entitled to vote, the Corporate Secretary in his discretion shall deduct such votes cast by the stockholder in favor of any nominee as may be necessary under the circumstances.

In the event that only eleven (11) are nominated to fill eleven (11) seats in the Board, the Chairman shall direct the Corporate Secretary to cast all votes in favor of those nominated, except the votes of stockholders who wish to have their votes differently recorded.

7. <u>Amendment of Articles of Incorporation and By-Laws</u>

The stockholders will be requested to vote on the proposed amendment of the Articles of Incorporation and By-Laws of the Corporation to increase the number of directors from eleven (11) to fifteen (15) directors. Details will be provided in the Information Statement.

8. <u>Appointment of External Auditors</u>

The stockholders will be requested to vote and ratify the selection by the Audit Committee and the Board of Directors of the external auditors for the current fiscal year. Details will be provided in the Information Statement.

9. <u>Other Matters</u>

The Chairman will open the floor for comments and questions from the stockholders. The Chairman will decide whether matters raised by any stockholder may be properly taken up in the meeting or in another forum.

10. <u>Adjournment</u>

The Chairman will adjourn the meeting when the scheduled order of business is completed.

PROXY

The undersigned, being a stockholder of **PHINMA CORPORATION** (the "Company"), hereby appoints ____ or in his absence, the Chairman of the meeting, as *attorney* and *proxy*, with power of substitution, to represent and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on **April 11, 2023** and at any adjournment thereof for the purpose of acting or voting on the following matters:

1. Approval of the Minutes of the previous meeting. ☐ Yes ☐ No ☐ Abstain

2. Approval of the Annual Report of Management ☐ Yes ☐ No ☐ Abstain

3. Ratification of all acts of the Board of Directors and Management since the last Annual Shareholders' Meeting ☐ Yes ☐ No ☐ Abstain

4. Election of Directors

☐ Vote for all nominees listed below:
Oscar J. Hilado
Ramon R. del Rosario, Jr.
Magdaleno B. Albarracin, Jr.
Victor J. del Rosario
Jose L. Cuisia, Jr.
Eduardo A. Sahagun
Meliton B. Salazar, Jr.
Edgar O. Chua (*Independent)*
Juan B. Santos *(Independent)*
Lilia B. de Lima *(Independent)*
Rizalina B. Mantaring *(Independent)*

☐ Withhold vote/authority for all nominees listed on the left side

☐ Withhold authority to vote for the nominees listed below :
____
____
____
____
____
____

5 Appointment of Sycip Gorres Velayo & Co. as external auditor for CY 2022 ☐ Yes ☐ No ☐ Abstain

6 Amendment of the Articles of Incorporation and By-Laws. to increase the number of directors to 15. ☐ Yes ☐ No ☐ Abstain

7 At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting. ☐ Yes ☐ No ☐ Abstain

____
Printed Name of Stockholder

____________________________ ____
Date **Signature of Stockholder / Authorized Signatory**

QUESTION / COMMENT : ____

____

This PROXY should be received by the Corporate Secretary **ON OR BEFORE April 6, 2023.** Proxies need not be notarized. Please attach for each of the stockholder and proxy, a photocopy of any government-issued identification card/document with photo and signature such as passport, driver's license or SSS ID for identification purposes.

A stockholder giving a proxy has the power to revoke the same on before the last day of submission of proxies on April 6, 2023. A proxy is also considered revoked if the stockholder registers his attendance and delivers a later-dated Ballot/Proxy indicating that he/she/it is voting by ballot.

This proxy, when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the Information Statement and/or as recommended by Management or the Board of Directors.

BALLOT / PROXY

Please mark as applicable :

☐ **Vote by ballot**

The undersigned stockholder of **PHINMA CORPORATION** (the "Company") hereby casts his/her vote on the agenda items below for the 2023 PHINMA CORPORATION ASM, as indicated by the mark "X" across each agenda item below.

☐ **Vote by proxy**

The undersigned, being a stockholder of **PHINMA CORPORATION** (the "Company"), hereby appoints ______________________________________ or in his absence, the Chairman of the meeting, as *attorney* and *proxy*, with power of substitution, to represent and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on **April 11, 2023** and at any adjournment thereof for the purpose of acting or voting on the following matters:

1.	Approval of the Minutes of the previous meeting.	☐ Yes ☐ No ☐ Abstain
2.	Approval of the Annual Report of Management	☐ Yes ☐ No ☐ Abstain
3.	Ratification of all acts of the Board of Directors and Management since the last Annual Shareholders' Meeting	☐ Yes ☐ No ☐ Abstain
4.	Election of Directors	
	☐ Vote for all nominees listed below: Oscar J. Hilado Ramon R. del Rosario, Jr. Magdaleno B. Albarracin, Jr. Victor J. del Rosario Jose L. Cuisia, Jr. Eduardo A. Sahagun Meliton B. Salazar, Jr. Edgar O. Chua (*Independent)* Juan B. Santos *(Independent)* Lilia B. de Lima *(Independent)* Rizalina B. Mantaring *(Independent)*	☐ Withhold vote/authority for all nominees listed on the left side ☐ Withhold authority to vote for the nominees listed below : ______________________ ______________________ ______________________ ______________________ ______________________ ______________________
5	Appointment of Sycip Gorres Velayo & Co. as external auditor for CY 2023	☐ Yes ☐ No ☐ Abstain
6	Amendment of the Articles of Incorporation and By-Laws. to increase the number of directors to 15.	☐ Yes ☐ No ☐ Abstain
7	At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.	☐ Yes ☐ No ☐ Abstain

____
Printed Name of Stockholder

______________________ ______________________________________
Date **Signature of Stockholder / Authorized Signatory**

QUESTION / COMMENT : ____

____

This PROXY should be received by the Corporate Secretary **ON OR BEFORE April 6, 2023.** Proxies need not be notarized. Please attach a photocopy of any government-issued identification card/document with photo and signature such as passport, driver's license or SSS ID for identification purposes.

A stockholder giving a proxy has the power to revoke the same on before the last day of submission of proxies on April 6, 2023. A proxy is also considered revoked if the stockholder registers his attendance and delivers a later-dated Ballot/Proxy indicating that he/she/it is voting by ballot.

This proxy, when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the Information Statement and/or as recommended by Management or the Board of Directors.

APPENDIX 1

PROCEDURE FOR ATTENDING THE MEETING BY REMOTE COMMUNICATION

1. The meeting will be held physically and will be shown via livestreaming at www.asm.phinmacorp.ph. Stockholders of record as of March 17, 2023 are entitled to attend and vote on each item of the agenda of said meeting.

2. Stockholders who intend to attend the meeting by remote communication should notify the Company by email to phncorpsec@phinma.com.ph on or before April 06, 2023. Stockholders whose shares are lodged with brokers are requested to contact their brokers for guidance on their participation in the meeting.

   For validation purposes, the email should contain the following information:

   (i) Name of the stockholder;
   (ii) address;
   (iii) telephone number;
   (iv) email address through which the stockholder may be reached; and
   (v) a scanned copy of any valid government-issued identification card ("ID") with photo and signature of the stockholder;
   (vi) if attending through a duly-appointed Proxy, the name of the Proxy, together with a scanned copy of his/her valid government-issued ID with photo and signature; and
   (vii) If the stockholder is a corporation or other entity, the name of its authorized representative, the valid government-issued ID with photo and signature of the representative, together with its Corporate Secretary's certification stating the representative's authority to represent the corporation or entity in the meeting.

   Only stockholders who have notified the Company of their intention to participate through remote communication as above-described, by themselves or through their proxies or representatives, and have been validated to be stockholders of record of the Company as of March 17, 2023 will be considered in determining attendance at the meeting.

3. Stockholders who do not register their participation in the meeting may still watch the same by accessing the livestreaming link indicated, but will not be considered present at the meeting.

4. Stockholders can vote only through a Ballot/Proxy submitted to the Corporation physically or via email to phncorpsec@phinma.com.ph, on or before April 06, 2023. The Ballot/Proxy form may be downloaded from https://www.phinma.com.ph/investor-relations-program/

   Only signatures of stockholders or their proxies or representatives on Ballots/Proxies that match their signatures appearing on the scanned copy of their government-issued identification card submitted during registration, as explained above, will be honored.

5. Stockholders may email to phncorpsec@phinma.com.ph their questions or comments on matters that are relevant to the meeting and the matters discussed on or before April 06, 2023. These will be answered during the meeting, subject to appropriateness, relevance and time limits, or by email.

6. The proceedings of the meeting will be recorded. A link to the recorded webcast of the meeting will be posted on the Company's website after the meeting.

COVER SHEET

1	2	3	9	7					

S.E.C. Registration Number

P H I N M A C O R P O R A T I O N

.

(Company's Full Name)

L E V E L 1 2 - P H I N M A P L A Z A 3 9 P L A Z A
D R I V E , R O C K W E L L C E N T E R M A K A T I

(Business Address: No. Street City/Town/Province)

A N N A B E L L E G U Z M A N

Contact Person

8 8 7 0 0 1 0 0

Company Telephone Number

Definitive Information Statement

1 2	3 1	**S E C 2 0 - I S**	**0 3**	**1 6**
Month	Day	FORM TYPE	Month	Day

Calendar Year

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = Pls. Use black ink for scanning purposes

SEC Number 12397 File Number
______

PHINMA CORPORATION

12th Floor, Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City

Telephone No.: **8870-0100**

Company's Calendar Year Ending: **December 31**

DEFINITIVE INFORMATION STATEMENT
(SEC FORM 20 - IS)

____
Amendment Designation (If Applicable)

December 31, 2022
Period-Ended Date

____
Secondary License Type and File No.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20 – IS

Information Statement

Pursuant to Section 20 of the Securities Regulation Code

1. Check the appropriate box:

______Preliminary Information Statement
__X___**Definitive Information Statement**

2. Name of Registrant as specified in its charter:

PHINMA CORPORATION

3. Province, country or other jurisdiction of incorporation or organization:

Manila, Philippines

4. SEC Identification Number: **12397**

5. BIR Tax Identification Code: **321-000-107-026**

6. Address of principal office:

12/F PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City 1210

7. Registrant's telephone number, including area code: **(632) 88700-100**

8. Date, time and place of the meeting of security holders:

Date	**-**	**April 11, 2023, Tuesday**
Time	**-**	**10:00 a.m.**
Place	**-**	**The meeting will be held at The Fifth at Rockwell, R5 Level, Power Plant Mall, Rockwell Center, Makati City**
Livestream	**-**	**www.asm.phinmacorp.ph**

9. Approximate date when the Information Statement is first to be posted on the Company website (https://www.phinma.com.ph): **March 16, 2023**

10. Securities registered pursuant to Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	No. of shares of Common Stock Outstanding or Amount of Debt Outstanding (as of Dec. 31, 2022)
Common shares	**286,325,265 shares**
Amount of Debt	**P10.9 billion**

11. Are any or all registrant's securities listed on the Philippine Stock Exchange?

Yes x No _

If yes, disclose the name of such Stock Exchange and the class of securities listed therein :

Philippine Stock Exchange, Inc. - common shares

PHINMA CORPORATION
Information Statement

This Information Statement is dated as of January 31, 2023 and is being furnished to stockholders of record of PHINMA CORPORATION, (the "Company" or "PHN") as of March 17, 2023 in connection with its Annual Stockholders Meeting.

WE ARE NOT SOLICITING YOUR PROXY.

A. <u>BUSINES AND GENERAL INFORMATION</u>

ITEM 1. Date and Time of Annual Meeting of Security Holders

Votes will be cast through a Ballot form for stockholders attending physically, and by Ballot/Proxy form for stockholders attending remotely. The deadline for the submission of Proxies or Ballots/Proxies (for stockholders attending remotely) is on April 6, 2023. Proxies and Ballots/Proxies may be sent to the office of the Corporation or by email to phncorpsec@phinma.com.ph. For the convenience of the stockholders of the Company, a sample Proxy and a Ballot/Proxy is attached to this Definitive Information Statement.

For an individual, his/her Proxy or Ballot/Proxy must be accompanied by a copy of a valid government-issued ID with a photo. For a corporation, its Proxy or Ballot/Proxy must be accompanied by its Corporate Secretary's certification stating the representative's authority to represent the corporation in the meeting, together with a copy of the valid government-issued ID of the said authorized representative. Proxies and Ballots/Proxies need not be notarized. Validation of Proxies and Ballots/Proxies will be on April 6, 2023 starting at 9:00 a.m. at the office of Stock Transfer Services, Inc. at 34/f Unit D, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City.

Stockholders may email to phncorpsec@phinma.com.ph questions or comments on matters that are relevant to the meeting and matters discussed on or before April 6, 2023.

Date	:	**April 11, 2023**
Time	:	**10:00 a.m.**
Place	**:**	**The Fifth at Rockwell** **R5 Level, Power Plant Mall, Rockwell Center, Makati City**
Principal Office	:	**12th Floor, PHINMA Plaza,** **39 Plaza Drive, Rockwell Center** **Makati City, Philippines 1210**
Livestream	:	**www.asm.phinmacorp.ph**

Approximate date when the Information Statement is first to be posted on the Company website (https://www.phinma.com.ph): **March 16, 2023**

ITEM 2. Dissenters' Right of Appraisal

There are no matters to be taken-up at the meeting that will give rise to the right of appraisal pursuant to Title X, Section 80 of the Revised Corporation Code of the Philippines (the "Code") governing the exercise of Appraisal Rights which states that:

Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of the shares in the following instances:

a) In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Code;

c) In case of merger or consolidation; and

d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

Section 81 of the Revised Corporation Code provides the following procedure on how the appraisal right may be exercised by any stockholder who shall have voted against a proposed corporate action on any of the above instances:

1) The dissenting stockholder who votes against a proposed corporate action may a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken: *Provided*, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the corporation shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the stockholder's shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

2) If within sixty (60) days from the approval of the corporate action by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: *Provided*, That no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment: *Provided, further*, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer the shares to the corporation.

ITEM 3. Interest of Certain Persons in Matters to be Acted Upon

a) There is no substantial interest, direct or indirect, by security holdings or otherwise, of any director or officer of the Company, any nominee or associate thereof, in any matter to be acted upon, other than election to office of directors.

b) The Board of Directors of the Company is not aware of any party who has indicated an intention to oppose the motions set forth in the Agenda.

B. CONTROL AND COMPENSATION INFORMATION

ITEM 4. Voting Securities and Principal Holders Thereof

a) Voting Securities

As of January 31, 2023, there are 286,325,265 shares of the Company's common stock that are outstanding. Of the said outstanding voting shares, 258,420,864 shares are owned by Filipinos and 27,904,401 shares are owned by foreign nationals. Each share is entitled to notice of and to one vote at the Annual Stockholders' Meeting.

b) Record Date

Only holders of the Company's stock of record at the close of business on March 17, 2023 are entitled to the notice of and to vote in the Annual Meeting to be held on April 11, 2023.

c) Voting Rights

In accordance with Section 23 of the Revised Corporation Code, and consistent with Company's By-Laws (the"Company's By-Laws"), directors of the Company shall be elected by cumulative. Each stockholder may vote in person or by proxy the number of shares of stock standing in his own name in the books of the Company as of the record date of the meeting. A stockholder may: a) vote such number of shares for as many persons as there directors to be elected; b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or (c) distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the whole number of directors to be elected, and provided further, that no delinquent stock shall be used to vote.

d) Security Ownership of Certain Record and Beneficial Owners

The table below shows persons or groups known to PHN as of January 31, 2023 to be directly or indirectly the record or beneficial owners of more than 5% of the company's voting securities:

Table 1 - Owners of Voting Securities

Title of Class	Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	# of Shares held	%
Common	Phil. Investment Mgmt.(PHINMA), Inc. [1] Level 12, Phinma Plaza, No. 39 Plaza Drive Rockwell Center, Makati City Stockholder	Phil. Investment Mgmt. (PHINMA), Inc. which is also the record owner. Mr. Oscar J. Hilado, Chairman of Board, is the person appointed to exercise voting power.	Filipino	181,776,055	63.49%
Common	Philippine Depository and Trust Corporation[2] MSE Bldg. Ayala Avenue Makati City Stockholder	Various	Filipino	28,987,366	10.12%
Common	Philippine Depository and Trust Corporation[2] MSE Bldg. Ayala Avenue Makati City Stockholder	Various	Foreign	27,904,401	9.75%

[1] Phinma Inc.'s principal stockholders are: 1) EMAR Corporation (49.79%), a Filipino company principally owned by the immediate family of the late Amb. Ramon V. del Rosario, Sr., 2) Mariposa Properties, Inc. (32.17%), which is owned by Mr. Oscar J. Hilado and the members of his immediate family, and 3) Dr. Magdaleno B. Albarracin, Jr. who owns 10.20% of Phinma Inc.'s outstanding shares. The Del Rosario and Hilado Families are expected to direct the voting of the shares held by EMAR Corp. and Mariposa Properties, Inc.

[2] Philippine Depository and Trust Corporation ("PDTC") is a wholly-owned subsidiary of Philippine Central Depository, Inc., ("PCD") which acts as trustee-nominee for all shares lodged in the PCD system. It was formerly known as PCD Nominee Corporation. The beneficial owners of such shares are PCD participants who hold the shares on their behalf or in behalf of their clients.

Security Ownership of Management

The table below shows the securities beneficially owned by all directors, nominees and executive officers of PHN as of January 31, 2023.

Table 2 - Security Ownership of Management

Title of Class	Name of Beneficial Owner	No. of shares	Nature of Beneficial Ownership	Citizenship	% of Ownership
Common	Oscar J. Hilado	400,000 800,000 1,167,017	Direct Indirect Indirect	Filipino Filipino Filipino	.140% .279% .408%
Common	Magdaleno B. Albarracin, Jr.	11,300,000	Direct	Filipino	3.947%
Common	Victor J. del Rosario	1,069,245 1,059,998 789,138	Direct Indirect Indirect	Filipino Filipino Filipino	.373% .370% .276%
Common	Ramon R. del Rosario, Jr.	432.661 9,855,424 789,139 250,000	Direct Indirect Indirect Indirect	Filipino Filipino Filipino Filipino	.151% 3.442% .276% .087%
Common	Jose L. Cuisia, Jr.	17,927	Direct	Filipino	.006%
Common	Meliton B. Salazar Jr.	1 20,270	Direct Indirect	Filipino Filipino	.000% .007%
Common	Eduardo A. Sahagun	1	Direct	Filipino	.000%
Common	Rizalina G. Mantaring	1	Direct	Filipino	.000%
Common	Juan B. Santos	50,001	Direct	Filipino	.017%
Common	Lilia B. de Lima	1	Direct	Filipino	.000%
Common	Edgar O. Chua	1	Direct	Filipino	.000%
Common	Pythagoras L. Brion	354,086	Direct	Filipino	.124%
Common	Regina B. Alvarez	449,571	Direct	Filipino	.157%
Common	Jose Mari del Rosario	349,785 512,576 575,036	Direct Indirect Indirect	Filipino Filipino Filipino	.122% .179% .201%
Common	Raphael B. Felix	25,000	Direct	Filipino	.009%
Common	Rolando D. Soliven	70,000	Direct	Filipino	.024%
Common	Nanette P. Villalobos	26,450	Direct	Filipino	.009%
Common	Peter V. Perfecto	29,000	Direct	Filipino	.010%
Common	Edmund Alan A. Qua Hiansen	21,900	Direct	Filipino	.008%
Common	Annabelle S. Guzman	10,000	Direct	Filipino	.004%
Common	Ma. Gracia M. Purisima	2,900	Direct	Filipino	.001%
Common	Giles R. Katigbak	-	Direct	Filipino	.000%
Common	Troy A. Luna	-	Direct	Filipino	.000%
Common	Ma. Concepcion Z. Sandoval	-	Direct	Filipino	.000%
Directors and Officers as a Group		**30,427,129**			**10.627%**

Voting Trust Holders of 5% or more

None of the Directors and Officers own 5% or more of the outstanding capital stock of the Company. Also, the Company is not aware of any individual holding more than 5% of the Company's outstanding shares.

Changes in Control

There are no arrangements that may result in a change in control of the registrant, nor has there been any change in control since the beginning of the last calendar year.

ITEM 5. Directors and Executive Officers

a) Board of Directors

The Company's Board of Directors is responsible for the overall management and direction of the Company. The Board meets quarterly or as often as required, to review and monitor the Company's financial position and operations.

The directors of the Company are elected at the Annual Stockholders Meeting to hold office for one year and until their respective successors have been elected and qualified. No director has resigned nor declined to stand for re-election to the Board since the date of the last annual meeting of the Company because of a disagreement with the Company on matters relating to the Company's operations, policies and practices. The Board of Directors has no reason to believe that any of the aforesaid nominees will be unwilling or unable to serve if elected as a director.

Except for Dr. Magdaleno B. Albarracin, Jr., a member of the Board of Directors who directly owns 3.947% of PHN shares, none of the members of the Board of Directors and Officers directly own more than 2% of PHN shares.

Listed are the incumbent directors of the Company with their qualifications which include their ages, citizenship, current and past positions held and business experience for the past five years.

Table 3 - Board of Directors

Directors	Citizenship	Age	Position
Oscar J. Hilado	Filipino	85	Chairman Emeritus
Ramon R. del Rosario, Jr.	Filipino	78	Chairman & CEO
Magdaleno B. Albarracin, Jr.	Filipino	86	Vice-Chairman
Victor J. del Rosario	Filipino	74	Director
Meliton B. Salazar, Jr.	Filipino	57	President & COO, Head of Education
Eduardo A. Sahagun	Filipino	65	Executive Vice President, Construction Materials
Amb. Jose L. Cuisia, Jr.	Filipino	78	Director
Juan B. Santos	Filipino	84	Independent Director
Lilia B. de Lima	Filipino	82	Independent Director
Rizalina G. Mantaring	Filipino	63	Independent Director
Edgar O. Chua	Filipino	66	Independent Director

Oscar J. Hilado is the Chairman Emeritus of the Company and has been the Chairman of the Board since 2003. He is also Chairman of the Board of PHINMA, Inc., and Vice-Chairman of PHINMA Properties Holding Corp., and UnionGalvasteel Corporation. Mr. Hilado is also an Independent Director and Chairman of the Audit Committee of A. Soriano Corporation, Philex Mining Corporation, Smart Communications, Inc., Rockwell Land Corporation and Roxas Holdings Inc. He is also a Director of Seven Seas Resort and Leisure, Inc. PHINMA Solar Corporation, Digital Telecommunications Philippines, Inc., Manila Cordage Company, Beacon Property Ventures, Inc., Pueblo de Oro Development Corporation, UPPC, PhilCement, PHINMA Hospitality, PHINMA Education and the PHINMA Education Schools; Cebu Light Industries Phils., Inc. Mr. Hilado is a Certified Public Accountant with a Bachelor of Science Degree in Commerce from the De La Salle College in Bacolod and a Master's Degree in Business Administration from the Harvard Graduate School of Business. He has been a Director of the Company since 1969 and is also the Chairman of the Executive Committee and Retirement Committee and member of the Nominations Committee and Executive Compensation Committee of the Company. He attended the MVP Group Annual Corporate Governance Enhancement Session on September 22, 2022.

Ramon R. del Rosario, Jr. is the Chairman and Chief Executive Officer of PHINMA Corporation whose business portfolio includes educational institutions, the manufacture and distribution of construction materials, property development, and hotels and hospitality management. He has been a director of the Company since 1993. He is also Chairman of the educational institutions under the PHINMA Education Network : Araullo University, Cagayan de Oro College, University of Iloilo, University of Pangasinan, Southwestern University, St. Jude College, Republican College, Rizal College of Laguna and Union College of Laguna and a number of other PHINMA companies. He is President of the Board of Commissioners of PT Ind Phil Management. He serves as a member of the Board of Directors of Bank of the Philippine Islands (BPI).

Mr. del Rosario served as the Philippines' Secretary of Finance from 1992 to 1993 and is a Masters in Business Administration graduate of Harvard Business School and of De La Salle University, Manila with an AB-BSC degree, magna cum laude. He is a 1978 Ten Outstanding Young Men (TOYM) awardee in the field of Investment Banking and Finance and was conferred the "Management Man of the Year Award for 2010" by the Management Association of the Philippines. Mr. del Rosario was honored in 2010 by the Philippine District of the De La Salle Brothers as an Affiliated Member of the Institute of the Brothers of the Christian Schools. He was also awarded the "Business as a Noble Vocation Award", the first recipient of this global award presented by the International Christian Union of Business Executives or UNIAPAC in Lisbon, Portugal during its XXVI World Congress on November 24, 2018. In addition to two earlier honorary doctorate degrees from other institutions, Mr. del Rosario was recently conferred the Degree of Doctor of Business Administration, Honoris Causa, by De La Salle University last December 10, 2022.

Mr. del Rosario is Chairman of Philippine Business for Education (PBEd). He is Vice Chairman of Caritas Manila and PHINMA Foundation, and is a member of the Board of Trustees and former chairman of the Makati Business Club and the Ramon Magsaysay Award Foundation. He is a member of the World Bank-Civil Service Organizations (CSO) Advisory Group and of the Board of Advisors of Ramon V. del Rosario, Sr.-AIM Center for Corporate Social Responsibility. He also served previously as Chairman of the National Museum of the Philippines and the Integrity Initiative.

Dr. Magdaleno B. Albarracin, Jr. is the Vice-Chairman of PHINMA Corporation and Philippine Investment Management, Inc. (PHINMA, Inc.) and the Chairman of PHINMA, Inc.'s Executive Committee. He is a Member of the Board of all the companies in the PHINMA Group. He was president and a former director of Holcim Philippines, Inc. Dr. Albarracin was a member of the Board of Regents of the University of the Philippines (U.P.) as well as Board of Trustees of U.P. Engineering Research and Development Foundation, Inc. (UPERDF). He was the Chairman of the Board of Trustees of the University of San Carlos, Cebu City. He served as Dean of the UP College of Business Administration and was President of the ASEAN Federation of Cement Manufacturers. Dr. Albarracin has a Bachelor of Science degree in Electrical Engineering from the University of the Philippines and a Master of Science degree in Electrical Engineering from the University of Michigan. He obtained his Master in Business Administration degree from the University of the Philippines and his Doctorate in Business Administration from Harvard University. He has been with PHINMA, Inc. since June 23, 1971 and has been a Director of PHINMA Corporation since 1980. He attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global best Practices in September 2022.

Dr. Meliton B. Salazar, Jr., is the President & COO, Head of Education of PHINMA Corporation. Concurrently, he is the President and Chief Executive Officer of PHINMA Education and a Senior Vice President of PHINMA, Inc. from 2003 to present. Dr. Salazar was first elected as Director of the Company at the Annual Stockholders' Meeting held on April 14, 2021, and will serve as such for the ensuing year, until his successor is duly elected.

He is also the President and Co-Founder of Philippine Business for Education (PBEd), a nonprofit organization founded by the country's top business leaders that works for education policy reform, the Vice-Chairman of the Board of Trustees of Ateneo de Manila University (ADMU), and Governor of the Management Association of the Philippines (MAP).

Dr. Salazar has a PhD in International Relations, Major in International Development and Development Management from the School of International Service at The American University in Washington, D.C.; an M.A. in International Political Economy and Development from Fordham University in New York, and a B.S. Management Engineering degree from ADMU.

Prior to joining PHINMA, he was a part-time Associate Professor at the School of Management and at the School of Social Sciences from 2007 to 2010 and Part-Time Lecturer at the Department of Economics, Department of English and Department of Math at the Ateneo de Manila University (ADMU) from 1998 to 1992. He was also a part-time Lecturer at the Economics Department of Assumption College and an Associate Professor at the Asian Institute of Management (AIM). From 1997 to 1998 he served as a Consultant at the Institute of Environmental Studies and United National Environmental Programme Project. He became a Research Assistant to both Dr. James Mittelman, Chair of the Department of Regional and Comparative Studies and Dr. Steven Arnold, Director of the International Development Program at the American University from 1993 to 1995. In 1991, he was an Assistant to Dr. Henry Schwalbenberg, Director of the Program in International Political Economy and Development of Fordham University.

Victor J. del Rosario is an Economics and Accounting graduate of De La Salle University and holds a Master's degree in Business Administration from Columbia University. He was elected as director on September 15, 2008. He is the Chairman of Union Galvasteel Corporation and PhilCement Corporation. He is also a member of the Board of Directors of PHINMA, Inc. and other PHINMA-managed companies. Mr. Del Rosario is the brother of Mr. Ramon R. del Rosario, Jr. and Mr. Jose Mari del Rosario. He attended the Annual Corporate Governance seminar conducted by SEC-accredited training provider CGBP on September 30, 2022.

Eduardo A. Sahagun, is the President and Chief Executive Officer of UGC, PHINMA Solar, and PhilCement. He has held the roles for these companies, since 2017. He is also a director of UGC, PhilCement, PHINMA Solar, PPHC, T-O Insurance Brokers, Inc., PHINMA Renewable Energy Corporation, PHINMA Corporation, Song Lam Joint Stock Company, First Batangas Hotel Corporation, and Cagayan de Oro College, Inc., as well as a member of the PHINMA Foundation, Inc.'s Board of Trustees. He is also the Chairman of Edcommerce Corporation and an Independent Director of Philippine Savings Bank. He formerly served as Chairman and President of Holcim Philippines, Inc., as a Director of Holcim Philippines Manufacturing Corporation, and as a Director of Holcim Mining and Development Corporation. He attended the Senior Management Program, Senior Leadership Program, and Managing Change Program at the Institute for Management Development, based in Lausanne, Switzerland. He obtained his graduate degree in Management Science from the Arthur D. Little Management Education Institute (now known as Hult International Business School) in Cambridge, MA, USA, in 1994. Prior to that, he obtained a Master's in Business Administration from the Ateneo Graduate School of Business in the Philippines and is a Certified Public Accountant. In 1978, he obtained his Bachelor of Science in Commerce degree, with a major in Accounting, from Holy Angel University. Mr. Sahagun was first elected as a Director of the Company at the Annual Stockholders' Meeting held on April 14, 2021, and will serve as such for the ensuing year, until his successor is duly elected. He attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices on September 30, 2022.

Jose L. Cuisia, Jr. was the Philippine Ambassador Extraordinary and Plenipotentiary to the United States of America and non-resident Ambassador to Trinidad & Tobago, the US Virgin Islands, Grenada, Puerto Rico, the Commonwealth of Jamaica and the Republic of Haiti, Antigua & Barbuda, Barbados, the Commonwealth of Dominica, The Federation of St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines. Ambassador Cuisia previously served the Philippine Government as Governor of the Philippine Central Bank and Chairman of its Monetary Board from 1990-1993, was Governor for the Philippines to the International Monetary Fund and Alternate Governor to the World Bank. He was also Administrator and CEO of the Philippine Social Security System from 1986-1990. He was also appointed Commissioner, representative of the Employer's Group, for the Social Security System (SSS) from September-December 2010. He was President and CEO of Philam Life for 16 years. He is the Chairman of the Board of The Covenant Car Company, Inc. and FWD Life Insurance Company, Adlemi Properties Inc., Five J's Diversified Inc. and JVC Holdings Corporation. He was Vice-Chairman of the Board and Lead Independent Director of SM Prime Holdings and former director of Manila Water Company, Inc. He holds directorates in Century Properties Group, Inc., PHINMA, Inc., and Asian Breast Center, Inc. He previously held the Chairmanship of the Board of Far East Bank and Trust Company, Union Bank of the Philippines, Asian Institute of Management, BPI-Philam Life Assurance Co., Philam Foundation, Tower Club, Inc., and De La Salle University. Ambassador Cuisia was elected as Chairman of the Board of Trustees of the University of Asia & the Pacific in 2019; elected to the Board of Trustees of the De La Salle Medical & Health Sciences Institute and De La Salle University -Dasmarinas in December 12, 2019 and the former Chairman, Current Trustee and Treasurer of the Ramon Magsaysay Awards Foundation. He is a Convenor-Trustee of the PBED and a Trustee of the Makati Business Club. Ambassador Cuisia is a recipient of numerous awards including 2016 Ten Outstanding Filipino, 2016 Order of the Sikatuna, and Management Man of the Year Award for 2007 from the MAP, among others. He obtained his BSC-Accounting and AB-Social Sciences degrees (Magna cum Laude) from De La Salle University and Master's degree in Business Administration from University of Pennsylvania. He has been a Director of the Company since 1994. He attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices on September 30, 2022.

Juan B. Santos was elected as an Independent Director in 2018 and was appointed as Lead Independent Director in June 2021. He is also a Director of Rizal Commercial Banking Corporation, Sunlife Grepa Financial, Inc., Allamanda Management Corporation, House of Investment Inc; Trustee of Dualtech Training Center Foundation, Inc.; St. Luke's Medical Center; Member of the Board of Advisors of East-West Seeds Co., Mitsubishi Motor Phil. Corporation; Consultant of Marsman-Drysdale Group of Companies. His past experiences include: Chairman of Social Security System; Secretary of Trade and Industry, Philippines ; Chairman and CEO of Nestle Philippines, Singapore and Thailand; Director of Philex Mining Corporation, Philippine Long Distance Telephone Company, San Miguel Corporation; Educational Background: Advanced Management from International Institute of Management Development (IMD), Lausanne, Switzerland; Postgraduate studies on Foreign Trade from Thunderbird School of Global Management, Arizona, USA; and Bachelor of Science in Business Administration from Ateneo De Manila University, Philippines. He attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices on September 30, 2022 and the Advanced Corporate Governance Training by Institute of Corporate Directors held on November 11, 2022.

Dr. Lilia B. de Lima received the 2017 Ramon Magsaysay Award for her sustained leadership as Director General of the Philippine Economic Zone Authority, in building a credible and efficient ("PEZA") during her 21 years of service from its creation in 1995 to 2016. She is the first woman honored as "Management Man of the Year" by the Management Association of the Philippines in 2010. In 2014 The Philippine-Japan Society recognized her Outstanding Achievement in the Promotion of Philippine-Japan Relation, the first woman to receive the award in 36 years. The Joint Foreign Chambers of Commerce of the Philippines awarded her The Arangkada Lifetime Achievement Award in 2014. She was awarded the Robert Storey International Award for Leadership by The Center for American and International Law in Dallas, Texas in 2013. She was awarded the ASEAN CEO Award in 2011 and in 2010 the Government of Japan bestowed on her the highest award given to a non-head of State, the Order of the Rising Sun, Gold and Silver Star. She is twice a recipient of the Presidential Medal of Merit from the Philippine government. Miss de Lima was also recognized as Outstanding Women in the Nation's Service Award in the field of law in 1983. She was elected Delegate to the 1971 Constitutional Convention, served as Director of the Bureau of Domestic Trade, Executive Director of the Price Stabilization Council, Department of Trade and Industry, Chief Operating Officer of World Trade Center Manila and Commissioner of the National Amnesty Commission. She earned her Associate in Arts from the Centro Escolar University and her Bachelor of Laws from the Manuel L. Quezon University and subsequently passed the Philippine BAR. She was conferred a Doctor of Laws Honoris Causa by Manuel L. Quezon University and is a fellow of the Center for American and International Law in Dallas, Texas, USA. She is Independent Director of IONICS, Inc., IONICS EMS, FWD Life Insurance Corporation and Megawide Construction Corporation. She is a Director of RCBC, Dusit Thani Philippines, Science Park of the Philippines, RFM Science Park of the Philippines, Pueblo de Oro Development Corporation, Regatta Properties Inc. She is an Executive-in-Residence in the Asian Institute of Management, Trustee of Fatima Center for Human Development and a Board Advisor of AC Industries. She was elected as Independent Director of the Company on April 19, 2018. She attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices on September 30, 2022.

Rizalina G. Mantaring was the CEO of Sun Life Financial Philippines until her retirement in June 2018, after which she assumed the chairmanship of Sun Life Financial Philippine Holding Co. until she stepped down in August 2019. She started her career in Information Technology, joining Sun Life in 1992 as Senior Manager for Asia Pacific of its Information Systems Department and progressively took on a variety of roles until she was appointed Chief Operations Officer for Asia in 2008. She is an Independent Director of Ayala Corporation Inc., Ayala Land, Inc., First Philippine Holdings Corporation Inc., Universal Robina Corp. Inc., GoTYME Bank, Maxicare Healthcare Corporation Inc. and East Asia Computer Center Inc. She is also a director of Sun Life Grepa Financial Inc. Among her other affiliations are as Board of Trustees of Makati Business Club and Philippine Business for Education. She was also President of the Management Association of the Philippines and the Philippine Life Insurance Association. A recipient of the Asia Talent Management Award in the Asia Business Leaders Award organized by the global business news network Consumer News and Business Channel (CNBC), she has also been recognized by the International Association of Business Communicators (Philippines) with the CEO Excel award, and was named by Moneysense Magazine as one of the 12 Most Influential in Personal Finance. She was selected as one of the 100 Most Outstanding Alumni of the past century in 2010 by the University of the Philippines College of Engineering and received the PAX award, the highest award given to outstanding alumnae, in 2019 from St. Scholastica's College Manila. She holds a BS Electrical Engineering degree from the University of the Philippines where she graduated with honors. She obtained her MS degree in Computer Science from the State University of New York at Albany. She is also a Fellow, Life Management Institute (with distinction) and Associate, Customer Service (with honors) of the Life Office Management Association. She was elected as Independent Director of the Company on April 12, 2019. She attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices on September 30, 2022.

Edgar O. Chua is currently the President and Chief Executive Officer of Cavitex Holdings, Inc. and Amber Kinetics Inc. He has been an Independent Director of Metropolitan Bank and Trust Company since 2017, PhilCement since 2021, JG Summit Olefins Corp since 2022, Integrated Micro-Electronics, Inc. since 2014 and First Gen since 2021. He currently holds the position of Chairman of the Philippine Eagle Foundation since 2017, Philippine Business for the Environment, De La Salle Science Foundation since 2017 and Makati Business Club since 2016. He is currently the Chairman for the College of Saint Benilde, University of La Salle Bacolod and CEO of De La Salle Philippines. He is a Trustee/Treasurer of PBED and Trustee for the De La Salle Greenhills since 2019, The English-Speaking Union of the Philippines, Inc. since 2009, Gawad Kalinga Community Development Foundation Inc. since 2005, and Pilipinas Shell Foundation Inc. 2003. He is also a Member of the Advisory Board of Mitsubishi Motors Phil. Corp. and Coca Cola Bottlers Phils. Mr. Chua is affiliated with the Integrity Initiative, National Resilience Council, and the Phil. Disaster and Resilience Foundation. He held senior positions within various Shell group of companies, both locally and outside of the Philippines, including but not limited to being the Chairman and President of Pilipinas Shell Petroleum from September 2003 to May 2017 and being the Country Chairman of Shell companies in the Philippines from September 2003 to October 2016. He earned his Bachelor of Science degree in Chemical Engineering from De La Salle University in 1978 and attended various international seminars and courses including the senior management course in INSEAD in Fontainebleau, France. Mr. Chua was first elected as Director of the Company at the Annual Stockholders' Meeting held on April 14, 2021 and will serve as such for the ensuing year, until his successor is duly elected. He attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices on September 30, 2022.

b) ***Executive Officers***

The officers of PHINMA Corporation are elected annually by the Board of Directors and serve for one (1) year and until their respective successors are elected and qualified.

None of the officers of the Company holds more than two percent (2%) of the Company's shares.

Table 4 – Executive Officers

Name	Citizenship	Age	Position
Ramon R. del Rosario, Jr	Filipino	78	Chairman and CEO
Meliton B. Salazar, Jr.	Filipino	57	President and COO, Head of Education
Eduardo A. Sahagun	Filipino	65	Executive Vice President, Construction Materials
Pythagoras L. Brion	Filipino	70	Executive Vice President, Group CFO
Jose Mari del Rosario	Filipino	65	Senior Vice President, Hospitality
Raphael B. Felix	Filipino	51	Senior Vice President - Properties
Regina B. Alvarez	Filipino	56	Senior Vice President, Group Controller
Nanette P. Villalobos	Filipino	50	Vice President and Treasurer
Edmund Alan A. Qua Hiansen	Filipino	39	Vice President, Strategy and Planning
Annabelle S. Guzman	Filipino	50	Vice President, Controller
Rolando Soliven	Filipino	48	Vice President, Corporate Governance
Peter Angelo V. Perfecto	Filipino	57	Vice President, Public Affairs
Ma. Gracia M. Purisima	Filipino	40	Assistant Treasurer
Troy A. Luna	Filipino	60	Corporate Secretary
Ma. Concepcion Z. Sandoval	Filipino	42	Assistant Corporate Secretary

Pythagoras L. Brion, Jr. was appointed as Executive Vice President and Group CFO on November 10, 2021. He concurrently serves as Executive Vice President and Group CFO of PHINMA, Inc. He serves in the Board of Directors of SJCI, RCI, PHINMA Solar Corporation, CDCC, API and PHINMA PRISM Property Development Inc. He received his Bachelor of Science in Management Engineering degree from Ateneo de Manila University and holds a Master in Business Administration degree from the University of the Philippines.

Jose Mari del Rosario Senior Vice President – Hospitality of PHINMA Corporation (PHN), is concurrently the President and CEO of PHINMA Microtel Hotels Inc. and PHINMA Hospitality, Inc. These two companies are the master franchise holder and management company respectively of Microtel by Wyndham & TRYP by Wyndham in the Philippines. Microtel & TRYP are international hotel chains under Wyndham Hotels & Resorts with properties operating in key business hubs and leisure destinations in the country. Mr. del Rosario is also the President and CEO of Paramount Hotels & Facilities Management Co. Inc., which provides property management and consultancy services to hotels, food & beverage facilities, and office/commercial buildings. Presently, he sits on the Board of Directors of the Philippine Hotel Owners Association and Philippine Franchise Association. In 2015, he was honored with the Ernst & Young Entrepreneur of the Year – Industry Entrepreneur award for his game-changing role in the hospitality industry. In 2007, he was recognized by GoNegosyo as Most Inspiring Tourism Entrepreneur. He earned his Diploma in Hotel & Restaurant Management in Hotelconsult Schulhotels (now César Ritz Colleges) Valais, Switzerland. He is also an alumnus of Cornell University's General Managers Program. He took up his MBA at Arthur D. Little School of Management (now Hult International Business School) in Cambridge, Massachusetts. He is the brother of Mr. Ramon R. del Rosario, Jr. and Mr. Victor J. del Rosario. He attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices in September 2022.

Raphael B. Felix, Senior Vice President - Properties of PHINMA Corporation (PHN) is concurrently the President and Chief Executive Officer of PHINMA Property Holdings Corporation (PPHC), the real-estate subsidiary of PHN. He also serves as the President of PHINMA Prism Development Corporation since 2019, involved in upscale housing developments. He also serves as chairman of Community Developers and Construction Corporation, PPHC's construction arm. He joined PHINMA Properties in 2007 as Business Planning Manager. Mr. Felix is a graduate of AB Economics from the Ateneo de Manila University and has attended business planning and strategy courses from Asian Institute of Management, Ateneo Graduate School and Harvard Business Review.

Regina B. Alvarez is the Senior Vice President and Group Controller. She was appointed as Senior Vice President – Finance of the company in April 2005. Ms. Alvarez is concurrently Senior Vice President and Group Controller of PHINMA, Inc. and holds various executive posts in PHINMA-managed companies. She is also a director of AU and SWU. Ms. Alvarez is a Certified Public Accountant and holds a Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines and a Master's degree in Business Administration from the Wharton School of Business.

Nanette P. Villalobos was appointed Vice President and Treasurer in January 2019. She was previously the Treasurer for PHEN from 2018 to 2019 and Treasurer for South Luzon Thermal Energy Corporation from 2015-2019. Currently, she also holds the following positions: Vice President and Treasurer for PHINMA, Inc., Assistant Treasurer for PPHC, Treasurer for PHINMA Education Holdings, Inc., Treasurer and Compliance Officer for TO Insurance Brokers, Inc. and Treasurer for PHINMA Hospitality. She obtained her degree in Bachelor of Science in Accountancy from University of the East. She completed the Ateneo-BAP Treasury Certification Program in 2004. She attended the Basic Management Program at the Asian Institute of Management in 2008. She attended and completed a Certification study for Macro Economics at University of Asia and the Pacific in 2014. She took up the Diploma Program in Corporate Finance of the Ateneo Graduate School of Business-Center for Continuing Education in 2022. She is a member of Fund Managers Association of the Philippines (FMAP) and Financial Executives Institute of the Philippines (FINEX).

Edmund Alan A. Qua Hiansen is Vice President, Strategy and Planning. Concurrent positions held include: Chief Financial Officer of Song Lam Cement Joint Stock Company and Deputy Chief Finance Officer of PHINMA Prism Development Corporation. He holds a Bachelor of Science degree in Finance from Butler University in Indianapolis, Indiana, USA where he was recognized as one of the Top 100 Outstanding Students in 2005 and a Master's degree in Global Finance from HKUST-NYU Stern. He is the Chairman of the FINEX Research and Development Foundation Junior FINEX Committee and a Vice Chairman of the Financial Executive Institute of the Philippines Ethics Committee.

Annabelle S. Guzman joined the company in September 2020 and was appointed Vice President and Controller on April 14, 2021. She is a Certified Public Accountant and holds a Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines. Prior to joining the Company, she worked in the financial services industry, as VP – Fund Administration Manager with JP Morgan Chase & Co and as Finance Head with Pepper Financial Services.

Rolando D. Soliven was elected Compliance Officer on April 14, 2021 and is concurrently Vice President – Group Corporate Governance since April 2019 and Data Protection Officer since May 2022. He has been an officer of the company since March 2012. He holds a Bachelor of Science degree in Accountancy from San Beda College. He has also completed the Enterprise Wide Risk Management Program and the Business Analytics Program of the Asian Institute of Management. He is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified in Risk Management Assurance (CRMA), ISO 31000 Certified Risk Manager (CRM), and Certified Fraud Examiner (CFE). He is a Fellow of the Institute of Corporate Directors (ICD) and a member of both the Institute of Internal Auditors (IIA) and the Association of Certified Fraud Examiners (ACFE).

Peter Angelo V. Perfecto was appointed Vice President, Public Affairs in April 2019. As former Executive Director of the Makati Business Club from 2011 to 2018, he also took on leadership and secretariat roles in the Integrity Initiative, Bishops-Businessmen's Conference for Human Development, National Competitiveness Council and the APEC Business Advisory Council. He also helped establish Philippine Business for Education and became its first Executive Director, driving business-led advocacies for education reform and mobilizing resources from corporates as well as international agencies. Today, he concurrently serves as the PHINMA Foundation Vice President, chairman of the Oxfam Pilipinas Board as well as its Country Governance Group, and private sector representative of the People's Survival Fund. His other past positions include Director V for Media and Public Affairs of the Office of the Presidential Adviser on the Peace Process and Executive Director of Amnesty International Philippines where he had the opportunity to join various international meetings and working groups on human rights. An alumnus of the Ateneo de Manila University, he completed his Bachelor of Science in Management Engineering in 1987.

Giles R. Katigbak was appointed as Assistant Vice President, Chief Risk Officer effective April 12, 2022. He received his bachelor's degree in Management Economics from the Ateneo de Manila University and an MBA with concentration in Finance and Corporate Accounting from the University of Rochester in New York. Prior to joining PHINMA Corporation he was employed in a financial advisory capacity at various Philippine firms including Investment & Capital Corporation of the Philippines, Jardine Fleming Exchange Capital Group, Inc., and SyCip, Gorres, Velayo and Company.

Ma. Gracia M. Purisima joined the company in 2011 and was elected Assistant Treasurer in April 2019. She is also the Assistant Treasurer of PHINMA, Inc. She completed the Treasury Certification Program from the Ateneo de Manila University Graduate School of Business and Bankers Association of the Philippines (Ateneo-BAP) in 2012. She holds a Bachelor of Arts degree in Management Economics from Ateneo de Manila University.

Troy A. Luna was elected as the Corporate Secretary in March 2017. He also acts as Corporate Secretary of PHINMA, Inc., and other PHINMA-related corporations such as the AU, COC, UPang, UI, SWU, SJCI, RC, RCL, UCL, PHINMA Education, Asian Plaza, Inc., UGC, PhilCement, ABCIC, Toon City Animation, Inc. and other unrelated companies such as TCL Sun, Inc., Newminco Pacific Mining Corporation and Philippine Business for Education, Inc., a Trustee of the Licensing Executives Society of the Philippines and a Trustee and President of the Intellectual Property Alumni Association . He was elected as Director of the Company on November 5, 2020 until April 2021. He holds a Liberal Arts in Economics degree from the De La Salle University. He is a lawyer by profession, having earned his Bachelor of Laws degree from the Ateneo de Manila University School of Law in 1986 and was admitted to the Philippine Bar in 1987. He is a Senior and name Partner of the Migallos & Luna Law Offices.

Ma. Concepcion Z. Sandoval was elected Assistant Corporate Secretary in March 2017. She also acts as Assistant Corporate Secretary of PHINMA, Inc. and other PHINMA-related companies such as UI, PHIINMA Education, ABCIC, Asian Plaza, Inc., Toon City Animation, Inc. and unrelated companies such as TCL Sun, Inc. and Philippine Business for Education, Inc. She earned her Bachelor of Laws degree from San Beda College of Law in 2006 and was admitted to the Philippine Bar in 2007. She holds a Bachelor of Arts major in Legal Management degree from the University of Sto. Tomas. She is a Junior Partner of the Migallos & Luna Law Offices.

c) Family Relationship

Ramon R. del Rosario, Jr. is the brother of Mr. Victor J. del Rosario and Mr. Jose Mari del Rosario. Other than the foregoing family relationships, none of the directors, executive officers or persons nominated to be elected to PHN's Board are related up to the fourth civil degree, either by affinity or consanguinity.

d) Significant Employees

Other than the Directors and Officers identified in the item on Directors and Executive Officers in this Information Statement, there are no other employees of the Company who may have significant influence in the Company's major and/or strategic planning and decision-making.

e) Involvement in Certain Legal Proceedings

The Company is not aware of any of the following events having occurred during the past five years up to the date of this report that are material to an evaluation of the ability or integrity of any director, nominee for election as Director, executive officer, underwriter or controlling person of the Company :

1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time ;

2) any conviction by final judgment, including the nature of the offense in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign , excluding traffic violations and other minor offenses ;
3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities ; and
4) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.
5) A securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

f) ***Warrants and Options Outstanding***

There are no warrants or options granted by the Company to any of its Directors or Executive Officers.

g) ***Relationships and Related 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 common significant influence which include affiliates. Related parties may be individual or corporate entities.

The Company, in the regular conduct of business, has entered into transactions consisting of reimbursement of expenses, office space rentals, consultancy fees and grant of non-interest bearing advances with associates and other related parties. Transactions entered into with related parties are at arm's length and have terms similar to the transactions entered into with third parties.

The significant related party transactions entered into by the Company with its associates and entities under common control and the amounts included in the consolidated financial statements with respect to such transactions follow:

			2022 (in thousands)			
Company	**Nature**	**Amount/ Volume**	**Amount Due to Related Parties**	**Amount Due from Related Parties** (see Note 11)	**Terms**	**Conditions**
Ultimate Parent						
PHINMA Inc.	Share in expenses, management fees and bonus	**₱263,387**	**₱103,111**	**₱2,084**	Noninterest-bearing	Unsecured, no impairment
Associates						
PPHC	Share in expenses	**927**	**-**	**6,271**	Noninterest-bearing	Unsecured, no impairment
APHI	Share in expenses	**-**	**-**	**6**	Noninterest-bearing	Unsecured, no impairment
Other related parties						
PHINMA Hospitality Inc.	Subscription	**-**	**52,000**	**-**	Noninterest-bearing	Unsecured, no impairment
T-O Insurance Brokers, Inc., PHINMA Hospitality Inc., PHINMA Foundation, Inc. Phinma Prism, PHINMA Plaza Condominium Corp	Share in expenses	**9,338**	**425**	**8,075**	Noninterest-bearing	Unsecured, no impairment
PTC Myanmar, IPM	Share in expenses	**10,160**	**59**	**11,682**	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy Fee	**2,437**	**-**	**800**	Noninterest-bearing	Unsecured, no impairment
			₱155,595	**₱28,918**		

Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties	Terms	Conditions
		2021 (in thousands)				
Ultimate Parent						
PHINMA Inc.	Share in expenses, management fees and bonus	₱280,141	₱130,455	₱686	Noninterest-bearing	Unsecured, no impairment
Associates						
PPHC	Share in expenses	1,575	–	3,139	Noninterest-bearing	Unsecured, no impairment
APHI	Share in expenses	6	–	6	Noninterest-bearing	Unsecured, no impairment
Other related parties						
PHINMA Hospitality, Inc.		–	52,000	–	Noninterest-bearing	Unsecured, no impairment
T-O Insurance Brokers, Inc.,PHINMA Hospitality Inc.,MDC, PHINMA Foundation, Inc. Phinma Prism,	Share in expenses	19,259	363	7,575	Noninterest-bearing	Unsecured, no impairment
PTC Myanmar, IPM, PSEd	Share in expenses	17	60	1,523	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy Fee	3,152	–	800	Noninterest-bearing	Unsecured, no impairment
			₱182,878	₱13,729		

In last two years, the Company was not a party in any transaction in which a Director or Executive Officer of the Company, any nominee for election as a director, any security holder owning more than 10% of the Company's issued and outstanding shares and/or any member of his immediate family had a material interest thereon, except as disclosed below.

The Company has a management contract with Philippine Investment-Management (PHINMA), Inc. up to June 30, 2024 renewable thereafter upon mutual agreement. Under this contract, PHINMA has a general management authority with the corresponding responsibility over all operations and personnel of the Company including planning, direction, and supervision of finance and other business activities of the Company. Under the existing management agreement, the Parent Company pays PHINMA, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of the Parent Company's net income.

As of January 31, 2023, PHINMA Inc. owns 181,776,055 shares, which represent 63.49% of total outstanding shares of stock of the Company.

Material related party transactions are reviewed by the Audit and Related Party Committee of the Board. The Company have approval requirements and limits on the amount and extent of related party transactions in compliance with the requirements under Revised SRC Rule 68.

Refer to Note 33 – Related Party Transactions of the 2022 Audited Consolidated Financial Statements for further details.

h) Election of Directors

The Directors of the Company are elected at the Annual Stockholders Meeting to hold office for one (1) year and until their respective successors have been elected and qualified.

The attendance of the directors at the meetings of the Board of Directors ("Board") held in 2022 is as follows:

Directors	No. of BOD Meetings Attended/Held	Percent Present
Oscar J. Hilado	5/5	100%
Magdaleno B. Albarracin, Jr.	5/5	100%
Ramon R. del Rosario, Jr.	5/5	100%
Meliton B. Salazar, Jr.	5/5	100%
Victor J. del Rosario	5/5	100%
Amb. Jose L. Cuisia, Jr.	5/5	100%
Eduardo A. Sahagun	5/5	100%
Juan B. Santos	5/5	100%
Lilia B. de Lima	5/5	100%
Rizalina G. Mantaring	5/5	100%
Edgar O. Chua	5/5	100%

All the directors were also present during the annual stockholders' meeting on April 12, 2022. During the special stockholders meeting on July 14, 2022, all of the directors except Mr. Sahagun was present.

The functions of the Nominations Committee was tucked into the new Corporate Governance and Nominations Committee which was created on May 15, 2017 at the Organizational Meeting of the Company in compliance with the recommendations of the Securities and Exchange Commission Code of Corporate Governance.

After having conducted the nomination for purposes of the election of Directors and after pre-screening the qualifications of the nominees, the Nominations Committee has submitted the following list of candidates who qualify for election to the Board of PHINMA Corporation at the forthcoming Annual Shareholders Meeting on April 11, 2023:

1. Oscar J. Hilado
2. Magdaleno B. Albarracin, Jr.
3. Victor J. del Rosario
4. Ramon R. del Rosario, Jr.
5. Amb. Jose L. Cuisia, Jr.
6. Eduardo A. Sahagun
7. Meliton B. Salazar, Jr.
8. Juan B. Santos *(Independent)*
9. Lilia B. de Lima *(Independent)*
10. Rizalina G. Mantaring *(Independent)*
11. Edgar O. Chua *(Independent)*

The foregoing persons were nominated by Mr. Ramon R. del Rosario,Jr. He is not related to any of the director-nominees, either by consanguinity or affinity, except to Mr. Victor J. del Rosario who is his brother.

The abovementioned nominated persons will be presented to the Company's shareholders for election at the annual stockholders' meeting. The nominated individuals possess all the qualifications and none of the disqualifications provided in the SRC and its Implementing Rules and Regulations. Further, no director has declined to stand for re-election to the Board of Directors since the date of the last Annual Shareholders' Meeting because of a disagreement with the Company on any matter relating to its operations, policies or practices.

The securities owned by the nominees as of January 31, 2023 are as follows:

Title of Class	Name of Beneficial Owner	Citizenship	No. of shares	Nature	% of ownership
Common	Oscar J. Hilado	Filipino	400,000 1,167,017 800,000	Direct Indirect Indirect	.140% .408% .279%

Common	Magdaleno B. Albarracin, Jr.	Filipino	11,300,000	Direct	3.947%
Common	Victor J. del Rosario	Filipino	1,069,245 789,138 1,059,998	Direct Indirect Indirect	.373% .276% .370%
Common	Ramon R. del Rosario, Jr.	Filipino	432,661 9,855,424 789,139 250,000	Direct Indirect Indirect Indirect	.151% 3.442% .276% .087%
Common	Jose L. Cuisia, Jr.	Filipino	17,927	Direct	.006%
Common	Meliton B. Salazar Jr.	Filipino	1 20,270	Direct Indirect	.000% .007%
Common	Eduardo A. Sahagun	Filipino	1	Direct	.000%
Common	Juan B. Santos	Filipino	1	Direct	.000%
Common	Lilia B. de Lima	Filipino	1	Direct	.000%
Common	Rizalina G. Mantaring	Filipino	1	Direct	.000%
Common	Edgar O. Chua	Filipino	1	Direct	.000%

The Board of Directors has no reason to believe that any of the nominees will be unwilling or unable to serve if re-elected as a director.

The Company's Nomination Committee is composed of the following:

Edgar O. Chua	-	Chairman
Oscar J. Hilado	-	Member
Ramon R. del Rosario,Jr.	-	Member
Jose L. Cuisia, Jr.	-	Member

i) __Independent Directors__

On June 30, 2004, the SEC approved amendment to the Amended By-Laws of PHINMA Corporation to incorporate a provision stating that it shall conform to the requirement of law to have independent directors. On May 27, 2010, the SEC approved a further amendment to the Amended By-laws adopting and stating that the Company shall comply with Securities Regulation Code (SRC) Rule 38 as amended and all rules and regulations relative to the requirements on nomination and election of independent directors.

The following are the nominees for independent directors, as submitted to and pre-screened by the Nomination Committee of the Company using the aforementioned guidelines, pertinent provisions of the Company's Manual on Good Corporate Governance and its Amended By-Laws. They are neither officers nor substantial shareholders of the Company. Mr. Ramon R. del Rosario, Jr. nominated the candidates for independent directors. Mr. Del Rosario is not related to the independent director-nominees by consanguinity or affinity.

Mr. Juan B. Santos
Ms. Lilia B. de Lima
Ms. Rizalina G. Mantaring
Mr. Edgar O. Chua

All the independent directors possess the qualifications and none of the disqualifications under Securities Regulation Code or the Company's Manual of Corporate Governance.

ITEM 6. Compensation of Directors and Executive Officers

The Directors are paid a bonus based on the net income of the Company for each calendar year. The compensation received by the officers who are not included in the Board of Directors of the Company represents salaries and bonuses.

