PHINMA

Making Lives Better

2021 Annual and Sustainability Report

Our Businesses

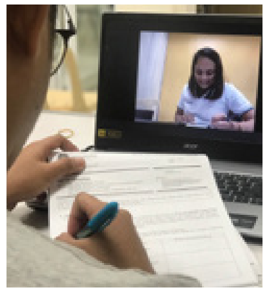
PHINMA Corporation is a public company listed with the Philippine Stock Exchange (PSE) under the trading symbol PHN.

We have outlined the businesses we will focus on: Construction Materials, Education, Housing, and Hospitality. These businesses can support a growing and younger demographic in different ways: from the facilities that meet the needs of travelers and home buyers, to quality education within the financial reach of the bottom quintiles.

Mission, Vision, and Values

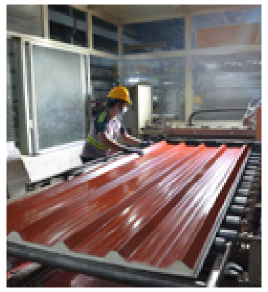
The PHINMA Group's Mission is to help build our Nation through competitive and well-managed business enterprises that enable FIlipinos to attain a better quality of life. With professional and effective management as our distinctive edge, we aim to give communities, not only in the Philippines but wherever else we might find the need, improved access to the essentials of a dignified life.

In the pursuit of our Mission, we look to our tradition, our experience, our reputation, and above all, our people, as the principal factors that will enable us to achieve our lofty goals. The PHINMA Group will demonstrate that private business can mutually serve the needs of society and the aspirations of shareholders.



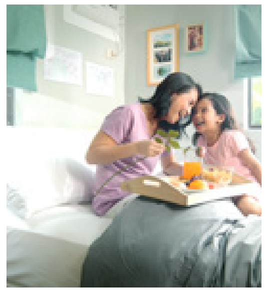
Education

Making lives better by educating underserved youth



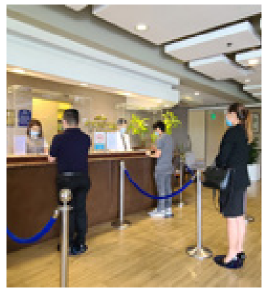
Construction Materials

Making lives better by boosting construction and infrastructure



Housing

Making lives better by creating sustainable communities



Hospitality

Making lives better by providing safe and comfortable stays

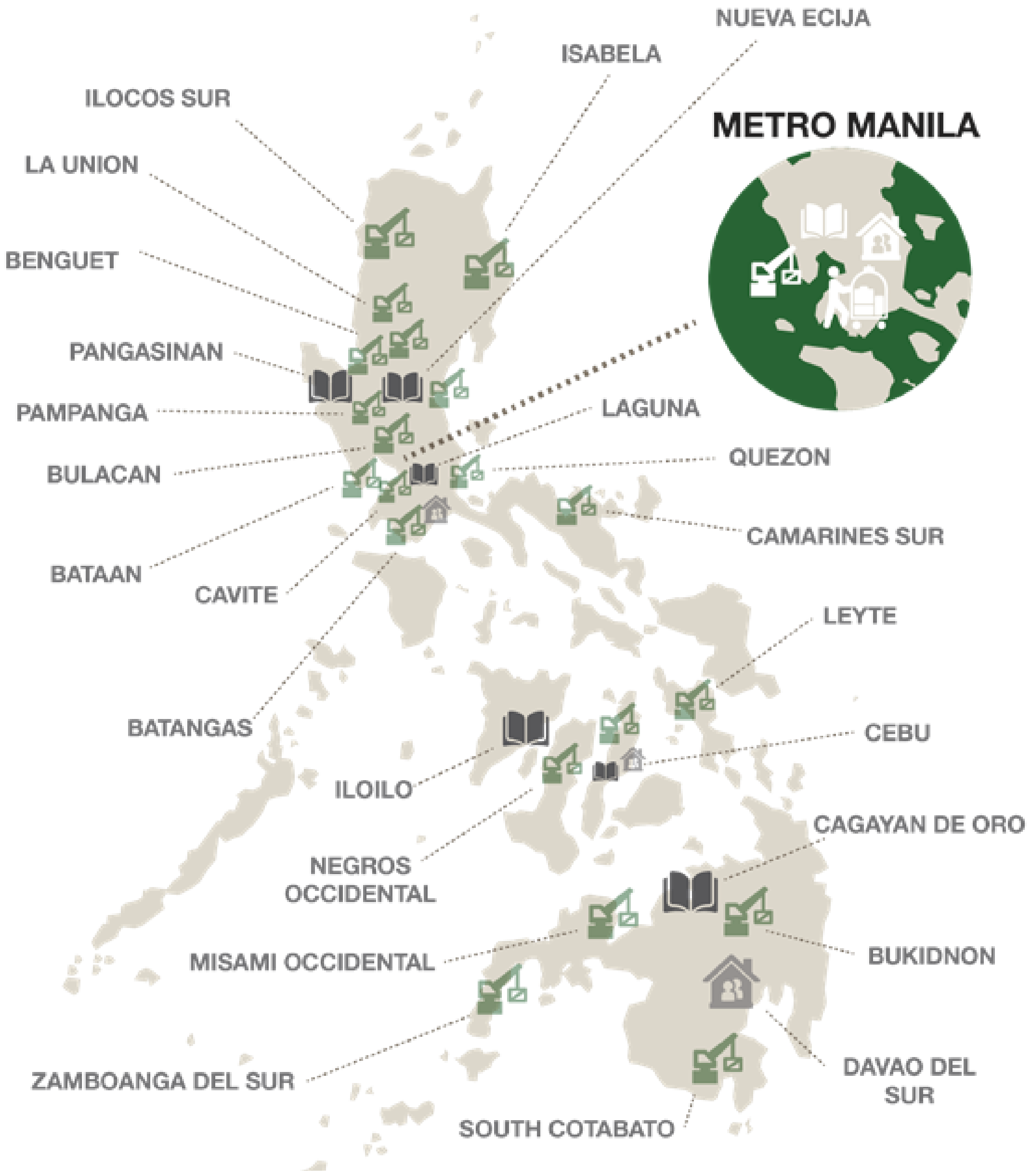
Making Lives Better

Making lives better for everyone is not just a company mission. It is a business imperative. We take our mission seriously and intentionally. Our investments have always been targeted toward resolving the great inequities in these social development spaces.

At a Glance

PHINMA CORPORATION AND SUBSIDIARIES	2021	2020	2019
INCOME AND DIVIDENDS (In Thousand Pesos)			
Revenues	**16,038,186**	12,301,751	11,324,911
Net Income Attributable to PHN Equity Holders	**1,121,206**	172,637	232,507
Consolidated Net Income	**1,872,737**	521,940	437,123
Cash Dividend	**108,927**	109,004	225,229
FINANCIAL POSITION (In Thousand Pesos)			
Current Assets	**12,251,241**	10,326,060	9,897,788
Total Assets	**30,081,295**	24,472,415	22,378,396
Current Liabilities	**7,166,235**	6,753,050	5,116,913
Non-current Liabilities	**12,981,999**	9,165,951	8,918,808
Equity Attributable to PHN Equity Holders	**7,467,147**	6,579,992	6,657,154
Total Equity	**9,933,061**	8,553,414	8,342,675
PER SHARE (In Pesos)			
Earnings	**4.12**	0.63	0.83
Cash Dividend Per Share	**0.50**	0.40	0.40
Book Value of Common Shares	**27.46**	24.16	24.42
FINANCIAL RATIOS			
Current Ratio	**1.71**	1.53	1.93
Debt to Equity Ratio	**2.03**	1.86	1.68

Geographic Reach



Education

Philippines:
Metro Manila, Pangasinan, Nueva Ecija, Laguna, Cebu, Iloilo, Cagayan de Oro

Southeast Asia:
Indonesia

Construction Materials

Cement Facility: Bataan

UGC Warehouses: Isabela, Ilocos Sur, Baguio, Urdaneta, Lucena, Butuan, Ozamis, General Santos

Roll Forming Plants: La Union, Pangasinan, Nueva Ecija, Pampanga, Cainta, Camarines Sur, Batangas, Tacloban, Cebu, Bacolod, Iloilo, Zamboanga, Davao, Cagayan de Oro, Butuan

Main UGC Plant: Calamba

Sales Office: Laoag, Bukidnon

Housing

Metro Manila
Cebu
Davao City
Malabon
Laguna
Batangas
Bulacan
Cavite

Hospitality

Metro Manila

OSCAR J. HILADO
Chairman of the Board

RAMON R. DEL ROSARIO, JR.
President and Chief Executive Officer

Message to Shareholders

Making Lives Better

Dear Shareholders,

During the last two years of the COVID-19 pandemic, the PHINMA Group has become even more determined to pursue its mission of making lives better. The company has successfully achieved major milestones operating from a 3-tier bottom line perspective benefitting People, Planet, and Profit. We have expanded the scale and depth of our investments so that each measured step makes a huge difference to people with the most urgent needs.

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 259-percent growth in bottom line on the back of strategic business units that continued to achieve strong results amid a challenging business environment.

Performance Highlights

₱16.04B
Consolidated revenues

₱1.87B
Consolidated net income

259%
Year-on-year increase in net income

Performance Highlights

₱30.08B
Total assets

1.71:1.00
Current ratio

2.03:1.00
Debt-to-equity ratio

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 33% 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

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"The Construction Materials Group attained ₱902.8 million in consolidated net income, demonstrating the group's resilient strategies and ability to quickly and innovatively respond to challenges."

in SY2020-2021, 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.

"2021 also marked your Company's first public bond issuance in more than 25 years, which was well receive by the the market. The bond issuance is part of your Company's overall value building plan and will be the first of many capital market transaction to come for the PHINMA Group."

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 nine 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 P30.08 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 are both payable on 6 April 2022.

2022 Outlook

With improving COVID-19 vaccination rates and decreasing cases, we look forward to further domestic economic reopening and recovery in 2022. Among its various priorities, we believe the government continues to view infrastructure development as vital in driving post-pandemic recovery. Moreover, with the Philippines being one of the few countries that kept its educational institutions closed throughout the pandemic, the transition back to face-to-face classes is a welcome development that would aid the deepening learning crisis faced by our country. As the nation continues to recover, we look forward to seeing growth trickle down to other sectors that faced hampered demand due to the pandemic, especially property and hospitality.

PHINMA Education is eager to continue its expansion in order to capture more of its underserved market. PHINMA Education looks for schools that are situated in growing urban communities where it can offer its brand of accessible quality education to underserved youth. Apart from this, it has been working on increasing capacity in its existing schools in light of growing enrollment and looks forward to pursuing expansion in other Southeast Asian countries. PHINMA Education also looks at its alternative learning systems as a fundamental change in the way they do education

"To do good while doing well — that is the call of our times. Making lives better for everyone is not just a company mission. It is a business imperative."

and as additional channels to reach students that do not have physical access to its schools.

Our Construction Materials Group continues to gear up for further growth in anticipation of the expected strong recovery of the construction sector. The group is focused on enhancing efficiency and expanding the production of higher-margin product lines. Meanwhile, PHINMA Solar is well-positioned to grow by leveraging the global push for clean energy and net zero carbon emission targets with the help of its parent, UGC.

PHINMA Properties experienced delays in the launches of its new projects because of the pandemic. However, for 2022, PHINMA Properties is set to launch new horizontal projects situated in emerging cities outside central business districts in order to capture shift in demand trends driven by the pandemic. These include PHINMA Maayo San Jose (Batangas) and PHINMA Maayo Tugbok (Davao). The company has also been evaluating its expansion into mixed-use developments, such as townships, in emerging regions. Moreover, while the hotel industry is expected to continue to face challenges, we remain optimistic in the gradual recovery of international and domestic travel.

The strong growth the Company has achieved in the past three years has truly been driven by its strategic business units, which have, without exception, risen to the occasion. Driven and inspired by PHINMA's mission of making lives better for families and communities, these units have continued to strategically adapt and successfully hit major milestones amid the pandemic. Looking forward, PHINMA Corporation is eager to pursue its long-term plan focused on returning value to its shareholders. This includes robust succession planning and talent development initiatives aimed towards priming your Company for further growth.

A BUSINESS IMPERATIVE

To do good while doing well — that is the call of our times. Every organization, especially the private sector, must be involved in this collective action of nation-building. Gone are the days of mere profit generation and corporate competitiveness. Businesses are now called to provide products and services with the prime motive of creating and uplifting social well-being.

Making lives better for everyone is not just a company mission. It is a business imperative. The PHINMA Group has always been serious about this. We believe that we are all part of building the post-pandemic future and we have the capacity to affect change and do better.

Let's all get to work.

OSCAR J. HILADO
Chairman of the Board

RAMON R. DEL ROSARIO, JR.
President and Chief Executive Officer

Business Review: Education

Making Lives Better by Educating Underserved Youth

PHINMA Education is poised to expand even further as it continues to provide quality education in the country and throughout Southeast Asia.

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 Cagayan de Oro College
- PHINMA University of Pangasinan
- PHINMA University of Iloilo and
- Southwestern University PHINMA.

The PHINMA Education NCR network is composed of :

- PHINMA St. Jude College
- PHINMA Republican College

The Laguna subnetwork is composed of:

- PHINMA Rizal College of Laguna
- PHINMA Union College of Laguna

PHINMA Union College of Laguna, 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,

Performance Highlights

95,503
Students enrolled for SY 2021-2022

₱1.02B
Consolidated net income in 2021

33%
Increase in total enrollment

LEARNING STRATEGIES
Throughout the pandemic, PHINMA Education introduced learning strategies that respond to the needs and resources of underserved students. For example, Remote & Distance (RAD) Learning, a 100% home-based learning model, is well-suited for working students and those who live far from PHINMA Education campuses.

SCHOLARSHIP PROGRAMS
Beyond adapting learning strategies that make sure learning continues for those who need it the most, PHINMA Education also increased its support for financially challenged students through initiatives such as the Hawak Kamay (HK) Scholarship Program that provides scholarships to about 60% of the student population.

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.

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.

Despite the ongoing pandemic, In SY 2021-2022, PHINMA Education welcomed 94,452 students in the Philippines and 1,051 in Indonesia , a 33% increase from total enrollment of 71,659 students in SY 2020-2021. The increase in enrollment resulted in Consolidated Revenues of P3.69 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.

EXPANDING ACCESS TO QUALITY HIGHER EDUCATION
At the heart of PHINMA Education's rapid growth is the underserved students who are often the first in their families to go to college. By expanding the access of underserved students to higher education, PHINMA Education hopes to make lives better not only for students, but for their families, communities, and ultimately, the nation.

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.

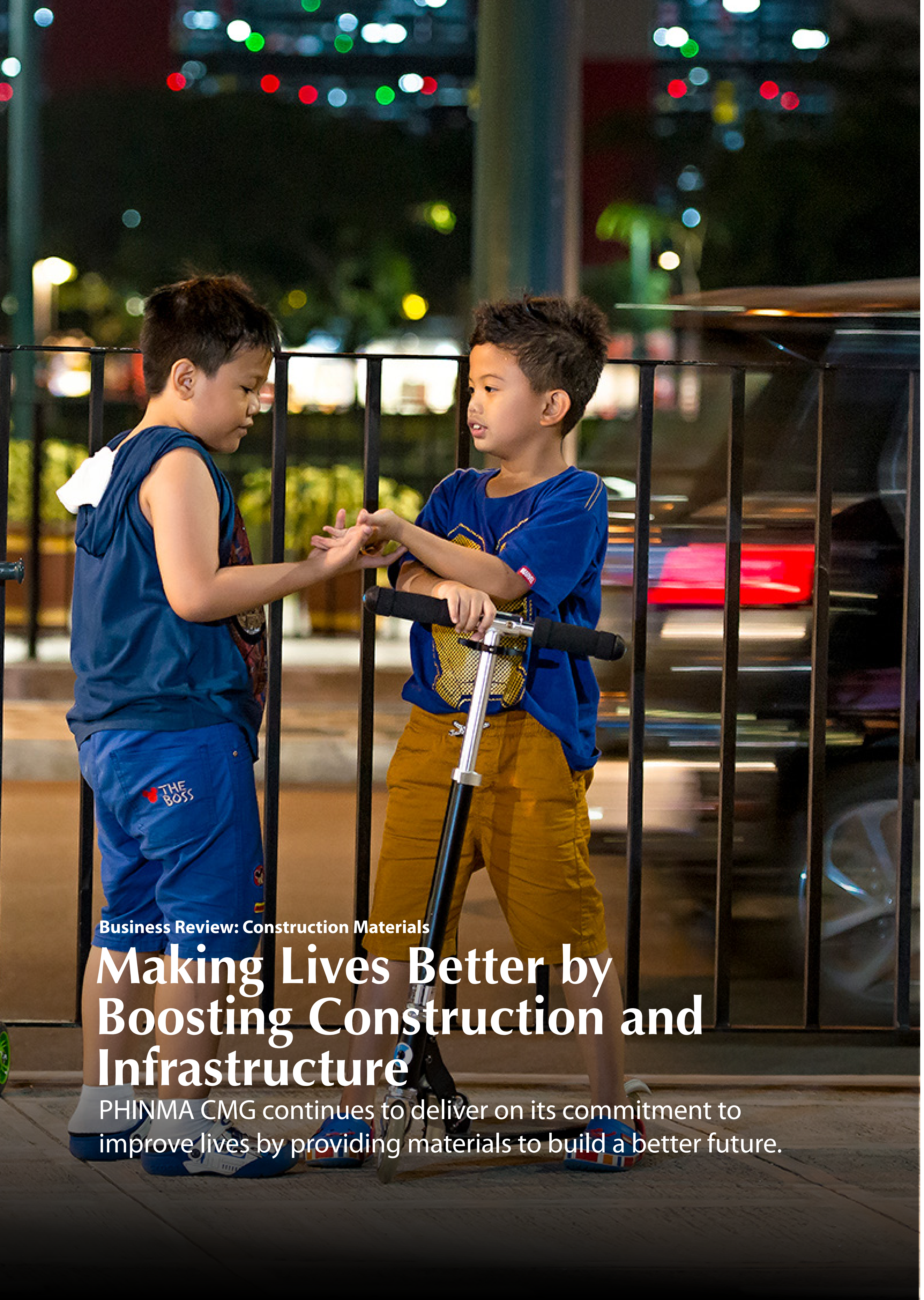
In August 2021, PHINMA Education hosted two webinars with Chel Diokno, a Filipino lawyer, educator, and human rights advocate who serves as chairman of the Free Legal Assistance Group and the founding dean of the De La Salle University College of Law. The webinars, which focused on human rights and the 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.



Business Review: Construction Materials

Making Lives Better by Boosting Construction and Infrastructure

PHINMA CMG continues to deliver on its commitment to improve lives by providing materials to build a better future.

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 second 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

Performance Highlights

₱12.14B

Record consolidated revenue in 2021 for PHINMA CMG, a 20% increase from the previous year

20%

Year-on-year growth in revenue in 2021

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, PHINMA 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 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.

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.

STABLE ROOFING SUPPLY
UGC provides reliable and steady supply of high quality galvanized and pre-painted steel roofing, steel decking products, building systems' components and insulated panels to owners and builders of residential, commercial and industrial structures through its extensive nationwide distribution network.

WORLD-CLASS CEMENT
Philcement invested in a state-of-the-art cement processing facility in Mariveles, Bataan, which features automated equipment and processes to consistently deliver world-class quality cement to customers and suppliers in different regions nationwide.

RELIABLE SOLAR SOLUTIONS
PHINMA Solar contributes to making lives better for Filipinos by offering reliable end-to-end solar solutions that allow its customers to overcome the technical hurdles and prohibitive cost that come with using solar energy to power their homes or businesses.

Business Review: Housing

Making Lives Better by Creating Sustainable Communities

PHINMA Properties remains committed in its mission to provide homes inspired by Filipino traditions to families in key areas across the country.

