PHINMA
Making Lives Better
2023 Annual Report

The Power of 1PHINMA

PHINMA
Making Lives Better

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Go to the table of contents in the report

Go to previous page in the report

Go to next page in the report

Making Lives Better

The PHINMA Group is a conglomerate that has reached into several aspects of Filipinos' lives. Yet, while business may be what we do, it is not all that we are. **We profit for a purpose: to lift and to better the lives of those who have allowed us into their day-to-day.**

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: Education, Construction Materials, Property Development and Hospitality. These businesses 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

PROPERTY DEVELOPMENT
Making lives better by creating sustainable communities

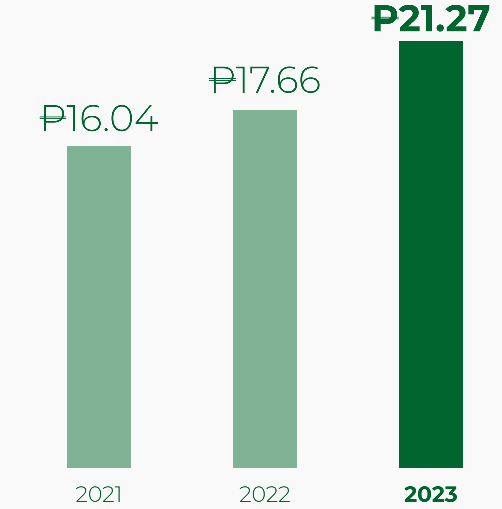
HOSPITALITY
Making lives better by providing safe and comfortable stays

FINANCIAL

HIGHLIGHTS

	2023	2022	2021
INCOME AND DIVIDENDS (In Thousand Pesos)			
Revenues	**21,273,818**	17,664,582	16,038,186
Net Income Attributable to Equity Holders of the Parent	**957,626**	947,677	1,128,965
Consolidated Net Income	**1,626,603**	1,529,181	1,880,196
Core Net Income Attributable to Equity Holders of the Parent	**1,008,164**	641,525	864,019
Consolidated Core Net Income	**1,674,447**	1,193,240	1,586,863
Cash Dividend	**171,795**	135,930	108,927
FINANCIAL POSITION (In Thousand Pesos)			
Current Assets	**20,537,041**	12,712,875	12,251,241
Total Assets	**43,478,956**	32,011,025	30,146,092
Current Liabilities	**18,115,541**	7,434,531	7,173,141
Non-current Liabilities	**14,663,045**	13,433,825	13,000,383
Equity Attributable to Equity Holders of the Parent	**7,687,495**	8,380,879	7,488,944
Total Equity	**10,700,370**	11,142,669	9,972,568
PER SHARE (In Pesos)			
Earnings	**3.34**	3.42	4.12
Core Net Income Attributable to Equity Holders of the Parent	**3.52**	2.32	3.17
Cash Dividends	**0.60**	0.60	0.50
Book Value	**26.83**	29.27	27.54
FINANCIAL RATIOS			
Current Ratio	**1.13**	1.71	1.71
Interest Bearing Debt / Total Equity	**2.03**	1.23	1.16

Revenue (in PHP billion)



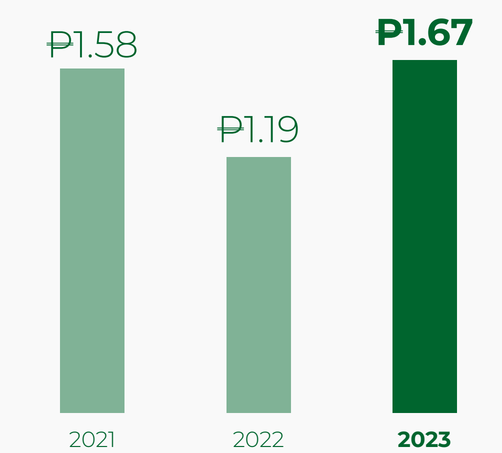
₱21.27B

Revenues

20%

Increase in consolidated revenues versus previous year

Consolidated Core Net Income (in PHP billion)



₱1.67B

Consolidated core net income

40%

Increase in consolidated core net income versus previous year

EDUCATION	CONSTRUCTION MATERIALS GROUP		PROPERTY DEVELOPMENT	HOSPITALITY
Philippines Luzon Metro Manila Laguna Nueva Ecija Pangasinan Visayas Cebu Iloilo Mindanao Cagayan de Oro **Southeast Asia** Indonesia	Luzon Metro Manila Laoag Ilocos Sur La Union Pangasinan Baguio Nueva Ecija Isabela Urdaneta Cainta Calamba Pampanga Lucena Bataan Batangas Naga	Visayas Tacloban Cebu Bacolod Iloilo Mindanao Butuan Ozamis Cagayan de Oro Davao Zamboanga General Santos	Luzon Metro Manila Bulacan Cavite Batangas Laguna Visayas Cebu City Mindanao Davao City	Luzon *Metro Manila* Mall of Asia, Pasay City Acropolis, Quezon City UP Technohub, Quezon City Baguio Luisita, Tarlac Cabanatuan, Nueva Ecija San Fernando, Pampanga Sto. Tomas, Batangas Eagle Ridge, Cavite South Forbes (near Nuvali), Cavite Visayas Boracay Puerto Princesa, Palawan Mindanao Davao City General Santos

146,546
Total enrollees for SY 2023-2024

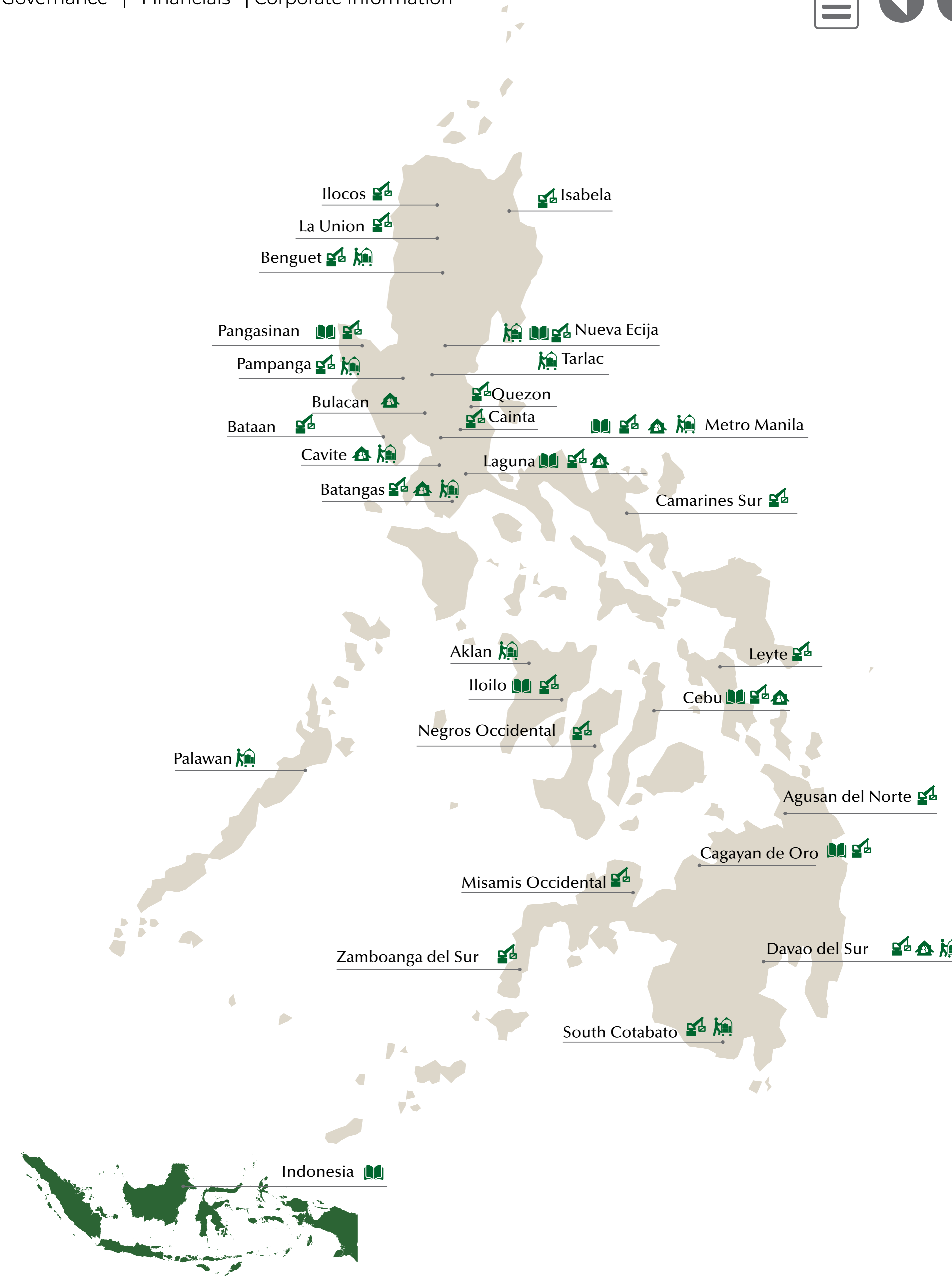
58
Projects awarded to PHINMA Solar

28
Developments across the country

79%
Microtel by Wyndham Mall of Asia occupancy rate

GEOGRAPHIC

REACH



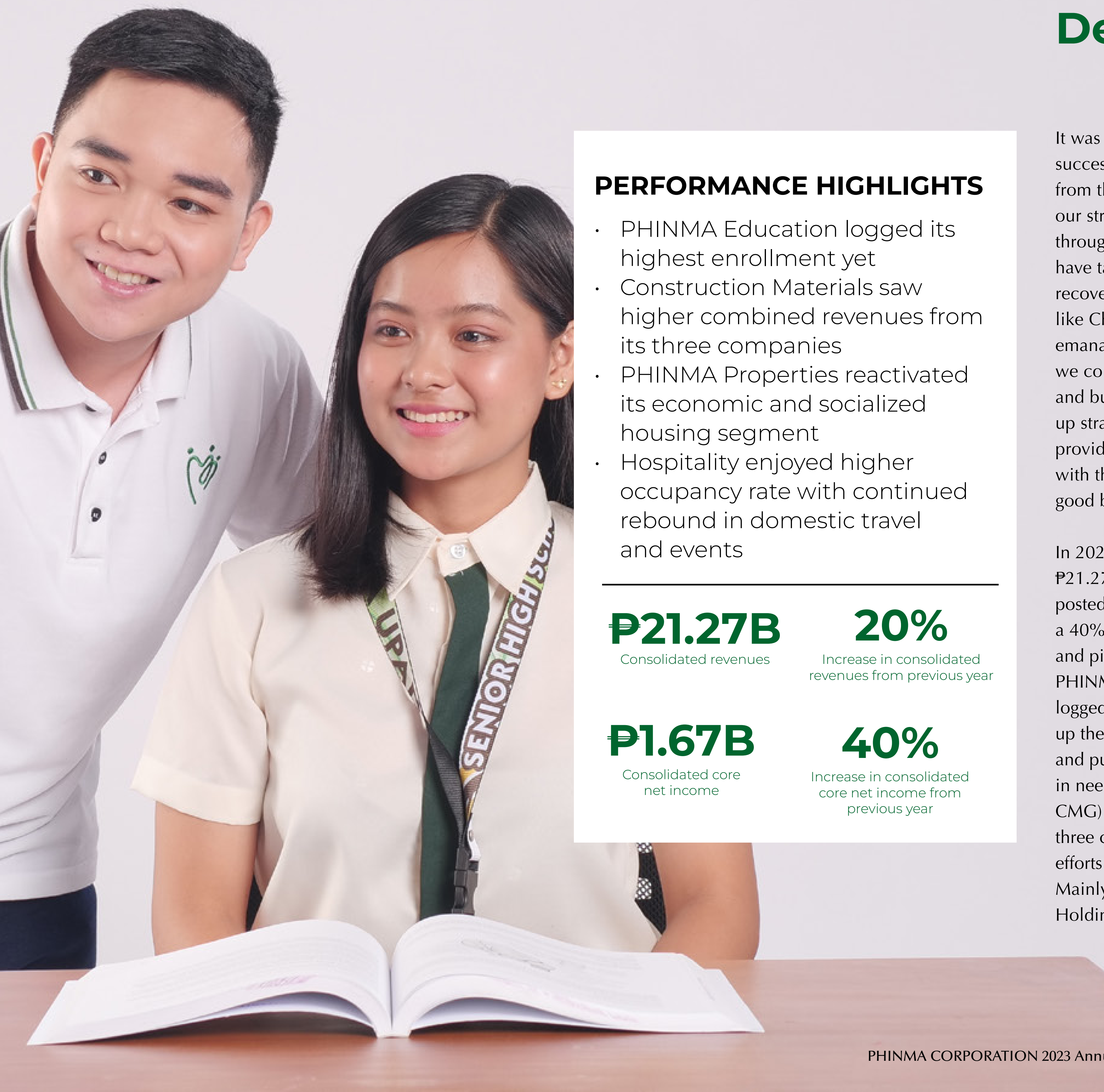
Message to Stockholders

Making Lives Better as One

"PHINMA believes **business can and must be a force for good**—by design and intention, it should be used to improve lives and the entire nation. By harnessing the power of one, we can **make lives better on a much larger scale**."