For the calendar years ended December 2022 and 2021, the total salaries, allowances and bonuses paid by the Company to the directors and executive officers as well as estimated compensation of directors and executive officers for CY 2023 are as follows:

TABLE 5 - Compensation of Directors and Executive Officers

Name and Principal Position	Year	Salary	Bonus	Others
CEO and the Top 4				
Oscar J. Hilado Chairman Emeritus				
Ramon R. del Rosario, Jr. Chairman and CEO				
Meliton B. Salazar, Jr. President and COO, Head of Education				
Pythagoras L. Brion, Jr. Executive Vice President, Group CFO				
Regina B. Alvarez Senior Vice President, Group Controller				
TOTAL	2023* 2022 2021	22,326,325 20,296,660 20,942,135	5,149,619 14,586,400 2,757,000	1,480,000 2,193,813 3,965,810
All other Directors and Officers as a Group unnamed	2023* 2022 2021	23,811,599 21,646,908 20,200,594	9,574,513 17,690,695 3,028,692	4,125,000 4,125,000 4,795,163

**Estimated compensation of directors and executive officers for the year.*

a) Compensation of Directors

The Directors receive per diem and bonus based on a percentage of the net income of the Company for each calendar year.

There are no other existing arrangements/agreements to which said Directors are to be compensated during the last completed calendar year and the ensuing year.

b) Employment Contracts and Termination of Employment and Change-in Control Arrangements

There is no existing contract between the Company, the executive officers or any significant employee.

Under Article VI, Section 1 of the Company's By-Laws, the Officers of the Corporation shall hold office for one (1) year and until their successors are chosen and qualified in their stead. Any Officer elected or appointed by the majority of the Board of Directors may be removed by the affirmative vote of the Board of Directors.

c) Compensatory Plan or Arrangement

The compensation received by Officers who are not members of the Board of Directors of the Company represents salaries, bonuses and other benefits.

All permanent and regular employees of the Company and its subsidiaries are covered by PHINMA Group retirement plan (the "Plan"). The Plan provides benefits upon normal retirement beginning at age sixty (60), early retirement beginning at age fifty (50) with completion of at least ten (10) years of service, voluntary separation beginning upon completion of at least ten (10) years of service, total and physical disability, death and involuntary separation. The benefits are based on the employee's final monthly basic salary and length of service.

The Company also provides a defined contribution plan that covers all regular full-time employees under which the Company pays fixed contributions based on the percentage contributed by the employees from their monthly salaries.

d) Compensation Committee

The members of the Compensation Committee are as follow:

Mr. Edgar O. Chua	-	Chairman
Mr. Oscar J. Hilado	-	Member
Mr. Ramon R. del Rosario, Jr.	-	Member
Mr. Jose L. Cuisia, Jr.	-	Member

ITEM 7. Appointment of External Auditors

As of December 31, 2022, Sycip, Gorres, Velayo and Company (SGV) has been the Company's Independent Public Accountant for the last seven (7) years. The same auditing firm has been endorsed by the Audit Committee to the Board. The Board, in turn, approved the endorsement and will nominate the appointment of the said auditing firm for the stockholders' approval at the scheduled Annual Meeting of Stockholders. The said auditing firm has accepted the Company's invitation to stand for re-election this year.

Audit services of SGV for the calendar year ended December 31, 2022 included the examination of the parent and consolidated financial statements of the Company, preparation of final income tax returns and other services related to filing of reports made with the Securities and Exchange Commission and Philippine Stock Exchange, Inc.

During the past seven (7) years, there has been no event in which PHINMA Corporation and SGV has any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures.

The Company is in compliance with SRC Rule 68, paragraph 3(b) (ix) requiring the rotation of external auditors or engagement partners who have been engaged by the Company for a period of five (5) consecutive years and the mandatory two-year cooling-off period for the re-engagement of the same signing partner or individual auditor. The engagement partner who conducted the audit for Calendar Year 2022 is Ms. Belinda T. Beng Hui, a SEC accredited auditing partner of SGV. This is the fifth year of Ms. Beng Hui as audit partner of the company.

The members of the Audit and Related Party Transactions Committee are the following:

Mr. Juan B. Santos	-	Chairman
Ms. Rizalina G. Mantaring	-	Member
Edgar O. Chua	-	Member
Amb. Jose L. Cuisia, Jr.		Member

The external auditors for the current year and for the most recently completed calendar year are expected to be present at the shareholders' meeting, will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

The Audit Committee has recommended SGV with Ms. Belinda T. Beng Hui as partner, as the Independent Public Accountant for Calendar Year 2023.

External Audit Fees and Related Services

Audit and Audit-Related Fees

The Company paid or accrued the following fees for professional services rendered by SGV and Co. for the past two (2) years:

Year	Audit Fees	Tax Fees	All Other Fees
2022	3,400,000.00	-	-
2021	3,285,000.00	-	3,400,000.00

The above audit fees are for the audit of the Company's annual financial statements or services normally provided in connection with statutory and regulatory filings or engagements for CY 2022 and 2021.

Tax Fees - The Company did not engaged SGV & Co. for tax advisory services for the years ended December 31, 2022 and 2021, thus fees amounting to nil, respectively.

All Other Fees represent various SGV engagements like valuation of options, organizational optimization study, transfer pricing and bond offering reporting requirements.

The Audit Committee discusses with the external auditor before the audit commences, the nature and scope of the audit. The Committee also approves audit plans, audit fees, scope and frequency before the conduct of the external audit. It evaluates and determines non-audit work by the external auditor and reviews the non-audit fees paid to the external auditor, both in relation to their significance to the audit and in relation to the Company's total expenditure on consultancy.

The Audit Committee, the Board of Directors and the stockholders of PHINMA Corporation approved the engagement of SGV as the Company's external auditor.

ITEM 8. Compensation Plans

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

ITEM 9. Authorization or Issuance of Securities Other than for Exchange

No action will be presented for stockholders' approval at this year's annual meeting which involves authorization or issuance of any securities.

ITEM 10. Modification or Exchange of Securities

No action will be presented for stockholders' approval at this year's annual meeting which involves the modification of any class of PHN's securities, or the issuance of one class of PHN's securities in exchange for outstanding securities of another class.

ITEM 11. Financial and Other Information

The Company's financial statements for the year ended December 31, 2022 and Management's Discussion and Analysis or Plan of Operation are will be attached hereto as **Annexes "C" and "D"** respectively in the Definitive Information Statement.

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, AND WHEN CIRCUMSTANCES PERMIT, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF THE ANNUAL REPORT ON SEC FORM 17-A, FREE OF CHARGE. SUCH WRITTEN REQUEST SHOULD BE DIRECTED TO THE CORPORATE SECRETARY, 7TH FLOOR, PHINMA PLAZA, 39 PLAZA DRIVE, ROCKWELL CENTER, MAKATI CITY 1210.

ITEM 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action will be presented for stockholders' approval at this year's annual meeting in respect of (1) the merger of consolidation of PHN into or with any other person, or of any other person into or with PHN , (2) acquisition by PHN or any of its stockholders of securities of another person , (3) acquisition by PHN of any other going business or of the assets thereof, (4) the sale or transfer or all or any substantial part of the assets of PHN (5) liquidation or dissolution of PHN.

ITEM 13. Acquisition of Disposition of Property

The Company and its subsidiaries purchased and sold properties in the normal course of their business.

No action will be presented for stockholders' approval at this year's annual meeting in respect of any acquisition or disposition of property of PHN.

ITEM 14. Restatement of Accounts

No action will be presented for stockholders' approval at this year's annual meeting which involves the restatement of any of PHN's assets, capital or surplus account.

D. <u>OTHER MATTERS</u>

ITEM 15. Actions with Respect to Reports

At the last Annual Stockholders Meeting held on April 12, 2022, the President and CEO reported to the stockholders the Company and its subsidiaries operational performance in 2021 while the Executive Vice President, CFO reported on the Company's financial performance. The following matters were presented and approved by the stockholders at such meeting:

a) Minutes of the 2021 Annual Stockholders Meeting;
b) Calendar Year 2021 Audited Financial Statements;
c) Ratification of all resolutions of the Board of Directors and acts of Management in 2021 done in the ordinary course of the Company's business;
d) Election of eleven (11) Directors, including four (4) independent Directors for 2022; and
e) Appointment of SGV as independent external auditor.

For the Annual Stockholders Meeting scheduled on April 11, 2023, the Chairman and CEO will report on the operational performance of the Company and its subsidiaries in 2022 while the Executive Vice President, Group CFO will report on the financial performance. The following matters will also be presented for consideration by the stockholders at such meeting:

a) Minutes of the Previous Meeting **(Annex E)** ;
b) 2022 Audited Financial Statements **(Annex C**);
c) Ratification of all acts of the Board of Directors, Committees and Management in 2022 done in the ordinary course of the Company's business (**Annex F)**;
d) Election of eleven (11) Directors, including four (4) independent Directors for 2023 ;
e) Amendment of Articles of Incorporation and By-Laws; and
f) Appointment of external auditors

The approval of the Minutes of the previous Annual Shareholders Meeting, the approval of Annual Report of Management including the Audited Financial Statements for the year ended December 31, 2022, the ratification of all acts of the Board of Directors and of Management since the last Annual Shareholders Meeting and the approval of the appointment of the Company's external auditor shall require the affirmative vote or written assent of a majority of the stockholders entitled to vote during the Annual Shareholders Meeting.

The election of Directors, on the other hand, will be based on the number votes cast by each stockholder present at the meeting, in person or through a proxy, and the approval of the proposed amendment of the Articles of Incorporation and By-Laws will require the vote of stockholders owning at least two-thirds (2/3) of the outstanding capital stock.

ITEM 16. Matters Not Required To Be Submitted

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

ITEM 17. Amendment of Charter, By-Laws or Other Documents

The stockholders will be requested to vote for the Amendment of Article SIXTH of the Articles of Incorporation to increase the number of directors from eleven (11) to fifteen (15) directors, and Article IV, Section 1, of the By-laws to remove the number of directors stated therein and simply make reference to the number of directors stated in the Articles of Incorporation. The removal of the number of directors in the By Laws is proposed because this is already in the Articles of Incorporation where it is required to be stated, and so that there will no need to amend the By-laws in the event there is another change in the number of directors. Only the Articles of Incorporation will need to be amended.

ITEM 18. Other Proposed Action

Other than the matters indicated in the Notice and Agenda included in this Information Statement, there are no other actions proposed to be taken at the annual meeting.

ITEM 19. Voting Procedures

For the election of Directors, each shareholder is entitled to one (1) vote per share multiplied by the number of board seats to be filled, i.e. eleven (11), and may cumulate his/her votes by giving as many votes as he/she wants to any candidate provided that the total votes cast shall not exceed the total votes to which he/she is entitled. In the event the votes cast by a stockholder exceeds that to which he/she is entitled to vote, the Corporate Secretary in his discretion shall deduct such votes cast by the stockholder in favor of any nominee as may be necessary under the circumstances.

In the event that only eleven (11) are nominated to fill eleven (11) seats in the Board, the Chairman shall direct the Corporate Secretary to cast all votes in favor of those nominated, except the votes of stockholders who wish to have their votes differently.

All the items in the agenda for approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of those present at the meeting, except the election of Directors which will be based on the number votes cast by each stockholder present at the meeting, in person or through a proxy, and the approval of the proposed amendment of the Articles of Incorporation which require the vote of stockholders owning at least two-thirds (2/3) of the outstanding capital stock. Each of the proposed resolutions will be shown on the screen as the same is taken-up at the meeting.

Votes of all stockholders attending by remote communication may only be cast their vote through Ballots/Proxies submitted on or before April 6, 2023. A sample of the Ballot/ Proxy will be included in the Information Statement.

All Proxies and Ballots/Proxies (for stockholders attending remotely) should be received by the Corporate Secretary on or before April 6, 2023 physically or by email to phncorpsec@phinma.com.ph.

The votes received will be tabulated and validated by an independent third party. The Corporate Secretary shall report the results of voting during the meeting.

Stockholders may email to phncorpsec@phinma.com.ph questions or comments on matters that are relevant and of general concern to them on or before April 6, 2023. These will be answered during the meeting, subject to appropriateness, relevance and time limits, or via email to the stockholder sending the said questions. Stockholders attending physically may also raise questions or provide comments at appropriate times during the meeting as will be determined by the Chairman.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on March 16, 2023.

PHINMA CORPORATION
Issuer

TROY A. LUNA
Corporate Secretary

NOTICE: The Company will post the full version of this SEC Form 20-IS (Definitive Information Statement), together with all its annexes including the 2022 consolidated audited financial statements of the Company, on the company website www.phinma.com.ph upon its approval by the Securities and Exchange Commission.

PHINMA
Making Lives Better

PHINMA Corporation

March 2, 2023

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay 1307

Attention	:	**DIR. VICENTE GRACIANO P. FELIZMENIO, JR.** Markets and Securities Regulation Department
RE	:	**PHINMA CORPORATION**

Gentlemen :

This is to certify that, to the best of my knowledge as Corporate Secretary, none of the present Directors and officers and nominees for election as Directors of PHINMA Corporation at the scheduled Meeting of Stockholders on 11 April 2023, are connected with any government agency or instrumentality that requires written permission for the head of said agency or instrumentality under the Civil Service Law, rules and regulations, as amended.

Very truly yours,

TROY A. LUNA
Corporate Secretary

COVER SHEET

12397

S.E.C. Registration Number

PHINMA CORPORATION

(Company's Full Name)

LEVEL 12-PHINMA PLAZA 39 PLAZA DRIVE, ROCKWELL CENTER MAKATI

(Business Address: No. Street City/Town/Province)

ROLANDO SOLIVEN	8700100
Contact Person	Company Telephone Number

12	31	CERTIFICATE IND. DIRECTOR		
Month	Day	FORM TYPE	Month	Day
Calendar Year			Annual Meeting	

Secondary License Type, If Applicable

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = Pls. Use black ink for scanning purposes

Certification

I, **Rolando D. Soliven, Vice President – Group Corporate Governance and Compliance Officer** of **PHINMA Corporation** with SEC registration number **12397** with principal office at **Level 12, PHINMA Plaza, Plaza Drive, Rockwell Center, Makati City**, on oath state:

1) That on behalf of **PHINMA Corporation**, I have caused this report on **Certification of Independent Director Nominees** to be prepared;

2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;

3) That the company **PHINMA Corporation** will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and

4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this 07 day of MAR 2023, 2023.

Rolando D. Soliven
Vice President – Group Corporate Governance and Compliance Officer

SUBSCRIBED AND SWORN to before me this 07 day of MAR 2023, 2023 in MAKATI CITY, affiant exhibited to me his Social Security System ID No. 33-3527622-1.

Doc. No. 287
Page No. 58
Book No. 1
Series of 2023

NOTARY PUBLIC

BRYAN GEORGE M. MANZANO
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-291 (2022-2023)
COMMISSION EXPIRES ON DECEMBER 31, 2023
7th Floor, The PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 9566814; Makati City; 1/4/2023
IBP O.R. No. 260893; Zambales; 1/5/2023
TIN 607-109-916
Attorney's Roll No.79205
Admitted to the Philippine Bar: 16 May 2022

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **LILIA B. DE LIMA**, Filipino, of legal age and a resident of **No.8 San Leonardo St. Capitol 8 Subdivision, Pasig City,** after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **PHINMA Corporation (PHN)** and have been its Independent Director since April 19, 2018.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company / Organization	Position / Relationship	Period of Service
Rizal Commercial Banking Corporation	Director	June 24, 2019
Dusit Thani Philippines	Director	October 24, 2018
Megawide Construction Corporation	Independent Director	December 20, 2022
FWD Insurance Philippines	Independent Director	June 21, 2018
Asian Institute of Management (AIM)	Executive-in-Residence	June 1, 2018
Science Park of the Philippines	Director	2017
RFM Science Park of the Philippines	Director	2017
Ionics EMS	Independent Director	August 8, 2017
Ionics, Inc.	Independent Director	August 8, 2017
Fatima Center for Human Development	Trustee	2007
Pueblo de Oro Development Corporation	Director	June 2020
Regatta Properties Inc.	Director	June 2020
AC Industries	Board Advisor	

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PHINMA Corporation (PHN),** as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of **PHINMA Corporation (PHN)** and its subsidiaries and affiliates, other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
None	None	None

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
None	None	None

6. *(For those in government service/affiliated with a government agency or GOCC)* I have the required permission from the *(head of the agency/department)* to be an Independent Director in **PHINMA Corporation**, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. – ***Not applicable.***

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **PHINMA Corporation (PHN)**, of any changes in the abovementioned information within five days from its occurrence.

Done, this 07 day of MAR 2023, at MAKATI CITY.

LILIA B. DE LIMA

Affiant

SUBSCRIBED AND SWORN to before me this 07 day of MAR 2023 at MAKATI CITY, affiant personally appeared before me and exhibited to me her Tax Identification No. 909-508-572 .

Doc. No. 279;
Page No. 57;
Book No. 1;
Series of 2023;

BRYAN GEORGE M. MANZANO
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-291 (2022-2023)
COMMISSION EXPIRES ON DECEMBER 31, 2023
7th Floor, The PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 9566814; Makati City; 1/4/2023
IBP O.R. No. 260893; Zambales; 1/5/2023
TIN 607-109-916
Attorney's Roll No.79205
Admitted to the Philippine Bar: 16 May 2022

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RIZALINA G. MANTARING** , Filipino, of legal age and a resident of 12 Vicente Lim St., Ayala Heights, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **PHINMA Corporation (PHN)** and have been its Independent Director since April 12, 2019.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Sun Life Grepa Financial, Inc.	Director	2012 – Present
Ayala Corporation, Inc.	Independent Director	2020 - Present
Ayala Land, Inc.	Independent Director	2014 – Present
First Philippine Holdings, Inc.	Independent Director	2015 - Present
Universal Robina Corporation, Inc.	Independent Director	2020 - Present
East Asia Computer Center, Inc.	Independent Director	2018 - Present
GoTYME Bank, Inc.	Independent Director	2022 - Present
Maxicare Healthcare Corporation, Inc.	Independent Director	2022 - Present
Makati Business Club	Trustee/Treasurer	2017 - Present
Philippine Business for Education	Trustee	2017 - Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PHINMA Corporation (PHN)**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of **PHINMA Corporation (PHN)** and its subsidiaries and affiliates, other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
None	None	None

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
None	None	None

6. *(For those in government service/affiliated with a government agency or GOCC)* I have the required permission from the __*(head of the agency/department)*__ to be an Independent Director in **PHINMA Corporation (PHN)**, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. - ***Not applicable.***

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **PHINMA Corporation (PHN),** of any changes in the abovementioned information within five days from its occurrence.

Done, this 07 MAR 2023 day of ________, at MAKATI CITY.

RIZALINA G. MANTARING
Affiant

SUBSCRIBED AND SWORN to before me this 07 MAR 2023 day of ________ at MAKATI CITY, affiant personally appeared before me and exhibited to me her Tax Identification No. 108-112-169.

Doc. No. 280;
Page No. 57;
Book No. 1;
Series of 2023;

BRYAN GEORGE M. MANZANO
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-291 (2022-2023)
COMMISSION EXPIRES ON DECEMBER 31, 2023
7th Floor, The PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 9566814; Makati City; 1/4/2023
IBP O.R. No. 260893; Zambales; 1/5/2023
TIN 607-109-916
Attorney's Roll No.79205
Admitted to the Philippine Bar: 16 May 2022

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JUAN B. SANTOS**, Filipino, of legal age and a resident of **2420 Bougainvilla St., Dasmarinas Village, Makati City,** after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **PHINMA Corporation (PHN)** and have been its Independent Director since April 19, 2018.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company / Organization	Position / Relationship	Period of Service
Rizal Commercial Banking Corporation	Independent Director	November 2016 – Present
House of Investments, Inc.	Independent Director	October 2014 – Present
Sun Life Grepa Financial, Inc. (Formerly Grepalife Financial, Inc.)	Independent Director	October 2006 – Present
Allamanda Management Corp.	Director	January 2000 – Present
Mitsubishi Motors Phils. Corp.	Member, Advisory Board	January 2016 – Present
East-West Seeds Corporation	Member, Advisory Board	2008 – Present
Dualtech Training Center Foundation, Inc.	Trustee	May 2012 – Present
St. Luke's Medical Center	Trustee	August 2005 – Present
Marsman-Drysdale Group of Companies	Consultant	September 2007 - Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PHINMA Corporation (PHN)**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of **PHINMA Corporation (PHN)** and its subsidiaries and affiliates, other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable):

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
None	None	None

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding:

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
None	None	None

6. *(For those in government service/affiliated with a government agency or GOCC)* I have the required permission from the *(head of the agency/department)* to be an Independent Director in **PHINMA Corporation (PHN)**, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. – ***Not applicable***

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **PHINMA Corporation (PHN)**, of any changes in the abovementioned information within five days from its occurrence.

Done, this 07 day of MAR 2023, at MAKATI CITY.

JUAN B. SANTOS

Affiant

SUBSCRIBED AND SWORN to before me this 07 day of MAR 2023 at MAKATI CITY, affiant personally appeared before me and exhibited to me his Tax Identification No. 123-535-668 .

Doc. No. 281 ;
Page No. 58 ;
Book No. 1 ;
Series of 2023 ;

BRYAN GEORGE M. MANZANO
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-291 (2022-2023)
COMMISSION EXPIRES ON DECEMBER 31, 2023
7th Floor, The PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 9566814; Makati City; 1/4/2023
IBP O.R. No. 260893; Zambales; 1/5/2023
TIN 607-109-916
Attorney's Roll No.79205
Admitted to the Philippine Bar: 16 May 2022

CERTIFICATION OF INDEPENDENT DIRECTOR

I, EDGAR O. CHUA , Filipino, of legal age and a resident of **No. 229 Country Club Drive, Ayala Alabang Village, Muntinlupa City 1708**, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **PHINMA Corporation (PHN)** and have been its Independent Director since April 14, 2021.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Philippine Business for the Environment	Chairman	Current
Philippine Eagle Foundation	Chairman	Current
De La Salle Philippines	Chairman	Current
De la Salle Science Foundation	Chairman	Current
College of Saint Benilde	Chairman	Current
De La Salle Bacolod	Chairman	Current
De La Salle Greenhills	Trustee	Current
De La Salle National Mission Council	Trustee	Current
Integrity Initiative	Trustee	Current
Philippine Business for Education	Trustee/Treasurer	Current
Gawad Kalinga Community Development Foundation, Inc.	Trustee	Current
Zuellig Family Foundation	Trustee	Current
Pilipinas Shell Foundation, Inc.	Trustee	Current
Alvarez Foundation Philippines	Trustee	Current
The English Speaking Union of the Philippines, Inc.	Chairman	Current
Philippine Disaster Relief Foundation	Trustee	Current
National Resilience Council	Co-Vice Chairman	Current
Makati Business Club	Chairman	Current
Employers Confederation of the Philippines	Governor	Current
Metropolitan Bank and Trust Company	Independent Director	Current
Integrated Micro-Electronics, Inc.	Independent Director	Current
Philcement Corporation	Independent Director	Current
Mitsubishi Motors Phil. Corp.	Board Advisor	Current
Coca-Cola FEMSA	Board Advisor	Current

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PHINMA Corporation (PHN)**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of **PHINMA Corporation (PHN)** and its subsidiaries and affiliates, other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
None	None	None

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
None	None	None

6. *(For those in government service/affiliated with a government agency or GOCC)* I have the required permission from the *(head of the agency/department)* to be an Independent Director in **PHINMA Corporation (PHN),** pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. ***Not applicable***

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **PHINMA Corporation (PHN),** of any changes in the abovementioned information within five days from its occurrence.

Done, this 07 day of MAR 2023, at MAKATI CITY.

EDGAR O. CHUA

Affiant

SUBSCRIBED AND SWORN to before me this 07 day of MAR 2023 at MAKATI CITY, affiant personally appeared before me and exhibited to me his Tax Identification No. 121-509-950.

Doc. No. 283;
Page No. 58;
Book No. 1;
Series of 2023;

BRYAN GEORGE M. MANZANO
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-291 (2022-2023)
COMMISSION EXPIRES ON DECEMBER 31, 2023
7th Floor, The PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 9566814; Makati City; 1/4/2023
IBP O.R. No. 260893; Zambales; 1/5/2023
TIN 607-109-916
Attorney's Roll No.79205
Admitted to the Philippine Bar: 16 May 2022

ANNEX B

Compliance Program

Annex B

COMPLIANCE PROGRAM

Compliance Policy

In accordance with the State's policy to actively promote corporate governance reforms aimed to raise investor confidence, develop capital market and help achieve high sustained growth for the corporate sector and the economy, the Board of Directors, Management, and Employees of PHINMA Corporation (the "Corporation") commit to the principles and best practices contained in the Manual on Good Corporate Governance approved in August 2002 and as amended in March 2004, February 2008, March 2011 and June 2014. The Manual was further amended to substantially adopt the 2016 Code of Corporate Governance for Publicly-Listed Companies in May 2017 and March 2018. Relevant provisions from the 2019 Revised Corporation Code of the Philippines (R.A. 11232) were incorporated into the Manual in October 2020 and in November 2022.

Integrated Annual Corporate Governance Report (I-ACGR)

SEC MC No. 15, Series of 2017 was released in December 2017 which mandates all publicly-listed companies to submit an Integrated Annual Corporate Governance Report (I-ACGR) covering all relevant information for the year on May 30 of each year.

PHINMA Corporation submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) its I-ACGR for 2021 on May 30, 2022.

As of December 31, 2022 PHINMA Corporation has substantially complied with the principles and best practices contained in the Manual on Good Corporate Governance. There were no sanctions imposed on any director, officer or employee for non-compliance with the Manual.

Compliance Monitoring and Improving Corporate Governance

The Compliance Officer and the Internal Auditor monitor the Corporation's compliance with the Manual and the timely submission of reports and disclosures to SEC, PSE and PDEx. In addition, the SEC, PSE and PDEx websites are constantly monitored for relevant circulars or memorandums affecting, improving, and updating the corporate governance of the Corporation. As appropriate, the Manual and relevant policies are promptly amended and circulated for implementation. Directors and officers of the company are provided with annual training on corporate governance and related topics such as sustainability.

As a result of the Compliance Program, there is effective management of the relationships between shareholders, stakeholders, directors, creditors, government, and employees. Furthermore, the internal workings of the Corporation are directed and controlled leading to corporate integrity, transparency, and enhanced corporate performance, a dominant theme of Good Corporate Governance.

In January 2023, PHINMA Corporation was awarded a Two-Arrow Recognition based on the result of the ASEAN Corporate Governance Scorecard (ACGS) for year 2021. The Golden Arrow is awarded to publicly-listed companies that exhibited observable conformance with the Philippine Code of Corporate Governance and internationally recommended corporate governance practices as espoused by the ACGS.

Board of Directors Attendance

In 2022, the Board of Directors held a total of five (5) meetings, four (4) regular board and one (1) organizational meeting. The attendance of the directors in the Board meetings is as follows:

Directors	2022 Board Meetings				
	Mar 1 Regular	April 12 Organiza-tional	May 11 Regular	Aug 10 Regular	Nov 11 Regular
OSCAR J. HILADO	P	P	P	P	P
RAMON R. DEL ROSARIO, JR.	P	P	P	P	P
MAGDALENO B. ALBARRACIN, JR.	P	P	P	P	P
JOSE L. CUISIA, JR.	P	P	P	P	P
VICTOR J. DEL ROSARIO	P	P	P	P	P
MELITON B. SALAZAR, JR.	P	P	P	P	P
EDUARDO A. SAHAGUN	P	P	P	P	P
JUAN B. SANTOS	P	P	P	P	P
LILIA B. DE LIMA	P	P	P	P	P
RIZALINA G. MANTARING	P	P	P	P	P
EDGAR O. CHUA	P	P	P	P	P

P : Present A : Absent

To assist it in discharging its duties and responsibilities, the Board constitutes committees which directly report to the Board in accordance with duly approved procedures. The attendance of directors to meetings of the committees in 2022 is as follows:

Directors	Corporate Governance	Risk Oversight	Audit and RPT
MAGDALENO B. ALBARRACIN, JR.	-	1/1 Member	-
JOSE L. CUISIA, JR.	-	-	6/6 Member
EDGAR O. CHUA (Independent Director)	3/3 Member	1/1 Member	6/6 Member
JUAN B. SANTOS (Independent Director)	-	-	6/6 Chairperson
LILIA B. DE LIMA (Independent Director)	3/3 Chairperson	1/1 Member	-
RIZALINA G. MANTARING (Independent Director)	3/3 Member	1/1 Chairperson	6/6 Member

Board Performance Assessment Policy and Report

The Board of Directors of PHINMA Corporation obtained an overall rating of Excellent for their performance in the year 2022. All (11) eleven directors of the company participated in the online assessment exercise completed in January 2023. The responses were assessed by an independent third party board evaluation facilitator to come up with a written report on their evaluation and recommended action items. The results of the board evaluation and action plans were presented to the Corporate Governance Committee and to the Board of Directors in March 2023.

The Board Assessment Policy and Procedures prescribe a self-assessment process that uses a five-point rating scale (1-Excellent to 5-Poor) to evaluate the performance of the Board as a body, the Board Committees, individual directors, Chairman of the Board and Key Officers. The criteria used in this assessment covered the key areas of governance, based on the duties and responsibilities listed in the Manual on Corporate Governance, Board Charter, and other relevant company policies.

This exercise also enabled the directors to provide insights and recommendations to address continuing training needs and pursue further improvements in board performance.

ANNEX C

Audited Consolidated Financial Statements Calendar Year 2022

PHINMA
Making Lives Better

PHINMA Corporation

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **PHINMA CORPORATION AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, 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 consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

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

Signed this 10th day of March 2023.

RAMON R. DEL ROSARIO, JR.
Chairman of the Board and Chief Executive Officer

MELITON B. SALAZAR, JR.
President and COO, Head of Education

PYTHAGORAS L. BRION, JR.
Executive Vice President and Group CFO

SUBSCRIBED AND SWORN to before me this MAR 10 2023 day of March 2023 in Makati City, affiants exhibiting to me their respective identifications, as follows:

Name	ID Presented	Date of Issue	Place of Issue
Ramon R. del Rosario, Jr.	Passport No. P7959521A	26-Jan-2018 25-Jan-2028	DFA NCR East
Meliton B. Salazar, Jr.	Passport No. P2127840B	09-May-2019 08-May-2029	DFA Antipolo
Pythagoras L. Brion, Jr.	OSCA No. 58262	03-March-2013	Pasig City

Doc No.: 391;
Page No.: 80;
Book No.: 6;
Series of 2023

ATTY. JOEL FERRER FLORES
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2023 (2023-2024)
APPOINTMENT NO. M-115
ROLL NO. 77376
MCLE COMPLIANCE NO. 0001393, Jan. 03, 2023 Until Apr. 14, 2028
PTR NO. 9563564 / JAN.03,2023/MAKATI CITY
IBP NO. 261994 / JAN.03,2023 / PASIG CITY
1107 D BATAAN ST., GUADALUPE NUEVO, MAKATI CITY

C O V E R S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						1	2	3	9	7

C O M P A N Y N A M E

PHINMA CORPORATION AND SUBSIDIARIES

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

12TH FLOOR, PHINMA PLAZA, 39 PLAZA DRIVE, ROCKWELL CENTER, MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	SEC	NA

C O M P A N Y I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
ciobci@phinma.com.ph	**8870-0100**	**09178558312**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,218	**April 11**	**December 31**

CONTACT PERSON INFORMATION

The designated contact person <u>*MUST*</u> be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Annabelle S. Guzman	**asguzman@phinma.com.ph**	**8870-0367**	**09178766377**

CONTACT PERSON's ADDRESS

12th Floor, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City

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

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

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
PHINMA Corporation
12th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

Opinion

We have audited the consolidated financial statements of PHINMA Corporation and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, 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, 2022, 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 Company as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 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 Company 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.

SGV
Building a better working world

Recoverability of Goodwill

Under PFRS, the Company is required to annually test the amount of goodwill for impairment. As at December 31, 2022, the Company's goodwill arising from its acquisitions of educational institutions amounted to ₱1,817.9 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment 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, specifically revenue growth rate and discount rate.

The Company's disclosures about goodwill are included in Notes 5 and 18 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used. We compared the key assumptions used, such as revenue growth against historical performance of the cash-generating unit, local economic development, industry outlook and other relevant external data, taking into consideration the impact associated with coronavirus pandemic. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Company's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Valuation of Unquoted Investment Classified as Financial Asset at Fair Value through Profit or Loss

The Company has unquoted equity investment classified as financial assets at fair value through profit or loss (FVPL) amounting to ₱2,209.1 million, comprising 6.9% of total assets as at December 31, 2022. The valuation of this investment is significant to our audit because it is inherently subjective as it involves the use of valuation inputs that are not market observable. Management also applied judgment in selecting the valuation technique and the assumptions to be used. These assumptions include discount rate, explicit forecast period, long-term growth rate, volatility, option-adjusted spread and risk-free rate.

The Company's disclosures about its unquoted equity investment classified as financial assets at FVPL are included in Note 14 to the consolidated financial statements.

Audit Response

We involved our internal specialists in evaluating the valuation technique and assumptions used. For long-term growth rate, we compared it with the growth rate for the products, industries or relevant country gross domestic product growth rate. We compared the other key assumptions such as the explicit forecast period, volatility, option-adjusted spread and risk-free rate against the historical performance of the investee, industry outlook and other relevant external data, taking into consideration the impact associated with the coronavirus pandemic. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Company'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 investment.

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, 2022, 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, 2022 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 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.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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 Company 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 Belinda T. Beng Hui.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui

Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
Tax Identification No. 153-978-243
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 88823-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-078-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9369781, January 3, 2023, Makati City

March 3, 2023

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2022	2021 (As restated - Note 5)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 9, 36 and 37)	**₱3,421,578**	₱3,695,914
Investments held for trading (Notes 10, 36 and 37)	**654,316**	1,310,728
Trade and other receivables (Notes 11, 36 and 37)	**5,631,456**	4,935,304
Inventories (Note 12)	**2,376,008**	1,974,054
Input value-added taxes and other current assets (Note 36)	**629,517**	335,241
Total Current Assets	**12,712,875**	12,251,241
Noncurrent Assets		
Investment in associates and joint ventures (Note 13)	**1,412,637**	1,247,086
Financial assets at fair value through profit or loss (Notes 14, 36 and 37)	**2,209,088**	2,105,243
Financial assets at fair value through other comprehensive income (Notes 15, 36 and 37)	**122,959**	108,660
Property, plant and equipment (Note 16)	**11,582,387**	10,665,866
Investment properties (Note 17)	**627,291**	627,438
Intangible assets (Note 18)	**1,853,725**	1,852,579
Right-of-use assets (Note 38)	**315,031**	335,245
Deferred tax assets - net (Note 34)	**127,736**	101,013
Derivative asset (Notes 14, 36 and 37)	**648,117**	510,498
Other noncurrent assets (Notes 19 and 36)	**399,179**	341,223
Total Noncurrent Assets	**19,298,150**	17,894,851
	₱32,011,025	₱30,146,092
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Notes 20, 36 and 37)	**₱2,779,103**	₱930,174
Trade and other payables (Notes 21, 36 and 37)	**2,150,350**	2,323,135
Contract liabilities (Notes 22 and 25)	**1,416,637**	1,327,142
Trust receipts payable (Notes 12, 36 and 37)	**128,249**	1,711,433
Derivative liability (Notes 36 and 37)	**371**	–
Income and other taxes payable	**49,151**	46,081
Current portion of:		
Long-term debt (Notes 23, 36 and 37)	**652,399**	544,032
Lease liabilities (Notes 36, 37 and 38)	**102,676**	108,266
Due to related parties (Notes 33, 36 and 37)	**155,595**	182,878
Total Current Liabilities	**7,434,531**	7,173,141
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 23, 36 and 37)	**10,282,347**	10,139,083
Non-controlling interest put liability (Notes 7, 36 and 37)	**2,188,320**	1,862,875
Deferred tax liabilities - net (Note 34)	**426,529**	443,634
Pension and other post-employment benefits (Note 35)	**275,600**	259,219
Lease liabilities - net of current portion (Notes 36 and 38)	**211,452**	247,635
Other noncurrent liabilities	**49,577**	47,937
Total Noncurrent Liabilities	**13,433,825**	13,000,383
Total Liabilities	**20,868,356**	20,173,524

(Forward)

	December 31	
	2022	2021 (As restated - Note 5)
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 24)	**₱2,863,312**	₱2,863,312
Additional paid-in capital	**396,845**	259,248
Treasury shares (Note 24)	**(182)**	(143,574)
Exchange differences on translation of foreign operations	**(933)**	(581)
Equity reserves (Note 7)	**(299,535)**	(81,446)
Other comprehensive income (Note 15)	**50,920**	38,167
Share in other comprehensive income of associates (Note 13)	**9,809**	11,538
Retained earnings (Note 24)	**5,360,643**	4,542,280
Equity Attributable to Equity Holders of the Parent	**8,380,879**	7,488,944
Non-controlling Interests	**2,761,790**	2,483,624
Total Equity	**11,142,669**	9,972,568
	₱32,011,025	₱30,146,092

See accompanying Notes to Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Per Share Data)

	Years Ended December 31		
	2022	2021	2020
REVENUES			
Revenue from contracts with customers (Note 25)	**₱17,334,033**	₱15,820,133	₱12,175,110
Rental income (Note 17)	**69,648**	69,673	74,025
Investment income (Note 26)	**260,901**	148,380	52,616
	17,664,582	16,038,186	12,301,751
COSTS AND EXPENSES			
Cost of sales (Note 27)	**11,681,409**	10,147,777	7,684,394
Cost of educational, hospital, installation and consultancy services (Note 27)	**1,613,799**	1,391,127	1,377,370
General and administrative expenses (Note 28)	**2,030,826**	1,680,114	1,395,853
Selling expenses (Note 29)	**534,525**	563,568	498,760
	15,860,559	13,782,586	10,956,377
OTHER INCOME (EXPENSES)			
Interest expense and other financing charges (Note 32)	**(688,190)**	(649,248)	(626,768)
Net gains (losses) on derivatives (Notes 14 and 37)	**142,596**	56,324	(7,039)
Unrealized gain on change in fair value of financial assets at fair value through profit or loss (Note 14)	**103,845**	172,438	–
Foreign exchange gains (losses) - net (Note 36)	**89,500**	56,237	(152,625)
Equity in net earnings of associates and joint ventures (Note 13)	**58,014**	32,940	1,968
Gain on sale of property, plant and equipment - net (Note 16)	**489**	214	855
Gain on bargain purchase (Note 6)	**–**	8,334	–
Loss on deconsolidation (Note 7)	**–**	–	(11,188)
Others - net (Notes 25 and 38)	**39,400**	43,806	73,302
	(254,346)	(278,955)	(721,495)
INCOME BEFORE INCOME TAX	**1,549,677**	1,976,645	623,879
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 34)			
Current	**59,642**	70,883	136,586
Deferred	**(39,146)**	25,566	(34,647)
	20,496	96,449	101,939
NET INCOME	**₱1,529,181**	₱1,880,196	₱521,940
Attributable to:			
Equity holders of the Parent	**₱947,677**	₱1,128,965	₱172,637
Non-controlling interests	**581,504**	751,231	349,303
Net income	**₱1,529,181**	₱1,880,196	₱521,940
Basic/Diluted Earnings Per Common Share - Attributable to Equity Holders of the Parent (Note 40)	**₱3.42**	₱4.15	₱0.63

See accompanying Notes to Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2022	2021	2020
NET INCOME	**₱1,529,181**	₱1,880,196	₱521,940
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss in subsequent periods			
Unrealized gain (loss) on change in fair value of financial assets at fair value through other comprehensive income (Note 15)	**15,713**	(1,365)	(1,418)
Re-measurement gain (loss) on defined benefit obligation (Note 35)	**8,797**	(3,865)	(10,805)
Share in unrealized gain (loss) on change in fair value of financial assets at fair value through other comprehensive income and defined benefit obligation of associates and joint venture (Note 13)	**(1,729)**	13,675	18,828
Income tax effect	**(2,199)**	196	2,814
	20,582	8,641	9,419
Item to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations	**(439)**	(1,261)	92
Total other comprehensive income	**20,143**	7,380	9,511
TOTAL COMPREHENSIVE INCOME	**₱1,549,324**	₱1,887,576	₱531,451
Attributable to:			
Equity holders of the Parent	**₱964,965**	₱1,141,246	₱181,019
Non-controlling interests	**584,359**	746,330	350,432
Total comprehensive income	**₱1,549,324**	₱1,887,576	₱531,451

See accompanying Notes to Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Note 24)	Additional Paid-in Capital	Treasury Shares (Note 24)	Exchange Differences on Translation of Foreign Operations	Equity Reserves (Note 7)	Other Comprehensive Income (Note 15)	Share in Other Comprehensive Income of Associates and Joint Ventures (Note 13)	Retained Earnings (Note 24) Appropriated	Retained Earnings (Note 24) Unappropriated	Subtotal	Non-controlling Interests	Total Equity
Balance, January 1, 2022	₱2,863,312	₱259,248	(₱143,574)	(₱581)	(₱81,446)	₱38,167	₱11,538	₱1,765,500	₱2,776,780	₱7,488,944	₱2,483,624	₱9,972,568
Net income	–	–	–	–	–	–	–	–	947,677	947,677	581,504	1,529,181
Other comprehensive income (loss)	–	–	–	(352)	–	13,153	(1,729)	–	6,216	17,288	2,855	20,143
Total comprehensive income	–	–	–	(352)	–	13,153	(1,729)	–	953,893	964,965	584,359	1,549,324
Cash dividends (Note 24)	–	–	–	–	–	–	–	–	(135,930)	(135,930)	(198,838)	(334,768)
Realized gain on sale of financial assets at fair value through other comprehensive income	–	–	–	–	–	(400)	–	–	400	–	–	–
Put option over NCI (Note 7)	–	–	–	–	(218,089)	–	–	–	–	(218,089)	(107,355)	(325,444)
Sale of treasury shares	–	137,597	143,851	–	–	–	–	–	–	281,448	–	281,448
Buyback of shares (Note 24)	–	–	(459)	–	–	–	–	–	–	(459)	–	(459)
Balance, December 31, 2022	₱2,863,312	₱396,845	(₱182)	(₱933)	(₱299,535)	₱50,920	₱9,809	₱1,765,500	₱3,595,143	₱8,380,879	₱2,761,790	₱11,142,669
Balance, January 1, 2021	₱2,863,312	₱259,248	(₱136,347)	₱297	₱34,694	₱38,922	(₱2,137)	₱2,415,500	₱1,106,503	₱6,579,992	₱1,973,422	₱8,553,414
Net income	–	–	–	–	–	–	–	–	1,128,965	1,128,965	751,231	1,880,196
Other comprehensive income (loss)	–	–	–	(878)	–	(755)	13,675	–	239	12,281	(4,901)	7,380
Total comprehensive income	–	–	–	(878)	–	(755)	13,675	–	1,129,204	1,141,246	746,330	1,887,576
Cash dividends (Note 24)	–	–	–	–	–	–	–	–	(108,927)	(108,927)	(132,304)	(241,231)
Business combination (Note 6)	–	–	–	–	3,629	–	–	–	–	3,629	53,429	57,058
Dilution of equity shares	–	–	–	–	14,038	–	–	–	–	14,038	(14,038)	–
Put option over NCI (Note 7)	–	–	–	–	(133,807)	–	–	–	–	(133,807)	(143,215)	(277,022)
Reversal of appropriation (Note 24)	–	–	–	–	–	–	–	(2,250,000)	2,250,000	–	–	–
Appropriation of retained earnings (Note 24)	–	–	–	–	–	–	–	1,600,000	(1,600,000)	–	–	–
Buyback of shares (Note 24)	–	–	(7,227)	–	–	–	–	–	–	(7,227)	–	(7,227)
Balance, December 31, 2021	₱2,863,312	₱259,248	(₱143,574)	(₱581)	(₱81,446)	₱38,167	₱11,538	₱1,765,500	₱2,776,780	₱7,488,944	₱2,483,624	₱9,972,568

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Note 24)	Additional Paid-in Capital	Treasury Shares (Note 24)	Exchange Differences on Translation of Foreign Operations	Equity Reserves (Note 7)	Other Comprehensive Income (Note 15)	Share in Other Comprehensive Income of Associates and Joint Ventures (Note 13)	Retained Earnings (Note 24) Appropriated	Retained Earnings (Note 24) Unappropriated	Subtotal	Non-controlling Interests	Total Equity
Balance, January 1, 2020	₱2,863,312	₱259,248	(₱134,460)	₱205	₱153,976	₱40,284	(₱20,965)	₱1,300,000	₱2,195,554	₱6,657,154	₱1,685,521	₱8,342,675
Net income	–	–	–	–	–	–	–	–	172,637	172,637	349,303	521,940
Other comprehensive income (loss)	–	–	–	92	–	(1,362)	18,828	–	(9,176)	8,382	1,129	9,511
Total comprehensive income	–	–	–	92	–	(1,362)	18,828	–	163,461	181,019	350,432	531,451
Cash dividends (Note 24)	–	–	–	–	–	–	–	–	(109,004)	(109,004)	(183,615)	(292,619)
Changes in ownership interests of the Parent Company without loss of control (Note 7)	–	–	–	–	194,793	–	–	–	–	194,793	475,891	670,684
Issuance of shares from stock purchase plan (Note 7)	–	–	–	–	1,341	–	–	–	–	1,341	3,376	4,717
Deconsolidation of subsidiary (Note 7)	–	–	–	–	12,243	–	–	–	(28,008)	(15,765)	–	(15,765)
Reversal of appropriation (Note 24)	–	–	–	–	–	–	–	(1,300,000)	1,300,000	–	–	–
Appropriation of retained earnings (Note 24)	–	–	–	–	–	–	–	2,415,500	(2,415,500)	–	–	–
Put option over NCI (Note 7)	–	–	–	–	(327,659)	–	–	–	–	(327,659)	(358,183)	(685,842)
Buyback of shares (Note 24)	–	–	(1,887)	–	–	–	–	–	–	(1,887)	–	(1,887)
Balance, December 31, 2020	₱2,863,312	₱259,248	(₱136,347)	₱297	₱34,694	₱38,922	(₱2,137)	₱2,415,500	₱1,106,503	₱6,579,992	₱1,973,422	₱8,553,414

See accompanying Notes to Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,549,677**	₱1,976,646	₱623,879
Adjustments to reconcile income before income tax to net cash flows:			
Interest expense and other financing charges (Note 32)	**688,190**	649,248	626,768
Depreciation and amortization (Note 31)	**629,184**	603,562	496,677
Interest income (Note 26)	**(248,963)**	(132,186)	(24,568)
Net loss (gain) on derivatives (Notes 14 and 37)	**(142,596)**	(56,324)	7,039
Unrealized gain on change in fair value of financial assets at fair value through profit or loss (Note 14)	**(103,845)**	(172,438)	–
Pension and other employee benefits expense (Note 35)	**103,368**	79,732	55,924
Unrealized foreign exchange gain - net (Note 36)	**(89,500)**	(56,237)	152,625
Equity in net earnings of associates and joint ventures (Note 13)	**(58,014)**	(32,940)	(1,968)
Gain on investments held for trading - net (Note 10)	**(11,737)**	(15,970)	(27,854)
Gain on sale of property, plant and equipment (Note 16)	**(489)**	(214)	(855)
Dividend income (Note 26)	**(201)**	(224)	(194)
Gain on pre-termination of long-term leases (Note 38)	**(5,621)**	(849)	(5,274)
Gain on bargain purchase (Note 6)	–	(8,334)	(11,351)
Loss on deconsolidation (Note 7)	–	–	11,188
Operating income before working capital changes	**2,309,453**	2,833,472	1,902,036
Increase in:			
Trade and other receivables	**(529,335)**	(1,403,769)	(522,821)
Inventories	**(401,954)**	(366,073)	(228,314)
Input value-added taxes and other current assets	**(274,586)**	(53,590)	(81,907)
Increase (decrease) in:			
Trade and other payables	**(91,297)**	314,174	459,042
Trust receipts payable	**(1,583,184)**	(319,443)	826,970
Contract liabilities	**89,495**	717,868	(396,683)
Net cash provided by (used in) operations	**(481,408)**	1,722,630	1,958,323
Interest paid	**(706,092)**	(690,872)	(574,138)
Income tax paid	**(86,107)**	(53,146)	(199,572)
Contributions to the pension fund	**(41,844)**	(47,337)	(79,278)
Benefits paid from operating fund	**(23,804)**	(13,182)	(14,047)
Interest received	**49,554**	11,715	20,732
Net cash provided by (used in) operating activities	**(1,289,701)**	929,817	1,112,020
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment held for trading	**(1,468,223)**	(2,974,298)	(2,071,095)
Property, plant and equipment (Note 16)	**(1,432,052)**	(1,573,268)	(1,259,822)
Investment in joint ventures (Note 13)	**(109,266)**	–	–
Intangible assets	**(11,124)**	(7,048)	(861)
Investment properties	**(3,780)**	–	–
Financial assets at fair value through profit or loss	–	(1,932,805)	–
Derivative asset	–	(202,345)	–

(Forward)

	Years Ended December 31		
	2022	2021	2020
Proceeds from sale of:			
Investments held for trading	**₱2,136,372**	₱3,809,362	₱2,167,391
Investment properties	**35,759**	–	–
Property, plant and equipment (Note 16)	**2,054**	3,523	6,779
Financial assets at fair value through other comprehensive income	**1,450**	–	–
Increase in other noncurrent assets	**(58,065)**	(124,404)	(33,216)
Dividends received (Note 13)	**201**	224	194
Acquisition of subsidiary - net of cash acquired (Note 6)	–	(101,543)	(448,452)
Proceeds from sale of subsidiary - net of cash disposed (Notes 6 and 7)	**–**	–	46,635
Net cash used in investing activities	**(906,674)**	(3,102,602)	(1,592,447)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Notes payable	**(1,531,718)**	(2,398,285)	(1,594,193)
Long-term debt	**(1,048,952)**	(918,091)	(342,778)
Cash dividends	**(377,332)**	(188,048)	(226,705)
Lease liabilities	**(125,452)**	(124,617)	(134,426)
Treasury shares	**(459)**	(7,227)	(1,887)
Proceeds from availments of:			
Notes payable	**3,380,647**	2,002,549	1,951,223
Long-term debt	**1,280,000**	4,524,477	–
Proceeds from sale of treasury shares	**281,448**	–	–
Increase (decrease) in due to related parties	**(27,283)**	31,768	58,567
Increase (decrease) in other noncurrent liabilities	**1,640**	(2,556)	(3,967)
Issuance of shares to non-controlling interests	**–**	3,629	632,286
Net cash provided by financing activities	**1,832,539**	2,923,599	338,120
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**89,500**	56,237	(152,625)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(274,336)**	807,051	(294,932)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,695,914**	2,888,863	3,183,795
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 9)	**₱3,421,578**	₱3,695,914	₱2,888,863

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

PHINMA Corporation (PHN or the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on March 12, 1957.

The Parent Company is listed in the Philippine Stock Exchange (PSE) since August 15, 1958.

On August 2, 2006, the Philippine SEC approved the extension of the Parent Company's corporate life for another 50 years. On May 27, 2010, the Philippine SEC approved the change in the Parent Company's corporate name from Bacnotan Consolidated Industries, Inc. to PHINMA Corporation. Its principal activity is holding investments in shares in various subsidiaries, associates and investees and other financial instruments.

Following are the subsidiaries of the Parent Company and the nature of their principal business activities:

			December 31, 2022			December 31, 2021		
Subsidiaries	Nature of Business	Calendar/ Fiscal Yearend	**PHN Direct Interest**	**Direct Interest of Subsidiary**	**PHN Effective Interest**	PHN Direct Interest	Direct Interest of Subsidiary	PHN Effective Interest
Union Galvasteel Corporation (UGC)	Manufacturing and distribution of steel products	December 31	**98.01**	**–**	**98.01**	98.01	–	98.01
PHINMA Solar Energy Corporation (PHINMA Solar) [d]	Solar rooftop	December 31	**–**	**100.00**	**98.01**	–	100.00	98.01
PHINMA Education Holdings, Inc. (PEHI) [a]	Holding company	March 31	**67.18**	**–**	**67.18**	67.18	–	67.18
Pamantasan ng Araullo (Araullo University), Inc. (AU) [a]	Educational institution	March 31	**–**	**97.57**	**65.55**	–	97.57	65.55
Cagayan de Oro College, Inc. (COC) [a]	Educational institution	March 31	**–**	**91.27**	**61.32**	–	91.27	61.32
University of Iloilo (UI) [a]	Educational institution	March 31	**–**	**69.23**	**46.51**	–	69.23	46.51
University of Pangasinan (UPANG) and Subsidiary [a]	Educational institution	March 31	**–**	**69.33**	**46.58**	–	69.33	46.58
Southwestern University (SWU) [a]	Educational institution	March 31	**–**	**84.34**	**56.66**	–	84.34	56.66
St. Jude College, Inc. (SJCI) [a]	Educational institution	December 31	**–**	**98.30**	**66.04**	–	98.30	66.04
Republican College, Inc. (RCI)	Educational institution	December 31	**–**	**98.41**	**66.11**	–	98.41	66.11
Rizal College of Laguna (RCL) [a]	Educational institution	April 30	**–**	**90.00**	**60.46**	–	90.00	60.46
Union College of Laguna (UCLI) [b]	Educational institution	May 31	**–**	**80.91**	**54.36**	–	80.91	54.36
Career Academy Asia, Inc. (CAA) [c]	Educational Institution	March 31	**90.00**	**–**	**90.00**	90.00	–	90.00
Philcement Corporation (PCC)	Manufacturing and distribution of cement products	December 31	**60.00**	**–**	**60.00**	60.00	–	60.00
P & S Holdings Corporation (PSHC)	Investment and real estate holdings	December 31	**60.00**	**–**	**60.00**	60.00	–	60.00
Asian Plaza, Inc. (API)	Lease of real property	December 31	**57.62**	**–**	**57.62**	57.62	–	57.62
One Animate Limited (OAL) and Subsidiary [e]	Business process outsourcing - animation services	December 31	**80.00**	**–**	**80.00**	80.00	–	80.00

[a] *Balances as at and for the year ended December 31 of these subsidiaries were used for consolidation purposes.*
[b] *On May 21, 2021., PEHI acquired 65.76% controlling shares of stock of UCL. On August 5, 2021, PEHI acquired additional 328,810 shares for a total consideration of ₱32.9 million, which increased its ownership interest to 79.07%. On September 12, 2021, PEHI acquired additional 121,190 shares for a total consideration of ₱12.1 million, which increased its ownership interest to 80.91%.*
[c] *CAA ceased its operations on March 31, 2019.*
[d] *On December 22, 2020, PHN sold its 225.0 million shares in PHINMA Solar to UGC representing 50.00% ownership in PHINMA Solar.*
[e] *OAL owns 100.00% interest in Toon City Animation, Inc. (Toon City). OAL and Toon City ceased operations in April 2013.*

The Parent Company and its subsidiaries (collectively referred to as "the Company") were all incorporated in the Philippines, except for OAL which was incorporated in Hong Kong. The Company's ultimate parent company is Philippine Investment-Management (PHINMA), Inc. (PHINMA, Inc.), which is also incorporated in the Philippines.

The information on the segments of the Company is presented in Note 41 to the consolidated financial statements.

The registered office address of the Parent Company is 12th Floor, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

The consolidated financial statements of the Company as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 were reviewed and recommended for approval by the Audit Committee on March 1, 2023. On March 3, 2023 the Board of Directors (BOD) approved the issuance of the Company's consolidated financial statements.

2. Basis of Preparation and Consolidation and Statement of Compliance

The consolidated financial statements of the Company have been prepared on a historical cost basis, except for investments held for trading, investments in financial assets at fair value through profit or loss (FVPL), financial assets at fair value through other comprehensive income (FVOCI) and derivative financial instruments that are measured at fair value. The consolidated financial statements are presented in Philippine peso (₱) which is the Parent Company's functional and presentation currency. All values are rounded to the nearest thousand peso, except when otherwise indicated.

Statement of Compliance
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its controlled subsidiaries. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- power over the investee (i.e., existing rights that give 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 Company has less than majority of the voting rights or similar rights of an investee, the 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 Company's voting rights and potential voting rights.

The 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 Company obtains control over the subsidiary and ceases when the 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 financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent of the Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies. All intra-group assets and liabilities, equity, income expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

NCI represents the portion of profit or loss and the net assets not held by owners of the Parent Company and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from total equity attributable to owners of the Parent Company.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction and is shown as part of "Equity reserves" under the consolidated statement of changes in equity. If the Company loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any NCI;
- derecognizes the cumulative translation differences, recorded in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

3. Changes in Accounting Polices and Disclosures

Current Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2022.

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

- 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-Interpretational Financial Reporting Interpretations Committee (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.

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

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

- 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.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippine 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.

  - 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.

  - 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.

<u>Future Changes in Accounting Policies and Disclosures</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023

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

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

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

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted.

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

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

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

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

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

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

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

Effective beginning on or after January 1, 2024

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

  The amendments clarify:

  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right

  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

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

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

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively with early adoption permitted.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

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

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

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

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

Deferred effectivity

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

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

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

4. Summary of Significant Accounting and Financial Reporting Policies

Financial Instruments - Initial Recognition and Subsequent Measurement
A financial instrument is any contract that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, 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. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

The Company'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. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

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

- financial assets at amortized cost (debt instruments)
- financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- financial assets at FVPL

Financial Assets at Amortized Cost (Debt Instruments). Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in consolidated statement of income when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash and cash equivalents, trade and other receivables, refundable deposits (presented under "Input value-added taxes and other current assets" and "Other noncurrent assets") and deposits (presented under "Other noncurrent assets") as at December 31, 2022 and 2021.

Financial Assets at FVOCI (Debt Instruments). For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company does not have debt instruments at FVOCI as at December 31, 2022 and 2021.

Financial Assets Designated FVOCI (Equity Instruments). Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI 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 "Investment income" in the consolidated statement of income when the right of payment has been established, except when the Company 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 FVOCI are not subject to impairment assessment.

The Company elected to classify irrevocably under this category its investment in club shares and non-listed equity investments.

Financial Assets at FVPL. Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.

This category includes investments held for trading and non-listed equity investment which the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as "Investment income" in the consolidated statement of income when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVPL.

Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as either at amortized cost or at fair value depending on whether the cash flows of the hybrid contract are solely payments of principal and interest and the assessment of the business model within which the financial asset is held.

Modification of Financial Assets. The Company derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded. The Company considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the consolidated statement of income.

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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 Company could be required to repay.

Impairment of Financial Assets. The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. 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.

Expected Credit Losses (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 cash and cash equivalents, other receivables and deposits (presented under "Other noncurrent assets" account in the consolidated statement of financial position), the Company applies a general approach which measures ECL on either a 12-month or lifetime basis depending on whether a significant increase in credit risks has occurred once initial recognition on whether an asset is considered to be credit-impaired, adjusted for the effects of collateral, forward-looking factors and time value of money.

For receivables from customers, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience for trade receivables, and external-credit mapping for other debt instruments at amortized cost to calculate ECLs, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company, in general, considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off, in whole or in part, when the asset is considered uncollectible, the Company has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

The receivables of PEHI, PCC and UGC that were subjected to specific identification were not included in the credit loss computation. Specifically impaired receivables are receivables that have high non-collectibility risk and fully provided for ECL

Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, financial liabilities at amortized cost (loans and borrowings and payables), or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include notes payable, trade and other payables, trust receipts payable, due to related parties, lease liabilities, long-term debt, derivative liability and non-controlling interest put liability.

Subsequent Measurement. The measurement of financial liabilities depends on their classification, as described below:

Financial Liabilities at FVPL. Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. This category includes the Company's derivative liability as at December 31, 2022 and 2021.

Loans and Borrowings and Payables. After initial recognition, interest-bearing loans and borrowings and other payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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 "Interest expense and other financing charges" in the consolidated statement of income.

This category generally applies to notes payable, trade and other payables, trust receipts payable, due to related parties, lease liabilities, long-term debt and non-controlling interest put liability of the Company as at December 31, 2022 and 2021.

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

The Company 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 Company and all of the counterparties.