PHINMA PROPERTIES
WEAVING FILIPINO TRADITION INTO HOMES

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

Performance Highlights

P2.4B
Consolidated revenue in 2021

26%
Year-on-year growth in net sales in 2021

21,334
Cumulative total of units built by its subsidiary, Community Developers and Construction Corporation (CDCC)

Through mostly detached horizontal developments, PPHC aims to minimize working capital while maintaining profitability. Aside from residential projects, PPHC is considering township developments in emerging regions across the country.

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.
- **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.

QUALITY, COMFORTABLE HOMES FOR FILIPINO FAMILIES
Taking inspiration from Filipino values and traditions, PHINMA Properties have developed homes and communities that provide residents access to the finest of Filipino living.

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 low density, 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

WEAVING FILIPINO TRADITION INTO HOMES
Rooted deep in our culture, our values are weaved into every PHINMA home — hospitable, comfortable, and uniquely Filipino.

STYLISH AND COMFORTABLE HOUSING
PHINMA Properties takes pride in offering spaces catered to meet the needs of first time Filipino homebuyers who seek to live in comfortable, nurturing, and secure communities.

PPHC remains driven by its mission of making lives better while meeting aspirations of various stakeholders.

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.

Business Review: Hospitality

Making Lives Better by Providing Safe and Comfortable Stays

PHINMA Hospitality maintains to be optimistic that the hospitality industry is bound to bounce back as government restrictions continue to relax.

PHINMA HOSPITALITY

PHINMA Hospitality Inc., the hospitality arm of the 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.

Performance Highlights

83%
Average occupancy rate of Microtel Mall of Asia and TRYP by Wyndham Mall of Asia in 2021

12%
Year-on-year increase in occupancy rate

15
Hotels operated in the Philippines

NO-FRILLS COMFORTABLE STAY
Microtel by Wyndham pioneered the no-frills hotel concept in the country that targets the mid-market travellers. It focuses on providing consistently clean, comfortable and secure accommodations at value rates.

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 travellers, and returning Filipinos. In response to the COVID-19 situation, the hotels ensured that health and safety protocols were strictly implemented.

MOVING FORWARD
We remain optimistic that demand will recover with international and domestic travel.

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 behaviour 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.

Sustainability Highlights

Making Lives Better for People, Planet, and Progress

To do good while doing well — that is the call of our times. Every organization, especially the private sector, must be involved in this collective action of nation-building.

OUR COMMITMENT TO SUSTAINABILITY

PHINMA is deeply aware that every aspect of our operations creates ripples and becomes a part of a shared global environment.

We affirm that our people are our greatest asset and that they are fundamental in ensuring the sustainability of our Company. We take pride in the passion, innovation and commitment to our core values of our employees, and we will continue to provide opportunities for growth and career development while ensuring their safety and well-being. PHINMA will also continue to look into promoting inclusive growth for our partners through our business and our corporate social responsibility programs, as the nation recovers from the effects of the COVID-19 pandemic.

PHINMA and its subsidiaries have also established programs and protocols to reduce the impact of the operations of its businesses on the environment. Your Company will continue to pursue new avenues to go beyond compliance and advance circular economy business solutions as well.

Moreover, PHINMA understands that our sustainability strategy is crucial in ensuring that we are able to protect key resource systems and continue providing for future generations.

PHINMA upholds its commitment to build the nation through its businesses while remaining steadfast in finding new solutions to improve its sustainability practices for its people, for the planet and for economic development. The Sustainability Report also serves as a motivation to explore new opportunities, and to move forward in improving our policies and internal business practices as we continue to make lives better.

PHINMA's sustainability strategy is crucial in ensuring that we are able to protect key resource systems and continue providing for future generations. Guided by our triple bottom line commitment to a sustainable future, PHINMA will prosper for generations to come.

Making Lives Better for our PEOPLE. Our business operations impact our internal stakeholders and adjacent communities, and as a result, we aim to promote inclusive growth to maximize the potential of our people.

Making Lives Better for the PLANET. We are aware of stakeholders' concern of having a strategic plan to minimize the environmental impact of our business operations. With this, we remain steadfast in our accountability to the environment and in creating measures to leave a positive impact in areas where we operate.

Making Lives Better for PROGRESS. We are cognizant that our stakeholders want to understand our strategies in allocating financial resources for sustainable investments, and embedding integrity, empathy and good corporate governance to support the progress of our nation.

OUR MATERIALITY

PHINMA Corporation followed specific steps recommended by the GRI to identify topics affecting the economy, society and environment, which are relevant to our business and our stakeholders. To determine these issues, the Company conducted a materiality assessment through questionnaires and focus group discussions. The process resulted in the identification of the following topics, which PHINMA Corporation will use in creating a strategic sustainability roadmap, and in establishing ESG targets for both the PHINMA Group.

ECONOMIC	SOCIAL	ENVIRONMENT
Economic Performance Anti-Corruption Indirect Economic Performance Procurement Practices	Employment and Labor Relations Occupational Health and Safety Local Communities Training and Education Diversity and Equal Opportunity Customer Health and Safety	Environmental Compliance Water Energy Materials Effluents and Waste Biodiversity

Management approach disclosures for the material topics are discussed on pages 9 to 13 of our Sustainability Report 2021. Actual sustainability performance and data relevant to ESG are presented on pages 10 to 16.

OUR SUSTAINABILITY PERFORMANCE

ENVIRONMENT PERFORMANCE

We recognize the impact of our operations on the environment and have created programs to mitigate its impact, aligned with national and local regulatory environmental laws. PHINMA and its subsidiaries implement measures on the responsible use of resources like water, energy and raw inputs, and on proper disposal of effluents and waste generated. The sustainability of our environment is crucial to the sustainability of our business.

A full discussion on our management's approach with regard to the environment can be found on pages 11 to 12 of our Sustainability Report 2021.

	SDG Target	Our Contribution
7 AFFORDABLE AND CLEAN ENERGY	Universal access to modern energy Increase global percentage of renewable energy	Total installed capacity by PHINMA Solar: 2.122 MWp Energy generated from renewable energy: 6,572,848.67 kWh
11 SUSTAINABLE CITIES AND COMMUNITIES	Safe and affordable housing Reduce environmental impact to communities	Cumulative Residential units sold by PPHC: 16,624 Donation for rehabilitation of communities affected by typhoons in Visayas and Mindanao areas: ₱1,055,000
13 CLIMATE ACTION	GHG Emissions	Total GHG reduction from our Solar facilities: 3,421.93 MTCO2 Equivalent Trees Planted: 13,411 trees

Water	
Total Water Consumption	1,343,150 cu. meter
Total Volume of Water Discharges	1,108,470 cu. meter
Energy	
Total Energy Consumption	16,304,548 Kwh
Total Energy Used from Renewable resources	781,783 Kwh
Total Energy Used from Fuels	339,419 Liters
Renewable Energy Generated	
Effluents and Waste	
Solid Waste Generated	4,312.6 MT
Solid Waste Reused/Recycled	2,437.7 MT
Hazardous Waste Generated	50.4 MT
Hazardous Waste Transported	41.9 MT
Hazardous Waste Stored	8.5 MT

SOCIAL PERFORMANCE

PHINMA values the well-being of its workforce and provides avenues for its development. It is also vital to create safeguards to keep the organization whole amid a challenging business environment. Likewise, we also affirm our moral and social obligation to promote empowering growth to our stakeholders and to our local communities.

A full discussion on our management's approach with regard to our people can be found on page 15 of our Sustainability Report 2021.

	SDG Target	Our Contribution
4 QUALITY EDUCATION	Literacy and numeracy	Number of students served for SY 2020-21: 95,503 students Number of scholars supported by the PHINMA Foundation: 186
5 GENDER EQUALITY	Proportion of seats held by women	Percentage of PHINMA female managers and above in PHINMA Corporation: 73%
8 DECENT WORK AND ECONOMIC GROWTH	Full and productive employment Labor rights, safe and secure working environments	COVID Vaccination Rate: 98.78% (as of January 2022) Safety training done: 40 online trainings and safety drills

Employee Data	
Total Number of Employees	3,719
Male	1,790
Female	1,929
Attrition Rate	

Benefits Provided		
SSS	Vacation leaves	Retirement fund
PhilHealth	Sick leaves	Telecommuting
Pagibig	Emergency/Calamity leaves	Flexible working hours
Parental leaves (maternity, paternity, solo parent)	Medical benefits	Rice, laundry and clothing allowance

Occupational Health and Safety	
Work-related Injuries	45
Work-related Fatalities	0
Work-related Ill-health	23
Safety Drills and Trainings Done	24

Diversity and Equal Opportunity	
Employee Gender Ratio	48% male, 52% female
Gender Ratio of Managers and Officers	56% male, 43% female
Reported Incidents of Discrimination	0

Training and Empowerment	
Accounted Training Hours	21,758.5 hours

ECONOMIC PERFORMANCE

PHINMA contributes to nation-building through our diversified portfolio in education, construction materials, housing and hospitality. In 2021, PHINMA Corporation generated a direct economic value of ₱16,155,294, distributing 92% or ₱14,886,348 to our stakeholders and communities, while retaining ₱1,268,946 to promote future growth.

	SDG Target	Our Contribution
8 DECENT WORK AND ECONOMIC GROWTH	Sustainable economic growth	Direct Jobs Generated: 3,719
	Full employment and decent work	Economic Value Distribution: 92% Economic Value Retention: 8%
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Reduce corruption and bribery	Incidents of Corruption: 0
	Develop effective, accountable and transparent institutions	Anti-competitive behavior, antitrust, and monopoly practices: 0

Economic Value Generated (in thousands pesos)	**₱16,155,294**
Economic Value Distributed (in thousands pesos)	**₱14,886,348**
Operating Costs	₱11,573,172
Employee Wages and Benefits	₱2,086,726
Dividends given to stockholders and interest payment to loan providers	₱837,296
Taxes Given to Government	₱372,971
Investment to Community	₱16,183
Economic Value Retained (in thousands pesos)	**₱1,268,946**

Through the PHINMA Foundation we continue to supplement and complement what our businesses already deliver towards **making lives better for Filipino families and communities, improving their access to the essentials of a dignified life**.

From scholarships to outreach programs to volunteer opportunities to meaningful partnerships, we are leading the way for corporate Philippines to become a genuine and sustained force for good in society.

These are but a few of our stories of making lives better.

Paulo Aniceto has been a volunteer for the Philippine Red Cross for the past eight years as a Red Cross Youth Instructor and Youth Peer Educator. He was one of the first to volunteer in the vaccine roll out in his city, ensuring the smooth monitoring of those who have to go through post-vaccination procedures.

Paulo is but one of the 85 scholars under the PHINMA National Scholarship (PNS), the flagship program of PHINMA Foundation. PNS has always valued the holistic formation of its beneficiaries — placing emphasis on values and leadership formation alongside their educational development.

In 2021, PHINMA Foundation supported a total of 186 scholars through the PNS Program, the Science and Engineering Fund, and the Bishop & Seminarian Fund. The challenges of the global pandemic, rather than inhibiting us, inspired further innovation that enabled us to continue providing access to quality education for those who need it the most. PNS, in particular, looks to expand with new partner schools, as well as with more partner institutions and groups here and abroad, to scale up further our initial successes in developing our future nation-builders.

PAULO ANICETO
PNS scholar, Philippine Red Cross volunteer, Red Cross Youth instructor and Youth Peer educator

"I always make the choice to use my talents and skills to make our community more secure and resilient. Not just for myself and my family, but for all of us. It is critical for the youth, like myself, to contribute to nation-building by always tapping and expanding our potential. Apart from raising our voices on social media, young people must take practical action to build innovative and beneficial solutions for our communities."

"I was looking forward to a long Christmas break, but I chose to participate in the Typhoon Odette operations instead, because I find it more meaningful and productive. This is a small way of helping others who are struggling to get access to quality healthcare."

Oscar Araojo is an alumnus of the Philippine National Scholarship. He was a lead volunteer during the relief operations for the victims of Typhoon Odette which ravaged 17 regions in the Philippines.

Like Oscar, PHINMA provided immediate assistance to help communities get back on their feet. Through a joint effort of PHINMA Foundation, Southwestern University PHINMA, Mariposa Foundation, Gawad Kalinga (GK), and Union Galvasteel Corporation - Bacolod and Cebu, we were able to utilize ₱500,000 to supply roofing sheets, lumbers, roofing nails, and financial assistance to 237 families.

A total of P555,000 was also donated to help 172 flood victims in Surigao del Sur, 200 families in Bulao, Samar for the rebuilding of their library and learning center, and 10 archdiocese/dioceses across Visayas and Mindanao for the reconstruction of damaged churches.

OSCAR ARAOJO
PNS alumnus and lead volunteer during Typhoon Odette relief operations

KATRINA NAVARRO
Learning Manager at PHINMA Education

Katrina Navarro is a Learning Manager at PHINMA Education. She was one of the hundreds of everyday Filipinos and one of our PHINMA Hero volunteers that put up community pantries all across the country. Through the PasaBuy+ activity of the Foundation and the PHINMA Group's Corporate Social Responsibility Council, PHINMA employees raised funds to distribute a total of 1,450 kilos of vegetables for the PHINMA Hero-led community pantries.

We also continued to support our Heroes, and other organizations, that made our goals for wider reach and greater impact attainable. PHINMA through the foundation donated a total of over one million pesos to support NAMFREL and PPCRV volunteer mobilization and to support Caritas Manila in caring for and giving hope to incarcerated individuals.

As lockdowns continued to be resorted to minimize contagion in 2021, we looked inward and focused on ensuring the welfare of our people. We provided ₱220,500 in financial assistance to affected staff of the PHINMA Group. With the help of employee volunteers, livelihood development opportunities were also provided to the "Ates and Kuyas" of PHINMA Plaza through skills training, and a start-up seed fund amounting to close to ₱155,000.

Both corporate social responsibility and individual social responsibility programs, projects and partnerships will play an even greater role in PHINMA's drive to become a strong partner of achieving sustainability goals in the next few years. We will continue to prioritize those in need within and around our immediate communities and will build firmer relationships with our partner organizations and beneficiaries, allowing our efforts to scale up and achieve more lasting social impact.

"The only way to survive a pandemic — or life! — is to do things as a community. We need to feel the loss and inabilities of each individual keenly; and have this inform how we live, how we make choices. If we keep doing things for the benefit of the few, we will not survive."

Corporate Governance

Making Lives Better with Good Governance and Sound Business Management

PHINMA Corporation (the "Corporation") believes that good governance is an integral component of sound business management and exerts every effort necessary to ensure compliance within the organization.

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 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, 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.

SEC AND PSE INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT (IACGR)

SEC MC No. 15, Series of 2017 released in December 2017 mandates all publicly listed companies to submit an Integrated Annual Corporate Governance Report (IACGR) 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 2020 on June 29, 2021. For the year 2021, the deadline of submission of the I-ACGR is on May 30, 2022.

As of December 31, 2021, 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 both SEC and PSE. In addition, the SEC and PSE 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.

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.

BOARD OF DIRECTORS

Key Roles and Responsibilities

As mandated by its Charter, the Board's roles and responsibilities include fostering the long-term success of the Corporation and securing its sustained competitiveness and profitability in a manner consistent with its corporate objectives and fiduciary responsibility. The Board always takes into consideration the best interest of the Corporation, its shareholders, and other stakeholders when it exercises its powers and duties. The Board conducts itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities and acts on a fully informed basis, in good faith, with due diligence and care in directing the Corporation towards sustained progress.

Composition

As of December 31, 2021, the Board of Directors consists of 11 members, nominated in accordance with the By-Laws of the Corporation. In compliance with the legal requirement of SEC for publicly listed corporations, PHINMA's Board of Directors includes four (4) independent directors. The independent directors hold no interest or have no relationship with the corporation that may hinder their independence from the corporation or management or would interfere with the exercise of independent judgment in carrying out their responsibilities. During the year, the Board of Directors held a total of six (6) meetings, five (5) regular board and one (1) organizational meeting. The details of the matters taken up during the Board meetings are detailed in the Definitive Information Statement sent to shareholders.

The attendance of the directors in the Board meetings is as follows:

	2021 Board Meetings					
Directors	Mar 2 Regular	April 14 Organizational	May 12 Regular	Jul 1 Regular	Aug 12 Regular	Nov 10 Special
Oscar J. Hilado	P	P	P	P	P	P
Ramon R. Del Rosario, Jr.	P	P	P	P	P	P
Magdaleno B. Albarracin, Jr.	P	P	P	P	P	P
Jose L. Cuisia, Jr.	P	P	P	P	P	P
Victor J. Del Rosario	P	P	P	P	P	P
Juan B. Santos	P	P	P	P	P	P
Lilia B. De Lima	P	P	P	P	P	P
Rizalina G. Mantaring	P	P	P	P	P	P
Edgar O. Chua*	-	P	P	P	P	P
Meliton B. Salazar, Jr.*	-	P	P	P	P	P
Eduardo A. Sahagun*	-	P	P	P	P	P
Guillermo D. Luchangco**	P	-	-	-	-	-
Troy A. Luna**	P	-	-	-	-	-
Roberto M. Laviña***	P	-	-	-	-	-

P : Present A : Absent * : Elected on April 14, 2021 ** : Resigned effective April 14, 2021 *** Elected Board Advisor on April 14, 2021

Board Committees

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.

As of December 31, 2021 the board committees and its members were as follows:

	2021 Board Committees					
Directors	Executive	Corporate Governance and Nominations	Compensation	Risk Oversight	Audit and RPT	Retirement
Oscar J. Hilado	Chairman		Member			Chairman
Ramon R. Del Rosario, Jr.	Member		Member			
Magdaleno B. Albarracin, Jr.	Member			Member		Member
Jose L. Cuisia, Jr.	Member		Chairman		Member	
Victor J. Del Rosario						Member
Meliton B. Salazar, Jr.						Member
Eduardo A. Sahagun						
Edgar O. Chua		Member		Member	Member	
Juan B. Santos	Member		Member		Chairman	
Lilia B. De Lima		Chairman		Member		
Rizalina G. Mantaring		Member		Chairman	Member	

Executive Committee

The Executive Committee is composed of five (5) directors, one of whom is an independent director. The Committee is tasked to assist the Board in matters concerning its interests and the management of its business and may exercise all the powers and perform the duties of the Board within the authority granted to it. It acts by majority vote of all its members during the interim period between scheduled Board meetings.

Corporate Governance and Nominations Committee

The Corporate Governance and Nominations Committee is composed of three (3) directors, all of whom are independent directors. The Committee was formed at the Organizational Meeting dated April 10, 2017 to replace the Nominations Committee and was renamed after the transfer of oversight on related party transactions. The Committee is tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to the Nominations Committee. In February 2020, the Corporate Governance and Nominations Committee, after review of the qualifications of the candidates, submitted to the Board of Directors the list of qualified nominees. The Committee reviewed the results of the board self-assessments and approved the revised Manual on Corporate Governance and Committee Charter during its two (2) meetings held in 2020, with an overall attendance of 100%.

Compensation Committee

The Compensation Committee is composed of four (4) directors, one (1) of whom is an independent director who is also the Chairman. The duties and responsibilities of this committee include establishing policies on executive remuneration, ensuring that the compensation is consistent with the Corporation's culture, strategy and control environment, and strengthening policies on conflict of interest, salaries and benefits and compliance with statutory requirements.

Risk Oversight Committee

The Risk Oversight Committee is composed of four (4) members, three (3) of whom are independent directors, including the Chairman. The Committee assists the Board of the Corporation in fulfilling its corporate governance responsibility with respect to its oversight of the Corporation's risk management framework. While the Committee has responsibilities and powers set forth in the Charter, the Corporation's management is ultimately responsible for designing, implementing, and maintaining an effective risk management program.

In 2021, the Risk Oversight Committee held two (2) meetings with an overall attendance of 100%. The Committee reviewed the Corporation's Risk Management Framework and its Top Business Risks, including strategic risks, business risk assessments and corresponding mitigation plans. In doing so, the Committee also reviewed the Top Business Risks and corresponding mitigation plans of its subsidiary companies.