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

DR. CHITO B. SALAZAR
President and Chief Operating Officer



Dear Shareholders,

PERFORMANCE HIGHLIGHTS

- PHINMA Education logged its highest enrollment yet
- Construction Materials saw higher combined revenues from its three companies
- PHINMA Properties reactivated its economic and socialized housing segment
- Hospitality enjoyed higher occupancy rate with continued rebound in domestic travel and events

₱21.27B
Consolidated revenues

20%
Increase in consolidated revenues from previous year

₱1.67B
Consolidated core net income

40%
Increase in consolidated core net income from previous year

It was a remarkable 2023 for PHINMA as the Group successfully navigated through challenges, some lingering from the previous year, through the concerted efforts of our strategic business units (SBUs) to make lives better through essential goods and services. Our businesses have taken advantage of the country's sustained economic recovery, while also watching out for global headwinds like China's economic slowdown and risks to world trade emanating from the persisting Russia-Ukraine war. Still, we continue to harness the strengths of our SBUs, fortify and build up on synergies within the Group, and ramp up strategic investments to better fulfill our mission of providing families, communities, and all our stakeholders with the essentials of a dignified life—all while doing good business.

In 2023, your Company reported consolidated revenues of ₱21.27 billion—climbing 20% from the year prior. We also posted a consolidated core net income of ₱1.67 billion, a 40% annual increase as our SBUs sustained growth and pivoted amid challenges here and around the world. PHINMA Education Holdings, Inc. (PHINMA Education) logged its highest enrollment yet this school year, driving up the company's consolidated revenues and net income and putting it in a better position to assist more students in need. Our Construction Materials Group (PHINMA CMG) saw slightly higher combined revenues from its three companies while improving on cost efficiency efforts amid a tight, challenging business environment. Mainly focused on affordable housing, PHINMA Property Holdings Corp. (PHINMA Properties) also reactivated its economic and socialized housing segment to address the country's growing housing backlog. Our Hospitality business likewise took advantage of the continued rebound in domestic travel and events, both leisure and corporate, especially in the Mall of Asia area.

2023 Highlights

PHINMA Education provides accessible quality education to underserved youth, and is today one of the largest private education networks in Southeast Asia. In the 2023-2024 academic year, the company recorded its highest enrollment of 146,546 students, an 18% increase over the previous Academic Year (AY).

2023 academic results showed a continued commitment to our students' needs. In Indonesia, Horizon Education secured full university status for its first institution, and in the Philippines, we achieved an 83.11% first-time pass rate across all licensure exams with 26 topnotchers.

This commitment resulted in significant financial growth with consolidated revenues of ₱5.44 billion and net income of nearly ₱1.2 billion in Calendar Year (CY) 2023—up from ₱4.07 billion and ₱818.35 million in CY 2022, respectively.

PHINMA CMG—which is composed of Union Galvasteel Corporation (UGC), Philcement Corporation (Philcement), and PHINMA Solar Energy Corporation (PHINMA Solar)—supports public and private infrastructure development by supplying galvanized iron and steel building products, cement, and solar rooftop generation solutions.

Buoyed by the country's resilient economic performance in 2023, PHINMA CMG improved its cost efficiency operations as the group coursed through geopolitical tensions from the lingering Russia-Ukraine war, delayed rebound of China's economy, and delays in government infrastructure projects.

UGC's Light Steel Frames and Insulated Panels divisions have been gaining ground from their launch in 2022–all in line with the company's pivot towards the future. Philcement saw its sales volume increase but faced challenges in improving prices amid tough competition. The company also successfully concluded talks in 2023 with Petra Cement for a strategic partnership. On top of its highest-ever revenues, PHINMA Solar secured 58 projects totaling 9.39 MWp from the government's second Green Energy Auction Program—making it the sole firm to bid successfully in the solar rooftop segment.

The three companies of PHINMA CMG produced combined revenues of ₱13.27 billion, rising slightly year-on-year. The group's combined net income moderated to ₱430.95 million, largely owing to a tight competitive environment.

PHINMA Properties shapes new urban communities nurturing Filipinos to become better citizens, believing that supportive communities can help our countrymen achieve their full potential. The affordable housing segment remained PHINMA Properties' primary market this 2023, with its Maayo line still focused on the urban workforce in growth centers nationwide. The company also reactivated its economic and socialized housing segment as the country's housing backlog continues to grow.

For 2023, PHINMA Properties registered consolidated revenues of ₱2.52 billion and a consolidated net income after tax of ₱114.12 million—a 17% year-on-year climb.

PHINMA Hospitality Inc. (PHINMA Hospitality) remains steadfast to its commitment to provide clean, comfortable, and secure lodging to leisure and business travelers in the country through its Microtel by Wyndham and TRYP by Wyndham. PHINMA Hospitality operates 13 Microtel by Wyndham hotels and one TRYP by Wyndham hotel in the Philippines.

The hotels witnessed significant recovery from the pandemic owing to strong local tourism, the return of business travel, and the sustained increase in international travels. The uptick in face-to-face meetings and events likewise drove up demand for accommodations and function rooms.

PHINMA Corporation acquired shares of PHINMA Hospitality and PHINMA Microtel shares last July 2023. The Company consolidated net earnings of Coral Way, PHINMA Hospitality and PHINMA Microtel for the year of ₱26.56 million. This includes the equitized net income in Coral Way amounting to ₱5.25 million during the first half of 2023.

The Group's efforts to make lives better for Filipino families and communities go beyond our business operations. We participated in the Department of Education's Brigada Eskwela program for the 17th straight year, where we revitalized nearly 160 classrooms in 50 public schools—directly benefiting 28,000 students and 570 teachers. Other efforts included tree plantation and blood letting, all made possible by the mobilization of 2,000 PHINMA Hero volunteers.

This year, PHINMA Foundation, Inc. (PFI) welcomed 73 new college scholars into its flagship PHINMA National Scholarship (PNS) program. The PNS currently supports 150 scholars across partner institutions Philippine Normal University Manila, University of the Philippines Diliman, Technological University of the Philippines Manila, and PHINMA University of Pangasinan. PHINMA employees also provide scholars mentorship through the Big Brother and Big Sister Program, accounting for over 70% of its total mentors. PHINMA Education also assists qualified students through the Hawak Kamay (HK) Scholarship Program in the Philippines and the Beasiswa Sahabat Horizon Program in Indonesia which reduce tuition fees by as much as 75%. This SY, some 66,759 college students or 58% of enrolled students within the network are covered.

This year, your Company has also promoted and fortified synergies among its strategic business units. PFI scholars and PHINMA Education students can pursue internships required by their degree programs under our businesses. Several PHINMA schools and property developments also utilize solar panels from PHINMA CMG, while PHINMA Properties has exercised its construction capabilities in some schools. Our Ugnayan initiative includes hybrid group-wide townhalls and regional town hall meetings to help facilitate updates and networking among our businesses' employees nationwide.

PHINMA Corporation's strong business performance has allowed it to maintain a healthy balance sheet in 2023. We are also happy to report that the Board has declared a regular cash dividend of ₱0.60 per share, which is payable on 12 April 2024.

2024 Outlook

The country looks forward to sustaining its economic recovery amid the shift to a post-COVID normal. But challenges still loom locally, such as high interest rates and upside risks to inflation due to the El Niño phenomenon, and globally as the world economy is projected to slow further this year. Authorities have said they are counting on developments in sectors like tourism, infrastructure, and even the government's mass housing projects to help spur domestic economic activity.

As the learning crisis worsened by the pandemic lingers, PHINMA Education expects to be flexible in terms of time, space, and modality to reach more underserved youth here and in Southeast Asia and provide quality education to those needing it most. PHINMA Education likewise continues expanding through internal growth and strategic acquisitions, increasing its market and geographic reach.

PHINMA CMG looks forward to more returns from its new divisions this 2024 as the group reaffirms its commitment to sustainability and nation-building. The Light Steel Frames division is poised to reach further heights through more innovative products while the Insulated Panels division is gearing up for more cold storage projects to support national food security. Philcement's partnership with Petra Cement shall bolster our position in the cement industry, while PHINMA Solar has attracted interest from parties that could eventually become partners in scaling up the business.

PHINMA Properties will be pursuing more strategic expansions in the coming years which shall build on the successes of its current developments. It has developments currently under construction in Cebu City and Batangas. For its economic and socialized housing segment, PHINMA Properties likewise welcomed a senior Gawad Kalinga officer into its management to better cater to the underserved and low-income Filipinos.

Given the strong outlook on domestic and international tourism, PHINMA Hospitality is optimistic for the coming years. Microtel and TRYP by Wyndham Mall of Asia are expected to benefit from the build-up in demand from their key markets as more people embark on business and leisure travel.

This year and beyond, the Company looks forward to maximizing these growth opportunities, building from the successes achieved and improvements implemented from 2023. We also hope to achieve more milestones and reach further heights with the support of our shareholders, leaders, employees, creditors, business partners, and other stakeholders as we continue to do well and do good together.

The Power of One

PHINMA believes business can and must be a force for good—by design and intention, it should be used to improve lives and the entire nation. It is a call that everyone in our Company answers every day, but this call can grow even louder if we all work together and do our part in bringing about positive change even beyond our offices, schools, and properties. By harnessing the power of one, we can make lives better on a much larger scale. We invite you all to join us in our vision as 1PHINMA.

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

DR. CHITO B. SALAZAR
President and Chief Operating Officer

Business Review

EDUCATION

BUSINESS REVIEW: EDUCATION

PHINMA Education Holdings, Inc. (PHINMA Education) makes lives better by providing accessible quality education to underserved youth in Southeast Asia. Through learning strategies designed for low-income, first generation students, the company brings students and their families closer to the dignified life they deserve. PHINMA Education owns nine schools with 14 campuses across the Philippines and manages one in Indonesia.

In Luzon, PHINMA Education carries out its mission through PHINMA Araullo University (PHINMA AU), PHINMA University of Pangasinan (PHINMA UPang), PHINMA St. Jude College Manila (PHINMA SJC Manila), PHINMA St. Jude College Quezon City (PHINMA SJC QC), PHINMA Rizal College of Laguna (PHINMA RCL), and PHINMA Union College of Laguna (PHINMA UCL).

PHINMA University of Iloilo (PHINMA UI) and Southwestern University PHINMA (SWU PHINMA) in Cebu serve students in Visayas, while PHINMA Cagayan de Oro College (PHINMA COC) serves students in Mindanao. In 2023, PHINMA COC opened its third campus in Iligan City. The 832-square meter, four-storey building can accommodate up to 500 students and is composed of 10 classrooms, seven laboratories, and administrative offices.

In Indonesia, PHINMA Education fulfills its mission by serving as an educational partner to Horizon Education, assisting in the management of its schools. The initial school, situated in Karawang, West Java, attained full university status in 2023. Horizon University Indonesia now extends its services to underserved markets in Karawang, Bekasi, Subang, and Purwakarta. Specializing in Nursing and Information Technology programs, the university boasts an 80%-100% success rate in licensure exams.

In School Year (SY) 2023-2024, PHINMA Education logged its highest enrollment yet by welcoming 146,546 students in the Philippines and Indonesia, with 49,407 college freshmen. This marks an 18% overall increase versus the previous school year's enrollment of 124,501 students.

PHINMA COC continued to be the network's largest school with more than 30,000 students, while PHINMA UI was the first school to achieve 10,000 in freshmen enrollees. The strong enrollment growth resulted in PHINMA Education posting consolidated revenues of ₱5.44 billion and a consolidated net income of about ₱1.19 billion for the Calendar Year (CY) 2023.