Derivative Financial Instruments

Initial Recognition and Subsequent Measurement. The Company uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Consequently, gains or losses from changes in fair value of these derivatives that do not qualify for hedge accounting are recognized immediately in the consolidated statement of income as part of

"Other income (expenses)". The Company has opted not to designate its derivative transactions under hedge accounting. The fair values of freestanding forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Non-controlling Interest Put Liability

While the NCI put remains unexercised, the Company accounts for it at the end of each reporting period as follows:

(a) The Company determines the amount that would have been recognized for the NCI including an update to reflect allocations of profit or loss, allocations of changes in OCI and dividends declared for the reporting period, as required by PFRS 10, *Consolidated Financial Statements*;
(b) The Company derecognizes the NCI as if it was acquired at that date;
(c) The Company recognizes a financial liability at the present value of the amount payable on exercise of the NCI put in accordance with PFRS 9. There is no separate accounting for the unwinding of the discount due to the passage of time; and
(d) The Company accounts for the difference between (b) and (c) as an equity transaction.

If the NCI put is exercised, the same treatment is applied up to the date of exercise. The amount recognized as the financial liability at that date is extinguished by the payment of the exercise price.

If the NCI put expires unexercised, the position is unwound so that the NCI is recognized at the amount it would have been, as if the put option had never been granted. The financial liability is derecognized, with a corresponding credit to the same component of equity.

Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Debt Issuance Cost

Debt issuance costs are deducted against long-term debt and are amortized over the term of the related borrowings using the Effective Interest Rate (EIR) method.

Determination of Fair Value

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 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 by the Company.

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 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 Company 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 consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their 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
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing 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.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. Securities defined in these account as 'listed' are traded in an active market. When the Company has financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, it has elected to use the measurement exception to measure the fair value of its net risk exposure by applying the bid or ask price to the net open position as appropriate. For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and with reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

For the purpose of the fair value disclosures, the Company 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.

<u>Cash and Cash Equivalents</u>
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 months or less from the date of acquisition and are subject to an insignificant risk of change in value.

Inventories
Inventories are valued at the lower of cost or net realizable value. Costs incurred in bringing each inventory to its present location and conditions are accounted for as follows:

Finished goods	-	determined using the moving average method; cost includes direct materials, labor and a proportion of manufacturing overhead costs based on normal operating capacity but excludes borrowing costs.
Raw materials, spare parts and others	-	determined using the moving average method.

The net realizable value of inventories, except spare parts, is the selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The net realizable value of spare parts is the current replacement cost.

Other Current Assets

Deferred charges. Deferred charges refer to scholarship and discounts unamortized as of the end of financial reporting period.

Prepaid taxes. This consists of creditable withholding taxes which are withheld from purchases to suppliers that will be used within the normal operating cycle of the Company.

Prepayments. Prepayments are expenses paid in advance and recorded as assets before they are utilized. Prepayments expected to be realized for no more than twelve months after the reporting period, are classified as current assets. Otherwise, they are classified as other noncurrent assets.

Investment in Associates and Joint Ventures
An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Company’s investments in associates and joint ventures are accounted for using the equity method. The investments in associates and joint ventures are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Company’s share of net assets of the associates, less any impairment in value.

The consolidated statement of income reflects the Company’s share of the results of operations of the associates and joint ventures. In addition, when there has been a change recognized directly in the equity of the associates and joint ventures, the Company recognizes its share of any changes, when applicable, in equity. Unrealized gains and losses resulting from transactions between the Company and the associates and joint ventures and are eliminated to the extent of the interest in the associate or joint ventures.

The Company's share of profits or losses of its associates and joint ventures is shown on the face of the consolidated statement of income outside operating profit and represents profit. This is the profit or loss attributable to equity holders of the associates and joint ventures and therefore is profit or loss after tax and net of controlling interest in the subsidiaries of the associates and joint venture.

The accounting policies of the associates and joint ventures are consistent to those used by the Company for like transactions and events in similar circumstances. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

When the Company's share of losses exceeds its interest in an equity-accounted associate and joint venture, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or have made payments on behalf of the associates or joint ventures.

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

Upon loss of significant influence or joint control over the associates or joint venture, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amounts of the Company's investment in the associates and joint ventures upon loss of significant influence or joint control and the fair value of the remaining investment and proceeds from disposal is recognized in consolidated statement of income.

Property, Plant and Equipment
Property, plant and equipment, except land, are stated at cost less accumulated depreciation, amortization and any impairment loss. Land is carried at cost (initial purchase price and other cost directly attributable to the acquisition) less any impairment loss. The cost of property, plant and equipment, comprises its purchase price, including any import duties, capitalized borrowing costs and other costs directly attributable in bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to operations in the year such 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 additional costs of property, plant and equipment.

Land, plant site improvements, buildings, plant and installations, machinery and equipment of UGC are stated at revalued amount before UGC adopted PFRS 1 in 2005. Upon adoption of PFRS, UGC elected to change its basis for measuring land, plant site improvements, buildings and installations, machinery and equipment from revalued amounts to the cost basis. Consequently, such assets are stated at "deemed cost" as allowed by the transitional provisions of the standard. There are no further increases in the asset revaluation reserve and the account is reduced by the amount of depreciation except for land, on appraisal increase charged to operations, net of tax effect, until the item of land, plant site improvements, buildings and installations, machinery and equipment is fully depreciated or upon its disposal. Such asset revaluation reserve has been closed to retained earnings.

Depreciation commences once the property, plant and equipment are available for use and is computed using the straight-line method over the following estimated useful lives of the assets:

Plant site improvements	10–20 years
Buildings and improvements	10–50 years
Machinery and equipment	5–20 years
Transportation and other equipment	2–10 years

In 2020, the Company changed the useful life of its buildings and improvements from 10-25 years to 10-50 years. The revised useful life is based on the 2020 valuation made by an independent firm of appraiser accredited by SEC, considering the extent, character and utility of the properties as evidenced by observed condition. The nature and amount of the effect of the change in useful life of buildings and improvements are disclosed in the Note 5 to the consolidated financial statements.

The assets' estimated useful lives, residual values and depreciation method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from the items of property, plant and equipment. Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is credited or charged to operations.

An item of property, plant 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 carrying amount of the asset) is presented under "Other income (expenses)" in the consolidated statement of income.

Construction in progress represents cost of plant and properties under construction or development and is stated at cost less any impairment in value. This includes cost of construction, plant and equipment, capitalizable borrowing costs and other costs directly attributable to such asset during the construction period and other direct costs. Construction in progress is not depreciated until such time when the relevant assets are completed and becomes available for operational use.

Investment Properties
Investment properties are measured initially at cost, including direct transaction costs.

The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties (except land) are stated at cost less accumulated depreciation and any impairment in value.

Land is carried at cost less any impairment in value. Depreciation is calculated on a straight-line basis over 50 years, the estimated useful life of the depreciable investment property which refers to a building unit.

In 2020, the Company changed the useful life of its buildings from 20 years to 50 years. The revised useful life is based on the 2020 valuation made by an independent firm of appraiser accredited by SEC, considering the extent, character and utility of the properties as evidenced by observed condition. The nature and amount of the effect of the change in useful life of buildings are disclosed in the Note 5 to the consolidated financial statements.

Investment properties are derecognized when either these 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 (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to date change in use.

Business Combinations, Goodwill and Impairment of 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 NCI in the acquiree. For each business combination, the Company measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Company 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. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, is measured at fair value with the changes in fair value recognized in the consolidated statement of income in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI 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 the consolidated statement of income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

When goodwill forms part of a CGU 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 this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Impairment of Goodwill. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Under PAS 36, *Impairment of Assets*, the Company is required to perform annual impairment tests on the amount of goodwill acquired in a business combination. Moreover, if the Company did not finalize the goodwill allocation to cash-generating units (CGUs), as required by PAS 36, and there are indicators that the provisional goodwill may be impaired, an impairment test of the provisional goodwill is performed. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

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

Intangible assets with finite lives are amortized over the useful economic life using the straight-line method and assessed for impairment whenever there is an indication that the intangible assets may be impaired. At the minimum, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Company’s consolidated statement of income.

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

The useful lives of intangible assets are as follows:

Software costs	5 years
Student lists	3 years

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the student lists and software costs are accounted for by changing the appropriate amortization period or method, as appropriate, and treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in consolidated statement of income.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that a nonfinancial asset, excluding goodwill and other intangible assets with indefinite useful lives, may be impaired. If any indication exists, or when annual impairment testing for a nonfinancial asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use (VIU). The recoverable amount 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. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGU to which the individual assets are allocated. These budgets and forecast generally cover a period of five years. For longer period, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses are recognized in the consolidated statement of income in expense categories consistent with the function of impaired asset.

For nonfinancial assets excluding goodwill and other intangible asset with indefinite useful life, 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 of the asset or CGU is estimated. A previously recognized impairment loss is reversed only if there has been a change in the assumptions 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. However, 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 consolidated statement of income. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Current versus Noncurrent Classification
The Company presents assets and liabilities in consolidated statement of financial position based on current/noncurrent 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 or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

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 twelve months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent asset and liabilities, respectively.

Capital Stock and Additional Paid-in Capital
Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account in the consolidated statement of financial position. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to the "Additional paid-in capital" account in the consolidated statement of financial position.

Treasury Shares
Treasury shares are recorded at cost and deducted from the Company's equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments. On subsequent issuance, any difference between the carrying amount and the consideration received is recognized under "Additional paid-in capital" account in the consolidated statement of financial position.

Equity Reserves
Other reserves consist of equity transactions other than capital contributions, such as equity transactions arising from transactions with NCI and share-based payment transactions.

Retained Earnings
Retained earnings represent accumulated net profits, net of dividend distributions and other capital adjustments. Retained earnings also include effect of changes in accounting policy as may be required by the PFRS' transitional provision.

Other Comprehensive Income
Other comprehensive income (loss) comprises of items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRS.

Revenue Recognition
Revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the Company expects to be entitled to in exchange for those goods or services. PFRS 15 prescribes a five-step model to be followed in the recognition of revenue, wherein the Company takes into consideration the performance obligations which the Company needs to perform in the agreements the Company has entered into with its customers. Revenue is measured by allocating the transaction price, which includes variable considerations, to each performance obligation on a relative stand-alone selling price basis, taking into account contractually defined terms of payment and excluding value-added tax (VAT), where applicable. Transaction prices are adjusted for the effects of a significant financing component if the Company expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be more than one year.

When determining the Company's performance obligations, the Company assesses its revenue arrangements against specific criteria to determine if the Company is acting as principal or agent. The Company considers both the legal form and the substance of the agreement to determine each party's respective roles in the agreement. The Company is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Company's role is only to arrange for another entity to provide the goods or services, then the Company is an agent and will need to record revenue at the net amount that it retains for its agency services. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 5.

The specific recognition criteria before revenue is recognized are as follows:

Sale of Goods. Revenue from sale of goods is principally derived from sale of roofing and other steel products, books, uniforms and incidentals, and pharmacy sales and payment is normally due upon delivery to customers or up to 60 days for sale of roofing and other steel products. Revenue from stand-alone sale of roofing and other steel products, sale of books, uniforms and incidentals in bookstores and sale of medicines and supplies in pharmacy are considered as single performance obligations and recognized at a point in time when control of the asset is transferred to the customer, generally on delivery of the promised goods.

There are no other promises in these types of arrangements that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). There are no variable consideration, significant financing components, noncash consideration, and consideration payable to the customer that could affect the determination of the transaction price.

Certain books, uniforms and incidentals are included already in the total amount of fees to be paid by the students upon enrolment. The consideration for these goods are assessed separately from tuition and other fees. The Company determined that these goods are distinct promises from the educational services since the students can benefit from the books, uniforms and incidentals either on their own or together with other resources that are readily available to the student, and the Company's promise to transfer the said goods to the students is separately identifiable from the educational services in the contract.

Installation Services. The Company provides installation services for roofing and other steel products that are bundled together with the sale of the roofing and other steel products and payment is normally due within 60 days from progress billing. The Company assessed that while the installation services can be obtained by the customers from other providers, the installation and the goods are not distinct within the context of the contract since the Company provides a significant service of integrating the goods or services with other goods or services promised in the contract into a bundle of goods or services that represent the combined output for which the customer has contracted. In other words, the Company is using the goods or services as inputs to produce or deliver the combined output specified by the customer.

Hence, the transaction price which corresponds to the contract price net of discount is allocated entirely to the installation service. The Company recognizes revenue from installation services over time, using an output method based on the percentage of completion to measure progress towards complete satisfaction of the service, because the customer controls an asset as it is created or enhanced by the Company in the customer's premises.

Tuition, School Fees and Other Services. Revenue is recognized over time when the related educational services are rendered using the output method (i.e., time lapsed over the service period such as semester or school year, depending on the curriculum registered). Total assessments of tuition and other school fees, net of monthly amortization to revenue, are recorded as part of "Contract liabilities" account in the consolidated statement of financial position and are normally due upon enrollment up to 5 months which corresponds to one semester.

Hospital Routine Services. Revenue is recognized over time upon rendering of medical services and administration of medicines and other pharmaceutical products to in-patient customers to be used in their medical operations and payment is due normally upon performance of the service up to one year. The Company elects to use the right to invoice practical expedient in recognizing revenue because the Company has a right to the consideration from the patient in an amount that corresponds directly with the value to the patient of the Company's performance to date. The Company assessed that the medical services and products used by in-patients are not distinct within the context of the contract since the Company provides a significant service of integrating the promises within the contract. The total consideration, net of discount, for the medical services and the medicines used by in-patients comprises the transaction price which is allocated entirely to hospital routine services.

Consultancy Services. Revenue from consultancy services are recognized over time using an output-based measure of progress based on milestones achieved assessed by project managers since based on the terms and conditions of the Company's contract with its customers, the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date. Payment for consultancy services is normally due within 60 days from progress billing. Revenue from consultancy services also include the revenue on services provided by the Parent Company as a consultant in establishing and facilitating cement sale deals between its subsidiary and a cement seller.

Contract Balances

Receivables. A receivable represents the Company'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 Company 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. The Company currently does not have right to consideration that is conditional.

Contract Liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company 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 Company performs under the contract. These pertain to unearned revenue from tuition, school and other service fees and deposits from customers for future goods and services.

Costs to Obtain Contract. The Company pays sales commission to its employees for each contract that they obtain for sale of roofing and other steel products and installation services. The Company has elected to apply the optional practical expedient for costs to obtain a contract which allows the Company to immediately expense sales commissions included under "Selling expenses" account because the amortization period of the asset that the Company otherwise would have used is one year or less.

<u>Other Revenues</u>
Investment Income. Investment income includes net gains and losses on investments held for trading and interest income. Interest income is recognized as the interest accrues, taking into account the effective yield on the asset. Dividend income is recognized when the shareholder's right to receive the payment is established.

Rental Income. Revenue is recognized on a straight-line basis over the lease term or based on the terms of the lease as applicable.

<u>Costs and Expenses</u>
Costs and expenses are generally recognized as incurred. Costs and expenses constitute the following:

Cost of Sales and Cost of Educational, Installation, Hospital and Consultancy Services. Cost of sales includes direct materials used, personnel costs, as well as repair and power and fuel used to run production of steel products. Cost of sales also includes cost of books, uniforms and incidentals and cost of medicines and pharmaceutical products sold. Cost of educational services constitutes costs incurred to administer academic instruction. Cost of hospital services includes professional fees paid to medical personnel, utilities and other medical supplies used to render medical services. Cost of consultancy services includes labor cost and other direct costs related to the performance of consultancy services. These expenses are expensed as incurred.

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

Selling Expenses. Selling expenses include costs of distribution of steel products, books, incidentals, personnel costs, freight expenses, commission and advertising. Selling expenses are expensed as incurred.

<u>Pension and Other Employee Benefits</u>

Defined Benefit Plan. The Parent Company, PCC, UGC, PEHI, UPANG, AU, COC, UI, SJCI, RC, RCL, UCLI and SWU have distinct funded, noncontributory defined benefit retirement plans covering all permanent employees, each administered by their respective Retirement Committees. The rest of the subsidiaries have no retirement plan either because the subsidiaries ceased commercial operations or accounting or administrative functions are handled by an employee of another company within the group. Retirement costs on these defined benefit retirement plans are actuarially determined using the projected unit credit method.

The net pension 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 reductions in future contributions to the plan.

Net pension cost comprises the following:
- service cost;
- net interest on the net defined benefit liability or asset; and
- remeasurement of defined benefit liability or asset in OCI

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. 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 the consolidated statement of income.

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 the consolidated statement of income in subsequent periods but rather these are closed to retained earnings every end of the period.

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 Company, nor can they be paid directly to the Company. 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 Company'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.

Defined Contribution Plan. The Parent Company also provides a defined contribution plans that cover all regular full-time employees under which the Company pays fixed contributions based on the percentage contributed by the employees from their monthly salaries. The retirement funds for the defined benefit and defined contribution plans cannot be used to meet the funding requirements of each other. While the Company is covered under Republic Act (R.A.) 7641, otherwise known as *"The Philippine Retirement Law"*, which provides for qualified employees to receive a defined minimum guarantee, the existing defined benefit plan is sufficient to cover the required minimum retirement obligation under the law. Accordingly, the Company accounts for its monthly defined contribution as expense when incurred.

Termination Benefits. Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee Leave Entitlement. Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees.

Stock Purchase Plan

The Company has a stock purchase plan offered to senior officers which gives them the right to purchase shares of the Company set aside by the plan.

The cost of equity-settled transactions with employees is measured by reference to their fair value at the date they are granted, determined using the acceptable valuation techniques. The amount is fixed at grant date.

The cost of equity-settled transactions, together with a corresponding increase in equity, is recognized over the period in which the performance and/or service conditions are fulfilled ending on the date on which the employees become fully entitled to the award ("vesting date").

The cumulative expense recognized for equity-settled transactions at each reporting date up to and until the vesting date reflects the extent to which the vesting period has expired, as well as the Company's best estimate of the number of equity instruments that will ultimately vest. The consolidated statement of income charge or credit for the period represents the movement in cumulative expense recognized at the beginning and end of that period. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which awards are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

When the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. An additional expense is likewise recognized for any modification which increases the total fair value of the share-based payment arrangement or which is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. If a new award, however, is substituted for the cancelled awards and designated as a replacement award, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Leases

The Company 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.

Company as Lessee. The Company applies a single recognition and measurement approach for all leases, except for short-term leases. The Company 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 Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). 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 any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follow:

Land	5–25 years
Buildings	3.5–5 years
Warehouses	2–20 years
Vehicles	3–3.5 years
Others	3–5 years

Right-of-use assets are subject to impairment.

- *Lease Liabilities*. At the commencement date of the lease, the Company 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 Company and payments of penalties for terminating a lease, if the lease term reflects the Company 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.

  In calculating the present value of lease payments, the Company 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.* The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date or initial application of PFRS 16 and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Company as Lessor. Leases in which the Company 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 consolidated income 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.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and 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 determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase due to the passage of time is recognized as interest expense in the consolidated statement of income. When the Company expects a provision to be reimbursed, the reimbursement is recorded as a separate asset but only when the receipt of the reimbursement is virtually certain.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing cost consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign Currency-denominated Transactions and Translation
The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. The subsidiaries determine their own functional currency and items included in the financial statements of each subsidiary are measured using that functional currency.

Transactions in foreign currencies are recorded using their functional currency exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange at the end of the reporting period. Exchange gains or losses arising from foreign currency translations are credited or charged to current operations. Nonmonetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Other than OAL, the functional and presentation currency of the subsidiaries within the Company is Philippine peso. The functional currency of OAL is U.S. dollar. The assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in the consolidated statement of income.

Taxes

Current Income 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 authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date.

Deferred Income Tax. Deferred income tax is provided, using the liability method, on all 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, except:

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures 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.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) and unused tax losses from net operating loss carry over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of unused MCIT and NOLCO can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates and interest in joint venture. Deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each 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 assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred income tax relating to items recognized outside the consolidated statement of income is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

Value-Added Tax (VAT). Revenue, 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 part of “Income and other taxes payable” account in the consolidated statements 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 part of “Input value-added taxes” account in the consolidated balance sheet to the extent of the recoverable amount.

Earnings per Common Share (EPS) Attributable to the Equity Holders of the Parent
Basic EPS is computed by dividing net income attributable to the common equity holders of the Parent Company by the weighted average number of outstanding common shares during the year after giving retroactive effect to any stock dividend declared during the year.

The Company does not have potential common share or other instruments that may entitle the holder to common shares. Hence, diluted EPS is the same as basic EPS.

Segment Reporting
The Company is organized into five major business segments namely, investment holdings, property development, construction materials, educational services and business process outsourcing (BPO). In 2020, the Parent Company sold its ownership interest in ICI Asia which is under the BPO segment (see Note 7). Financial information about the Company's business segments is presented in Note 41 to the consolidated financial statements.

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

Events After Financial Reporting Date
Post year-end events up to the date of approval of the consolidated financial statements by the BOD that provide additional information about the Company's financial position at the 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 the consolidated financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The accompanying consolidated financial statements prepared in conformity with PFRS require management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. In preparing the Company's consolidated financial statements, management has made its best judgments, estimates and assumptions of certain amounts, giving due consideration to materiality. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

The Company believes the following represents a summary of these significant judgments, estimates and assumptions and related impact and associated risks in its consolidated financial statements.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Company's consolidated financial statements:

Material Partly-owned Subsidiaries. The consolidated financial statements include additional information about subsidiaries that have NCI that are material to the Company (see Note 8). Management determined material partly-owned subsidiaries as those with carrying value of NCI greater than 5% of total NCI as at end of the year.

Material Associates and Joint Ventures. Management determined material associates and joint ventures as those associates and joint ventures where the carrying amount of the Company's investment is greater than 5% of the total investments in associates and joint ventures as at end of the year and the associate or joint venture contributes more than 5% of the consolidated net income based on the equity in net earnings/losses. As at December 31, 2022 and 2021, the Company has no material associates and joint ventures (see Note 13)

Determining the Lease Term of Contracts with Renewal and Termination Options – Company as a Lessee. The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company 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).

Rent expense for short-term leases amounted to ₱113.5 million, ₱103.5 million and ₱112.5 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Notes 27, 28 and 38).

<u>Estimates and Assumptions</u>
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 discussed in the succeeding paragraphs.

Business Combination. The Company's consolidated financial statements and financial performance reflect acquired businesses after the completion of the respective acquisition. The Company accounts for the acquired businesses using the acquisition method, which require 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 estimated fair market values of the net assets acquired is recorded as goodwill in the Company's consolidated statement of financial position. Thus, the numerous judgments made in estimating the fair market value to be assigned to the acquiree's assets and liabilities can materially affect the Company's financial performance.

On May 21, 2021, PEHI and the shareholders of UCLI entered into a Share and Asset Purchase Agreement to acquire 65.76% of the total issued and outstanding capital stock of UCLI for a consideration of ₱86.8 million which resulted in allocation of the purchase consideration to the identifiable assets acquired and liabilities assumed. The fair values of the identifiable assets and liabilities of UCLI as at the date of the acquisition were finalized in 2022 and are disclosed in Note 6.

Leases - Estimating the Incremental Borrowing Rate. The Company 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 Company 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 Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Company 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 Company’s lease liabilities amounted to ₱314.1 million and ₱355.9 million as at December 31, 2022 and 2021, respectively (see Note 38).

Estimating Allowance for ECLs

The following information explains the inputs, assumptions and techniques used by the Company in estimating ECL:

- General approach for cash and cash equivalents, other receivables and deposits

  The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The Company considers the probability of its counterparty to default in its obligation and the expected loss at default after considering the effects of collateral, any potential value when realized, forward-looking estimates and time value of money.

- Simplified approach for receivables from customers

  The Company uses a simplified approach for calculating ECL on receivables from customers through the use of provision matrix to calculate ECLs. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography and customer type and rating).

  The provision matrix is initially based on the Company’s historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the Company’s operating segments, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking rates are analyzed.

- Incorporation of forward-looking information

  The Company considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. A broad range of forward-looking information are considered as economic inputs such as the gross domestic product, inflation rate, unemployment rates, industry growth rates and other economic indicators.

  The macroeconomic factors are aligned with information used by the Company for other purposes such as strategic planning and budgeting.

  The Company identifies and documents key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

  Predicted relationship between the key macro-economic indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3 to 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

- Grouping of instruments for losses measured on collective basis

  For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a segmentation are homogeneous. The Company segmentized its receivable from students on the basis of the geographical location of each school (e.g., Pangasinan, Cebu, Iloilo, Nueva Ecija, Manila, Quezon City, Cagayan de Oro) while receivable from customers of construction materials are segmentized based on the type of customer (e.g., contractors, hardwares, developers, roofing specialists, fabricators and end users). Receivable from patients, consultancy services, and others are assessed as separate segments.

  The following credit exposures are assessed individually:
  a. All stage 3 assets, which are considered to be specifically impaired, regardless of the class of financial assets; and
  b. Cash and cash equivalents, other receivables and deposits

There have been no significant changes in estimation techniques or significant assumptions. The receivables of the Company that were subjected to specific identification were not included in the credit loss computation. Specifically impaired receivables are receivables that have high non-collectibility risk and fully provided for ECL.

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 Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The changes in the gross carrying amount of receivables during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

Provision for ECL amounted to ₱178.8 million, ₱185.9 million and ₱168.5 million in 2022, 2021 and 2020, respectively. The allowance for ECL amounted to ₱1,377.4 and ₱1,198.6 million as at December 31, 2022 and 2021. The carrying amounts of trade and other receivables amounted to ₱5,631.5 and ₱4,935.3 million as at December 31, 2022 and 2021 (see Note 11).

Estimating Net Realizable Value of Inventories. The Company carries inventories at net realizable value when this becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

The Company recognize provision for inventory obsolescence of ₱4.0 million and nil in 2022 and 2021, respectively. Write-off of inventory amounted to nil in 2022 and 2021. The allowance for inventory obsolescence amounted to ₱14.1 million and ₱10.1 million as at December 31, 2022 and 2021, respectively. The carrying amounts of inventories amounted to ₱2,376.0 million and ₱1,974.1 million as at December 31, 2022 and 2021, respectively (see Note 12).

Impairment of Investments in Associates. The Company assesses impairment of investments in associates whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. This requires an estimation of the VIU of the CGUs. Estimating the VIU requires the Company to make an estimate of the expected future cash flows from the CGU and to choose a suitable discount rate to calculate the present value of those cash flows. In cases wherein VIU cannot be reliably estimated, the recoverable amount is based on the fair value less costs to sell.

Fair value less costs to sell is determined to be the amount obtainable from the sale of the underlying net assets of the associate.

No impairment loss on investment in associates was recognized in 2022, 2021 and 2020.

The carrying values of investments in associates amounted to ₱1,063.2 million and ₱1,007.1 million as at December 31, 2022 and 2021, respectively (see Note 13).

Impairment of Goodwill. The Company performs impairment testing of goodwill on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the VIU of the CGU to which the goodwill is allocated. VIU is determined by making an estimate of the expected future cash flows from the CGU and applies a discount rate to calculate the present value of these cash flows. Goodwill acquired through business combination has been allocated to one CGU which is also the operating entity acquired through business combination and to which the goodwill relates. The recoverable amount of goodwill has been determined based on VIU calculation using cash flow projections covering a five-year period. The calculation of VIU for the Company’s goodwill is sensitive to revenue growth rates and discount rates. Revenue growth rates estimates are based on values acquired in previous years and also takes into account anticipated increase from various market initiatives. Discount rate reflects the current market assessment of the risk specific to each CGU. The discount rate is based on the average percentage of the weighted average cost of capital for the industry. This rate is further adjusted to reflect the market assessment of any risk specific to the CGU for which future estimates of cash flows have not been adjusted.

The carrying amount of goodwill, pre-tax discount rates and growth rates applied to cash flow projections for impairment testing are as follows:

	Goodwill		Pre-tax Discount		Growth Rates	
	2022	2021	**2022**	2021	**2022**	2021
SWU	**₱996,484**	₱996,484	**14.9%**	10.8%	**5%**	5%
UPANG	**385,817**	385,817	**14.6%**	10.8%	**5%**	5%
UI	**213,995**	213,995	**14.6%**	10.8%	**5%**	5%
SJCI	**103,992**	103,992	**14.7%**	10.8%	**5%**	5%
RCI	**61,286**	61,286	**15.4%**	10.8%	**5%**	5%
AU	**35,917**	35,917	**14.6%**	10.8%	**5%**	5%
COC	**20,445**	20,445	**14.6%**	10.8%	**5%**	5%
	₱1,817,936	₱ 1,817,936				

Management believes that no reasonably possible change in these key assumptions would cause the carrying values of goodwill to materially exceed its recoverable amount. The Company performs its annual testing of goodwill every December 31.

There was no impairment loss on goodwill in 2022 and 2021. The carrying amount of goodwill amounting to ₱1,817.9 million and ₱1,817.9 million as at December 31, 2022 and 2021, respectively, was presented under “Intangible assets” account in the consolidated statements of financial position (see Note 18).

Impairment of Property, Plant and Equipment, Investment Properties and Intangible Asset with Finite Useful Lives. The Company assesses impairment on property, plant and equipment, investment properties and intangible assets with finite useful lives whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance related to the expected or projected operating results;
- significant changes in the manner of use of the assets; and
- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

The Company did not recognize impairment loss on property, plant and equipment, investment properties and intangible asset with finite useful lives in 2022, 2021 and 2020. The COVID-19 pandemic did not materially affect the recoverability of property, plant and equipment, investment properties and intangible asset with finite useful lives.

Realizability of Deferred Tax Assets. The carrying amount of deferred tax assets is reviewed at each 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 assets to be utilized. The assessment in the recognition of deferred tax assets on temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. This forecast is based on past results and future expectations on revenues and expenses. However, there is no assurance that sufficient taxable profit will be generated to allow all or part of the deferred tax assets to be utilized.

Carrying values of deferred tax assets amounted to ₱421.4 million and ₱286.3 million as at December 31, 2022 and 2021, respectively (see Note 34). The Company's deductible temporary differences, unused NOLCO and MCIT, for which no deferred tax assets are recognized in the consolidated statements of financial position are disclosed in Note 34.

Estimating Useful Lives of Property, Plant and Equipment, Investment Properties and Intangible Assets with Finite Useful Lives. The Company estimates the useful lives of depreciable property, plant and equipment, depreciable investment properties and intangible assets with finite useful lives based on the period over which the property, plant and equipment, investment properties and intangible assets with finite useful lives are expected to be available for use and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets and in the case of intangible assets, useful lives are also based on the contracts covering such intangible assets. The estimated useful lives of property, plant and equipment, investment properties and intangible assets with finite useful lives are reviewed at each financial year-end and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property, plant and equipment, investment properties and intangible assets with finite useful lives. However, it is possible that future results of operations could be materially affected by changes in the estimates brought about by changes in factors. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances.

The carrying amounts of depreciable property, plant and equipment, investment properties and intangible assets with finite useful lives are as follows:

	2022	2021
Property, plant and equipment (see Note 16)	**₱6,904,842**	₱6,744,833
Investment properties (see Note 17)	**12,787**	16,714
Intangible assets with finite useful lives (see Note 18)	**35,789**	34,643

In 2020, the Company changed the useful lives of certain property and equipment from 10-20 years to 10-50 years. The change in useful lives were accounted for prospectively.

In 2020, the Company changed the useful lives of certain investment properties from 20 years to 50 years. The change in useful lives were accounted for prospectively.

There were no changes in useful lives of intangible assets with finite useful lives in 2022 and 2021.

Pension Benefits. The cost of pension plans is determined using projected unit credit method. Actuarial valuation includes making various assumptions which consists, among other things, discount rates, rates of compensation increases and mortality rates. Due to complexity of valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in assumptions. While the Company believes that its assumptions are reasonable and appropriate, significant differences in its actual experience or significant changes in its assumptions may materially affect its cost for pension and other retirement obligations.

All assumptions are reviewed every year-end (see Note 35).

Pension costs amounted to ₱103.4 million, ₱79.7 million and ₱55.9 million in 2022, 2021 and 2020, respectively (see Note 30). Pension and other-employment benefits liability amounted to ₱275.6 and ₱259.2 million as at December 31, 2022 and 2021, respectively (see Note 35).

Fair Value of Financial Instruments. When the fair values of financial instruments recorded on the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility. The Company's investments held for trading, financial assets at FVPL, financial assets at FVOCI and derivatives instruments are recorded at fair value.

The methods and assumptions used to estimate the fair value of financial assets and liabilities are discussed in Note 37.

Contingencies and Tax Assessments. The Company is currently involved in various legal proceedings and assessments for local and national taxes

The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on the Company's consolidated financial statements. Based on management's assessment, appropriate provisions were made in the consolidated statements of financial position.

6. Business Combination

Acquisition of Union College of Laguna (UCLI). On May 21, 2021, PEHI signed and closed the Share and Asset Purchase Agreement and acquired 65.76% controlling shares of stock of UCLI for a consideration of ₱86.8 million. UCLI offers Junior High School and the Academic Track (Accountancy & Business Management Strand, General Academic Strand, and Humanities and Social Sciences Strand), Technical Vocational Track (Home Economics) and ICT Track (Computer Hardware Servicing Strand) for Senior High School. UCLI also offers undergraduate courses in Psychology, Criminology, Education, Business Administration, Accountancy, Hospitality Management, and Information Technology, and graduate programs in Education and Public Administration. UCLI is a school that operates secondary, tertiary and graduate programs.

The fair value of the identifiable assets and liabilities of UCLI as at the date of the acquisition are as follows:

	Fair Values Recognized at Acquisition Date
Total assets:	
Cash and cash equivalents	₱2,377
Tuition fee and other receivables	9,419
Prepaid expenses and other current assets	1,711
Land	142,032
Building and improvements	59,633
Furniture and fixtures	2,494
Indemnification assets	13,747
Total assets	231,413
Total liabilities:	
Trade and other payables	34,105
Deferred tax liabilities	18,578
Long-term payable	32,494
Pension liability	1,503
Total liabilities	86,680
Total identifiable net assets acquired	144,733
Proportionate share of NCI in net assets acquired	(49,557)
Gain arising from acquisition	(8,334)
Purchase consideration transferred	₱86,842

The net assets recognized in the December 31, 2021 financial statements were based on a provisional assessment of the fair value while PEHI sought an independent valuation for the fixed assets of the acquired business.

In 2022, the valuation was completed, and on the acquisition date fair value of land and buildings were increased by ₱116.5 million over the provisional value. Fair value of other net assets acquired were decreased by ₱22.9 million. The 2021 comparative information was restated to reflect the adjustment to the provisional amounts. As a result, there was an increase in the non-controlling interest of ₱32.0 million and recognition of gain from bargain purchase of ₱8.3 million from provisional goodwill in 2021 amounting to ₱53.2 million. The gain on bargain purchase has been presented as a separate line item in the 2022 consolidated statement of comprehensive income.

The description of the valuation technique used and key inputs to fair valuation are as follows:

	Valuation Technique	Inputs	Value
Land	Cost approach	Price per square meter	₱22,000
Buildings and improvements	Cost approach	Reproduction or replacement cost of the property	Buildings - ₱94.0 million

The net cash inflow related to the acquisition is as follows:

Cash payments relating to acquisition	₱86,842
Less cash of acquired subsidiary	2,377
Net cash inflow	₱84,465

From the date of acquisition to December 31, 2021, the net revenue included in the consolidated statement of comprehensive income contributed by UCL was ₱38.0 million. UCL also contributed net loss of ₱0.4 million over the same period. If the acquisition had taken place at the beginning of the year 2021, the consolidated statement of comprehensive income would have included net revenue of ₱44.9 million and net income of ₱0.9 million. Total transaction costs for the acquisition, amounting to ₱1.0 million, have been expensed and included in the "General and administrative expenses" in the consolidated statement of comprehensive income and is part of operating cash flows for the year ended December 31, 2021.

Acquisition of Rizal College of Laguna. On July 31, 2020, PEHI signed and closed the Share and Asset Purchase Agreement and acquired 100.00% controlling shares of stock of RCL. Gain on bargain purchase of ₱11.4 million has been recognized as the value of the identifiable assets exceeded the value of the purchase consideration of ₱448.8 million. The gain on bargain purchase has been presented in the 2020 consolidated statement of income as part of "Other income (expenses)". RCL offers Junior High School and the Academic Track (Accountancy & Business Management Strand and the General Academic Strand), Technical Vocational Track (Industrial Arts, Electrical installation III and Maintenance Strands) and ICT Track (Computer Hardware Servicing Strand) for Senior High School. It also offers undergraduate courses in Education, Business Administration, Office Administration and Industrial Technology. It is a school that operates secondary, tertiary and graduate programs.

The fair value of the identifiable assets and liabilities of RCL as at the date of the acquisition are as follows:

	Fair Values Recognized at Acquisition Date
Total assets:	
Cash and cash equivalents	₱309
Tuition fee and other receivables	666
Land	488,450
Building and improvements	25,956
Indemnification assets	4,281
Total assets	519,662
Total liabilities:	
Trade and other payables	4,504
Deferred tax liabilities	51,269
Pension liability	3,777
Total liabilities	59,550
Total identifiable net assets acquired	460,112
Gain on bargain purchase	(11,351)
Purchase consideration transferred	₱448,761

The net assets recognized in the December 31, 2020 financial statements were based on a provisional assessment of the fair value. The valuation of the net assets was completed and finalized in 2021.

On December 5, 2020, PEHI entered into a Sale and Purchase Agreement with CARD Mutual Benefit Association, Inc., CARD MRI Development Institute, Inc. and CARD MRI Property Management Inc. and sold 10.00% of RCL's issued and outstanding capital stock for a total consideration of ₱46.5 million, reducing the ownership of PEHI from 100.00% to 90.00%. The sale resulted to equity adjustment due to changes in ownership interest of the Parent without loss of control (see Note 7).

The Company has elected to measure the NCI based on the NCI's proportionate share in the fair value of the net identifiable assets at acquisition date.

The description of the valuation technique used and key inputs to fair valuation are as follows:

	Valuation Technique	Inputs	Value
Land	Market approach	Price per square meter	₱25,000
Buildings and improvements	Cost approach	Reproduction or replacement cost of the property	Building 1 - ₱25.9 million

The net cash inflow related to the acquisition is as follows:

Cash payments relating to acquisition	₱448,761
Less cash of acquired subsidiary	309
Net cash inflow	₱448,452

Contingent liabilities totaling ₱4.3 million was recognized at acquisition date arising from probable claim and contingencies included under trade and other current liabilities. No further disclosures regarding the contingent liability arising from probable claims are made by RCL at this time as RCL believes that such further disclosures may be prejudicial to its position. A related indemnification asset amounting to ₱4.3 million was also recognized at acquisition date representing the amount reimbursable by PEHI from the previous owners of RCL when the claims and contingencies have been finally settled (see Note 19).

From the date of acquisition to December 31, 2020, the net revenue included in the consolidated statement of comprehensive income contributed by RCL was ₱3.2 million. RCL also contributed net loss of ₱0.4 million over the same period. If the acquisition had taken place at the beginning of the year 2020, the consolidated statement of comprehensive income would have included net revenue of ₱5.3 million and net loss of ₱4.6 million. Total transaction costs for the acquisition, amounting to ₱16.8 million, have been expensed and included in the "General and administrative expenses" in the consolidated statement of comprehensive income and is part of operating cash flows for the year ended December 31, 2020.

7. Transactions with Non-controlling Interests and Others Changes in Ownership

Dilution of Ownership Interest in PEHI

On October 7, 2019, PEHI including Kaizen Private Equity II PTE. LTD. (Kaizen), Nederlandse Financierings-Maatschappijvoor Ontwikkelingslanden N.V. (FMO) and Asian Development Bank (ADB) (collectively "the Investors") have amended and restated the First Investment Agreement (made and entered by PEHI, Kaizen and ADB on April 12, 2019) to reflect the terms and conditions of FMO's investment in PEHI and to reflect other agreed changes to the original terms of the First Investment Agreement. Other local investors including PHINMA, Inc. have also contributed in the capital of PEHI in 2019.

On January 9, 2020, ADB invested ₱625.0 million for 1.1 million shares of PEHI. As a result, ownership interest of Parent Company to PEHI decreased from 71.83% to 67.18%.

These transactions in 2020 and 2019 resulted to equity adjustments presented under changes in ownership interests of the Parent Company without loss of control.

Call and Put Option over the NCI in PEHI
As part of the signed investment agreement of PEHI and the Investors, in the event that an initial public offering (IPO) of PEHI is not completed on the fifth anniversary of the agreement, the Investors have an irrevocable right and option to sell to and obligate the Parent Company to purchase all or portion of their shares (put option). On the other hand, the Parent Company has an irrevocable right and option to purchase and obligate all of the Investors to sell all of its shares under certain conditions.

The exercise price of the options is based at a price that generates 10% internal rate of return, based on the investor US dollar subscription price per share, which is calculated at the agreed exchange rate for the period beginning on the closing date and ending on the date of the relevant notice.

This transaction resulted to recognition of “Non-controlling interest put liability” amounting to ₱2,188.3 million and ₱1,862.9 million as at December 31, 2022 and 2021, respectively, and derecognition of “Non-controlling interests” amounting to ₱107.4 million and ₱143.2 million in 2022 and 2021, with the difference recorded as “Equity reserves” amounting to ₱218.1 million and ₱133.8 million in 2022 and 2021, respectively. As at December 31, 2022, the Company fully expects to complete the IPO within a certain period as agreed in the signed investment agreement and will at that point derecognize the put liability with a corresponding credit to the same component of equity.

Dilution of Ownership Interest of NCI in UGC
In 2016, UGC issued a stock purchase plan in which a bonus will be paid out in five (5) equal annual amortizations from 2016 to 2020 to eligible officers/grantees approved by the Executive Committee.

In 2020, UGC have issued 58,521 shares to its officers as part of the stock purchase plan which resulted in an increase in “Equity reserve” and “Non-controlling interests” accounts by ₱1.3 million and ₱3.4 million, respectively.

Divestment of Ownership Interest in ICI Asia
On September 18, 2020, the Parent Company executed a deed of absolute sale with the President of Integrative Competitive Intelligence Asia, Inc. (ICI Asia) for its entire ownership interest in ICI Asia for ₱0.5 million resulting to a loss of control to the latter by the Parent Company. As a result, the Company recognized a loss from deconsolidation amounting to ₱11.2 million and derecognized the net assets of ICI Asia.

8. Material Partly-owned Subsidiaries

Financial information of subsidiaries that have material NCI are provided below:

Proportion of equity interest held by NCI in 2022 and 2021 are as follows:

	Percentage of Ownership	
Name	**2022**	2021
API	**42.38**	42.38
PCC	**40.00**	40.00
PEHI and subsidiaries	**32.82**	32.82

Accumulated balances of material NCI as at December 31 are as follow:

Name	2022	2021
PEHI and subsidiaries	**₱1,788,535**	₱1,660,856
PCC	**791,331**	643,561
API	**182,374**	165,133

Profit allocated to material NCI for the years ended December 31 follows:

Name	2022	2021
PEHI and subsidiaries	**₱392,637**	₱455,551
API	**17,240**	7,280
PCC	**167,327**	281,818

The summarized financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

Summarized total assets and liabilities as at December 31, 2022 are as follows:

	PEHI and subsidiaries	**API**	**PCC**
Current assets	**₱4,369,960**	**₱115,966**	**₱3,847,322**
Noncurrent assets	**9,575,462**	**268,596**	**3,819,641**
Total assets	**₱13,945,422**	**₱384,562**	**₱7,666,963**
Current liabilities	**₱2,848,810**	**₱52,174**	**₱3,215,710**
Noncurrent liabilities	**3,915,240**	**23**	**2,144,925**
Total liabilities	**₱6,764,050**	**₱52,197**	**₱5,360,635**

Summarized total assets and liabilities as at December 31, 2021 are as follows:

	PEHI and subsidiaries	API	PCC
Current assets	₱4,369,960	₱115,966	₱3,858,077
Noncurrent assets	9,575,462	268,596	3,808,566
Total assets	₱13,945,422	₱384,562	₱7,666,643
Current liabilities	₱2,848,810	₱52,174	₱3,209,848
Noncurrent liabilities	3,915,240	23	2,150,778
Total liabilities	₱6,764,050	₱52,197	₱5,360,626

Summarized statements of comprehensive income for the year ended December 31, 2022:

	PEHI and subsidiaries	API	PCC
Revenues	₱4,068,537	₱37,040	₱8,764,769
Cost of sales	(1,842,370)	(3,333)	(7,924,976)
Administrative and selling expenses	(1,339,092)	(3,200)	(252,009)
Finance costs	(175,166)	-	(200,046)
Other income - net	100,044	15,291	18,668
Income before income tax	811,953	45,798	406,406
Income tax	6,396	(5,026)	11,422
Net income	818,349	40,772	417,828
Other comprehensive income (loss)	6,176	-	1,107
Total comprehensive income	₱824,525	₱40,772	₱418,935

Summarized statements of comprehensive income for the year ended December 31, 2021:

	PEHI and subsidiaries	API	PCC
Revenues	₱3,690,805	₱11,837	₱7,646,635
Cost of sales	(1,517,216)	–	(6,527,758)
Administrative and selling expenses	(1,029,043)	(1,418)	(273,619)
Finance costs	(168,022)	–	(196,177)
Other expense - net	83,944	6,837	34,220
Income before income tax	1,060,468	17,256	683,301
Income tax	(41,409)	(2)	19,054
Net income	1,019,059	17,254	702,355
Other comprehensive income	(12,539)	–	501
Total comprehensive income	₱1,006,520	₱17,254	₱702,856

Summarized statements of cash flows for the year ended December 31, 2022:

	PEHI and subsidiaries	**API**	**PCC**
Operating	**₱1,363,613**	**₱10,567**	**(₱1,303,942)**
Investing	**(1,072,565)**	**3,238**	**(530,144)**
Financing	**(213,455)**	–	**1,625,094**
Net increase (decrease) in cash and cash equivalents	**₱77,593**	**₱13,805**	**(₱208,992)**
Dividends paid to non-controlling interests	**₱115,285**	**₱–**	**₱40,000**

Summarized statements of cash flows for the year ended December 31, 2021:

	PEHI and subsidiaries	API	PCC
Operating	(₱79,343)	₱845	(₱303,070)
Investing	(270,003)	16,742	(1,017,498)
Financing	(105,518)	–	1,404,688
Net increase (decrease) in cash and cash equivalents	(₱454,864)	₱17,857	₱84,120
Dividends paid to non-controlling interests	₱53,245	₱–	₱–

9. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand and in banks	**₱1,727,119**	₱2,156,148
Short-term deposits	**1,694,459**	1,539,766
	₱3,421,578	₱3,695,914

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

Interest income from cash and cash equivalents amounted to ₱29.6 million, ₱7.8 million and ₱17.2 million in 2022, 2021 and 2020, respectively (see Note 26).

10. **Investments Held for Trading**

This account consists of investments in:

	2022	2021
Unit Investment Trust Funds (UITFs)	**₱647,383**	₱1,302,457
Marketable equity securities	**6,933**	8,271
	₱654,316	₱1,310,728

Investments held for trading have yields ranging from 1.25% to 1.84% in 2022, 0.04% to 1.25% in 2021 and 0.55% to 4.76% in 2020. Net gains from investments held for trading amounted to ₱11.7 million, ₱16.0 million and ₱27.9 million in 2022, 2021 and 2020, respectively (see Note 26).

Interest income from investments held for trading amounted to nil in 2022 and 2021 and ₱6.9 million in 2020, respectively (see Note 26).

11. **Trade and Other Receivables**

This account consists of:

	2022	2021
Receivables from customers	**₱4,384,912**	₱4,319,605
Advances to suppliers and contractors	**1,759,992**	1,195,954
Accrued interest receivables	**338,546**	139,137
Rent receivable	**95,761**	92,521
Advances to officers and employees	**56,148**	53,958
Due from related parties (see Note 33)	**28,918**	13,729
Loan receivables	**4,417**	4,634
Others	**340,181**	314,380
	7,008,875	6,133,918
Less allowance for ECLs	**1,377,419**	1,198,614
	₱5,631,456	₱4,935,304

Receivables from customers include receivables from sale of roofing and other steel products to customers which are normally on a 30-60 day term. Receivables from customers also include tuition and other school fees receivables which are normally collected within the current school semester. Other trade receivables are noninterest-bearing and are normally collected within the next financial year.

Advances to suppliers and contractors are noninterest-bearing and normally received within the next financial year. This account mainly consists of safeguard duties paid to Bureau of Customs in relation to the PCC's importation of cement. In October 2019, PCC filed a petition with the Court of Tax Appeals (CTA) to reverse and nullify the imposition by the Department of Trade and Industry (DTI) of safeguard duties on its importation of cement during the year. As at December 31, 2022 and 2021, safeguard duties paid amounted to ₱1,242.6 million and ₱944.1 million, respectively.

The terms and conditions of the amounts due from related parties are discussed in Note 33.

Rent receivables are noninterest-bearing and are collectible within the next financial year.

Advances to officers and employees pertain to advances made to officers and employees for business transactions they enter on behalf of the Company. These are normally liquidated within a year.

Accrued interest receivables are normally collected within the next financial year.

Loan receivables pertain to sums of money lent to third parties to be paid either in lump sum or in installment over the specified period of time. The loan receivables are due and demandable.

Other receivables include receivables from Social Security System (SSS) and Philippine Health Insurance Corporation (Philhealth), which are noninterest-bearing and are normally collected within the next financial year.

Movements in the allowance for ECLs are as follows:

		2022	
	Customer	**Others**	**Total**
Balance at January 1, 2022	**₱1,051,679**	**₱146,935**	**₱1,198,614**
Provisions (see Note 28)	**178,805**	**–**	**178,805**
Balance at December 31, 2022	**₱1,230,484**	**₱146,935**	**₱1,377,419**

		2021	
	Customer	Others	Total
Balance at January 1, 2021	₱866,180	₱146,935	₱1,013,115
Provisions (see Note 28)	185,897	–	185,897
Reversals	(398)	–	(398)
Balance at December 31, 2021	₱1,051,679	₱146,935	₱1,198,614

12. **Inventories**

This account consists of:

	2022	2021
At cost:		
Finished goods	**₱1,942,001**	₱1,554,506
Raw materials	**186,259**	252,501
Other inventories	**149,607**	89,784
At net realizable value:		
Spare parts and others	**90,345**	69,980
Other inventories	**7,796**	7,283
	₱2,376,008	₱1,974,054

Under the terms of the agreements covering liabilities under trust receipts, certain inventories amounting to ₱128.2 million and ₱1,711.4 million as at December 31, 2022 and 2021, respectively, have been released to UGC and PCC in trust for the banks. UGC and PCC are accountable to the banks for the inventories under trust or its sales proceeds.

Finished goods mainly represent roofing and other steel products of UGC.

The cost of spare parts and other inventories carried at net realizable value amounted to ₱112.3 million and ₱85.8 million as at December 31, 2022 and 2021, respectively. The Company has allowance for inventory write-down amounting to ₱14.1 million and ₱10.1 million as at December 31, 2022 and 2021, respectively.

Cost of inventories sold, presented as “Inventories used” under “Cost of sales”, amounted to ₱10,466.1 million, ₱8,868.4 million and ₱7,187.4 million in 2022, 2021 and 2020, respectively (see Note 27).

13. Investment in Associates and Joint Ventures

The Company’s associates and joint ventures consist of the following:

	Percentage of Ownership			
	2022		2021	
	Direct	**Effective**	Direct	Effective
Investment in associates:				
PHINMA Property Holdings Corporation (PPHC) [a]	**35.42**	**42.71**	35.42	42.71
ABCIC Property Holdings, Inc. (APHI) [b]	**26.51**	**28.15**	26.51	28.15
Coral Way City Hotel Corporation (Coral Way) [c]	**23.75**	**29.27**	23.75	29.27
PHINMA Hospitality, Inc (PHI) [d]	–	**20.88**	–	20.88
Interests in joint ventures:				
PHINMA Saytanar Education Company Limited (PHINMA Saytanar) [e]	–	**35.92**	–	35.92
PT Ind-Phil Management (IPM) [e]	–	**46.17**	–	44.34

(a) *Indirect ownership through API.*
(b) *Indirect ownership through UGC.*
(c) *Indirect ownership through PHI.*
(d) *Formerly Microtel Development Corporation (MDC). Indirect ownership through API.*
(e) *Indirect ownership through PEHI.*

Investment in Associates

The Company’s associates are all incorporated in the Philippines. The reporting period of the associates ends at December 31 as the end of reporting period. The detailed carrying values of investments in associates (accounted for under the equity method) are as follows:

	2022	2021
PPHC	**₱694,647**	₱632,669
APHI	**173,191**	174,586
PHI	**132,476**	133,827
Coral Way	**62,913**	66,326
	₱1,063,227	₱1,007,408

The movements and details of the investments in associates are as follows:

	2022	2021
Acquisition costs, balance at beginning and end of year	**₱1,863,322**	₱1,863,322
Accumulated equity in net losses:		
Balance at beginning of year	**(883,407)**	(912,021)
Equity in net earnings	**57,548**	28,614
Balance at end of year	**(825,859)**	(883,407)
Share in other comprehensive income (loss) of associates:		
Balance at beginning of year	**27,493**	13,818
Share in other comprehensive income (loss)	**(1,729)**	13,675
Balance at end of year	**25,764**	27,493
	₱1,063,227	₱1,007,408

The Company has no material associate as at December 31, 2022 and 2021.

The aggregate comprehensive income of associates that are not individually material follows:

	2022	2021	2020
Share in net income (loss)	**₱57,548**	₱28,614	(₱3,733)
Share in other comprehensive income	**(1,729)**	13,675	18,828
Share in total comprehensive income	**₱55,819**	₱42,289	₱15,095

Following are the status of operations and significant transactions of certain associates:

a. PPHC

PPHC was incorporated in the Philippines and is engaged in real estate development, particularly in the development of affordable medium and high-rise condominium units. The registered office address of the PPHC is PHINMA Properties Center, No. 29 EDSA, Mandaluyong City.

Pursuant to the deeds of assignment dated December 28, 2018, the Company and APHI transferred real properties in exchange for PPHC shares. PPHC will issue 65,622 shares to the Company at par value of ₱5,000.00 per share in exchange for the real property with appraised value of ₱328.1 million, costing ₱20.0 million. In 2018, the Company and APHI applied for a tax-free exchange pursuant to Section 40(C) of the Tax Code, as amended. In addition, the Company recorded a gain on sale of ₱164.2 million from the tax-free exchange.

As at December 31, 2022, the Transfer of Certificate of Title over the property has yet to be transferred in the name of PPHC. PPHC is yet to issue the shares to the Company and APHI, pending approval of the request for increase in capital stock of PPHC by SEC as at March 3, 2023.

b. APHI

APHI is primarily engaged in selling real and personal properties.

c. Coral Way

Coral Way owns and operates Microtel Mall of Asia (the Hotel) which started commercial operations on September 1, 2010.

d. PHI

In 2015, API, a subsidiary of PHN, subscribed to 12.5 million shares of PHI representing 36.23% of PHI's outstanding shares for ₱125 million. Subscription payable amounting to ₱52.0 million is included in "Due to related parties" in the consolidated statements of financial position as at December 31, 2022 and 2021.

Interests in Joint Ventures
PHINMA Saytanar and IPM were incorporated in Myanmar and Indonesia, respectively. The reporting period of the joint ventures end at December 31. The detailed carrying values of interests in joint ventures (accounted for under the equity method) are as follows:

	2022	2021
IPM	**₱349,410**	₱239,678
PHINMA Saytanar	–	–
	₱349,410	₱239,678

The movements and details of the investments in joint venture are as follows:

	2022	2021
Acquisition costs:		
Balance at beginning of year	**₱235,503**	₱235,503
Additions	**109,266**	–
Balance at end of year	**344,769**	235,503
Accumulated equity in net earnings (losses):		
Balance at beginning of year	**4,175**	(151)
Equity in net earnings	**466**	4,326
Balance at end of year	**4,641**	4,175
	₱349,410	₱239,678

The Company has no material joint venture as at December 31, 2022 and 2021.

The aggregate comprehensive income of joint ventures that are not individually material follows:

	2022	2021	2020
Share in net income	**₱466**	₱4,326	₱5,701
Share in other comprehensive income	–	–	–
Share in total comprehensive income	**₱466**	₱4,326	₱5,701

Following are the status of operations and significant transactions of the interests in joint ventures:

(a) PHINMA Saytanar

In February 2018, PEHI entered into a Joint Venture Agreement (JVA) with T K A H Company Ltd. (TKAH) to establish PHINMA Saytanar in Yangon, Myanmar to provide training in vocational courses in caregiving, particularly in the care of children, the elderly, persons with disabilities, and other cases requiring specialized care. Through the joint venture, the parties aim to provide various technical vocational education and training (TVET) programs and upon the issuance and clarification of rules and regulations in Myanmar, open a higher educational institution or college that will offer various undergraduate courses including courses in Business, Information Technology, Hospitality, Nursing, Healthcare and other disciplines.

PHINMA Saytanar have an initial capital stock of US$50,000, consisting of 100 shares at US$500 per share. Fifty percent shall be owned by PEHI, while the remaining fifty percent shall be owned by TKAH.

In May 2020, PHINMA Saytanar has ceased its operations pending formal filing with regulators.

(b) IPM

On February 11, 2019, PEHI signed a Joint Venture Agreement with Tripersada Global Manajemen to form IPM for a 66.00% ownership of PEHI and 34.00% owned by Tripersada. In February 2019, PEHI invested US$2.6 million (equivalent to ₱133.2 million) into the joint venture. IPM has commenced its operations in June 2019.

In September 19, 2022, PEHI infused additional capital to IPM amounting to ₱109.2 million. This resulted to change in ownership interest from 66% to 68.72%.

14. Financial Assets at FVPL

This account consists of:

	2022	2021
Investment in preferred shares	**₱2,209,088**	₱2,105,243

On September 18, 2019, the Parent Company executed a Term Sheet with Song Lam Cement Joint Stock Company (Song Lam), Vissai Ninh Binh Joint Stock Company (Vissai) and Hoang Manh Truong (Sponsor) for the investment of US$50.0 million via preferred shares in Song Lam. Song Lam manufactures, markets, distributes and exports clinker, cement and cement products and is a supplier of PCC, a 60%-owned subsidiary of PHN. Vissai is the parent company of Song Lam which owns and manages five cement plants in Vietnam.

In January 2020, the Parent Company, Song Lam, Vissai and Hoang Minh Truong entered into share subscription agreement related to the Parent Company’s subscription of the new preferred shares of Song Lam. An advance payment of 10% equivalent to US$5.0 million was made on November 26, 2019 and the 90% balance or US$45.0 million was paid on May 18, 2021. The total US$50.0 million investment has an equivalent peso amount of ₱2.39 billion on May 18, 2021.

The preferred shares are entitled to receive an annual fixed cumulative dividends of 7.5%, independent of Song Lam's business outcome and regardless of operating business results of Song Lam and the existence of retained earnings. The preferred shares shall be convertible to common shares after two (2) years from issuance thereof. The Parent Company may convert the preferred shares between the last day of the second (2nd) year after issuance thereof until the end of the seventh (7th) year following said issuance.

The Parent Company has the option to sell the preferred shares or converted shares to Vissai, the Sponsor or Song Lam at a price equivalent to seventy-five million US Dollars (US$75,000,000.00), less the amount of preferred dividends received by the Parent Company. The put option may be exercised by the Parent Company after five (5) years from closing and until the end of the seventh (7th) year from said closing.

The Parent Company performs valuation of embedded derivatives and financial assets at FVPL at every reporting date using Cox-Ross-Rubenstein Binomial Lattice Model (Binomial Model). This requires an estimation of the expected future cash flows from the investee and applying a discount rate to calculate the present value of these cash flows. The discount rate uses the weighted average cost of capital (WACC) which incorporates the median debt-to-equity ratios and median beta of comparable companies as well as applying an alpha based on small-risk premium. The cash flow projections cover a five-year period.

The significant assumptions used in the fair value computation as at 2022 and 2021 are as follows:
a. The pre-tax discount rate applied to cash flow projection is 16.20% and 17.20%, respectively.
b. The explicit forecast period used in discounting cash flows in 2022 and 2021 is 5 years.
c. The terminal value in the discounted cash flow uses 6.20% and 5.5% long-term growth rate based on expected Vietnam Gross Domestic Product (GDP) growth rate in 2022 and 2021, respectively.
d. The binomial model uses 44.23% and 28.94% average volatility of comparable companies' quarterly historical prices and used interquartile range to consider outliers in 2022 and 2021, respectively.
e. The option-adjusted spread computed at inception from the binomial model is 9.93% in 2022 and 2021.
f. The risk-free rate used in the binomial model is 3.82% and 1.27% in 2022 and 2021, respectively.