Attendance

Risk Oversight Committee	YEAR 2021	
	Sept. 22	Dec. 21
Rizalina G. Mantaring	P	P
Magdaleno B. Albarracin, Jr.	P	P
Lilia B. De Lima	P	P
Edgar O. Chua	P	P

P : Present I A : Absent

Audit and Related Party Transactions Committee

The Audit and Related Party Transactions Committee is composed of four (4) members of the Board, three (3) of whom are independent directors, including the Chairman. The Committee assists the board of directors of PHINMA Corporation in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls, the audit process, and the Corporation's process for monitoring compliance with laws and regulations. In 2021, the Committee held five (5) meetings and overall attendance was 100%. The Committee reviewed the audited financial statements for 2020 and the interim statements for the quarters ending March 31, June 30, and September 30 for the year 2021. The Committee also endorsed to the Board the nomination of SGV and Co. as the Corporation's external auditor for 2021. The Committee approved the Internal Audit plan for 2021, reviewed the audit reports, and evaluated Internal Audit's performance.

The Committee reviewed the material related party transactions for 2021 and activities related to the Integrity Assurance programs. The Committee also performed a self-assessment of the Committee's performance against the approved Charter, in line with the guidelines issued by the SEC.

Attendance

	YEAR 2021				
Audit and Related Party Transactions Committee	Mar 1	May 11	Jul 1	Aug 11	Nov 9
Juan B. Santos	P	P	P	P	P
Magdaleno B. Albarracin, Jr.	P	N/A	N/A	N/A	N/A
Rizalina G. Mantaring	P	P	P	P	P
Jose L. Cuisia, Jr.		P	P	P	P
Edgar O. Chua		P	P	P	P

P : Present I A : Absent N/A : No longer a member

Board Assessment Policy

The Board of Directors of PHINMA Corporation obtained an overall rating of Excellent for their performance in the year 2021. 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 individual directors, the Chief Executive Officer, and the Chairman of the Board. The criteria used in this assessment covered the following key areas of governance, based on the duties and responsibilities listed in the Manual on Corporate Governance, Board Charter, and other relevant company policies:

- Composition and Quality of the Board
- Conduct of Board Meetings
- Duties and Responsibilities

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

EXTERNAL AUDITOR

The external auditor contributes to the enforcement of good governance through independent examination of the financial records and reports of the Corporation. The Audit and Related Party Transactions Committee oversees the work of the external auditors and ensures that they have unrestricted access to records, properties, and personnel to enable performance of the required audit.

On April 14, 2021, the stockholders upon recommendation of the Audit and RPT Committee and the endorsement by the Board of Directors, approved the appointment of SGV & Co. as the Corporation's external auditor. Ms. Belinda T. Beng Hui is the partner in-charge for 2021. On March 1, 2022, SGV & Co. issued its report on the financial statements for the year ended December 31, 2021, stating that the financial statements present fairly, in all material respects, the financial position of the Corporation and that the same are in accordance with Philippine Financial Reporting Standards.

There were no disagreements with the Corporation's external auditor on any matter pertaining to accounting principles or practices, financial statement disclosures, or auditing scope or procedures.

The Corporation is in compliance with SRC Rule 68, paragraph 3(b) (iv) requiring rotation of external auditors or engagement partners who have been engaged by the Corporation for a period of five (5) consecutive years or more. This is the third year of Ms. Beng Hui as audit partner of the company.

The Corporation accrued the following fees for professional services rendered by SGV and Co. for the past two years:

Year	Audit Fees	Other Fees
2021	₱3,285,000	₱3,400,000
2020	₱3,285,000	₱825,786

The above audit fees are for the audit of the Corporation's annual financial statements or services normally provided in connection with statutory and regulatory filings or engagements for calendar year 2021 and 2020. Other Fees represent various SGV engagements like valuation of options, organizational optimization study, transfer pricing and bond offering reporting requirements. The Audit and Related Party Transactions Committee reviewed the nature of non-audit services rendered by SGV & Co. and the corresponding fees.

INTERNAL AUDIT

PHINMA Corporation has an independent Internal Audit organization that reports directly to the Board of Directors, through the Audit and Related Party Transactions Committee, and administratively to Senior Management. The Group Internal Audit (GIA) team provides the Corporation with professional assurance and consulting services that are designed to add value and improve operations. Consistent with its thrust to become better business partners, Group Internal Audit helps the Corporation accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of PHINMA's risk management, control, and governance processes. Additionally, GIA provides the Board, senior management and stockholders with reasonable assurance that the Corporation's key organizational and procedural controls are effective, appropriate and faithfully complied with.

To ensure the independence of Group Internal Audit, the Audit and Related Party Transactions Committee reviewed and approved the GIA Charter which outlines internal audit's purpose, reporting relationships, authorities and responsibilities. Through this Charter, the internal auditors are kept free from interference by any element in the organization in matters of audit selection, scope, procedures, frequency, timing, or report content. Likewise, members of Group Internal Audit do not have any direct operational responsibility or authority over any of the activities audited and, as such, are further prohibited from implementing internal controls or engaging in any other activity that may impair the internal auditor's judgment.

Under the GIA Charter, GIA performed various internal control reviews of the Corporation and its subsidiaries and affiliates. Based on the results of these reviews, Group Internal Audit reported that overall controls are adequate and effective as contained in the Audit and Related Party Transactions Committee Report for 2021.

DISCLOSURE AND TRANSPARENCY

PHINMA commits itself to high standards of disclosure and transparency. In addition to submitting annual and quarterly financial information and other statutory requirements, the corporation promptly discloses to the SEC and PSE material information such as declaration of dividends, investments and divestments and other items. The disclosures are also uploaded to the Corporation's website for the benefit of the public.

CODE OF CONDUCT

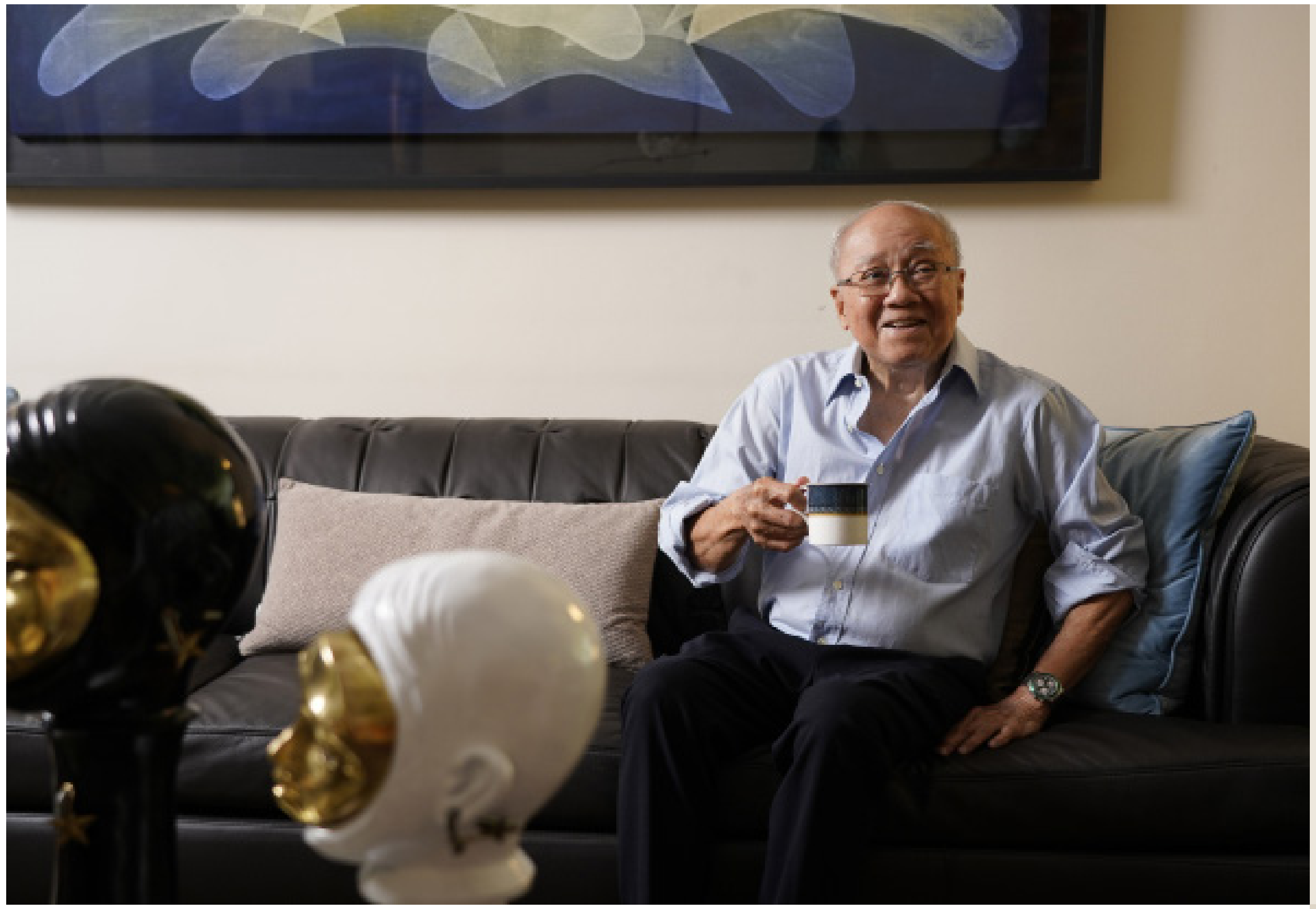
We believe that our commitment to ethical business practices, good corporate governance and social responsibility is vital and integral to the pursuit of our Mission to help build our Nation through competitive and well-managed business enterprises. As a matter of policy, every employee and officer of PHINMA is directed to avoid any situation that could interfere or appear to interfere with his or her independent judgement in performing his or her duties. The policy also prohibits employees from using their official position to secure a contract of employment for a related party, soliciting gifts or any property for personal gain from any individual or organization that deals with the company and using company information for personal gain. No employee may engage in any business or undertaking that is indirectly or directly in competition with or prejudicial to the interests of the Corporation.

The PHINMA Code of Business Conduct (the "PHINMA Code") is founded on the PHINMA core values of integrity, patriotism, competence and professionalism. It embodies this unwavering commitment, and sets forth policies and guidelines on the following:

- Conflict of Interest
- Insider Trading
- Gifts and Gratuities
- Sexual Harassment
- Anti-Fraud
- Whistleblowing and Non-retaliation
- Related Party Transactions
- Health, Safety and Welfare

For more discussion and relevant information on the PHINMA Code you may refer to the Corporation's website at www.phinma.com.ph

Board of Directors



OSCAR J. HILADO

Oscar J. Hilado has been the Chairman of the Board of the Company since 2003. He is also Chairman of the Board of PHINMA, Inc., and Vice-Chairman of PHINMA Properties Holding Corp., and Union Galvasteel 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., and Pamalican Resort, 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 of the Company. He attended the Annual Corporate Governance Enhancement Session in 2021.

RAMON R. DEL ROSARIO, JR.

Ramon R. del Rosario, Jr. is the President and Chief Executive Officer of PHINMA, Inc. and PHINMA Corporation. He is Chairman of the Board of Trustees of PHINMA Education Holdings, Inc., 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. He is also President of the Board of Commissioners of PT and Phil Management, Vice Chairman of PHINMA Property Holdings Corp., Chairman of United Pulp and Paper Co., Inc. of the Siam Cement Group, PHINMA Microtel Hotels, PHINMA Hospitality, Inc. and other PHINMA-managed companies. He currently serves as a member of the Board of Directors of The Bank of the Philippine Islands (BPI). He served as Secretary of Finance of the Philippines from 1992 to 1993. He is Chairman of Philippine Business for Education (PBEd). He was the Chairman of the Makati Business Club, the Integrity Initiative, National Museum of the Philippines and Ramon Magsaysay Award Fountation. He was selected as the Most Oustanding Student of the Philippines in 1967, one of the Ten Outstanding Young Men (TOYM) of the Philippines in 1978, the MAP Management Man of the Year in 2010 and received the "Business as a Noble Vocation Award" in November 2018 awarded by the International Christian Union of Business Executives or UNIAPAC at the XXVI UNIAPAC World Congress in Lisbon, Portugal. He is the brother of Mr. Victor J. del Rosario. Mr. del Rosario obtained his BSC-Accounting and AB-Social Sciences degree (Magna cum Laude) from De La Salle University and Master's degree in Business Administration from the Harvard Business School. He has been a director of the company since 2002. He attended the Annual Corporate Governance Summit, Risk Management and Sustainability Summit on October 21, 2021.

MAGDALENO B. ALBARRACIN, JR.

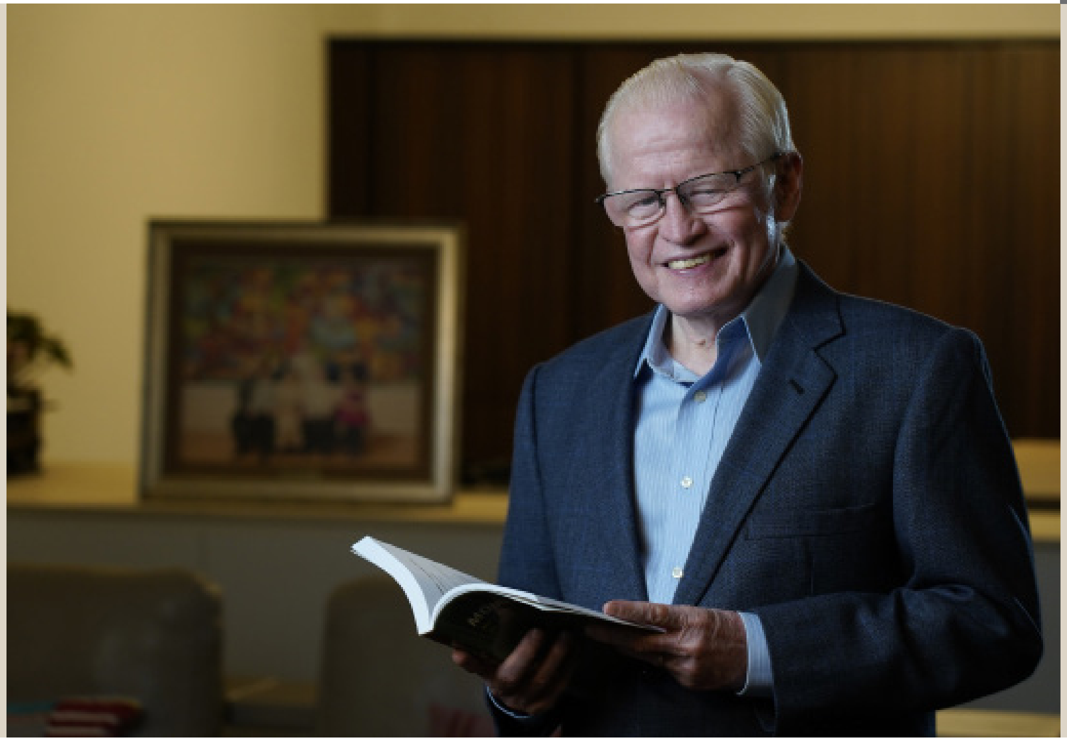
Magdaleno B. Albarracin, Jr. is the Vice-Chairman of Philippine Investment Management, Inc. (PHINMA, Inc.). and the Chairman of its Executive Committee. He is a director of PHINMA Corporation and is a Member of the Board of many of the companies in the PHINMA Group. He was president and a former director 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 recently attended trainings on AMLA for Insurance Companies & Financial Institutions in August 2021 and the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices in October 2021.

VICTOR J. DEL ROSARIO

Victor J. del Rosario is a director and member of the Executive Committee of PHINMA Inc. and PHINMA Corporation. He is Chairman of the Board of Union Galvasteel Corporation and has also been Chairman of the Board of Philcement Corporation since its inception in 2017. He is a member of the Board of Directors of other PHINMA-managed companies as well, including PHINMA Solar Corporation, PHINMA Education Holdings, Inc., PHINMA Hospitality Inc., PHINMA Microtel Hotels, Inc., and Coral Way City Hotel Corporation. He previously served as the Executive Vice President & Chief Strategic Officer of PHINMA Inc., and Executive Vice President & Chief Finance Officer of PHINMA Corporation, prior to his retirement in 2021. Mr. del Rosario is also Vice Chairman of the Board of The Table Group, Inc. and Seventy 7 Seeds, Inc. He has been a director of CBTL Holdings, Inc. since 2005 as well. He is the brother of Mr. Ramon R. del Rosario. He has a Bachelor of Science degree in Economics and Accounting from De La Salle University, and obtained his Master's degree in Business Administration from Columbia University. He also attended the Senior Management Program and Managing Change Program at the Institute for Management Development, based in Lausanne, Switzerland. Mr. del Rosario has been a director of the Company since 2008. He attended training seminars on AMLA for Insurance Companies & Financial Institutions in August 2021 as well as the Annual Corporate Governance Seminar conducted by SEC-accredited training provider, Center for Global Best Practices, in October 2021.

JOSE L. CUISIA, JR.

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 in October 2021.



CHITO B. SALAZAR

Dr. Chito B. Salazar is the President and CEO of PHINMA Education Holdings Inc., a fast-growing network of schools in Southeast Asia that serves students in the low and mid-income markets.

Guided by its mission of making lives better through education, PHINMA Education owns and manages nine schools in the Philippines, namely, PHINMA Araullo University, PHINMA Cagayan de Oro College, PHINMA University of Pangasinan, PHINMA University of Iloilo, Southwestern University PHINMA, PHINMA St. Jude College Manila, PHINMA Republican College, PHINMA Rizal College of Laguna, and PHINMA Union College of Laguna. It also manages Horizon Karawang, West Java, Indonesia through Horizon Education.

Concurrently, he is the Executive Vice President and Chief Operations Officer of PHINMA, 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. He is also a Governor of the Management Association of the Philippines (MAP), and a member of the Board of Directors of Ateneo de Manila University (ADMU), PAMI Managed Funds, the Philippine Press Council and the Governing board of the Philippine Statistical Research & Training Institute.

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.

EDUARDO A. SAHAGUN

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 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 on April 14, 2021. He attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices in January 2022.

JUAN B. SANTOS

Juan B. Santos was elected as an Independent Director in 2018. 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. He has a Bachelor of Science in Business Administration from Ateneo de Manila University and a degree in Advanced Management from the International Institute of Management Development (IMD) in Lausanne, Switzerland. He also took post-graduate studies on Foreign Trade from Thunderbird School of Global Management in Arizona, USA. He attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices in October 2021.

LILIA B. DE LIMA

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, and FWD Life Insurance 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 in October 2021.

RIZALINA G. MANTARING

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, Ayala Land, First Philippine Holdings Corporation, Universal Robina Corp., East Asia Computer Center Inc. and MicroVentures Foundation. She is also a director of Sun Life Grepa Financial Inc. Among her other affiliations are as Board of Trustees of Makati Business Club, Philippine Business for Education, Parish-Pastoral Council for Responsible Voting, and Operation Smile Philippines. 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 , 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 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.

EDGAR O. CHUA

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 and 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 University Board, 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. since 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 most recent Annual Stockholders' Meeting held on April 14. He attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices in October 2021.

Executive Officers

RAMON R. DEL ROSARIO, JR.

Ramon R. del Rosario, Jr. is the President and Chief Executive Officer of PHINMA, Inc. and PHINMA Corporation. He is Chairman of the Board of Trustees of PHINMA Education Holdings, Inc., 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. He is also President of the Board of Commissioners of PT and Phil Management, Vice Chairman of PHINMA Property Holdings Corp., Chairman of United Pulp and Paper Co., Inc. of the Siam Cement Group, PHINMA Microtel Hotels, PHINMA Hospitality, Inc. and other PHINMA-managed companies. He currently serves as a member of the Board of Directors of The Bank of the Philippine Islands (BPI). He served as Secretary of Finance of the Philippines from 1992 to 1993. He is Chairman of Philippine Business for Education (PBEd). He was the Chairman of the Makati Business Club, the Integrity Initiative, National Museum of the Philippines and Ramon Magsaysay Award Fountation. He was selected as the Most Oustanding Student of the Philippines in 1967, one of the Ten Outstanding Young Men (TOYM) of the Philippines in 1978, the MAP Management Man of the Year in 2010 and received the "Business as a Noble Vocation Award" in November 2018 awarded by the International Christian Union of Business Executives or UNIAPAC at the XXVI UNIAPAC World Congress in Lisbon, Portugal. He is the brother of Mr. Victor J. del Rosario.