PHINMA Education's learning strategies match the resources and needs of its students, majority of whom are the first in their families to attend college. The network's key programs are Active Learning (AL), Student Success Program (SSP), Career Pathways, Core Work Skills, and Making the Lives of Others Better (MLOB).

AL emphasizes learning by doing and thinking while SSP focuses on supporting the students as they progress toward graduation. Career Pathways aims to make lives better for both degree and non-degree holders by structuring education so that core and employable skills are learned

▲ ***Significant impact through education.*** *PHINMA Education continues to provide accessible quality education to underserved youth as it upholds academic standards and promotes sustainable and inclusive campuses.*

▼ ***Excellence across courses.*** *PHINMA Education has consistently produced excellent students in courses such as Criminology, Optometry, Accountancy, Elementary Education, Occupational and Physical Therapy, Nursing, Secondary Education, and Radiologic Technology.*

PERFORMANCE HIGHLIGHTS

- PHINMA Education partner Horizon Education's initial school in West Java, Indonesia, attained full university status in 2023
- 18% overall increase in enrollment with 146,546 students in SY 2023-2024
- In 2023, the schools collectively posted an 83.11% first-time passing rate, including 26 board topnotchers

18%
Increase in enrollment

146,546
Total enrollees for SY 2023-2024

83.11%
First-time passing rate for PHINMA Education schools

26
PHINMA Education graduates board topnotchers

₱5.44B
Consolidated revenues in 2023

₱1.19B
Consolidated net income in 2023

▼ ***Empowering future informed and participative citizens.*** *PHINMA Education implements learning strategies that match the resources and needs of more than 146,500 students.*

throughout their stay and not just in their final years. This is supplemented by Core Work Skills, which are necessary to help students succeed in any industry, navigate a career, and remain employable throughout their lives. Finally, to empower students to become informed and participative citizens, PHINMA Education launched the Making the Lives of Others Better (MLOB) program so the students can give back, build a better nation, and create a more sustainable future for all.

Students who qualify benefit from PHINMA Education's Hawak Kamay (HK) Scholarship Program in the Philippines, and the Beasiswa Sahabat Horizon Program in Indonesia, which reduces tuition fees by up to 75%. In SY 23-24, 66,759 college students, comprising 58% of college enrollees within the network, benefited from the program.

The various schools continued to perform well in terms of licensure exams. In 2023, PHINMA Education graduates included 26 board topnotchers, with the schools collectively posting an 83.11% first-time passing rate for students across all licensure exams . Notably, Southwestern University PHINMA was the top Optometry school with a 96% passing rate and five topnotchers, while PHINMA Cagayan de Oro College came in third for Criminology with an 85% passing rate and two topnotchers. PHINMA Education graduates also excelled in other courses including Accountancy, Elementary Education, Occupational and Physical Therapy, Nursing, Secondary Education, and Radiologic Technology.

In keeping with its thrust towards sustainable campuses, all PHINMA Education schools have banned the use of single-use plastics. Eight out of nine schools in the Philippines employ solar panels, while two of nine schools have sewage treatment plants .

In 2023, PHINMA Education's leaders devoted time to publicly share their views on the company's mission at local forums and at various international conferences throughout the year. In June, the company held its first PHINMA Educators' Day, while in July, the company hosted its Our Students, Their Success press briefing.

President and CEO Dr. Chito Salazar and Chief Strategy Officer Trissa Menardo joined other education leaders in Singapore at Kaizenvest Tangram Asia EdTech Innovation Conclave 2023. Country Chief-Indonesia Dr. Raymundo Reyes also spoke at the Asian Business Conference in Jakarta, Indonesia organized by the Federation of Asian Institute of Management Alumni Associations (FAIM).

Chief Technology Officer Alex Ustaris participated in the EDUtech CIO Summit in Thailand while Country Chief Learning Officer-Philippines Dr. Glenn Laigo joined EDUtech Asia 2023 in Singapore. Finally, Senior Strategy Officer Esther Galvez spoke at IDEALS, Inc.'s learning event Growth for All Through Inclusive Businesses, while Senior Manager for MLOB Katrina Navarro talked about the importance of the Rainbow Report Card at the PANTAY Media Event.

PHINMA Education continues to provide **accessible quality education** to underserved youth as it upholds academic standards and promotes sustainable and inclusive campuses.

PHINMA Education continues to provide accessible quality education to underserved youth as it upholds academic standards and promotes sustainable and inclusive campuses. The company continues to expand through internal growth as well as strategic acquisitions which increase its market and geographic reach. In its 19th year, PHINMA Education continues its mission to improve lives and make a significant impact through education for generations to come.

Business Review

CONSTRUCTION MATERIALS

BUSINESS REVIEW: CONSTRUCTION MATERIALS GROUP

The PHINMA Construction Materials Group (PHINMA CMG)—composed of Union Galvasteel Corporation (UGC), Philcement Corporation (Philcement), and PHINMA Solar Energy Corporation (PHINMA Solar)—makes lives better by supporting infrastructure development in both the private and public sectors. Through high quality products and a nationwide distribution network, PHINMA CMG provides Filipinos the materials to build a better future.

PHINMA CMG entered 2023 expecting an improved economic environment spurred by the sustained recovery from the COVID-19 pandemic and hopes of the Russia-Ukraine war ending earlier. While economic activity indeed remained resilient in 2023, geopolitical tensions from the war, the slower-than-expected recovery of the Chinese economy, and delays in government infrastructure projects led to a challenging business environment for PHINMA CMG.

Despite these challenges, PHINMA CMG managed to deliver respectable financial results while also focusing on building a platform for its future growth.

UGC, which celebrated its 60th year in 2023, began its pivot towards the future. Launched the year prior, the Light Steel Frames and Insulated Panels divisions started to gain ground in 2023. The Light Steel Frames division saw a 246% improvement in its revenue contribution to UGC. Major developers have started to recognize and use UGC's light steel frames, branded as Durastrong, in their projects. UGC's Light Steel Frames division also developed new channels, venturing into modern trade sales to hardware stores and depots. Similarly, UGC's Insulated Panels division also gained recognition in the cold storage industry and strengthened UGC's insulated roofing offerings. The division increased its revenue contribution by 94%. In 2023, UGC also introduced stone-coated roofing, the first in its LuxeLine roofing products. All these initiatives were implemented to reshape the future of UGC in the face of a more challenging traditional roofing market. UGC plans to further expand its roofing product offerings to cater to the current evolving needs of the market.

Philcement focused on markets where it can generate the most value. Overall, Philcement managed to increase sales volume but faced challenges in improving prices due to the highly competitive market. In spite of this, Philcement still initiated plans for growth. In 2023, Philcement successfully concluded discussions with Petra Cement for a strategic partnership—strengthening Philcement's position in the cement industry and its commitment to be a strong partner in the country's infrastructure development.

PERFORMANCE HIGHLIGHTS

- UGC celebrated its 60th year in 2023 and began its pivot to the future
- Light Steel Frames and Insulated Panels divisions started to gain ground in 2023
- PHINMA Solar was awarded 58 projects, totaling 9.39 MWp, making it the only company to successfully bid in the solar rooftop segment

246%
Improvement in Light Steel Frames' revenue contribution to UGC

94%
Increase in Insulated Panels' revenue contribution to UGC

141%
Annual growth of PHINMA Solar

58
PHINMA Solar projects awarded

₱13.3B
Combined revenue of three CMG companies

₱430.9M
Combined net income of three CMG companies

▲ ***Reshaping tomorrow.*** *As it marks its 60th year, Union Galvasteel is implementing more initiatives as it pivots towards the future.*
▼ ***Stronger together.*** *Philcement successfully conclude talks with Petra Cement for a strategic partnership—a move seen to bolster Philcement's position in the cement industry.*

▲ ***Banner year.*** *PHINMA Solar registered its highest revenues to date with a year-on-year increase of 141%.*
▼ ***Building a brighter and better future.*** *PHINMA CMG is poised to further improve more lives by providing Filipinos livelihood, along with materials to build a better future.*

PHINMA Solar saw an increase in its sales of photovoltaic systems, particularly in the commercial rooftop segment, resulting in its highest revenues to date with an annual growth of 141%. Moreover, PHINMA Solar also participated in the government's second Green Energy Auction Program (GEAP II) and was awarded 58 projects totaling 9.39 mWp, making it the only company to successfully bid in the solar rooftop segment. This gave PHINMA Solar recognition as one of the significant players in the solar rooftop segment, poised to take on more projects in the future.

PHINMA CMG finished 2023 with the three companies generating a combined revenue of ₱13.27 billion, a slight increase over the previous year. The group posted a combined net income of ₱430.95 million, 14% lower versus last year, largely due to the tight competitive environment. Recognizing present challenges, PHINMA CMG remains cautiously optimistic about its future. UGC is positive that its new divisions will generate more returns in the coming years and support PHINMA CMG's commitment to sustainability and nation-building. The Light Steel Frames division, a promising solution to the housing needs of the country, is expected to reach greater heights as it explores more innovative offerings. The Insulated Panels division is gearing up to serve more cold storage projects in an effort to significantly contribute to our country's food security, food safety, and healthcare needs. Philcement's partnership with Petra Cement reinforces PHINMA's re-entry in the cement industry where it was a pioneer. PHINMA Solar, on the other hand, has generated interest from parties who it can potentially partner with to scale up its current business and explore the possibilities of venturing into solar farms. Confident that it has built a strong platform for future growth, PHINMA CMG is well-positioned and excited to make more lives even better as it brings the essentials of a dignified life closer to more Filipinos.

PHINMA CMG is well-positioned and excited to make more lives even better as it brings the **essentials of a dignified life** closer to more Filipinos.

Business Review

PROPERTY DEVELOPMENT

BUSINESS REVIEW: PROPERTY DEVELOPMENT

PHINMA Property Holdings Corporation (PHINMA Properties) makes lives better through shelter, innovatively shaping new urban communities that nurture Filipinos to become better citizens. The company believes the full potential of the Filipino can be achieved through supportive communities.

With the Philippines projected to be predominantly mid-income by 2040, the affordable housing segment will remain the primary market of PHINMA Properties. Its Maayo line will particularly continue focusing on delivering the housing aspirations of the urban workforce in growth centers all over the country. The company also launched PHINMA Maayo Tugbok, its first horizontal housing project in Mindanao. PHINMA Properties has also completed the construction of Building 1 of Metrotowne in Las Piñas City, while Building 2 is ahead of its completion target. Construction is also in full-swing in Building 2 of Uniplace in Cebu City, and in the Rosario Phase of PHINMA Maayo San Jose in Batangas.

In yet another testament to PHINMA Properties' commitment to excellence, it again received in 2023 recognition from PropertyGuru's Philippines Property Awards and Lamudi's The Outlook: Philippines Real Estate Awards, taking home multiple accolades including Boutique Developer of the Year in Luzon and Best Housing Interior Design for PHINMA Maayo San Jose.

Committed to being a model for responsible urbanization, PHINMA Properties develops integrated mixed-income residential townships and standalone housing projects that are inclusive, traditional, and sustainable.

The company specifically advocates sustainability through green and resilient communities that harmonize with neighboring ecosystems. Beyond traditional green green features such as solar panels, rainwater collectors, and materials recovery facilities, PHINMA Properties is adopting green design standards from green-certifying bodies such as the Excellence in Design for Greater Efficiencies (EDGE) of the International Finance Corporation (IFC). The company's on-going EDGE certification will likewise unlock green financing including those available from the National Home Mortgage Finance Corporation (NHMFC).

PHINMA Properties also champions accessibility by providing ease of access and mobility, as well as a safe space for residents of all ages and abilities. The company also safeguards our cultural heritage by fusing contemporary design principles with traditional Filipino elements, materials, and motifs.

PERFORMANCE HIGHLIGHTS

- Launched PHINMA Maayo Tugbok, its first housing project in Mindanao
- Received recognition from PropertyGuru's Philippines Property Awards and Lamudi's The Outlook: Philippines Real Estate Awards
- Continued adopting green design standards from green-certifying bodies

₱2.52B Consolidated revenue in 2023

₱114.12M Consolidated net income after tax

18,018 Homes sold since 1987 across 28 developments

28 Developments in seven provinces

▲ ***Shaping new urban communities.*** *PHINMA Properties' Maayo line will continue its thrust of fulfilling the housing aspirations of the Filipino urban workforce nationwide.*

▼ ***Advocating sustainability.*** *PHINMA Properties promotes green and resilient communities through housing developments like Maayo San Jose.*

In 2023, PHINMA Properties reactivated its economic and socialized housing segment to address the growing housing backlog in the Philippines. The company also welcomed into its management team a concurrent senior Gawad Kalinga officer to lead a strong push to address the underserved segment and integrate the low income sector into Filipino society. PHINMA Properties partnered with the City Government of Iloilo to deliver quality housing to less fortunate citizens of Iloilo as well this year.