The unrealized gain on change in fair value of financial assets at FVPL amounted to ₱103.8 million and ₱172.4 million in 2022 and 2021, respectively.

The derivative asset arising from the put option amounted to ₱648.1 million from ₱510.5 million as at December 31, 2022 and December 31, 2021, respectively. The unrealized gain on change in fair value of the derivative asset amounted to ₱137.6 million and ₱53.1 million in 2022 and 2021, respectively.

15. Financial Assets at FVOCI

This account consists of:

	2022	2021
Investment in club shares	**₱41,000**	₱32,350
Non-listed equity securities	**81,959**	76,310
	₱122,959	₱108,660

Investment in equity investments pertain to shares of stock and club shares which are not held for trading. The Company has irrevocably designated the equity instruments at FVOCI, as the Company considers these investments to be strategic in nature.

No dividends were received in 2022 and 2021 from financial assets at FVOCI.

The movements in net unrealized gain on financial assets at FVOCI, net of tax in 2022 and 2021 are as follows:

	2022	2021
Balance at beginning of year	**₱38,167**	₱38,922
Gain (loss) due to changes in fair value of investment in equity instruments	**13,153**	(755)
Sale of equity instruments	**(400)**	–
Balance at end of year	**₱50,920**	₱38,167

16. **Property, Plant and Equipment**

This account consists of:

	January 1, 2022	**Acquisition through business combination** (see Note 6)	**Additions**	**Disposals**	**Reclassifications**	**December 31, 2022**
Cost						
Land	**₱3,141,322**	**₱–**	**₱130,072**	**₱–**	**₱–**	**₱3,271,394**
Plant site improvements	**3,473,015**	**–**	**–**	**(10,884)**	**10,741**	**3,472,872**
Buildings and improvements	**4,147,397**	**–**	**408,070**	**(5,930)**	**–**	**4,549,537**
Machinery and equipment	**2,271,102**	**–**	**224,610**	**–**	**–**	**2,495,712**
Transportation and other equipment	**560,501**	**–**	**46,622**	**(4,739)**	**–**	**602,384**
	13,593,337	**–**	**809,374**	**(21,553)**	**10,741**	**14,391,899**
Less Accumulated Depreciation						
Plant site improvements	**246,493**	**–**	**140,222**	**(10,884)**	**–**	**375,831**
Buildings and improvements	**1,460,651**	**–**	**138,051**	**(5,930)**	**–**	**1,592,772**
Machinery and equipment	**1,633,050**	**–**	**209,114**	**–**	**–**	**1,842,164**
Transportation and other equipment	**366,988**	**–**	**41,082**	**(3,174)**	**–**	**404,896**
	3,707,182	**–**	**528,469**	**(19,988)**	**–**	**4,215,663**
	9,886,155	**–**	**280,905**	**(1,565)**	**10,741**	**10,176,236**
Construction in progress	**779,711**	**–**	**637,181**	**–**	**(10,741)**	**1,406,151**
Net Book Value	**₱10,665,866**	**₱–**	**₱918,086**	**(₱1,565)**	**₱–**	**₱11,582,387**

	January 1, 2021	Acquisition through business combination (see Note 6)	Additions	Disposals	Reclassifications	December 31, 2021
Cost						
Land	₱2,967,593	₱142,032	₱31,697	₱–	₱–	₱3,141,322
Plant site improvements	2,206,926	–	–	–	1,266,089	3,473,015
Buildings and improvements	3,703,129	58,400	269,908	–	115,960	4,147,397
Machinery and equipment	2,150,869	3,325	115,075	–	1,833	2,271,102
Transportation and other equipment	525,105	402	60,769	(15,191)	(10,584)	560,501
	11,553,622	204,159	477,449	(15,191)	1,373,298	13,593,337
Less Accumulated Depreciation						
Plant site improvements	122,365	–	124,128	–	–	246,493
Buildings and improvements	1,310,860	972	148,819	–	–	1,460,651
Machinery and equipment	1,444,702	–	188,348	–	–	1,633,050
Transportation and other equipment	348,238	–	30,632	(11,882)	–	366,988
	3,226,165	972	491,927	(11,882)	–	3,707,182
	8,327,457	203,187	(14,478)	(3,309)	1,373,298	9,886,155
Construction in progress	1,063,297	–	1,119,893	–	(1,403,479)	779,711
Net Book Value	₱9,390,754	₱203,187	₱1,105,415	(₱3,309)	(₱30,181)	₱10,665,866

Outstanding construction in progress pertains to construction costs for various buildings and hospital renovations which are expected to be completed in 2023.

Interest capitalized as part of “Construction in progress” account amounted to ₱42.6 million and ₱24.1 million at a capitalization rate ranging from 3.0% to 7.1% and 5.2% to 7.0% in 2022 and 2021, respectively.

Unpaid portion of the acquired property and equipment included under “Accounts payable and other current liabilities” in the consolidated statements of financial position amounted to ₱14.5 million as at December 31, 2022.

Certain property and equipment of AU, COC, UI, UPANG, PCC and UGC with aggregate amount of ₱4,922.4 and ₱5,141.9 million as at December 31, 2022 and 2021, respectively, are used as collateral for their respective long-term debts obtained from local banks (see Note 23).

In 2022, the Company sold various property and equipment with aggregate carrying value of ₱1.6 million for ₱2.1 million, resulting to a gain of ₱0.5 million.

In 2021, the Company sold various property and equipment with aggregate carrying value of ₱3.2 million for ₱3.4 million, resulting to a gain of ₱0.2 million.

The COVID-19 pandemic did not materially affect the recoverability of property, plant and equipment.

17. Investment Properties

This account consists of:

	January 1, 2022	**Additions**	**Disposals**	**December 31, 2022**
Cost:				
Land	**₱610,724**	**₱3,780**	**₱–**	**₱614,504**
Buildings for lease	**95,625**	**–**	**(10,000)**	**85,625**
	706,349	**3,780**	**(10,000)**	**700,129**
Less accumulated depreciation -				
Buildings for lease	**78,911**	**760**	**(6,833)**	**72,838**
	₱627,438	**₱3,020**	**(₱3,**167)	**₱627,291**

	January 1, 2021	Additions	Disposals	December 31, 2021
Cost:				
Land	₱610,724	₱–	₱–	₱610,724
Buildings for lease	95,625	–	–	95,625
	706,349	–	–	706,349
Less accumulated depreciation -				
Buildings for lease	77,680	1,231	–	78,911
	₱628,669	(₱1,231)	₱–	₱627,438

The profits from the investment properties for the years ended December 31 are as follows:

	2022	2021	2020
Rental income	**₱69,648**	₱69,673	₱74,025
Depreciation and amortization (included under “General and administrative expenses” account) (see Notes 28 and 31)	**(760)**	(1,231)	(1,265)
	₱68,888	₱68,442	₱72,760

The fair values of the investment properties amounted to ₱2,919.4 million and ₱2,861.8 million as at December 31, 2022 and 2021, respectively, based on valuations performed by accredited independent appraisers on various dates from 2018 to 2022. The description of the valuation techniques used and key inputs to fair valuation are as follows:

	Valuation Technique	Significant Unobservable Inputs	Range
Land	Market comparable assets	Price per square metre	₱250–₱100,000
Buildings for lease	Market comparable assets	Price per square metre	₱165,000–₱255,000

The fair value disclosure is categorized under Level 3, except for the investment property of COC which is categorized under Level 2.

While fair value of some investment properties was not determined as at December 31, 2022, the Company's management believes that cost of these investment properties approximate their fair values as at December 31, 2022.

PSHC's land amounting to ₱220.0 as at December 31, 2022 and 2021 is used as a security for its long-term debt (see Note 23). Other than this, the Company has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties.

The Company sold certain investment properties and recognized a net gain of ₱34.2 million in 2022, and nil in 2021 and 2020.

The COVID-19 pandemic did not materially affect the recoverability of investment properties.

18. Intangible Assets

Following are the details and movements in this account:

	Student List	**Software Costs**	**Goodwill**	**Total**
Cost				
At January 1, 2021	₱165,638	₱37,200	₱2,221,068	₱2,423,906
Additions	–	7,048	–	7,048
Reclassification	–	30,278	–	30,278
At December 31, 2021 (As restated - Note 6)	165,638	74,526	2,221,068	2,461,232
Additions	–	11,124	–	11,124
At December 31, 2022	**₱165,638**	**₱85,650**	**₱2,221,068**	**₱2,472,356**
Amortization and Impairment				
At January 1, 2021	₱165,638	₱29,463	₱403,132	₱598,233
Amortization (see Note 31)	–	10,420	–	10,420
At December 31, 2021	165,638	39,883	403,132	608,653
Amortization (see Note 31)	–	9,978	–	9,978
At December 31, 2022	**₱165,638**	**₱49,861**	**₱403,132**	**₱618,631**
Net Book Value				
At December 31, 2022	**₱–**	**₱35,789**	**₱1,817,936**	**₱1,853,725**
At December 31, 2021 (As restated - Note 6)	–	34,643	1,817,936	1,852,579

The Company performs its annual impairment test close to year-end, after finalizing the annual financial budgets and forecasts. The impairment test of goodwill is based on VIU calculations that uses the discounted cash flow model. Cash flow projections are based on the most recent financial budgets and forecast. Discount rates applied are based on market weighted average cost of capital with estimated premium over cost of equity. The carrying amount of goodwill allocated to each of the CGUs and key assumptions used to determine the recoverable amount for the different CGUs are discussed in Note 5.

Based on the impairment test performed for each of the CGUs, there was no impairment loss in 2022 and 2021. The Company did not recognize impairment loss in 2020.

19. Other Noncurrent Assets

This account consists of:

	2022	2021
Advances to suppliers and contractors	**₱336,203**	₱278,001
Indemnification assets (see Note 6)	**38,114**	38,114
Refundable deposits (see Note 36)	**10,193**	10,161
Creditable withholding taxes	**7,812**	7,812
Others	**6,857**	7,135
	₱399,179	₱341,223

20. Notes Payable

This account consists of notes payable of the following subsidiaries:

	2022	2021
PCC	**₱1,775,000**	₱450,000
UGC	**1,004,103**	460,174
SWU	**–**	20,000
	₱2,779,103	₱930,174

The notes payable are unsecured short-term peso-denominated loans obtained from financial institutions with an annual interest rate ranging between 2.60% to 4.05% and 2.60% to 4.75% in 2022 and 2021, respectively.

Interest expense incurred from notes payable amounted to ₱92.3 million, ₱122.5 million and ₱163.5 million in 2022, 2021 and 2020, respectively (See Note 32).

21. Trade and Other Payables

This account consists of:

	2022	2021
Trade	**₱1,107,394**	₱1,155,666
Accruals for:		
Professional fees and others (see Note 33)	**591,946**	516,924
Personnel costs (see Notes 30 and 33)	**113,109**	152,670
Interest (see Notes 23 and 32)	**73,551**	65,403
Freight, hauling and handling	**45,797**	42,186
Dividends	**185,687**	228,251
Deposit liabilities	**4,874**	7,613
Others	**27,992**	154,422
As at December 31 (as restated)	**₱2,150,350**	₱2,323,135

Trade payables are noninterest-bearing and are normally settled on 30 to 90-day terms.

Accrued expenses and dividends are normally settled within the next financial year.

Dividends payable pertains to dividends not yet claimed by various stockholders. These are expected to be claimed by various stockholders within the next financial year.

Deposit liabilities mainly comprises laboratory deposits, student development fund and alumni fees which are refundable to students. These represent collections from (i) graduating students for their alumni membership fees and alumni identification cards; (ii) Commission on Higher Education (CHED) for their scholars; and (iii) students for their student organizations and club fees. Organizational and club fees are used to defray costs of their activities, printing and other related expenses.

Other liabilities pertain to other unpaid general and administrative expenses which are normally settled throughout the financial year.

22. Contract Liabilities

This account consists of:

	2022	2021
Unearned revenues	**₱1,327,343**	₱1,200,172
Customers' deposits	**89,294**	126,970
	₱1,416,637	₱1,327,142

Unearned revenues pertain to portion of tuition fees received or due from students to which the Company still has an obligation to transfer services to the students within the next financial year. The amount of unearned revenues for a term shall be divided equally by the number of months covered by the term (five months each for the 1st and 2nd semesters and two months for summer). The resulting amount shall be recorded as the amount of tuition and school fees for the month, net of amortization of deferred scholarship and discounts. Total deferred scholarships and discounts amounted to ₱225,368 million and ₱43.8 million as at December 31, 2022 and 2021 presented under the "Input value-added taxes and other current assets" accounts in the statements of financial position.

Customers' deposits pertains to cash advance received to which the Company has an obligation to deliver roofing and other steel products and installation services within the next financial year.

23. **Long-term Debt**

This account consists of the Parent Company's fixed rate bonds and the Company's long-term loans.

PHN Fixed Rate Bonds due 2024

	2022	2021
Principal	**₱3,000,000**	₱3,000,000
Less debt issuance cost	**27,223**	42,984
	₱2,972,777	₱2,957,016

On May 6, 2021, the Parent Company filed with the SEC a Registration Statement for the proposed offering of three-year fixed rate bonds due 2024 with an aggregate principal amount of up to wo Billion Pesos (₱2,000,000,000.00), with an oversubscription option of up to One Billion Pesos (₱1,000,000,000.00) at an offer price of 100% of face value. This bond offering was authorized by resolutions of the BOD of the Parent Company on March 2, 2021 and the Executive Committee of the Parent Company on April 30, 2021. The Certificate of Permit to offer securities for sale was issued by SEC on August 10, 2021. The interest rate was set at 3.5335% and the offer period commenced at 9:00 a.m. on August 10, 2021 and ended at 5:00 p.m. on August 16, 2021. The Parent Company appointed China Bank Capital Corporation and SB Capital Investment Corporation as Joint Issue Managers and Joint Lead Underwriters; Rizal Commercial Banking Corporation –Trust and Investments Group as the Trustee; and Philippine Depository & Trust Corp. as the Registrar and Paying Agent.

The bonds were listed in the Philippine Dealing & Exchange Corp. on August 20, 2021.

The balance of unamortized debt issuance cost follows:

	2022	2021
Beginning of year	**₱42,984**	₱–
Additions	**–**	48,559
Amortization	**(15,761)**	(5,575)
End of year	**₱27,223**	₱42,984

Long- Term Loans

	2022	2021
PEHI	**₱2,025,080**	₱2,093,000
PHN	**1,950,000**	1,970,000
PCC	**1,288,365**	1,621,223
UGC	**962,500**	524,375
SWU	**589,000**	595,000
UI	**386,000**	192,000
UPANG	**226,933**	253,025
AU	**221,497**	232,220

(Forward)

	2022	2021
COC	**₱150,965**	₱162,342
PSHC	**120,982**	124,957
Phinma Solar	**97,222**	20,000
	8,018,544	7,788,142
Less debt issuance cost	**56,575**	62,043
	7,961,969	7,726,099
Less current portion - net of debt issuance cost	**652,399**	544,032
	₱7,309,570	₱7,182,067

The debt agreements presented in the succeeding pages include, among others, certain restrictions and requirements. The loan agreements with Security Bank Corporation (SBC), Rizal Commercial Banking Corporation (RCBC) and China Banking Corporation (CBC) stipulate, among others, positive and negative covenants which must be complied with by PHN, UGC, PCC, PEHI, AU, COC, UPANG, UI and SWU for as long as the loans remain outstanding. Negative covenants include certain restrictions and requirements, such as maintenance of certain current, debt-to-equity and debt service coverage ratios.

As at December 31, 2022 and December 31, 2021, the Company is in compliance with the required financial ratios and other loan covenants, respectively.

Certain assets amounting ₱4,922 million and ₱5,361.9 million as at December 31, 2022 and 2021, respectively, are mortgaged as collaterals for the respective long-term debts as follows (see Notes 16 and 17):

Entity	Collateral
AU	Land and land improvements in the main campus
COC	Land in the main campus
UPANG	Land and land improvements
UI	Land and land improvements
PCC	Assignment of leasehold rights on the land where the cement terminal is constructed, registration of real estate or chattel mortgage on cement terminal building, equipment and other assets, and assignment of port ownership, right to land lease and rights to foreshore lease
UGC	Land, plant site improvements, buildings and installations and machinery and equipment
PSHC	Land

PEHI's loan agreement with CBC is covered by a negative pledge on the shares of stocks held by PEHI with AU, COC, UPANG, UI and SWU.

The balance of unamortized debt issuance cost follows:

	2022	2021
Beginning of year	**₱62,043**	₱43,830
Additions	**12,440**	30,964
Amortization	**(17,908)**	(12,751)
End of year	**₱56,575**	₱62,043

Interest expense (including amortization of debt issuance costs) pertaining to the long-term debt was presented as part of "Interest expense and other financing charges" account in the consolidated statements of income amounting to ₱556.2 million, ₱502.3 million and ₱434.4 million in 2022, 2021 and 2020, respectively (see Note 32).

The details of long-term loans are summarized below:

.Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10]: December 31, 2022	Outstanding Amounts[10]: December 31, 2021
PEHI	₱1,500,000[1]	December 7, 2015	RCBC	28 equal quarterly payments of ₱3.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 7, 2019.	December 7, 2025	First five years is based on the three-day average of five-year Philippine Dealing System Treasury Reference Rate (PDST-R2) plus a 1.35% spread or 5.00%, whichever is higher, and to be repriced at the end of the fifth year for the remaining five years at an interest rate based on the interest rate then current or the applicable five-year benchmark rate plus 1.35% spread or 5.00%, whichever is higher.	December 7, 2015	₱500,000	**₱433,375**	₱446,372
PEHI		December 7, 2015	RCBC	28 equal quarterly payments of ₱6.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 7, 2019.	December 7, 2025	First seven years is based on the three-day average of seven-year PDST-R2 plus a 1.40% spread or 5.00%, whichever is higher, and to be repriced at the end of the seventh year for the remaining three years at an interest rate based on the interest rate then current or the applicable three-year benchmark rate plus 1.40% spread or 5.00%, whichever is higher.	December 7, 2015	900,000	**769,255**	791,251
PEHI	1,000,000[1]	December 1, 2015	CBC	28 equal quarterly payments of ₱3.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 8, 2019.	December 8, 2025	First five years is based on the three-day average of five-year PDST-R2 plus a 1.35% spread or 5.00%, whichever is higher, and to be repriced at the end of the fifth year for the remaining five years at an interest rate based on the interest rate then current or the applicable five-year benchmark rate plus 1.35% spread or 5.00%, whichever is higher.	December 8, 2015	500,000	**441,901**	456,048
PEHI	₱364,000[21]	December 27, 2021	RCBC	16 equal quarterly payments of ₱2.73 million with the remaining balance to be paid on maturity date. First principal payment will commence on March 27, 2022.	December 7, 2025	Nominal interest rate of 4.85%	December 27, 2021	364,000	**351,016**	361,277
(Forward)										
COC	100,000[2]	March 27, 2013	CBC	40 equal quarterly payments of ₱1.3 million. First principal	March 27, 2023	Nominal interest rate of 5.81% from March 27, 2013 to March 27, 2018, 6.05% from March 27, 2018 to March	March 27, 2013	₱50,000	**₱1,251**	₱6,268

.Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10]: December 31, 2022	Outstanding Amounts[10]: December 31, 2021
				payment commenced on June 27, 2013.		27, 2020 and 6.30% from March 27, 2020 to March 27, 2023 with the EIR of 6.12% over 365 days.				
COC		July 18, 2013	CBC	39 equal quarterly payments of ₱1.3 million. First principal payment commenced on June 27, 2013.	March 27, 2023	Nominal interest rate of 5.81% from July 18, 2013 to June 27, 2018, 6.05% from June 27, 2018 to June 27, 2020 and 7.38% from June 27, 2020 to March 27, 2023 with the EIR of 6.07% over 365 days.	July 18, 2013	50,000	**1,284**	6,434
COC	125,000[3]	June 24, 2018	CBC	28 unequal quarterly payments as follows: 8 quarterly installments of ₱0.3 million from October 9, 2021 to July 9, 2023; 8 quarterly installments of ₱1.6 million from October 9, 2023 to July 9, 2025; 8 quarterly installment of ₱3.1 million from October 9, 2025 to July 9, 2027 and 4 quarterly installments of ₱21.3 million from October 9, 2027 to July 9, 2028. First principal payment will commence on July 9, 2021.	July 9, 2028	Fixed rate of 6.25% p.a. for the first five years; for remaining five years, higher of applicable five-year PDST-R2 plus a spread of up to 100 bps or 6.25% p.a.	July 9, 2018	125,000	**123,003**	124,224
COC	25,000[4]	April 13, 2018	Private funder	One-time payment at maturity date of April 13, 2023.	April 13, 2023	Interest rate at 6.25% per annum payable until fully paid.	April 13, 2018	25,000	**25,000**	25,000
UI	200,000[5]	December 12, 2017	CBC	Principal payments will be the same with the first drawdown. As per agreement both the first and second drawdown will be repaid at the same dates and terms.	December 20, 2027	Fixed for the first seven years. Applicable seven- year PDST-R2 a spread up to 1.25%, and for the remaining three years, the applicable three-year PDST-R2 plus a spread up to 1.25%.	April 24, 2018	100,000	**92,556**	95,467

(Forward)

UI	200,000[5]	October 14, 2022	CBC	Quarterly principal payments as follows: 1.5 million per quarter from the beginning of the 3rd year drawn	December 18, 2032	For the first seven years, from the initial drawn date to the end of the 7th year. Interest shall be based on the sum of the applicable 7-year benchmark and	October 18, 2022	₱200,000	**₱198,582**	₱–

.Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10]: December 31, 2022	Outstanding Amounts[10]: December 31, 2021
						margin. For the next 3 years: from the beginning of the 8th year to final maturity date - sum of the applicable 3-year benchmark and the margin.				
AU	57,000[(6)]	November 29, 2019	CBC	20 equal quarterly payments of ₱3.0 million with the remaining balance to be paid on maturity date. First principal payment commenced on February 29, 2020.	November 29, 2024	Fixed rate for the first five years based on five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT.	November 29, 2019	53,700	**21,351**	31,939
AU	100,000[(6)]	November 29, 2019	CBC	27 equal quarterly payments of ₱1.5 million starting from November 29, 2022 to May 5, 2029 with the remaining balance of ₱60.3 million to be paid on maturity date. First principal payment will commence on February 28, 2023.	November 29, 2029	Fixed rate for the first five years based on the five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT. Interest rate is subject for repricing for the remaining five years based on: i. Initial interest rate; or ii. Then prevailing five-year Benchmark rate plus interest spread, whichever is higher.	November 29, 2019	100,000	**99,315**	99,059
AU	₱100,000[(6)]	November 29, 2019	CBC	28 unequal quarterly payments as follows: 8 quarterly installments of ₱2.5 million from February 28, 2023 to November 29, 2024; 16 quarterly installments of ₱3.8 million from February 28, 20205 to November 29, 2028 and 4 quarterly installment of ₱5.0 million from February 28, 2029 to November 29, 2029. First principal payment will commence on February 28, 2023.	November 29, 2029	Fixed rate for the first five years based on the five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT. Interest rate is subject for repricing for the remaining five years based on: i. Initial interest rate or ii. Then prevailing five-year Benchmark rate plus interest spread, whichever is higher.	November 29, 2019	100,000	**99,357**	99,086

(Forward)

UPANG	190,000[(7)]	March 27, 2018	CBC	32 unequal quarterly payments as follows: ₱1.9 million from June 27, 2020 to March 27, 2022;	March 27, 2028	Interest shall be payable quarterly in arrears from February 27, 2018 to June 27, 2018 (92 days) shall be at 6.50% inclusive of GRT fixed for the first	March 27, 2018	₱190,000	**₱165,554**	₱175,844

.Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10]: December 31, 2022	Outstanding Amounts[10]: December 31, 2021
				₱2.9 million from June 27, 2022 to March 27, 2025; ₱4.8 million from June 27, 2025 to March 27, 2027; and ₱25.7 million from June 27, 2027 to March 27, 2028..		five years. Interest shall be based on five-year PDST-R2 (5.22% + 122 bps + 1% GRT. The interest rate for the remaining five years of the loan shall be the PDST-R2 plus a spread of up to 125 bps or 6.50% whichever is higher.				
UPANG Urdaneta	100,000[7]	September 29, 2015	RCBC	28 quarterly payments, to commence at the end of the 13th quarter from the initial drawdown date.	September 29, 2025	Interest shall be payable quarterly in arrears. i. Fixed rate for the first seven (7) years of the term based on three-day average of seven-year PDST-R2 + 1.42%, subject to repricing at the end of the seventh year; and ii. On the last three years of the term, the interest rate shall be based on the interest rate then current or the three-day average of three-year PDST-R2 + 1.42%, whichever is higher.	September 29, 2015	100,000	**60,488**	76,045
SWU	₱400,000[8]	December 6, 2017	RCBC	28 quarterly payments of ₱1.0 million. First principal payment will commence on March 7, 2021.	December 7, 2027	Interest is payable quarterly in arrears, commencing at the end of the first quarter from the initial drawdown date. Interest shall be fixed at 6.66% from years one to five and at 6.94% onwards until maturity.	December 7, 2017; December 20, 2017; March 29, 2018	100,000 200,000 100,000	**97,915** **195,831** **97,915**	98,887 198,193 98,822
SWU	200,000[8]	April 18, 2018	CBC	28 equal quarterly payments of ₱0.5 million with the remaining balance to be paid on maturity date. First principal payment will commence on July 18, 2021.	April 18, 2028	Fixed for the first five years, applicable five-year PDST-R2 plus a spread of up to 125 bps. For the remaining five years, applicable five-year PDST-R2 plus a spread of up to 125 bps.	April 18, 2018	200,000	**196,829**	197,773

(Forward)

.Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10]: December 31, 2022	Outstanding Amounts[10]: December 31, 2021
PHN	2,000,000[9]	May 23, 2017	SBC	Principal repayment shall commence at the end of the 3rd year from initial drawdown date until	May 21, 2027	Interest rate is equivalent to: i) the applicable 10-year PDST-R2 Benchmark Rate plus an interest spread of 125 basis points per annum	May 23, 2017	₱2,000,000	**₱1,942,344**	₱1,960,818

.Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10] December 31, 2022	Outstanding Amounts[10] December 31, 2021
				maturity date; balloon payment amounting to ₱1.9 billion or 94% of principal amount on maturity date.		(1.25% p.a.), and ii) 6.25% p.a., whichever is higher.				
UGC	1,000,000[22]	February 18, 2022	BDO	Principal amortization commence 3 months after drawdown date and every quarter thereafter and shall be paid based on 1.25% every quarter for 4 years and the remaining 80% paid in balloon upon maturity	February 18, 2027	Interest rate is based on 3Y BVAL 3.3618+ spread 1.25%= 4.6118% + 5% GRT = 4.8545%	February 18, 2022	1,000,000	**954,206**	–
UGC	400,000[11]	July 12, 2018	BDO	40 quarterly payments of ₱10.0 million	July 13, 2028	First 5 years is based on the 5 year interest rate basis prevailing on the relevant interest setting date plus a margin of 1.00% per annum ("initial interest rate") divided by 0.99 or 5.50% per annum divided by 0.99, whichever is higher, and to be repriced at the end of 5th year for the remaining 5 years at an interest rate based on 5 year interest rate basis prevailing on the relevant interest setting date plus a margin of 1.00% per annum divided by 0.95 or the initial interest rate divided by 0.95, whichever is higher.	July 13, 2018	400,000	–	272,187
UGC	₱100,000	July 12, 2018	SBC	40 quarterly payments of ₱2.5 million	July 13, 2028	First 5 years based on the 5-year Peso Benchmark Rate plus 1% spread, subject to the following floor rates of 6.40% for drawdowns made on or before June 7, 2018 or 6.45% for drawdowns made after June 7, 2018 and to be repriced at the end of the fifth year at an interest rate equivalent to the higher of the 5- year Peso Benchmark Rate on repricing date plus 1% spread and interest rate for the first 5 years.	July 13, 2018	100,000	–	66,928
(Forward)										
UGC	218,750[12]	July 19, 2016	BDO	28 equal quarterly payments of ₱4.4 million with the remaining balance to be paid on maturity date	July 20, 2023	Interest rate is based on the 7-year Philippine Dealing System Treasury (PDST)-R2 plus a 1.40% spread or 5.5%, whichever is higher. No	March 25, 2013	₱218,750	**₱–**	₱126,486

.Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts(10) December 31, 2022	Outstanding Amounts(10) December 31, 2021
						repricing of interest rate from amendment date to maturity date.				
UGC	75,000(13)	November 3, 2015	BDO	40 equal quarterly payments	November 3, 2025	First 5 years is based on the 5-year PDST-R2 plus a 1.4% spread or 5.5%, whichever is higher, and on year 5 based on a rate to be negotiated by the Parties within 30 banking days prior to the interest repricing date.	November 3, 2015	75,000	–	29,844
UGC	75,000[13]	November 12, 2015	SBC	40 equal quarterly payments	November 5, 2025	First 5 years is based on the 3-day average of the 5-year PDST-R2 plus a 1.35% spread or 5.5%, whichever is higher, and to be repriced at the end of the fifth year for the remaining 5 years at an interest rate based on the 3-day average of the 5-year PDST-R2 plus a 1.35% spread or the interest rate set for the first 5 years, whichever is higher.	November 12, 2015	75,000	**–**	29,844
PCC	₱875,000[14,15]	June 1, 2018	SBC	14 equal quarterly payments [16]	October 25, 2023	Interest rate is based on the 5-year PDST-R2 reference rate for securities with 5-year tenor plus 1.25% spread, subject to floor rate of 5.5% per annum. No repricing of interest rate from availment date to maturity date.	October 25, 2018 January 03, 2019 January 22, 2019 January 25, 2019 April 26, 2019 May 21, 2019 July 5, 2019 September 4, 2019	160,000 160,000 59,000 65,000 18,555 81,439 251,977 51,418	**45,567** **45,602** **16,833** **18,549** **5,281** **23,234** **71,888** **14,667**	90,822 90,966 33,616 37,049 10,517 46,395 143,551 29,285
PCC	720,000[17]	February 26, 2021	SBC	8 quarterly principal payments of ₱10.3 million, 9 quarterly principal payments of ₱20.5 million and remaining balance to be paid at maturity date	June 13, 2025	Interest rate of 6.73% GRT inclusive, fixed rate up to maturity	February 26, 2021	369,363	**286,004**	326,261
(Forward)										
PCC				8 quarterly principal payments of ₱9.7 million, 9 quarterly principal payments of ₱19.5 million and		Interest rate of 6.84% GRT inclusive, fixed rate up to maturity		₱350,637	**₱271,504**	₱309,720

.Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10]: December 31, 2022	Outstanding Amounts[10]: December 31, 2021
				remaining balance to be paid at maturity date						
PCC	500,000[18]	March 19, 2021	SBC	20 unequal quarterly payments as follows: ₱1.0 million from September 30, 2021 to December 29, 2021; ₱2.5 million from March 30, 2022 to December 29, 2022; ₱5.0 million from March 30, 2023 to December 29, 2023; ₱58.4 million from March 29, 2024 to December 27, 2024; ₱49.2 million from March 28, 2025 to December 29, 2025 and ₱36.8 million on March 30, 2026.	March 30, 2026	Interest rate of 5.1% GRT inclusive, fixed rate up to March 29, 2024 and for the remaining two years, the applicable two-year BVAL plus 40 bps, subject to a floor rate of 5.1%	March 19, 2021	500,000	**484,899**	493,961
Phinma Solar	₱20,000[19]	June 25, 2021	DBP	Principal repayment to commence at the end of the fifth (5th) quarter from date of Initial Draw Down. Principal shall be payable in thirty-six equal quarterly installments.	August 13, 2031	4.875% (4.924% GRT inc.) for the 1st 5 years. Next 5 years based on the relevant 5YR BVAL + 1% spread with a floor rate not lower than the rate prior to repricing (4.875%). Interest to be paid on quarterly basis	August 31, 2021	₱20,000	**₱18,164**	₱20,000
Phinma Solar	80,000[23]	April 21, 2022	DBP	Principal repayment to commence at the end of the sixth (6) months from date of Draw Down. Principal shall be payable in thirty-six equal quarterly installments.	August 13, 2031	With regular interest of 6.37710%	April 21, 2022	80,000	**78,378**	–
PSHC	154,000[20]	July 15, 2006	UPPC	Annual installment payments of ₱4 million for 32 years starting December 31, 2021.	December 31, 2052	The effective interest rate after the modification of term is 6.80%	July 15, 2006	154,000	**120,982**	124,957
	Total								**₱7,961,969**	₱7,726,099

(1) *The purpose of this debt is to finance the acquisition of majority ownership in AU, COC, UPANG, UI and SWU by PEHI.*
(2) *The purpose of this debt is to finance various capital expenditures of COC.*
(3) *The purpose of this debt is to finance the expansion and development plans of COC.*
(4) *The purpose of this debt is for general funding requirements of COC.*
(5) *The purpose of this debt is to finance the expansion and development plans including school building upgrades and improvement of existing facilities of UI.*
(6) *The purpose of this debt is to finance various capital expenditures and to refinance existing obligations of AU.*

[7] The purpose of this debt is to finance various capital expenditures and to refinance existing obligations of UPANG and subsidiary.
[8] The purpose of this debt is to finance the building development, expansion and purchase of equipment for SWU's Hospital and building developments of SWU.
[9] The purpose of this loan is to refinance investments in subsidiaries and other general corporate purposes.
[10] Amounts are net of unamortized debt discount and/or debt issue cost.
[11] The purpose of this loan is to refinance the outstanding loan of the UGC with SBC in the principal amount of ₱182.3 million and to finance general working capital requirements, and acquisition of equipment and plant structural components of UGC.
[12] The purpose of this amended loan is to extend maturity date of old loan to July 20, 2023.
[13] The purpose of this loan is to finance plant expansions in Calamba, Davao and Pampanga.
[14] The purpose of this loan is to partially finance construction of an integrated cement processing terminal in Mariveles, Bataan, permanent working capital requirements and importation of equipment.
[15] Availment of loan is staggered based on pre-agreed drawdown schedule during the availability period.
[16] The quarterly installment will commence at the end of the sixth quarter following the initial drawdown date of October 25, 2018.
[17] The purpose of this loan is to partially finance the acquisition of Phase 2 port terminal. This is a continuation of the remaining tenor with the original SNPSI loan.
[18] The purpose of this loan is to refinance short-term project costs and finance the mixer facility.
[19] The purpose of this loan is to finance the general corporate requirements of the rooftop solar projects.
[20] The purpose of this loan is to finance the acquisition of land from UPPC.
[21] The purpose of this loan is to refinance the loan used to partially finance the investment through acquisition by PEHI of majority stock ownership in AU, COC, UPANG, UI and SWU.
[22] The purpose of this loan is to refinance the outstanding loan of UGC with BDO and convert the short term loans to long-term loans.
[23] The purpose of this loan is to finance the general corporate requirements of the rooftop solar projects.

24. **Equity**

a. Capital Stock

The composition of the Parent Company's capital stock as at December 31, 2022 and 2021 is as follows:

	Number of Shares	
	2022	2021
Preferred - cumulative, nonparticipating, ₱10 par value		
Class AA - Authorized	**50,000,000**	50,000,000
Class BB - Authorized	**50,000,000**	50,000,000
Issued and subscribed	**–**	–
Common - ₱10 par value		
Authorized	**420,000,000**	420,000,000
Issued	**286,303,550**	286,303,550
Subscribed	**39,994**	39,994
Issued and subscribed	**286,343,544**	286,343,544
Treasury shares	**18,279**	14,427,179

The issued and outstanding shares as at December 31, 2022 and 2021 are held by 1,218 and 1,223 equity holders respectively.

Capital stock presented in the consolidated statements of financial position is net of subscription receivable amounting to ₱0.1 million as at December 31, 2022 and 2021.

The following summarizes information on the Parent Company's track record of registration of securities under the Securities Regulation Code:

Date of SEC Approval	Authorized Shares	Issue/Offer Price
March 12, 1957	1,200,000	₱10
June 12, 1968	1,000,000	10
April 7, 1969	800,000	10
January 21, 1980	2,000,000	10
November 3, 1988	10,000,000	10
October 13, 1992	25,000,000	10
June 3, 1995	60,000,000	10
March 16, 1999	320,000,000	10

b. Retained Earnings

Appropriated

On February 28, 2020, the BOD reversed the appropriation of retained earnings made in 2018 in the amount of ₱1.3 billion for the investment in the Education and Construction Materials business, and buyback of shares. In addition, an appropriation was made for the investment in the Construction Materials business until December 31, 2020 amounting to ₱2.25 billion. Another ₱165.5 million of the retained earnings was appropriated for the buyback of PHN shares until February 28, 2022.

On March 2, 2021, the BOD reversed the appropriation of retained earnings made in 2020 in the amount of ₱2.25 billion for the investment in the Construction Materials business.

On November 10, 2021, an appropriation was made for the investment in Construction Materials business until December 31, 2022 amounting to ₱1.1 billion. Another ₱500.0 million of the retained earnings was appropriated for the Education business until December 31, 2022.

Unappropriated

On February 28, 2020, the Parent Company's BOD declared a cash dividend of ₱0.40 per share or an equivalent of ₱109.0 million, to all common shareholders of record as at March 17, 2020. The cash dividends were paid on March 27, 2020.

On March 2, 2021, the Parent Company's BOD declared a cash dividend of ₱0.40 per share or an equivalent of ₱108.9 million, to all common shareholders of record as at April 14, 2021. The cash dividends were paid on May 5, 2021.

On March 1, 2022, the Parent Company's BOD declared a regular cash dividend of ₱0.40 per share or an equivalent of ₱108.8 million and a special cash dividend of ₱0.10 per share or an equivalent of ₱27.2 million, to all common shareholders of record as at March 22, 2022. The cash dividends were paid on April 6, 2022.

The balance of retained earnings includes Parent Company's accumulated equity in net earnings of subsidiaries and associates which are not currently available for dividend declaration until declared by the respective subsidiaries and associates amounting to ₱1,607.9 million and ₱943.7 million as at December 31, 2022 and 2021, respectively.

c. Buyback of Shares

On February 28, 2020, the BOD approved the appropriation of ₱165.5 million for the buyback of shares of the Parent Company until February 28, 2022.

In 2022, 2021 and 2020, the Parent Company bought back shares 23,000 shares, 456,600 shares and 215,800 shares which amounted to ₱0.5 million, ₱7.2 million and ₱1.9 million, respectively.

d. Put Option over Non-controlling Interests

In 2020, Asian Development Bank invested amounting to ₱625.0 million for 1.1 million shares of PEHI. As a result, additional non-controlling interest put liability is recognized amounting to ₱450.0 million.

Accretion of interest of non-controlling interest put liability amounted to ₱325.4 million and ₱277.0 million as at December 31, 2022 and 2021, respectively.

e. Sale of Treasury Shares

In 2022, the Parent Company sold 14,431,900 treasury shares with cost of ₱143.9 million for ₱281.4 million.

25. **Revenue from Contracts with Customers**

Set out below is the disaggregation of the revenue from contracts with customers:

	2022	2021	2020
Revenue source:			
Sale of goods	**₱13,693,488**	₱12,452,783	₱9,837,225
Tuition, school fees and other services	**3,347,985**	3,087,927	1,711,509
Hospital routine services	**182,124**	179,029	151,337
Installation services	**65,017**	75,360	472,914
Consultancy services	**45,419**	25,034	2,125
Total revenue from contracts with customers	**₱17,334,033**	₱15,820,133	₱12,175,110
Timing of recognition:			
Goods transferred at a point in time	**₱13,693,488**	₱12,452,783	₱9,837,225
Services transferred over time	**3,640,545**	3,367,350	2,337,885
Total revenue from contracts with customers	**₱17,334,033**	₱15,820,133	₱12,175,110

"Others - net" in the consolidated statement of income includes miscellaneous income which consists of miscellaneous cash receipts. In 2022, 2021 and 2020, miscellaneous income amounted to ₱42.2 million, ₱23.6 million and ₱51.1 million, respectively.

Contract balances

	2022	2021
Trade receivables	**₱4,384,912**	₱4,319,605
Contract liabilities	**1,416,637**	1,327,142

Trade receivables include receivables from sale of roofing and other steel products and rendering of installation services to customers which are normally on a 30-60 day term. Trade receivables also include tuition and other school fees receivables which are normally collected within the current school semester. Other trade receivables are noninterest-bearing and are normally collected within the next financial year.

Contract liabilities include unearned revenue from tuition, school and other service fees and deposits from customer for future goods and services. Contract liabilities amounting to ₱1,416.6 million as at December 31, 2022 are expected to be recognized as revenue within one year upon completion of the school term and delivery of roofing and other steel products or performance of installation service (see Note 22).

26. **Investment Income**

This account consists of:

	2022	2021	2020
Interest income on:			
Financial assets at fair value through profit or loss	**₱209,081**	₱118,939	₱–
Cash and cash equivalents (see Note 9)	**29,599**	7,823	17,233
Receivables	**9,898**	5,104	–
Due from related parties and others	**385**	320	473
Investments held for trading (see Note 10)	–	–	6,862
	248,963	132,186	24,568
Net gains from investments held for trading (see Note 10)	**11,737**	15,970	27,854
Dividend income	**201**	224	194
	₱260,901	₱148,380	₱52,616

27. **Cost of Sales, Educational, Hospital, Installation and Consultancy Services**

This account consists of:

	2022	2021	2020
Cost of sales	**₱11,681,409**	₱10,147,777	₱7,684,394
Cost of educational services	**1,437,469**	1,202,971	849,006
Cost of hospital services	**121,577**	124,731	118,287
Cost of installation services	**54,753**	63,425	390,190
Cost of consultancy services	–	–	19,887
	₱13,295,208	₱ 11,538,904	₱9,061,764

The details of cost of sales, educational, installation, hospital and consultancy services are as follows:

	2022	2021	2020
Inventories used (see Note 12)	**₱10,372,128**	₱8,868,376	₱7,187,400
Personnel costs (see Note 30)	**1,173,309**	976,817	775,101
Depreciation (see Note 31)	**518,944**	507,853	409,297
Packaging materials	**322,819**	320,810	89,940
Power and fuel	**125,016**	123,851	69,544
Laboratory and school supplies	**80,228**	83,976	74,694
Rent (see Note 38)	**88,707**	81,151	88,046
Repairs and maintenance	**82,896**	69,481	37,183
Installation cost	**58,059**	31,789	24,934
Subscription	**50,650**	87,981	34,866
Review expenses	**33,054**	26,697	5,689
School affiliations and other expenses	**30,551**	5,528	5,910
Graduation expenses	**28,615**	20,135	17,843

(Forward)

	2022	2021	2020
School materials, publication and supplies	**₱12,171**	₱7,197	₱6,820
Accreditation expenses	**2,077**	2,315	1,198
Sports development and school activities	**2,744**	1,379	1,690
Educational tour expenses	**–**	909	16,788
Others	**313,240**	322,659	214,821
	₱13,295,208	₱11,538,904	₱9,061,764

28. **General and Administrative Expenses**

This account consists of:

	2022	2021	2020
Personnel costs (see Notes 30 and 33)	**₱897,014**	₱871,284	₱545,280
Professional fees and outside services (see Note 33)	**370,678**	179,209	274,049
Provision for ECLs (see Note 11)	**178,805**	185,897	168,492
Depreciation and amortization (see Note 31)	**89,891**	80,545	69,977
Utilities	**78,484**	40,048	40,432
Taxes and licenses	**77,418**	55,208	59,592
Security and janitorial	**74,145**	64,071	63,578
Transportation and travel	**31,767**	8,734	13,210
Donations	**29,604**	16,183	9,552
Rent (see Note 38)	**24,821**	22,313	24,405
Insurance	**18,620**	15,321	16,186
Office supplies	**18,239**	10,920	8,100
Meetings and conferences	**14,037**	3,974	3,761
Repairs and maintenance	**10,086**	6,339	5,599
Communications	**6,301**	10,756	9,918
Advertising and promotions	**2,987**	1,579	1,016
Others	**107,929**	107,733	82,706
	₱2,030,826	₱1,680,114	₱1,395,853

29. **Selling Expenses**

This account consists of:

	2022	2021	2020
Personnel costs (see Note 30)	**₱217,339**	₱238,625	₱210,866
Freight, handling and hauling	**94,044**	79,466	74,575
Advertising	**50,055**	65,080	34,557
Transportation and travel	**31,131**	18,507	17,840
Taxes and licenses	**30,198**	31,497	32,246
Outside services	**22,084**	18,963	31,087
Commission	**21,055**	22,478	30,585

(Forward)

	2022	2021	2020
Depreciation (see Note 31)	**₱20,349**	₱15,164	₱17,403
Insurance	**18,404**	26,215	6,312
Repairs and maintenance	**8,402**	6,186	4,874
Supplies	**4,977**	10,640	9,862
Postage, telephone and telegraph	**4,070**	19,095	11,795
Rental and utilities	**2,551**	2,426	2,758
Entertainment, amusement and recreation	**1,673**	2,498	2,730
Others	**8,193**	6,728	11,270
	₱534,525	₱563,568	₱498,760

30. **Personnel Expenses**

This account consists of:

	2022	2021	2020
Salaries, employee benefits and bonuses	**₱2,150,173**	₱1,985,948	₱1,468,122
Pension and other post-employment benefits (see Note 35)	**103,368**	79,732	55,924
Training	**17,415**	9,602	6,150
Others	**16,706**	11,444	1,051
	₱2,287,662	₱2,086,726	₱1,531,247

31. **Depreciation and Amortization**

	2022	2021	2020
Property, plant and equipment and investment properties (see Notes 16 and 17):			
Cost of sales, educational, installation, hospital, and consultancy services (see Note 27)	**₱463,474**	₱437,310	₱352,850
General and administrative expenses (see Note 28)	**52,403**	51,498	55,615
Selling expenses (see Note 29)	**13,352**	5,322	10,093
Intangible assets (see Note 18):			
General and administrative expenses (see Note 28)	**9,053**	8,533	2,890
Selling expenses (see Note 29)	**925**	1,887	813

(Forward)

	2022	2021	2020
Right-of-use assets (see Note 38):			
Cost of sales, educational, hospital installation and consultancy services (see Note 27)	**₱55,470**	₱70,543	₱56,447
General and administrative expenses (see Note 28)	**28,435**	20,514	11,472
Selling expenses (see Note 29)	**6,072**	7,955	6,497
	₱629,184	₱603,562	₱496,677

32. Interest Expense and Other Financing Charges

This account consists of:

	2022	2021	2020
Interest expense on long-term debts (see Note 23)	**₱556,219**	₱502,281	₱434,424
Interest expense on notes payable (see Note 20)	**92,265**	122,542	163,497
Interest expense on lease liabilities (see Note 38)	**19,646**	22,523	23,363
Other financing charges	**20,060**	1,902	5,484
	₱688,190	₱649,248	₱626,768

33. Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions and the parties are subject to common control. Related parties may be individual or corporate entities.

The Company has a policy that requires approval of related party transaction by the Audit and Related Party Transactions Committee of the BOD when these breach certain limits and/or when these are not of a usual nature.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2022, 2021 and 2020, the Company's impairment of receivables from related parties amounted to nil. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The significant related party transactions entered into by the Company with its associates and entities under common control and the amounts included in the consolidated financial statements with respect to such transactions are on the next page.

			2022			
Company	**Nature**	**Amount/ Volume**	**Amount Due to Related Parties**	**Amount Due from Related Parties** (see Note 11)	**Terms**	**Conditions**
Ultimate Parent						
PHINMA Inc.	Share in expenses, management fees and bonus	**₱263,387**	**₱103,111**	**₱2,084**	Noninterest-bearing	Unsecured, no impairment
Associates						
PPHC	Share in expenses	**927**	**–**	**6,271**	Noninterest-bearing	Unsecured, no impairment
APHI	Share in expenses	**–**	**–**	**6**	Noninterest-bearing	Unsecured, no impairment
Other related parties						
PHINMA Hospitality Inc.	Subscription	**–**	**52,000**	**–**	Noninterest-bearing	Unsecured, no impairment
T-O Insurance Brokers, Inc., PHINMA Hospitality Inc., PHINMA Foundation, Inc. Phinma Prism, PHINMA Plaza Condominium Corp	Share in expenses	**9,338**	**425**	**8,075**	Noninterest-bearing	Unsecured, no impairment
PTC Myanmar, IPM	Share in expenses	**10,160**	**59**	**11,682**	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy Fee	**2,437**	**–**	**800**	Noninterest-bearing	Unsecured, no impairment
			₱155,595	**₱28,918**		

			2021			
Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 11)	Terms	Conditions
Ultimate Parent						
PHINMA Inc.	Share in expenses, management fees and bonus	₱280,141	₱130,456	₱686	Noninterest-bearing	Unsecured, no impairment
Associates						
PPHC	Share in expenses	1,575	–	3,139	Noninterest-bearing	Unsecured, no impairment
APHI	Share in expenses	6	–	6	Noninterest-bearing	Unsecured, no impairment
Other related parties						
PHINMA Hospitality Inc.	Subscription	–	52,000	–	Noninterest-bearing	Unsecured, no impairment
T-O Insurance Brokers, Inc., PHINMA Hospitality Inc., MDC, PHINMA Foundation, Inc. Phinma Prism	Share in expenses	19, 259	363	7,575	Noninterest-bearing	Unsecured, no impairment
PTC Myanmmar, IPM	Share in expenses	17	59	1,523	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy Fee	3,152	–	800	Noninterest-bearing	Unsecured, no impairment
			₱182,878	₱13,729		

PHINMA, Inc. The Parent Company has a 5-year management contract with PHINMA, Inc. up to June 30, 2024, renewable thereafter mutual agreement. Under this contract, PHINMA, Inc. has a general management authority with corresponding responsibility over all operations and personnel of the Parent Company including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance and other business activities of the Parent Company. Under the existing management agreement, the Parent Company pays PHINMA, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of the Parent Company's net income.

<u>Management and Directors' Compensation</u>
PHN, UGC, COC, AU, UPANG, SWU, UI and PPHC are under common management of PHINMA, Inc. and pay PHINMA, Inc. a fixed annual management fee plus an annual bonus based on a certain percentage of the respective companies' adjusted net income, as defined in the management contract between PHINMA, Inc. and the respective companies, pursuant to the provisions of the same contract.

Management fees and bonuses, presented as "Professional fees and outside services" under "General and administrative expenses" account, amounted to ₱210.2 million, ₱63.3 million and ₱127.7 million in 2022, 2021 and 2020, respectively (see Note 28). The related unpaid amount, presented as "Accruals for professional fees and others" under "Trade and other payables" account in the consolidated statements of financial position, amounted to ₱93.1 million and ₱38.5 million as at December 31, 2022 and 2021, respectively (see Note 21).

PHN, UGC, UI and AU recognized bonus to directors computed based on net income with pre-agreed adjustments. Directors' bonus, presented in "Personnel costs" under "General and administrative expenses" account, amounted to ₱77.7 million, ₱102.5 million and ₱111.3 million in 2022, 2021 and 2020, respectively (see Note 28). The related unpaid amount, presented in "Accruals for personnel costs" under "Trade and other payables" account in the consolidated statements of financial position, amounted to ₱53.4 million and ₱58.5 million as at December 31, 2022 and 2021, respectively (see Note 21).

Compensation of key management personnel of the Company are as follows:

	2022	2021	2020
Short-term employee benefits	**₱263,476**	₱189,558	₱240,879
Post-employment benefits (see Note 35):			
Retirement benefits	**10,031**	15,945	49,936
Vacation and sick leave	**3,189**	1,900	3,827
	₱276,696	₱207,403	₱294,642

34. **Income Taxes**

The components of the Company's deferred tax assets and liabilities are as follows:

	2022	2021
Deferred tax assets:		
NOLCO	**₱247,724**	₱109,546
Lease liabilities	**67,689**	74,238
Pension liability	**37,936**	35,464
Allowance for ECLs	**32,830**	33,234
Accrued expenses	**23,974**	22,276
Management bonus	**2,576**	7,003
Allowance for inventory write-down	**2,295**	2,754
Others	**6,349**	1,751
	421,373	286,266
Deferred tax liabilities:		
Fair value adjustments on property, plant and equipment of subsidiaries acquired	**(426,423)**	(446,145)
Unrealized gain on change in fair value of financial assets at FVPL and derivative asset	**(119,788)**	(56,381)
Accrued income	**(82,005)**	(29,735)
Right-of-use assets	**(62,282)**	(67,273)
Excess of capital expenditures over depreciation	**(25,019)**	(25,019)
Unamortized debt issuance costs	**(3,846)**	(2,585)
Unrealized foreign exchange gain	**(387)**	(1,190)
Unamortized capitalized borrowing cost	**(392)**	(455)
Others	**(23)**	(104)
	(720,165)	(628,887)
	(₱298,793)	(₱342,621)

The deferred tax assets and liabilities are presented in the consolidated statements of financial position as follows:

	2022	2021
Deferred tax assets - net	**₱127,736**	₱101,013
Deferred tax liabilities - net	**(426,529)**	(443,634)
	(₱298,793)	(342,621)

The Company's deductible temporary differences, unused NOLCO and MCIT for which no deferred tax assets are recognized in the consolidated statements of financial position, are as follows:

	2022	2021
NOLCO	**₱311,423**	₱745,046
Allowance for impairment loss	**203,874**	203,874
Allowance for ECLs	**122,172**	122,172
Accrued personnel costs and employee benefits	**41,905**	81,118

(Forward)

	2022	2021
Unrealized loss on change in fair value of FVOCI	**₱19,426**	₱5,503
Unamortized past service cost	**18,592**	17,825
MCIT	**2,626**	2,770
Pension liability	**2,105**	7,930
	₱722,123	₱1,186,238

Deferred tax assets were not recognized since management believes that it is not probable that sufficient future taxable profit will be available to allow said deferred tax assets to be utilized.

The educational segment as private educational institutions, are taxed based on R.A. No. 9337 which was effective January 1, 1998. Section 27(B) of R.A. No. 9337 defines and provides that: "A Proprietary Educational Institution is any private school maintained and administered by private individuals or groups with an issued permit to operate from the Department of Education (DepEd) , or CHED, or Technical Education and Skills Development Authority (TESDA), as the case may be, in accordance with the existing laws and regulations, shall pay a tax of 1% beginning July 1, 2020 until June 30, 2023 and to a tax of 10% beginning July 1, 2023 on their taxable income ."

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(b) 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.

MCIT totaling ₱3.5 million can be deducted against RCIT due while NOLCO totaling ₱1,063.9 million can be claimed as deduction against taxable income, as follows:

		Amount	
Date Paid/Incurred	Expiry Date	MCIT	NOLCO
December 31, 2020	December 31, 2023	₱1,360	₱–
December 31, 2020	December 31, 2025	–	268,771
December 31, 2021	December 31, 2024	596	–
December 31, 2021	December 31, 2026	–	473,872
December 31, 2022	December 31, 2025	1,584	321,298
		₱3,540	₱1,063,941

MCIT amounting to ₱1.2 million expired in 2022 and 2021, respectively. Expired NOLCO amounted ₱311.5 million and ₱249.9 million in 2022 and 2021. No MCIT and NOLCO were claimed as deduction against regular taxable income in 2022 and 2021.

Reconciliation between the statutory tax rates and the Company's effective tax rates follows:

	2022	2021	2020
Applicable statutory tax rate	**25.0%**	25.0%	30.0%
Income tax effects of:			
Income of school's subject to lower income tax rate of 10%/1%	**(13.1)**	(13.5)	(2.0)

(Forward)

	2022	2021	2020
Change in unrecognized deferred tax assets and others	**9.0**	(6.1)	(10.3)
Equity in net earnings of associates and joint ventures	**(0.9)**	(0.4)	(0.1)
Interest income subjected to lower final tax rate	**(0.7)**	(0.1)	(1.2)
Effective tax rates	**1.3%**	4.9%	16.4%

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
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. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took 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 Company:

- 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.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Proprietary educational institutions and hospitals which are nonprofit previously subject to a tax of 10% on their taxable income, shall be imposed a tax rate of 1% beginning July 1, 2020 until June 30, 2023.

Applying the provisions of the CREATE Act, the Company, except the schools, has been subjected to the lower RCIT rate of 25% of taxable income or the reduced MCIT rate of 1% of gross income, effective July 1, 2020.

The Company recognized in its comprehensive income for the year ended December 31, 2021, a reduction in Provision for income tax (current and deferred), Deferred tax on comprehensive income directly charged to Equity and Deferred tax income tax assets - net amounting to ₱3.9 million, ₱0.3 million and ₱12.1 million, respectively, pertaining to the one-time impact of CREATE for the year ended December 31, 2020.

35. **Pension and Other Post-employment Benefits**

Pension and other post-employment benefits as at December 31 consist of:

	2022	2021
Net pension liability	**₱196,059**	₱194,312
Vacation and sick leave	**79,502**	65,008
Defined contribution plan	**39**	(101)
	₱275,600	₱259,219

Pension and other employee benefits expenses under “Cost of sales”, “General and administrative expenses” and “Selling expenses”, consist of:

	2022	2021	2020
Net pension expense	**₱76,191**	₱66,091	₱37,008
Vacation and sick leave	**26,499**	12,775	18,043
Defined contribution plan	**678**	866	873
	₱103,368	₱79,732	₱55,924

A. Pension Benefit Obligation

The following tables summarize the components of net pension expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated statements of financial position for the respective plans.

Net pension expense consists of:

	2022	2021	2020
Current service cost	**₱62,415**	₱60,858	₱53,659
Net interest cost	**13,364**	5,233	11,993
Past service cost (credit)	**412**	–	(28,644)
Net pension expense	**₱76,191**	₱66,091	₱37,008

Details of net pension liability as at December 31 are as follows:

	2022	2021
Present value of defined benefit obligation	**₱531,538**	₱541,312
Fair value of plan assets	**(335,479)**	(347,000)
Pension liability	**₱196,059**	₱194,312

Changes in the present value of the defined benefit obligation are as follows:

	2022	2021
Balance at beginning of year	**₱541,312**	₱566,320
Benefits paid from plan assets	**(44,201)**	(106,884)
Current service cost	**62,415**	60,858
Interest cost on defined benefit obligation	**22,434**	20,390
Benefits paid from operating funds	**(23,804)**	(13,182)
Acquisition / deconsolidation of subsidiaries	**192**	1,503
Past service cost	**412**	–
Actuarial (gains) losses:		
Experience adjustments	**30,609**	34,016
Changes in financial assumptions	**(38,078)**	(21,709)
Changes in demographic assumptions	**(19,753)**	–
Balance at end of year	**₱531,538**	₱541,312

Change in the fair value of plan assets are as follows:

	2022	2021
Balance at beginning of year	**₱347,000**	₱382,035
Benefits paid	**(44,201)**	(106,884)
Actual contributions	**41,844**	47,337
Interest income included in net interest cost	**9,070**	15,157
Actual return excluding amount included in net interest cost	**(18,426)**	8,442
Net acquired assets due to employee transfers	**192**	913
Balance at end of year	**₱335,479**	₱347,000
Actual return (deficit) on plan assets	**(₱9,356)**	₱23,599

Change in net pension liability are as follows:

	2022	2021
Balance at beginning of year	**₱194,312**	₱184,285
Pension expense	**76,192**	66,091
Contributions	**(41,844)**	(47,337)
Benefits paid from operating fund	**(23,804)**	(13,182)
Remeasurements in OCI	**(8,797)**	3,865
Acquisition / deconsolidation of subsidiaries	**–**	1,503
Net acquired asset due to employee transfers	**–**	(913)
Pension liability	**₱196,059**	₱194,312

The Company expects to contribute ₱83.1 million to its retirement fund in 2023.