Mr. del Rosario obtained his BSC-Accounting and AB-Social Sciences degree (Magna cum Laude) from De La Salle University and Master's degree in Business Administration from the Harvard Business School. He has been a director of the company since 2002. He attended the Annual Corporate Governance Summit, Risk Management and Sustainability Summit on October 21, 2021.

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Dr. Chito B. Salazar is the President and CEO of PHINMA Education Holdings Inc., a fast-growing network of schools in Southeast Asia that serves students in the low and mid-income markets.

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Concurrently, he is the Executive Vice President and Chief Operations Officer of PHINMA, 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. He is also a Governor of the Management Association of the Philippines (MAP), and a member of the Board of Directors of Ateneo de Manila University (ADMU), PAMI Managed Funds, the Philippine Press Council and the Governing board of the Philippine Statistical Research & Training Institute.

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.

EDUARDO A. SAHAGUN

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 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 on April 14, 2021. He attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices in January 2022.

PYTHAGORAS L. BRION, JR.

Pythagoras L. Brion, Jr. was appointed as Executive Vice President and Group CFO on November 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

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 attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices in October 2021.

RAPHAEL B. FELIX

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 Community Property Development Group and PHINMA Prism Development Corporation since 2017 and 2019, respectively. 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 trainings from Asian Institute of Management, Ateneo Graduate School and Harvard Business Review.

REGINA B. ALVAREZ

Regina B. Alvarez has been Senior Vice President - Finance of the company since April 2005. Ms. Alvarez is concurrently Senior Vice President – Deputy Group CFO of PHINMA, Inc. and holds various executive posts in PHINMA-managed companies. She is a director of AU, COC, SWU and T-O Insurance Brokers, Inc. 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

ROBERTO M. LAVIÑA

Roberto M. Laviña was appointed Board Advisor on April 14, 2021. Mr. Laviña is currently the Chairman of the Board of PHINMA Property Holdings Corp and is a Member of the Board of PHINMA Inc. and various companies in the PHINMA Group. He holds a Bachelor of Arts degree in Economics from Ateneo de Manila University and obtained his Master's degree in Business Management from the Asian Institute of Management. He also finished the Program for Management Development at Harvard University. He became a Director of the Company on May 20, 2004. He recently attended trainings on, AMLA for Insurance Companies & Financial Institutions in August 2021 and the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global best Practices in October 2021.

DANIELLE R. DEL ROSARIO

Danielle R. del Rosario was appointed as Chief Risk Officer for PHINMA Corporation on November 5, 2020 and Vice President for Union Galvasteel Corporation of the PHINMA Construction Materials Group in March 2022. She is a member of the Board of Directors for PHINMA University of Pangasinan, PHINMA Prism Property Development Corporation, and PHINMA Hospitality. Prior positions include Director for Strategy of PHINMA Corporation, Head of Sales and Marketing as well as Head of Corporate Affairs for PHINMA Energy Corporation, Program Director for PHINMA Foundation, as well as previous experience in the banking industry. She obtained her Bachelor of Science in Business Administration and Accountancy from the University of the Philippines Diliman as Cum Laude, and a Master in Business Administration from the Regis University joint program with the Ateneo Graduate School of Business with highest academic distinction. She is a member of the Makati Business Club and Chairperson of the Financial Executives Institute of the Philippines Women in Finance Committee.

EDMUND ALAN A. QUA HIANSEN

Edmund Alan A. Qua Hiansen was appointed Vice President on April 14, 2021 and is the Investor Relations Officer since April 2019. Concurrent positions held include: Chief Financial Officer of Song Lam Cement Joint Stock Company, Deputy Chief Finance Officer of PHINMA Prism Development Corporation, and Vice President of PHINMA Foundation, Inc. He is also the Treasurer of Asian Breast Center, Inc. and Chairman of Dream Big Pilipinas Futbol Association. 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 Vice Chairman of the Financial Executive Institute of the Philippines Ethics Committee.

NANETTE P. VILLALOBOS

Nanette P. Villalobos was appointed Vice President – 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 for PHINMA Solar Energy Corp, Treasurer and Compliance Officer for TO Insurance Brokers, Inc. She obtained her degree in Bachelor of Science in Accountancy from University of the East. She passed the Treasury Certification Program at the Ateneo De Manila University Graduate School of Business in 2004. She attended the Basic Management Program at the Asian Institute of Management in 2008. She took up a Certification study for Macro Economics at University of Asia and the Pacific in 2014. She is also a member of the Fund Managers' Association of the Philippines.

ROLANDO D. SOLIVEN

Rolando D. Soliven was elected Compliance Officer on April 14, 2021 and has been Vice President – Group Corporate Assurance since April 2019. 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, Certified Risk Management Assurance, Certified Risk Manager, and Certified Fraud Examiner. He is a member of the Institute of Internal Auditors ("IIA") and the Association of Certified Fraud Examiners.

ANNABELLE S. GUZMAN

Annabelle S. Guzman joined the company in September 2020 and was appointed Vice President - 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 has been working in the financial services industry, as VP - Fund Administration Manager with JP Morgan Chase & Co and as Finance Head with Pepper Financial Services.

PETER ANGELO V. PERFECTO

Peter Angelo V. Perfecto was appointed Vice President - Director for Public Affairs in April 2019. Former Executive Director of the Makati Business Club from 2011 to 2018, he concurrently chairs the Oxfam Pilipinas Board as well as its Country Governance Group, sits as private sector representative of the People's Survival Fund and occupies a seat on the Executive Committee of the Bishops-Businessmen's Conference for Human Development. He graduated in Management Engineering at the Ateneo de Manila University in 1987

GRACE M. PURISIMA

Grace 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 Ateneo-BAP Treasury Certification Program in 2012. She holds a Bachelor of Arts degree in Management Economics from Ateneo de Manila University.

GRACE AGLUBAT FLORENDO

Grace Aglubat Florendo, was appointed as Data Protection Officer effective August 13, 2021. She is concurrently the Vice President - Information Technology of PHINMA, Inc., the parent company of PHN. She received her Bachelor of Science of Computer Science from Adamson University. She completed Masters of Business Administration from Ateneo Graduate School of Business. She is a certified Information Security ISO 27001 Lead Auditor.

TROY A. LUNA

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 Property Holdings, Inc., Toon City Animation, Inc. and other unrelated companies such as TCL Sun, Inc., Newminco Pacific Mining Corporation and Philippine Business for Education, Inc., and a Trustee of the Licensing Executives Society of the Philippines. 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

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 Property Holdings, Inc., Asian Plaza, 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 Senior Associate of the Migallos & Luna Law Offices.

REPORT OF THE AUDIT & RPT COMMITTEE
TO THE BOARD OF DIRECTORS

The Board of Directors
PHINMA Corporation

MEMBERSHIP

The Audit & RPT Committee is composed of three (3) independent directors and one (1) non-executive director. An independent director, Mr. Juan B. Santos, chairs the Audit & RPT Committee. The other members are Ms. Rizalina G. Mantaring (independent director), Mr. Edgar O. Chua (independent director) and Amb. Jose L. Cuisia, Jr. (non-executive director). Other attendees at Committee meetings (or parts thereof) were SVP-CFO, Group Internal Audit, Group Controller, Strategy and Risk Officer, Compliance Officer and the external auditors. The Committee has accounting expertise and adequate understanding of the Company's business and industry in which it operates.

ROLES AND RESPONSIBILITIES

The roles and responsibilities of the Committee are defined in the Audit & RPT Committee Charter. As a Board-level Committee, we assist the Board of Directors in fulfilling its oversight responsibility to the shareholders relating to the financial statements and financial reporting process, internal control system, internal and external auditor's performance, review and endorsement of related party transactions and review compliance with legal and regulatory matters including approving and recommending the appointment, reappointment, removal, fees and assessing the integrity and independence of the external auditor.

We are pleased to report our activities for Calendar Year 2021.

ACTIVITIES OF THE COMMITTEE

The Audit & RPT Committee had five (5) meetings during the year. All meetings obtained complete attendance. The meetings were timed to review the quarterly and yearly financial reporting of the Company. Also, the Committee reviewed the results of the annual audit of the external auditor, SGV & Co., the findings and status of Group Internal Audit's engagements. The Committee also reviewed the material related party transactions, the status of Integrity Assurance activities and the 2020 Audit and RPT Committee Report.

We received information and support from Management, the Compliance Officer and Group Internal Audit to enable us to effectively carry out our functions as defined in our Charter approved by the Board of Directors.

Management's Financial Report

We reviewed and endorsed to the Board of Directors for approval the 2020 audited consolidated financial statements and the 2021 unaudited quarterly consolidated financial statements.

Informatively, in our first meeting for 2022 held on February 28, 2022, we likewise reviewed and endorsed to the Board of Directors for approval the 2021 audited consolidated financial statements, subject to the resolution of certain open items, presented in this 2021 annual report. These activities were performed in the following context:

- Management has primary responsibility for the financial statements and the financial reporting process.
- SyCip, Gorres, Velayo & Co. (SGV & Co.) is responsible for expressing an opinion on the annual audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. They have likewise confirmed that the audit was conducted in accordance with Philippine Standards on Auditing.

We also reviewed the Management Representation Letter prior to its submission by Management to the external auditors.

External Audit
The Audit & RPT Committee assessed the ongoing effectiveness, suitability and quality of the external auditor and the audit process through feedback from members of the Committee and a questionnaire-based internal review with Management. On the basis of their performance and qualifications, we endorsed to the Board of Directors the nomination of Sycip, Gorres, Velayo & Co. (SGV) as the Company's external auditor for 2021.

During the year, we reviewed and approved the scope and deliverables of the SGV audit plan. The Committee ensured that SGV's scope included the review of the Company's compliance to Philippine Financial Reporting Standards (PFRS). Non-audit services and related fees for their services were also reviewed and we concluded that these fees are not significant to impair their independence.

In our Committee meeting held February 28, 2022, we agreed to propose to the Board of Directors the retention of SGV & Co. as the external auditor for 2022 together with their proposed fees.

Internal Audit
We reviewed and approved the Internal Audit plan for 2021 and 2022 and found them to be appropriate. Based on this plan, the Committee received and reviewed the audit reports submitted by Group Internal Audit and found that the Company's internal control system is generally adequate and effective. Various audit and control issues including actions taken by management were regularly discussed in the Committee meetings to ensure that management has taken appropriate corrective actions in a timely manner.

We also reviewed the organization and performance of Group Internal Audit for 2021 and found them to be sufficiently independent and effective.

Related Party Transactions
We reviewed the material related party transactions for 2021.

Integrity Assurance Program
We reviewed the status of ongoing activities related to the Company's Integrity Assurance program. This program provides a formal structure for institutionalizing policies, programs and mechanisms based on good corporate governance and ethical business practices, including the adoption of a Code of Business Conduct and the creation of a whistleblower policy and hotline. The Company's officers and employees have substantially complied with the policies under the Code.

Audit & RPT Committee Performance
We performed a self-assessment of the Committee's performance based on the duties and responsibilities embodied in the approved Audit & RPT Committee Charter in line with the guidelines issued by Securities and Exchange Commission for publicly listed companies. Based on this assessment, we attest to the Committee's effective performance of its duties in 2021.

JUAN B. SANTOS
Chairman, Independent Director

RIZALINA G. MANTARING
Vice Chairman, Independent Director

EDGAR O. CHUA
Member, Independent Director

JOSE L. CUISIA, JR
Member, Non-executive Director

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, 2021 and 2020, and for each of the three years in the period ended December 31,2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Board of Directors reviews and approves the 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 18th day of March 2022.

OSCAR J. HILADO
Chairman of the Board

RAMON R. DEL ROSARIO, JR.
President and Chief Executive Officer

REGINA B. ALVAREZ
Senior Vice President and Chief Financial Officer

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
PHINMA Corporation

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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 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.

Recoverability of Goodwill

Under PFRS, the Company is required to annually test the amount of goodwill for impairment. As at December 31, 2021, the Company's goodwill arising from its acquisitions of educational institutions amounted to ₱1,871.2 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 ₱2,105.2 million, comprising 7.0% of total assets as at December 31, 2021. 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, 2021, 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, 2021 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. 8853472, January 3, 2022, Makati City

March 1, 2022

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 9, 36 and 37)	**₱3,695,914**	₱2,888,863
Investments held for trading (Notes 10, 36 and 37)	**1,310,728**	2,129,822
Trade and other receivables (Notes 11, 36 and 37)	**4,935,304**	3,422,386
Inventories (Note 12)	**1,974,054**	1,607,981
Input value-added taxes and other current assets (Note 36)	**335,241**	277,008
Total Current Assets	**12,251,241**	10,326,060
Noncurrent Assets		
Investment in associates and joint ventures (Note 13)	**1,247,086**	1,200,471
Financial assets at fair value through profit or loss (Notes 14, 36 and 37)	**2,105,243**	–
Financial assets at fair value through other comprehensive income (Notes 15, 36 and 37)	**108,660**	110,105
Property, plant and equipment (Note 16)	**10,547,854**	9,390,754
Investment properties (Note 17)	**627,438**	628,669
Intangible assets (Note 18)	**1,905,794**	1,825,673
Right-of-use assets (Note 38)	**335,245**	398,503
Deferred tax assets - net (Note 34)	**101,013**	133,911
Derivative asset (Notes 14, 36 and 37)	**510,498**	–
Other noncurrent assets (Notes 19 and 36)	**341,223**	458,269
Total Noncurrent Assets	**17,830,054**	14,146,355
	₱30,081,295	₱24,472,415
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Notes 20, 36 and 37)	**₱930,174**	₱1,325,910
Trade and other payables (Notes 21, 36 and 37)	**2,314,696**	1,960,103
Contract liabilities (Notes 22 and 25)	**1,327,142**	609,274
Trust receipts payable (Notes 12, 36 and 37)	**1,711,433**	2,030,876
Derivative liability (Notes 36 and 37)	**–**	32
Income and other taxes payable	**47,614**	51,188
Current portion of:		
Long-term debt (Notes 23, 36 and 37)	**544,032**	519,381
Lease liabilities (Notes 36 and 38)	**108,266**	105,176
Due to related parties (Notes 33, 36 and 37)	**182,878**	151,110
Total Current Liabilities	**7,166,235**	6,753,050
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 23, 36 and 37)	**10,139,083**	6,539,023
Non-controlling interest put liability (Notes 7, 36 and 37)	**1,862,875**	1,585,853
Deferred tax liabilities - net (Note 34)	**425,250**	422,434
Pension and other post-employment benefits (Note 35)	**259,219**	253,653
Lease liabilities - net of current portion (Notes 36 and 38)	**247,635**	314,495
Other noncurrent liabilities	**47,937**	50,493
Total Noncurrent Liabilities	**12,981,999**	9,165,951
Total Liabilities	**20,148,234**	15,919,001

(Forward)

	December 31	
	2021	2020
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 24)	**₱2,863,312**	₱2,863,312
Additional paid-in capital	**259,248**	259,248
Treasury shares (Note 24)	**(143,574)**	(136,347)
Exchange differences on translation of foreign operations	**(581)**	297
Equity reserves (Note 7)	**(95,484)**	34,694
Other comprehensive income (Note 15)	**38,167**	38,922
Share in other comprehensive income of associates (Note 13)	**11,538**	(2,137)
Retained earnings (Note 24)	**4,534,521**	3,522,003
Equity Attributable to Equity Holders of the Parent	**7,467,147**	6,579,992
Non-controlling Interests	**2,465,914**	1,973,422
Total Equity	**9,933,061**	8,553,414
	₱30,081,295	₱24,472,415

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		
	2021	2020	2019
REVENUES			
Revenue from contracts with customers (Note 25)	**₱15,820,133**	₱12,175,110	₱11,120,447
Rental income (Note 17)	**69,673**	74,025	86,069
Investment income (Note 26)	**148,380**	52,616	118,395
	16,038,186	12,301,751	11,324,911
COSTS AND EXPENSES			
Cost of sales (Note 27)	**10,115,988**	7,659,460	6,312,840
Cost of educational, hospital, installation and consultancy services (Note 27)	**1,390,155**	1,377,370	1,770,415
General and administrative expenses (Note 28)	**1,680,114**	1,395,853	1,622,954
Selling expenses (Note 29)	**595,357**	523,694	550,527
	13,781,614	10,956,377	10,256,736
OTHER INCOME (EXPENSES)			
Interest expense and other financing charges (Note 32)	**(649,248)**	(626,768)	(463,788)
Unrealized gain on change in fair value of financial assets at fair value through profit or loss (Note 14)	**172,438**	–	–
Net gains (losses) on derivatives (Notes 14 and 37)	**56,324**	(7,039)	(2,098)
Foreign exchange gains (losses) - net (Note 36)	**56,237**	(152,625)	(50,799)
Equity in net earnings of associates and joint ventures (Note 13)	**32,940**	1,968	44,217
Gain on sale of property, plant and equipment - net (Note 16)	**214**	855	1,314
Loss on deconsolidation (Note 7)	**–**	(11,188)	–
Loss on sale of investment in an associate	–	–	(13,080)
Provision for unrecoverable input value-added tax	–	–	(8,393)
Gain on sale of investment properties (Note 17)	–	–	7,702
Others - net (Notes 25 and 38)	**43,806**	73,302	50,226
	(287,289)	(721,495)	(434,699)
INCOME BEFORE INCOME TAX	**1,969,283**	623,879	633,476
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 34)			
Current	**70,883**	136,586	217,638
Deferred	**25,663**	(34,647)	(21,285)
	96,546	101,939	196,353
NET INCOME	**₱1,872,737**	₱521,940	₱437,123
Attributable to:			
Equity holders of the Parent	**₱1,121,206**	₱172,637	₱232,507
Non-controlling interests	**751,531**	349,303	204,616
Net income	**₱1,872,737**	₱521,940	₱437,123
Basic/Diluted Earnings Per Common Share - Attributable to Equity Holders of the Parent (Note 40)	**₱4.12**	₱0.63	₱0.83

See accompanying Notes to Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
NET INCOME	**₱1,872,737**	₱521,940	₱437,123
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss in subsequent periods			
Re-measurement loss on defined benefit obligation (Note 35)	**(3,865)**	(10,805)	(111,937)
Unrealized loss on change in fair value of financial assets at fair value through other comprehensive income (Note 15)	**(1,365)**	(1,418)	(61,850)
Share in unrealized gain 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)	**13,675**	18,828	1,644
Income tax effect	**196**	2,814	31,236
	8,641	9,419	(140,907)
Items to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations	**(1,261)**	92	1,684
Total other comprehensive income (loss)	**7,380**	9,511	(139,223)
TOTAL COMPREHENSIVE INCOME	**₱1,880,117**	₱531,451	₱297,900
Attributable to:			
Equity holders of the Parent	**₱1,133,487**	₱181,019	₱98,069
Non-controlling interests	**746,630**	350,432	199,831
Total comprehensive income	**₱1,880,117**	₱531,451	₱297,900

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**	**Unappropriated**	**Subtotal**	**Non-controlling Interests**	**Total Equity**
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	–	–	–	–	–	–	–	–	**1,121,206**	**1,121,206**	**751,531**	**1,872,737**
Other comprehensive income (loss)	–	–	–	**(878)**	–	**(755)**	**13,675**	–	**239**	**12,281**	**(4,901)**	**7,380**
Total comprehensive income	–	–	–	**(878)**	–	**(755)**	**13,675**	–	**1,121,445**	**1,133,487**	**746,630**	**1,880,117**
Cash dividends (Note 24)	–	–	–	–	–	–	–	–	**(108,927)**	**(108,927)**	**(132,304)**	**(241,231)**
Business combination (Note 6)	–	–	–	–	**3,629**	–	–	–	–	**3,629**	**21,381**	**25,010**
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)**	**(₱95,484)**	**₱38,167**	**₱11,538**	**₱1,765,500**	**₱2,769,021**	**₱7,467,147**	**₱2,465,914**	**₱9,933,061**