PHINMA Properties' subsidiaries continue supporting the company's mission of improving lives through shelter. Community Developers and Construction Corporation (CDCC) provides construction and construction management services for PHINMA Properties across a growing range of building types. Through CDCC, PHINMA Properties also achieves synergies with other PHINMA SBUs with its capabilities like the construction of schools. Meanwhile, Community Property Managers Group, Inc. (CPMGI) provides property management services for PHINMA Properties projects and for a growing portfolio of managed properties from other developers nationwide.

PHINMA Properties will turn more **aspirations into reality** as it improves lives through building even more Filipino homes and helping more Filipinos live better.

For 2023, the company posted a consolidated revenue of ₱2.52 billion and consolidated net income after tax of ₱114.12 million, a 17% growth year-on-year. In the coming years, PHINMA Properties is poised for robust growth on the heels of a revitalized project bank including strategic expansions that build on the successes of current projects. Since 1987, the company has sold over 18,018 units across 28 developments. Moving forward, PHINMA Properties will turn more aspirations into reality as it improves lives through building even more Filipino homes and helping more Filipinos live better.

▲ ***Inclusive, traditional, and sustainable.*** *PHINMA Properties believes innovatively shaping new urban communities helps Filipinos reach their full potential.*

◀ ***Testament to our commitment to excellence.*** *In 2023, PHINMA Properties was recognized for its outstanding achievements and commitment to housing development excellence at prestigious awarding ceremonies: The Outlook 2023 Philippine Real Estate Awards by Lamudi.com.ph (L) and the 11th Philippines Property Awards by Property Guru (R).*

Business Review

HOSPITALITY

BUSINESS REVIEW: HOSPITALITY

PHINMA Hospitality Inc. (PHINMA Hospitality) makes lives better by providing consistently clean, comfortable and secure lodging to leisure and business travelers in the country. Combining the warm Filipino hospitality with efficiency, guests can always expect a safe and seamless stay.

PHINMA Hospitality offers value-for-money, international class accommodations through its brands Microtel by Wyndham and TRYP by Wyndham. Presently, it operates 13 Microtel by Wyndham hotels and one TRYP by Wyndham hotel in the Philippines. It is also a joint venture partner in the majority of these properties, including the flagship 150-room Microtel by Wyndham Mall of Asia as well as the 191-room TRYP by Wyndham Mall of Asia.

Microtel by Wyndham, an international chain of limited service hotels under Wyndham Hotel Group, pioneered the no-frills hotel concept in the country that targets the mid-market travelers. The following key business and tourist destinations in the Philippines form part of the hotel chain's over 300-strong properties worldwide:

- Baguio
- Sto. Tomas, Batangas
- Boracay
- Cabanatuan, Nueva Ecija
- Davao
- General Santos
- Mall of Asia, Pasay City
- San Fernando, Pampanga
- Puerto Princesa, Palawan
- Acropolis, Quezon City
- UP Technohub, Quezon City
- South Forbes (near Nuvali)
- Luisita, Tarlac

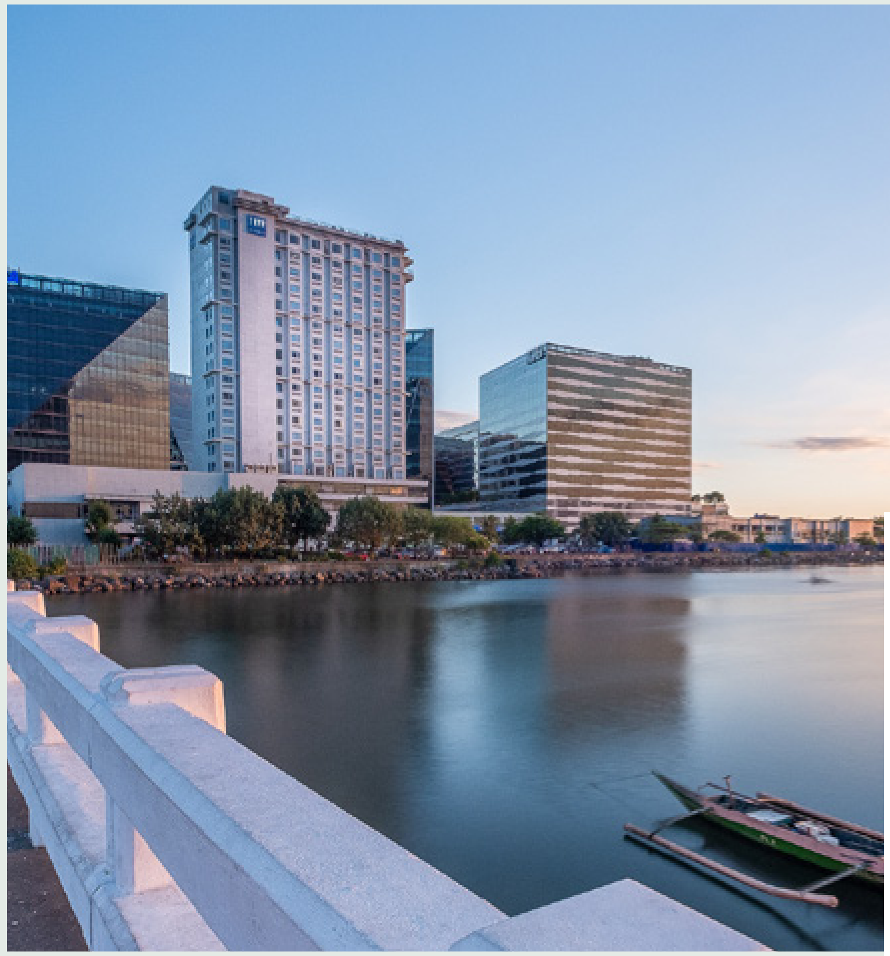
TRYP by Wyndham is an urban, lifestyle boutique brand with 50+ properties in exciting locations like New York, New Jersey, Florida, São Paulo, Dubai, Melbourne and Manila. This select service hotel targets today's modern travelers with its hip, young and energetic interiors and amenities.

TRYP Mall of Asia-Manila features specialty rooms such as the Family Room with bunk beds, Loft with spacious living area and bunk beds in the upper level, and Fitness Room complete with exercise equipment. It also has a restaurant, rooftop pool and bar with a view of Manila Bay.

In 2023, the hotels showed significant recovery from the pandemic because of strong domestic tourism, return of business travel, and continued increase in international arrivals. Demand for accommodations and function rooms was also enhanced by the increase in face-to-face meetings and events. Microtel by Wyndham Mall of Asia had an average occupancy of 79% in 2023, while TRYP by Wyndham Mall of Asia ended the year with an occupancy of 62%.

Consolidated net income from Microtel by Wyndham Mall of Asia, also known as Coral Way City Hotel Corporation, PHINMA Hospitality and PHINMA Microtel for the year was at ₱26.56 million. This includes the equitized net income in Coral Way amounting to ₱5.25 million during the first half of 2023. PHINMA Corporation acquired shares of PHINMA Hospitality and PHINMA Microtel shares last July 2023.

PHINMA Hospitality is optimistic about the coming years because of the strong outlook for both domestic and international tourism. Microtel and TRYP by Wyndham Mall of Asia are projected to perform well given the sustained build-up of demand from key markets.



▲ ***A unique urban, lifestyle boutique brand experience.*** *TRYP by Wyndham Mall of Asia is ideally located in the middle of old and new Manila affording guests the best of the city.*

▼ ***Do more, see more, or just relax more.*** *Microtel by Wyndham Mall of Asia is a 150-room hotel located near the best shopping, business, leisure, and entertainment complex in Pasay City*

PERFORMANCE HIGHLIGHTS

- Showed significant recovery from the pandemic because of strong domestic tourism, return of business travel, and continued increase in international arrivals
- Demand for accommodations and function rooms enhanced by the increase in face-to-face meetings and events

14
Hotels operated by PHINMA Hospitality

79%
Occupancy rate of Microtel by Wyndham Mall of Asia

62%
Occupancy rate of TRYP by Wyndham Mall of Asia

₱26.6M
Consolidated net income from Microtel by Wyndham Mall of Asia, PHINMA Hospitality, and PHINMA Microtel

The Power of 1PHINMA

PHINMA understands the importance of harnessing synergies among its business units.

The push for 1PHINMA allows businesses to maximize and tap into each other's unique strengths to bolster group-wide performance. Through strategic consolidation, PHINMA is paving the way for a more integrated and aligned organizational structure—ultimately putting the Company in a better position to give Filipinos the essentials of a dignified life.

Employees Unite:

#1PHINMAWoW

A sense of unity among employees is essential for cultivating synergy within the group. PHINMA launched the wear "White on Wednesdays" campaign, where employees across the group wear the same uniform once a week, fostering a strong sense of belonging and solidarity.

Meaningful Interactions:

Regional Townhalls and Leaders' Summit

To promote networking and collaboration among its diverse workforce, PHINMA goes beyond traditional townhall meetings. In addition to the annual group-wide Ugnayan townhall, regional Ugnayans are organized to connect employees from co-located strategic business units. These events, held in Davao and Laguna in 2023, facilitate meaningful interactions and reinforce PHINMA's core values.

Furthermore, the 1PHINMA Leaders' Summit, a two-day gathering of executives from across the group, strives to strengthen relationships, foster cross-functional collaboration, and ensure that leadership is aligned with the vision of 1PHINMA.

Collaboration in Action

PHINMA leverages the synergies between its diverse business units to create mutually beneficial partnerships. For instance, PHINMA Hospitality collaborates with PHINMA Education Network schools to provide valuable learning opportunities for students. Through initiatives like the Stay-and-Learn Program and career fairs, students gain practical experience in the hospitality industry, while the hotel benefits from a skilled talent pipeline.

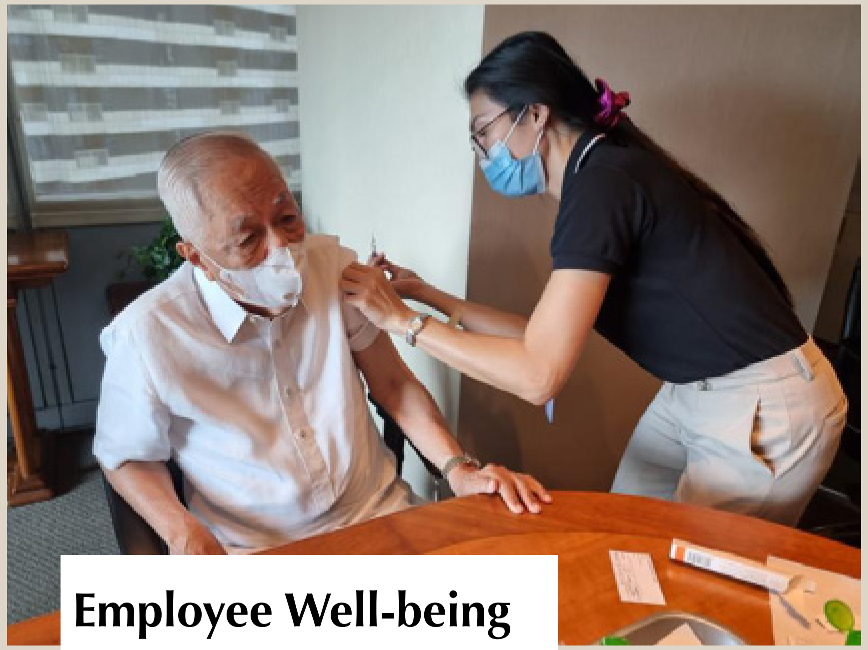
Similarly, the Construction Materials Group welcomes scholars from PHINMA Foundation for field trips and internships, bridging the gap between academia and industry. These collaborative efforts enrich the educational experience while also contributing to the development of future talent within the conglomerate.

PHINMA schools and select projects of the Properties Group showcase the group-wide commitment to sustainability with the installation of PHINMA Solar panels across all campuses. This initiative not only promotes renewable energy but also underscores PHINMA's dedication to environmental stewardship.

Additionally, the collaboration extends to the Property group, which sources roofing and cement materials from the Construction Materials Group. This strategic partnership ensures high-quality materials for property development projects while bolstering the conglomerate's vertical integration efforts.