The ranges of principal assumptions used in determining pension benefits are as follows:

	2022	2021
Discount rates	**4-7%**	4-5%
Rates of salary increase	**2-6%**	3-6%

The Company has established a retirement fund that is managed by a trustee. The carrying value and fair value of the retirement fund of the Company amounted to ₱335.5 million and ₱347.0 million as at December 31, 2022 and 2021, respectively. The major assets are as follows:

	2022	2021
Cash and short-term investments	**₱121,065**	₱179,631
Marketable equity securities	**214,414**	114,059
Others	**–**	53,310
	₱335,479	₱347,000

As at December 31, 2022 and 2021, the carrying amount of the retirement fund approximates its fair value. Cash and short-term investments include liquid investments in Special Deposit Accounts (SDAs), government securities and mutual funds and UITFs. Marketable equity securities can be sold through the PSE. These include shares of stock of the Parent Company with a fair value of ₱4.2 million and ₱4.4 million as at December 31, 2022 and 2021.

The voting rights over the shares are exercised by the trustee through the retirement committee, the members of which are directors or officers of the Parent Company.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Increase (Decrease)	
	2022	2021
Discount rate:		
Increase by 1%	**(₱38,877)**	(₱40,463)
Decrease by 1%	**28,325**	46,891
Salary increase rate:		
Increase by 1%	**₱39,443**	₱49,303
Decrease by 1%	**(43,935)**	(41,387)

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31:

	2022	2021
Within the next 12 months	**₱34,241**	₱37,505
Between 2 and 5 years	**155,027**	175,787
Beyond 5 years	**1,324,757**	2,017,570

The average duration of the defined benefit obligation as at December 31, 2022 is between 7.34 years to 22.09 years.

B. Defined Contribution Plan

The Company also provides a defined contribution plan that covers all regular full-time employees under which the Company pays fixed contributions based on the percentage contributed by the employees from their monthly salaries.

Participation by employees in the defined contribution plan is voluntary. Total contribution is up to 4% of annual salary, of which, 60% is contributed by the employees and 40% by the Company. There will be separate sub-funds for the defined contribution and benefit plans which will not be commingled with each other or be used to fulfill the funding requirements of both retirement plans.

The Company contributed ₱0.7 million in 2022 and ₱0.9 million in 2021 and 2020 to the defined contribution plan, which were recognized as expense. The Company has advances to the defined contribution plan amounting to nil and ₱0.1 million as at December 31, 2022 and 2021, respectively.

C. Vacation and Sick Leave

The following tables summarize the components of vacation and sick leave expense recognized in the consolidated statements of income and the amounts recognized in the consolidated statements of financial position.

Vacation and sick leave expense consists of:

	2022	2021	2020
Current service cost	**₱7,256**	₱12,936	₱24,290
Actuarial losses	**17,724**	(2,533)	(9,124)
Past service credit	**(1,749)**	–	–
Interest cost	**3,268**	2,372	2,877
Vacation and sick leave expense	**₱26,499**	₱12,775	₱18,043

Changes in the present value of the vacation and sick leave obligation are as follows:

	2022	2021
Balance at beginning of year	**₱65,008**	₱69,468
Current service cost	**7,256**	12,936
Benefits paid	**(21,157)**	(17,235)
Actuarial gains	**26,876**	(2,533)
Interest cost	**3,268**	2,372
Past service cost	**(1,749)**	–
Balance at end of year	**₱79,502**	₱65,008

36. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash and cash equivalents, investments held for trading and investments in equity instruments classified as financial assets at FVOCI in Philippine Peso and U.S. dollar currencies. The main purpose of these financial instruments is to finance the Company's investments. The Company also has financial assets and liabilities, such as trade and other receivables and trade and other payables that arise directly from operations.

The main risks arising from the Company's treasury transactions are credit risk, liquidity risk, market risk, foreign currency risk, interest rate risk and equity price risk. Careful study, skill, prudence and due diligence are exercised at all times in the handling of the funds of the Company.

The basic parameters approved by the Investment Committee are:

Investment Objective	**Safety of Principal**
Tenor	Three year maximum for any security, with average duration between one and two years
Exposure Limits	a. For banks and fund managers: maximum of 20% of total funds of the Company per bank or fund b. For peso investments: minimal corporate exposure except for registered bonds c. For foreign currencies: maximum 50% of total portfolio. Limits on third currencies outside USD are set regularly and reviewed at least once a year by the Investment Committee d. For investments in equities whether directly managed or managed by professional managers: limits are set as approved by the Investment Committee and based on current market outlook at the time of review e. For derivative transactions - limits are set up to 100% of asset subject to derivative transaction with the objective of neutrality of gain/loss

<u>Credit Risk</u>
Credit risk is the risk that the Company will incur a loss arising from customers, clients or counter-parties that fail to discharge their contractual obligations. Due to the Company's investing and operating activities, the Company is exposed to the potential credit-related losses that may occur as a result of an individual, counterparty or issuer being unable or unwilling to honor its contractual obligations.

In managing credit risk on these financial instruments, the Company transacts only with the Company's duly accredited domestic and foreign banks. Investments per financial institution are subject to a maximum of 20% of the Company's investible funds. It is the Company's policy that investments cannot exceed 10% of the trust or mutual fund's total assets.

A comprehensive credit and business review in coordination with dealers or underwriters is performed whenever the Company invests in non-rated securities. Furthermore, the Company monitors the credit quality of corporate and sovereign bonds with reference to credit rating studies and updates from the major rating agencies. The Company's exposure to credit risk on its cash and cash equivalents and trade and other receivables arises from default of the counterparties with maximum exposures equal to the carrying amounts of the instruments.

	2022	2021
Financial assets at amortized cost:		
Cash and cash equivalents	**₱3,421,578**	₱3,695,914
Trade and other receivables	**5,631,456**	4,935,304
Refundable deposits*	**72,015**	38,773
	₱9,125,049	₱8,669,991

**Presented under "Input value-added taxes and other current assets" and "Other noncurrent assets" account in the consolidated statements of financial position.*

There are no significant concentrations of credit risk.

Credit Quality of Financial Assets, Other than Receivables from Customers

The financial assets are grouped according to stage whose description is explained as follows:

Stage 1 - those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The credit quality of the Company's financial assets are as follows:

	2022			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
Financial Assets at Amortized Cost:				
Cash and cash equivalents*	**₱3,398,748**	**₱–**	**₱–**	**₱3,398,748**
Other receivables:				
Due from related parties	**28,918**	**–**	**–**	**28,918**
Advances to officers and employees	**56,148**	**–**	**–**	**56,148**
Accrued interest receivables	**338,546**	**–**	**–**	**338,546**
Others	**440,359**	**–**	**–**	**440,359**
Refundable deposits**	**72,015**	**–**	**–**	**72,015**
Gross Carrying Amount	**₱4,334,734**	**₱–**	**₱–**	**₱4,334,734**

**Excluding cash on hand.*

***Presented under "Input value-added taxes and other current assets" and "Other noncurrent assets" account in the consolidated statements of financial position.*

	2021			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Financial Assets at Amortized Cost:				
Cash and cash equivalents*	₱3,676,836	₱–	₱–	₱3,676,836
Other receivables:				
Due from related parties	13,729	–	–	13,729
Advances to officers and employees	53,958	–	–	53,958
Accrued interest receivables	139,137	–	–	139,137
Others	411,535	–	–	411,535
Refundable deposits**	38,773	–	–	38,773
Gross Carrying Amount	₱4,333,968	₱–	₱–	₱4,333,968

**Excluding cash on hand.*
***Presented under "Input value-added taxes and other current assets" and "Other noncurrent assets" account in the consolidated statements of financial position.*

Credit Quality of Receivables from Customers
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure of the Company's receivables from customers using provision matrix:

December 31, 2022	**Receivables from customers**					
	Days past due					
	Current	**<30 Days**	**30-60 Days**	**61-90 Days**	**>91 Days**	**Total**
Expected credit loss rate	**3%**	**24%**	**5%**	**43%**	**75%**	**28%**
Estimated total gross carrying amount default	**₱2,177,709**	**₱702,318**	**₱110,158**	**₱171,741**	**₱1,222,986**	**₱4,384,912**
Expected credit loss	**64,193**	**170,053**	**5,284**	**73,048**	**917,906**	**1,230,484**

December 31, 2021	Receivables from customers					
	Days past due					
	Current	<30 Days	30-60 Days	61-90 Days	>91 Days	Total
Expected credit loss rate	5%	10%	10%	59%	72%	24%
Estimated total gross carrying amount default	₱2,427,509	₱506,153	₱115,519	₱277,157	₱993,267	₱4,319,605
Expected credit loss	110,180	49,673	11,862	163,345	716,619	1,051,679

Impaired financial instruments comprise of receivables from customers and other receivables. The past due but not impaired trade and other receivables are expected to be collected the following year.

Liquidity Risk
Liquidity risk is the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. The Company manages liquidity risks by restricting investments and continuously monitoring weekly and monthly cash flows as well as updates of annual plans.

The maturities of the financial liabilities are determined based on the Company's projected payments and contractual maturities. The average duration adheres to guidelines provided by the Investment Committee. It is the Company's policy to restrict investment principally to publicly traded securities with a history of marketability and by dealing with only large reputable domestic and international institutions.

The tables below show the maturity profile of the Company's financial assets used for liquidity purposes based on contractual undiscounted cash flows as of December 31:

	2022					
	Within 1 Year	**1 to < 2 Years**	**2 to < 3 Years**	**3 to 5 Years**	**More than 5 Years**	**Total**
Financial Assets						
Financial assets at amortized cost						
Cash and cash equivalents	**₱3,421,578**	**₱–**	**₱–**	**₱–**	**₱–**	**₱3,421,578**
Trade and other receivables	**5,631,456**	**–**	**–**	**–**	**–**	**5,631,456**
Financial assets at FVPL:						
Investment in UITF	**647,383**	**–**	**–**	**–**	**–**	**647,383**
Investments in marketable equity securities	**6,933**	**–**	**–**	**–**	**–**	**6,933**
Investments in preferred shares	**–**	**–**	**–**	**2,209,088**	**–**	**2,209,088**
	₱9,707,350	**₱–**	**₱–**	**₱2,209,088**	**₱–**	**₱11,916,438**

	2021					
	Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	Total
Financial Assets						
Financial assets at amortized cost						
Cash and cash equivalents	₱3,695,914	₱–	₱–	₱–	₱–	₱3,695,914
Trade and other receivables	4,935,304	–	–	–	–	4,935,304
Financial assets at FVPL:						
Investment in UITF	1,302,457	–	–	–	–	1,302,457
Investments in marketable equity securities	8,271	–	–	–	–	8,271
Investments in preferred shares	–	–	–	–	2,105,243	2,105,243
	₱9,941,946	₱–	₱–	₱–	₱2,105,243	₱12,047,189

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as of December 31:

	2022					
	Within 1 Year	**1 to < 2 Years**	**2 to < 3 Years**	**3 to 5 Years**	**More than 5 Years**	**Total**
Financial Liabilities						
Loans and borrowings and payables						
Notes payable	**₱2,779,103**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,779,103**
Trade and other payables	**2,150,350**	**–**	**–**	**–**	**–**	**2,150,350**
Trust receipts payable	**128,249**	**–**	**–**	**–**	**–**	**128,249**
Due to related parties	**155,595**	**–**	**–**	**–**	**–**	**155,595**
Lease liabilities	**104,197**	**51,409**	**26,473**	**29,531**	**145,296**	**356,906**
Long-term debt*	**672,723**	**3,627,354**	**2,501,272**	**3,526,071**	**691,124**	**11,018,544**
Non-controlling interest put liability	**–**	**2,188,320**		**–**	**–**	**2,188,320**
	₱5,990,217	**₱5,867,083**	**₱2,527,745**	**₱3,555,602**	**₱836,420**	**₱18,777,067**

**Including current and noncurrent portion.*

	2021					
	Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	Total
Financial Liabilities						
Loans and borrowings:						
Notes payable	₱930,174	₱–	₱–	₱–	₱–	₱930,174
Trade and other payables	2,323,135	–	–	–	–	2,323,135
Trust receipts payable	1,711,433	–	–	–	–	1,711,433
Due to related parties	182,878	–	–	–	–	182,878
Lease liabilities	118,824	97,162	38,746	35,031	225,584	515,347
Long-term debt*	570,230	905,166	3,626,616	2,674,690	3,011,440	10,788,142
Non-controlling interest put liability	–	–	–	1,862,875	–	1,862,875
	₱5,836,674	₱1,002,328	₱3,665,362	₱4,572,596	₱3,237,024	₱18,313,984

**Including current and noncurrent portion.*

Changes in liabilities arising from financing activities

The changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes are as follows:

	January 1, 2022	Additions	Payments	Others*	December 31, 2022
Notes payable	**₱930,174**	**₱3,380,647**	**(₱1,531,718)**	**₱–**	**₱2,779,103**
Long-term debt	**10,683,115**	**1,280,000**	**(1,048,952)**	**20,583**	**10,934,746**
Due to related parties	**182,878**	**272,379**	**(299,662)**	**–**	**155,595**
Dividends payable	**228,251**	**334,768**	**(337,332)**	**–**	**185,687**
Lease liabilities	**355,901**	**88,219**	**(125,452)**	**(4,540)**	**314,128**
Other noncurrent liabilities	**47,937**	**1,640**	**–**	**–**	**49,577**
Total liabilities from financing activities	**₱12,428,256**	**₱5,357,653**	**(₱3,343,116)**	**₱16,043**	**₱14,418,836**

* *Others include amortization of debt issue cost and accretion of interest. For lease liabilities, this also includes derecognized amount of ₱24.2 million due to pre-termination of long-term lease contract.*

	January 1, 2021	Additions	Payments	Others*	December 31, 2021
Notes payable	₱1,325,910	₱2,002,549	(₱2,398,285)	₱–	₱930,174
Long-term debt	7,058,404	4,524,477	(918,091)	18,325	10,683,115
Due to related parties	151,110	310,085	(278,317)	–	182,878
Dividends payable	175,068	241,231	(188,048)	–	228,251
Lease liabilities	419,671	53,810	(124,617)	7,037	355,901
Other noncurrent liabilities	50,493	–	(2,556)	–	47,937
Total liabilities from financing activities	₱9,180,656	₱7,132,152	(₱3,909,914)	₱25,362	₱12,428,256

* *Others include amortization of debt issue cost and accretion of interest. For lease liabilities, this also includes derecognized amount of ₱15.5 million due to pre-termination of long-term lease contract.*

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Market risks are managed by constant review of global and domestic economic and financial environments as well as regular discussions with banks' economists/strategy officers to get multiple perspectives on interest rate trends/forecasts. Regular comparison of the portfolio's marked-to-market values and yields with defined benchmarks are also made.

Foreign Currency Risk

Foreign 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 Company's financial assets that are exposed to foreign currency risk are foreign currency denominated cash and cash equivalents, receivables, derivative assets and investments in UITFs.

Foreign exchange risks on the U.S. dollar and other foreign currencies are managed through constant monitoring of the political and economic environment. Returns are also calibrated on a per currency basis to account for the perceived risks with higher returns expected from weaker currencies.

The following table shows the foreign currency-denominated financial assets and financial liabilities and their peso equivalents as of December 31:

	2022		2021	
	Foreign Currency	**Peso Equivalent**	Foreign Currency	Peso Equivalent
Financial assets:				
Cash and cash equivalents	**US$12,111**	**₱675,233**	US$18,682	₱952,771
Cash and cash equivalents	**VND35,703**	**80**	VND35,703	80
Receivables	**US$1,330**	**74,170**	US$491	25,034
Derivative assets	**US$–**	**–**	US$57	2,931
Investment in UITF	**US$34**	**1,879**	US$12	608
		₱751,362		₱981,424
Financial liabilities:				
Trust receipts payables	**US$3,245**	**₱180,925**	US$5,450	₱277,969
Trade and other payables	**–**	**–**	98	4,974
Derivative liability	**US$7**	**371**	–	–
		₱181,296		₱282,943

In translating foreign currency-denominated financial assets into peso amounts, the exchange rates used were ₱55.76 and ₱51.00 to US$1.00 as at December 31, 2022 and 2021, respectively.

The following table on the next page demonstrates the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant, of the Company's profit before tax (due to the changes in the fair value of monetary assets) as at December 31, 2022 and 2021. There is no impact on the Company's equity other than those already affecting the profit or loss.

The effect on profit before tax already includes the impact of derivatives outstanding as at December 31, 2022 and 2021:

	2022	
	Increase (Decrease) in Peso-Dollar Exchange Rate	**Effect on Profit Before Tax**
		(Amounts in Millions)
PHN	**₱1.0**	**₱1.44**
	(1.0)	**(1.44)**
PEHI	**1.0**	**11.95**
	(1.0)	**(11.95)**
UGC	**3.0**	**0.07**
	(3.0)	**(0.07)**
PCC	**4.0**	**0.18**
	(4.0)	**(0.18)**

	2021	
	Increase (Decrease) in Peso-Dollar Exchange Rate	Effect on Profit Before Tax
		(Amounts in Millions)
PHN	₱1.00	₱0.18
	(1.00)	(0.18)
PEHI	1.00	18.42
	(1.00)	(18.42)
UGC	3.00	1.63
	(3.00)	(1.63)
PCC	4.00	21.44
	(4.00)	(21.44)

<u>Interest Rate Risk</u>

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The following tables set out the carrying amounts, by maturity, of the Company's financial assets and liabilities that are exposed to interest rate risk as of December 31:

				2022			
	Interest Rates	**Within 1 Year**	**1 to < 2 Years**	**2 to < 3 Years**	**3 to 5 Years**	**More than 5 Years**	**Total**
Financial Assets							
Placements (PHP)	**5.25%-5.728%**	**₱1,694,459**	**₱–**	**₱–**	**₱**	**₱**	**₱1,694, 459**
Financial Liabilities							
PHN	**6.25%**	**20,000**	**20,000**	**20,000**	**1,882,344**	**–**	**1,942,344**
UGC	**4.85%-5.11%**	**47,958**	**47,982**	**48,025**	**810,240**		**954,205**
Phinma Solar	**4.875%-4.924%**	**11,111**	**11,111**	**11,111**	**33,333**	**29,876**	**96,542**
PEHI	**5.32%-5.48%**	**263,978**	**268,861**	**255,161**	**–**	**–**	**788,000**

				2021			
	Interest Rates	Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	Total
Financial Assets							
Placements (PHP)	0.45%-1.25%	₱1,539,766	₱–	₱–	₱–	₱–	₱1,539,766
Financial Liabilities							
PHN	6.25%	20,000	20,000	20,000	40,000	1,859,362	1,959,362
UGC	5.50%-6.72%	79,252	173,977	66,604	117,210	88,244	525,287
PHINMA Solar	4.875%-4.924%	556	2,222	2,222	4,444	10,556	20,000

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

The table below sets forth the estimated change in the Company's income before tax due to a reasonably possible change in interest rates as at December 31, 2022 and 2021. There is no impact on the Company's equity other than those already affecting the profit or loss.

	2022	
	Increase/ (Decrease) in Basis Points	**Effect on Profit Before Tax**
Financial Liabilities		
PHN	**25**	**(₱4,856)**
	(25)	**4,856**
UGC	**25**	**(2,406)**
	(25)	**2,406**
PHINMA Solar	**25**	**(243)**
	(25)	**243**

	2021	
	Increase/ (Decrease) in Basis Points	Effect on Profit Before Tax
Financial Liabilities		
PHN	25	(₱4,898)
	(25)	4,898
UGC	25	(1,313)
	(25)	1,313
PHINMA Solar	25	(50)
	(25)	50

Peso placements are subject to cash flow interest rate risk while peso and dollar bonds are subject to fair value interest rate risk.

Equity Price Risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The Company's exposure to equity price risk relates primarily to its equity investments listed in the PSE classified under investments held for trading.

The Company's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on the Company's financial position.

The following tables demonstrate the effect on the Company's profit before income tax (as a result of a change in the fair value of equity instruments held as investment held for trading) due to a reasonably possible change in equity indices, based on the Company's expectation, with all other variables held constant as at December 31, 2022 and 2021. There is no other significant impact on the Company's equity other than those already affecting the profit or loss.

	2022	
	Increase/ Decrease in Stock Exchange Index	**Effect on Profit Before Tax**
PHN	**+13.7%**	**₱325**
	-13.7%	**(325)**
API	**+13.7%**	**310**
	-13.7%	**(310)**

	2021	
	Increase/ Decrease in Stock Exchange Index	Effect on Profit Before Tax
PHN	+6%	₱165
	-6%	(165)
API	+6%	172
	-6%	(172)

Capital Management

The primary objective of the Company's capital management is to ensure that the Company maintains a healthy capital structure to maintain strong credit rating and maximize shareholder value.

The Company closely monitors and manages its debt-to-equity ratio, which it defines as total liabilities divided by total equity. Capital includes all the accounts appearing in the "Equity attributable to equity holders of the parent" and "Equity attributable to non-controlling interests" in the consolidated statements of financial position.

To ensure that there are sufficient funds to settle its liabilities, the Company's policy is to keep debt-to-equity ratio below 2:1. The Company's consolidated debt-to-equity ratio as at December 31, 2022 and 2021 are as follows:

	2022	2021
Total liabilities	**₱20,868,356**	₱20,173,524
Total equity	**11,142,699**	9,972,568
Debt-to-equity ratio	**1.87:1**	2.02:1

The Company expects to improve the debt-to-equity ratio mainly through improvement in the Company's business operations.

37. **Financial Instruments**

Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of its assets and liabilities by valuation technique:

- 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 is significant to their fair value measurement is unobservable

Assets and liabilities measured or disclosed at fair value are as follows:

	2022			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Investments held for trading:				
Investments in UITFs	**₱647,383**	**₱–**	**₱647,383**	**₱–**
Investments in marketable equity securities	**6,933**	**6,933**	**–**	**–**
Club shares designated at FVOCI	**41,000**	**–**	**41,000**	**–**
Non-listed equity instruments designated at FVOCI	**81,959**	**–**	**–**	**81,959**
Non-listed debt instrument designated at FVPL	**2,209,088**	**–**	**–**	**2,209,088**
Derivative assets	**648,117**	**–**	**–**	**648,117**
	₱3,634,480	**₱6,933**	**₱688,383**	**₱2,939,164**
Liabilities				
Derivative liability	**₱371**	**₱–**	**₱371**	**₱–**
Non-controlling interest put liability	**2,188,320**	**–**	**–**	**2,188,320**
Long-term debt	**10,581,439**	**–**	**–**	**10,581,439**
	₱12,770,130	**₱–**	**₱371**	**₱12,769,759**

	2021			
	Total	Level 1	Level 2	Level 3
Assets				
Investments held for trading:				
Investments in UITFs	₱1,302,457	₱–	₱1,302,457	₱–
Investments in marketable equity securities	8,271	8,271	–	–
Club shares designated at FVOCI	32,350	–	32,350	–
Non-listed equity instruments designated at FVOCI	76,310	–	–	76,310
Non-listed debt instrument designated at FVPL	2,105,243	–	–	2,105,243
Derivative assets	513,429	2,931		510,498
	₱4,038,060	₱11,202	₱1,334,807	₱2,692,051
Liabilities				
Non-controlling interest put liability	₱1,862,875	₱–	₱–	₱1,862,975
Long-term debt	9,313,655	–	–	9,313,655
	₱11,176,530	₱–	₱–	₱11,176,530

During the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The following methods and assumptions are used to estimate the fair value of the following financial instruments.

Investments Held for Trading, Financial Assets at FVPL, Financial Assets at FVOCI and Derivative Assets. Quoted market prices have been used to determine the fair value of investments in marketable equity securities and club shares designated at FVOCI. The fair values of unquoted equity investments at FVOCI, unquoted debt investment classified as financial asset at FVPL and derivative asset have been estimated using a future cash flows from the investee and applying a discount rate to calculate the present value of the cash flows. The valuation requires management to make certain assumptions about the model inputs including forecast cashflows, discount rate, long-term growth rate, comparable companies' average volatility, option adjusted spread and risk-free rate. The probabilities of various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted investments.

The fair values of non-listed shares of stock were determined through the following valuation approach: income approach and asset-based approach. Income approach is predicated upon the concept that the value of any asset can be estimated by ascertaining the amount and timing of future cash flows or earnings that are generated by that asset. Asset-based approach is based on the value of all the tangible and intangible assets and liabilities of the company. The discount rates, a significant unobservable input used in the valuation of the non-listed shares of stock using the income approach, were and 16.20% and 17.20% as at December 31, 2022 and 2021. An increase (decrease) in the discount rate used in the valuation of the non-listed shares will decrease (increase) the fair value of the non-listed shares of stock.

Cash and Cash Equivalents, Trade and Other Receivables, Notes Payable, Trade and Other Payables, Trust Receipts Payable and Due to Related Parties. Due to the short-term nature of these transactions, the carrying value approximate the fair values as at the reporting date.

Derivative Liability. Estimated fair value is based on the average rate of the forward bid rates and forward ask rates computed in Bloomberg.

Long-term Debt. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable rates for similar types of loans. Discount rates used ranged from 3% to 7% and 2% to 5% in 2022 and 2021, respectively.

Derivative Instruments

Freestanding Derivatives. The Company's derivative financial instruments are accounted for as financial instruments at FVPL.

UGC and PCC entered into a buy US$-sell PHP deliverable foreign currency forward contracts to manage the foreign currency risk arising from its US$-denominated trust receipts payable.

UGC has a derivative liability amounting to ₱0.3 million and derivative assets of ₱1.0 million as at December 31, 2022 and 2021, respectively. The transacted contract has an aggregate notional amount of US$28.4 million and US$10.8 million in 2022 and 2021, respectively. The unrealized gain on change in fair value of the derivative instrument amounted to ₱1.5 million and ₱1.3 million in 2022 and 2021, respectively. The weighted average contracted forward rates are ₱53.958 and ₱49.343 to US$1.00 in 2022 and 2021, respectively.

PCC has a derivative liability amounting to nil and derivative assets of ₱2.0 million as at December 31, 2022 and 2021, respectively. The transacted contracts have an aggregate notional amount of US$45.8 million and US$23.9 million in 2022 and 2021, respectively. The unrealized gain on change in fair value of the derivative instrument amounted to ₱3.5 million and ₱1.9 million in 2022 and 2021. The weighted average contracted forward rates are ₱53.994 in 2022 and ₱49.408 to US$1.00 in 2021.

The net changes in fair value of these derivative liability are as follows:

	2022	2021
Balance at beginning of year	**(₱2,931)**	₱32
Net change in fair value during the year	**32,758**	1,524
Fair value of settled contracts	**(29,456)**	(4,487)
Balance at end of year	**₱371**	(₱2,931)

38. **Leases**

Company as Lessee

The Company has various lease contracts for land, buildings, warehouses and vehicles. The leases have lease terms of between 2 and 25 years.

The Company also has certain leases with lease terms of 12 months or less. The Company applies the "short-term lease" recognition exemptions for these leases.

The rollforward analysis of right-of-use assets follows:

	2022				
	Right-of-use: Land	**Right-of-use: Buildings & Warehouses**	**Right-of-use: Vehicles**	**Right-of-use: Others**	**Right-of-use: Total**
Cost					
At January 1, 2022	**₱106,037**	**₱147,507**	**₱269,406**	**₱2,470**	**₱525,420**
Additions	**15,942**	**43,332**	**29,054**	**–**	**88,328**
Pre-termination	**(2,738)**	**(20,822)**	**(6,570)**	**–**	**(30,130)**
At December 31, 2022	**119,241**	**170,017**	**291,890**	**2,470**	**583,618**
Accumulated Depreciation and Amortization					
At January 1, 2022	**12,398**	**65,767**	**109,867**	**2,143**	**190,175**
Depreciation	**6,634**	**22,712**	**60,304**	**327**	**89,977**
Pre-termination	**–**	**(8,366)**	**(3,199)**	**–**	**(11,565)**
At December 31, 2022	**19,032**	**80,113**	**166,972**	**2,470**	**268,587**
Net Book Value	**₱100,209**	**₱89,904**	**₱124,918**	**₱–**	**₱315,031**

	2021				
	Right-of-use: Land	Right-of-use: Buildings & Warehouses	Right-of-use: Vehicles	Right-of-use: Others	Right-of-use: Total
Cost					
At January 1, 2021	₱107,241	₱151,998	₱234,008	₱1,906	₱495,153
Additions	6,175	11,855	35,398	564	53,992
Pre-termination	(7,379)	(16,346)	–	–	(23,725)
At December 31, 2021	106,037	147,507	269,406	2,470	525,420
Accumulated Depreciation and Amortization					
At January 1, 2021	8,132	45,856	40,756	1,906	96,650
Depreciation	5,598	24,066	69,111	237	99,012
Pre-termination	(1,332)	(4,155)	–	–	(5,487)
At December 31, 2021	12,398	65,767	109,867	2,143	190,175
Net Book Value	₱93,639	₱81,740	₱159,539	₱327	₱335,245

The rollforward analysis of lease liabilities follows:

	2022	2021
As at beginning of year	**₱355,901**	₱419,671
Accretion of interest	**19,646**	22,523
Additions	**88,219**	53,810
Pre-termination	**(24,186)**	(15,486)
Payments	**(125,452)**	(124,617)
As at end of year	**314,128**	355,901
Less current portion of lease liabilities	**102,676**	108,266
Noncurrent portion of lease liabilities	**₱211,452**	₱247,635

In 2022, three long-term lease contracts were pre-terminated by the Company. As a result, the Company recognized gain from pre-termination of lease contract amounting to ₱0.2 million recognized in the statement of income as part of "Other income (expenses)", after derecognizing the related right-of-use assets and lease liabilities amounting to ₱1.5 million and ₱1.6 million, respectively, in the statements of financial position.

In 2021, two long-term lease contracts were pre-terminated by the Company. As a result, the Company recognized gain from pre-termination of lease contract amounting to ₱0.8 million, recognized in the consolidated statement of income as part of “Other income (expenses)”, after derecognizing the related right-of-use assets and lease liabilities amounting to ₱18.2 million and ₱15.5 million, respectively, and recognizing claims receivable amounting to ₱3.6 million presented as part of “Trade and other receivables” in the consolidated statements of financial position.

In 2020, two long-term lease contracts were pre-terminated by the Company. As a result, the Company recognized gain from pre-termination of lease contract amounting to ₱5.3 million recognized in the consolidated statement of income as part of “Other income (expenses)”, after derecognizing the related right-of-use assets and lease liabilities amounting to ₱71.8 million and ₱77.1 million, respectively.

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

	2022	2021
Depreciation expense of right-of-use assets (see Notes 31)	**₱89,977**	₱99,012
Interest expense on lease liabilities (see Note 32)	**19,646**	22,523
Expenses relating to short-term leases	**113,528**	103,464

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

	2022	2021
1 year	**₱104,197**	₱118,824
more than 1 years to 2 years	**51,409**	97,162
more than 2 years to 3 years	**26,473**	38,746
more than 3 years to 4 years	**29,531**	35,031
more than 5 years	**145,296**	225,584

39. Commitments and Contingencies

(a) Unused Credit Lines

PHN has an unused credit line amounting to ₱4.5 billion and ₱4.4 billion as at December 31, 2022 and 2021, respectively.

UGC has the following unused approved credit lines with local banks and financial institutions as at December 31, 2022:

Nature	Amount
Letters of credit/trust receipts	₱4,469,141
Bills purchase line	330,000
Forward contract (including settlement risk)	715,950

PCC has the following unused approved credit lines with local banks and financial institutions as at December 31, 2022:

Nature	Amount
Letters of credit/trust receipts	₱3,523,089
Forward contract (including settlement risk)	775,841
Bills purchase line	124,949

Phinma Solar has the following unused approved credit lines with local banks and financial institutions as at December 31, 2022:

Nature	Amount
Letters of credit/trust receipts	₱300,000
Bills purchase line	50,000

(b) Others

There are contingent liabilities arising from tax assessments occurring in the ordinary course of business, including the petition filed for the reversal and nullification of safeguard duties on its importation of cement. On the basis of information furnished by the Company's legal counsel, management believes that none of these contingencies will materially affect the Company's financial position and result of operations.

40. EPS Computation

Basic EPS is computed as follows:

	2022	2021	2020
(a) Net income attributable to equity holders of the parent	**₱947,677**	₱1,128,965	₱172,637
(b) Weighted average number of common shares outstanding	**276,721**	272,246	272,441
Basic/diluted EPS attributable to equity holders of the parent (a/b)	**₱3.42**	₱4.15	₱0.63

The Company's basic and diluted earnings per share are the same since the Company does not have potential common shares.

41. Segment Information

For management purposes, the Company is organized into business units based on its products and services and has five reportable operating segments as follows:

- Investment holdings - PHN and PSHC are engaged in investment holding activities of shares of stocks and other financial instruments.
- Property development - API, APHI, and Coral Way lease out its real and personal properties. PPHC is engaged in real estate development.
- Construction materials - PCC encompasses the operations of the cement trading. UGC handles the manufacturing and trading of iron and steel products. PHINMA Solar provides solar rooftop system to customers. The Company has assessed that the nature of the products and services and the type or class of customers for these products and services are related.
- Educational services - PEHI holds interest in AU, COC, UPANG, UI, SWU, RCI, RCL and UCLI which offer graduate, tertiary, secondary and elementary education services. CAA conducts a non-sectarian institution of learning and operates schools for all levels below tertiary level, whether preschool, primary, secondary, technical and vocational, specialized programs and for all and any form of educational activities.
- BPO - ICI Asia (formerly Fuld Philippines) was engaged in strategic consulting while OAL was engaged in animation services. In 2020, the Parent Company sold its ownership interest in ICI Asia (see Note 7).

The BOD (Chief Operating Decision Maker) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Segment result is defined as the segment's income generated from its own operations, net of its share in the equity in net earnings of associates and joint ventures and investment income, before deducting interest and financing charges, provision for income tax and share of NCI. The amounts of segment assets and liabilities, and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets, liabilities and profit or loss in the consolidated financial statements, which is in accordance with PFRS.

The Company does not report its results based on geographical segments since the Company's risks and rates of return are substantially in the same economic and political environment with the companies incorporated and operated in the Philippines. There are no transactions with a single customer that accounts to 10% or more of the Company's revenue.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transaction with third parties. Segment revenues, segment expenses and segment results include transfers between operating segments. These transfers are eliminated in full upon consolidation.

Segment Information

Financial information on the operating segments are summarized as follows:

	Investment Holdings	Property Development	Construction Materials	Educational Services	BPO	Eliminations	Total Operations
Year Ended December 31, 2022							
Revenue	**₱521,765**	**₱37,040**	**₱13,245,555**	**₱4,068,537**	**₱2**	**(₱208,317)**	**₱17,664,582**
Segment results	**87,327**	**29,921**	**804,293**	**973,520**	**(1,440)**	**25,331**	**1,918,952**
Investment income	**443,884**	**585**	**11,843**	**12,904**	**2**	**(208,317)**	**260,901**
Equity in net earnings of associates and joint ventures	**–**	**57,549**	**–**	**465**	**–**	**–**	**58,014**
Interest expense and other financing charges	**(249,101)**	**–**	**(305,631)**	**(175,167)**	**–**	**41,709**	**(688,190)**
Provision for income tax	**(6,238)**	**(5,025)**	**(15,629)**	**6,396**	**–**	**–**	**(20,496)**
Share of non-controlling interests	**–**	**–**	**–**	**(184,659)**	**–**	**(396,845)**	**(581,504)**
Net income attributable to equity holders of the parent	**₱275,872**	**₱83,030**	**₱494,876**	**₱633,459**	**(₱1,438)**	**(₱538,122)**	**₱947,677**
Total assets	**₱12,572,663**	**₱384,562**	**₱12,089,269**	**₱13,949,000**	**₱904**	**(₱6,985,373)**	**₱32,011,025**
Total liabilities	**₱5,335,317**	**₱52,197**	**₱8,188,314**	**₱6,765,676**	**₱309,481**	**₱217,371**	**₱20,868,356**
Year Ended December 31, 2021							
Revenue	₱503,963	₱11,838	₱12,144,100	₱3,690,805	₱–	(₱312,520)	₱16,038,186
Segment results	(773)	479	1,248,291	1,220,204	(830)	(30,160)	2,437,211
Investment income	441,145	9,939	6,063	3,753	–	(312,520)	148,380
Equity in net earnings of associates and joint ventures	–	28,614	–	4,326	–	–	32,940
Interest expense and other financing charges	(185,622)	–	(300,515)	(168,022)	–	4,911	(649,248)
Provision for income tax	(3,376)	(2)	(51,759)	(41,409)	–	–	(96,546)
Share of non-controlling interests	–	–	–	(180,251)	–	(571,280)	(751,531)
Net income attributable to equity holders of the parent	₱251,374	₱39,030	₱902,080	₱838,601	(₱830)	(₱909,049)	₱1,121,206
Total assets	₱12,200,444	₱344,085	₱10,960,965	₱13,158,870	₱698	(₱6,518,970)	₱30,146,092
Total liabilities	₱5,400,882	₱52,491	₱7,422,656	₱6,567,914	₱307,397	₱422,184	₱20,173,524

	Investment Holdings	Property Development	Construction Materials	Educational Services	BPO	Eliminations	Total Operations
Year Ended December 31, 2020							
Revenue	₱504,034	₱11,011	₱10,119,133	₱2,094,989	₱2,128	(₱429,544)	₱12,301,751
Segment results	(272,971)	(2,573)	1,310,709	197,347	(25,940)	(10,509)	1,196,063
Investment income	465,072	9,201	(15,087)	22,971	3	(429,544)	52,616
Equity in net earnings of associates and joint ventures	–	(951)	(4,683)	5,700	–	1,902	1,968
Interest expense and other financing charges	(138,988)	–	(306,672)	(184,566)	–	3,458	(626,768)
Provision for income tax	(3,998)	(220)	(70,567)	(27,154)	–	–	(101,939)
Share of non-controlling interests	–	–	–	(38,016)	–	(311,287)	(349,303)
Net income attributable to equity holders of the parent	₱49,115	₱5,457	₱913,700	(₱23,718)	(₱25,937)	(₱745,980)	₱172,637
Total assets	₱9,171,502	₱326,978	₱9,014,812	₱11,678,220	₱47,402	(₱5,766,499)	₱24,472,415
Total liabilities	₱2,514,432	₱52,561	₱6,096,982	₱5,974,629	₱393,494	₱886,903	₱15,919,001

42. Events after the Reporting Period

On March 3, 2023, the Parent Company's BOD declared a 6% regular cash dividend amounting to ₱171.8 million or equivalent to ₱0.60 per share payable on April 5, 2023 to shareholders of record as at March 22, 2023. On the same date, the Parent Company's BOD approved the appropriation of ₱500.0 million for the investment in PPHC and re-appropriation of ₱1.1 billion for the investment in the Construction Materials business until December 31, 2024. In addition, the Parent Company's BOD approved the reversal of previous appropriations of retained earnings amounting to ₱500.0 million for investment in Education business in 2021 and ₱165.5 million for buyback of PHN shares in 2020.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
PHINMA Corporation
12th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of PHINMA Corporation and its subsidiaries (the Company) as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 3, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company'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 consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
Tax Identification No. 153-978-243
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 88823-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-078-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9369781, January 3, 2023, Makati City

March 3, 2023

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
PHINMA Corporation
12th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of PHINMA Corporation and its subsidiaries (the Company) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 3, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Components of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company'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 consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui
Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
Tax Identification No. 153-978-243
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 88823-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-078-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9369781, January 3, 2023, Makati City

March 3, 2023

PHINMA CORPORATION AND SUBSIDIARIES

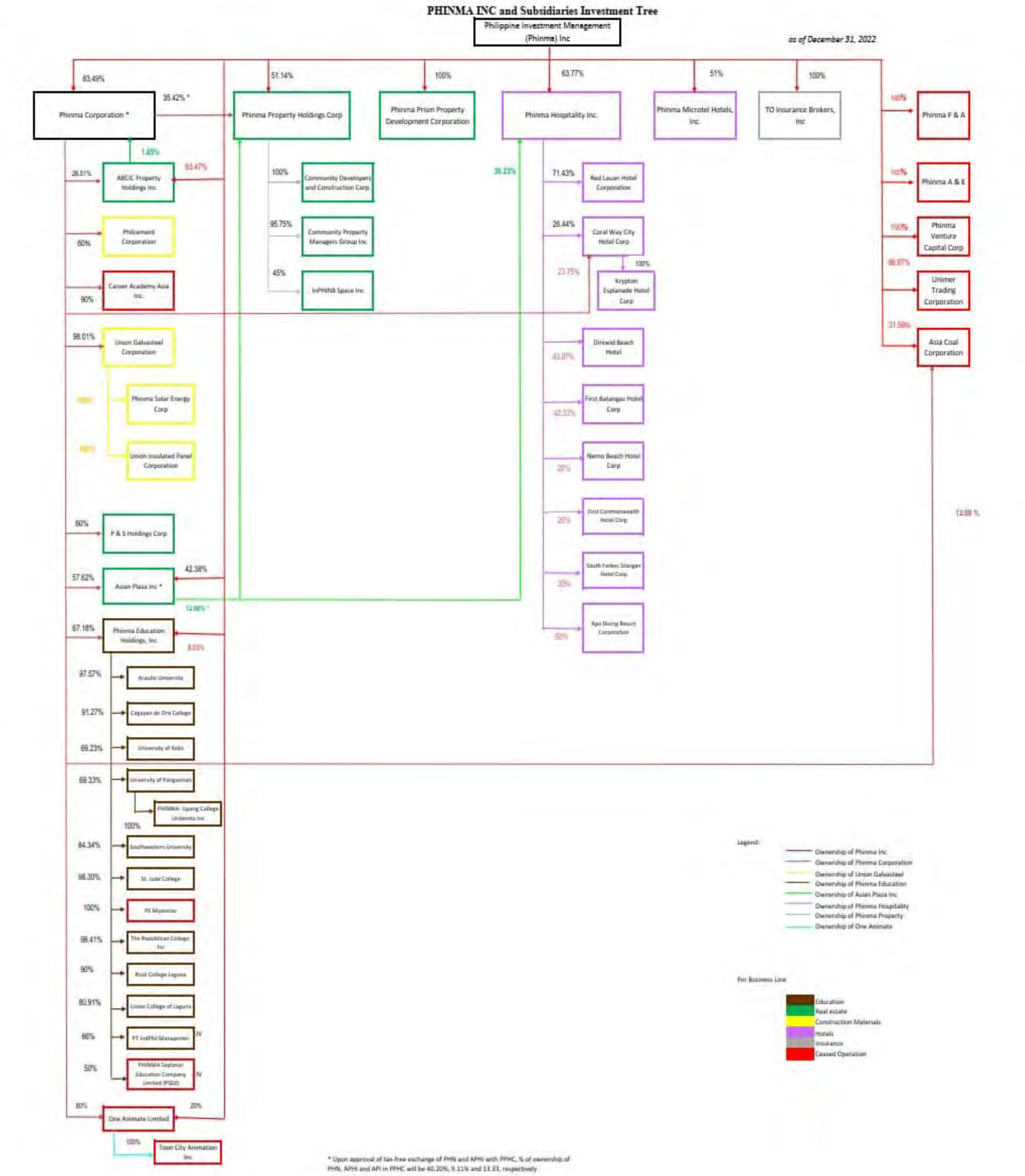
Index to the Consolidated Financial Statements and Supplementary Schedules
December 31, 2022

ANNEX I

PHINMA CORPORATION
Reconciliation of Retained Earnings
Available for Dividend Declaration
As at December 31, 2022

Unappropriated Retained earnings at January 1, 2022		₱1,857,774,698
Add: Prior years' outstanding reconciling items, net of tax:		
Remeasurement loss on pension liability transferred to retained earnings	24,803,621	
Unrealized gain on derivatives	(85,488,074)	
Unrealized gain on change in fair value of financial assets through profit or loss	(172,437,949)	
Unrealized gain on fair value adjustment on investments held for trading	(1,749,860)	(234,872,262)
Unappropriated retained earnings available for dividend declaration at January 1, 2022, as adjusted		1,622,902,436
Add (Less): Net income actually earned / realized in 2022		
Net income	268,500,068	
Unrealized gain on derivative investments	(114,041,866)	
Unrealized gain on change in fair value of financial assets through profit or loss	(103,844,796)	
Unrealized gain on fair value adjustment on investments held for trading	(7,937,087)	42,676,319
Add: Remeasurement gain on pension liability transferred to retained earnings		(5,825,286)
Add: Reversal of appropriation during the year		-
Less: Appropriation of retained earnings during the period	-	
Cash dividend declared	(135,929,983)	
Treasury shares	(182,198)	(136,112,181)
Unappropriated retained earnings available for dividend declaration at December 31, 2022		₱1,523,641,288

PHINMA CORPORATION AND SUBSIDIARIES
Map of the Relationship of the Companies within the Group
December 31, 2022



ANNEX III

PHINMA CORPORATION AND SUBSIDIARIES
Supplementary Schedules Required by Paragraph 7D, Part II
Under Revised SRC Rule 68
December 31, 2022

Schedule A. Financial Assets

Name of issuing entity and description of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotations at balance sheet date	Interest received and accrued
Cash and cash equivalents		**₱ 3,421,577,720**	**₱ 3,421,577,720**	**₱ 29,598,903**
Investment in Unit Investment Trust Fund and Money				
BDO Unibank, Inc. (Peso MMF)	115,704	193,295,559	193,295,559	–
BDO Unibank, Inc. (Peso STF)	571,615	64,917,557	64,917,557	–
BDO Unibank, Inc. (ÙSD MMF)	163	1,326,583	1,326,583	–
Bank of the Philippine Islands (MMF)	98,097	26,251,674	26,251,674	–
Bank of the Philippine Islands (Peso Short term fund)	158,200	25,055,884	25,055,884	–
Bank of the Philippine Islands (USD Short term fund)	32	556,647	556,647	–
China Banking Corporation (Cash Fund)	46,599,785	54,584,764	54,584,764	–
China Banking Corporation (MMF)	27,278,397	36,772,280	36,772,280	–
China Banking Corporation (IFIF)	22,035	26,844	26,844	–
China Banking Corporation (STF)	21,475,308	26,200,435	26,200,435	–
Rizal Commercial Banking Corporation (Peso MMF)	8,875,568	15,064,650	15,064,650	–
Rizal Commercial Banking Corporation (Peso CMF)	9,322,887	10,888,009	10,888,009	–
Security Bank Corporation (Peso Bond Fund)	215,932	423,285	423,285	–
Security Bank Corporation (Peso MMF)	131,889,349	192,018,875	192,018,875	–
		₱647,383,046	**₱647,383,046**	**₱12,919,055**
Marketable Equity Securities				
Aboitiz Equity Venture	1,900	109,630	109,630	
Aboitiz Power Corporation	3,700	125,800	125,800	–
AC Energy (ACEPH) formerly Phinma Energy Corp.	200,000	1,512,000	1,512,000	–
ACE Enexor, Inc. formerly Phinma Petroleum and Geothermal Corp.	8	112	112	–
Ayala Corporation	530	368,350	368,350	–
Banco de Oro Universal Bank	1,253	132,442	132,442	–
Century Pacific Food, Inc	3,500	85,750	85,750	
Cosco Capital	19,000	88,540	88,540	
D&L Industries, Inc.	24,400	190,808	190,808	–
Del Monte Pacific Limited	5,972	83,608	83,608	–
DMCI Holdings, Inc	14,100	157,920	157,920	
First Gen Corp	5,600	93,296	93,296	–
First Phil. Holdings Corp.	9,440	571,592	571,592	–

Name of issuing entity and description of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotations at balance sheet date	Interest received and accrued
Holcim Phil.	15,603	60,696	60,696	–
Metro Pacific Investment Corp.	60,000	204,600	204,600	
Metrobank	5,000	270,000	270,000	
Phinma Corp.	114,850	2,182,150	2,182,150	–
Puregold Price Club, Inc.	2,400	83,520	83,520	
Robinsons Retail Holdings, Inc.	6,100	327,875	327,875	
San Miguel Food and Beverage	1,270	49,149	49,149	
Security Bank Corporation	1,767	153,729	153,729	–
Universal Robina Corp.	600	81,600	81,600	–
		₱6,933,167	**₱6,933,167**	**(₱1,182,170)**
Treasury Bills	–	–	–	–
Trade and other receivables	–	**₱5,631,456,359**	**₱5,631,456,359**	**₱10,282,821**
Financial assets at fair value through other comprehensive income				
Unquoted:				
Asian Eye Institute, Inc.	100,000	3,391,364	3,391,364	–
Asia Coal	6,039	153,857	153,857	–
Beacon Property Ventures, Inc.	32,400,000	64,334,808	64,334,808	–
Manila Cordage Company	18,136	11,045,436	11,045,436	–
Others	various	3,033,675	3,033,675	–
Quoted				
Club shares	various	41,000,000	41,000,000	–
		₱122,959,140	**₱122,959,140**	–
		₱9,830,335,962	**₱9,830,335,962**	**₱ 51,618,609**

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

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts collected	Amounts Written off	Current	Not Current	Balance at end of period
Advances to officers and employees	₱ 53,958,276	₱ 10,536,996	(₱8,336,906)	₱–	₱ 56,148,366	₱–	**₱ 56,148,366**

Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts collected	Allowance for doubtful accounts	Current	Non Current	Balance at end of period
Accounts Receivable							
One Animate Ltd.	₱303,639,045	₱150,200	₱–	₱–	₱–	₱303,789,245	₱303,789,245
Philippine Cement Corp.	713,235,050	1,562,122,253	(740,249,847)	–	1,535,107,456	–	1,535,107,456
Union Galvasteel Corporation	345,456,810	168,936,650	(463,949,693)	–	50,443,767	–	50,443,767
Phinma Corporation	68,386,938	25,960,689	(25,854,973)	–	68,492,654	–	68,492,654
Phinma Education Holdings, Inc.	48,793,250	54,791,774	(61,556,234)	–	42,028,790	–	42,028,790
Phinma Solar	6,422,298	9,936,464	(12,878,060)	–	3,480,702	–	3,480,702
Career Asia Academy	6,925,184	–	(5,921,801)	–	1,003,38	–	1,003,38
Cagayan de Oro College	44,699	1,224,413	(630,430)	–	638,682	–	638,682
University of Iloilo	49,383	98,001	(11,221)	–	136,163	–	136,163
Pamantasan ng Araullo (Araullo University), Inc.	56,105	417,570	(70,576)	–	403,099	–	403,099
South Western University	37,787	180,191	(69,223)	–	148,755	–	148,755
University of Pangasinan	39,427	505,254	(104,712)	–	439,969		439,969
St. Jude College	6,160	160,764	(24,154)	–	142,770	–	142,770
Asian Plaza, Inc	2,895	200	–	–	3,095	–	3,095
Republican College	4,421	9,779	(4,421)	–	9,779	–	9,779
Rizal College of Laguna	–	1,973	–	–	1,973	–	1,973
	₱1,493,099,452	₱ 1,824,496,175	(₱ 1,311,325,345)	₱–	₱1,1702,481,037	₱ 303,789,245	**₱2,006,270,282**

Schedule D. Intangible Assets - Other Assets

Description	Beginning Balance	Additions At Cost	Charged to Costs and Expenses	Charged to Other Accounts	Other Changes- Additions (Deductions)	Ending Balance
Cost:						
Goodwill	₱ 2,221,068,048	₱ –	₱–	₱–	₱	₱ 2,221,068,048
Student lists	165,638,300	–	–	–	–	165,638,300
Software	74,524,901	11,123,805	–	–	–	85,648,706
	2,467,231,249	11,123,805	–	–	–	2,472,355,054
Accumulated amortization :						
Goodwill	403,131,669	–	–	–	–	403,131,669
Student lists	165,638,300	–	–	–	–	165,638,300
Software	39,882,247	9,978,150	–	–	–	49,860,397
	608,652,216	9,978,150	–	–	–	618,630,366
	₱ 1,852,579,033	₱1,145,655	₱–	₱–	₱ –	**₱ 1,853,724,688**

Schedule E. Long-term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long Term Debt" in related balance sheet"
PHINMA Education Holdings, Inc.			
Rizal Commercial Banking Corporation	₱ 1,553,646	₱ 43,194,185	₱ 1,510,452,440
China Banking Corporation	441,900,506	15,263,724	426,636,782
	1,995,547,131	58,457,909	1,937,089,222
PHINMA Corporation			
Bonds payable	2,972,777,072	–	2,972,777,072
Security Bank Corporation	1,942,344,485	20,000,000	1,922,344,485
	4,915,121,557	20,000,000	4,895,121,557
Southwestern University			
Rizal Commercial Banking Corporation	391,660,599	4,067,676	387,592,923
China Banking Corporation	196,829,000	1,915,338	194,913,662
	588,489,599	5,983,014	582,506,585
Union Galvasteel Corporation			
Banco de Oro	954,205,544	47,958,083	906,247,461
PhilCement Corporation			
Security Bank Corporation	1,284,028,348	418,466,281	865,562,067
University of Pangasinan			
China Banking Corporation	165,554,030	11,240,304	154,313,726
Rizal Commercial Banking Corporation	60,488,000	17,524,597	42,963,403
	226,042,030	28,764,901	197,277,129
Pamantasan ng Araullo (Araullo University), Inc.			
China Banking Corporation	220,022,967	21,981,952	198,041,015
University of Iloilo			
China Banking Corporation	188,900,522	4,983,727	183,916,795
Rizal Commercial Banking Corporation	194,325,755	728,919	193,596,836
	383,226,277	5,712,646	377,513,631
Cagayan de Oro College			
China Banking Corporation	125,537,909	30,103,902	95,434,007
Private Funder	25,000,000	–	25,000,000
	150,537,909	30,103,902	120,434,007
Phinma Solar Energy Corp.			
China Banking Corporation	96,542,241	10,970,313	85,571,928
P&S Holdings Corporation			
United Pulp and Paper Company, Inc.	120,982,411	4,000,000	116,982,411
	₱ 10,934,746,014	₱ 652,399,001	**₱ 10,282,347,013**

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

	Balance at beginning of period	Balance at end of period
None	₱–	₱–

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of Guarantee
None	–	–	–	–

Schedule H. Capital Stock

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Preferred shares						
Class AA	50,000,000	–	–	–		
Class BB	50,000,000	–	–	–		
	100,000,000	–	–	–		
Common shares	420,000,000	286,343,544	–	187,428,922	30,460,130	68,436,213
Treasury shares	–	(18,279)	–	–	–	–
	520,000,000	**286,325,265**	–	**187,428,922**	**30,460,130**	**68,436,213**

PHINMA CORPORATION AND SUBSIDIARIES

Components of Financial Soundness Indicators

December 31, 2022

Ratio	Formula		2022	2021
Current Ratio	**Total Current Assets divided by Total Current Liabilities**		**1.71**	1.71
	Total Current Assets	₱ 12,712,875		
	Divided by: Total Current Liabilities	7,424,531		
	Current Ratio	1.71		
Acid Test Ratio	**Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities**		**1.31**	1.39
	Quick Assets	₱ 9,707,350		
	Divided by: Total Current Liabilities	7,424,531		
	Acid Test Ratio	1.31		
Solvency Ratio	**Net Income add Non-cash Expenses divide by Total Liabilities**		**10.34%**	12.31%
	Net Income	₱ 1,529,181		
	Add: Non-cash expenses	629,184		
		2,158,365		
	Divided by: Total Liabilities	20,868,356		
	Solvency Ratio	10.34%		
Debt-to-Equity Ratio	**Total Interest-Bearing Debt divided by Total Stockholders' Equity**		**1.87**	2.02
	Total liabilities	₱ 20,868,356		
	Divided by: Total stockholders' equity	11,142,669		
	Debt-to-Equity Ratio	1.87		
Asset-to-Equity Ratio	**Total Assets divided by Total Stockholders' Equity**		**2.87**	3.02
	Total Assets	₱ 32,011,025		
	Divided by: Total Stockholders' Equity	11,142,669		
	Asset-to-Equity Ratio	2.87		
Interest Rate Coverage Ratio	**Earnings Before Interest and Taxes divided by Total Interest Expense**		**3.25**	4.04
	Earnings Before Interest and Taxes	₱ 2,237,867		
	Divided by: Interest Expense	688,190		
	Interest Rate Coverage Ratio	3.25		

Ratio	Formula		2022	2021
Return on Equity	**Net Income divided by Average Total Stockholders' Equity**		**14%**	20%
	Net Income	₱ 1,529,181		
	Divided by: Average Total Stockholders' Equity	10,557,619		
	Return on Equity	14%		
Return on Assets	**Net Income divided by Average Total Assets**		**5%**	7%
	Net Income	₱ 1,529,181		
	Divided by: Average Total Assets	31,078,559		
	Return on Assets	5%		
Net Profit Margin	**Net Income divided by Total Revenue**		**9%**	12%
	Net Income	₱ 1,529,181		
	Divided by: Total Revenue	17,664,582		
	Net Profit Margin	9%		

ANNEX **D**

Management Report

Annex D

MANAGEMENT REPORT

FINANCIAL AND OTHER INFORMATION

Changes In and Disagreements with Accountants on Accounting and Financial Disclosures

For the last seven (7) years, there have been no disagreements with the independent accountants on any matter of accounting principles or practices, financial statement disclosures or auditing scope or procedure.

Management's Discussions and Analysis or Plan of Operation

CALENDAR YEAR 2022

For the year ended December 31, 2022, consolidated revenue of PHINMA Corporation increased 10.14% to P17.66 billion. Consolidated net income declined 18.67% to P1.53 billion due to factors including higher raw materials costs driven by global supply chain disruptions, a strong US Dollar, and increased education costs due to a revision in school opening schedules.

PHINMA Education Holdings, Inc. (PHINMA Education) is the country's largest private education network. In SY 2022-23, PHINMA Education posted a 31.81% increase in annual enrollment resulting in consolidated revenue of P4.07 billion for 2022, an increase of 10.21% over the previous year. Enrollment of PHINMA Education is 124,501 students for SY 2022-23, making it the largest education network in the Philippines. Net income attributable to shareholders of the parent during the period however was P633.46 million, a decrease from P838.60 million for the previous year, due to a revision in the school opening schedules, reflecting 9 months of regular semester for 2022 compared to eleven months in 2021.

The Construction Materials Group (CMG), composed of Union Galvasteel Corporation (UGC), Philcement Corporation, and PHINMA Solar Corporation (PHINMA Solar), achieved an increase of 9.07% over the previous year with combined revenues of P 13.25 billion for 2022. Net income for the group of P494.88 million for 2022 was however lower than P902.08 million posted in the previous year due to higher input costs amidst global supply chain issues and a strong US Dollar.

During the year, PHN's subsidiary, Asian Plaza Inc. posted net income of P40.77 million mainly due to a gain on sale of real property.

From affiliates PHINMA Property Holdings Corp. (PHINMA Properties) and Coral Way City Hotel Corporation (Coral Way), PHN equitized net income of P58.01 million in 2022, an increase over P32.94 million equitized in the previous year, as both companies posted improved operating results during the year.

Consolidated net income attributable to equity holders of the parent amounted to P947.68 million in 2022 which represents a decrease of 16.06% compared to the previous year.

For 2023, PHINMA Corporation expects a recovery in profitability of its Construction Materials Group and Properties business as global supply chains and foreign exchange rates continue to stabilize and input costs decrease. Profitability of the education business will gain clarity as school opening schedules become more regular every year. Our schools are also expanding capacity in anticipation of continuing growth in enrolment. Our hotels are also expected to post a strong recovery as occupancy rates and average daily rates continue to improve with leisure and business travel gaining momentum.

PHINMA Corporation ended the period with cash and cash equivalents of P3.42 billion. Consolidated Total Assets and Total Stockholders' Equity at December 31, 2022 stood at P 32.01 billion and P 11.14 billion, respectively.

2022 Highlights

PHINMA Education, the country's largest private education network, holds the group's investment in nine tertiary education schools in the Philippines and also oversees the Horizon Education tertiary institution brand in Indonesia. Despite the suspension of face-to-face classes in the country for most of 2022, PHINMA Education achieved record breaking enrolment for SY 2022 to 2023 of 124,501 students in the Philippines and Indonesia, an increase of over 30%.