	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)
Put option over NCI (Note 7)	–	–	–	–	(327,659)	–	–	–	–	(327,659)	(358,183)	(685,842)
Reversal of appropriation (Note 24)	–	–	–	–	–	–	–	(1,300,000)	1,300,000	–	–	–
Appropriation of retained earnings (Note 24)	–	–	–	–	–	–	–	2,415,500	(2,415,500)	–	–	–
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

	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, 2019	₱2,863,312	₱259,248	(₱42,717)	(₱1,011)	(₱27,709)	₱66,578	(₱6,177)	₱1,300,000	₱2,371,143	₱6,782,667	₱1,180,386	₱7,963,053
Net income	–	–	–	–	–	–	–	–	232,507	232,507	204,616	437,123
Other comprehensive income (loss)	–	–	–	1,216	–	(57,192)	1,644	–	(80,106)	(134,438)	(4,785)	(139,223)
Total comprehensive income	–	–	–	1,216	–	(57,192)	1,644	–	152,401	98,069	199,831	297,900
Cash dividends (Note 24)	–	–	–	–	–	–	–	–	(225,229)	(225,229)	(161,047)	(386,276)
Changes in ownership interests of the Parent Company without loss of control (Note 7)	–	–	–	–	480,246	–	–	–	–	480,246	1,246,439	1,726,685
Acquisition of non-controlling interest (Note 7)	–	–	–	–	(65,609)	–	–	–	–	(65,609)	(146,812)	(212,421)
Issuance of shares from stock purchase plan (Note 7)	–	–	–	–	18,130	–	–	–	(26,310)	(8,180)	33,535	25,355
Sale of an associate	–	–	–	–	–	–	(16,432)	–	–	(16,432)	–	(16,432)
PFRS 9 adjustment	–	–	–	–	–	–	–	–	(45,553)	(45,553)	(5,349)	(50,902)
Business combination (Note 6)	–	–	–	–	(8,717)	–	–	–	–	(8,717)	139	(8,578)
Sale of equity instruments at FVOCI (Note 15)	–	–	–	–	–	30,898	–	–	(30,898)	–	–	–
Put option over NCI (Note 7)	–	–	–	–	(242,365)	–	–	–	–	(242,365)	(657,646)	(900,011)
Buyback of shares (Note 24)	–	–	(91,743)	–	–	–	–	–	–	(91,743)	–	(91,743)
Balance, December 31, 2019	₱2,863,312	₱259,248	(₱134,460)	₱205	₱153,976	₱40,284	(₱20,965)	₱1,300,000	₱2,195,554	₱6,657,154	₱1,689,476	₱8,346,630

PHINMA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,969,283**	₱623,879	₱633,476
Adjustments to reconcile income before income tax to net cash flows:			
Interest expense and other financing charges (Note 32)	**649,248**	626,768	463,788
Depreciation and amortization (Note 31)	**602,590**	496,677	358,730
Unrealized gain on change in fair value of financial assets at fair value through profit or loss (Note 14)	**(172,438)**	–	–
Interest income (Note 26)	**(132,186)**	(24,568)	(65,351)
Pension and other employee benefits expense (Note 35)	**79,732**	55,924	58,206
Net loss (gain) on derivatives (Notes 14 and 37)	**(56,324)**	7,039	2,098
Unrealized foreign exchange loss (gain) - net (Note 36)	**(56,237)**	152,625	50,799
Equity in net earnings of associates and joint ventures (Note 13)	**(32,940)**	(1,968)	(44,217)
Gain on investments held for trading - net (Note 10)	**(15,970)**	(27,854)	(52,919)
Gain on pre-termination of long-term leases (Note 38)	**(849)**	(5,274)	–
Dividend income (Note 26)	**(224)**	(194)	(125)
Gain on sale of property, plant and equipment (Note 16)	**(214)**	(855)	(1,314)
Gain on bargain purchase (Note 6)	**–**	(11,351)	–
Loss on deconsolidation (Note 7)	**–**	11,188	–
Impairment loss on goodwill (Notes 5, 18 and 28)	**–**	–	14,120
Loss on sale of investment in an associate (Note 13)	**–**	–	13,080
Provision of allowance on input VAT	**–**	–	8,393
Gain on sale of investment properties (Note 17)	**–**	–	(7,702)
Operating income before working capital changes	**2,833,471**	1,902,036	1,431,062
Increase in:			
Trade and other receivables	**(1,412,103)**	(522,821)	(713,386)
Inventories	**(366,073)**	(228,314)	(39,941)
Input value-added taxes and other current assets	**(55,124)**	(81,907)	(7,259)
Increase (decrease) in:			
Trade and other payables	**306,861**	444,995	(666,463)
Trust receipts payable	**(319,443)**	826,970	326,251
Contract liabilities	**717,868**	(396,683)	234,539
Net cash provided by operations	**1,705,457**	1,944,276	564,803
Interest paid	**(690,872)**	(574,138)	(443,487)
Income tax paid	**(70,094)**	(199,572)	(235,635)
Contributions to the pension fund	**(47,337)**	(79,278)	(70,411)
Interest received	**11,715**	20,732	64,432
Net cash provided by (used in) operating activities	**908,869**	1,112,020	(120,298)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment held for trading	**(2,974,298)**	(2,071,095)	(3,261,303)
Financial assets at fair value through profit or loss	**(1,932,805)**	–	–
Property, plant and equipment (Note 16)	**(1,573,268)**	(1,259,822)	(1,681,749)
Derivative asset	**(202,345)**	–	–
Intangible assets	**(7,048)**	(861)	(12,578)
Investment in associates (Note 13)	**–**	–	(229,651)
Investment properties	**–**	–	(34,222)

(Forward)

	Years Ended December 31		
	2021	2020	2019
Proceeds from sale of:			
Investments held for trading	**₱3,809,362**	₱2,167,391	₱2,032,107
Property, plant and equipment (Note 16)	**3,523**	6,779	2,016
Investment properties	**–**	–	7,924
Financial assets at fair value through other comprehensive income	**–**	–	78,564
Increase in other noncurrent assets	**(124,404)**	(33,216)	(58,138)
Acquisition of subsidiary - net of cash acquired (Note 6)	**(84,466)**	(448,452)	(216,075)
Dividends received (Note 13)	**224**	194	3,925
Proceeds from sale of subsidiary - net of cash disposed (Notes 6 and 7)	**–**	46,635	–
Proceeds from sale of an associate	**–**	–	1,814,587
Net cash used in investing activities	**(3,085,525)**	(1,592,447)	(1,554,593)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Notes payable	**(2,398,285)**	(1,594,193)	(201,582)
Cash dividends	**(188,048)**	(226,705)	(339,784)
Treasury shares	**(7,227)**	(1,887)	(91,743)
Long-term debt	**(918,091)**	(342,778)	(143,470)
Lease liabilities	**(124,617)**	(134,426)	(34,938)
Proceeds from availments of:			
Notes payable	**2,002,549**	1,951,223	926,457
Long-term debt	**4,524,477**	–	817,766
Issuance of shares to non-controlling interests	**7,500**	632,286	1,752,040
Decrease in other noncurrent liabilities	**(2,556)**	(3,967)	(12,493)
Increase in due to related parties	**31,768**	58,567	13,378
Acquisition of non-controlling interests (Note 7)	–	–	(212,421)
Net cash provided by financing activities	**2,927,470**	338,120	2,473,210
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**56,237**	(152,625)	(50,799)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**807,051**	(294,932)	747,520
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,888,863**	3,183,795	2,436,275
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 9)	**₱3,695,914**	₱2,888,863	₱3,183,795

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, 2021			December 31, 2020		
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) [(g)]	Solar rooftop	December 31	**–**	**100.00**	**98.01**	–	100.00	98.01
PHINMA Education Holdings, Inc. (PEHI) [(a and b)]	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)	Educational institution	December 31	**–**	**98.30**	**66.04**	–	98.30	66.04
Republican College, Inc. (RCI) [(c)]	Educational institution	December 31	**–**	**98.41**	**66.11**	–	98.41	66.11
Rizal College of Laguna (RCL) [(a and d)]	Educational institution	April 30	**–**	**90.00**	**60.46**	–	90.00	60.46
Union College of Laguna (UCLI) [(a and e)]	Educational institution	May 31	–	**80.91**	**54.36**	–	–	–
Career Academy Asia, Inc. (CAA) [(f)]	Educational Institution	March 31	**90.00**	**–**	**90.00**	90.00	–	90.00
Philcement Corporation (Philcement)	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 [(h)]	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 January 9, 2020, Asian Development Bank (ADB) subscribed in PEHI shares resulting to change in ownership interest of PHN to 67.18%.*
[(c)] *On March 12, 2020 and September 8, 2020, PEHI acquired additional 505 shares and 1,010 shares of RCI resulting to an increase in ownership interest to 98.41%.*
[(d)] *On July 31, 2020, PEHI acquired 100.00% interest in RCL. Subsequently, on December 5, 2020, PEHI sold 10.00% of its ownership interest in RCL reducing its ownership from 100.00% to 90.00%.*
[(e)] *On May 21, 2021, PEHI acquired 65.76% interest in UCLI. In September 2021, PEHI subscribed to an additional 450,000 shares, increasing its ownership interest to 80.91%*
[(f)] *CAA ceased its operations on March 31, 2019.*
[(g)] *On December 22, 2020, PHN sold its 225.0 million shares in PHINMA Solar to UGC representing 50.00% ownership in PHINMA Solar.*
[(h)] *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, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 were reviewed and recommended for approval by the Audit Committee on February 28, 2022. On March 1, 2022, 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

<u>Current Changes in Accounting Policies and Disclosures</u>
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, 2021.

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

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

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

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted. The Company adopted the amendment beginning January 1, 2021. There are no rent concessions received by the Company from its lessors.

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

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

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

  The Company shall also disclose information about:

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

  The Company adopted the amendments beginning January 1, 2021.

<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, 2022

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

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to Philippine Accounting Standards (PAS) 16, *Plant and Equipment: Proceeds before Intended Use*

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

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

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

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

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

- *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.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*

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

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - Amendments to PAS 41, *Agriculture, Taxation in Fair Value Measurements*

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

    An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

- 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.

- 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 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. Early application is permitted as long as this fact is disclosed.

Effective beginning on or after January 1, 2024

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

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

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

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

<u>Financial Instruments - Initial Recognition and Subsequent Measurement</u>
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.

<u>Financial assets</u>

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, 2021 and 2020.

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, 2021 and 2020.

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.

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.

<u>Financial Liabilities</u>

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, 2021 and 2020.

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, 2021 and 2020.

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.

<u>Offsetting Financial Instruments</u>
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 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.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three 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.

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 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.

Pension and Other Employee Benefits

Defined Benefit Plan. The Parent Company, PEHI, UGC, 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 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, 2021 and 2020, 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 ₱103.5 million, ₱112.5 million and ₱80.6 million for the years ended December 31, 2021, 2020 and 2019, respectively (see Notes 27, 28 and 38).

Estimates and Assumptions

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 December 23, 2019, PEHI and the shareholders of RCI entered into a Share and Asset Purchase Agreement for the sale and transfer of 24,113.5 common shares representing 92.41% of the total issued and outstanding capital stock of RCI for a consideration of ₱15.6 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 RCI as at the date of the acquisition were finalized in 2020 and disclosed in Note 6.

On July 31, 2020, PEHI and the shareholders of RCL entered into a Share and Asset Purchase Agreement to acquire 100% of the total issued and outstanding capital stock of RCL for a consideration of ₱448.8 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 RCL as at the date of the acquisition were finalized in 2021 and disclosed in Note 6.

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 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 ₱355.9 million and ₱419.7 million as at December 31, 2021 and 2020, 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 made in 2020. In 2021, the receivables of PEHI 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 ₱185.9 million, ₱168.5 million and ₱96.5 million in 2021, 2020 and 2019, respectively. The allowance for ECL amounted to ₱1,198.6 million, ₱1,013.1 million as at December 31, 2021 and 2020. The carrying amounts of trade and other receivables amounted to ₱4,935.3 million and ₱3,422.4 million as at December 31, 2021 and 2020 (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 did not recognize provision for inventory obsolescence in 2021 and 2020. Write-off of inventory amounted to ₱3.0 million in 2020. The allowance for inventory obsolescence amounted to ₱10.1 million and ₱11.2 million as at December 31, 2021 and 2020, respectively. The carrying amounts of inventories amounted to ₱1,974.1 million and ₱1,608.0 million as at December 31, 2021 and 2020, 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 2021, 2020 and 2019.

The carrying values of investments in associates amounted to ₱1,007.4 million and ₱965.1 million as at December 31, 2021 and 2020, 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	
	2021	2020	**2021**	2020	**2021**	2020
SWU	**₱996,484**	₱996,484	**10.8%**	9.6%	**5%**	5%
UPANG	**385,817**	385,817	**10.8%**	9.6%	**5%**	5%
UI	**213,995**	213,995	**10.8%**	9.6%	**5%**	5%
AU	**35,917**	35,917	**10.8%**	9.6%	**5%**	5%
COC	**20,445**	20,445	**10.8%**	9.6%	**5%**	5%
SJCI	**103,992**	103,992	**10.8%**	9.6%	**5%**	5%
RCI	**61,286**	61,286	**10.8%**	9.6%	**5%**	5%
UCLI	**53,215**	–	**10.8%**	–	**5%**	–
	₱1,871,151	₱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 2021 and 2020. Impairment loss on goodwill amounted to ₱14.1 million in 2019. The carrying amount of goodwill amounting to ₱1,871.2 million and ₱1,817.9 million as at December 31, 2021 and 2020, 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 2021, 2020 and 2019. 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 ₱286.3 million and ₱220.3 million as at December 31, 2021 and 2020, 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:

	2021	2020
Property, plant and equipment (see Note 16)	**₱6,703,181**	₱5,359,864
Investment properties (see Note 17)	**16,714**	17,945
Intangible assets with finite useful lives (see Note 18)	**34,643**	7,737

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. The change in the useful lives of certain property and equipment decreased depreciation expense by ₱2.0 million in 2020 and will decrease the annual depreciation expense by the same amount from 2021 and onwards.

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. The change in the useful lives of certain investment properties decreased depreciation expense by ₱9.7 million in 2020 and will decrease the annual depreciation expense by the same amount from 2021 and onwards.

There were no changes in useful lives of intangible assets with finite useful lives in 2021 and 2020.

Estimating the Fair Values of Acquiree's Identifiable Assets and Liabilities. Where the fair values of the acquiree's identifiable assets and liabilities cannot be derived from active markets, the Company determined the fair values using internal valuation techniques and generally accepted valuation approaches. The inputs to these valuation approaches are taken from historical experience and observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. The estimates may include discount rates and assumptions used in cash flow projections. The fair values of the identifiable net assets acquired as at date of acquisition are disclosed in Note 6 to the consolidated financial statements.

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 ₱79.7 million, ₱55.9 million and ₱58.2 million in 2021, 2020 and 2019, respectively. Pension and other-employment benefits liability amounted to ₱259.2 million and ₱253.7 million as at December 31, 2021 and 2020, 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. On September 9, 2021, PEHI subscribed to an additional 450,000 shares for ₱45.0 million, increasing ownership interest to 80.91%. 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	178
Land	65,671
Building and improvements	19,504
Indemnification assets	13,747
Total assets	110,896
Total liabilities:	
Trade payables	3,086
Unearned income	2,964
Other payables	13,748
Deferred tax liabilities	5,964
Long-term payable	32,494
Pension liability	1,503
Total liabilities	59,759
Total identifiable net assets acquired	51,137
Proportionate share of NCI in net assets acquired	(17,509)
Goodwill arising from acquisition	53,215
Purchase consideration transferred	₱86,843

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.

From the date of acquisition, UCLI's revenues and net loss amounting to ₱18.1 million and ₱1.7 million, respectively, formed part of the 2021 consolidated statement of income. If the combination had taken place at the beginning of the year, the Company's consolidated revenues and net income attributable to parent would have been ₱16.0 billion and ₱1.1 billion, respectively.

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).

Acquisition of Republican College, Inc. On December 23, 2019, PEHI and the shareholders of RCI entered into a Share and Asset Purchase Agreement for the sale and transfer of 23,103.5 common shares representing 92.41% of the total issued and outstanding capital stock of RCI for a consideration of ₱15.6 million. On March 12, 2020, the PEHI acquired additional 505 common shares for a total consideration of ₱0.3 million which increased its ownership interest to 94.41%.

On September 8, 2020, PEHI acquired additional 1,010 common shares for a total consideration ₱0.6 million, which increased its ownership to 98.41%.

RCI is a school that operates secondary, tertiary and graduate programs. The registered office address of RCI is in Cubao, Quezon City.

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

	Fair Values Recognized at Acquisition Date
Total assets:	
Cash and cash equivalents	₱49,130
Tuition fee and other receivables	1,802
Prepaid expenses and other current assets	215
Land	143,100
Building and improvements	30,940
Deferred tax asset	5,596
Indemnification assets	7,149
Total assets	237,932
Total liabilities:	
Trade payables	79
Accruals and taxes payable	16,251
Unearned income	979
Other payables	268,451
Pension liability	1,658
Total liabilities	287,418
Total identifiable net liabilities acquired	(49,486)
Proportionate share of NCI in net assets acquired	3,755
Goodwill arising from acquisition	61,286
Purchase consideration transferred	₱15,555

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.

Goodwill arising from the acquisition amounted to ₱61.3 million. Goodwill is allocated entirely to the education segment. None of this goodwill recognized is expected to be deductible for income tax purposes.

The net assets recognized in the December 31, 2019 consolidated financial statements were based on a provisional assessment of the fair value while the Company sought an independent valuation for the land by RCI which is done by an independent appraiser accredited by the SEC.

In 2020, the valuation was completed, and the acquisition date fair value of the land was decreased by ₱56.0 million over the provisional value. Fair value of other net assets acquired were increased by ₱3.8 million.

Acquisition and Sale of PHINMA Solar Energy Corporation. On July 3, 2019, Phinma Energy Corporation (PHEN) and PHN, executed a Deed of Sale for the sale of PHEN's 225.0 million shares in PHINMA Solar to PHN representing 50.0% ownership for a consideration of ₱218.3 million.

PHN and PHINMA Solar are under common control of PHINMA, Inc. before and after the acquisition. Thus, the acquisition was considered as a combination of business under common control for which pooling of interests method was applied in the preparation of the consolidated financial statements.

The assets, liabilities and equity of the acquired businesses are included in the consolidated financial statements at their carrying amounts. Financial information for periods prior to the date of business combination was not restated.

Under the pooling of interests method:

- The assets and liabilities of the combining entities are reflected at their carrying amounts;
- No adjustments are made to reflect fair values, or recognize any new assets or liabilities at the date of the combination. The only adjustments would be to harmonize accounting policies between the combining entities;
- No 'new' goodwill is recognized as a result of the business combination;
- Any difference between the consideration transferred and the net assets acquired is reflected within equity;
- The consolidated statement of income in the year of acquisition reflects the results of the combining entities starting when the combination took place.

The acquisition resulted to equity adjustment from common control business combination, included under "Equity reserves" account, amounting to ₱8.7 million in 2019.

On December 22, 2020, PHN and UGC, executed a deed of sale for the sale of PHN's 225.0 million shares in PHINMA Solar to UGC representing 50.00% ownership for a consideration of ₱218.3 million. The sale resulted to equity adjustment due to changes in ownership interest of the Parent Company without loss of control (see Note 7).

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.

In 2019, PEHI issued additional shares to its officers and employees as part of the stock sharing plan. The transaction resulted to increase in "Equity reserves" account by ₱21.4 million and decrease in retained earnings account by ₱26.3 million.

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 ₱1,862.9 million and ₱1,585.9 million as at December 31, 2021 and 2020, respectively, and derecognition of "Non-controlling interests" amounting to ₱143.2 million and ₱358.2 million in 2021 and 2020, with the difference recorded as "Equity reserves" amounting to ₱133.8 million and ₱327.7 million in 2021 and 2020, respectively. As at December 31, 2021, 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.