Cross-promotions of affiliates are done during customer events such as PHINMA CMG's Usap Tayo conference with Subdivision Housing and Developers' Association, which PHINMA Hospitality and PHINMA Insurance Brokers, Inc. also joined. PHINMA Hospitality, PHINMA Insurance, and PHINMA Properties also supported PHINMA Solar's golf tournament.

By leveraging the individual strengths of its business units and fostering collaboration, PHINMA embarks on major projects that demonstrate the power of synergy. Projects like the Davao Terminal and the township in Negros Occidental exemplify the collective capabilities of 1PHINMA in driving innovation, efficiency, and sustainable growth.



▲ ***Unified approach to health and well-being.*** *Dr. Magdaleno Albarracin is vaccinated by a nurse from PHINMA St. Jude College.*

Employee Well-being at the Forefront

The success of the group-wide flu vaccination initiative is a testament to the collaborative efforts of PHINMA's diverse subsidiaries. Nurses from PHINMA Properties, Construction Materials Group, and PHINMA St. Jude College came together to administer vaccinations at the Head Office, showcasing the conglomerate's unified approach to employee health and well-being.

Group-wide commitment to sustainability. *PHINMA solar panels installed on PHINMA Araullo University (above) and PHINMA Maayo San Jose (below.)*

SUSTAINABILITY

SUSTAINABILITY FRAMEWORK

PHINMA Corporation focuses on a 3-tier bottom line, assessing our impact from the perspective of People, Planet, and Profit. PHINMA's sustainability strategy recognizes the Company as a good corporate citizen must focus on and measure its impact not just in terms of profits, but in other areas including the economy, society, and the environment, in order to sustainably continue its mission of making lives better today and for future generations. Guided by our triple bottom line commitment to a sustainable future, PHINMA hopes to prosper and pursue its mission for many more generations to come.

Making Lives Better for our PEOPLE.
Our business operations directly impact our employees, stakeholders, and adjacent communities and also trickle down to society where we hope to promote inclusive growth to maximize the potential of our people.

Making Lives Better for the PLANET.
We recognize in order to sustainably continue our mission to benefit future generations we must minimize any adverse environmental impact of our business operations.

Making Lives Better for PROGRESS.
We recognize that integrity, empathy and good corporate governance are essential elements in employing business as an avenue for inclusive development and we allocate financial resources for appropriate sustainable investments to support the progress of our nation.

OUR MATERIALITY

PHINMA Corporation follows the process recommended by the GRI to identify areas affecting the economy, society and environment, which are relevant to our business and our stakeholders. In 2021, PHINMA conducted a materiality assessment through questionnaires and focus group discussions resulting in the identification of the following areas used in presenting the sustainability report and establishing Environmental, Social, and Governance (ESG) metrics for both the parent company and its subsidiaries. The materiality assessment is updated periodically when merited by changes in business scope or operations.

Management approach disclosures for the material topics are discussed on pages 9 to 11 of our CY 2023 Sustainability Report. Actual sustainability performance and data relevant to ESG are presented on pages 12 to 14.

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

OUR SUSTAINABILITY
PERFORMANCE

ENVIRONMENT PERFORMANCE

PHINMA recognizes the impact of its operations on the environment and has programs in place to mitigate this impact which are aligned with national and local 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.

A full discussion on our management's approach with regard to the environment can be found on pages 9 to 11 of our Sustainability Report 2023.

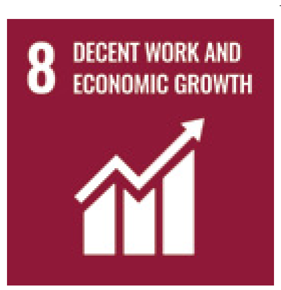
	SDG Target	Our Contribution
7 AFFORDABLE AND CLEAN ENERGY	Universal access to modern energy Increase global percentage of renewable energy	Total new installed capacity by PHINMA Solar in 2023: **7.075 MWp** Incremental Renewable energy generated for clients: **8,843,750 kWh** Renewable energy used by PHINMA in 2023: **1,839,497 kWh**
11 SUSTAINABLE CITIES AND COMMUNITIES	Safe and affordable housing Reduce environmental impact to communities	Cumulative Residential homes and units sold by PHINMA Properties in 2023: **18,018** PHINMA Foundation Donations to neighboring communities for disaster preparation in 2023: **₱348,937** PHINMA Group consolidated donations in 2023: **₱6,202,000**
13 CLIMATE ACTION	GHG Emissions	Incremental GHG reduction for PHINMA Solar clients in 2023: **4,485 MTCO$_2$ (103,506 trees)** Annual GHG avoided from PHINMA's own renewable energy sources in 2023: **933 MTCO$_2$ (21,529 trees)**

	2023	2022
Communities		
Cumulative Residential Units sold by PHINMA Properties	**18,018**	17,166
PHINMA Foundation Donations for community rehabilitation	**₱348,937**	₱1,119,073
PHINMA Group consolidated donations	**₱6,202,000**	₱29,604,000
Water		
Total Water Consumption	**1,325,523 cu. meter**	1,261,270 cu. meter
Total volume of water discharges	**919,525 cu. meter**	690,144 cu. meter
Energy		
Direct by PHINMA Group		
Total Energy Consumption	**21,810,899 kWh**	17,854,241 kWh
Total Energy Used from Renewable Resources	**1,839,497 kWh**	853,809 kWh
Total Energy Used from Fuels	**236,917 Liters**	74,564 Liters
Indirect for PHINMA Solar Clients		
New Solar capacity Installed	**7.075 MWp**	2.307 MWp
Incremental Renewable Energy Generated	**8,843,750 kWh**	2,883,750 kWh
Incremental CO_2 Avoided	**4,484,666 kg.**	1,462,350 kg.
Equivalent Trees Planted	**103,506 trees**	33,571 trees
Effluents and Waste		
Solid Waste Generated	**5,701.8 MT**	3,297.0 MT
Solid Waste Reused/Recycled	**678.7 MT**	1,168.0 MT
Hazardous Waste Generated	**69.4 MT**	57.4 MT
Hazardous Waste Transported	**54.4 MT**	60.6 MT
Hazardous Waste Stored	**16.3 MT**	0.7 MT

SOCIAL PERFORMANCE

PHINMA recognizes the need to protect and safeguard its organization amid a challenging economic and business environment. PHINMA also values the well-being of its workforce and provides avenues for personal development. Likewise, we also affirm our moral and social obligation to promote equitable 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 pages 9 to 11 of our Sustainability Report 2023.

	SDG Target	Our Contribution
	**Literacy and numeracy**	Number of students served for SY 2022-23: **146,546 students** No. of scholars supported by the PHINMA Foundation: **150 scholars**
	**Proportion of seats held by women**	Percentage of female managers and officers across PHINMA Group: **44%**
	**Safe and secure working environments**	Safety training done: **121 trainings and safety drills**

	2023	2022
Total Enrollment, PHINMA Education (students)	**146,546**	124,501
Number of Scholars, PHINMA Foundation	**150**	100
Cumulative number of graduates, PHINMA Foundation	**269**	252
Employee Data		
Total Number of Directly-Hired Employees	**4,420**	3,983
Male	**2,054**	1,888
Female	**2,366**	2,095

Benefits Provided

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

	2023	2022
Occupational Health and Safety		
Work-related injuries	**15**	22
Work-related fatalities	**0**	0
Work-related ill-health	**0**	65
Safety drills and trainings done	**121**	56
Diversity and Equal Opportunity		
Employee Gender Rate	**46% male, 54% female**	**47% male, 53% female**
Gender Ratio of Managers and Officers	**56% male, 44% female**	**56% male, 44% female**
Reported Incidents of Discrimination	**0**	0
Training and Empowerment		
Average training hours per employee	**49 hours**	54 hours

Training Highlights

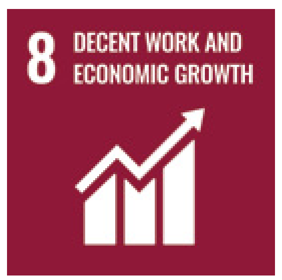
Capability-building Programs
- Critical problem solving and decision-making
- Goal-setting
- Customer service training
- Employee development talks
- Skills training specific to job function
- Data privacy trainings
- IT security trainings
- Social media ethics

Integrity Programs
- PHINMA Core Values
- Integrity workshops

Culture of Safety
- Safety orientations
- BOSH training
- COVID-19 protocols
- First-aid training
- Mental health and resilience

ECONOMIC PERFORMANCE

PHINMA contributes to nation-building through our diversified portfolio in education, construction materials, housing and hospitality. In 2023, PHINMA Corporation generated a direct economic value of ₱21.3 billion, distributing 94% or ₱20.1 billion to our stakeholders and communities, while retaining ₱1.19 billion to promote future growth.



SDG Target	Our Contribution
Full employment and decent work	Direct Jobs Generated: **4,420**
	Economic Value Distribution: **94%**
Sustainable economic growth	Economic Value Retention: **6%**
Reduce corruption and bribery	Incidents of Corruption: **0**
	Anti-competitive behavior, antitrust, and monopoly practices: **0**
Develop effective, accountable and transparent institutions	

	2023	2022
Economic Value Generated	**₱21,273,818**	₱17,664,582
Economic Value Distributed	**20,086,492**	17,041,792
Operating Costs	**15,222,394**	13,465,281
Employee Wages and Benefits	**3,063,373**	2,287,662
Dividends given to stockholders and interest payment to loan providers	**1,410,484**	1,065,522
Taxes given to government	**384,039**	193,723
Investment to community	**6,202**	29,604
Economic Value Retained	**₱1,187,326**	₱622,790

amounts in thousand pesos

OUR COMMITMENT TO SUSTAINABILITY

PHINMA is aware of the impact of its operations on 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.

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 where possible businesses in the circular economy .

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.

OUR SOCIAL IMPACT

PHINMA's unwavering dedication to the mission of Making Lives Better for Filipino families and communities remains steadfast. Through the PHINMA Foundation and our strategic business units (SBUs), we aim to share and extend this mission through community service and volunteer engagement. By synergizing our efforts and resources, we strive to amplify the reach and effectiveness of our programs, driving positive change to communities and sectors where we have significant presence.

PERFORMANCE HIGHLIGHTS

150
Scholars supported across partner institutions

73
New scholars in the PHINMA National Scholarship Program

₱358,000
Worth of relief goods in five disaster shelters for the 1PHINMA Disaster Fund

121
SEEF scholars supported by PHINMA across the country

80
Families supported by PHINMA Properties in response to fire disaster

28,000
Students benefited frm Brigada Eskwela

Better Opportunities Program

PHINMA National Scholarship (PNS) Program
PHINMA Foundation, Inc. (PFI) proudly welcomed 73 new scholars—46 first-year and 27 second-year college students—into the PHINMA National Scholarship (PNS) program this year.. PFI's flagship program currently supports a total of 150 scholars across partner institutions: PNU Manila (67), UP Diliman (31), PUP Sta. Mesa (17), TUP Manila (20), and PHINMA-University of Pangasinan (15).

Apart from tuition support, PNS also provides mentorship and leadership training. The mentorship aspect involves regular meetings with members of the PHINMA Family through the Big Brother and Big Sister Program (BBBS). 73% of BBBS are employees of the PHINMA Group while the rest are PNS alumni.

Meanwhile, PFI scholars are trained to be leaders through supplemental workshops, on-the-job training, alternative learning experiences, and service/volunteerism opportunities. These unique learning experiences go beyond what is offered in their schools byrepresenting programs deliberately crafted to provide essential competencies for college, career, and civic engagement. Opportunities in 2023 include a screening of "Walang Aray" by the Philippine Educational Theater Association (PETA), the 1PHINMA Youth Leadership Camp, educational tours at the BenCab and Ayala Museums, volunteer opportunities during the Summer Service Program at partner organizations, and career days/workshops.

Better Initiatives Program

SEEF
PHINMA supports science and engineering education through PHINMA Foundation's Science and Engineering Education Fund (SEEF). For the year, PHINMA supported121 scholars: 81 high school students from eight partner schools, and 40 college students from 12 partner schools across various regions like NCR, Ilocos, Cagayan, Los Baños, Camarines Norte, Iloilo, Cebu, Leyte, Iligan, and Davao.