To address inflation and its effect on affordability of its programs, PHINMA Education partnered with education financing platforms to intensify flexible tuition payment plans for students. In addition, six out of ten students in the Philippines benefit from scholarships which effectively reduce tuition fees. This resulted in high retention rates in both the Philippines and Indonesia. PHINMA Education continued to achieve strong results in key indicators like board exams and graduate employment. PHINMA Education's board exam passing rates in the Philippines averaged 76% in 2022, well above the national average. The PHINMA Education schools also produced two board topnotchers last year, producing 137 topnotchers since 2004. In its first ever tracer study, PHINMA Education found that over half of its 2020 graduates were employed within 6 months after graduation, perhaps the best testament to how the company makes lives better.

PHINMA Education posted consolidated revenues of P4.07 billion in 2022, an 11 percent increase over the previous year. Net income attributable to shareholders of the parent, on the other hand, decreased to P633.46 million due to revisions in the school opening schedules effectively shortening the 2022 school year with nine months of regular classes in CY2022 as compared to 11 months of regular classes in the previous year.

The PHINMA Construction Materials Group (PHINMA CMG), composed of Union Galvasteel Corporation (UGC), Philcement Corporation (Philcement), and PHINMA Solar Energy Corporation (PHINMA Solar), supply galvanized iron and steel building products, cement, and solar rooftop generation solutions, respectively, in support of our nation's infrastructure and construction sectors.

In 2022, even as the local construction industry began to recover following the easing of pandemic constraints, further disruptions in global supply chains as well as a strong US dollar following the Russia-Ukraine war resulted in a sharp increase in landed cost of inputs for the domestic construction industry. In response, the PHINMA CMG implemented cost management and margin optimization initiatives to continue its revenue growth while also positioning itself for improved operating results in the future.

UGC managed costs and improved margins to address the global volatility. More importantly, the company expanded two new distinct divisions to focus on promising businesses with potentially higher margins. The Light Steel Frames and Insulated Panels divisions position UGC to capture more growth as the global economy stabilizes. Philcement strengthened relationships with customers, maintained sales volumes, and recalibrated strategies to focus on higher margin products and markets in 2022. Meanwhile, PHINMA Solar continued to expand in the residential market, reduced build costs, and leveraged group synergies through joint selling efforts with UGC.

The Construction Materials Group combined posted revenues of P13.25 billion for 2022, a 9.07% increase over the previous year. Net income for the group of P494.88 million was lower than the previous year due to the abnormal global supply chain issues and the strong US Dollar.

PHINMA Property Holdings Corporation (PHINMA Properties) seeks to make lives better through creating sustainable communities and townships for middle-income Filipino families. In 2022, PHINMA Properties closed the year with record high net reservations and revenue recognition leading to improved financial results. In our hospitality business, the two hotels operating under Coral Way City Hotel Corporation began recovering leisure and corporate bookings as pandemic restrictions were removed. The Company correspondingly recognized higher earnings contributions from these two associates amounting to P58.01 million in 2022.

In 2022, the Company in coordination with its financial advisors facilitated several online corporate access events to enhance visibility in the capital markets in support of the overall plan to improve shareholder values. PHINMA launched the PHINMA Certificate of Readiness (PHINMA CORE) Program to continue to develop its bench and to prepare for the future growth of its businesses.

PHINMA Corporation’s strong business performance has allowed it to maintain a healthy balance sheet in 2022 with total assets of P32.01 billion, and a current ratio and debt-to-equity ratio of 1.71:1.00 and 1.87: 1.00, respectively.

The Company is happy to report that the Board has declared a regular cash dividend of P0.60 per share, which is payable on 5 April 2023.

The Company is also delighted to share how it has made lives better outside the business, through its volunteer and scholarship programs. Last September, PHINMA Group mobilized over 800 employees, scholars, and their families to help with Brigada Eskwela, the Department of Education’s annual school improvement initiative. The Company’s efforts benefitted 40 public schools across the country. In November, as part of PHINMA’s 66th anniversary, some 1,300 volunteers once again gave their time and talent in various PHINMA Reaches Out activities, which ranged from bloodletting, tree-planting, and coastal and river clean-up drives.

Last year, 47 deserving students were inducted into the PHINMA National Scholarship (PNS) program. With this recent addition, the program now nurtures 99 scholars from Philippine Normal University, University of the Philippines, Polytechnic University of the Philippines, and PHINMA University of Pangasinan. As these scholars complete their tertiary education, they will add to PNS’ growing list of alumni which currently numbers 252. More significant to note is the fact that the PHINMA Education network supports the schooling of about 60% of its student population with the Hawak Kamay scholarship, which reduces tuition by up to 75%, based on the student’s capacity to pay. Hawak Kamay boasts of at least 74,000 beneficiaries, making it the single largest private sector-driven scholarship program in the country today.

2023 Outlook

This year the country looks forward to a recovery from the pandemic and a strong rebound in affected sectors including property, travel, and hospitality. A hybrid system will likely prevail under the new normal as schools and workplaces have realized the benefits of remote work and learning. The Russia-Ukraine War unfortunately has no resolution in sight and though we expect supply chain distortions to moderate, inflation will likely remain elevated in the year. The government has mentioned it intends to continue to control inflation through higher interest rates and, to compensate, spur economic recovery through infrastructure spending and development.

With the full resumption of face-to-face classes, the education industry hopes to begin to recover from the learning crisis caused by the pandemic. Moving forward, PHINMA Education intends to maintain alternative learning systems as a fundamental change in the way it delivers education and as an additional channel to reach distant students. PHINMA Education continues to invest in its schools to improve learning facilities and increase capacity and looks forward to further overseas expansion to capture more of the underserved education market in Indonesia and eventually other Southeast Asian countries. In the Philippines, PHINMA Education is always on the lookout to acquire more schools situated in growing urban communities which complement its network, to offer its brand of accessible quality education to more underserved youth.

For the Construction Materials Group, UGC with its emphasis on two new distinct divisions is well positioned to capture growth from a further recovery of the construction sector. Philcement looks forward to improved margins as efficiency and optimization measures continue, supplier relationships are maintained, and costs normalize. Meanwhile, PHINMA Solar hopes to leverage the previous volatility in energy prices to push more clean and renewable energy to a target residential and commercial market, with the support of its parent, UGC.

For 2023, PHINMA Properties will continue existing horizontal projects in Cebu, Las Pinas City, and Batangas while also developing its first mixed-use township project in Bacolod City as it pursues a new direction to shape urban centers. PHINMA Corporation has also announced plans of an equity investment of up to P420 million in PHINMA Properties by 2024 to provide funding for this new initiative. Finally, following the lifting of pandemic and travel restrictions, we expect a recovery in the hotel industry and the return of Coral Way’s pre-pandemic market for international and domestic leisure and corporate accommodations.

Despite global volatility, the past several years has been a period of remarkable growth for the Company driven primarily by its strategic business units. The Company reaffirms a long-term plan of mission orientation, succession planning, talent development, and investor relations, with the objective of returning value to its loyal investors and growing sustainably for many more years to come.

Key Performance Indicators (KPI)

Below are the top five (5) KPI's used to measure the financial performance of PHINMA and its material subsidiaries for the periods indicated:

Financial KPI	Definition	December 2022	December 2021
Profitability			
Return on Equity (ROE)	Net Income Attributable to Equity holders of the Parent / Average Equity Attributable to Equity Holders of the Parent[1]	**11.94%**	16.05%
Gross Profit Margin	Gross Profit[2] / Total Revenues	**24.74%**	28.05%
Efficiency			
Cash Flow Margin	Cash Flows from Operating Activities / Total Revenues	**-7.30%**	5.80%
Liquidity			
Current Ratio	Total Current Assets / Total Current Liabilities	**1.71:1.00**	1.71 : 1.00
Debt-to-Equity Ratio	Total Liabilities / Total Equity	**1.87:1.00**	2.02 : 1.00

Profitability

The return on equity of 11.94 % in CY 2022, is lower than 16.05% return of the previous year due to lower net income in 2022, coupled with higher equity resulting from the CY2022 net income and sale of treasury shares in September 2022. Gross profit margin decreased from 28.05% to 24.74% in 2022 due to increased input costs, given the abnormal supply conditions and weakening of the peso.

Efficiency

Net cash outflow from operations amounted to ₱1,289.70 million in CY 2022 compared to net cash inflow of ₱929.82 million in CY 2021, mainly due to increase in trade and other receivables and in inventory of CMG and the schools, as well as payment of trust receipts by CMG.

Liquidity

Current ratio remained the same at 1.71:1.00 in CY 2022 as there were minimal net movements with current assets and current liabilities.

Debt-to-equity ratio of PHN and its subsidiaries as of end December 2022 decreased from 2.02:1.00 to 1.87:1.00, mainly due to higher equity resulting from net income for the year and sale of the treasury shares.

---

[1] Average Equity Attributable to Equity Holders of the Parent is derived by dividing in two (2) the sum of beginning Equity Attributable to Equity Holders of the Parent and ending Equity Attributable to Equity Holders of the Parent.
[2] Gross Profit is calculated by deducting cost of sales and cost of educational, installation, hospital and consultancy service from total revenues.

Other Financial Ratios are as follows:

Financial Ratio	Definition	December 2022	December 2021
Asset to Equity	Total Assets / Total Equity	**2.87**	3.02
Interest Rate Coverage Ratio	EBITDA[3] / Interest Expense and Other Financing Charges	**4.17**	4.97

Asset to Equity ratio of PHN and subsidiaries as of end December 2022 decreased from 3.02 to 2.87 due to increase in total equity from ₱9.97 billion in 2021 to ₱11.14 billion in 2022, mainly due to net income and sale of treasury shares.

Interest rate coverage ratio decreased from 4.97 in 2021 to 4.17 in 2022, due to lower earnings in CY 2022, as compared to CY 2021.

Accounting Policies and Principles

The accompanying consolidated financial statements of Phinma Corporation have been prepared in compliance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS). The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit and loss, available for sale investments and derivative investments that have been measured at fair value.

The consolidated financial statements are prepared in Philippine pesos, the company's functional and presentation currency.

Disclosures on Financial Statements

Below are additional disclosures on the Company's operations :

a. On any known trend, demand, commitment, event and uncertainty that will result in or likely to decrease its liquidity in any material way :

   PHN does not anticipate having any cash flow or liquidity problems nor does it anticipate any default or breach of any of its existing loans.

b. On any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

   None

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

   None

d. On material commitments for capital expenditures, the general purpose of such commitments and the

[3] EBITDA is net income of the Issuer after adding back (i) interest expense and other financing charges (ii) provision for (benefit from) income tax and (iii) depreciation and amortization.

expected sources of funds for such expenditures:

None

e. On any known trend, event or uncertainty that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations:

The easing of pandemic constraints followed by further disruptions in global supply chains as well as a strong US dollar following the Russia-Ukraine war, resulted in a sharp increase in input costs, which significantly affected the Company's margins. Their impact is reflected in the financial statements as of December 31, 2022. Phinma Corporation and its subsidiaries continue to monitor developments and to adapt accordingly with continuous implementation of cost management measures/cost rationalization across departments.

f. Any significant elements of income or loss that did not arise from the Issuer's continuing operations.

None.

g. On the causes for any material change from period to period which shall include vertical and horizontal analyses of any material item:

Increase or decrease of 5% or more in the financial statements are discussed below.

h. On any seasonal aspect that had a material effect on the financial condition or results of operations.

Like any other company in the construction industry, the operations of UGC is affected by seasonality demand. Demand for roofing materials is greater during the months from December to May, than during the rainy months of June to November. Hence, the demand for the first semester of the calendar year is normally higher than that of the second semester.

The revenues of the PHINMA Education schools decline during summer months. Hence, net income during the first half of the calendar year is lower than the second half.

For other subsidiaries, there is no significant seasonality that would materially affect their operations.

Material Changes in Statement of Financial Position Accounts

As of December 31, 2022, the Group's total consolidated assets stood at ₱32.01 billion, higher by 6.19 % than the ₱30.15 billion total consolidated assets as of December 31, 2021.

Similarly, total consolidated liabilities amounted to ₱20.87 billion, higher by 3.44 % or by ₱694.83 million than total consolidated liabilities as of December 31, 2021.

The following are the material changes in account balances:

ASSETS

Cash and cash equivalents
The movements in cash and cash equivalents are shown in the cash flow statement

Investments held for trading
The drop in the account is mainly attributable to maturity of investments in UITFs of the parent company.

Trade and other receivables
The net increase in trade and other receivables is attributable to higher trade receivables from CMG on the back of improved selling prices and higher volume.

Inventories
The net increase in inventory of P401.95 million is attributable to higher input costs in 2022.

Input value-added taxes and other current assets
The net increase in this account is attributable to increase in prepaid expenses and prepaid taxes from CMG and the schools

Derivative asset - current
Higher forward rates on CMG's deliverable forward contracts compared to closing rate resulted in a derivative liability, hence the decrease in this asset account.

Investment in associates and joint venture
The increase of P165.55 million is mainly due to additional investment of Phinma Education in IPM

Financial asset at fair value through profit or loss
The increase of P103.85 million is due to the mark-to-market gain on investment in preferred shares of Songlam.

Property, plant and equipment
The P916.52 million increase is due to the purchase of land in COC, continuing construction activities in various school buildings and CMG plant site, hospital renovation and purchase of transportation and machinery equipment.

Right-of-use assets
The ₱20.21 million decrease represents the depreciation of the right-of-use assets of CMG.

Deferred tax assets - net
The 26.46% increase in this account pertains mainly to an increase in deferred tax assets of CMG, SWU and RCL.

Derivative asset – non-current
The increase of P137.62 million is due to unrealized gain on the put option on the investment in Songlam preferred shares

Other noncurrent assets
The 16.98% increase in this account pertains mainly to the increase in advances to suppliers and contractors, in relation to the on-going construction and renovation of the schools.

LIABILITIES

Notes payable
The P1.85 billion increase in this account is attributable to the short-term notes that CMG availed of in 2022.

Trade and other payables
The increase of ₱ 172.79 million in trade and other payables represents increase in trade and other payables of the various schools partially offset by payments made by CMG and parent.

Contract Liabilities
The increase in contract liabilities is attributable to the higher enrolment in SY22-23 vs SY21-22. Tuition fees are accrued as payables at the start of the semester and decrease as the revenue is earned over the semester.

Trust receipts payable
The decrease of ₱1.58 billion in the account is attributable to settlement of CMG's trust receipts payable using the proceeds from the short-term loans.

Derivative liability
The increase in this account is mainly attributable to higher forward rate on CMG's deliverable forward contracts compared to closing rate for the period, resulting in a derivative liability.

Income and other taxes payable
The increase in this account is attributable to increase in tax payable from the schools.

Current portion - long-term debt
The increase in this account resulted mainly from re-classification of a portion of long-term debt of CMG which became current towards the latter part of 2022.

Due to related parties
The drop in this account is mainly attributable to payment of amounts due to the parent holding company.

Non-controlling interest put liability
The movement represents the increase in present value of the contingent amount payable by PHINMA Corporation to non-controlling shareholders of PHINMA Education.

Pension and other post-employment benefits
The increase in the account represents increased accrual of retirement benefits by CMG.

Lease liability
The decrease in the account amounting to ₱36.18 million represents periodic lease payments by UPang.

EQUITY

Treasury shares
The movement in the account represents the sale of 14.41 million treasury shares in 2022.

Exchange differences on translation of foreign operations
The movement in the account represents the adjustments arising from the translation of the financial statements of One Animate Limited (OAL) to Philippine Pesos.

Equity reserves
The movement in the account is due to the increase in the contingent liability arising from the put option on shares in PHINMA Education.

Share in other comprehensive income of associates
The change is attributable to other comprehensive income of ABCIC Property Holdings Inc.

Retained earnings
The increase in the account represents increase in net income for the year, partially offset by dividends declared during the period amounting to ₱135.93 million.

Non-controlling interests
The increase is mainly attributable to the share of non-controlling shareholders in the income of the schools and in CMG offset by the impact of the accretion of the contingent NCI put liability.

Material Changes in Income Statement Accounts

Revenues
The P1.63 billion increase in revenues is mainly due to higher CMG revenues and higher enrollment in schools.

Cost of sales
The P1.76 billion increase in cost of sales is attributable to higher costs of raw materials, fuel and freight faced by CMG, and higher cost of learning materials and other direct costs as students returned to face to face classes.

General and administrative expenses
General and administrative expenses also increased from previous year due to higher costs resulting from volatile supply situation as well as higher personnel cost to support increased enrollment in SY2223.

Selling expenses
The decrease in the account can be attributed to the manpower rationalization in CMG.

Interest expense and other financing charges
The increase in interest expense and other financing charges resulted from the P3 billion corporate bond issued during third quarter of last year as well as the additional long-term debt obtained by Philcement during the last quarter of 2021.

Equity in net earnings (losses) of associates and joint ventures
Equity in net earnings of investees increased in 2022 due to higher equitized earnings in Phinma Property Holdings Corp.

Foreign exchange gains (losses) - net
In 2021, the foreign exchange gain arose from the dollar-denominated assets of the parent company, earmarked for the investment in Songlam. For 2022, the forex gain is attributable to PEHI's USD holdings restated at the forex rate of P55.755: $1 compared to P50.99: $1 as of December 31, 2021.

Unrealized gain on change in fair value of financial assets at fair value through profit or loss
Increase in this account is attributable to the increase in fair value of the investment in Song Lam preferred shares.

Gain (Loss) on derivatives
The gain on derivatives mainly resulted from the increase in value of the put option on the Song Lam preferred shares.

Gain on sale of property, plant and equipment - net
The amount represents the gain on sale of PPE of the Construction Materials group.

Others – net
The decrease in this account is mainly due to the lower other income of CMG and Phinma Education compared to CY 2021

Provision for (benefit from) income tax
The provision resulted mainly from the deferred tax adjustments of PHINMA Education.

CALENDAR YEAR 2021

2021 marked the second year of the pandemic, which has posed a new set challenges for all of us. As our nation continues to embrace these challenges, the PHINMA Group has become even more determined to pursue its mission of making lives better by giving communities, not only in the Philippines but wherever else we might find the need, improved access to the essentials of a dignified life. Despite the prolonged impact of the pandemic, your Company successfully achieved major milestones, including the acquisition of its tenth tertiary education institution, its first bond issuance in over 25 years, and vaccine rollout for employees and their dependents. Based on the proven resiliency and innovative strategies of its business units, we believe PHINMA Corporation has established a strong base for sustained growth.

In 2021, your Company posted consolidated revenues of ₱16.04 billion and consolidated net income of ₱1.87 billion. This represents a 250-percent growth in bottom line on the back of strategic business units that continued to achieve strong results amid a challenging business environment.

Our Education Group, led by *PHINMA Education Holdings, Inc.*, significantly exceeded its pre-pandemic performance owing to record-breaking enrollment for SY 2021-2022. Our Construction Materials Group, comprised of *Union Galvasteel Corporation, Philcement Corporation,* and *Phinma Solar Energy Corporation,* posted higher revenues and nearly maintained its bottom line through strategic partnerships, operational efficiencies, and margin optimization initiatives. *PHINMA Property Holdings Corporation* achieved growth by capitalizing on a shift in demand trends driven by the pandemic. Meanwhile, our two hotels in the Mall of Asia complex, operating under *Coral Way City Hotel Corporation*, sustained occupancy and positive cash generation through quarantine bookings.

2021 Highlights

PHINMA Education holds the group’s investment in tertiary education schools in the Philippines and Southeast Asia. PHINMA Education was able to grow its network to nine schools in the Philippines through its acquisition of PHINMA Union College of Laguna (PHINMA UCL) last May 2021 in line with its plans to strengthen its offerings in Laguna. PHINMA Education also continues to manage Horizon Karawang in Indonesia and formally launched the Horizon Education brand to the public in December 2021.

Despite the worsening learning crisis in the country with face-to-face classes still suspended, PHINMA Education successfully hit record-breaking enrollment in SY 2021-2022 and welcomed 95,503 students. This marked a 31% growth in enrollment from the previous school year and is a testament to PHINMA Education’s successful implementation of distance learning systems starting in 2020.

Leveraging on learnings from the previous year, PHINMA Education continued to respond to challenges in creative and proactive ways with the goal of maintaining the quality and accessibility of its offerings. Apart from enrollment, PHINMA Education achieved higher-than-expected results in key indicators like student retention and employment. PHINMA Education also continued to produce strong student-based outcomes in SY 2020-2021, including a board passing rate of 78 percent for first-time takers as well as 10 additional board exam topnotchers.

The remarkable growth achieved by PHINMA Education in 2021 has resulted in consolidated revenues of ₱3.69 billion, a 76-percent increase year-on-year. An additional contributor to this was the delayed recognition of some revenues from SY 2020-2021. Consolidated net income, on the other hand, rose to ₱1.02 billion.

Our Construction Materials Group consists of *Union Galvasteel Corporation, Philcement Corporation,* and *Phinma Solar Energy Corporation*, which boost our nation's infrastructure and construction sectors by supplying galvanized iron and steel building products, cement, and solar rooftop generation solutions. In 2021, demand for construction materials was buoyed by a recovery in construction activities. However, our Construction Materials Group faced a new set of challenges during the year which were primarily driven by global supply chain disruptions. In response to these challenges, the group focused on leveraging its competitive advantages and optimizing its margins.

Union Galvasteel Corporation (UGC) saw an improvement in performance in 2021 despite obstacles brought about by an industry slowdown, material availability constraints, and higher input costs. UGC responded to these by capitalizing on its market leadership through margin optimization initiatives, including selling price increases, and cost efficiencies realized in logistics and manufacturing. We are also proud to share that in response to the devastation caused by Typhoon Odette last December, UGC was able to utilize its wide distribution network to continue to ensure the stable supply of roofing products in key locations across the country. Additionally, all roofing sheets were made available at pre-typhoon prices without sacrificing product quality.

On the back of the recovery of domestic construction activities, *Philcement Corporation* (Philcement) successfully was operating near capacity in 2021. This strengthened its resilience against a substantial increase in its costs due to global supply chain disruptions. In order to manage these cost increases and improve margins, Philcement began to manufacture its own blended cement. Philcement also leveraged its strategic relationship with the Vissai Group and implemented logistics optimization strategies to manage the impact of increasing freight costs on its margins. In May, 2021, your Company closed on its strategic investment in Song Lam Cement Joint Stock Company, which will assure Philcement of a steady supply of quality cement to support expanding infrastructure development projects.

Moreover, *PHINMA Solar Energy Corporation* (PHINMA Solar) successfully shifted its business model to capture more pandemic-resilient industries, including residential and retail markets as well as small to medium commercial projects. PHINMA Solar also ramped up its sales effort and leveraged synergies with UGC in the areas of sales and logistics. As a result, the company achieved profitability for the first time in 2021.

Together, the Construction Materials Group achieved a 20-percent growth in topline and booked ₱12.14 billion in consolidated revenues in 2021. Meanwhile, despite severe cost pressures faced in 2021, the Construction Materials Group attained ₱902.08 million in consolidated net income, demonstrating the group's resilient strategies and ability to quickly and innovatively respond to challenges.

PHINMA Property Holdings Corporation (PHINMA Properties) is the group's property arm which seeks to make lives better through creating sustainable communities for middle-income Filipino families. In 2021, PHINMA Properties showed an improvement in performance owing primarily to higher sales amidst delays in new project launches because of the pandemic. The company successfully sold out residences at Arezzo Place, Pasig and Hacienda Balai, Quezon City, and ended the year with a cumulative total of 16,264 residential units sold. Moreover, at our hospitality business, your two hotels under *Coral Way City Hotel Corporation* have managed to sustain occupancy despite the pandemic's impact on travel and tourism by serving as accredited quarantine facilities for returning Filipinos. Your Company correspondingly recognized higher net earnings from associates amounting to ₱28.61 million in 2021.

Apart from the milestones achieved by its strategic business units, 2021 also marked your Company's first public bond issuance in more than 25 years, which was well-received by the market and was more than 9 times oversubscribed. The ₱3.00 billion raised through this issuance has been deployed to support growth and enhance operational efficiencies across our strategic business units. The bond issuance is part of your Company's overall value building plan and will be the first of many capital market transactions to come for the PHINMA Group.

PHINMA Corporation's strong business performance has allowed it to maintain a healthy balance sheet in 2021 with total assets of ₱30.08 billion, and a current ratio and debt-to-equity ratio of 1.71 : 1.00 and 2.03 : 1.00, respectively.

Finally, in celebration of the key milestones achieved by your Company in 2021, we are happy to report that the Board has declared a regular cash dividend of ₱0.40 per share, along with a special cash dividend of ₱0.10 per share, which were both paid on 6 April 2022.

Education

PHINMA Education Holdings, Inc. (PHINMA Education) is the strategic business arm of the PHINMA Group which aims to make lives better by providing quality education, adapting to the evolving needs of the underserved youth in the Philippines and Southeast Asia.

PHINMA Education owns and operates schools in key cities in the Philippines. Outside the National Capital Region (NCR), these include PHINMA Araullo University (PHINMA AU), PHINMA Cagayan de Oro College (PHINMA COC), PHINMA University of Pangasinan (PHINMA UPang), and PHINMA University of Iloilo (PHINMA UI). The PHINMA Education NCR network is composed of PHINMA St. Jude College (PHINMA SJC), PHINMA Republican College (PHINMA RC), and two schools, in a Laguna subnetwork, PHINMA Rizal College of Laguna (PHINMA RCL) and PHINMA Union College of Laguna (PHINMA UCL).

PHINMA UCL, acquired in May 2021, is the newest institution under the PHINMA Education network, now poised to further strengthen PHINMA Education's offerings in the Laguna province. The college presently offers undergraduate courses targeting employment, including Accountancy, Business Administration, Information Technology, Hospitality Management, Psychology, Education, and Criminology. With two schools now in the subnetwork, PHINMA Education plans to continue to expand in Laguna.

PHINMA Education also owns a majority stake in Southwestern University PHINMA (SWU PHINMA) in Cebu, which serves the region's mid-income market as well as a growing number of international students. It provides highly competitive programs that cater to health and allied health sciences, with graduates consistently placing within the top ten of board licensure examinations in the country and abroad.

In Indonesia, PHINMA Education manages Horizon Karawang in West Java through PT IndPhil Management (IPM). The STMIK and STIKES colleges of Horizon Karawang cater to underserved markets, specializing in Nursing and Information Technology programs that boast an 80%-100% licensure exam success rate. The Horizon Education brand was formally launched to the public in December 2021 at the virtual event, *Horizon Rising*.

Despite the ongoing pandemic, In SY 2021-2022, PHINMA Education welcomed 94,452 students in the Philippines and 1,051 in Indonesia, a 31% increase from total enrollment of 72,746 students in SY 2020-2021. The increase in enrollment resulted in Consolidated Revenues of ₱ 3.69 billion, a 76% increase year-on-year. Consolidated Net Income, on the other hand, rose to ₱ 1.02 billion.

PHINMA Education's mission has always been aligned with the United Nations' Sustainable Development Goals for the country for 2030. Beyond its focus on educating underserved youth, PHINMA Education implemented programs to strengthen sustainability in the schools and increase social and political awareness among students.

In January 2021, PHINMA Education spearheaded the first ever annual *Education@theMargins: A Global Alliance* conference, gathering education industry experts from several countries including the Philippines to tackle issues such as the widening gap in education, how to help marginalized students cope with the pandemic, and tech solutions to marginalized education.

In March 2021, PHINMA Education contributed a chapter to the *World Scientific* publication, "Univer-Cities: Reshaping Strategies to Meet Radical Change, Pandemics and Inequality - Revisiting the Social Compact?" The chapter discussed how the company is responding to three major challenges underserved students face at higher education institutions (HEIs).

In April 2021, the company institutionalized an Environmental and Social Management System (ESMS) Policy across its constituent campuses. All PHINMA Education schools now have a waste segregation scheme in place via an on-site Material Recovery Facility (MRF). The company is also steadily expanding its use of green technologies, including solar panels, rainwater catchment systems, gray water facilities, and sewer treatment plants.

In August 2021, PHINMA Education hosted two webinars with Chel Diokno, a Filipino lawyer, educator, and human rights advocate who serves as chairman of the Free Legal Assistance Group and the founding dean of the De La Salle University College of Law. The webinars, which focused on human rights and the justice system, were attended by students across the PHINMA Education network in the Philippines.

Later in the year, PHINMA Education released a series of white papers through the Education@theMargins website newsletter, focused on youth and civic engagement and the impact of the pandemic on college retention. The white paper discussed MULAT, a nationwide civic engagement and education program launched in 2020.

Through MULAT, educators implement curricular and extra-curricular interventions to increase the students' social awareness and promote human dignity, educating them about their rights and encouraging them to take an active role in pursuing positive social change in the Philippines. As MULAT is aligned with the overall mission of PHINMA, the company has folded this into its classroom curriculum and college experience, focusing on modules that raise social and political awareness and inculcate values of good citizenship and active civic participation.

In 2021, as part of its initiatives to strengthen and improve corporate governance in the organization, the company organized Board Committees with independent directors to oversee key governance areas including Nominations, Remunerations, and Risk Oversight.

2021 was a pivotal year for PHINMA Education as it moved towards recovery from the initial effects of the COVID-19 pandemic. Forays into alternative learning systems and more accessible financing options instituted in the previous year have paid off with higher-than-expected results in key indicators including enrollment, retention, and employment. With further improvements in corporate governance and continued network additions, PHINMA Education is poised to continue further growth in the years to come as it expands even further in the country and throughout Southeast Asia.

Construction Materials

In 2021, sustained vaccination campaigns and lower cases of infection in the second half of the year allowed business sectors to open up and increase operating capacities. As COVID-19 related restrictions were eased, the construction industry posted a significant recovery, growing 9.8% over the year. Investment in construction measured via gross capital formation rose 10.6% as downstream sectors such as real estate and tourism heavily affected by the pandemic began to recover.

While construction activities rebounded in 2021, the challenges to contain the Delta variant in the 2nd half of the year dampened hopes for a much stronger economic recovery. Meanwhile, global supply chain disruptions affected the availability of raw materials and the cost of international freight, which led to higher costs of landed inputs for domestic construction materials suppliers. Hampered by the cancellation of export subsidies from China, the world's largest supplier, domestic flat steel firms also experienced soft demand. On the other hand, the local cement industry, based on management's own estimates, climbed 12-14% year-on-year on increased infrastructure investments.

With greater experience in navigating the pandemic, the firms under the PHINMA Construction Materials Group (PHINMA CMG) – Union Galvasteel Corporation (UGC), Philcement Corporation (Philcement), and PHINMA Solar Energy Corporation (PHINMA Solar) - responded by sustaining "new normal" protocols and recalibrating operations and strategies to the volatile business environment. Supported by the PHINMAVax vaccination programs of PHINMA, the group has been able to operate continuously while keeping its employees safe and protected against COVID.

In 2021, UGC again managed to deliver gains despite soft demand and supply challenges. The company implemented margin optimization and cost management initiatives, primarily on production and logistics, to support a solid bottom line by year-end.

Philcement continued to perform encouragingly well in 2021, supported by sound sales performance and more efficient operations. To partially offset external shocks which led to the sharp rise in the cost of its inputs, the company implemented measures to keep customers engaged, manage margins and improve productivity across functions. Initiatives in the areas of production, quality, and distribution enabled the company support the cement requirements of its growing customer base.

In the midst of the pandemic, Phinma Solar made modest returns in 2021 as potential customers put investment decisions on hold. Supported by its competitive advantages in the construction materials industry, PHIMA Solar actively pivoted towards the residential segment instead of the institutional sector. This alignment in strategy is expected to enhance the synergies between Phinma Solar and its two affiliates, UGC and Philcement.

PHINMA CMG closed 2021 with a decent performance, with the three firms contributing total revenues of ₱ 12.14 billion, an increase of 20% from the previous year. Total net income for the group was ₱ 902.08 million.

With the worst of the pandemic hopefully behind, PHINMA CMG maintains an optimistic yet cautious outlook for 2022. As the group's journey continues, it understands the challenges and uncertainties as well as opportunities that lie ahead. To sustain the momentum and common success of the three companies, PHINMA CMG needs to continue to perform well, learn from the lessons of the past, and ultimately remain engaged and deliver on its commitment to improve lives by providing materials to build a better future.

Properties

PHINMA Property Holdings Corporation (PPHC) seeks to make Filipino lives better by creating sustainable communities and townships based on ergonomic and green architecture. The company's vision is to be the preferred property developer in providing Filipinos the essentials for dignified living, developing communities inspired by the traditional Filipino *Bayanihan* spirit.

Since its inception in 1987, PPHC heeded the call for nation building, becoming an early pioneer of vertical metropolitan development and spearheading Medium Rise Buildings (MRB)s for the low-income market within Metro Manila. PPHC continues to be a major player in this highly competitive market, with sold-out residences at Arezzo Place, Pasig and Hacienda Balai, Quezon City. The company has also expanded further into the market segment in places such as Uniplace @ SWU Village, in Cebu City.

Inspired, well-built, conveniently located, and competitively-priced living spaces are a hallmark of PPHC, enabling it to weather market downturns including challenges posed by the COVID-19 pandemic. In 2021, PPHC started the year strong, posting high average monthly reservations despite a host of issues. The COVID-19 lockdowns over the year were compounded by a rise in sales reservation cancellations due to a moratorium on pandemic assistance loans as well as a shift in VAT regulatory guidelines. In addition, super typhoon Odette battered Cebu and Davao, directly affecting the company's developments in those areas.

Despite these setbacks, the company capped 2021 on a high note, rallying in the fourth quarter to end the year with a total of 688 residential units sold. Phinma Corporation equitized net income of ₱ 40.87 million in PPHC.

In 2021, PPHC continued to expand related businesses. Community Property Managers Group, Inc. (CPMGI), a subsidiary engaged in property management and leasing, now services close to 28,000 units for PPHC as well as for other property developers. Meanwhile, the *Community Developers and Construction Corporation* (CDCC), PPHC's own construction division that pioneered the use of the Tunnel Formwork System, has expanded its operations to provide construction and construction management services to external clients as well as the PPHC. To date, this group has built a total of 21,334 for PPHC and for other private developers and LGUs.

During the pandemic, PPHC listened to its customers, finding that many, particularly millennials and new-nesters, place more value now on ownership versus home rental. PPHC has always strived to be the preferred developer for first-time Filipino homebuyers seeking to live in nurturing communities. The company has designed its portfolio to cater to these new-nesters, who account for as much as 90% of our clientele.

There has also been a marked increase in the demand for properties in emerging "new wave" areas outside of established central business districts. In recent years, PPHC has seen a progressive shift among prospective homeowners to expand into emerging cities. This has been spurred by the abrupt changes brought by the COVID-19 pandemic, which has driven demand for mixed-use spaces that allow work or study from home. The crisis has also driven demand for low-density housing. PPHC is moving to address both these needs by delivering tailored products and services—particularly green and ergonomic architecture—within a trustworthy, high-touch customer service experience. PPHC is poised to meet rising demand in provinces where it already has a foothold, particularly in Batangas, Davao, and Cebu. The first of these projects, PHINMA Maayo, is already being executed in San Jose, Batangas, and Tugbok, Davao. Through mostly horizontal developments such as single detached, single attached, and townhouse units, PPHC aims to minimize working capital while maintaining profitability, even as the company remains on the lookout for traditional vertical development opportunities.

Moving forward, aside from residential projects, PPHC is considering township developments in emerging regions across the country, due to the better availability of land and the shift in demand. Mixed-use developments considered could be zoned with residential, commercial, office, transportation, hotels/condotel, schools, or recreational areas. These towns will be master planned in collaboration with high-profile designers, ensuring features and amenities that are attuned to the needs and lifestyle of the local market. The residential portion of the townships will be composed of both middle-income and high-end units to maximize land use and generate increased project returns.

PPHC remains driven by its mission of making lives better while meeting aspirations of various stakeholders. The company weaves the cherished Filipino *Bayanihan* spirit into all its endeavors as it cooperates with shareholders, creditors, and employees to provide first time Filipino families essential homes as part of a dignified life.

Hospitality

PHINMA Hospitality Inc., the hospitality arm of PHINMA Group, operates 14 Microtel by Wyndham hotels and one TRYP by Wyndham hotel in the Philippines. It is also a joint venture partner in majority of these properties, including the flagship 150-room Microtel by Wyndham Mall of Asia. PHINMA Corporation, through Asian Plaza Inc., has a 36% equity interest in PHINMA Hospitality as well as a direct 24% equity interest in Coral Way City Hotel Corporation (Coral Way), owner of Microtel by Wyndham Mall of Asia. Coral Way's wholly owned subsidiary, Krypton Esplanade Hotel Corporation owns the 191-room TRYP by Wyndham Mall of Asia.

The pandemic severely affected the global travel and tourism industry from 2020 up to 2021. Because of continued restrictions on land, air and sea travel worldwide, border closures, and health and safety concerns, demand for business and leisure travel was at an all-time low. However, Microtel by Wyndham Mall of Asia and TRYP by Wyndham Mall of Asia were able to maximize demand for quarantine-related accommodation which comprised the majority of hotel bookings for 2021.

Microtel by Wyndham Mall of Asia and TRYP by Wyndham Mall of Asia served as accredited quarantine facilities, providing safe and comfortable accommodations to returning Overseas Foreign Workers under the Overseas Workers Welfare Administration repatriation program, seafarers from various shipping companies, corporate travelers, and returning Filipinos. In response to the COVID-19 situation, the hotels ensured that health and safety protocols were strictly implemented.

In 2021, Microtel by Wyndham Mall of Asia and its subsidiary TRYP by Wyndham Mall of Asia achieved a combined average occupancy of 83% and posted positive cash flow for the year. Equity in net loss from the hospitality group amounted to ₱ 12.04 million.

The hotel industry will continue to face challenges moving forward as companies have adapted to work-from-home arrangements, online meetings, and travel restrictions. The ongoing pandemic has also resulted in changes in the travel and booking behavior of the market. We remain optimistic that demand from the leisure, corporate and meetings/events markets will slowly build-up and drive occupancy in our properties as international and domestic travel recover.

Key Performance Indicators (KPI)

Below are the top five (5) KPI's used to measure the financial performance of PHINMA and its material subsidiaries for the periods indicated:

Financial KPI	**Definition**	**December 2021**	**December 2020**
Profitability			
Return on Equity (ROE)	Net Income Attributable to Equity holders of the Parent / Average Equity Attributable to Equity Holders of the Parent[4]	**15.96%**	2.61%

[4] Average Equity Attributable to Equity Holders of the Parent is derived by dividing in two (2) the sum of beginning Equity Attributable to Equity Holders of the Parent and ending Equity Attributable to Equity Holders of the Parent.

Gross Profit Margin	Gross Profit[5] Total Revenues	**28.26%**	26.54%
Efficiency Cash Flow Margin	Cash Flows from Operating Activities Total Revenues	**5.67%**	9.04%
Liquidity Current Ratio Debt-to-Equity Ratio	Total Current Assets Total Current Liabilities Total Liabilities Total Equity	**1.71:1.00** **2.03:1.00**	1.53 : 1.00 1.86 : 1.00

Profitability

The return on equity of 15.96 % in CY 2021, is higher than 2.61% return for the previous year due to steady performance of the CMG business and improved performance of PHINMA Education. Gross profit margin increased from 26.54% to 28.26% in 2021 mainly due to optimized gross profit margin contribution of the schools and the Construction Materials Group.

Efficiency

Net cash inflow from operations in CY 2021 was ₱908.87 million compared to net cash inflow from operations of ₱1.11 billion for CY 2020. The decrease was due to the increase in trade and other receivables of the schools and CMG as well as decrease in trust receipts payable of CMG.

Liquidity

Current ratio increased from 1.53:1.00 in CY 2020 to 1.71:1.00 in CY 2021 resulting from the increase in trade and other receivables of the schools and CMG.

Debt-to-equity ratio of PHN and its subsidiaries as of end December 2021 increased from 1.86:1.00 to 2.03:1.00, mainly due to issuance of the parent company's corporate bond.

Other Financial Ratios are as follows:

Financial Ratio	Definition	December 2021	December 2020
Asset to Equity	Total Assets Total Equity	**3.03**	2.86
Interest Rate Coverage Ratio	EBITDA[6] Interest Expense and Other Financing Charges	**4.96**	2.79

Asset to Equity ratio of PHN and subsidiaries as of end December 2021 increased from 2.86 to 3.03 due to increase in total assets from ₱24.47 billion in 2020 to ₱30.08 billion in 2021. The increase is mainly due to the

[5] Gross Profit is calculated by deducting cost of sales and cost of educational, installation, hospital and consultancy service from total revenues.
[6] EBITDA is net income of the Issuer after adding back (i) interest expense and other financing charges (ii) provision for (benefit from) income tax and (iii) depreciation and amortization.

increase in trade and other receivables of the schools and CMG as well as the increase in fair value of the parent company's investment in Song Lam, presented as a financial asset at fair value through profit or loss.

Interest rate coverage ratio increased from 2.79 in 2020 to 4.96 in 2021, due to stable performance of the CMG business and improved performance of the schools.

Accounting Policies and Principles

The accompanying consolidated financial statements of Phinma Corporation have been prepared in compliance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS). The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit and loss, available for sale investments and derivative investments that have been measured at fair value.

The consolidated financial statements are prepared in Philippine pesos, the company's functional and presentation currency.

Disclosures on Financial Statements

Below are additional disclosures on the Company's operations :

a. On any known trend, demand, commitment, event and uncertainty that will result in or likely to decrease its liquidity in any material way :

   PHN does not anticipate having any cash flow or liquidity problems nor does it anticipate any default or breach of any of its existing loans.

b. On any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

   None

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

   None

d. On material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures:

   None

e. On any known trend, event or uncertainty that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations:

   The COVID-19 surges in Q1 and Q3 have resulted in disruptions in operations of the various business units. Its impact is reflected in the financial statements as of December 31, 2021. Phinma Corporation and its subsidiaries continue to monitor developments and to adapt accordingly with continuous implementation of cost management measures/cost rationalization across departments.

g. Any significant elements of income or loss that did not arise from the Issuer's continuing operations.

   None.

g. On the causes for any material change from period to period which shall include vertical and horizontal analyses of any material item:

Increase or decrease of 5% or more in the financial statements are discussed below.

h. On any seasonal aspect that had a material effect on the financial condition or results of operations.

Like any other company in the construction industry, the operations of UGC is affected by seasonality demand. Demand for roofing materials is greater during the months from December to May, than during the rainy months of June to November. Hence, the demand for the first semester of the calendar year is normally higher than that of the second semester.

The revenues of the PHINMA Education schools decline during summer months. Hence, net income during the first half of the calendar year is lower than the second half.

For other subsidiaries, there is no significant seasonality that would materially affect their operations.

Material Changes in Statement of Financial Position Accounts

As of December 31, 2021, the Group's total consolidated assets stood at ₱30.08 billion, higher by 22.92% or by ₱5.61 billion than the ₱24.47 billion total consolidated assets as of December 31, 2020.

Similarly, total consolidated liabilities amounted to ₱20.15 billion, higher by 26.57% or by ₱4.23 billion,than total consolidated liabilities as of December 31, 2020.

The following are the material changes in account balances:

Cash and cash equivalents
The movements in cash and cash equivalents are shown in the cash flow statement

Investments held for trading
The 38.46% decrease in investments held for trading is mainly attributable to redemption of Phinma Solar's and the schools' investments in unit investment trust fund (UITF) as well as the redemption of the parent company's investment in Song Lam preferred shares in May 2021.

Trade and other receivables
The 44.21% increase in trade and other receivables is attributable to increase in receivables of the schools on the back of increased enrolment and increase in the receivables of the Construction Materials Group (CMG) and safeguard duties in relation to Philcement's importation of cement.

Inventories
The ₱366.07 million increase in inventory mainly represents the increase in CMG's product costs due to global supply chain disruptions due to COVID-19 surges.

Input value-added taxes and other current assets
The increase in the account of ₱58.23 million represents mainly the increase in prepaid expenses and prepaid assets of the Construction Materials Group and the increase in the deferred scholarship and discounts of the schools. The latter is amortized and charged to expense over the semester.

Financial asset at fair value through profit or loss
The account represents the parent company's $50 million investment in Song Lam, carried at fair value.

Property, plant and equipment
The P1.16 billion increase in PPE was mainly due to the completion of Philcement's port facility in Mariveles, Bataan and construction and building improvements of the schools.

Deferred tax assets - net
The 24.57% decrease represents mainly the decrease in deferred tax assets of the Construction Materials Group and SWU.

Derivative asset – non-current
The derivative asset pertains to the value of the put option of Phinma Corporation with respect to the investment in Song Lam preferred shares.

Right-of-use assets
The decrease in right of use assets of ₱63.26 million represents mainly the depreciation of the right-of-use assets of CMG and UPang.

Other noncurrent assets
The decrease in noncurrent assets pertains mainly to the reclassification of the amount of ₱ 255 million from advance to Song Lam to investment in preferred shares of Song Lam, partially offset by the increase in long-term receivable of Phinma Solar and other non-current assets of PEHI.

Notes payable
The decrease in the account amounting to ₱395.74 million represents payment of short-term borrowings of the parent company, AU, COC, UI and SWU, partially offset by the additional borrowings of CMG.

Trade and other payables
The increase of ₱ 354.6 million in trade and other payables represents increase in trade and other payables of the various schools and of the parent company.

Trust receipts payable
Net decrease of ₱319.44 million was mainly due to a decrease in trust receipts payable of the Construction Materials Group

Contract Liabilities
The increase in contract liabilities is attributable to the schools. Tuition fees are accrued as payables at the start of the semester and decrease as the revenue is earned over the semester.

Income and other taxes payable
The decrease in the account of ₱3.57 million represents the decrease in tax payable of the schools and the Construction Material Group due to lower income tax rate due to the implementation of the CREATE law.

Due to related parties
The ₱31.77 million increase in the account represents payable of the parent company and Phinma Education to the ultimate parent, Phinma Inc.

Derivative liability
The group has no derivative liability as of December 31, 2021.

Long-term debt – net of current portion
The increase in the account represents the ₱3.0 billion corporate bond issued by the parent company during the year and the availment of additional long-term loan by Philcement for working capital requirements and the Mariveles port facility.

Lease liability
The decrease in the account represents the lease payments of Construction Materials Group net of pre-termination.

Non-controlling interest put liability
The account represents the present value of the contingent amount payable by PHINMA if the non-controlling shareholders of PHINMA Education exercise their put option on PHINMA Education shares. The increase in the account is the accretion of the present value of the liability during the year.

Other noncurrent liabilities
The decrease in the account in the amount of ₱2.56 million is primarily a decrease in other noncurrent liabilities of the schools.

Share in other comprehensive income of associates
The change is due to an increase in fair value of financial assets held by ABCIC Property Holdings Corporation.

Exchange differences on translation of foreign operations
The movement in the account represents the cumulative adjustments arising from the translation of the financial statements of PHINMA Education Myanmar to Philippine pesos.

Equity reserves
The movement in the account arises from the increase in the liability on the put option on shares of Phinma Education Holdings Inc.,net of the increase in the carrying value of the said shares.

Non-controlling interests
The increase is mainly attributable to the share of non-controlling shareholders in the income of the schools and in CMG offset by the impact of the accretion of the NCI put liability.

Treasury shares
The movement in the account represents the buyback of 456,600 shares of Phinma Corporation from the market during the year.

Material Changes in Income Statement Accounts

Revenues
The 30.37% increase in the account is mainly due to the performance of the Construction Materials group, higher enrolment and higher retention of students for the schools and accrual of interest income by the parent company for its investment in preferred shares of Song Lam.

Rental revenue declined primarily due to decrease in rental income of the schools due to the pandemic. On the other hand, investment income increased due to an increase in interest income of the parent company.

Cost of sales
The ₱2.47 billion net increase in cost of sales is largely attributable to higher production cost of the CMG business, resulting from global supply chain disruptions and the increase in raw material costs throughout the year.

General and administrative expenses
The 20.36% increase in general and administrative expenses is mainly driven by the schools' higher number of enrolees in 2021.

Selling expenses
The 13.68% increase in selling expenses is attributable to the Construction Materials Group's increased selling efforts during the pandemic period.

Unrealized gain on change in fair value of financial assets at fair value through profit or loss
The amount represents the unrealized fair value gain on the investment in Song Lam preferred shares.

Gain (Loss) on derivatives
The gain on derivative is the increase in the value of the put option of PHN with respect to the investment in Song Lam preferred shares.

Foreign exchange gains (losses) - net
Foreign exchange gain of ₱56.24 million as at December 31, 2021 arose from the restatement of dollar denominated assets, largely earmarked for dollar-denominated investments of PEHI and restated at an exchange rate of ₱50.999 to US$1.00.

Equity in net earnings (losses) of associates and joint ventures
In CY 2021, PHN equitized income in Phinma Property Holdings Corp. improved to ₱ 40.8 million

Gain on sale of property, plant and equipment - net
The amount represents the gain on sale of vehicles of the Construction Materials group.

Loss on deconsolidation
In 2020, Phinma Corporation booked a loss on deconsolidation arising from the sale of its investment in ICI Asia.

Others – net
Other income decreased by ₱4.5 million due to a decrease in other income of the schools.

Provision for (benefit from) income tax
The decrease in provision for income tax reflects the lower income tax rate of the subsidiaries as a result of the implementation of the CREATE law.

CALENDAR YEAR 2020

In 2020, the Group saw consolidated revenue growth of 8.63%, posting consolidated revenues of ₱12.30 billion for the year. Income from operations of the Group increased by 25.95% to ₱1.35 billion during the year.

Consolidated net income of the Group increased to ₱521.94 million in 2020 from ₱437.12 million in the previous year while net income attributable to shareholders of the parent was ₱172.64 million in 2020.

Construction Materials Group

Despite the early weakness in flat steel demand, UGC managed to deliver strong operational performance and posted a significant recovery by year end. UGC achieved positive annual results as the company enhanced customer engagement initiatives and operational efficiencies in production and logistics. UGC also, together with a foreign partner, began a study on an expansion of its PU line to supply insulated panels for the cold chain industry. A robust cold chain industry addresses the issue of food security and provides part of the logistics needed for a nationwide vaccine rollout.

Philcement posted significant gains in 2020, backed by the efficient operation of the new Mariveles Cement Facility which was launched in January. The company also leveraged on strong customer partnerships and increased reliability and availability of its legacy Union Cement brand in key areas.

Despite the pandemic, Construction Materials Group finished the year on a strong growth track, with CMG's combined revenues of ₱10.12 billion and combined net income of ₱915.89 million in 2020.

Education Group

PHINMA Education was able to maintain a strong system wide total enrolment of 71,659 students in the Philippines which was a 3.41% decline from previous years. Due to the effect of the pandemic on face-to-face classes as well as the shift in the academic calendar from June to late August which delayed the recognition of some revenues to the following year, PHINMA Education posted a 28.37% decrease in consolidated revenue to ₱2.09 billion for the calendar year 2020. Maintaining profitability, PHINMA Education posted a lower consolidated net income of ₱14.29 million in calendar year 2020 from ₱433.73 million in the previous year.

Properties Group

PPHC posted revenues of ₱1.95 billion in 2020, at the same level as the previous year. Despite the pandemic, sales reservations and revenue-recognition maintained pace through the company's #DontPutHomeownershipOnHold marketing campaign. Consolidated net income for the year amounted to ₱71.87 million.

PPHC's revenues are not consolidated with PHINMA since it is not a subsidiary, but it is accounted for under the equity method. In 2020, PHINMA equitized a net income of ₱6.36 million in PPHC.

Hospitality Group

Equitized earnings from affiliates of the Company hence declined to a loss of ₱6.52 million in 2020.

Microtel by Wyndham Mall of Asia's posted average occupancy of 76.71%, gross revenues of ₱128.02 million, and a net loss of ₱6.53 million. TRYP by Wyndham Mall of Asia on the other hand posted average occupancy of 72.46%, gross revenues of ₱161.40 million, and a net loss of ₱20.92 million. Despite respectable occupancy levels, revenues and profits declined due to caps on room rates for hotels operating as quarantine facilities under the OWWA repatriation program.

Others

On September 18, 2020, PHINMA divested 100.00% of its interest in ICI Asia.

Key Performance Indicators (KPI)

Below are the top five (5) KPI's used to measure the financial performance of PHINMA and its material subsidiaries for the periods indicated:

Financial KPI	**Definition**	**December 2020**	**December 2019**
Profitability			
Return on Equity (ROE)	$\frac{\text{Net Income Attributable to Equity holders of the Parent}}{\text{Average Equity Attributable to Equity Holders of the Parent}}$[7]	**2.61%**	3.46%

[7] Average Equity Attributable to Equity Holders of the Parent is derived by dividing in two (2) the sum of beginning Equity Attributable to Equity Holders of the Parent and ending Equity Attributable to Equity Holders of the Parent.

Gross Profit Margin	Gross Profit[8] / Total Revenues	**26.54%**	28.62%
Efficiency Cash Flow Margin	Cash Flows from Operating Activities / Total Revenues	**9.04%**	(1.06%)
Liquidity Current Ratio	Total Current Assets / Total Current Liabilities	**1.53:1.00**	1.93 : 1.00
Debt-to-Equity Ratio	Total Liabilities / Total Equity	**1.86:1.00**	1.68 : 1.00

Profitability

The return on equity of 2.61 % in CY 2020, is lower than 3.46% return for the previous year due to decrease in net income attributable to equity holders of the parent. Gross profit margin decreased from 28.62% to 26.54% in 2020 mainly due to decrease in gross profit margin contribution of the schools and Construction Materials Group.

Efficiency

Net cash inflow from operations in CY 2020 was ₱1.11 billion compared to net cash outflow from operations of ₱120.30 million for CY 2019. The increase was due to the increase in trust receipts payable and trade and other payables of the Construction Materials Group.

Liquidity

Current ratio decreased from P1.93:1.00 in CY 2019 to P1.53:1.00 in CY 2020 due to increase in trust receipts payable of the Construction Materials group to support its expanded sales.

Debt-to-equity ratio of PHN and its subsidiaries as of end December 2020 increased from 1.68:1.00 to 1.86:1.00, mainly due to increase in total liabilities from ₱14.04 billion to ₱15.92 billion. The increase is largely attributable to the Construction Materials Group.

Other Financial Ratios are as follows:

Financial Ratio	Definition	December 2020	December 2019
Asset to Equity	Total Assets / Total Equity	**2.86**	2.68
Interest Rate Coverage Ratio	EBITDA[9] / Interest Expense and Other Financing Charges	**2.79**	3.14

Asset to Equity ratio of PHN and subsidiaries as of end December 2020 increased from 2.68 to 2.86 due to

[8] Gross Profit is calculated by deducting cost of sales and cost of educational, installation, hospital and consultancy service from total revenues.
[9] EBITDA is net income of the Issuer after adding back (i) interest expense and other financing charges (ii) provision for (benefit from) income tax and (iii) depreciation and amortization.

increase in total assets from ₱22.38 billion in 2019 to ₱24.47 billion in 2020. The increase is mainly due to the investment in PEHI by the Asian Development Bank in the amount of ₱625.00 million and the increase in assets of Philcement Corporation with the completion of its facility in Mariveles, Bataan.

Interest rate coverage ratio decreased from 3.14 to 2.73 in 2020 due to an increase in interest expense from ₱463.79 million in 2019 to ₱626.77 million in 2020 of the Construction Materials Group.

Accounting Policies and Principles

The accompanying consolidated financial statements of Phinma Corporation have been prepared in compliance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS). The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit and loss, available for sale investments and derivative investments that have been measured at fair value.

The consolidated financial statements are prepared in Philippine pesos, the company's functional and presentation currency.

Disclosures on Financial Statements

Below are additional disclosures on the Company's operations :

a. On any known trend, demand, commitment, event and uncertainty that will result in or likely to decrease its liquidity in any material way :

   PHN does not anticipate having any cash flow or liquidity problems nor does it anticipate any default or breach of any of its existing loans.

b. On any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

   None

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

   None

d. On material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures:

   None

e. On any known trend, event or uncertainty that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations:

   The COVID-19 pandemic has resulted in disruptions in operations of the various business units. Its impact is reflected in the financial statements as of December 31, 2020. Phinma Corporation and its subsidiaries continue to monitor developments and to adapt accordingly.

h. Any significant elements of income or loss that did not arise from the Issuer's continuing operations.

   None.

g. On the causes for any material change from period to period which shall include vertical and horizontal analyses of any material item:

Increase or decrease of 5% or more in the financial statements are discussed below.

h. On any seasonal aspect that had a material effect on the financial condition or results of operations.

Like any other company in the construction industry, the operations of UGC is affected by seasonality demand. Demand for roofing materials is greater during the months from December to May, than during the rainy months of June to November. Hence, the demand for the first semester of the calendar year is normally higher than that of the second semester.

The revenues of the PHINMA Education schools decline during summer months. Hence, net income during the first half of the calendar year is lower than the second half.

For other subsidiaries, there is no significant seasonality that would materially affect their operations.

Material Changes in Statement of Financial Position Accounts

As of December 31, 2020, the Group's total consolidated assets stood at ₱24.47 billion, higher by 9.36% or by ₱2.09 billion than the ₱22.38 billion total consolidated assets as of December 31, 2019.

Similarly, total consolidated liabilities amounted to ₱15.92 billion, higher by 13.42% or by ₱1.88 billion total consolidated liabilities as of December 31, 2019.

The following are the material changes in account balances:

Trade and other receivables
The 16.57% increase in trade and other receivables is mainly attributable to increase in trade receivables of Construction Materials Group.

Inventories
The ₱228.31 million increase in inventory mainly represents increase in inventories of Construction Materials Group.

Input value-added taxes
The 90.56% increase in input tax is attributable mainly to Construction Materials Group.

Other current assets
The increase in the account of ₱36.31 million represents mainly the increase in prepaid insurance of CMG and increase in the deferred scholarship and discounts from the PHINMA Education schools. The latter is amortized and charged to expense over the semester.

Property, plant and equipment
The ₱1.46 billion increase in PPE was mainly due to the completion of Philcement's facility in Mariveles, Bataan and acquisition of RCL. The latter was acquired by PHINMA Education in July 2020.

Deferred tax assets - net
The 31.70% increase represents mainly the increase in deferred tax assets of Construction Materials Group and SWU.

Right-of-use assets
The increase in right of use assets of ₱147.94 million represents mainly the warehouses, properties and other assets leased by Construction Materials Group.

Notes payable
The increase in the account amounting to ₱357.03 million represents additional short-term borrowings of PHINMA, Construction Materials Group, AU, COC, UI and SWU.

Trade and other payables
The increase of ₱597.76 million in trade and other payables represents increase in trade and other payables of Construction Materials Group.

Trust receipts payable
The increase of ₱826.97 million in trust receipts payable was largely in support of the expanded operations of Construction Materials Group.

Contract Liabilities
As a result of the decline in revenues of the PHINMA Education schools, contract liabilities dropped by ₱396.68 million.

Income and other taxes payable
The decrease of ₱71.58 million represents decrease in tax payable of the PHINMA Education schools and Construction Materials Group due to lower income for the year.

Due to related parties
The ₱58.57 million increase in the account represents payable of PHINMA Education to the ultimate parent, PHI

Derivative liability
The decrease in the account represents deliverable forward contracts of Construction Materials Group that became due during the period. As of December 31, 2020, PHINMA had an outstanding derivative liability amounting to ₱32,000.00.

Current portion of long-term debt
The increase in the account of ₱204.65 million represents reclassification of Construction Materials Group loan from long-term debt to current portion of long-term debt.

Current portion of lease liabilities
The increase represents the present value of lease payments of Construction Materials Group which will be due within one (1) year.

Long-term debt – net of current portion
The decrease in the account represents transfers to current portion of long-term debt.

Pension and other post-employment benefits
The decrease in the account amounting to ₱34.28 million represents decrease in accrued retirement of the PHINMA Education schools.

Lease liability
The increase in the account represents the present value of lease payments of Construction Materials Group.

Non-controlling interest put liability
The account represents the present value of the contingent amount payable by PHINMA if the non-controlling shareholders of PHINMA Education exercise their put option on PHINMA Education shares.
In January 2020, Asian Development Bank invested ₱625.00 million in PHINMA Education. The increase in the account is mainly attributable to the NCI put liability arising from ADB's put option.