Acquisition of Ownership Interest of NCI in AU and COC by PEHI
In June 2019, PEHI acquired the shares held by PHINMA, Inc. in AU and COC resulting to an increase in ownership interest of PEHI from 77.85% to 97.57% and from 73.18% to 91.27% in AU and COC, respectively. The transaction resulted to the decrease in "Non-controlling interests" and "Equity reserves" accounts by ₱107.0 million and ₱70.9 million, respectively.

Dilution and Acquisition of Ownership Interest of NCI in SJCI by PEHI
In October 2019, PEHI subscribed additional 110,000 shares in SJCI which increased PEHI's total interest from 95.58% to 98.30%. The transaction resulted to the decrease in "Non-controlling interests" and increase "Equity reserves" accounts by ₱3.9 million and ₱5.3 million, respectively.

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 2019, UGC have issued 127,710 shares as part of the stock purchase plan and also issued 291,571 shares to its officers which resulted in a decrease in "Equity reserve" account of ₱3.3 million and an increase in "Non-controlling interests" account by ₱3.7 million.

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.

Acquisition of Ownership Interest of NCI in UGC
On July 3, 2019, PHN acquired the 1.5 million shares of UGC held by PHEN which increased PHN ownership interest from 96.82% to 98.32%. This resulted to a decrease in "Non-controlling interests" account by ₱35.9 million.

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.

Changes in Ownership Interests of the Parent Company in Subsidiaries without Loss of Control
Equity reserves includes the effects in equity upon changes in ownership interest of the Parent Company without loss of control. The transactions above resulted to increase in "Equity reserves" and "Non-controlling interests" accounts by ₱194.8 million and ₱475.9 million, respectively, in 2020, and ₱480.2 million and ₱1.2 billion, respectively in 2019. There were no changes in ownership interest of the Parent Company in 2021.

8. **Material Partly-owned Subsidiaries**

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

Proportion of equity interest held by NCI in 2021 and 2020 are as follows:

	Percentage of Ownership	
Name	**2021**	2020
API	**42.38**	42.38
Philcement	**40.00**	40.00
PEHI and subsidiaries	**32.82**	32.82

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

Name	**2021**	2020
PEHI and subsidiaries	**₱1,660,856**	₱1,421,554
Philcement	**643,561**	401,542
API	**165,133**	157,853

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

Name	**2021**	2020
PEHI and subsidiaries	**₱455,551**	₱30,230
API	**7,280**	2,313
Philcement	**281,818**	310,060

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, 2021 are as follows:

	PEHI and subsidiaries	**API**	**Philcement**
Current assets	**₱4,213,085**	**₱87,446**	**₱3,368,571**
Noncurrent assets	**8,877,363**	**256,639**	**3,432,732**
Total assets	**₱13,090,448**	**₱344,085**	**₱6,801,303**
Current liabilities	**₱2,663,252**	**₱52,175**	**₱2,785,592**
Noncurrent liabilities	**3,877,930**	**316**	**2,042,809**
Total liabilities	**₱6,541,182**	**₱52,491**	**₱4,828,401**

Summarized total assets and liabilities as at December 31, 2020 are as follows:

	PEHI and subsidiaries	API	Philcement
Current assets	₱3,136,539	₱76,510	₱2,351,255
Noncurrent assets	8,537,832	250,468	2,601,426
Total assets	₱11,674,371	₱326,978	₱4,952,681
Current liabilities	₱1,954,225	₱52,235	₱2,916,718
Noncurrent liabilities	4,018,946	327	632,106
Total liabilities	₱5,973,171	₱52,562	₱3,548,824

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

	PEHI and subsidiaries	**API**	**Philcement**
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 income - 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 (loss)	**(12,539)**	**–**	**501**
Total comprehensive income	**₱1,006,520**	**₱17,254**	**₱702,856**

Summarized statements of comprehensive income for the year ended December 31, 2020:

	PEHI and subsidiaries	API	Philcement
Revenues	₱2,094,989	₱11,011	₱5,809,152
Cost of sales	(1,056,255)	–	(4,638,695)
Administrative and selling expenses	(719,805)	(1,172)	(171,815)
Finance costs	(184,566)	–	(191,219)
Other expense - net	(92,914)	(4,162)	(24,292)
Income before income tax	41,449	5,677	783,131
Income tax	(27,154)	(219)	(7,980)
Net income	14,295	5,458	775,151
Other comprehensive income	–	–	–
Total comprehensive income	₱14,295	₱5,458	₱775,151

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

	PEHI and subsidiaries	**API**	**Philcement**
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**	**₱–**	**₱–**

Summarized statements of cash flows for the year ended December 31, 2020:

	PEHI and subsidiaries	API	Philcement
Operating	₱27,989	(₱3,222)	₱1,407,822
Investing	(1,163,936)	(35,639)	(652,072)
Financing	709,095	–	(446,895)
Net increase (decrease) in cash and cash equivalents	₱426,852	(₱38,861)	₱308,855
Dividends paid to non-controlling interests	₱33,095	₱–	₱–

9. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand and in banks	**₱2,156,148**	₱1,784,418
Short-term deposits	**1,539,766**	1,104,445
	₱3,695,914	₱2,888,863

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 ₱7.8 million, ₱17.2 million and ₱52.7 million in 2021, 2020 and 2019, respectively (see Note 26).

10. Investments Held for Trading

This account consists of investments in:

	2021	2020
Unit Investment Trust Funds (UITFs)	**₱1,302,457**	₱2,115,856
Marketable equity securities	**8,271**	13,966
	₱1,310,728	₱2,129,822

Net gains from investments held for trading amounted to ₱16.0 million, ₱27.9 million and ₱52.9 million in 2021, 2020 and 2019, respectively (see Note 26).

Investments held for trading have yields ranging from 0.04% to 1.25% in 2021, 0.55% to 4.76% in 2020 and 0.97% to 1.47% in 2019. Interest income from investments held for trading amounted to nil, ₱6.9 million and ₱4.2 million, in 2021, 2020 and 2019, respectively (see Note 26).

11. Trade and Other Receivables

This account consists of:

	2021	2020
Receivables from customers	**₱4,319,605**	₱3,167,966
Advances to suppliers and contractors	**1,195,954**	791,767
Accrued interest receivables	**139,137**	18,666
Rent receivable	**92,521**	87,272
Advances to officers and employees	**53,958**	47,050
Due from related parties (see Note 33)	**13,729**	15,961
Loan receivables	**4,634**	36,634
Others	**314,380**	270,185
	6,133,918	4,435,501
Less allowance for ECLs	**1,198,614**	1,013,115
	₱4,935,304	₱3,422,386

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 Philcement's importation of cement. In October 2019, Philcement 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, 2021 and 2020, safeguard duties paid amounted to ₱944.1 million and ₱476.1 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.

Receivables written off amounted to nil and ₱14.2 million in 2021 and 2020, respectively. These pertain to receivables of COC, SJCI, UPANG and RCI which are deemed worthless and uncollectible. The COVID-19 pandemic did not materially affect the allowance for ECLs.

Movements in the allowance for ECLs are as follows:

	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**

	2020		
	Customer	Others	Total
Balance at January 1, 2020	₱719,748	₱146,935	₱866,683
Provisions (see Note 28)	168,492	–	168,492
Write-offs	(14,213)	–	(14,213)
Deconsolidation of a subsidiary (see Note 7)	(7,847)	–	(7,847)
Balance at December 31, 2020	₱866,180	₱146,935	₱1,013,115

12. Inventories

This account consists of:

	2021	2020
At cost:		
Finished goods	**₱1,554,506**	₱1,244,483
Raw materials	**252,501**	261,584
Other inventories	**89,784**	59,648
At net realizable value -		
Spare parts and others	**69,980**	42,266
Other inventories	**7,283**	–
	₱1,974,054	₱1,607,981

Under the terms of the agreements covering liabilities under trust receipts, certain inventories amounting to ₱1,711.4 million and ₱2,030.9 million as at December 31, 2021 and 2020, respectively, have been released to UGC in trust for the banks. UGC is 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 ₱87.4 million and ₱53.5 million as at December 31, 2021 and 2020, respectively. The Company has allowance for inventory write-down amounting to ₱10.1 million and ₱11.2 million as at December 31, 2021 and 2020, respectively.

Cost of inventories sold, presented as "Inventories used" under "Cost of sales", amounted to ₱8,868.4 million, ₱7,187.4 million and ₱6,248.4 million in 2021, 2020 and 2019, 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			
	2021		2020	
	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 Managemen (IPM) [(e)]	–	**47.89**	–	47.89

(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:

	2021	2020
PPHC	**₱632,669**	₱591,804
APHI	**174,586**	161,121
PHI	**133,827**	137,542
Coral Way	**66,326**	74,652
	₱1,007,408	₱965,119

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

	2021	2020
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	**(912,021)**	(908,288)
Equity in net earnings (losses)	**28,614**	(3,733)
Balance at end of year	**(883,407)**	(912,021)
Share in other comprehensive income (loss) of associates:		
Balance at beginning of year	**13,818**	(5,010)
Share in other comprehensive income	**13,675**	18,828
Balance at end of year	**27,493**	13,818
	₱1,007,408	₱965,119

The Company has no material associate as at December 31, 2021 and 2020.

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

	2021	2020	2019
Share in net income (loss)	**₱28,614**	(₱3,733)	₱45,779
Share in other comprehensive income	**13,675**	18,828	1,644
Share in total comprehensive income	**₱42,289**	₱15,095	₱47,423

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, 2021, 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 1, 2022.

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, 2021 and 2020.

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:

	2021	2020
IPM	**₱239,678**	₱235,352
PHINMA Saytanar	–	–
	₱239,678	₱235,352

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

	2021	2020
Acquisition costs, balance at beginning and end of year	**₱235,503**	₱235,503
Accumulated equity in net losses:		
Balance at beginning of year	**(151)**	(5,852)
Equity in net earnings	**4,326**	5,701
Balance at end of year	**4,175**	(151)
	₱239,678	₱235,352

The Company has no material joint venture as at December 31, 2021 and 2020.

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

	2021	2020	2019
Share in net income (loss)	**₱4,326**	₱5,701	(₱1,562)
Share in other comprehensive income	–	–	–
Share in total comprehensive income (loss)	**₱4,326**	₱5,701	(₱1,562)

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.

(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.

14. Financial Assets at FVPL

This account consists of:

	2021	2020
Investment in preferred shares	**₱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 Joint Stock Company manufactures, markets, distributes and exports clinker, cement and cement products and is a supplier of Philcement, 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 are as follows:
a. The pre-tax discount rate applied to cash flow projection is 17.20%.
b. The explicit forecast period used in discounting cash flows is 5 years.
c. The terminal value in the discounted cash flow uses 5.5% long-term growth rate based on expected Vietnam Gross Domestic Product (GDP) growth rate.
d. The binomial model uses 28.94% average volatility of comparable companies' quarterly historical prices and used interquartile range to consider outliers.
e. The option-adjusted spread computed at inception from the binomial model is 9.93%.
f. The risk-free rate used in the binomial model is 1.27%.

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

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

15. Financial Assets at FVOCI

This account consists of:

	2021	2020
Investment in club shares	**₱32,350**	₱31,830
Non-listed equity securities	**76,310**	78,275
	₱108,660	₱110,105

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 2021 and 2020 from financial assets at FVOCI.

The movements in net unrealized gain on financial assets at FVOCI, net of tax in 2021 and 2020 are as follows:

	2021	2020
Balance at beginning of year	**₱38,922**	₱40,284
Loss due to changes in fair value of investment in equity instruments	**(755)**	(1,362)
Balance at end of year	**₱38,167**	₱38,922

16. Property, Plant and Equipment

This account consists of:

	January 1, 2021	**Acquisition through business combination** (see Note 6)	**Additions**	**Disposals**	**Reclassifications**	**December 31, 2021**
Cost						
Land	**₱2,967,593**	**₱65,671**	**₱31,697**	**₱–**	**₱–**	**₱3,064,961**
Plant site improvements	**2,206,926**	**–**	**–**	**–**	**1,266,089**	**3,473,015**
Buildings and improvements	**3,703,129**	**15,777**	**269,908**	**–**	**115,960**	**4,104,774**
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	**85,175**	**477,449**	**(15,191)**	**1,373,298**	**13,474,353**
Less Accumulated Depreciation						
Plant site improvements	**122,365**	–	**124,128**	–	**–**	**246,493**
Buildings and improvements	**1,310,860**	**–**	**148,819**	**–**	–	**1,459,679**
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	**–**	**491,927**	**(11,882)**	**–**	**3,706,210**
	8,327,457	**85,175**	**(14,478)**	**(3,309)**	**1,373,298**	**9,768,143**
Construction in progress	**1,063,297**	–	**1,119,893**	**–**	**(1,403,479)**	**779,711**
Net Book Value	**₱9,390,754**	**₱85,175**	**₱1,105,415**	**(₱3,309)**	**(₱30,181)**	**₱10,547,854**

	January 1, 2020	Acquisition through business combination (see Note 6)	Additions	Disposals	Reclassifications	December 31, 2020
Cost						
Land	₱2,390,271	₱488,450	₱88,872	₱–	₱–	₱2,967,593
Plant site improvements	186,872	–	–	–	2,020,054	2,206,926
Buildings and improvements	3,394,995	34,872	268,454	(149)	4,957	3,703,129
Machinery and equipment	1,891,691	11	112,294	(44,183)	191,056	2,150,869
Transportation and other equipment	507,983	–	34,644	(17,522)	–	525,105
	8,371,812	523,333	504,264	(61,854)	2,216,067	11,553,622
Less Accumulated Depreciation						
Plant site improvements	46,742	–	75,623	–	–	122,365
Buildings and improvements	1,165,407	8,938	136,645	(130)	–	1,310,860
Machinery and equipment	1,312,136	–	174,234	(41,668)	–	1,444,702
Transportation and other equipment	333,540	–	30,791	(16,093)	–	348,238
	2,857,825	8,938	417,293	(57,891)	–	3,226,165
	5,513,987	514,395	86,971	(3,963)	2,216,067	8,327,457
Construction in progress	2,415,332	–	865,993	(1,961)	(2,216,067)	1,063,297
Net Book Value	₱7,929,319	₱514,395	₱952,964	(₱5,924)	₱–	₱9,390,754

Outstanding construction in progress pertains to construction costs for various buildings and hospital renovations which are expected to be completed in 2022.

Interest capitalized as part of "Construction in progress" account amounted to ₱24.1 million and ₱76.0 million at a capitalization rate ranging from 5.2% to 7.0% and 2.7% to 7.2% in 2021 and 2020, respectively.

Certain property and equipment of AU, COC, UI, UPANG, Philcement and UGC with aggregate amount of ₱5,141.9 million and ₱3,849.3 million as at December 31, 2021 and 2020, respectively, are used as collateral for their respective long-term debts obtained from local banks (see Note 23).

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.

In 2020, the Company sold various property and equipment with aggregate carrying value of ₱5.9 million for ₱6.8 million, resulting to a gain of ₱0.9 million.

In 2019, the Company sold various property and equipment with aggregate carrying value of ₱0.7 million for ₱2.0 million, resulting to a gain of ₱1.3 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, 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**

	January 1, 2020	Additions	Disposals	December 31, 2020
Cost:				
Land	₱610,724	₱–	₱–	₱610,724
Buildings for lease	95,625	–	–	95,625
	706,349	–	–	706,349
Less accumulated depreciation -				
Buildings for lease	76,415	1,265	–	77,680
	₱629,934	₱1,265	₱–	₱628,669

The profits from the investment properties for the years ended December 31 are as follows:

	2021	2020	2019
Rental income	**₱69,673**	₱74,025	₱86,069
Depreciation and amortization (included under "General and administrative expenses" account) (see Notes 28 and 31)	**(1,231)**	(1,265)	(11,364)
	₱68,442	₱72,760	₱74,705

The fair values of the investment properties amounted to ₱2,861.8 million and ₱2,371.0 million as at December 31, 2021 and 2020, respectively, based on valuations performed by accredited independent appraisers on various dates from 2018 to 2021. 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, 2021, the Company's management believes that cost of these investment properties approximate their fair values as at December 31, 2021.

PSHC's land amounting to ₱220.0 million as at December 31, 2021 and 2020 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 nil in 2021 and 2020 and ₱7.7 million in 2019.

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, 2020	₱165,638	₱36,339	₱2,221,068	₱2,423,045
Additions	–	861	–	861
Disposals	–	–	–	–
At December 31, 2020	165,638	37,200	2,221,068	2,423,906
Additions	–	7,048	–	7,048
Acquisition through business combination	–	–	53,215	53,215
Reclassification	–	30,278	–	30,278
At December 31, 2021	**₱165,638**	**₱74,526**	**₱2,274,283**	**₱2,514,447**
Amortization and Impairment				
At January 1, 2020	₱165,638	₱25,760	₱403,132	₱594,530
Amortization (see Note 31)	–	3,703	–	3,703
At December 31, 2020	165,638	29,463	403,132	598,233
Amortization (see Note 31)	–	10,420	–	10,420
At December 31, 2020	**₱165,638**	**₱39,883**	**₱403,132**	**₱608,653**
Net Book Value				
At December 31, 2021	**₱–**	**₱34,643**	**₱1,871,151**	**₱1,905,794**
At December 31, 2020	–	7,737	1,817,936	1,825,673

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 2021 and 2020. The Company recognized impairment loss amounting to ₱14.1 million in 2019.

19. Other Noncurrent Assets

This account consists of:

	2021	2020
Advances to suppliers and contractors	**₱278,001**	₱151,974
Indemnification assets (see Note 6)	**38,114**	24,367
Refundable deposits (see Note 36)	**10,161**	9,634
Creditable withholding taxes	**7,812**	7,812
Deposit	–	255,100
Others	**7,135**	9,382
	₱341,223	₱458,269

On September 18, 2019, PHN executed a binding Term Sheet with Song Lam, Vissai and Hoang Minh Truong for the investment via preferred shares in Song Lam, a subsidiary of Vissai. On May 18, 2021, PHN applied the deposit made in 2019 and completed the payment to Song Lam for the subscription of preferred shares. As at December 31, 2021 and 2020, PHN's deposit amounted to nil and ₱255.1 million, respectively.

20. Notes Payable

This account consists of notes payable of the following subsidiaries:

	2021	2020
UGC	**₱460,174**	₱447,687
Philcement	**450,000**	368,223
SWU	**20,000**	190,000
PHN	–	150,000
AU	–	60,000
UI	–	60,000
COC	–	50,000
	₱930,174	₱1,325,910

The notes payable are unsecured short-term peso-denominated loans obtained from financial institutions with an annual interest rate ranging between 2.60% to 4.75% and 2.81% to 5.75% in 2021 and 2020, respectively.

Interest expense incurred from notes payable amounted to ₱122.5 million, ₱163.5 million and ₱99.2 million in 2021, 2020 and 2019, respectively (See Note 32).

21. Trade and Other Payables

This account consists of:

	2021	2020
Trade	**₱1,147,227**	₱1,000,014
Accruals for:		
Professional fees and others (see Note 33)	**516,924**	418,538
Personnel costs (see Notes 30 and 33)	**152,670**	132,549
Interest (see Notes 23 and 32)	**65,403**	107,027
Freight, hauling and handling	**42,186**	8,846
Dividends	**228,251**	175,068
Deposit liabilities	**7,613**	4,757
Escrow	–	28,989
Others	**154,422**	84,315
	₱2,314,696	₱1,960,103

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.

Escrow liability pertains to withheld portion of purchase price of acquisition of SJCI which will be released to sellers upon fulfillment of certain conditions.

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:

	2021	2020
Unearned revenues	**₱1,200,172**	₱411,888
Customers' deposits	**126,970**	197,386
	₱1,327,142	₱609,274

Unearned revenues pertains 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.