1PHINMA Disaster Fund
PHINMA Foundation, together with PHINMA Education and PHINMA Properties, strategically prepositioned a total of ₱358,937.35 worth of relief goods in five disaster shelters at the Araullo University, University of Pangasinan, Union College of Laguna, Southwestern University Cebu, and Flora Vista. Vital support was also extended to Southwestern University through the distribution of 40 water filters. Additionally, a collaboration with Pascual Laboratories, Inc. resulted in the donation of 5,500 boxes of vitamin C to benefiting both the disaster shelters and the dedicated staff at PHINMA Plaza.

Better Communities Program

Brigada Eskwela 2023
For the 17th consecutive year, PHINMA Group enthusiastically participated in the Department of Education's Brigada Eskwela program focused on enhancing educational facilities in 50 public schools. Under this initiative, we revitalized nearly 160 classrooms, directly benefiting 28,000 students and supporting 570 teachers. Additionally, our efforts extended to environmental conservation with the plantation of almost 80 trees across various school campuses. 1,385 volunteers also participated in the blood letting activity, while 16 blood donation sites were set up. All in all, the donation drive produced 400 blood bags.

This collective endeavor was made possible through the mobilization of 2,000 PHINMA Hero volunteers dedicated to making a positive impact in our communities.

Servathon 2023
Thirty PHINMA Heroes participated in Servathon 2023, focusing on stopping child malnutrition and hunger by preparing soil mixture and planting rooted cuttings.

PHINMA Reaches Out 2023
PHINMA Reaches Out made a significant impact with 1,385 Hero volunteers participating across 20 sites nationwide. Apart from the donation of hundreds of blood bags, the initiative saw the planting 5,855 seedlings and propagules, planting 3,970 crops, distribution of 200 hygiene kits, and collection of 35 sacks of waste. With emphasis on sustainability, PHINMA annually monitors trees planted by AU, mangroves by UPang, and the land at Masungi Georeserve.

PHINMA Construction Materials Group (CMG)

PHINMA CMG undertakes a range of community initiatives aimed at uplifting Filipino families and communities across the nation. PHINMA CMG's CSR programs span various sectors, from shelter and infrastructure to livelihood, education, environment, and disaster recovery. Through strategic partnerships and dedicated efforts, PHINMA CMG drives positive change and empowers communities nationwide.

Livelihood

In a bid to foster sustainable livelihood, PHINMA CMG partnered with Virlanie Foundation, Inc. to upcycle used cement bags into handcrafted fashion tote bags. Through this initiative, 200 cement bags were transformed into 1,000 tote bags, providing alternative livelihood opportunities for 20 urban-poor women while promoting eco-conscious consumerism. In 2023, PHINMA CMG also supported urban backyard gardens as alternative sources of food and income for underprivileged communities. Partnering with Rotary Club Manila, Philcement donated 70 Union Cement bags while enhancing flood-proofing and crop segregation for 300 urban poor mothers in Baseco, Manila.

Shelter and Infrastructure, and Disaster Recovery

During the year, PHINMA CMG assisted in disaster recovery by donating essential materials for the construction of classrooms and bridges in disaster-affected areas. In partnership with the GMA Kapuso Foundation, Union Galvasteel and Philcement provided high-quality roofing materials and Union Cement bags for the development of classrooms and bridges—benefitting thousands of students and improving community access to vital services.

▼ ***Livelihood programs.*** *A woman uses a sewing machine to upcycle used cement bags from PHINMA CMG into tote bags. This is among the Group's initiatives aiming to introduce sustainable, alternative livelihood opportunities.*

PHINMA Solar Energy Corporation, through the Swing for Sustainability Golf tournament event, also donated ₱100,000 to support disaster-affected communities.

Environment

Philcement, in collaboration with the Don Mariano Marcos Memorial State University, piloted a cement-based breakwater reef protection project in Balaoan, La Union. Philcement donated bags of Union Cement for this initiative.

Education

PHINMA CMG also provided essential school supplies for 300 scholars and 360 pre-school children across various locations, alleviating the financial burden on parents during school openings.

Community Engagement

Through partnerships with barangay health centers, PHINMA CMG also distributed boxes of vitamins to augment immune boosters for vulnerable populations.

PERFORMANCE HIGHLIGHTS

- Partnered with Virlanie Foundation to upcycle used cement bags into tote bags
- Supported urban backyard gardens as alternative sources of income for underprivileged communities
- Assisted in disaster recovery by providing essential materials
- Piloted a cement-based breakwater reef protection project in La Union
- Provided essential school supplies to local students
- Provided barangay health centers with vitamins

20
Urban poor women with livelihood opportunities in partnership with Virlanie Foundation

₱100,000
Donated by PHINMA Solar through Swing for Sustainability Golf tournament to support disaster-affected communities

300
Scholars provided with essential school supplies

360
Pre-school children provided with essential school supplies

PHINMA Properties

PHINMA Properties has initiated several projects aimed at uplifting communities and fostering sustainable living.

Education

In November 2023, PHINMA Properties provided vital financial assistance for the renovation of the St. Marie Eugenie Learning Center in Quezon City in partnership with Kababaihan Gabay ng Bayan Inc. (KaGaBay), The renovation of the educational institution, which is located near the Flora Vista community, aims enhance the school's facilities andultimately benefit the students and their families.

Bringing Fresh Produce to Fountain Breeze

Every Saturday, Fountain Breeze in Parañaque comes alive with a unique initiative spearheaded by PHINMA Properties. Collaborating with the Parañaque LGU Consumer Welfare Office, the company facilitates the direct sale of fresh fruits and vegetables sourced directly from local farmers to Fountain Breeze residents. This initiative not only provides residents with access to affordable and nutritious produce but also serves as an additional source of income for the hardworking farmer groups involved.

Promoting Sustainability Through Recycling

In October 2023, PHINMA Properties launched an innovative sustainability program in Fountain Breeze, Parañaque aimed at fostering a culture of recycling and environmental responsibility. This partnership with Bxtra Philippines incentivizes residents and business owners to collect recyclable materials in exchange for points, which can be redeemed for various purchases. This initiative not only promotes eco-conscious behavior but also contributes to a cleaner and greener living environment for the entire Fountain Breeze community.

◄ ***Farm to market initiative.*** *Fountain Breeze, Parañaque residents and other community members browse fresh produce directly hailing from local farmers.*

▼ ***A culture of recycling and environmental responsibility.*** *Residents and business owners in Fountain Breeze can hand over recyclable materials they have collected in exchange for points, which can be used for purchases.*

PERFORMANCE HIGHLIGHTS

- Provided financial assistance for the renovation of the St. Marie Eugenie Learning Center
- Facilitated the direct sale of fresh fruits and vegetables sourced directly from local farmers to Fountain Breeze residents
- Launched a sustainability program to foster a culture of recycling and environmental responsibility

PHINMA Education

In 2023, PHINMA Education employees participated in various activities spearheaded by the PHINMA Group while also holding programs in their respective communities.

In May and November, PHINMA University of Iloilo (PHINMA UI) held their mangrove planting and clean-up activity to participate in the restoration of mangrove habitats along the city's waterways to foster biodiversity and providing essential protection against coastal erosion. This was done in partnership with Iloilo City Environment & Natural Resources Office (CENRO) and resulted in the successful planting of 300 mangrove seedlings and the removal of almost 230 kilos of trash.

PHINMA UI's other initiatives include the 5th PHINMA Education Student Leaders' Summit (PSLS), an annual convention for student leaders in all PHINMA schools to provide an avenue to instill in their hearts and minds that we are one in #MakingLivesBetter in this nation; and BAYANICAMP, ideated to envelope three aspects of love for nation and countrymen – "Ako para sa KAPWA, Ako para sa BAYAN, Ako, Tayo, MAGBAYANIHAN."

In November, PHINMA University of Pangasinan (PHINMA UPang) Goes Green planted 5,550 new mangrove propagules, in addition to the 441 surviving propagules planted last year and 294 existing mature mangrove trees. Currently, there are a total of 6,285 mangrove trees/ propagules in the adopted area. PHINMA UPang Goes Green involved 350 volunteers, namely 14 barangay officials and volunteers, 90 PHINMA UPang employees, and 246 students.

Simultaneously, at Barangay Carmen, Cagayan de Oro City, PHINMA Cagayan de Oro College (PHINMA COC) employees and student volunteers participated in a community clean-up initiative aimed at promoting cleanliness in the barangay. Partnering with the City Local Environment and Natural Resources Office and the Barangay Council of Carmen, Cagayan de Oro City, the the activity led to the collection of 20 sacks of waste were collected, making a tangible impact on the cleanliness of the area and fostering a sense of environmental responsibility among the participants and the community at large.

In December, PHINMA Araullo University (PHINMA AU) celebrated togetherness, fellowship, love, and continuous service to the community through simultaneous events in the Main, South, and San Jose Campuses and online to foster 'Pakikipagkapwa." Anchored on PHINMA Education's "Making the Lives of Others Better (MLOB)" program, competitions were held where different organizations joined hands to create beautiful entries. Similar activities were held in other campuses.

In the same month,the PHINMA National Capital Region (NCR) Network, composed of PHINMA St. Jude College Manila (PHINMA SJC Manila) and PHINMA St. Jude College Quezon City (PHINMA SJC QC), conducted Grant-a-Wish 2023 where 50 students were granted their Christmas wishes by the Central Student Government as well as individuals from the schools.

Finally, to contribute to solving the critical challenge of malnutrition in the Philippines, PHINMA Education started PHINMA's First 1,000 Days Initiative (F1KD). It is a transformative program designed to target the critical developmental period in early childhood, aiming to address malnutrition and stunting issues. The program encompasses comprehensive antenatal and complementary feeding interventions for mothers and children in specific convergence areas. It specifically targets indigent pregnant women and malnourished children aged 0-24 months. F1KD has already been implemented in Southwestern University PHINMA's (SWU PHINMA) SWTown and is envisioned to be an activity for all PHINMA Education schools.

PERFORMANCE HIGHLIGHTS

- Various environmental activities such as mangrove planting and clean-ups
- Held the annual convention for student leaders in all PHINMA schools
- Started the First 1,000 Days Initiative, an educational program to address malnutrition and stunting issues

◀ ***Caring for the environment.*** *Volunteers from PHINMA University of Iloilo pose for a group photo following their clean-up drive in Brgy. Sto. Niño Norte, Arevalo, Iloilo City in May 2023.*

Corporate GOVERNANCE

CORPORATE GOVERNANCE

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 government'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 and November 2022.

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT (I-ACGR)

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 2022 on May 29, 2023. The I-ACGR for 2023 is due to be submitted on May 30, 2024.

As of December 31, 2023, 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, PSE and PDEx. In addition, the SEC, PSE and PDEx websites are constantly monitored for relevant circulars or memorandums affecting, improving, and updating the corporate governance of the Corporation. As appropriate, the Manual and relevant policies are promptly amended and circulated for implementation.