Other noncurrent liabilities
The decrease in the account in the amount of ₱3.97 million represents primarily a decrease in other noncurrent liabilities of the PHINMA Education schools.

Share in other comprehensive income of associates
The change is due to an increase in fair value of financial assets held by APHI.

Exchange differences on translation of foreign operations
The movement in the account represents the cumulative adjustments arising from the translation of the financial statements of PHINMA Education Myanmar to Philippine pesos.

Equity reserves
The movement in the account arises largely from the investment of Asian Development Bank in PHINMA Education at a premium over book value, offset by the impact of the increase in the Non-controlling interest put liability.

Non-controlling interests
The increase is mainly attributable to the investment made by Asian Development Bank in PHINMA Education in January 2020.

Material Changes in Income Statement Accounts

Revenues
The 8.63% net increase in Group revenue of ₱976.84 million is mainly due to an increase in revenues of Construction Materials Group from the start of operation of the new Mariveles Cement Facility, partially offset by a decrease in revenues of the schools as a result of the COVID-19 quarantine restrictions.

Cost of sales
The ₱1.35 billion net increase in cost of sales represents increase in cost of sales of Construction Materials Group on account of expanded sales.

Cost of educational, installation, hospital and consultancy services
The ₱393.05 million decrease in the account represents a decrease in the school's personnel costs, academic activities, graduation expenses and educational tour expenses.

Operating expenses
The ₱227.10 million drop in general and administrative expenses is mainly due to decrease in the schools' expenses due to the delay in school opening and decline in enrolees.

Interest expense and other financing charges
The increase in the account amounting to ₱162.98 million is due to increase in interest expense of Construction Materials Group.
Equity in net earnings (losses) of associates and joint ventures
The decrease in the account is largely due to equitized loss in affiliate Coral Way in the amount of ₱6.90 million.

Foreign exchange gains (losses) - net
Foreign exchange loss of ₱152.63 million for the year ended December 31, 2020 arose from the restatement of dollar denominated assets, largely earmarked for dollar-denominated investments of the parent company and restated at an exchange rate of ₱48.02 to US$1.00.

Net losses on derivatives
PHINMA recognized a gain on fair value changes of forward contracts in the total amount of ₱11.07 million in 2019. In 2020, Construction Materials Group booked a loss on derivatives in the amount of ₱7.04 million.

Gain on sale of property, plant and equipment - net
The amount of ₱0.86 million represents the gain on sale of vehicles of Construction Materials Group.

Others – net
Others income increased by ₱23.08 million due to increase in other income of COC and SJC.

Provision for (benefit from) income tax
The decrease in provision for (benefit from) income tax reflects the decrease in taxable income of the subsidiaries during the year.

Brief Description of the General Nature and Scope of Business of the Company

Parent Company

The Company was incorporated in the Philippines on March 12, 1957. Its principal activity is investment in shares of various subsidiaries, associates, affiliates and other marketable equity securities. The ultimate parent company of PHN and its subsidiaries is Philippine Investment- Management (PHINMA), Inc.

On May 27, 2010, the Securities and Exchange Commission approved the change of name of the

Company from Bacnotan Consolidated Industries, Inc. to Phinma Corporation.

On September 18, 2020, the Parent Company executed a deed of absolute sale with the President of ICI Asia for its entire ownership interest in ICI Asia for P0.5 million resulting to a loss of control to the latter by the Parent Company. As a result, the Company recognized a loss from deconsolidation amounting to P11.2 million and derecognized the net assets of ICI Asia.

On December 21, 2020, PHINMA approved the sale of its 225,000,000 shares of PHINMA Solar to UGC. The sale rationalized PHINMA's ownership structure in its Construction Materials group by consolidating in UGC 100% ownership in PHINMA Solar. PHINMA Solar is 98.01% indirectly-owned by PHINMA and 100% owned by UGC.

As of December 31, 2022, the Company's principal subsidiaries and its percentage of ownership are as follows:

Name of Subsidiaries	**% of Ownership**
Union Galvasteel Corporation (UGC)	98.01
Phinma Education Holdings, Inc. (PHINMA Education)	67.18
Philcement Corporation (Philcement)	60.00
Career Academy Asia, Inc. (CAA) [(a)]	90.00
One Animate Limited, Inc. (OAL) [(b)]	80.00
P & S Holdings Corporation (PSHC)	60.00
Asian Plaza, Inc. (API)	57.62

(a) CAA ceased commercial operations on March 31, 2019.
(b) OAL ceased commercial operations in April 2013

The principal activities of the subsidiaries are as follows

Name of Subsidiaries	**Nature of Business**
UGC	Manufacturing and distribution of steel products
PHINMA Education	Holding company for investments in education
Philcement	Distribution of cement products
CAA [(a)]	Educational institution
OAL [(b)]	BPO - Animation services
PSHC	Investment and real estate holdings
API	Lease of real property

(a) CAA ceased commercial operations on March 31,2019
(b) OAL ceased commercial operations in April 2013

The Company also has direct minority interest in the following companies:

PHINMA Property Holdings Corporation (PPHC)	35.42%
ABCIC Property Holdings, Inc.	26.51%
Coral Way City Hotel Corporation	23.75%

Subsidiaries:

Construction Materials Group

PHINMA operates its construction materials business under three (3) subsidiaries namely UGC, Philcement, and PHINMA Solar. The PHINMA Construction Materials Group aims to optimize synergies among the various companies within the group to provide innovative construction solutions to its customers, offering one-stop shop services, from floor to roofing, and providing superior convenience and service to customers nationwide.

Union Galvasteel Corporation (UGC)

UGC started as the Union Steel Plant Division of BCII. It began commercial operations in 1963 with a galvanizing plant in Poro, La Union for the manufacture of Galvanized Iron sheets, expanding to Ilang, Davao City in 1968 and to Calamba, Laguna in 1990. In 1993, the steel plant was spun off from BCII as a separate business unit, and incorporated as Bacnotan Steel Corporation. It was later renamed UGC in 1997 and established a modern Continuous Galvanizing Line and Color Coating Line for the manufacture of pre-painted galvanized steel coils in Calamba, Laguna. On December 22, 2010, the SEC approved the merger of UGC and Atlas Holdings Corporation, a 90%-owned subsidiary of PHINMA with UGC as the surviving entity.

It is a leading manufacturer of pre-painted galvanized iron roofing products and other steel products such as steel decking, frames, pre-engineered building systems and insulated panels used for cold storage and other facilities. UGC's main manufacturing facilities are located in Calamba, Laguna. It also operates roll-forming plants in Poro, San Fernando, La Union, Ilang, Davao City, Cebu City, Sta. Rosa, Nueva Ecija, Cagayan de Oro City, Zamboanga City, Calasiao, Pangasinan, Bacolod City, Iloilo City, Pili, Camarines Sur, San Fernando, Pampanga, Batangas City, Tacloban City, Leyte and Cainta, Rizal.

Today, UGC is a significant player in the manufacture and distribution of pre-painted and other galvanized roofing, and of galvanized steel building products such as building system components like steel deckings, c-purlins, door jambs, steel trusses, pre-engineered building structures and insulated panels for commercial, industrial and residential applications. UGC has the largest and most diversified distribution network in the industry, with rollforming plants, warehouses and sales offices in strategic locations throughout the country. UGC's production lines are located in:

- Continuous Color Coating Line in Calamba City, Laguna
- PU Lines in Calamba City, Laguna and Davao City
- Discontinuous Rollforming Lines in various locations nationwide

On December 21, 2020, UGC purchased 100% of Phinma Corporation's shares in Phinma Solar Energy Corporation (PHINMA Solar), increasing its percentage of ownership in PHINMA Solar to 100%.

Philcement Corporation (Philcement)

Philcement was incorporated on September 22, 2017 to engage in the processing, manufacturing, distribution, marketing and sales of cement products. Philcement represents PHINMA's re-entry into the cement industry, re-introducing PHINMA's legacy brand "Union Cement". Union Cement enjoyed market dominance and strong brand recognition for many years when PHINMA was in direct ownership or management of majority of the country's integrated cement plants, until the Company sold its ownership stake to Holder Bank (now Holcim) in 2003. Philcement is proud to re-introduce the legacy Union Cement brand after a 14-year hiatus. The re-branding of Union Cement aims to combine world class standards with Filipino expertise to make the lives of Filipinos better through quality, affordable, and readily available cement products. Philcement imports cement from its partner The Vissai Group, one of the biggest privately-owned cement companies in Vietnam. Philcement is owned 60.00% by PHINMA, 30.00% by Viet Cement Terminal Joint Stock Company, and 10.00% by EDCOMMERCE Corporation.

Philcement is a Freeport Area of Bataan ("FAB") - registered enterprise permitted to engage in the processing, manufacturing, marketing, importing, trading – wholesale and retail, selling, and distributing cement, cement products, and other by-products and establishing, operating and managing cement supply terminals at the FAB. As a FAB Registered enterprise, Philcement is entitled to the benefits and incentives under Republic Act No. 9728, also known as "The Freeport Area of Bataan Act of 2009". The Authority of the Freeport Area of Bataan is further discussed under "*Regulatory Framework"*.

Philcement's 7.8-hectare flagship cement processing complex is located in the Freeport Area of Bataan and is considered to be the first state-of-the-art cement facility in the Philippines and one of the largest independent cement terminals globally. The facility has an initial annual capacity of 2 million metric tons of cement or 400,000 bags a day. The cement processing complex serves as an importation, manufacturing, storage and bagging facility of Philcement in Mariveles, Bataan. The Mariveles Cement Facility is certified under ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018.

The cement processing complex is likewise strategically located and able to afford Philcement logistical advantage over competitors who transport cement mostly via land. Philcement is likewise able to leverage on its affiliate UGC's waterways distribution network, especially in its reach of the Visayas and Mindanao markets which is underserved by local cement manufacturers that rely heavily on trucking or land-based transportation.

In September 2019, PHINMA signed an agreement to invest USD $50.00 million in Song Lam Cement Joint Stock Company, the flagship plant of The Vissai, the largest private cement manufacturing group in Vietnam. The investment will be used to expand the capacity of the flagship plant located in Nge Anh province in Vietnam, and will cement Philcement's relationship with Viet Cement Terminal JSC, who is a shareholder in Philcement. While these mutual partnerships assure Philcement a reliable supply of high-quality cement for its customers, out of the world-class facility in Mariveles Bataan, all transactions between the different companies under the PHINMA Group and the Vissai Group are kept at arm's length and driven by market conditions. The Company finalized this investment on May 12, 2021.

PHINMA Solar Energy Corporation (PHINMA Solar)

PHINMA Solar, formerly Trans-Asia Wind Power Corporation, was incorporated in the Philippines and registered with the SEC on July 26, 2013.

PHINMA Solar is the Group's venture into the solar rooftop market, providing solar rooftop generation solutions for industrial, commercial, and residential clients, capitalizing on the opportunity presented by the declining cost of solar energy panels, rising levels of environmental awareness, and government initiatives mandating the use of renewable energy sources. In 2019, it expanded its portfolio of clients and has evolved from a lease model to a sale on installment model to maximize cashflow and mitigate exposure on fluctuation in the energy generation and prices. PHINMA Solar also started selling PV systems to commercial and residential customers.

On December 21, 2020, PHINMA approved the sale of its 225,000,000 shares of PHINMA Solar to UGC. The sale rationalized PHINMA's ownership structure in its Construction Materials group by consolidating in UGC 100% ownership in PHINMA Solar. PHINMA Solar is 98.01% indirectly-owned by PHINMA and 100% owned by UGC.

PHINMA Solar's value proposition for its customers comes from the savings the customers are able to achieve on their annual electricity costs from using the solar rooftop equipment. The customers not only save on their electricity costs but also support the environment.

In collaboration with UGC, PHINMA Solar not only promotes its own brand but is also able to extend UGC sales through PHINMA Solar's network of customers and vice versa.

Educational Services

The education services of PHINMA are held through its majority-owned subsidiary, PHINMA Education. PHINMA Education holds majority equity interests in schools including AU, COC, UPang, and UI, which all provide quality, accessible basic and tertiary education to students from low income families in developing urban centers. In Cebu, the company owns and operates SWU, which provides quality education to a middle-income market, catering to local as well as international students.

PHINMA made its first investment in education in 2004 with the acquisition of AU in Cabanatuan City, Nueva Ecija as its first venture into the education industry.

In 2005, PHINMA acquired COC to extend its affordable education offering to Mindanao, especially in Misamis Oriental, Camiguin, and Bukidnon. COC opened its second campus in Puerto in 2012.

UI, established in 1947 as Iloilo City Colleges, was acquired by PHINMA in 2009.

UPang, which began operation in 1925 as the Dagupan Institute, was acquired by PHINMA in 2009.

The school and hospital of SWU, a private university in Cebu City founded in 1946 by two pharmacists, were acquired by PHINMA in 2015.

On August 28, 2015, PHINMA Education was incorporated in the Philippines and registered with the SEC to invest in, purchase, acquire, own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, dispose of real and personal property of every kind and description, including shares of stock and other property of educational institutions.

In 2017, PHINMA Education Myanmar Limited opened the PHINMA Training Center in Yangon, Myanmar in partnership with Victoria Hospital, one of Myanmar's leading private hospitals. In 2018, the Joint Venture Company PHINMA Saytanar Education Company Ltd. ("PHINMA Saytanar") was created when the country regulations allowed foreign ownership with local partners. In 2020, PHINMA Education's operations in Myanmar ceased.

In 2017, PHINMA Education Myanmar Limited opened the PHINMA Training Center in Yangon, Myanmar in partnership with Victoria Hospital, one of Myanmar's leading private hospitals. In 2018, the Joint Venture Company PHINMA Saytanar Education Company Ltd. ("PHINMA Saytanar") was created when the country regulations allowed foreign ownership with local partners. In 2020, PHINMA Education's operations in Myanmar ceased.

SJCI was acquired in 2017 as the first PHINMA Education school in Metro Manila. Located in Sampaloc, Manila, it is a tertiary educational institution founded in 1968. It is well-known for its PACUCOA-accredited School of Nursing, but offers a range of other courses including Information Technology, Nutrition and Dietetics, and Radiologic Technology. In 2019, RCI was acquired as the second PHINMA Education school in Metro Manila.

In 2020, PHINMA Education began its planned Laguna network with the acquisition of RCL, which is also PHINMA Education's eighth school in the Philippines. It currently offers Junior and Senior High School and undergraduate courses in Education, Business Administration, Office Administration, and Industrial Technology.

On 23 April 2021, PHINMA Education, with the Center for Agricultural and Rural Development, Inc. ("CARD") entered into a Share Purchase Agreement with controlling stockholders of UCL, an educational institution located in Sta. Cruz, Laguna, Philippines. Under the said Agreement, the said stockholders agreed to sell and PHINMA Education and CARD agreed to acquire the shares of stock of the said stockholders in UCL. On May 21, 2021, PHINMA Education purchased shares of UCL equivalent to 66% of total outstanding shares including 90% of total voting shares, for the purchase price of ₱85.5 million for the voting shares and ₱2.7 million for the non-voting shares.

On February 18, 2022, Southwestern University Medical Center (SWUMed) held a ceremonial signing with Mount Grace Hospitals Inc. (MGHI), a member of the United Laboratories Group, the country's largest pharmaceutical company. MGHI will be managing SWUMed, which includes handling day-to-day operations and improving medical services and providing exceptional training to next generation health professionals. SWUMed officially turned over to MGHI the management of the facility's operation on April 2, 2022.

PHINMA Education is also expanding to provide education to countries across Southeast Asia.

In Indonesia, it oversees tertiary institutions for Yayasan Triputra Persada Horizon Education through the joint venture PT Ind-Phil Management, established in 2019. In 2021 it launched the brand Horizon Education. Its first school, Horizon Karawang, is located in Karawang, West Java, and caters to underserved markets not just in Karawang but also Bekasi, Subang, and Purwakarta. It currently specializes in Nursing and Information Technology programs. PHINMA Education envisions a network of schools in Indonesia with a goal to grow its Indonesian enrollees to between 100,000 to 150,000 in 10 to 12 years. In Indonesia, a student-centric and communal mentorship approach to ensure that students are well-equipped to secure their future and contribute to the growth of their chosen industry.

The main business of PHINMA Education is to provide affordable and accessible basic and tertiary education to a low-income market. Average annual tuition fees across these schools which target the affordable segment ranges from ₱18,000 to ₱25,000. PHINMA Education also provides more opportunities to students from low-income families by offering academic scholarships and financial assistance on top of already accessible fees. The objectives of the programs are immediate employability of graduates, and as such, the quality of the programs is assessed through the performance of the graduates in board accreditation exams, particularly for courses aimed at immediate employability such as Nursing, Criminology, Education, and Medicine.

Investment in Property Development

Asian Plaza, Inc. (API) was incorporated on January 26, 2005 and started commercial operations on the same date. The Company's primary purpose is investment in real properties.

On March 24, 2022, API signed a Contract to Sell for the sale of API's condominium unit in Rufino Pacific Tower for ₱35.8 million.

Investment Holdings

P & S Holdings Corporation, a 60% owned subsidiary of Phinma Corporation was incorporated on September 11, 1998. The company's primary purpose is to invest in real and personal properties. The company currently owns and leases land located in Bulacan.

Product Lines

Construction Materials Group

Construction Materials Group' major product lines are:

Business Unit	Product	Type
Steel	Colored or Prepainted Sheets	In coil or in sheets roll formed
	Heavy Gauges	In sheets, coils and roll formed
	Long Span GI Sheets	Roll formed – in sheets
	Claddings and Sidings	Roll formed – in sheets
	Decking's / C. Purlins	Roll formed – in sheets
	Metal frames / Studs	Roll formed – in sheets
	Spandrel	Roll formed – in sheets
	Polyurethane Panels	Roll formed – in sheets
	Roofing Accessories	Bended or Roll formed
	Pre-engineered Building Systems	Roll formed
Cement	Cement (in 40-kg, jumbo bags, bulk)	High-strength cement, general-purpose cement
Solar	Rooftop System	Solar photovoltaic rooftop system
	Power / electricity	Generation and distribution of solar power

The Construction Materials Group namely UGC, Philcement and Phinma Solar generated combined revenues of PHP 13.25 billion, accounting for 74.98% of PHN's revenues in 2022.

CMG Consolidated Revenues (in thousands)

(in Thousand pesos)	Calendar Year Ended December 31, 2022	Calendar Year Ended December 31, 2021	Calendar Year Ended December 31, 2020
	₱13,245,555	₱12,144,100	₱10,199,133

Educational Services

PHINMA Education's (PEHI) mission is to make life better through education that is accessible and of good quality, through each of its divisions.

Markets

PHINMA Araullo University (AU) in Cabanatuan, Nueva Ecija, PHINMA Cagayan de Oro College (COC) in Cagayan de Oro City, PHINMA University of Pangasinan (UPang) in Dagupan City, and PHINMA University of Iloilo (UI) in Iloilo City serve students from low income families in developing urban centers.

Southwestern University PHINMA (SWU) in Cebu City serves a separate middle income market, catering to foreign as well as local students from Cebu and other provinces nationwide.

PHINMA St. Jude College, Inc. in Sampaloc, Manila and PHINMA Republican College in Cubao, Quezon City, serve students from low income families as well, but with a wider reach than its sister schools with enrollees coming from beyond Metro Manila.

PEHI is also operating a new Laguna network with the acquisition of Rizal College of Laguna and Union College of Laguna in 2020 and 2021 respectively.

All schools provide basic education, senior high school, tertiary, graduate and TVET programs.

Satellite Campuses

PEHI has also increased the schools' enrolment by establishing satellite campuses to widen their geographic reach. PHINMA UPang was the first school to open a satellite campus with its Urdaneta campus in SY2015-2016 while PHINMA AU South and San Jose and PHINMA COC Puerto both also continue to grow and provide education in the areas where they are located.

Contribution of Export Sales

UGC, Philcement and PHINMA Solar have no export sales.

Supply

Construction Materials

a. UGC

UGC's major raw materials in the production of color-coated sheets are galvanized iron sheets in coils or zinc-aluminum coated sheets in coils. The sources of galvanized and zinc aluminum coated materials are China and other Asian countries. As of today, there are no local manufacturers of these materials that can meet the quality of substrates for pre-painting.

UGCs sources steel coils from a minimum of five different suppliers and as such believes its supplier base is diverse enough so as not to pose a concentration risk to the company from the loss of any single supplier.

b. Philcement

Philcement currently sources substantially majority of its imported cement from one of the biggest privately-owned cement joint-stock companies in Vietnam. The Vissai Group, through Viet Cement Terminal JSC, and PHINMA, are shareholders of Philcement and it is in the mutual interest of both companies that the Vissai Group continues to supply Philcement with cement. However, the cement supply agreements between Philcement and The Vissai Group are non-exclusive, done at arm's length, and are at market prices, and as such, Philcement is free to source cement from other parties for supply reliability and risk mitigation.

To this end, Philcement has negotiated and developed cement supply arrangements with another supplier in Asia and continues to develop other sources of cement.

c. PHINMA Solar

PHINMA Solar's major inputs are provided by solar panel suppliers and Engineering, Procurement and Construction ("EPC") contractors for turnkey solar projects. Supply contracts are done on a per project basis. Prior to finalizing contracts, PHINMA Solar evaluates offers from a minimum of 3 different suppliers. The company purchases from several competing suppliers and believes there is no concentration risk from any one particular supplier.

Education Group

PHINMA Education schools have common suppliers for items including computers, providers of school IT systems, construction contractors, uniforms, and learning materials. PHINMA Education believes there is no concentration risk because no single supplier exerts any monopoly and there are several competing suppliers. The company benchmarks its supply costs against other schools in order to negotiate fair prices.

Customers

The Company believes its customer base across its major business segments are diverse enough and no single customer make up more than 20% or more of PHINMA or the business segments group revenue.

Construction Materials Group

The Construction Materials Group is not dependent on a single or few customers but, rather, has a well-balanced customer portfolio.

UGC

UGC serves the steel roofing requirements of end-users, developers, contractors, and dealers for residential, and commercial building applications and government projects including school buildings and military housing units. UGC also caters to the agribusiness sector such as the cold storage and poultry industries.

Philcement

Philcement's customers are grouped into the following segments: Contractor, Dealers, Developers, End-User, Hardware stores and Retailer, and Ready-Mix Players. Notably, despite the short time since the start of its operations, Philcement has supplied a number of big commercial and infrastructure projects across the country.

PHINMA Solar

PHINMA Solar's customers are mainly in industries including mall operations, manufacturing, schools, agri-businesses, hospitals, and hotel operations.

Education Group

Majority of PHINMA Education's students belong to the low-income market with an annual household income of ₱300,000.[10] Average annual tuition fees across the PHINMA Education schools, which target the affordable segment, ranges from ₱18,000 to ₱25,000.

Transactions with and/or dependence on related parties

Other than transaction disclosed in "*Certain Relationships and Related Party Transactions",* PHINMA has no dependence on any related parties.

[10] Philippine Institute for Development Studies 2018 Annual Report

Marketing and Distribution

Construction Materials

a) Steel Business

UGC serves the steel roofing requirements of end-users, developers, contractors and dealers for residential, commercial building applications and government projects such as school buildings and reconstruction efforts. Its secondary markets are facilities for the agribusiness sector such as cold storage, poultry structures and government projects for school buildings and public markets.

UGC's main manufacturing facilities are located in Calamba City, Laguna and it maintains a nationwide distribution network consisting of roll-forming plants, warehouses and sales offices located in strategic regions around the Philippines.

b) Cement Business

Backed by decades of experience in the cement industry and armed with technical and management expertise, Philcement aims to be a partner of choice for its reliability of supply and high-quality products and services. Philcement distributes its products in 40-kg bags, jumbo bags, and bulk trucks.

To serve key markets, Philcement has built a cement facility in the Freeport Area of Bataan which started operations in February 2020. It is the first in the industry to use ship unloader for bulk cement. Further, in September 2019, Philcement entered into an agreement with Seasia Nectar Port Services, Inc. to purchase the port and port assets where its terminal is constructed on, thereby affording the company cost-efficiencies. The cement processing complex is likewise strategically located and able to afford Philcement logistical advantage over competitors who transport cement mostly via land. Philcement is likewise able to leverage on its affiliate UGC's waterways distribution network, especially in its reach of the Visayas and Mindanao markets which is underserved by local cement manufacturers that rely heavily on trucking or land-based transportation.

Philcement's main Office and Facility are located in the Freeport Area of Bataan, Mariveles, Bataan. Along with UGC, it continues to grow its distribution network nationwide.

Education Group

PHINMA Education (PEHI) provides more opportunities to students from low-income families by offering academic scholarships and financial assistance on top of already accessible fees. Partnerships with local schools and communities are supplemented by multimedia campaigns across each institution's catchment areas.

Competition

Construction Materials

a) Steel Business

For steel roofing, UGC's main competitors are Puyat Steel, DN Steel, and Sonic Steel/United Steeltech Group. In terms of relative nationwide market share size in this category, it is estimated that UGC is roughly the same size as Puyat Steel and DN Steel, and a little over half the size of Sonic Steel/United Steeltech Group.

UGC's range of products in this category include: pre-painted galvanized sheets, galvanized sheets, light steel frames, purlins, and metal decking. In comparison, UGCs major competitors have a similar product range. UGC has a nationwide distribution network. In comparison, UGCs major competitors are also present nationwide. UGC effectively competes in the area of customer service, where its wide distribution network and speed of order fulfilment ensure its products are readily available in the market at the location and within the timeframe required by its customers.

For PU products, UGCs main competitors are DYD/Ultra, and iSteel. UGCs range of products in this category includes Insulated Roofing, Insulated Sandwich Panels and Doors.

b) <u>Cement Business</u>

Philcement's main competitors are Holcim, Republic Cement, Eagle Cement, Northern Cement, and Cemex. It is estimated that in terms of relative nationwide market share size, Holcim has the largest share, while Philcement has the smallest share among the aforementioned market players. Holcim, with cement plants in La Union, Bulacan, Misamis Oriental, and Davao and terminals in Visayas and South Luzon, has nationwide market presence. Eagle Cement and Northern Cement's integrated cement plants are primarily focused on Luzon, with Northern Cement covering the areas of Northern Luzon while Eagle Cement Bulacan operations concentrate on Central Luzon, NCR, and South Luzon. In early 2022, Southern Concrete (Oro Cement), which is part of the San Miguel Group along with Northern and Eagle, started operations in Davao del Sur. Republic Cement, similar to Holcim, maintains a nationwide market presence with several plants located mostly in Luzon, a grinding plant in Cebu, and its Iligan Cement plant in Lanao Del Norte. Cemex Philippines, with the Solid/Rizal cement plants in Antipolo City, Rizal and Apo cement plants in Naga, Cebu, has market presence in NCR and South Luzon and Visayas, respectively. Apart from Eagle Cement, many of these plants have been and continue to import clinker and, at many times, cement, to augment their supply. Aside from these large industry players with integrated capacities, Philcement also competes with cement importers in some areas. These cement importers source their cement mostly from Vietnam but also has supply from other parts of Asia.

Although Philcement's main facility is in Mariveles Bulacan, its port facilities provide transport flexibility to its customers. The facility can easily load cement to vessels and transport them out to different ports nationwide, while it can also dispatch cement products for land transport. This provides a significant competitive advantage compared to landlocked cement plants which have no choice but to traverse congested road networks. Philcement has been able to competitively serve areas such as Ilocos in North Luzon, Metro Manila, and islands in the MIMAROPA and the Visayas regions through vessels - markets which are very hard and costly to reach unless a cement plant is nearby.

In terms of pricing, Philcement recognizes the importance of quality of cement for its customers, while understanding the competitiveness of the market. Philcement's pricing strategy is market-driven and is competitive against local cement brands. For the bulk market segment where quality is of paramount significance, Philcement is also able to price competitively, while ensuring that it maintains consistent quality and reliability of supply for its customers.

<u>Education Group</u>

The competitors of each PHINMA Education school vary depending on the location of each school, as well as the presence of both private and public schools in the area catering to the low income market. In general, the PHINMA Education Schools in terms of enrolment are among the top 5 private schools operating in their respective localities, with the exception of the newer acquisitions: SJCI, RCI, UCL, and RCL.

In SY 2022-2023, it logged its highest enrolment yet by welcoming 124,501 students in the Philippines and Indonesia, with more than 61,000 of them new to the system. This marks a 30% overall increase versus the previous school year's enrollment of 95,503 students.

Total tertiary enrolment in the Philippines is currently estimated at around 3.4 million, resulting in an estimated nationwide market share of around 2.2% for the PHINMA Education Schools in aggregate. Table below presents top private higher educational institutions nationwide by enrolment:

Top 5 Private Higher Educational Institutions by Enrolment, SY 2015/2016[11]

1.	University of Sto. Tomas	44,769
2.	Saint Louis University	32,725
3.	South UPI College	29,052

[11] *CHED website, latest available data*

4.	ICCT Colleges	26,833
5.	University of Cebu	26,593

Table below presents the top 5 SUCs nationwide in terms of enrollment. While the passage of the Universal Access to Tertiary Education Act removed tuition as an admission requirement, the SUCs' capacity to accept enrollees is still limited by capacity constraints and by its academic admission requirements. Hence, even with the passage of this law, PHINMA Education enrolments grew, especially since many of its low-income students are qualified to receive the Tertiary Education Subsidy.

Top 5 SUCs by Enrolment, SY 2019/2020[12]

1.	University of the Philippines	57,387
2.	Polytechnic University of the Philippines	56,928
3.	Cavite State University	43,634
4.	Cebu Technological University	41,395
5.	Batangas State University	39,955

In terms of tuition fees, average annual tuition fees of PHINMA Education schools are around ₱18,000-25,000 per annum. SWU, PHINMA Education's mid-income school, charges average annual fees of ₱35,000 which is in the mid-range of the private school market in Cebu.

In terms of Program offerings, the PHINMA Education Schools carry course offerings designed toward employability of graduates, including programs such as BS Business Administration, Education, Nursing, IT, and Civil Engineering. These same programs have the highest enrollment in the country and are likewise offered by competitors.

PHINMA Education Schools have an established track record in producing national licensure exam topnotchers in programs such as Nursing, Medical Technology, Medicine, Engineering and Criminology. COC is recognized by the CHED as a Center of Excellence in Criminology.

Competitors in Indonesia

PHINMA Education entered into a joint venture agreement with Tripersada Global Management for the establishment of PT IndPhil Management (IPM) in 2019. It oversees tertiary institutions for Yayasan Triputra Persada Horizon Education. In 2021 it launched the brand Horizon Education, and the first school in Indonesia is now known as Horizon Karawang in West Java, Indonesia. It has a total enrollment of 1,274 students and specializes in Health Science and Information Technology (IT) programs. It is presently the only nursing school in Karawang. Its main competitors can be found in the table below.

PHINMA Education Schools and Their Major Competitors, Indonesia, SY 2022-2023

School	**Freshmen Enrollment**	**Total Enrollment**	**Tuition (*In ₱ Mn*)**
STIKes / STMIK Horizon Karawang	673	1,274	20,000 - 59,000 12,000 - 52,000 scholarships
Universitas Singaperbangsa Karawang (State University)	4,332	12,065	25,000 - 43,000
Universitas Buana Perjuangan (Business & IT Programs)	2,026	8,628	24,000 - 26,000
STIKes/ STMIK Bani Saleh (Health Science & IT Programs)	466	2,489*	22,000 - 63,000

[12] *CHED website, latest available data*

School	Freshmen Enrollment	Total Enrollment	Tuition (*In ₱ Mn*)
STIKes / STMIK Horizon Karawang	673	1,274	20,000 - 59,000 12,000 - 52,000 scholarships
Universitas Singaperbangsa Karawang (State University)	4,332	12,065	25,000 - 43,000
Universitas Medika Suherman (Health Science Only)	454	1,173*	53,000 - 56,000
STMIK Rosma (IT Programs Only)	161	1,009	14,000 - 22,000

*Latest available data

STIKES/STMIK Horizon has a tuition fee range of around ₱20,000 - ₱59,000, at par with fees of direct competitor schools. PHINMA Education identifies Universitas Medika Suherman, Bani Saleh, and STMIK Rosma as closest competitors in terms of enrolment size and program.

Intellectual Property

Under the Intellectual Property Code of the Philippines, the rights to a trademark are acquired through the registration with the Bureau of Trademarks of the Intellectual Property Office, which is the principal government agency involved in the registration of brand names, trademarks, patents and other registrable intellectual property materials.

Upon registration, the Intellectual Property Office shall issue a certificate of registration to the owner of the mark, which shall confer the right to prevent all third parties not having the consent of the owner from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the mark is registered. The said certificate of registration shall also serve as prima facie evidence of the validity of registration and the ownership of the mark of the registrant. A certificate of registration shall remain in force for an initial period of ten (10) years, and may be renewed for periods of ten (10) years at its expiration.

As of December 31, 2022, PHINMA and its subsidiaries have the following registered trademarks:

PHINMA

Registered Trademark	Date of Registration	Registration No.	Date of Expiration
Making Lives Better	2 October 2015	4/2015/00001382	2 October 2025

Construction Materials Group

The Construction Materials Group holds several trademarks for the Union brand. UGC's logos and product names are registered while Philcement's Union Cement products are all registered. In 2022, PHINMA Solar secured the registration of its brand, Union Solar.

The Group is actively monitoring and registering its trademarks with the Intellectual Property Office.

Registered Trademark	Date of Registration	Registration No.	Date of Expiration
UGC Logo 1	30 November 2017	4/2016/00014189	30 November 2027

UGC Logo 2	30 November 2017	4/2016/00014190	30 November 2027
UGC Logo 3	2 March 2017	4/2016/00014188	2 March 2027
UGC Logo 4	8 June 2016	4/2001/00007745	8 June 2026
Duratile	4 September 2014	4/2014/00000624	4 September 2024
Duraseam	18 October 2018	4/2018/00000734	18 October 2028
Ecolume (Inactive)	7 April 2019	4/2018/00015871	7 April 2029
Union Cement	19 February 2021	4/2020/505431	19 February 2031
Union V Super	11 May 2018	4/2017/16641	11 May 2028
Union V Ultra	11 May 2018	4/2017/16644	11 May 2028
Union Astig	28 September 2018	4/2018/6692	28 September 2028
Sementong Astig	3 February 2019	4/2018/6691	3 February 2029

Education Group

Registered Trademark	Date of Registration	Registration No.	Date of Expiration
Araullo University	28 November 2005	4/2004/005672	28 November 2025
Araullo University Seal	19 March 2007	4/2004/007972	19 March 2027
Cagayan de Oro College Logo	15 August 2013	4/2012/00012187	15 August 2023
Cagayan de Oro College Seal	15 August 2013	4/2012/00012188	15 August 2023
Cagayan de Oro College	20 June 2013	4/2012/00012185	20 June 2023
Making Lives Better Through Education	3 July 2014	4/2013/00013276	3 July 2024
"Moving Minds, Changing Lives!"	10 June 2016	4/2015/00505108	10 June 2026
Southwestern University	14 January 2016	4/2015/00011472	14 January 2026
University of Iloilo Seal	13 January 2011 and renewed on 13	4/2010/005386	13 January 2031

Registered Trademark	Date of Registration	Registration No.	Date of Expiration
	January 2021		
University of Iloilo	13 January 2011 and renewed on 13 January 2021	4/2010/005385	13 January 2031
University of Iloilo	14 December 2020	4/2020/0003018	14 December 2030
UI Sun Logo (No Verbal Elements)	7 June 2018	4/2018/0000163	7 June 2028
University of Pangasinan Seal	21 August 2014	4/2012/00012182	21 August 2024
University of Pangasinan Flame and Book Design	7 March 2013	4/2012/00012183	7 March 2023
University of Pangasinan Logo	21 August 2014	4/2012/00012181	21 August 2024
University of Pangasinan	14 June 2013	4/2012/00012180	14 June 2023

Effect of Existing or Probable Government Regulations on the Business.

Construction Materials

The Construction Materials Group relies heavily on the importation of inputs including cement, steel roofing raw materials, and solar panels. Any new taxes on these inputs or other new forms of non-tariff import restrictions may increase prices, reduce market demand, and adversely affect the business and financial performance of the Construction Materials Group.

In 2019, the Department of Trade and Industry ("DTI") imposed a definitive safeguard duty on imported cement for three years to redress alleged serious injury in the domestic industry. Philcement has filed a case with the Court of Tax Appeals ("CTA") opposing the safeguard taxes, maintaining that local cement manufacturers were not unduly harmed by cement imports. As of writing, the case is still pending with the CTA. Moreover, the domestic industry applied for an extension of the safeguard duty, which expired in October 2022. The Tariff Commission did not recommend the extension of the safeguard duty citing no significant impairment in the overall position of the domestic industry and no existence of an imminent threat of serious injury in the near future. DTI concurred with the recommendation of the Tariff Commission and in October 2022, dismissed the petition filed by local cement manufacturers to extend the tariff protection.

On top of safeguard measures, the domestic cement industry also applied for the imposition of anti-dumping duties on cement from Vietnam. In October 2022, the Tariff Commission has determined that an anti-dumping duty should be imposed on Philcement's exporter of Ordinary Portland Cement ("OPC" or "Type I"). DTI issued the final order imposing the aforementioned duty in February 2023.

To mitigate this risk, Philcement has started to manufacture its own blended cement in 2021, sold in the market as Union Extra Strength. Philcement has also established supply from other cement manufacturers in Asia. Moreover, Philcement has initiated several projects over a medium-term horizon which will allow the company to expand its product offerings and its domestic production of blended cement.

For the steel industry, DTI has received an application for safeguard tax protection from two local manufacturers claiming import protection in the galvanized roofing category, where UGC is also present. To mitigate this risk, UGC has the flexibility of activating its existing galvanized line to locally produce its own galvanized roofing. UGC, together with other steel roofing importers, continues to lobby against safeguard duties and has also submitted a position paper to the DTI against the proposed safeguard taxes to protect consumer interests.

Educational Services

Rules and regulations issued by the Commission on Higher Education (CHED), the Department of Education (DepEd), and the Technical Skills Development Authority (TESDA) affect the operations of the universities and colleges under PEHI. Some of the more salient effects include curricular requirements, faculty qualifications, and specifications of facilities. The universities and colleges are also governed by the rules and regulations prescribed by R.A. 9337, "An Act Amending Certain Sections of the National Internal Revenue Code (NIRC), as amended, and for other purposes. Under R.A. 9337, the universities and colleges are subject to a tax of 10% on their taxable income. However, if the gross income from unrelated trade, business or other activity exceeds 50% of the total gross income derived by such educational institutions from all sources, the regular corporate income tax under the NIRC shall be imposed on the entire taxable income.

Under the CREATE Law, the tax rate for "proprietary educational institutions and hospitals which are non-profit" was reduced from ten percent (10%) of taxable income to one percent (1%) for the period July 1, 2020 to June 30, 2023. The educational institutions which are subsidiaries of PHINMA Education should and will thus benefit from the said reduced rate as they are all proprietary (or privately-owned) educational institutions. However, on April 8, 2021, the BIR issued the Implementing Regulations of the CREATE Law (BIR Revenue Regulation No. 05-2021) where "Proprietary Educational Institutions" is defined as being non-profit, contrary to the CREATE Law itself.

The Revenue Regulations will in effect increase the tax rate of private educational institutions from the current ten percent (10%) to twenty-five percent (25%) which is not consistent with the CREATE Law. The subsidiary schools of PHINMA Education have joined other educational institutions in challenging the said Revenue Regulations.

On July 26, 2021, the BIR issued Revenue Regulation No. 14-2021 which suspended the implementation of BIR Revenue Regulation No. 05-2021, pending the passage of appropriate legislation on the matter.

The establishment, operation, administration and management of the Universities and Colleges under PEHI are subject to the existing laws, rules and regulations, policies and standards of the Technical Skills Development Authority (TESDA), Commission on Higher Education (CHED) and Department of Education (DepEd). Regulations from these governing bodies affect the operations of PEHI.

On January 24, 2022, the BIR issued Revenue Memorandum Circular (RMC) No. 13-2022, which reiterates the amendment on the tax treatment of nonprofit hospitals and proprietary educational institutions through Republic Act No. 11635, entitled "An Act Amending Section 27(B) of the National Internal Revenue Code of 1997, As Amended, and for Other Purposes". Qualified proprietary educational institutions and hospitals, which are nonprofit, are subject to a tax of ten percent (10%) of their taxable income, provided that from July 1, 2020 until June 30, 2023, the tax rate imposed shall be one percent (1%).

Governmental Evaluation of Products

Construction Materials

a) Steel Business

The Department of Trade and Industry (DTI) under its Mandatory Labelling with Self-Declaration and Conformity, requires that importers and manufacturers ensure that labelling and marking requirements of the applicable product standard and of the Consumer Act of the Philippines (R.A. 7394) are marked on the product itself.

Likewise, the Bureau of Philippine Standards (BPS) administers a product certification scheme for products under its List of Products under Mandatory Certification with specific product coverage and classification in safety and performance. For products not included in the mandatory list, manufacturers may still apply for PS License under the voluntary product certification scheme. UGC's products fall under the voluntary product certification scheme.

b) Cement Business

DTI, through the Bureau of Philippine Standards, mandates that the importation of cement products must comply with the implementing guidelines under Department Administrative Order 17-06 "The New Rules and Regulations Concerning the Mandatory Certification of Portland Cement and Blended Hydraulic Cement with Pozzolan".

Under the same DAO, all importers and manufacturers abroad need to undergo a product certification scheme for cement products incompliance with applicable Philippine National Standards (PNS 07:2018 for OPC and PNS 63:2008 for blended hydraulic cement with pozzolan).

Raw Materials

Construction Materials

a) Steel Business

UGC's major raw materials in the production of color-coated sheets are galvanized iron sheets in coils or zinc-aluminum coated sheets in coils.

The main sources of galvanized and zinc aluminum coated materials are China and Vietnam. There are no local manufacturers of these materials that can meet the quality of substrates for pre-painting.

b) Cement Business

Philcement mainly sources its cement products from its strategic partner in Vietnam. The cement cement supply agreements between Philcement and The Vissai Group are non-exclusive, done at arm's length, and are at market prices, and as such, Philcement is free to source cement from other parties for supply reliability and risk mitigation

All cement products are inspected and tested for product quality under the Philippine National Standards (PNS) and American Standards for Testing and Materials (ASTM) before they leave the port of origin, and again undergo product quality testing when they arrive at local ports.

Research and Development

Construction Materials

Research and Development Cost * (in ‘000)

Period covered	Amount	% to Revenues
CY2022	P1,109	0.01%
CY 2021	3,011	0.03%
CY 2020	2,654	0.03%

a) Steel Business

UGC has a full time Research and Development Section and one of its main functions is to take the lead in the Continuous Improvement Program in order to enhance product quality, customer service and cost competitiveness. UGC is an ISO-certified company for its Quality and Environmental Management Systems.

b) Cement Business

In its pursuit of delivering consistent and high-quality cement, Philcement Corporation has constructively completed its cement laboratory at its Mariveles Facility in 2021. The investment allows Philcement to do its own physical and chemical cement tests to ensure the consistent quality of its cement sold and distributed to customers. The Head of Plant Management is the lead for Product Quality and R&D activities for cement.

In Q3 2021, Philcement’s Mariveles facility received the Philippine Standards license accreditation from DTI, allowing the Company to produce Type IP cement products locally.

Philcement is an ISO-certified company for its Quality, Environmental, and Health and Safety Management Systems.

Educational Services

PEHI’s Academic System continually evolves to serve the needs of students and of the industry, both in the Philippine and global contexts.

Cost and Effects of Compliance with Environmental Matters

A discussion of the Company’s compliance with its Manual on Good Corporate Governance maybe found in “**Annex B”**

Construction Materials

The Construction Materials Group operates production facilities that are subject to environmental regulations with terms specified in the Environmental Compliance Certificates (“ECCs”) granted by the Department of Environment and Natural Resources (“DENR”). Although the companies exert due diligence in ensuring their facilities comply with these terms, any violation of ECC terms may require the company involved to pay a fine or incur costs in order to cure the violation. There can be no assurance that current or future environmental laws and regulations will not increase the costs of conducting businesses. The introduction of new environmental laws and regulations applicable to the business could have a material adverse effect on the financial results of the business.

a) Steel Business

UGC, as a corporate citizen, is committed to protect the environment and safeguard the health and safety of its employees. It strictly conforms to government environmental regulatory standards through its pollution control facilities for water and air. It continuously monitors its wastewater and air emissions and maintains and improves such facilities and processes to ensure environment friendly results. Regular tests conducted internally and by third parties show that effluents consistently met Department of Environmental and Natural Resources (DENR) and Laguna Lake Development Authority (LLDA) standards. In addition, UGC is a member of the Local Government Units (Calamba Green Stream Brigade and Laguna Water Conservancy), Pollution Control Association of the Philippines, Inc. (PCAPI) and Water Environment Association of the Philippines (WEAP) to strengthen its commitment and involvement for a better environment.

An Environmental Management Group which reports directly to the Vice President - Production is responsible for the implementation of the Company's Environmental Program including compliance with all laws and regulations on Environmental Standards.

b) Cement Business

Philcement fully complies with the regulations and conditions set by DENR and the Authority of the Freeport Area of Bataan. In January 2023, Philcement received its ISO certification, including its Environmental Management System.

A Pollution Control Officer, reporting directly to the Vice President – Plant Management, is responsible for the implementation and monitoring of the Company's environmental system, including compliance to environmental standards.

Employees

As of December 31, 2022 and 2021, PHN and its subsidiaries had a total of 3,983 employees broken down as follows:

Officers and Employees

Company	No. of employees			
	CY 2022		CY 2021	
PHN (Holding Company)				
Management	**5**		6	
Staff	**13**	**18**	14	20
UGC				
Executive	**18**		11	
Managers	**74**		70	
Supervisors	**422**		492	
Rank and File	**180**	**694**	221	794
Philcement				
Executive	**7**		3	
Managers	**19**		17	
Supervisors	**85**		90	
Rank and File	**4**	**115**	-	110
Phinma Solar				
Executive	**3**		3	
Managers	**11**		4	
Supervisors	**19**	**33**	4	11

AU				
Academic	**326**		309	
School Operations	**179**	**505**	113	422
COC				
Academic	**458**		433	
School Operations	**187**	**645**	127	560
UPANG				
Academic	**392**		458	
School Operations	**142**	**534**	124	582
UI				
Academic	**358**		331	
School Operations	**126**	**484**	119	450
SWU				
Academic	**385**		394	
School Operations	**186**	**571**	181	575
SJCI				
Academic	**101**		128	
School Operations	**51**	**152**	59	187
RC				
Academic	**17**		12	
School Operations	**17**	**34**	20	32
RCL				
Academic	**29**		10	
School Operations	**30**	**59**	21	31
UCL				
Academic	**47**		48	
School Operations	**31**	**78**	20	68
PEHI Rockwell				
Management	**18**		53	
Staff	**43**	**61**	3	56
TOTAL		**3,983**		3,898

Employees of PHN and its subsidiaries are not subject to a Collective Bargaining Agreement (CBA) except for the following subsidiaries:

a) UPANG - CBA renewed on June 10, 2022 for a 5 year term and will expire on June 10, 2027; and
b) UGC - CBA been renewed on July 1, 2020 and will expire on June 30, 2025

The Company does not expect a substantial change in the workforce in the next twelve (12) months.

Risk Factors

1. Dividend Restriction

As a holding company which primarily derives cashflow from dividend income from its investments in subsidiaries and associates, PHINMA's ability to service its own obligations may be affected by the dividend restrictions imposed by the outstanding loan agreements and financial stability of its operating companies. Moreover, creditors of PHINMA's subsidiaries and affiliates will have priority claims over the assets of such subsidiaries and affiliates.

The Company has put in place prudent financial management measures, one of which is centralizing all loan documentation and availment within the Treasury Group, to ensure its subsidiaries and affiliates are still afforded flexibility to upstream dividends to their parent.

As parent company, PHINMA earned ₱169.22 million, ₱307.86 million and ₱429.58 million of dividend income for the years 2022, 2021 and 2020, respectively. Though these may not be indicative of future performance of the Company, PHINMA hopes to benefit from its expansion initiatives such as new acquisitions for PHINMA Education including RCI, RCL, and Union College of Laguna, Inc. ("Union College"), to expand its cashflow stream.

2. Business Cyclicality Risk

Select businesses of the Group have exhibited seasonality in demand and revenues. Demand for construction materials are higher during the months from December to May, than in the rainy months of June to November. School year for PHINMA Education's schools is generally from August to April and summer classes are from May to July. Thus, cashflow outside these periods may be relatively lower.

The Company takes this business seasonality into account during periodic budget review and undertakes capital reallocation as necessary should there be adverse changes in the business units projected cashflows.

3. Competition Risk

<u>Construction Materials Group</u>

The construction materials industry is a fragmented industry with numerous domestic and foreign competitors, although there are local market players, such as UGC, that hold relatively strong market positions.

As of December 31, 2022, UGC's estimated domestic market share for steel roofing and polyurethane products is around 6-8%, based on the company's estimates. UGC's steel roofing and steel products business faces stiff competition from other market participants that import finished steel products from foreign sources like China, Korea and Vietnam.

Compared to its competitors, UGC has a very large and diversified distribution network, with roll forming plants, warehouses, and sales offices in strategic locations throughout the country. UGC leverages its nationwide distribution and manufacturing footprint as a competitive advantage that ensures that its products are always available when needed by its customers. UGC can also manufacture and import roofing materials, giving it the flexibility to fulfill large, customized orders.

Philcement likewise operates in a highly competitive industry. Market players may employ aggressive pricing strategies and make it difficult for competitors, in general, to gain any non-price competitive advantage. Philcement mitigates this risk by owning and operating a very efficient cement terminal in Bataan (the "Mariveles Cement Facility") that allows the company to efficiently load and unload cement into and from vessels and transport them to different destinations nationwide. To this date, Philcement has been able to competitively serve key markets in North Luzon, Central Luzon, South Luzon, Metro Manila, Visayas, and Mindanao regions.

With the strong outcry for cleaner energy, PHINMA Solar finds itself in a very attractive and growing industry. Aside from other medium- and large-sized companies that offer solar rooftop solutions, several options have become available to the retail market, some of which are do-it-yourself and easily accessible through e-commerce channels. PHINMA Solar addresses this risk by ensuring high quality offers made possible by the use of materials that are of the highest quality, known as Tier 1 in the industry, as well as the provision of after-sales services.

<u>Education Group</u>

PHINMA Education Schools compete with both public and private educational institutions that cater to the low income market. If PHINMA Education is unable to keep its education costs at competitive levels, it may not be able to attract the desired number of students to maintain its growth and profitability.
PHINMA Education Schools are competitively priced compared to the other Higher Education Institutions (HEIs) which target the same market. Although State Universities and Colleges (SUC) offer free tuition since the passage of the Universal Access to Tertiary Education Act, enrollment in SUCs is limited due to constraints in budget and infrastructure, as well as stringent academic admission requirements of SUCs. In general, the PHINMA Education Schools, in terms of enrolment, are among the top 5 private schools operating in their respective localities based on enrollment size, with the exception of the newer acquisitions (SJCI, RCI, and RCL). Costs are managed in order to keep tuition fees accessible to the target market. Programs are modular, offering students options for shorter courses resulting in immediate course completion with employable skills. Options for remote and distance learning also reduce student transportations costs and improve affordability.

PHINMA Education Schools are designed to promote active learning and enable students immediately complete courses with employable skills. In total, PHINMA Education Schools have fielded 101 board exam topnotchers since PHINMA Education’s acquisition of its first school in 2004. In terms of employment, around 81% of graduates are accepted into their first job within one (1) year from graduation based on tracer studies.

4. Market Risk

<u>Construction Materials Group</u>

The Company primarily serves the construction industry and by extension the infrastructure and real estate sectors. Growth in these key industries may be affected by certain factors including market trends, overall economic growth, and government policy. The strong consumption of construction materials in recent years may be affected by a national economic downturn, such as that caused by the ongoing COVID-19 pandemic and the global economic slowdown following the war between Russia and Ukraine, leading to the delay of construction projects and real estate developments. A change in government policy and lowered budget spending on infrastructure may also lead to lower sales growth.

The Construction Materials Group will continue to optimize its nationwide distribution area to deliver high quality products and bring value to its customers.

<u>Education Group</u>

A recession or decline in disposable income caused by the pandemic or other factors may reduce demand for affordable education. A discontinuation of the Senior High School Voucher Program and government subsidy for tertiary education may adversely impact the number of enrollees in PHINMA Education Schools.

5. Regulatory Risk

<u>Construction Materials Group</u>

The Construction Materials Group relies heavily on the importation of inputs including cement and steel roofing raw materials. Any new taxes on these inputs or other new forms of non-tariff import restrictions may increase prices, reduce market demand and adversely affect the business and financial performance of the Construction Materials Group.

In 2019, the Department of Trade and Industry (“DTI”) imposed a definitive safeguard duty on imported cement for three years to redress alleged serious injury in the domestic industry. Philcement has filed a case with the

Court of Tax Appeals ("CTA") opposing the safeguard taxes, maintaining that local cement manufacturers were not unduly harmed by cement imports. As of writing, the case is still pending with the CTA. Moreover, the domestic industry applied for an extension of the safeguard duty, which expired in October 2022. The Tariff Commission did not recommend the extension of the safeguard duty citing no significant impairment in the overall position of the domestic industry and no existence of an imminent threat of serious injury in the near future. DTI concurred with the recommendation of the Tariff Commission and in October 2022, dismissed the petition filed by local cement manufacturers to extend the tariff protection.

On top of safeguard measures, the domestic cement industry also applied for the imposition of anti-dumping duties on cement from Vietnam. In October 2022, the Tariff Commission has determined that an anti-dumping duty should be imposed on Philcement's exporter of Ordinary Portland Cement ("OPC" or "Type I"). DTI issued the final order imposing the aforementioned duty in February 2023.

To mitigate this risk, Philcement has started to manufacture its own blended cement in 2021, sold in the market as Union Extra Strength. Philcement has also established supply from other cement manufacturers in Asia. Moreover, Philcement has initiated several projects over a medium-term horizon which will allow the company to expand its product offerings and its domestic production of blended cement.

For the steel industry, DTI has received an application for safeguard tax protection from two local manufacturers claiming import protection in the galvanized roofing category, where UGC is also present. To mitigate this risk, UGC has the flexibility of activating its existing galvanized line to locally produce its own galvanized roofing. UGC, together with other steel roofing importers, continues to lobby against safeguard duties and has also submitted a position paper to the DTI against the proposed safeguard taxes to protect consumer interests.

Education Group

The ability to raise additional equity financing from non-Philippine investors is restricted by the foreign ownership restrictions imposed by the Constitution and applicable laws. The Constitution prescribes that educational institutions shall be owned solely by citizens of the Philippines or corporations or associations at least sixty percent (60%) of the capital of which is owned by such citizens, except for educational institutions established by religious groups and mission boards.

The extended suspension of face-to-face classes due to the ongoing COVID-19 pandemic may adversely impact the financial and operating performance of PHINMA Education. PHINMA Education has adjusted its operations by piloting its new Flex Learning and Remote and Distance Learning programs. These remote learning programs are newly introduced, and their effectiveness compared to face-to-face classes are regularly being assessed and improved. To mitigate possible issues, PHINMA Education is conducting more frequent consultation with students and teachers and periodically adjusts the programs based on early feedback. The Flex Learning program also provides the flexibility to transition to face-to-face classes as these are gradually allowed.

PHINMA Education continues to ensure compliance with the program and curriculum guidelines and requirements of the Commission on Higher Education (CHED), Department of Education (DepEd) and Philippine Accrediting Association of Schools, Colleges and Universities (PAASCU). PHINMA Education also continuously engages in dialogue with CHED and other regulatory bodies, and coordinates with other educational institutions to develop guidelines for remote learning in the country.

6. Supply Chain Risk

Construction Materials Group

Philcement relies heavily on the importation of cement and cement materials. Philcement procures majority of its cement and cement materials from Vietnam. Any disruption in the supply of cement from Vietnam may have a material adverse effect on the operations and financial performance of Philcement. In addition, any prolonged disruption in supply of imported cement could adversely affect Philcement's relationships with key customers, including large cement dealers and retailers.

Philcement is free to source cement from other parties to ensure reliability in its supply chain. To diversify supply, Philcement has developed cement supply arrangements with another supplier in Asia, and continues to explore other sources of cement supply. There are key projects under evaluation which will provide the flexibility and capability to competitively produce and distribute cement domestically.

Philcement's supply chain can also be adversely affected in the event of a disruption in operations in its unloading port in Bataan, which may render it non-operational due to accident or other events of Force Majeure.

For UGC, although the company imports both raw materials and finished products primarily from Chinese suppliers, the China steel industry is diverse to the point that there is no material risk posed by supply disruption from any single supplier. However, developments in the Chinese economy and any changes in the regulations in China that are relevant to their steel industry may have an impact on the performance of UGC.

As the business of Construction Materials Group involves importation of raw materials for manufacturing inputs, disruptions in global supply chains and changes in global oil prices can have a significant impact on transportation costs, impacting the margins and pricing for products and services. To mitigate this, Construction Materials Group has both long-term and short-term vendor contracts with vessel companies to smoothen out the effect of volatility in oil prices.

The Company does not foresee any material supply chain risk for the Education Group, Properties Group and Hospitality group.

7. People Risk

The current and future performance of the Company depends on the expertise, experience, and continued service and employment of its senior management and key officers. The loss of the services of key officers or members of the management team could result to disruption in the operations of the Company and may delay the execution of its business plans and growth strategies.

To mitigate this risk, the Company has adopted a succession plan by identifying members of the management team who will be able to assume and take on the role and additional responsibilities arising from departures of existing members. The Company has also established organizational policies and procedures for the development and advancement of its employees to ensure that business continuity is done by employees with superior skills and talent thereby diminishing overdependence on key individuals in the Company.

Operations of the businesses can be substantially affected by a pandemic outbreak affecting the health of employees, clients, customers, or students at the various sites including manufacturing plants, warehouses, schools, affordable housing developments, hotels, and head offices. In general, on-site work by employees has been limited, where possible, through work-from-home arrangements. While operations are, to the extent possible, managed remotely. PHINMA has taken measures to ensure that the facilities are safe and that employees, students, and customers will be assured of their well-being should they need to visit or use the facilities. In general, PHINMA has implemented thermal-scanning and other controls at all designated entrances and exits, and other sanitation and social distancing protocols including directional passageways and signs, and disinfection stations. Masks and appropriate face coverings are required in all facilities, and all facilities adhere to local government protocols.

The Company further recognizes the need to support physical, psychological and mental wellbeing. The program My Wellness Journey, aims to address all of these concerns. Employees are given access to professional support for mental wellness and psychological safety, while physical well-being is promoted on a regular basis with various programs across the Group.

8. Dependence on Key Facilities and Equipment

<u>Construction Materials Group</u>

A substantial portion of UGC's income is derived from the sale of products produced or processed at UGC's production facilities. Any breakdown of, or significant damage to, UGC's production facilities could have a material adverse effect on the results of its operations. UGC maintains comprehensive property and casualty insurance policies on its production facilities under a broad name peril policy. However, there is no assurance that the proceeds from UGC's insurance policies would be sufficient to insulate UGC from all effects of possible total loss or damage caused by the named perils in the respective policies. In addition, UGC has adopted a risks management system covering preventive and preparedness action plans.

Philcement derives its revenues and income from the sale of cement products. Any breakdown of, or significant damage to, Philcement's materials handling and processing facilities could have a material adverse effect on the results of its operations. While the equipment is still under warranty, substantial downtime could affect the efficiency of operations and attainment of financial goals and objectives. To mitigate risk of equipment failure, Philcement maintains multiple units for key items of equipment such as cement storage silos, mechanized cement packers, and truck loaders.

Education Group

The income of the Education Group is derived from education operations at various school locations. Risk of a halt in operations due to fire or calamity is mitigated to the extent all the schools currently employ remote learning models. The schools similarly have insurance protection, with coverage including property all risk insurance and fire and allied perils.