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

	2021
Principal	₱3,000,000
Less debt issuance cost	42,984
	₱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:

	2021
Beginning of year	₱–
Additions	48,559
Amortization	(5,575)
End of year	₱42,984

Long- Term Loans

	2021	2020
PEHI	**₱2,093,000**	₱2,162,000
PHN	**1,970,000**	1,990,000
Philcement	**1,621,223**	726,334
SWU	**595,000**	600,000
UGC	**524,375**	606,875
UPANG	**253,025**	272,350
AU	**232,220**	242,960
UI	**192,000**	200,000
COC	**162,342**	172,784
PSHC	**124,957**	128,931
Phinma Solar	**20,000**	–
	7,788,142	7,102,234
Less debt issuance cost	**62,043**	43,830
	7,726,099	7,058,404
Less current portion - net of debt issuance cost	**544,032**	519,381
	₱7,182,067	₱6,539,023

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, Philcement, 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, 2021, the Company is in compliance with the required financial ratios and other loan covenants. As at December 31, 2020, Philcement has not complied the financial ratios as required in the agreements. Due to this breach of the debt covenant clause, Philcement obtained the necessary waivers from the bank.

Certain assets amounting ₱5,361.9 million and ₱4,069.3 million as at December 31, 2021 and 2020, respectively, are mortgaged as collaterals for the respective long-term debts as follows (see Note 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
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, 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:

	2021	2020
Beginning of year	**₱43,830**	₱50,792
Additions	**30,964**	1,796
Amortization	**(12,751)**	(8,758)
End of year	**₱62,043**	₱43,830

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 ₱502.3 million, ₱434.4 million and ₱349.8 million in 2021, 2020 and 2019, 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, 2021	Outstanding Amounts[10]: December 31, 2020
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	**₱446,372**	₱470,486
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	**791,251**	831,525
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	**456,048**	471,304
PEHI		December 1, 2015	CBC	28 equal quarterly payments of ₱3.0 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 8, 2019.	December 8, 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 8, 2015	400,000	–	369,318

(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, 2021	Outstanding Amounts[10] December 31, 2020
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	**₱361,277**	₱–
COC	100,000[2]	March 27, 2013	CBC	40 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 March 27, 2013 to March 27, 2018, 6.05% from March 27, 2018 to March 27, 2020 and 6.30% from March 27, 2020 to March 27, 2023 with the EIR of 6.12% over 365 days.	March 27, 2013	50,000	**6,268**	11,197
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	**6,434**	11,468
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	**124,224**	125,720
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

(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, 2021	Outstanding Amounts[10] December 31, 2020
UI	₱200,000[5]	December 12, 2017	CBC	Quarterly principal payments as follows: ₱1.0 million per quarter for the 3rd and 4th year from initial drawdown; ₱1.5 million per quarter for the 5th and 6th year; ₱2.5 million per quarter for the 7th until 9th year; and, ₱37.5 million per quarter for the 10th year.	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%.	December 20, 2017	₱100,000	**₱94,903**	₱98,579
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	**95,467**	99,312
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	**31,939**	42,472
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	**99,059**	98,832

(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, 2021	Outstanding Amounts[10] December 31, 2020
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	**₱99,086**	₱98,819
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; ₱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..	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 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.	March 27, 2018	190,000	**175,844**	183,287
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	**76,045**	87,817

(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, 2021	Outstanding Amounts[10] December 31, 2020
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	**₱98,887** **198,193** **98,822**	₱99,738 199,545 99,642
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	**197,773**	199,130
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 maturity date; balloon payment amounting to ₱1.9 billion or 94% of principal amount on maturity date.	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 (1.25% p.a.), and ii) 6.25% p.a., whichever is higher.	May 23, 2017	2,000,000	**1,960,818**	1,979,362
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**	309,924

(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, 2021	Outstanding Amounts[10] December 31, 2020
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**	₱76,936
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 repricing of interest rate from amendment date to maturity date.	March 25, 2013	218,750	**126,486**	143,703
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**	37,260
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**	37,260

(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, 2021	Outstanding Amounts[10] December 31, 2020
Philcement	₱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	**₱90,822** **90,966** **33,616** **37,049** **10,517** **46,395** **143,551** **29,285**	₱135,794 136,114 50,353 55,504 15,714 69,489 215,012 43,857
Philcement	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	**326,261**	–
				8 quarterly principal payments of ₱9.7 million, 9 quarterly principal payments of ₱19.5 million and remaining balance to be paid at maturity date		Interest rate of 6.84% GRT inclusive, fixed rate up to maturity		350,637	**309,720**	–
Philcement	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 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	**493,961**	–

(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, 2021	Outstanding Amounts[10] December 31, 2020
				March 28, 2025 to December 29, 2025 and ₱36.8 million on March 30, 2026.						
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	**₱20,000**	₱–
PSHC	154,000[20]	July 15, 2006	UPPC	2 installment payments	July 15, 2023	The effective interest rate after the change in interest rate is 7.00%.	July 15, 2006	154,000	**124,957**	128,931
	Total								**₱7,726,099**	₱7,058,404

(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.

24. Equity

a. Capital Stock

The composition of the Parent Company's capital stock as at December 31, 2021 and 2020 is as follows:

	Number of Shares 2021	2020
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	**14,427,179**	13,970,579

The issued and outstanding shares as at December 31, 2021 and 2020 are held by 1,223 and 1,227 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, 2021 and 2020.

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 March 5, 2019, the Parent Company's BOD declared a cash dividend of ₱0.40 per share or an equivalent of ₱112.7 million, to all common shareholders of record as at March 21, 2019. The cash dividends were paid on March 29, 2019.

On November 11, 2019, the Parent Company's BOD declared a special cash dividend of ₱0.40 per share or an equivalent of ₱112.6 million, to all common shareholders of record as at November 25, 2019. The cash dividends were paid on December 9, 2019.

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.

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 ₱943.7 million and ₱44.2 million as at December 31, 2021 and 2020, 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 2021, 2020 and 2019, the Parent Company bought back 456,600 shares, 215,800 shares and 9,216,300 shares which amounted to ₱7.2 million, ₱1.9 million and ₱91.7 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 ₱277.0 million and ₱235.8 million as at December 30, 2021 and 2020, respectively.

25. **Revenue from Contracts with Customers**

Set out below is the disaggregation of the revenue from contracts with customers:

	2021	2020	2019
Revenue source:			
Sale of goods	**₱12,452,783**	₱9,837,225	₱7,988,639
Tuition, school fees and other services	**3,087,927**	1,711,509	2,396,104
Hospital routine services	**179,029**	151,337	160,254
Installation services	**75,360**	472,914	525,748
Consultancy services	**25,034**	2,125	49,702
Total revenue from contracts with customers	**₱15,820,133**	₱12,175,110	₱11,120,447
Timing of recognition:			
Goods transferred at a point in time	**₱12,452,783**	₱9,837,225	₱7,988,639
Services transferred over time	**3,367,350**	2,337,885	3,131,808
Total revenue from contracts with customers	**₱15,820,133**	₱12,175,110	₱11,120,447

"Others - net" in the consolidated statement of income includes miscellaneous income which consists of miscellaneous cash receipts. In 2021, 2020 and 2019, miscellaneous income amounted to ₱23.6 million, ₱51.1 million and ₱52.1 million, respectively.

<u>Contract balances</u>

	2021	2020
Trade receivables	**₱4,480,589**	₱3,144,700
Contract liabilities	**1,327,142**	609,274

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 ₱1,327.1 million as at December 31, 2021 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:

	2021	2020	2019
Interest income on:			
Financial assets at fair value through profit or loss	**₱118,939**	₱–	₱–
Cash and cash equivalents (see Note 9)	**7,823**	17,233	52,727
Receivables	**5,104**	–	–
Due from related parties and others	**320**	473	1,064
Short-term investments	**–**	–	7,401
Investments held for trading (see Note 10)	**–**	6,862	4,159
	132,186	24,568	65,351
Net gains from investments held for trading (see Note 10)	**15,970**	27,854	52,919
Dividend income	**224**	194	125
	₱148,380	₱52,616	₱118,395

27. **Cost of Sales, Educational, Hospital, Installation and Consultancy Services**

This account consists of:

	2021	2020	2019
Cost of sales	**₱10,115,988**	₱7,659,460	₱6,312,840
Cost of educational services	**1,201,999**	849,006	1,135,887
Cost of hospital services	**124,731**	118,287	100,303
Cost of installation services	**63,425**	390,190	445,213
Cost of consultancy services	**–**	19,887	89,012
	₱11,506,143	₱9,036,830	₱8,083,255

The details of cost of sales, educational, installation, hospital and consultancy services are as follows:

	2021	2020	2019
Inventories used (see Note 12)	**₱8,868,376**	₱7,187,400	₱6,248,448
Personnel costs (see Note 30)	**976,817**	775,101	784,908
Depreciation (see Note 31)	**506,881**	409,297	240,934
Packaging materials	**320,810**	89,940	1,315
Power and fuel	**123,851**	69,544	23,187
Subscription	**87,981**	34,866	6,514
Laboratory and school supplies	**83,976**	74,694	70,868
Rent (see Note 38)	**81,151**	88,046	67,061
Repairs and maintenance	**69,481**	37,183	47,636
Review expenses	**26,697**	5,689	10,497
Graduation expenses	**20,135**	17,843	41,074

(Forward)

	2021	2020	2019
School materials, publication and supplies	**₱7,197**	₱6,820	₱15,762
School affiliations and other expenses	**5,528**	5,910	17,702
Accreditation expenses	**2,315**	1,198	1,552
Sports development and school activities	**1,379**	1,690	102,380
Educational tour expenses	**909**	16,788	29,332
Installation costs	**–**	–	1,936
Others	**322,659**	214,821	372,149
	₱11,506,143	₱9,036,830	₱8,083,255

28. **General and Administrative Expenses**

This account consists of:

	2021	2020	2019
Personnel costs (see Notes 30 and 33)	**₱871,284**	₱545,280	₱647,679
Provision for ECLs (see Note 11)	**185,897**	168,492	96,512
Professional fees and outside services (see Note 33)	**179,209**	274,049	353,589
Depreciation and amortization (see Note 31)	**80,545**	69,977	110,103
Security and janitorial	**64,071**	63,578	55,650
Taxes and licenses	**55,208**	59,592	44,652
Utilities	**40,048**	40,432	77,815
Rent (see Note 38)	**22,313**	24,405	13,579
Donations	**16,183**	9,552	8,494
Insurance	**15,321**	16,186	12,539
Office supplies	**10,920**	8,100	9,716
Communications	**10,756**	9,918	9,950
Transportation and travel	**8,734**	13,210	20,451
Repairs and maintenance	**6,339**	5,599	9,112
Meetings and conferences	**3,974**	3,761	6,815
Advertising and promotions	**1,579**	1,016	47,768
Impairment of goodwill (see Note 5)	**–**	–	14,120
Others	**107,733**	82,706	84,410
	₱1,680,114	₱1,395,853	₱1,622,954

29. **Selling Expenses**

This account consists of:

	2021	2020	2019
Personnel costs (see Note 30)	**₱238,625**	₱210,866	₱173,156
Freight, handling and hauling	**79,466**	74,575	112,131
Advertising	**65,080**	34,557	22,535
Installation cost	**31,789**	24,934	11,943
Taxes and licenses	**31,497**	32,246	31,525
Insurance	**26,215**	6,312	4,784
Commission	**22,478**	30,585	72,558
Postage, telephone and telegraph	**19,095**	11,795	11,513
Outside services	**18,963**	31,087	17,177
Transportation and travel	**18,507**	17,840	33,142
Depreciation (see Note 31)	**15,164**	17,403	7,693
Supplies	**10,640**	9,862	16,399
Repairs and maintenance	**6,186**	4,874	14,209
Entertainment, amusement and recreation	**2,498**	2,730	4,559
Rental and utilities	**2,426**	2,758	3,643
Others	**6,728**	11,270	13,560
	₱595,357	₱523,694	₱550,527

30. **Personnel Expenses**

This account consists of:

	2021	2020	2019
Salaries, employee benefits and bonuses	**₱1,985,948**	₱1,468,122	₱1,521,557
Pension and other post-employment benefits (see Note 35)	**79,732**	55,924	58,206
Training	**9,602**	6,150	17,986
Others	**11,444**	1,051	7,994
Stock options	–	–	–
	₱2,086,726	₱1,531,247	₱1,605,743

31. **Depreciation and Amortization**

	2021	2020	2019
Property, plant and equipment and investment properties (see Notes 16 and 17):			
Cost of sales, educational, installation, hospital, and consultancy services (see Note 27)	**₱436,338**	₱352,850	₱216,932

(Forward)

	2021	2020	2019
General and administrative expenses (see Note 28)	**₱51,498**	₱55,615	₱106,866
Selling expenses (see Note 29)	**5,322**	10,093	7,534
Intangible assets (see Note 18):			
General and administrative expenses (see Note 28)	**8,533**	2,890	3,237
Selling expenses (see Note 29)	**1,887**	813	–
Right-of-use assets (see Note 38):			
Cost of sales, educational, hospital installation and consultancy services (see Note 27)	**70,543**	56,447	24,002
General and administrative expenses (see Note 28)	**20,514**	11,472	–
Selling expenses (see Note 29)	**7,955**	6,497	159
	₱602,590	₱496,677	₱358,730

32. **Interest Expense and Other Financing Charges**

This account consists of:

	2021	2020	2019
Interest expense on long-term debts (see Note 23)	**₱502,281**	₱434,424	₱349,810
Interest expense on notes payable (see Note 20)	**122,542**	163,497	99,242
Interest expense on lease liabilities (see Note 38)	**22,523**	23,363	13,387
Other financing charges	**1,902**	5,484	1,349
	₱649,248	₱626,768	₱463,788

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, 2021, 2020 and 2019, 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 follow:

		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						
T-O Insurance Brokers, Inc., PHINMA Hospitality Inc., PHINMA Foundation, Inc. Phinma Prism, PHINMA Plaza Condominium Corp	Share in expenses	**19,259**	**52,363**	**7,575**	Noninterest-bearing	Unsecured, no impairment
PTC Myanmar, 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**		

		2020				
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	₱165,140	₱98,265	₱1,495	Noninterest-bearing	Unsecured, no impairment
Associates						
PPHC	Share in expenses	1,126	7	1,743	Noninterest-bearing	Unsecured, no impairment
Other related parties						
T-O Insurance Brokers, Inc., MDC, PHINMA Foundation, Inc. Phinma Prism	Share in expenses	11,190	52,838	2,514	Noninterest-bearing	Unsecured, no impairment
Phinma Prism	Grant of noninterest-bearing advances	5,140	–	5,140	91 days, 6.15116%	Unsecured, no impairment

(Forward)

		2020				
Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 11)	Terms	Conditions
Community Developers and Construction Corporation (CDCC), PTC Myanmar	Grant of noninterest-bearing advances	₱599	₱–	₱3,778	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy Fee	3,458	–	1,291	Noninterest-bearing	Unsecured, no impairment
			₱151,110	₱15,961		

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.

Management and Directors' Compensation

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 ₱63.3 million, ₱127.7 million and ₱257.5 million in 2021, 2020 and 2019, 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 ₱38.5 million and ₱93.1 million as at December 31, 2021 and 2020, 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 ₱102.5 million, ₱111.3 million and ₱100.5 million in 2021, 2020 and 2019, 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 ₱58.5 million and ₱96.7 million as at December 31, 2021 and 2020, respectively (see Note 21).

Compensation of key management personnel of the Company are as follows:

	2021	2020	2019
Short-term employee benefits	**₱189,558**	₱240,879	₱208,063
Post-employment benefits (see Note 35):			
Retirement benefits	**15,945**	49,936	42,373
Vacation and sick leave	**1,900**	3,827	6,466
	₱207,403	₱294,642	₱256,902

34. **Income Taxes**

The components of the Company's deferred tax assets and liabilities are as follows:

	2021	2020
Deferred tax assets:		
NOLCO	**₱109,546**	₱47,600
Lease liabilities	**74,238**	60,073
Pension liability	**35,464**	38,694
Allowance for ECLs	**33,234**	29,322
Accrued expenses	**22,276**	19,863
Management bonus	**7,003**	9,186
Allowance for inventory write-down	**2,754**	3,014
Others	**1,751**	12,546
	286,266	220,298
Deferred tax liabilities:		
Excess of fair value over cost	**(427,761)**	(422,410)
Right-of-use assets	**(67,273)**	(48,247)
Unrealized gain on change in fair value of financial assets at FVPL and derivative asset	**(56,381)**	(2,463)
Accrued income	**(29,735)**	–
Fair value adjustments on property, plant and equipment of subsidiaries	**(25,019)**	(30,023)
Unamortized debt issuance costs	**(2,585)**	(2,458)
Unrealized foreign exchange gain	**(1,190)**	(2,002)
Unamortized capitalized borrowing cost	**(455)**	(621)
Others	**(104)**	(597)
	(610,503)	(508,821)
	(₱324,237)	(₱288,523)

The deferred tax assets and liabilities are presented in the consolidated statements of financial position as follows:

	2021	2020
Deferred tax assets - net	**₱101,013**	₱133,911
Deferred tax liabilities - net	**(425,250)**	(422,434)
	(₱324,237)	(₱288,523)

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:

	2021	2020
NOLCO	**₱745,046**	₱818,225
Allowance for impairment loss	**203,874**	203,874
Allowance for ECLs	**122,172**	116,474
Accrued personnel costs and employee benefits	**81,118**	48,425
Unamortized past service costs	**17,825**	13,998
Pension liability	**7,930**	23,934

(Forward)

	2021	2020
Unrealized loss on change in fair value of FVOCI	**₱5,503**	₱77,417
MCIT	**2,770**	3,831
Unrealized foreign exchange losses	**–**	120,794
	₱1,186,238	₱1,426,972

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.

AU, UPANG, UPANG Urdaneta, UI, COC and SWU, as private educational institutions, are taxed based on Republic Act (R.A.) No. 8424 which was effective January 1, 1998. Section 27(B) of R.A. No. 8424 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, Culture and Sports, or Commission on Higher Education, or Technical Education and Skills Development Authority, as the case may be, in accordance with the existing laws and regulations shall pay a tax of ten percent (10%) on their taxable income."

MCIT totaling ₱3.2 million can be deducted against RCIT due while NOLCO totaling ₱1,054.1 million can be claimed as deduction against taxable income, as follows:

		Amount	
Date Paid/Incurred	Expiry Date	MCIT	NOLCO
December 31, 2019	December 31, 2022	₱1,235	₱311,471
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
		₱3,191	₱1,054,114

MCIT amounting to ₱1.2 million and ₱1.0 million, respectively expired in 2021 and 2020. Expired NOLCO amounted ₱249.9 million and ₱389.5 million in 2021 and 2020. No MCIT and NOLCO were claimed as deduction against regular taxable income in 2021 and 2020.

Reconciliation between the statutory tax rates and the Company's effective tax rates follows:

	2021	2020	2019
Applicable statutory tax rate	**25.0%**	30.0%	30.0%
Income tax effects of:			
Income of school's subject to lower income tax rate of 10%/1%	**(13.5)**	(2.0)	(24.0)
Interest income subjected to lower final tax rate	**(0.1)**	(1.2)	(5.6)
Equity in net earnings of associates and joint ventures	**(0.4)**	(0.1)	(2.1)
Change in unrecognized deferred tax assets and others	**(6.1)**	(10.3)	32.7
Effective tax rates	**4.9%**	16.4%	31.0%

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.