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

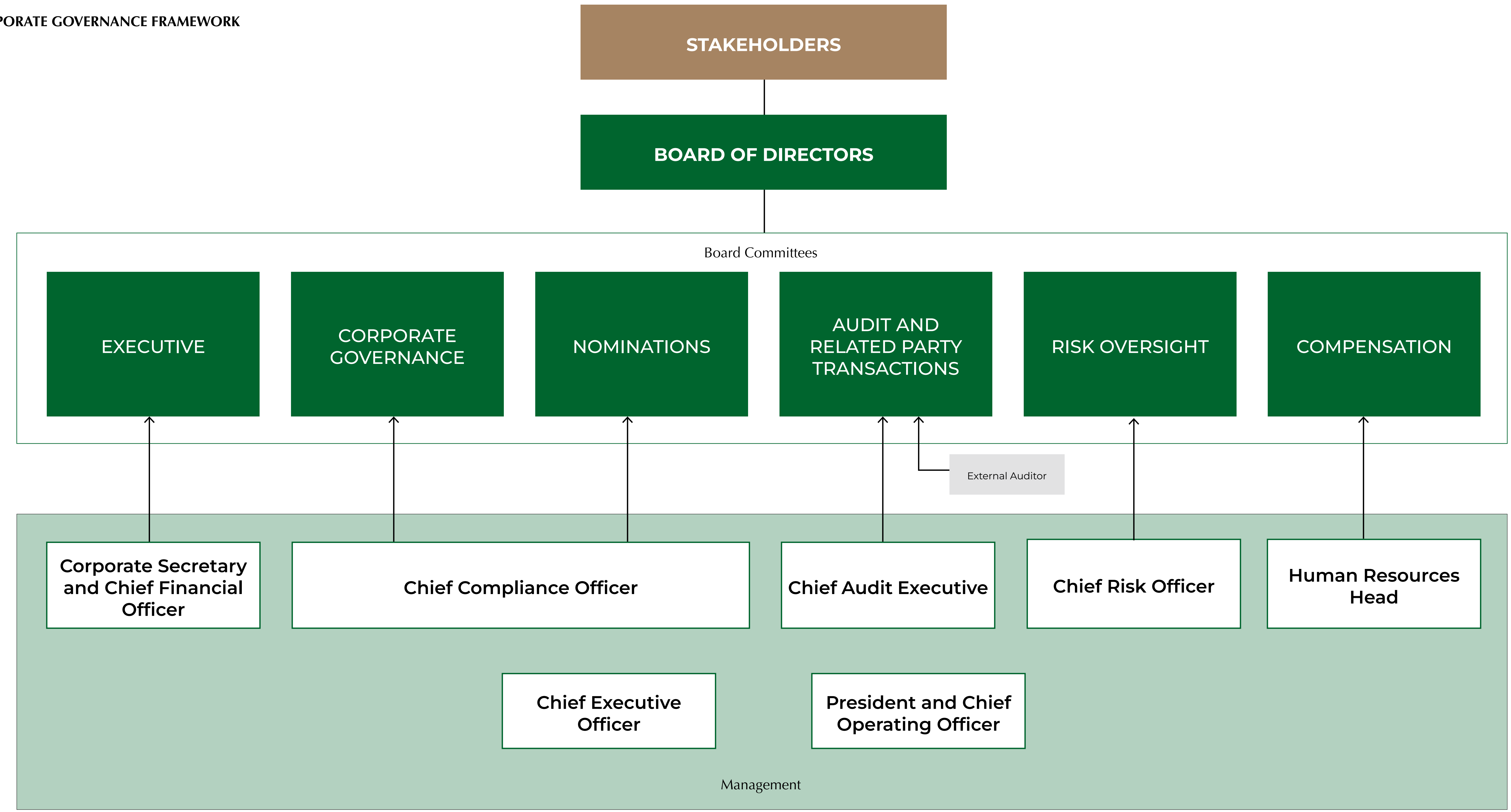
In March 2023, the PHINMA Governance Library, an internal online resource for governance documents was completed and cascaded to the Strategic Business Units with the aim of sharing best practices and synergizing corporate governance within the PHINMA Group.

PHINMA Corporation received two (2) Two-Arrow Award recognitions based on the results of the 2021 and 2022 ASEAN Corporate Governance Scorecard (ACGS) assessments. The Golden Arrow is awarded by the Institute of Corporate Directors (ICD) to publicly-listed companies that exhibited observable conformance with the Philippine Code of Corporate Governance and internationally recommended corporate governance practices as espoused by the ACGS.

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, PSE and PDEx material and market-sensitive information that may affect the public's investment decisions, 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.

CORPORATE GOVERNANCE FRAMEWORK



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, 2023, 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.

Diversity

PHINMA values diversity and supports workforce equality and is strongly against discrimination of any form at all levels thus it ensures that its board members are a combination of executive, non-executive and independent directors with varied but substantial professional knowledge and experience on the industries it operates in which creates a platform for balanced-view discussion necessary to arrive at key business decisions.

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**.

		OJH	RRR	MBA	CBS	EAS	VJR	JLC	JBS	LBL	RGM	EOC
Industry Sector Expertise	Educational Services	✔	✔	✔	✔		✔	✔	✔	✔		✔
	Construction Industry	✔	✔	✔		✔	✔		✔	✔		
	Real Estate / Property Development	✔	✔	✔		✔		✔	✔		✔	✔
	Hospitality and Tourism	✔	✔		✔			✔	✔	✔		
	Banking and Finance	✔	✔	✔		✔	✔	✔	✔		✔	✔
	Insurance	✔	✔			✔		✔		✔	✔	✔
Subject Matter Expertise	Executive Leadership	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
	Accounting	✔	✔			✔	✔	✔	✔			✔
	Capital Management	✔	✔			✔	✔	✔	✔	✔	✔	✔
	Corporate Governance	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
	Corporate Financing	✔	✔			✔	✔	✔	✔		✔	
	Risk Management	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
	Information Technology				✔	✔	✔					
	Sustainability	✔	✔			✔			✔	✔	✔	✔
	Government Relations	✔	✔		✔	✔		✔	✔	✔		✔
Board Tenure in Years			43	43	2	2	15	29	5	4	5	2
Age		86	79	87	58	66	75	79	85	83	64	67
Gender		M	M	M	M	M	M	M	M	F	F	M

Independence

The company has four (4) Independent Directors constituting 1/3 of its 11 board seats and none of the independent directors have reached the nine-year limit. The company keeps track of the period of service rendered by its Independent Directors counted from reckoning date of 2012.

The Non-Executive Directors held a separate meeting with the External Auditor, the Chief Audit Executive, the Chief Compliance Officer and Chief Risk Officer on November 30, 2023, without any executive directors present.

Updates on compliance and governance, audit (external and internal) and risk were presented during the meeting. The Non-Executive Directors made their comments on management's performance in meeting the Company's goals and objectives. The meeting was chaired by Mr. Juan B. Santos, as the Lead Independent Director. The Board Charter mandates the lead independent director to act as an intermediary between the Chairman of the Board and other Directors; convene, determine the agenda and chair the periodic meetings of non-executive directors (NEDs) and independent directors (IDs); and contribute to the performance evaluation of the Chairman of the Board.

BOARD PERFORMANCE

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 to the Annual Stockholders Meeting, Organizational Meeting and Board Meetings in 2023 is as follows:

Directors	Annual Stockholders' Meeting	Organizational Meeting	Regular Meetings				
	Apr. 11	Apr. 11	Mar. 3	May 11	Aug. 8	Nov. 10	Dec. 13
OSCAR J. HILADO Chairman Emeritus	P	P	P	P	P	P	P
RAMON R. DEL ROSARIO, JR. Chairman & CEO	P	P	P	P	P	P	P
MAGDALENO B. ALBARRACIN, JR. Vice Chairman	P	P	P	P	P	P	P
CHITO B. SALAZAR President & COO	P	P	P	P	P	P	P
VICTOR J. DEL ROSARIO Non- Executive Director	P	P	P	P	P	P	P
EDUARDO A. SAHAGUN Executive Vice President	P	P	P	A	P	P	P
JOSE L. CUISIA, JR. Non-Executive Director	P	P	P	P	P	P	P
JUAN B. SANTOS Independent Director	P	P	P	P	P	P	P
LILIA B. DE LIMA Independent Director	P	P	P	P	P	P	P
RIZALINA G. MANTARING Independent Director	P	P	P	P	P	P	A
EDGAR O. CHUA Independent Director	P	P	P	P	P	P	P

P : Present A : Absent

A summary of significant resolutions approved by the Board of Directors in 2023 are detailed in Annex F of the Definitive Information Statement.

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, 2023 the board committees and its members were as follows:

Directors	Executive	Corporate Governance	Executive Compensation	Risk Oversight	Audit and Related Party Transactions	Nominations
OSCAR J. HILADO	Chairperson		Member			Member
RAMON R. DEL ROSARIO, JR.	Member		Member			Member
MAGDALENO B. ALBARRACIN, JR.	Member			Member		
JOSE L. CUISIA, JR.	Member		Member		Member	Member
VICTOR J. DEL ROSARIO						
CHITO B. SALAZAR	Member					
EDUARDO A. SAHAGUN						
EDGAR O. CHUA		Member	Chairperson	Member	Member	Chairperson
JUAN B. SANTOS	Member				Chairperson	
LILIA B. DE LIMA		Chairperson		Member		
RIZALINA G. MANTARING		Member		Chairperson	Member	

Executive Committee

The Executive Committee is composed of six (6) 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 Committee

The Corporate Governance Committee is composed of three (3) directors, all of whom are independent directors with experience, expertise and working knowledge on corporate governance. The Committee was first formed at the Organizational Meeting on April 10, 2017 tasked to assist the Board in the performance of its corporate governance responsibilities which include the implementation and periodic review of the Corporate Governance Manual, policies and framework, annual board self-assessment and continuing training program for directors. Until April 2022, the Committee was named Corporate Governance and Nominations Committee and reviewed the profiles of candidates for directors, including the proposed composition of committees.

The following sets forth the actions taken by the Committee in 2023.

- Reviewed the summary of results of the Board Evaluation for year-end 2022 facilitated by Good Governance Advocates and Practitioners of the Philippines (GGAPP) and approved the action plans presented. (March 2023)
- Reviewed the Governance Library, an online resource for governance documents of PHINMA Corporation also aimed as a reference library for the SBUs. (March 2023)
- Reviewed and approved for submission the Integrated Annual Corporate Governance Report (I-ACGR) for year-end 2022. (May 2023)
- Reviewed the proposals by SEC-accredited training providers and approved SGV & Co. who conducted the annual training for directors on Overview of Corporate Governance, Data Analytics and Artificial Intelligence (AI) and Workplace Reimagined last October 2, 2023. (July 2023)
- Reviewed and endorsed the PHINMA Corporate Governance Framework to the Board for approval. (July 2023)
- Reviewed the summary of results of the Annual Corporate Governance Scorecard assessment for year-end 2020 and 2021 noting the Areas for Improvement. (July 2023)
- Attended the annual PHINMA Group Corporate Governance Training conducted by SGV & CO. on Overview of Corporate Governance, Data Analytics and Artificial Intelligence (AI) and Workplace Reimagined. (October 2023)

Corporate Governance Committee	March 21	July 27
LILIA B. DE LIMA	P	P
RIZALINA G. MANTARING	P	P
EDGAR O. CHUA	P	P

P : Present I A : Absent

Nominations Committee

The Nominations Committee is composed of four (4) directors, one of whom is an independent director who is also the Chairman. The Committee was first formed at the Organizational Meeting on April 12, 2022. The Committee oversees the nomination and election process for the company's Board of Directors. The Committee reviews the qualifications of candidates and submits a list of qualified nominees.

Executive 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 2023, the Risk Oversight Committee held two (2) meetings on July 24, 2023 and October 26, 2023 where all committee members were present. 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.

Risk Oversight Committee	July 24	October 26
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 2023, the Committee held seven (7) meetings. Four meetings obtained complete attendance while three meetings only had three members in attendance. Overall, the attendance is at eighty-nine percent (89%).

The Committee reviewed the audited financial statements for 2022 and the interim statements for the quarters ending March 31, June 30, and September 30 for the year 2023.

The Committee also endorsed to the Board the nomination of SGV and Co. as the Corporation's external auditor for 2023. Pursuant to the Company's current corporate governance principles and requirements on the periodic review of an external auditor's appointment, in our Committee meeting held August 7, 2023, we agreed to propose to the Board of Directors the appointment of PwC Isla Lipana & Co. as the external auditor for 2024 together with their proposed fees. The Committee approved the Internal Audit plan for 2023 and 2024, reviewed the audit reports, and evaluated Internal Audit's performance. The Committee reviewed the material related party transactions for 2023 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.

Audit and Related Party Transactions Committee	Mar 1	May 2	May 3	May 9	Aug 7	Nov 9	Dec 13
JUAN B. SANTOS	P	P	P	A	P	P	P
RIZALINA G. MANTARING	P	P	P	P	P	P	P
JOSE L. CUISA, JR.	P	A	P	P	P	P	P
EDGAR O. CHUA	A	P	P	P	P	P	P

P : Present A : Absent

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 Internal Audit (IA) 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, 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, IA 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 Internal Audit, the Audit and Related Party Transactions Committee reviewed and approved the IA 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 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 IA Charter, IA performed various internal control reviews of the Corporation and its subsidiaries and affiliates. Based on the results of these reviews, Internal Audit reported that overall controls are adequate and effective as contained in the Audit and Related Party Transactions Committee Report for 2023.

BOARD PERFORMANCE EVALUATION

Policy

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

Results and Action Plans

The Board of Directors of PHINMA Corporation obtained an overall rating of Excellent for their performance in the year 2023. All (11) eleven directors of the company participated in the online assessment exercise completed in February 2024. The results of the board evaluation and action plans were presented to the Corporate Governance Committee and to the Board of Directors in March 2024.

Third Party Facilitator

As duly-endorsed by the Corporate Governance Committee and approved by the Board in August 2022, the company engaged Good Governance Advocates & Practitioners of the Philippines (GGAPP) as the Third Party Board Evaluation Facilitator. SEC Code of Corporate Governance for PLCs recommends that a third-party facilitates the board evaluation after three years. In March 2023, the summary of results of the Board Evaluation for year-end 2022 facilitated by GGAPP were reviewed and the action plans presented to the Board.