9. Dependence on Logistics

For the Construction Materials Group in particular, the business relies on the orderly and timely movement of imported inputs such as cement, steel coils, and solar panels into the facilities, as well as the orderly and timely dispatch of finished products to customers or warehouses. Thus, the business is highly dependent on the reliability of owned, as well as leased, logistics facilities and equipment including ship unloading equipment, warehouses, cement storage silos, ships, and trucks. Any event which causes damage or renders inoperable key logistics components such as piers or major roads could substantially affect business operations of the Construction Materials Group. In addition, any increase in third-party-provided logistics services, including international shipping and freight costs, could also effectively increase raw materials costs and reduce profit margins for the Construction Materials Group.

The Construction Materials Group companies maintain adequate level of insurance coverage over the facilities involved.

10. Dependence on Weather

Construction Materials Group

Severe weather disturbances can affect the loading and unloading of cement at Philcement's Mariveles facility. Vessels cannot be loaded, transported, or unloaded over the duration of the severe weather disturbance. Prolonged or frequent weather disturbances could delay inbound material shipments which could reduce the inbound capacity of the terminal resulting in reduced sales for Philcement. Weather disturbances can also delay outbound overland shipments to customers resulting in failure to meet delivery schedules.

To mitigate this risk, Philcement contracts larger vessels more capable of withstanding turbulent weather. Philcement is also developing relationship with cement suppliers from other countries to diversify supplier base as well as geographic region.

Weather disturbances can also delay inbound shipments of raw materials to UGC as well as outbound delivery of finished products to customers. UGC relies on several third party operated ports for inbound shipments to reduce risk from weather disturbances and also performs seasonal planning and stocking to mitigate supply outages. The adverse effect of weather disturbances on outbound deliveries is also reduced due to UGCs nationwide network of roll forming facilities and warehouses, which reduces distance to customers and provides an available amount of finished goods inventory. UGC also tends to sell more steel roofing in the wake of weather disturbances in the Philippines involving strong winds which increases the demand for roofing around the country.

Education Group

The Education Group is likewise affected by weather disturbances to the extent such disturbances affect the holding of face-to-face classes at each particular location. This is mitigated to the extent that all the schools currently employ some form of remote learning where the students do not attend face-to-face classes. The schools have also historically acted as local typhoon relief and evacuation centers in their particular communities.

11. Information Security Risk

In conducting their businesses, the business segments are required to retain confidential information from customers. Although the business segments take the necessary precautions to secure such information, advances in the field of cryptography and increased exposure due to the recent prevalence of online transactions could result in compromise or breaches of security systems and personal data stored in our systems. The security measures set up by the Company and/or its subsidiaries may be inadequate to prevent security breaches which could adversely affect business operations.

The Company and its subsidiaries take precautions to protect the personal information of its customers through existing, periodically updated, and centrally approved IT security policies, the effectivity of which are measured through defined metrics. These policies are implemented by the respective IT teams of the Company and each of the subsidiaries. In addition, the Company and its subsidiaries have various information security software and tools, including firewalls, anti-virus, and 2-FA (2-Factor Authentication). IT risk assessment is periodically conducted using vulnerability assessment and penetration testing tools to check the vulnerability of the Company's and the subsidiaries' IT systems and network. Finally, information security awareness and training are also provided to all employees.

RISKS RELATED TO THE PHILIPPINES

1. Territorial Disputes

The Philippines, China and several Southeast Asian nations have been engaged in a series of long-standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea.

In January 2013, the Philippines lodged an arbitration case against China at the Permanent Court of Arbitration in The Hague to resolve the territorial dispute. China refused to recognize that the international tribunal had jurisdiction over the case. In July 2016, the international tribunal ruled in favor of the Philippines in its case against China by upholding the position that China's "nine dash line" maritime claim is excessive and that it encroached into the Philippines' 200-nautical mile exclusive economic zone. It held that China had no legal basis to claim historic and economic rights to resources within the sea areas falling within the "nine-dash line".

Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted and the Company's operations could be adversely affected as a result. Further disputes between the Philippines and other countries may lead to reciprocal trade restrictions on the other's imports or suspension of visa-free access and/or OFW permits. Any impact from these disputes in countries in which the Company has operations could materially and adversely affect the business, financial condition and results of operations of the Company and its Subsidiaries.

2. Foreign Exchange Risk

Majority of the Company's revenues are denominated in Philippine peso. Nonetheless, the Company has offshore transactions such as its U.S. dollar-denominated preferred share investment in Vietnam, investments in schools in Indonesia and Myanmar and sourcing of cement from Vietnam. The Company likewise has plans of expanding its footprint in Southeast Asia, thus exposing PHINMA to more foreign exchange risks.

At present, the country's exchange rate policy supports a freely floating exchange rate system whereby the BSP allows market forces, such as supply and demand, market-moving events, to dictate exchange rate movement. The implementation of the revised Foreign Exchange rules eased the purchase of foreign currencies in the banking system. There is no assurance that the Philippine Peso will not deprecate against other currencies.

To mitigate its exposure to exchange rate fluctuation, the exchange rate risks on other foreign currencies are managed through constant monitoring of the global political and economic environment and its impact on the foreign exchange rates. Additionally, the Company takes advantage of hedging instruments such as deliverable and non-deliverable forward contracts to mitigate said risks.

Properties

Table - Property, Plant and Equipment (in thousands)

	Dec. 31, 2022*	Dec. 31, 2021*
Cost		
Land	**₱3,271,394**	₱3,141,322
Plant site improvements	**3,472,872**	3,473,015
Buildings and improvements	**4,549,537**	4,147,397
Machinery and equipment	**2,495,712**	2,271,102
Transportation and other equipment	**602,384**	560,501
	14,391,899	13,593,337
Less : accumulated depreciation		
Plant site improvements	**375,831**	246,493
Buildings and improvements	**1,592,772**	1,460,651
Machinery and equipment	**1,842,164**	1,633,050
Transportation and other equipment	**404,896**	366,988
	4,215,663	3,707,182
	10,176,236	9,886,155
Construction in progress	**1,406,151**	779,711
Net Book Value	**11,582,387**	₱10,665,866

**Source: Audited financial statements as of December 31, 2022 and 2021.*

Outstanding construction in progress pertains to construction costs for various buildings and hospital renovations which are expected to be completed in 2023.

Interest capitalized as part of "Construction in progress" account amounted to ₱42.6 million and ₱24.1 million in 2022 and 2021, respectively.

Certain property and equipment of AU, COC, UI, UPANG, Philcement and UGC with aggregate amount of ₱ 4,922.4 million and ₱5,141.9 million as at December 31, 2022 and 2021, respectively, are used as collateral for their respective long-term debts obtained from local banks (see Note 23).

In 2022, the Company sold various property and equipment with aggregate carrying value of ₱1.6 million for ₱2.1 million, resulting to a gain of ₱0.5 million.

In 2021, the Company sold various property and equipment with aggregate carrying value of ₱3.2 million for ₱3.4 million, resulting to a gain of ₱0.2 million.

The COVID-19 pandemic did not materially affect the recoverability of property, plant and equipment.

Subsidiary	Collateral
AU	Land and land improvements in the main campus
COC	Land and land improvements in the main campus
UI, UPang	Land and land improvements
Philcement	Assignment of leasehold rights on the land where the cement terminal is constructed, registration of real estate or chattel mortgage on cement terminal building, equipment and other assets, and assignment of port ownership, right to land lease and rights to foreshore lease

UGC	Land, plant site improvements, building and installations and machinery and equipment
PSHC	Land

Currently, the Company has no intention to acquire material properties in the next twelve (12) months.

The following table summarizes the Group's principal properties as of December 31, 2022:

Description	Location	Use	Mortgages
PHINMA			
Land	Silang, Cavite; Calaca, Batangas; San Fernando, La Union; Samal Island, Davao Del Norte	Investment property; Residential	No encumbrances
Buildings and improvements	Makati City, Metro Manila; Silang, Cavite; San Fernando, La Union	Office space and parking lots; Residential	No encumbrances
UGC			
Land, plant and equipment	Land, plant and equipment	Land, plant and equipment	Land, plant and equipment
Lease improvements, machinery and equipment	Lease improvements, machinery and equipment	Lease improvements, machinery and equipment	Lease improvements, machinery and equipment
Lease improvements, machinery and equipment	Lease improvements, machinery and equipment	Lease improvements, machinery and equipment	Lease improvements, machinery and equipment
Condominium unit	Condominium unit	Condominium unit	Condominium unit
Residential lot	Residential lot	Residential lot	Residential lot
Philcement			
Plant site improvements	Plant site improvements	Plant site improvements	Plant site improvements
Education Group			
Land, buildings and improvements	Cubao, Quezon City; Sampaloc, Metro Manila; Calamba, Laguna; Sta. Cruz, Laguna; Cebu City, Cebu; Danao, Cebu; Talisay City, Cebu; Iligan City, Misamis Oriental	Educational, hospital, commercial, residential and agricultural	No encumbrances
Land, buildings and improvements	Cabanatuan City, Nueva Ecija; San Jose City, Nueva Ecija; Dagupan City, Pangasinan; Urdaneta City, Pangasinan; Iloilo City, Iloilo; Cagayan de Oro City, Misamis Oriental	Educational and residential	Encumbered
PSHC			
Land	Calumpit, Bulacan	Industrial	Encumbered

Lease Agreements

The Company, CMG, and schools also enter into lease agreements or other arrangements with various persons and entities for use in operations and office space. Lease agreements are subject to renewal under such terms and condition as may be mutually agreed upon by both parties.

PHINMA leases a portion of its office space which have a term of one (1) year, renewable at the option of the lessor at such terms and conditions to be mutually agreed by the parties. In 2022, payments related to short-term leases amounted to ₱1.36 million

Construction Materials Group

UGC, Philcement and Phinma Solar entered into lease agreements covering its plants and warehouses, which have terms ranging from one (1) to twenty-five (25) years, renewable subject to mutual agreement of UGC, Philcement or Phinma Solar and the lessor under certain terms and conditions. In 2022, payments related to short-term leases totalled ₱103.33 million and payments for long-term leases amounted to ₱122.95 million.

Education Group

As a Lessee

PHINMA Education has entered into lease agreements to occupy a staff house, office and parking lots, learning centers, and drinking fountains, which have terms ranging from six months to one (1) year, renewable subject to mutual agreement of the PHINMA Education and the lessors under certain terms and conditions.

On April 1, 2019, PHINMA UPang College Urdaneta, Inc. (PUCUI), a wholly-owned subsidiary of PHINMA UPang, entered into a lease contract to occupy a four story building to be used exclusively for educational or school purposes for a period of five years. The lease agreement can be renewed subject to mutual agreement and can be terminated at the option of PUCUI on the third and fifth year of the lease. In 2022, payments related to short-term leases totalled ₱8.83 million and payments for long-term leases amounted to ₱2.50 million.

As a Lessor

On August 6, 2010, SWU entered into a lease agreement with a third party for its investment properties. The lease is long-term, non-cancellable, renewable and subject to rent escalation. The property was turned over to the lessee on May 14, 2011 and was given a ten-month grace period to construct a building on the said property. After which, the 25-years lease period will commence.

On June 1, 2013, SWU entered into another lease contract for its investment properties. The lease term is five years with two months rent-free period.

The Schools entered into operating leases on some of its properties, particularly portions of its buildings for the operation of cell sites, canteens, food stands and convenience stores within its premises. These leases have terms ranging from less than a year to twenty-five (25) years

Legal Proceedings

Cohaco Merchandising & Development Corp., Fortem Cement Corporation, NGC Land Corp., Pabaza Import and Export Inc., and Philcement Corporation vs. Secretary Of Trade And Industry, Secretary of Finance, Commissioner Of Customs, And Chairman of The Tariff Commission (Court of Tax Appeals Case No. 10185)

On October 11, 2019, Philcement Corporation, a subsidiary of the Company, together with other cement importers Cohaco Merchandising & Development Corp., Fortem Cement Corporation, NGC Land Corp., Pabaza Import and Export Inc. , filed a Petition for Review with the Court of Tax Appeals (“CTA”) praying for the reversal and nullification of the decision of the Secretary of the Department of Trade and Industry (“DTI”) dated 27 August 2019, or DTI Department Administrative Order ("DAO") No. 19-13, safeguard duties (the “Duties) on imported cement classified. Said petitioners also seek a declaration that they are not liable for payment of said Duties and a refund of the Duties already paid. They principally assert that their importations cause no serious injury or threat of serious injury to the domestic cement industry. Further, consistent with the position of the Philippine Competition Commission, the imposition of the Duties would weaken competitive pressure and endanger the realization of huge benefits that a competitive landscape in the cement industry would bring. The said petition is still pending for resolution before the CTA.
by

Market Registrant's Common Equity and Related Stockholders' Matters

Market Price

The shares of stock of PHN are listed and traded in the Philippine Stock Exchange, Inc. (PSE). The high and low market prices of the shares of stock of PHN for each quarter within the last two (2) years, and for the months January to March of 2023, are as follows:

Period	High	Low
Calendar Year 2023		
January	19.20	18.90
February	19.20	19.00
March 1-10	19.50	19.00
Calendar Year 2022		
January – March	21.05	18.00
April – June	19.94	18.90
July – September	21.25	18.90
October - December	20.65	18.50
Calendar Year 2021		
January – March	12.40	9.45
April – June	13.46	11.96
July – September	15.46	13.00
October - December	20.50	14.32

Source: Philippine Stock Exchange, Inc.

Dividends on Common Shares

Cash Dividends Payment on Common Shares

The payment by PHN of dividends shall be subject to the availability of retained earnings following the SEC rule on calculation of available retained earnings for dividend declaration, loan covenants and financial ratios.

PHN declares cash or stock dividends to its common stockholders in amounts determined by the Board taking into consideration the results of the Company's operations, its cash position, investments and capital expenditure requirements, and unrestricted retained earnings. The Company also declares special cash dividends where appropriate.

Dividends declared and paid from 2010 to 2022 are as follows:

	Dividend			
Date of Declaration	**Type**	**Rate**	**Record Date**	**Payment Date**
March 3, 2010	Cash	P0.40 per share	March 29, 2010	April 23, 2010
March 3, 2011	Cash	P0.40 per share	March 29, 2011	April 26, 2011
March 22, 2012	Cash	P0.40 per share	April 11, 2012	April 26, 2012
March 6, 2013	Cash	P0.40 per share	March 22, 2013	April 17, 2013
March 4, 2014	Cash	P0.40 per share	March 20, 2014	April 15, 2014
March 4, 2015	Cash	P0.40 per share	March 18, 2015	March 31, 2015
March 4, 2016	Cash	P0.40 per share	March 18, 2016	March 31, 2016
March 22, 2017	Cash	P0.40 per share	April 5, 2017	April 21, 2017
March 6, 2018	Cash	P0.40 per share	March 22, 2018	April 6, 2018
March 5, 2019	Cash	P0.40 per share	March 21, 2019	March 29, 2019
November 11, 2019	Cash	P0.40 per share	November 25,	December 9, 2019
February 28, 2020	Cash	P0.40 per share	March 17, 2020	March 27, 2020
March 2, 2021	Cash	P0.40 per share	April 14, 2021	May 5, 2021
March 1, 2022	Cash	P0.40 per share	March 22, 2022	April 6, 2022
March 1, 2022	Cash	P0.10 per share	March 22, 2022	April 6, 2022

On March 3, 2023, the Board of Directors declared regular cash dividend of P 0.60 per share to all shareholders of record as of March 22, 2023 payable on April 5, 2023.

Stock Dividends Payment on Common Shares

No stock dividend was declared for the calendar years 2018 up to 2022.

Holders

As of January 31, 2023, there are 1,220 common shareholders.

Sale of Unregistered Securities Within the Last Three (3) Years:

PHN has no unregistered securities, hence no sale of said securities within the last three (3) years.

Stockholders

As of January 31, 2023, PHN has 286,325,265 common shares outstanding held by 1,220 stockholders. The list of the top twenty (20) stockholders of the Company as recorded by the Stock Transfer Service, Inc., the Company's stock transfer agent, is as follows:

Ran	Stockholders	No. of Shares	% of ownership
1	PCD Nominee Corp. (Filipino)	138,323,818	48.31%
2	Philippine Investment Management, Inc. (PHINMA)	97,903,395	34.19%
3	PCD Nominee Corp. (Non-Filipino)	27,754,875	9.69%
4	Magdaleno B. Albarracin, Jr.&/OR Trinidad Albaraccin	9,535,459	3.33%
5	Philippine Remnants Co.	1,176,308	0.41%
6	Estate of Allen Cham	782,896	0.27%
7	Salud D. De Castro	550,000	0.19%
8	Kayumanggi Publishers Co.	517,762	0.18%
9	Emerick Jefferson Sy Go OR Girlie Ng Go 501,460	501,460	0.18%
10	Magdaleno B. Albarracin, Jr. OR Trinidad M. Albarracin	464,600	0.16%
11	Del Rosario Victor Juan	439,356	0.15%
12	Doris Teresa Ho	185,461	0.06%
13	Virginia S. Syjuco	178,204	0.06%
14	Daughters of Charity of St. Vincent de Paul	175,533	0.06%
15	The Roman Catholic Bishop of the Diocese of Juan de Dios	169,268	0.06%
16	United Life Assurance Corporation	153,916	0.05%
17	Alvarez Regina B.	153,413	0.05%
18	United Insurance Company, Inc.	149,860	0.05%
19	Amando Rosalia M.	142,632	0.05%
20	Gonzalez Blanquita S.	141,051	0.05%
TOTAL		**279,399,267**	**97.55%**

Directors

Name	Position
Oscar J. Hilado	Chairman Emeritus
Ramon R. del Rosario, Jr.	Chairman
Dr. Magdaleno B. Albarracin, Jr.	Vice-Chairman
Amb. Jose L. Cuisia, Jr.	
Victor J. del Rosario	
Meliton B. Salazar, Jr.	
Eduardo A. Sahagun	
Juan B. Santos	Independent Director
Atty. Lilia B. de Lima	Independent Director
Rizalina G. Mantaring	Independent Director
Edgar O. Chua	Independent Director

Officers

Name	Position
Oscar J. Hilado	Chairman Emeritus
Ramon R. del Rosario, Jr.	Chairman and CEO
Dr. Magdaleno B. Albarracin, Jr.	Vice-Chairman
Meliton B. Salazar, Jr.	President and COO, Head of Education
Eduardo A. Sahagun	Executive Vice President, Construction Materials
Pythagoras L. Brion, Jr.	Executive Vice President, Group CFO
Jose Mari R. del Rosario	Senior Vice President, Hospitality
Raphael B. Felix	Senior Vice President, Properties
Regina B. Alvarez	Senior Vice President, Group Controller
Nanette P. Villalobos	Vice President and Treasurer
Edmund Alan A. Qua Hiansen	Vice President, Strategy and Planning
Annabelle S. Guzman	Vice President, Controller
Rolando D. Soliven	Vice President, Corporate Governance
Peter V. Perfecto	Vice President, Public Affairs
Giles R. Katigbak	Assistant Vice President, Chief Risk Officer
Grace M. Purisima	Assistant Treasurer
Troy A. Luna	Corporate Secretary
Ma. Concepcion Z. Sandoval	Assistant Corporate Secretary

Executive Committee

Name	Position
Oscar J. Hilado	Chairman
Magdaleno B. Albarracin, Jr.	Member
Ramon R. del Rosario, Jr.	Member
Amb. Jose L. Cuisia, Jr.	Member
Meliton B. Salazar, Jr.	Member
Juan B. Santos	Member (Independent Director)

Audit and Related Party Transactions Committee

Name	Position
Juan B. Santos	Chairman (Independent Director)
Rizalina G. Mantaring	Member (Independent Director)
Edgar O. Chua	Member (Independent Director)
Amb. Jose L. Cuisia, Jr.	Member

Risk Oversight Committee

Name	Position
Rizalina G. Mantaring	Chairman (Independent Director)
Edgar O. Chua	Member (Independent Director)
Atty. Lilia B. de Lima	Member (Independent Director)
Magdaleno B. Albarracin, Jr.	Member

Corporate Governance

Name	Position
Atty. Lilia B. de Lima	Chairman (Independent Director)
Rizalina G. Mantaring	Member (Independent Director)
Edgar O. Chua	Member (Independent Director)

Nomination Committee

Name	Position
Edgar O. Chua	Chairman (Independent Director)
Oscar J. Hilado	Member
Ramon R. del Rosario, Jr.	Member
Amb. Jose L. Cuisia, Jr.	Member

Compensation Committee

Name	Position
Edgar O. Chua	Chairman (Independent Director)
Oscar J. Hilado	Member
Ramon R. del Rosario, Jr.	Member
Amb. Jose L. Cuisia, Jr.	Member

ANNEX E

Minutes of Annual Shareholders Meeting
April 12, 2022

PHINMA CORPORATION
MINUTES OF THE ANNUAL MEETING
OF STOCKHOLDERS

Held through remote communication
via video live streaming
on Tuesday, 12 April 2022, at 10:00 a.m.

Stockholders Present:

Philippine Investment Management (PHINMA), Inc.
ABCIC Property Holdings Corporation
Blue River Holdings, Inc.
Mariposa Properties
Emar Corporation
Mary Lou Hilado
Michael or Patricia or David Hilado
Rosary Holding Company, Inc.
Oscar J. Hilado
Ramon R. del Rosario, Jr.
Magdaleno B. Albarracin, Jr.
Victor J. del Rosario
Jose L. Cuisia, Jr.
Meliton B. Salazar, Jr.
Eduardo A. Sahagun
Lilia B. de Lima
Juan B. Santos
Rizalina G. Mantaring
Edgar O. Chua
Jose Mari R. del Rosario
Roberto M. Laviña
Regina B. Alvarez
Pythagoras L. Brion, Jr.
Nanette P. Villalobos
Danielle R. del Rosario
Peter Angelo V. Perfecto
Grace M. Purisima
Edmund Alan A. Qua Hiansen
Rolando D. Soliven

Directors Present:

Mr. Oscar J. Hilado (Chairman)

Mr. Ramon R. del Rosario, Jr.
Dr. Magdaleno B. Albarracin, Jr.
Amb. Jose L. Cuisia, Jr.
Mr. Victor J. del Rosario
Dr. Meliton (Chito) B. Salazar, Jr.
Mr. Eduardo A. Sahagun
Mr. Edgar O. Chua (Independent)
Atty. Lilia B. de Lima (Independent)
Ms. Rizalina G. Mantaring (Independent)
Juan B. Santos (Independent)

Officers Present:

Name		**Position**
Roberto M. Laviña	-	Board Advisor
Pythagoras L. Brion, Jr.	-	Executive Vice President and Group CFO
Jose Mari R. del Rosario	-	Senior Vice President, Hospitality
Raphael B. Felix	-	Senior Vice President, Properties
Regina B. Alvarez	-	Senior Vice President, Finance
Danielle R. del Rosario	-	Chief Risk Officer
Edmund Alan A. Qua Hiansen	-	Vice President and Investor Relations Officer
Rolando D. Soliven	-	Compliance Officer and Vice President, Group Corporate Assurance
Nanette P. Villalobos	-	Vice President, Treasurer
Annabelle S. Guzman	-	Vice President, Controller
Peter Angelo V, Perfecto	-	Vice President, Director for Public Affairs
Grace M. Purisima	-	Assistant Treasurer
Troy A. Luna	-	Corporate Secretary
Ma. Concepcion Z. Sandoval	-	Assistant Corporate Secretary

Before the meeting formally started, Vice President and Director for Public Affairs who acted as Moderator of the Meeting, Mr. Peter Angelo V. Perfecto, informed the stockholders that the Corporation's 2021 Information Statement as approved by the Securities and Exchange Commission (the "SEC") and the 2021 Annual Report, which are considered part of the Meeting or matters relevant to the Meeting, could be accessed either by downloading them through the Corporation's website or scanning the QR codes flashed on the screen. Stockholders also had the option of downloading the reports by typing on their mobile devices the URL provided beneath the QR codes. Mr. Perfecto noted that the meeting was being recorded as required by the SEC.

At exactly 10:00 a.m., the meeting began with the Philippine National Anthem. Thereafter, Mr. Perfecto introduced the Corporation's Chairman of the Board, Mr. Oscar J. Hilado.

I. <u>CALL TO ORDER</u>

Mr. Hilado called the meeting to order and presided over the same. The Corporate Secretary, Atty. Troy A. Luna, recorded the minutes of the meeting.

The Chairman explained the Corporation's decision to conduct the meeting remotely or via live streaming to avoid any health and safety risk on the part of the stockholders. The Chairman said that it was the third stockholders' meeting of its kind to be conducted by the Corporation in accordance with the rules of the SEC.

A video introducing and acknowledging the members of the Board of Directors and the Officers of the Corporation who were present was thereafter played.

The Chairman then recognized the presence of the Corporation's independent third-party stock transfer agent, Stock Transfer Service, Inc. ("STSI") led by Mr. Antonio Laviña, and the representatives of the Corporation's independent external auditors, Sycip Gorres Velayo & Company namely, Mr. Wilson Tan, Ms. Vivian Ruiz, Mr. Martin Guantes, Ms. Marydith Miguel, Ms. Belinda Beng Hui and Mr. Aaron Escartin.

II. PROOF OF NOTICE AND DETERMINATION OF QUORUM

The Chairman asked the Corporate Secretary if notices of the meeting were sent to the stockholders.

The Corporate Secretary certified that Notices with the agenda were posted on the website of the Corporation, was published in the Philippine Daily Inquirer and the Philippine Star for two (2) consecutive days on March 17 and 18, 2022, and was disclosed to the SEC and the Philippine Stock Exchange, in accordance with the rules of the SEC.

The Chairman then asked the Corporate Secretary to inform the stockholders of the procedures for attendance, voting on each item of the agenda and participation in the meeting.

The Corporate Secretary explained that, as stated in the Notice, stockholders may participate and attend the meeting only by remote communication. Stockholders who have informed the Corporation of their attendance through a dedicated email provided by the Corporation in the said Notice (phncorsec@phinma.com.ph) on or before April 8, 2022, shall be considered present at the meeting. The Corporate Secretary then recited the rules of conduct and procedure that applied to the meeting, which were contained in the explanation on each item of the agenda posted on the website of the Corporation and earlier disclosed, as follows:

1. Stockholders may cast their votes through a form named "Ballot/Proxy" sent together with the Information Statement, which stockholders may submit on or before April 8, 2022 to the same dedicated email address.

2. All the items in the agenda for approval by the stockholders may be approved only by affirmative vote of the stockholders owning at least majority of the outstanding capital stock present or represented at the meeting, provided that there is a quorum, except the election of Directors. The election of Directors will be based on the number of votes cast by the stockholders present or represented at the meeting for each or more nominees for election as Directors, as described in the Information Statement.

3. The votes received have been tabulated by the Company's independent stock transfer agent, the Stock Transfer Service, Inc.

4. Each proposed resolution for approval by the stockholders will be shown on the screen and the number of affirmative votes received for the approval of such resolution shall be reported by the Corporate Secretary. The votes received by each nominee for election as Director will be reported by the Corporate Secretary.

5. Questions from stockholders have been received through the same dedicated email address. These will be answered during this meeting, subject to appropriateness, relevancy and time limits.

6. Stockholders may also send questions or comments within one (1) week after the meeting.

The Corporate Secretary also explained that certain matters related to fiscal year 2020, as required by the SEC, were disclosed to the stockholders attending the meeting by sending an email to them prior to the meeting.

The Corporate Secretary then confirmed that based on the tabulation of attendance, there were present or duly represented at the meeting, stockholders owning **79.14%** of the total issued and outstanding capital stock of the Corporation or **215,177,564** shares.

III. MINUTES OF PREVIOUS MEETING

Legal notices having been given and a quorum being present, the Chairman proceeded to the reading and approval of the Minutes of the Annual Shareholders' Meeting held on April 14, 2021.

The Chairman requested the Corporate Secretary to discuss the resolution for approval by the stockholders and the votes received thereon. , which resolution was shown on the screen. The Corporate Secretary explained that the Minutes were distributed to the stockholders as Annex D of the Information Statement. The following resolution was shown on the screen:

> *"RESOLVED, that the reading of the Minutes of the Annual Meeting of Stockholders held on April 14, 2021 be as it is hereby dispensed with, and that said Minutes are hereby approved."*

The Corporate Secretary informed the body that based on the tabulation of votes, shareholders owning a total of **215,177,564** shares or **100%** of the shares present or represented at the meeting, voted in favor of the resolution to dispense with the reading of the Minutes and for the approval thereof. The Chairman thus declared that the Minutes of the Annual Meeting of Stockholders held on April 14, were approved.

IV. ANNUAL REPORT OF MANAGEMENT

The Chairman proceeded to the next item on the agenda, which was the approval of the Annual Report, including the Corporation's audited financial statements for the year ended December 31, 2021.

Management Report

The President and Chief Executive Officer, Mr. Ramon R. del Rosario, Jr., presented the results of operations during the preceding year.

Mr. Del Rosario started by saying how the past two and a half years have been tough, with the coronavirus pandemic disrupting the lives of everyone in ways no one ever thought was possible. On top of this, Mr. Del Rosario noted the great socioeconomic horrors filling major news headlines such as global wars and climate dangers. These together with economic imbalances and the results of the upcoming national election have resulted to unrest among Filipinos, which have costed Filipino families their homes, their jobs, and their savings. Despite these challenges, however, Mr. Del Rosario believed that Filipinos were in a more hopeful place than they were two years ago as Filipinos have started to adapt to new ways of living and getting things done, discovering new ways of healing, and new approaches to sustainability and social impact.

Mr. Del Rosario then emphasized that every organization, especially those in the private sector, must be involved in this collective action of nation building. He noted that businesses were now called to provide products and services with the prime motive of creating and uplifting social well-being.

Mr. Del Rosario said that the PHINMA Group takes pride in its efforts to measure its annual performance based on the impact they make on society and the citizenry. He noted how PHINMA takes its mission seriously and intentionally. Through the Company's businesses in construction, education, property, and hospitality management, PHINMA seeks to empower Filipino families so that they could achieve the essentials of a dignified life. These investments of PHINMA have always been targeted toward resolving the great inequities in these social development spaces.

It was emphasized that during the last two years of the pandemic, the PHINMA Group had become even more determined to pursue its mission of making lives better. The Company had successfully achieved major milestones operating from a 3-tier bottom line perspective benefitting People, Planet, and Profit.

On the 2021 results, beginning with PHINMA Education Holdings, Mr. Del Rosario noted that in 2021, PHINMA Education acquired its tenth tertiary education institution and significantly exceeded its pre-pandemic performance with record-breaking enrollments for School Year 2021-2022. This improved access to education and learning for many underserved youths, contributing to greater equity and prosperity for all.

In 2021, the Corporation's Construction Materials Group, comprised of Union Galvasteel Corporation (UGC), PhilCement Corporation (PhilCement) and PHINMA Solar Energy Corporation, fulfilled its mission of boosting the nation's infrastructure development. The Company was able to maintain its bottom line through strategic partnerships, operational efficiencies, and margin optimization initiatives, proving the Company's agility to transform the supply chain amidst the unprecedented challenging environment.

Moving on to housing, Mr. Del Rosario reported that in 2021, PHINMA Properties Holdings Corporation (PHINMA Properties) continued to build and provide more affordable housing for Filipino Families. This reflected the Company's vision of creating a nation of strong, livable, and sustainable communities that keep familial relationships close and warm, while creating a tangible path toward self-sufficiency.

Finally, Mr. Del Rosario reported that the Corporation's Hospitality Group, operating under Coral Way City Hotel Corporation, sustained occupancy and positive cash generation through quarantine bookings. The Company was optimistic that the tourism and hospitality industries were bound to bounce back better as lockdowns continue to ease globally.

It was reported that they have laid out strategic plans to sustain their forward momentum. PHINMA's position would be reinforced at the forefront of moving private capital towards social impact, directly contributing to progress and sustainability. He said that the year was a pivotal moment for the Company, with the Company focused on building and protecting its brand and reputation in the service of impact.

Thereafter, Mr. Del Rosario announced that the Company was welcoming a new set of leaders, the next generation of changemakers that will galvanize the Company mission and realize amazing new possibilities that will lead the Company to even greater heights in its mission to make lives better.

For 2022, Mr. Del Rosario said that their outlook was positive, so with their values, capacities, strategies, and willingness to invest in the future. While PHINMA envisioned a world where every child will succeed in school and will have opportunities waiting, where every family will live in a good home, and where every Filipino will have a strong chance of achieving the stable and dignified life they deserve, Mr. Del Rosario noted that this cannot be done singlehandedly and that no one organization can make a difference unless they have willing partners working alongside them. He then called on everyone to co-create with the Company a collective blueprint to help people have the resources they need to get to the good life. He added that with the passion, expertise, and resources of the people in the meeting, they can fulfill a shared goal of improving the well-being of the people. He emphasized that making lives better for everyone was not just a company mission, but a business imperative.

(A detailed, descriptive, balanced and comprehensible assessment of the Corporation's performance, including information on any material change in the Corporation's business, strategy and other affairs were discussed and included in the Corporation's Annual Report, at pages 15-33, which the Moderator explained at the start of the meeting could be accessed through the Corporation's website or scanning the QR codes provided to the stockholders.)

Mr. Del Rosario thereafter called the Company's Chief Financial Officer, Mr. Pythagoras L. Brion, Jr., to report on Company's 2021 financial results.

Financial Report

Before proceeding with the report, a short video was played on the Corporation's year-end business review.

Mr. Brion then presented a brief recap of the Corporation's audited financial statements for the year 2021.

Consolidated revenues stood at Php16 billion, 30% higher than the previous year on the back of a 76% jump in revenues of the Education business and a 20% gain in revenues of the Construction Materials Group.

Consolidated EBITDA amounted to Php3.2 billion, 88% higher than 2020, while consolidated operating income registered at Php2.3 billion, 77% higher than 2020.

Consolidated net income reached a 17 year high of Php1.8 billion, of which Php1.12 billion was attributed to PHN shareholders. Share in the attributable income were divided largely between the two key business units: from the Education Group, Php563.3 million and from the Construction Materials Group, Php613.8 million.

Mr. Brion also highlighted that revenues and net income have been rising for the past 4 years including the pandemic years of 2020 and 2021. Revenue grew at a 3-year compounded annual growth rate of 17.3%, while consolidated net income grew at a 3-year compounded annual growth rate of 132.5%.

Total assets continued to grow, ending 2021 at Php30.1 billion, up from Php24.5 billion in 2020. The significant increase in assets came from the growth in working capital assets of Php1.8 billion, increase in property, plant and equipment of Php1.1 billion with the completion of the Mariveles terminal port facilities, and the completion of payment on the $50 million investment in Song Lam Cement. Mr. Brion noted that Song Lam Cement was the biggest privately owned cement company in Vietnam.

The Corporation also maintained a reasonably strong liquidity position. Consolidated cash and near cash remained at about Php5.0 billion. Interest bearing notes payable and trust receipts payable were reduced by a total of Php714.3 million and replaced with long term loans.

The Corporation was able to bolster its capital position by issuing Php3.0 billion in 3-year bonds in 2021. This marked the re-entry of PHN to the domestic capital markets after more than 25 years of absence. The bond issue was oversubscribed by over 9 times. At the end of 2021, current ratio stood at 1.71, better than the 1.53 level in 2020. Consolidated DE bumped up to 2.03, slightly higher than the 1.86 in 2020.

Total CAPEX for the past 4 years amounted to Php5.9 billion in aggregate for both Education and Construction materials businesses. Free cash flow in 2021 came to Php65 million after posting Php1.48 billion surplus in 2020.

Finally, Mr. Brion pointed out the earnings attributable to shareholders beginning with the 2021 net income, which yielded an earning per share of Php 4.12 per share, an increase of 6.5 times that in 2020. The return on average equity stood at 16.0% in 2021.

The equity market started to recognize the significant performance of the Corporation with share prices moving up to close at Php20.15 in the last trading day of December 2021.

At year-end closing price, the market values of the Corporation's stock were at 4.9 times price earnings multiple and at 27% below book value. These measures indicate room for better appreciation of the Company's performance going forward.

Mr. Brion reported that a special dividend of Php0.10 per share was declared in addition to the regular dividends at P0.40 per share for shareholders of record as of March 22, 2022. Cash dividends were reportedly paid last April 6, 2022. The total dividend of P0.50 per share was equivalent to about 2.5% yield. He added that dividends have been consistently paid for the last 14 years.

(The Corporation's Audited Financial Statements were incorporated in the Definitive Information Statement, copies of which were uploaded in the Corporation's website and disclosed to the SEC and PSE, and also incorporated in the 2021 Annual Report of the Corporation, which could also be downloaded from the Corporation's website. In addition, as stated earlier by the Moderator, QR Codes of the Definitive Information Statement and Annual Report were provided to the Stockholders at the start of the meeting.)

(The following information were included in the Corporation's 2021 Annual Report and Information Statements:

a) the minutes of the 2021 Annual Stockholders' Meeting (As disclosed in 2021 Definitive Information Statement - Annex "D");
b) the security ownership of the Corporation's stockholders, as well as security ownership of its directors and officers (As disclosed in 2021 Definitive Information Statement – ITEM 4. Voting Securities and Principal Holders Thereof, Page 5)

c) *a statement on the adequacy of the Corporation's internal controls or risk management systems, and a statement of all external audit and non-audit fees;*
d) *dividends declared and paid by the Corporation, as well as the Corporation's dividend policy (As disclosed in 2021 Definitive Information Statement – Annex C. Management Report – Market Registrant's Equity and Related Stockholders' Matters);*
e) *the profiles of the Corporation's directors and officers, as well as the profiles of nominees to be elected to the Board of Directors. Their profiles include their qualifications, experience, length of service in the Corporation, educational background, and their board and committee membership in the Corporation and in other organizations, including other listed companies or government positions, if any (As disclosed in 2021 Definitive Information Statement – ITEM 5. Directors and Executive Officers, Page 7);*
f) *the attendance report for the Corporation's directors, indicating their attendance at each Board meeting, committee meeting, and special or regular stockholder meetings (As disclosed in the 2021 Annual Report - Corporate Governance Report section, Page 48);*
g) *the appraisal and performance reports for the member of the Board and the criteria and procedure for assessment (As disclosed in the 2021-Annual Report)*
h) *a report on the annual compensation of each director, as well as the aggregate compensation of the President/Chief Executive Officer, and the Company's top four most highly compensated officers (As disclosed in 2021 Definitive Information Statement – ITEM 6. Compensation of Directors and Executive Officers, Page 20); and*
i) *disclosures on related party transactions, including dealings with directors (As disclosed in 2021 Definitive Information Statement – ITEM 5. Directors and Executive Officers, Page 7).*

Following the reports of Management, the Chairman asked Mr. Perfecto to inform the stockholders of the questions received from stockholders. Mr. Perfecto said questions were received from stockholders ahead of the meeting, which he read and were answered by officers of the Corporation.

Question No. 1: Considering the record-breaking enrollment figures attained last year, what acquisition and expansion plans does PHINMA Education have to further drive growth?

PHINMA Education's Chief Operations Officer for the Philippines, Mr. Christopher A. Tan, responded that for the older schools in the Philippines, the goal was to increase market share by focusing on programs that were performing well but for which they were not yet well-known. For newer network schools in the Philippines, Mr. Tan said that they needed to continue to raise their profile and better understand the nuances of a more urbanized market. Due to the higher population density in these areas, PHINMA Education expect the growth to be accelerated.

In terms of acquisition plans, PHINMA Education prioritized the acquisition of more schools in Metro Manila and Laguna and potentially establish a similar network in more urbanized areas.

On International, Mr. Tan explained their goal for Indonesia was to establish their systems and modify them according to what they were learning on the ground. For this reason, PHINMA Education was sending its best and most experienced leaders there to continue to add more programs and facilities in Karawang (East of Jakarta), and potentially operate new schools in Surabaya (Eastern Java) and Tangerang (West of Jakarta).

Finally, in view of the cyclic nature of enrollment, Mr. Tan said that they need not only identify the various drivers of growth, but they also need to sequence them deliberately so that as market areas become more saturated and as program preferences of students change, they have already identified the next sets of markets, schools and programs that would drive growth into the future.

<u>Question No. 2</u>: How is the Construction Materials Group dealing with the rising pressures especially in energy and freight?

In response, Mr. Edgardo A. Sahagun, President and CEO of the Construction Materials Group companies, said that this was not the first time in the last 65 years that they were faced with a crisis. He noted that during these times, it was important that the people who manage the Company was experienced enough to know the business itself.

Mr. Sahagun took note of the Group's track record, which showed how they knew the business from the beginning. For the steel industry, he noted that being in the business for 56 years and considering that there was no integrated steel industry in the country, most of the price increases could easily be passed on to the consumers.

Same with the cement industry, Mr. Sahagun said that looking at coal prices, they could pass on at least 60-70% of these price increases to their customers. He said that this showed how these price increases would eventually be absorbed by the market.

He likewise noted the synergy between the three companies in the CMG and what it brings to each of the company.

<u>Question No. 3</u>: What factors drove PHINMA Property's shift towards horizontal projects outside Metro Manila and how do you expect this to impact performance?

Mr. Raphael B. Felix, PHINMA Property President and CEO, explained that what drove PHINMA Property to go regional was the expansion in the region's emerging and next wave cities. By expanding outside Metro Manila, PHINMA Property would be able to find more abundant sources of land, which according to Mr. Felix was a huge problem in the National Capital Region (NCR). He added that the underserved market in the region would also lend itself well to the company's revenue generation.

In terms of going horizontal, Mr. Felix explained that having a more diverse portfolio would improve their cash conversion cycle as they would be required to build only what they sell. In that way, they would free up more capital and expand their product portfolio faster.

Another reason according to Mr. Felix, was that PHINMA Property wanted to pick up their sustainability efforts by bringing architecture to a new level. By going regional, they have more on their plate rather than being confined in the NCR which was already tight.

<u>Question No. 4</u>: How do you view tourism recovery in the country and when do you think it will be back to normal?

The President and CEO of PHINMA Hospitality, Mr. Jose Mari R. del Rosario, responded by saying that they were already seeing the signs of tourism recovery. He explained that if they stay the course, they felt that by the last quarter of 2022, they might be approaching the pre-pandemic numbers. According to Mr. Del Rosario, this would be driven primarily by domestic travelers, both leisure and business, and by the returning overseas Filipinos. Mr. Del Rosario noted that foreigner numbers coming into the country would depend on the airline capacity and the resumption of flights.

Mr. Del Rosario said that they were confident that the image of the country would be more positive, thus, they would see more tourists coming in.

There being no other questions submitted by the shareholders, the Corporate Secretary, upon request by the Chairman, presented the resolution for the approval of the Annual Report together with the Audited Financial Statements and the notes thereto for the year ended December 31, 2021, which resolution was shown on the screen, as follows:

> *"RESOLVED, that the Annual Report, together with the Audited Financial Statements and the notes thereto of the Corporation for the year ended December 31, 2021, be as they are hereby approved."*

The Corporate Secretary then informed the body, as shown on the screen, that based on the tabulation of votes, shareholders holding **215,177,564** shares or **100%** of shares present or represented at the meeting, voted in favor of the resolution. The Annual Report together with the Audited Financial Statements and the notes thereto for the year ended December 31, 2021 were therefore approved.

V. RATIFICATION OF ALL ACTS OF THE BOARD, COMMITTEES AND MANAGEMENT SINCE THE LAST ANNUAL SHAREHOLDERS' MEETING

The Chairman proceeded to the ratification of all acts of the Board of Directors, Committees and Management since the last meeting of stockholders.

At the request of the Chairman, the Corporate Secretary presented the resolution for approval by the stockholders, which was likewise shown on the screen, as follows:

> *"**RESOLVED**, that all acts, contracts, proceedings, elections and appointments made or taken by the Board of Directors, Executive Committee and other Committees of the Board, and/or officers and management of the Corporation during the past year and up to today's meeting, as set forth in the Minutes of the Meetings of the Board of Directors, Executive Committee and other Committees, and/or all acts and proceedings performed or taken pursuant thereto, be as they are hereby, approved, ratified and confirmed."*

The Corporate Secretary informed the body that based on the tabulation of votes, shareholders owning a total of **215,177,564** shares or **100%** of shares present or represented at the meeting, voted in favor of the proposed resolution. The resolution for the approval and ratification by the stockholders of all acts of the Board of Directors, Executive Committee and other Committees of the Board, officers and management was therefore approved.

VI. ELECTION OF DIRECTORS

The Chairman then proceeded to the election of directors for the ensuing year.

The Corporate Secretary reported that there were eleven (11) nominees for the eleven (11) seats on the Corporation's Board of Directors for election at the Meeting. The Corporate Governance and Nominations Committee reportedly pre-screened and shortlisted the eleven (11) nominees qualified to be elected as Directors for the ensuing year including the nominees for independent directors. The following were reported as the nominees for election as Directors of the Corporation for the ensuing year and until their successors are duly elected and qualified:

1. Mr. Oscar J. Hilado
2. Mr. Ramon R. del Rosario, Jr.
3. Dr. Magdaleno B. Albarracin, Jr.
4. Amb. Jose L. Cuisia, Jr.
5. Mr. Victor J. del Rosario
6. Dr. Meliton (Chito) B. Salazar, Jr.
7. Mr. Eduardo A. Sahagun
8. Atty. Lilia B. de Lima (Independent Director)
9. Ms. Rizalina G. Mantaring (Independent Director)

10. Mr. Edgar O. Chua (Independent Director)
11. Mr. Juan B. Santos (Independent Director)

(The profiles of the nominees to the Board of Directors were part of the Definitive Information Statement uploaded onto the Corporation's website and distributed to the stockholders through disclosures to the SEC and PSE. In addition, as stated earlier by the Moderator, QR Code of the Definitive Information Statement was provided to the Stockholders at the start of the meeting.)

Considering that there were only eleven (11) nominees to fill eleven (11) seats in the Board, and there being no objection to the distribution of the said votes equally among the said nominees, **215,177,564** votes were cast for each nominee, equivalent to **100%** of the total outstanding shares of the Corporation present or represented at the Meeting. The said nominees were therefore declared duly-elected as members of the Board of Directors for the ensuing year, and until their successors are duly elected and qualified.

The Chairman congratulated all current members of Corporation's Board for their re-election to the Board. The Chairman also thanked the Board of Directors for their consistent encouragement and support throughout the very challenging period.

VII. APPOINTMENT OF EXTERNAL AUDITOR

The Chairman announced that the next item on agenda was the appointment of the Corporation's external auditor for the ensuing fiscal year. The Chairman said that the Audit Committee and the Board of Directors have selected and recommended the appointment of Sycip Gorres Velayo & Co. as external auditor of the Corporation.

The particular resolution for approval by the stockholders was shown on the screen, as follows:

> *"**RESOLVED**, that accounting firm of Sycip, Gorres Velayo & Company, as recommended by the Audit Committee and the Board of Directors, be appointed as the external auditor of the Corporation for the year 2022 and until its successor is duly appointed."*

The Corporate Secretary informed the body that based on the tabulation of votes, stockholders owning a total of **215,177,564** shares or **100%** of shares present or represented at the meeting, voted in favor of the said proposed resolution. The appointment of Sycip Gorres Velayo & Co. as external auditor of the Corporation for the ensuing fiscal year and until its successor is duly appointed was therefore approved.

VIII. OTHER MATTERS AND ADJOURNMENT

The Chairman informed the stockholders that they may still email their questions or comments within one (1) week from the meeting. The Corporation would answer all questions relevant to the meeting and the matters taken up.

Before the Chairman adjourned the meeting, Mr. Hilado announced that he was stepping down as Chairman of the Corporation. He recalled that when the Corporation's founder, Amb. Ramon V. del Rosario asked him to serve as Chairman of PHINMA nineteen years ago, he asked only of one thing – to take care of his Company. Mr. Hilado then said that as his lifelong soldier, he did what he could to see the Company through its toughest most trying periods and its best years. He then quoted General McArthur and said that old soldiers do not die, they just fade away. He then said that he was already an old soldier and that it was time to fade away and that he was fortunate to be doing so at a time when the Company just completed its best year ever.

Mr. Hilado thereafter thanked Mr. Ramon R. del Rosario, Jr. for leading the team as CEO in the quest to make lives better. He then gave his appreciation to Dr. Magdaleno B. Albarracin, Jr. for always thinking forward and for using his incomparable knowledge of history and for challenging them to look ahead. Mr. Hilado thanked him for being honest not only in money, but also for being intellectually honest especially for expressing his views with fearless candor yet always with great respect.

Mr. Hilado also thanked his honest and tireless co-workers for living the mission of making lives better. He especially thanked Dr. Chito B. Salazar and Mr. Eduardo A. Sahagun, whose companies have shown remarkable results. He thanked Mr. Raphael B. Felix for meeting the competition head on in a difficult market and Mr. Jose Mari R,. del Rosario for coping with the pandemic in the hospitality business.

Mr. Hilado proceeded to thank the Treasury Group headed by Mr. Pythagoras L. Brion, Jr. and Ms. Regina B. Alvarez for skillfully and quietly managing the funding requirements of the different companies during these exciting years. He also took the opportunity to thank the splendid group of people that make up the Company's Board of Directors for their incalculable help in guiding the Company with their wisdom and judgment during these difficult times.

Mr. Hilado ended by saying that as he fades away, he knows that the ship will be in the best hands. He noted that at the Organizational Meeting that follows, he would recommend to the Board the election of Mr. Ramon R. del Rosario, Jr. as Chairman of the Board. It was now his turn to tell Mr. Del Rosario to take good care of PHINMA Corporation.

Before the meeting finally came to an end, Mr. Del Rosario expressed on behalf of everyone their deepest gratitude for Mr. Hilado's generous words. He also expressed his gratitude for Mr. Hilado's many years of guidance, great wisdom, and for sharing his vast experience with the Company. He then announced that they would be conferring upon Mr. Hilado the appropriately eminent title of Chairman Emeritus as he remains in the Board and continue to be the Chairman of the Executive Committee. He also thanked the Boards of their various companies for their assistance in helping them achieve what they were able to achieve.

Director Juan B. Santos moved that a resolution be adopted recognizing and thanking the Chairman for his many years of service and contribution to the Corporation as Chairman of its Board of Directors. Therefore, upon such motion which was duly seconded, the stockholders representing more than a majority of the outstanding capital stock present or duly represented at the meeting unanimously approved and adopted the following resolution:

> "**RESOLVED,** that the Corporation recognize and express its gratitude, as it hereby recognizes and expresses its gratitude, to Mr. Oscar J. Hilado, for his invaluable contribution and many years of service as Chairman of the Board of Directors of the Corporation."

There being no other business to discuss, the Chairman declared the meeting adjourned.

TROY A. LUNA
Corporate Secretary

ATTEST:

OSCAR J. HILADO
Chairman of the Meeting

ANNEX F

Various Resolutions

Summary of Significant Resolutions Approved by the Board of Directors since the Last Annual Meeting of the Shareholders (March 1 to November 11, 2022) FOR RATIFICATION BY THE STOCKHOLDERS

Regular Meeting of the Board of Directors
March 1, 2022

- Approval of the Corporation's audited financial statements as of and for the year ended 31 December 2021.
- Declaration of a cash dividend in the amount of Php 0.50 per share to all stockholders of record as of 22 March 2022.
- Endorsement of Sycip Gorres Velayo & Co. as the external auditor for the year 2022, upon recommendation of the Audit and Related Party Transactions Committee.
- Nomination for election as Directors for the ensuring year the current eleven members of the Board, as endorsed by the Corporate Governance and Nominations Committee.
- Scheduling of the Annual Shareholders Meeting for April 12, 2022 at 10:00 am via video conference and approval of the agenda
- Approval of the sale and assignment of club shares and designation of the Company's representative as authorized signatory for the aforementioned transactions.
- Approval of the increase in the amount of lending facility to Union Galvasteel Corporation and Philcement Corporation to P1.5 billion

Organizational Meeting of the Board of Directors
April 12, 2022

- Appointment of newly elected board members:

  1. Mr. OscarJ. Hilado
  2. Mr. Ramon R. del Rosario, Jr.
  3. Dr. Magdaleno B. Albarracin, Jr.
  4. Ambassador Jose L. Cuisia, Jr.
  5. Mr. Victor J. del Rosario
  6. Dr. Meliton B. Salazar, Jr.
  7. Mr. Eduardo A.Sahagun
  8. Mr. Edgar O. Chua - Independent
  9. Mr. Juan B.Santos - Independent
  10. Atty. Lilia B. de Lima - Independent
  11. Ms. Rizalina G. Mantaring - Independent

- Appointment of the following as officers of the Corporation with positions across their respective names for the ensuing year and until their successors are elected/appointed:

Name	Position
Oscar J. Hilado	Chairman Emeritus
Ramon R. del Rosario, Jr.	Chairman and CEO
Magdaleno B. Albarracin, Jr.	Vice Chairman
Meliton B. Salazar, Jr.	President and COO – Head of Education
Eduardo A. Sahagun	Executive Vice President – Construction Materials
Pythagoras L. Brion, Jr.	Executive Vice President, Group CFO
Jose Mari R. del Rosario	Senior Vice President, Hospitality
Raphael B. Felix	Senior Vice President, Properties
Regina B. Alvarez	Senior Vice President & Group Controller
Nanette P. Villalobos	Vice President and Treasurer
Edmund Alan A. Qua Hiansen	Vice President, Strategy and Planning
Annabelle S. Guzman	Vice President, Controller
Rolando D. Soliven	Vice President, Corporate Governance
Peter V. Perfecto	Vice President, Public Affairs
Giles R. Katigbak	Assistant Vice President, Chief Risk Officer
Ma. Gracia M. Purisima	Assistant Treasurer
Troy A. Luna	Corporate Secretary
Ma. Concepcion Z. Sandoval	Assistant Corporate Secretary

- Constitution and re-establishment of the following Committees with the following members and chairs thereof:

Executive Committee

Oscar J. Hilado	Chairman
Ramon R. del Rosario, Jr.	Member
Magdaleno B. Albarracin, Jr.	Member
Jose L. Cuisia, Jr.	Member
Meliton B. Salazar, Jr.	Member
Juan B. Santos	Member (Independent Director)

Audit and Related Party Transactions Committee

Juan B. Santos	Chairman (Independent Director)
Rizalina G. Mantaring	Member (Independent Director)
Edgar O. Chua	Member (Independent Director)
Jose L. Cuisia, Jr.	Member

Risk Oversight Committee

Rizalina G. Mantaring	Chairman (Independent Director)
Edgar O. Chua	Member (Independent Director)
Lilia B. de Lima	Member (Independent Director)
Magdaleno B. Albarracin, Jr.	Member

Corporate Governance Committee

Lilia B. de Lima	Chairman (Independent Director)
Rizalina G. Mantaring	Member (Independent Director)
Edgar O. Chua	Member (Independent Director)

Nomination Committee

Edgar O. Chua	Chairman (Independent Director)
Oscar J. Hilado	Member
Ramon R. del Rosario, Jr.	Member
Jose L. Cuisia, Jr.	Member

Compensation Committee

Edgar O. Chua	Chairman (Independent Director)
Oscar J. Hilado	Member
Ramon R. del Rosario, Jr.	Member
Jose L. Cuisia, Jr.	Member

Retirement Committee

Oscar J. Hilado	Chairman
Magdaleno B. Albarracin, Jr.	Member
Victor J. del Rosario	Member
Meliton B. Salazar, Jr.	Member

Regular Meeting of the Board of Directors
May 11, 2022

- Appointment of Mr. Juan B. Santos as Lead Independent Director, who will serve as such until the next organizational meeting of the Board and his successor is appointed

- Approval of the financial reports and results of operations for the first quarter of 2022

- Approval of the operating budget and proposed capital expenditures for calendar year 2022

- Additional investment in Coral Way City Corporation of up to P 50 million for expansion of Microtel MOA

- Delegation to the Executive Committee the approval of the terms and conditions for the sale of treasury shares.

- Setting of the date, time and agenda of the shareholders' meeting.

- Appointment of Mr. Rolando D. Soliven as Data Protection Officer of the Corporation

- Assignment of club shares to officers of the Corporation

- Approval of the following Treasury items
  a) Annual Renewal of Treasury Transactions
  b) Annual Renewal of Items for Stock Brokers
  c) Indemnity Agreement with Banks, Investment Houses & Brokers

- Designation of authorized signatories for the Company's cash dividend check with RCBC

- Designation of authorized signatories for all bank and broker accounts, facilities, transactions, credit lines and all other treasury transactions and documents

- Grant of authority for the Company to enter into an agreement with Pioneer Life Inc. to provide for the health care/insurance coverage for all its present and future employees.

- Designation of officers as authorized signatory to sign, execute and deliver, for and in behalf of the Corporation, any and all applications for insurance

Regular Meeting of the Executive Committee
May 31, 2022

- Issuance and sale of Fourteen Million Four Hundred Fifty Thousand One Hundred Seventy-nine (14,450,179) Treasury Shares through the Philippine Stock Exchange, Inc. and its trading facilities at the minimum selling price of Nineteen Pesos and Fifty Centavos (Php19.50) per share.

- One-time denial of pre-emptive rights of stockholders on and in connection with the sale of its Treasury Shares, subject to approval by shareholders at a Special Stockholders' Meeting to be held on July 14, 2022.

- Date, time and agenda for the Special Stockholders' Meeting to be held virtually on July 14, 2022.

Regular Meeting of the Board of Directors
August 10, 2022

- Approval of the Financial Reports and Results of Operations for the first half of 2022

- Approval of the investment of up to P420 million in equity in PPHC's new township project.

- Approval for the engagement of Good Governance Advocates & Practitioners of the Philippines (GGAPP) as the third-party Board Evaluation Facilitator for YE 2022

- Approval for the engagement of Center for Global Best Practices (CGBP) to conduct the online training on Sustainability Strategy and Reporting and on SEC Corporate Governance Updates for 2022

- Approval to extend credit facilities to the Construction Materials Group and Phinma Education

- Approval to cancel annotations on the TCT's covering the Calamba property transferred to PPHC

- Approval to prepare affidavits of non-tenancy and no pending case for various properties.

- Approval to sell company car and designation of authorized signatories for the sale

- Delegation of authority to Dr. Meliton B. Salazar, Jr. to approve the sale of company vehicles and designation of each of Dr. Meliton B. Salazar, Jr., Mr. Pythagoras L. Brion, Jr. or Ms. Regina B. Alvarez to sign, execute and deliver such agreements, deeds or other documents and to perform such other acts, as may be required or necessary to effect the sale of vehicles of the Company approved by Dr. Salazar to be sold.

- Approval to register with BIR's Electronic Invoice System (EIS) and designation of company's representatives/users of EIS.

- Delegation of authority to Ms. Regina B. Alvarez to designate additional company representatives/user of EIS

- Designation of Company's representatives in filing the Company's books of accounts, its Lessee Information Sheet and other reports required by the BIR. Delegation of authority to Ms. Regina B. Alvarez to designate additional company representatives for the foregoing purposes

Regular Meeting of the Board of Directors
November 11, 2022

- Approval of the Financial Reports and Results of Operations as of September 30, 2022 and approval of the disclosure statement.

- Approval of the proposed dissolution of the inactive subsidiaries of Phinma Corporation, Toon City Animation, Inc. and Career Academy Asia, Inc. by shortening the corporate life to August 1, 2024.

- Approval of the revised Corporate Governance Manual of the Company, as presented and endorsed by the Corporate Governance Committee.

- Approval of the changes in the membership of the Retirement Committee and designation of any two of the members of the Retirement Committee as authorized signatories for transactions of the Retirement Fund with BPI and BDO

- Delegation of authority to each of Mr. Ramon R. del Rosario, Jr. and Dr. Meliton B. Salazar, Jr. for the approval of any lease of the properties of the Corporation

- Designation and authorization to each of Dr. Meliton B. Salazar, Jr., Mr. Pythagoras L. Brion, Jr. and Ms Alvarez to sign, execute and deliver such agreements, deeds or other documents, and to perform such other acts, as maybe required or necessary to effect the said lease of properties as approved by Mr. Ramon R. del Rosario and/or Dr. Meliton B. Salazar, Jr.