35. Pension and Other Post-employment Benefits

Pension and other post-employment benefits as at December 31 consist of:

	2021	2020
Net pension liability	**₱194,312**	₱184,285
Vacation and sick leave	**65,008**	69,468
Defined contribution plan	**(101)**	(100)
	₱259,219	₱253,653

Pension and other employee benefits expenses under "Cost of sales", "General and administrative expenses" and "Selling expenses", consist of:

	2021	2020	2019
Net pension expense	**₱66,091**	₱37,008	₱48,083
Vacation and sick leave	**12,775**	18,043	9,545
Defined contribution plan	**866**	873	578
	₱79,732	₱55,924	₱58,206

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:

	2021	2020	2019
Current service cost	**₱60,858**	₱53,659	₱40,646
Net interest cost	**5,233**	11,993	9,283
Past service cost	**–**	(28,644)	(1,672)
Net transfer of obligation	**–**	–	(174)
Net pension expense	**₱66,091**	₱37,008	₱48,083

Details of net pension liability as at December 31 are as follows:

	2021	2020
Present value of defined benefit obligation	**₱541,312**	₱566,320
Fair value of plan assets	**(347,000)**	(382,035)
Pension liability	**₱194,312**	₱184,285

Changes in the present value of the defined benefit obligation are as follows:

	2021	2020
Balance at beginning of year	**₱566,320**	₱578,296
Benefits paid from plan assets	**(106,884)**	(56,072)
Current service cost	**60,858**	53,659
Interest cost on defined benefit obligation	**20,390**	28,972
Benefits paid from operating funds	**(13,182)**	(14,047)
Acquisition / deconsolidation of subsidiaries	**1,503**	(3,122)
Past service cost	**–**	(28,644)
Actuarial losses:		
Experience adjustments	**34,016**	14,312
Changes in financial assumptions	**(21,709)**	6,877
Changes in demographic assumptions	**–**	(13,911)
Balance at end of year	**₱541,312**	₱566,320

Change in the fair value of plan assets are as follows:

	2021	2020
Balance at beginning of year	**₱382,035**	₱345,048
Benefits paid	**(106,884)**	(56,072)
Actual contributions	**47,337**	79,278
Interest income included in net interest cost	**15,157**	16,979
Acquisition of subsidiaries	**–**	329
Actual return excluding amount included in net interest cost	**8,442**	(3,527)
Net acquired assets due to employee transfers	**913**	–
Balance at end of year	**₱347,000**	₱382,035
Actual return on plan assets	**₱23,599**	₱13,452

Change in net pension liability are as follows:

	2021	2020
Balance at beginning of year	**₱184,285**	₱233,248
Pension expense	**66,091**	37,008
Contributions	**(47,337)**	(79,278)
Benefits paid from operating fund	**(13,182)**	(14,047)
Acquisition / deconsolidation of subsidiaries	**1,503**	(3,451)
Remeasurements in OCI	**3,865**	10,805
Net acquired asset due to employee transfers	**(913)**	–
Pension liability	**₱194,312**	₱184,285

The Company expects to contribute ₱75.1 million to its retirement fund in 2022.

The ranges of principal assumptions used in determining pension benefits are as follows:

	2021	2020
Discount rates	**4-5%**	3-5%
Rates of salary increase	**3-6%**	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 ₱347.0 million and ₱382.0 million as at December 31, 2021 and 2020, respectively. The major assets are as follows:

	2021	2020
Cash and short-term investments	**₱179,631**	₱284,528
Marketable equity securities	**114,059**	47,661
Others	**53,310**	49,846
	₱347,000	₱382,035

As at December 31, 2021 and 2020, 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 ₱4.4 million and ₱2.2 million as at December 31, 2021 and 2020.

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:

	2021	2020
	Increase (Decrease)	
Discount rate:		
Increase by 1%	**(₱40,463)**	(₱43,515)
Decrease by 1%	**46,891**	50,537

(Forward)

	2021	2020
	Increase (Decrease)	
Salary increase rate:		
Increase by 1%	**₱49,303**	₱52,600
Decrease by 1%	**(41,387)**	(46,061)

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31:

	2021	2020
Within the next 12 months	**₱37,505**	₱41,846
Between 2 and 5 years	**175,787**	193,786
Beyond 5 years	**2,017,570**	1,709,710

The average duration of the defined benefit obligation as at December 31, 2021 is between 11.83 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 ₱0.9 million in 2021 and 2020 and ₱0.6 million in 2019 to the defined contribution plan, which were recognized as expense. The Company has advances to the defined contribution plan amounting to ₱0.1 million as at December 31, 2021 and 2020.

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:

	2021	2020	2019
Current service cost	**₱12,936**	₱24,290	₱5,415
Actuarial losses	**(2,533)**	(9,124)	3,064
Interest cost	**2,372**	2,877	1,066
Vacation and sick leave expense	**₱12,775**	₱18,043	₱9,545

Changes in the present value of the vacation and sick leave obligation are as follows:

	2021	2020
Balance at beginning of year	**₱69,468**	₱54,511
Current service cost	**12,936**	24,290
Benefits paid	**(17,235)**	(3,086)
Actuarial gains	**(2,533)**	(9,124)
Interest cost	**2,372**	2,877
Balance at end of year	**₱65,008**	₱69,468

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

Credit Risk

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.

	2021	2020
Financial assets at amortized cost:		
Cash and cash equivalents	**₱3,695,914**	₱2,888,863
Trade and other receivables	**4,935,304**	3,422,386
Refundable deposits*	**38,773**	38,528
Deposit**	–	255,100
	₱8,669,991	₱6,604,877

**Presented under "Input value-added taxes and other current assets" and "Other noncurrent assets" account in the consolidated statements of financial position.*
***Presented under "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:

	2021			
	ECL Staging			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 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.*

	2020			
	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*	₱2,806,553	₱–	₱–	₱2,806,553
Other receivables:		–	–	
Due from related parties	15,961	–	–	15,961
Advances to officers and employees	47,050	–	–	47,050
Accrued interest receivables	18,666	–	–	18,666
Others	394,091	–	–	394,091
Refundable deposits**	38,528	–	–	38,528
Deposit***	255,100	–	–	255,100
Gross Carrying Amount	₱3,575,949	₱–	₱–	₱3,575,949

**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.*
****Presented under "Other noncurrent assets" account in the consolidated statement 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, 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**

December 31, 2020	Receivables from customers					
	Days past due					
	Current	<30 Days	30-60 Days	61-90 Days	>91 Days	Total
Expected credit loss rate	12%	13%	6%	15%	76%	28%
Estimated total gross carrying amount default	₱1,965,816	₱321,174	₱66,473	₱48,121	₱766,382	₱3,167,966
Expected credit loss	233,179	40,861	3,994	7,160	580,986	866,180

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:

	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**

	2020					
	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	₱2,888,863	₱–	₱–	₱–	₱–	₱2,888,863
Trade and other receivables	3,422,386	–	–	–	–	3,422,386
Financial assets at FVPL:						
Investment in UITF	2,115,856	–	–	–	–	2,115,856
Investments in marketable equity securities	13,966	–	–	–	–	13,966
	₱8,441,071	₱–	₱–	₱–	₱–	₱8,441,071

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as of December 31:

	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 and payables						
Notes payable	**₱930,174**	**₱–**	**₱–**	**₱–**	**₱–**	**₱930,174**
Trade and other payables	**2,314,696**	**–**	**–**	**–**	**–**	**2,314,696**
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**
	₱5,828,235	**₱1,002,328**	**₱3,665,362**	**₱4,572,596**	**₱3,237,024**	**₱18,305,545**

**Including current and noncurrent portion.*

	2020					
	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	₱1,325,910	₱–	₱–	₱–	₱–	₱1,325,910
Trade and other payables	1,960,103	–	–	–	–	1,960,103
Trust receipts payable	2,030,876	–	–	–	–	2,030,876
Due to related parties	151,110	–	–	–	–	151,110
Lease liabilities	146,335	51,174	43,290	40,779	228,506	510,084
Long-term debt*	489,918	472,824	708,450	2,304,317	3,126,725	7,102,234
Non-controlling interest put liability	–	–	–	1,585,853	–	1,585,853
	₱6,104,252	₱523,998	₱751,740	₱3,930,949	₱3,355,231	₱14,666,170

**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, 2021	**Additions**	**Payment**	**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.*

	January 1, 2020	Additions	Payment	Others*	December 31, 2020
Notes payable	₱968,880	₱1,951,223	(₱1,594,193)	₱–	₱1,325,910
Long-term debt	7,394,220	–	(342,778)	6,962	7,058,404
Due to related parties	92,543	170,739	(112,172)	–	151,110
Dividends payable	109,154	292,619	(226,705)	–	175,068
Lease liabilities	279,230	294,154	(134,426)	(19,287)	419,671
Other noncurrent liabilities	54,460	–	(3,967)	–	50,493
Total liabilities from financing activities	₱8,898,487	₱2,708,735	(₱2,414,241)	(₱12,325)	₱9,180,656

* *Others include amortization of debt issue cost and accretion of interest. For lease liabilities, this also includes derecognized amount of ₱77.1 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:

	2021		2020	
	Foreign Currency	**Peso Equivalent**	Foreign Currency	Peso Equivalent
Financial assets:				
Cash and cash equivalents	**US$18,682**	**₱952,771**	US$22,532	₱1,082,041
Cash and cash equivalents	**VND35,703**	**80**	VND1,771	4
Receivables	**US$491**	**25,034**	US$–	–
Derivative assets	**US$57**	**2,931**	US$–	–
Investment in UITF	**US$12**	**608**	US$–	–
		₱981,424		₱1,082,045
Financial liabilities:				
Trust receipts payables	**US$5,450**	**₱277,969**	US$–	₱–
Trade and other payables	**98**	**4,974**	–	–
Derivative liability	–	–	1	32
		₱282,943		₱32

In translating foreign currency-denominated financial assets into peso amounts, the exchange rates used were ₱51.00 and ₱48.02 to US$1.00 as at December 31, 2021 and 2020, respectively.

The following table 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, 2021 and 2020. 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, 2021 and 2020:

	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)**
Philcement	**4.00**	**21.44**
	(4.00)	**(21.44)**

	2020	
	Increase (Decrease) in Peso-Dollar Exchange Rate	Effect on Profit Before Tax
		(Amounts in Millions)
PHN	₱1.00	₱52.81
	(1.00)	(52.81)
UGC	4.00	0.12
	(4.00)	(0.12)
Philcement	4.00	0.19
	(4.00)	(0.19)
PHINMA Solar	1.00	0.48
	(1.00)	(0.48)

Interest Rate Risk

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:

				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%**	**₱890,496**	**₱–**	**₱–**	**₱–**	**₱–**	**₱890,496**
Financial Liabilities							
PHN	**6.00%**	**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**

				2020			
	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)	0.525%-1.375%	₱851,565	₱–	₱–	₱–	₱–	₱851,565
Placements (USD)	0.2%- 0.25%	613,551	–	–	–	–	613,551
Financial Liabilities							
PHN	4.00%-6.00%	170,000	20,000	20,000	40,000	1,859,362	2,109,362
Philcement	4.675%	340,000	–	–	–	–	340,000
AU	5.713%-5.9694%	253,700	–	–	–	–	253,700
UI	5.97%-7.025%	200,000	–	–	–	–	200,000
UPANG	6.50%	184,300	–	–	–	–	184,300
UGC	4.00%-4.675%	–	–	–	–	60,995	60,995
COC	6.25%-6.9137%	47,788	–	–	–	–	47,788

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, 2021 and 2020. There is no impact on the Company's equity other than those already affecting the profit or loss.

	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**

	2020	
	Increase/ (Decrease) in Basis Points	Effect on Profit Before Tax
Financial Liabilities		
PHN	25	(₱5,296)
	(25)	5,296
UGC	25	(82)
	(25)	82
AU	25	(162)
	(25)	162
COC	25	(30)
	(25)	30
UPANG	25	(115)
	(25)	115
UI	25	(125)
	(25)	125
Philcement	25	(425)
	(25)	425

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, 2021 and 2020. There is no other significant impact on the Company's equity other than those already affecting the profit or loss.

	2021	
	Increase/ Decrease in Stock Exchange Index	**Effect on Profit Before Tax**
PHN	**+6%**	**₱165**
	-6%	**(165)**
API	**+6%**	**172**
	-6%	**(172)**

	2020	
	Increase/ Decrease in Stock Exchange Index	Effect on Profit Before Tax
PHN	+4%	₱60
	-4%	(60)
API	+4%	400
	-4%	(400)

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 1:1. The Company's consolidated debt-to-equity ratio as at December 31, 2021 and 2020 are as follows:

	2021	2020
Total liabilities	**₱20,148,234**	₱15,919,001
Total equity	**9,933,061**	8,553,414
Debt-to-equity ratio	**2.03:1**	1.86:1

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:

	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**	**₱–**	**₱–**	**₱1,862,875**
Long-term debt	**9,313,655**	**–**	**–**	**9,313,655**
	₱11,176,530	**₱–**	**₱–**	**₱11,176,530**

	2020			
	Total	Level 1	Level 2	Level 3
Assets				
Investments held for trading:				
Investments in UITFs	₱2,115,856	₱–	₱2,115,856	₱–
Investments in marketable equity securities	13,966	13,966	–	–
Club shares designated at FVOCI	31,830	31,830	–	–
Non-listed equity instruments designated at FVOCI	78,275	–	–	78,275
	₱2,239,927	₱45,796	₱2,115,856	₱78,275
Liabilities				
Derivative liability	₱32	₱32	₱–	₱–
Non-controlling interest put liability	1,585,853	–	–	1,585,853
Long-term debt	6,485,414	–	–	6,485,414
	₱8,071,299	₱32	₱–	₱8,071,267

During the years ended December 31, 2021 and 2020, 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 17.20% and 8.0% to 11.8% as at December 31, 2021 and 2020. 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 2% to 5% and 4% to 7% in 2021 and 2020, respectively.

Derivative Instruments

Freestanding Derivatives. The Company's derivative financial instruments are accounted for as financial instruments at FVPL.

UGC and Philcement entered into a buy US$-sell PH₱ deliverable foreign currency forward contracts to manage the foreign currency risk arising from its US$-denominated trust receipts payable.

UGC has a derivative liability amounting to ₱1.0 million and ₱32,027 as at December 31, 2021 and 2020, respectively. The transacted contract has an aggregate notional amount of US$10.8 million and US$28.1 million in 2021 and 2020, respectively. Philcement has transacted contracts with aggregate notional amount of US$23.9 million and US$25.6 million in 2021 and 2020, respectively. For UGC, the weighted average contracted forward rates are ₱49.343 to US$1.00 and ₱50.781 to US$1.00 in 2021 and 2020, respectively, while Philcement's weighted average contracted forward rates are ₱49.408 to US$1.00 in 2021 and ₱50.78 to US$1.00 in 2020.

The net changes in fair value of these derivative liability are as follows:

	2021	2020
Balance at beginning of year	**₱32**	**₱1,405**
Net change in fair value during the year	**1,524**	**10,393**
Fair value of settled contracts	**(4,487)**	**(11,766)**
Balance at end of year	**(₱2,931)**	**₱32**

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:

	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**

	2020				
	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, 2020	₱115,179	₱117,902	₱43,086	₱1,906	₱278,073
Additions	69,136	34,096	190,922	–	294,154
Pre-termination	(77,074)	–	–	–	(77,074)
At December 31, 2020	107,241	151,998	234,008	1,906	495,153
Accumulated Depreciation and Amortization					
At January 1, 2020	5,765	17,609	3,924	210	27,508
Depreciation	7,641	28,247	36,832	1,696	74,416
Pre-termination	(5,274)	–	–	–	(5,274)
At December 31, 2020	8,132	45,856	40,756	1,906	96,650
Net Book Value	₱99,109	₱106,142	₱193,252	₱–	₱398,503

The rollforward analysis of lease liabilities follows:

	2021	2020
As at beginning of year	**₱419,671**	₱279,230
Accretion of interest	**22,523**	57,787
Additions	**53,810**	294,154
Pre-termination	**(15,486)**	(77,074)
Payments	**(124,617)**	(134,426)
As at end of year	**355,901**	419,671
Less current portion of lease liabilities	**108,266**	105,176
Noncurrent portion of lease liabilities	**₱247,635**	₱314,495

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:

	2021	2020
Depreciation expense of right-of-use assets (see Notes 31)	**₱99,012**	₱74,416
Interest expense on lease liabilities (see Note 32)	**22,523**	23,363
Expenses relating to short-term leases	**103,464**	112,451

The Company capitalized as additional cost of property and equipment the depreciation expense of right-of-use assets amounting to nil as at December 31, 2021 and 2020, respectively, and the interest expense on lease liabilities amounting to nil and ₱34.4 million, respectively, as at December 31, 2021 and 2020.

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

	2021	2020
1 year	**₱118,824**	₱146,355
more than 1 years to 2 years	**97,162**	51,174
more than 2 years to 3 years	**38,746**	43,290
more than 3 years to 4 years	**35,031**	40,779
more than 5 years	**225,584**	228,506

39. Commitments and Contingencies

(a) Unused Credit Lines

PHN has an unused credit line amounting to ₱4.4 billion and ₱3.9 billion as at December 31, 2021 and 2020, respectively.

UGC has the following unused approved credit lines with local banks and financial institutions as at December 31, 2021:

Nature	Amount
Letters of credit/trust receipts	₱3,407,676
Bills purchase line	330,000
Forward contract (including settlement risk)	680,042

Philcement has the following unused approved credit lines with local banks and financial institutions as at December 31, 2021:

Nature	Amount
Letters of credit/trust receipts	₱3,208,438
Bills purchase line	156,094
Forward contract (including settlement risk)	723,599

Phinma Solar has the following unused approved credit lines with local banks and financial institutions as at December 31, 2021:

Nature	Amount
Letters of credit/trust receipts	₱300,000
Bills purchase line	50,000
Forward contract (including settlement risk)	154,000

(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:

	2021	2020	2019
(a) Net income attributable to equity holders of the parent	**₱1,121,206**	₱172,637	₱232,507
(b) Weighted average number of common shares outstanding	**272,246**	272,441	280,849
Basic/diluted EPS attributable to equity holders of the parent (a/b)	**₱4.12**	₱0.63	₱0.83

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 - Philcement 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, 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**	**₱13,094,073**	**₱698**	**(₱6,518,970)**	**₱30,081,295**
Total liabilities	**₱5,400,882**	**₱52,491**	**₱7,422,656**	**₱6,542,624**	**₱307,397**	**₱422,184**	**₱20,148,234**
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

	Investment Holdings	Property Development	Construction Materials	Educational Services	BPO	Eliminations	Total Operations
Year Ended December 31, 2019							
Revenue	₱518,479	₱7,167	₱8,227,070	₱2,925,158	₱49,703	(₱402,666)	₱11,324,911
Segment results	526,257	(133)	605,210	651,992	(51,728)	(796,946)	934,652
Investment income	77,755	5,357	12,266	23,017	–	–	118,395
Equity in net earnings of associates and joint ventures	–	45,779	(2,305)	(1,562)	–	2,305	44,217
Interest expense and other financing charges	(133,315)	–	(160,941)	(169,532)	–	–	(463,788)
Provision for income tax	(340)	(26)	(123,687)	(72,300)	–	–	(196,353)
Share of non-controlling interests	–	–	–	(147,185)	–	(57,431)	(204,616)
Net income attributable to equity holders of the parent	₱470,357	₱50,977	₱330,543	₱284,430	(₱51,728)	(₱852,072)	₱232,507
Total assets	₱9,261,558	₱338,276	₱6,652,533	₱11,306,503	₱68,326	(₱5,248,800)	₱22,378,396
Total liabilities	₱3,435,187	₱52,487	₱4,847,812	₱6,123,163	₱388,346	(₱811,274)	₱14,035,721

42. **Events after the Reporting Period**

On March 1, 2022, the Parent Company's BOD declared a 4% regular cash dividend amounting to ₱108.8 million or equivalent to ₱0.40 per share and a 1% special cash dividend amounting to ₱27.2 million or equivalent to ₱0.10 per share payable on April 6, 2022 to shareholders of record as at March 22, 2022.

43. **Other Matter**

COVID-19 Pandemic

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country starting March 16, 2020 have caused disruptions in the Company's business activities. There are increased market activities with the easing of the quarantine measures in key areas in the Philippines. Easing of the quarantine restrictions and rollout of the national vaccination program will further improve market activities.

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Education

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(ARAULLO UNIVERSITY), INC.
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www.au.phinma.edu.ph

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Max Suniel St., Carmen
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UNIVERSITY OF PANGASINAN, INC.
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UNIVERSITY OF ILOILO
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SOUTHWESTERN UNIVERSITY, INC.
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ST. JUDE COLLEGE , INC.
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RIZAL COLLEGE OF LAGUNA
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