TRAINING OF DIRECTORS AND OFFICERS

From the feedback of directors in the board evaluation exercise, insights and recommendations were gathered to address continuing training needs and pursue further improvements in board performance.

Proposals from SEC-accredited training providers were reviewed and the Board approved SGV & Co. who conducted the online training for directors and officers on Overview of Corporate Governance, Data Analytics and Artificial Intelligence (AI) and Workplace Reimagined last October 2, 2023. The training was likewise attended by directors and key officers from the Strategic Business Units.

For the past three years, the directors and key officers have attended trainings on Internal Control Environment, Sustainability Reporting, Change Management, Succession Planning, Business Continuity Planning and SEC Updates including the Revised Corporation Code of the Philippines conducted by SEC-accredited training providers.

It is the company's policy to provide onboarding training to new directors within the first month of their election or before the next Board meeting to orient the new directors on business structure, strategy, Governance Codes and Policies, Articles, By-Laws, Corporate Governance Manual, Board and Committee Charters, SEC-mandated governance and related matters necessary for the effective performance of their duties and responsibilities.

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

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.

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

OSCAR J. HILADO

Director and Chairman Emeritus

Oscar J. Hilado is the Chairman Emeritus of PHINMA Corporation and was the Chairman of the Board from 2003 to 2021. He is the Chairman of the Board of PHINMA, Inc., and Vice-Chairman of PHINMA Property Holdings Corp., and UnionGalvasteel Corporation. He has been a Director of the Company since 1969. He is also the Chairman of the Executive Committee and Retirement Committee and a member of the Nominations Committee and Executive Compensation Committee of the Company.

Mr. Hilado is 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., Digital Telecommunications Philippines, Inc., Manila Cordage Company, Beacon Venture Holdings, Inc., United Pulp and Paper Company, Inc., Phil. Cement Corp., PHINMA Hospitality, PHINMA Education and the PHINMA Education schools.

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 attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

RAMON R. DEL ROSARIO, JR.

Director, Chairman and Chief Executive Officer

Ramon R. del Rosario, Jr. is the Chairman and Chief Executive Officer of PHINMA Corporation, where he is also a Director. He is the Chairman of the educational institutions under the PHINMA Education Network—Araullo University, Cagayan de Oro College, University of Iloilo, University of Pangasinan, Southwestern University, St. Jude College, Republican College, Rizal College of Laguna and Union College of Laguna—and a number of other PHINMA companies. He is also the President of the Board of Commissioners of PT Ind Phil Management.

Mr. del Rosario served as the Philippines' Secretary of Finance from 1992 to 1993. He was a 1978 Ten Outstanding Young Men (TOYM) awardee in the field of Investment Banking and Finance and was conferred the "Management Man of the Year Award for 2010" by the Management Association of the Philippines. Mr. del Rosario was honored in 2010 by the Philippine District of the De La Salle Brothers as an Affiliated Member of the Institute of the Brothers of the Christian Schools. He was also awarded the "Business as a Noble Vocation Award", the first recipient of this global award presented by the International Christian Union of Business Executives or UNIAPAC in Lisbon, Portugal during its XXVI World Congress on November 24, 2018.

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

Mr. del Rosario graduated from De La Salle University (DLSU) Manila with an AB-BSC degree, magna cum laude, and earned his Master in Business Administration from Harvard Business School. In addition to two earlier honorary doctorate degrees from other institutions, Mr. del Rosario was conferred the Degree of Doctor of Business Administration, Honoris Causa, by De La Salle University last December 10, 2022. He attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

BOARD OF DIRECTORS

DR. MAGDALENO B. ALBARRACIN, JR.

Director and Vice Chairman

Magdaleno B. Albarracin, Jr. is the Vice-Chairman of PHINMA Corporation and PHINMA, Inc. and the Chairman of PHINMA, Inc.'s Executive Committee. He is a Member of the Board of all the companies in the PHINMA Group. He has been with PHINMA, Inc. since June 23, 1971 and has been a Director of PHINMA Corporation since 1980.

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 (UP) as well as Board of Trustees of UP 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 UP and a Master of Science degree in Electrical Engineering from the University of Michigan. He obtained his Master in Business Administration degree from UP and his Doctorate in Business Administration from Harvard University. He attended the Corporate Governance Orientation Program of the Institute of Corporate Directors on November 7 & 8, 2023.

DR. CHITO B. SALAZAR

Director, President and Chief Operating Officer, Head of Education

Chito B. Salazar is the President and Chief Operating Officer, Head of Education of PHINMA Corporation. Concurrently, he is the President and Chief Executive Officer of PHINMA Education and a Senior Vice President of PHINMA, Inc. from 2003 to present. Dr. Salazar was first elected as Director of the Company at the Annual Stockholders' Meeting held on April 14, 2021.

He is also the President and Co-Founder of PBEd, a nonprofit organization founded by the country's top business leaders that works for education policy reform; Vice-Chairman of the Board of Trustees of Ateneo de Manila University (ADMU); and an Advisory Council member for the Second Congressional Commission on Education or EDCOM 2.

Prior to joining PHINMA, Dr. Salazar was a part-time Associate Professor at the School of Management and at the School of Social Sciences from 2007 to 2010 and Part-Time Lecturer at the Department of Economics, Department of English and Department of Math at ADMU from 1988 to 1992. He was also a part-time Lecturer at the Economics Department of Assumption College and an Associate Professor at the Asian Institute of Management (AIM).

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 MA in International Political Economy and Development from Fordham University in New York, and a BS Management Engineering degree from ADMU.

BOARD OF DIRECTORS

VICTOR J. DEL ROSARIO

Director

Victor J. del Rosario has been a director of the Company since 2008 and is an Executive Committee member 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.

Mr. del Rosario has a Bachelor of Science degree in Economics and Accounting from DLSU 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. He attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

He is the brother of Mr. Ramon R. del Rosario, Jr. and Mr. Jose Mari del Rosario.

EDUARDO A. SAHAGUN

Director and Executive Vice President, Construction Materials

Eduardo A. Sahagun was first elected as a Director of the Company at the Annual Stockholders' Meeting held on April 14, 2021. He is the President and Chief Executive Officer of UGC, PHINMA Solar, and Philcement—roles he has held since 2017. He is also a director of UGC, Philcement, PHINMA Solar, PHINMA Properties, T-O Insurance Brokers, Inc., Song Lam Joint Stock Company, First Batangas Hotel Corporation, and Cagayan de Oro College, Inc., and also serves as a member of the PHINMA Foundation, Inc.'s Board of Trustees. He is likewise the Chairman of Edcommerce Corporation and an Independent Director of Philippine Savings Bank.

Mr. Sahagun formerly served as President and Country Chief Executive Officer of Holcim Philippines Inc., as a Director of Holcim Philippines Manufacturing Corporation, and as a Director of Holcim Mining and Development Corporation.

A Certified Public Accountant, Mr. Sahagun obtained his Bachelor of Science in Commerce degree, major in Accounting from Holy Angel University and his Master in Business Administration from the Ateneo Graduate School of Business. He also earned his graduate degree in Management Science from the Arthur D. Little Management Education Institute (now known as Hult International Business School) in Cambridge, Massachusetts, USA. He likewise took up the Senior Management Program, Senior Leadership Program, and Managing Change Program at the Institute for Management Development, based in Lausanne, Switzerland. Mr. Sahagun attended The Corporate Board's Roadmap to ESG-Driven Sustainability Strategy and Reporting conducted by SEC-accredited training provider Center for Global Best Practices on October 20, 2023.

BOARD OF DIRECTORS

JOSE L. CUISIA, JR.

Director

Jose L. Cuisia, Jr. has been a Director of the Company since 1994. He was previously the Philippine Ambassador Extraordinary and Plenipotentiary to the United States of America and held other assignments as non-residence Ambassador to other smaller countries. He also served as Governor of the Bangko Sentral ng Pilipinas and chaired its Monetary Board from 1990 to 1993, and was Governor for the Philippines to the International Monetary Fund and Alternate Governor to the World Bank. Amb. Cuisia was also Administrator and CEO of the Philippine Social Security System from 1986 to 1990 and Commissioner representative of the Employer's Group for the Social Security System from September to December 2010.

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.

Amb. 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 DLSU and Master's degree in Business Administration from University of Pennsylvania. He attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

JUAN B. SANTOS

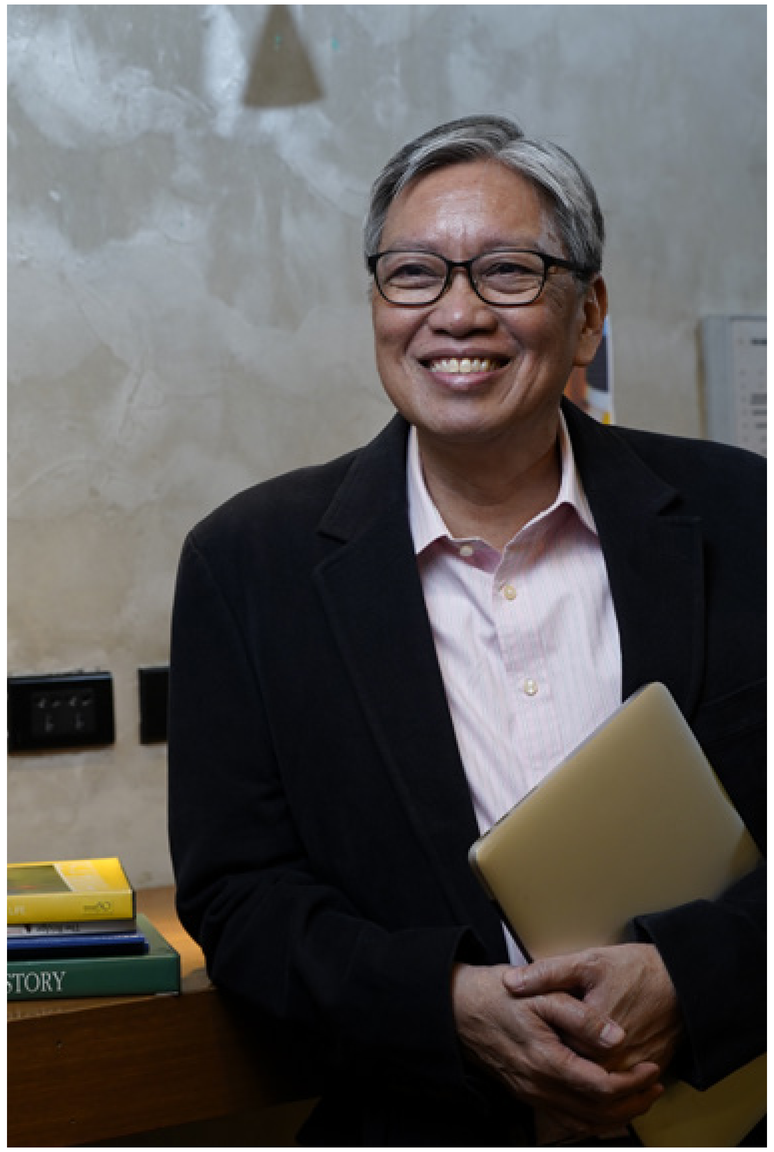
Lead Independent Director

Juan B. Santos was elected as an Independent Director in 2018 and was appointed as Lead Independent Director in June 2021. He is also an Independent Director of Rizal Commercial Banking Corporation and Lead Independent Director of House of Investments, Inc. He is a Director of Sunlife Grepa Financial, Inc., and Allamanda Management Corporation. He is a Member of the Advisory Board of Mitsubishi Motors Phils. Corp. and East-West Seeds Co; Trustee of St. Luke's Medical Center.

Mr. Santos' past executive positions and directorships 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 and San Miguel Corporation.

Mr. Santos graduated with a Bachelor of Science in Business Administration degree from ADMU, took up Advanced Management at the International Institute of Management Development (IMD), Lausanne, Switzerland and postgraduate studies on Foreign Trade from Thunderbird School of Global Management in Arizona, USA. In 2023 he attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices, the Regulation on the Disclosure of Beneficial Ownership by the Securities and Exchange Commission and the Corporate Governance Workshop, Annual Corporate Governance Training, Microsoft on Generative AI and ESG Best Practices for Business Innovation. He also attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

BOARD OF DIRECTORS



EDGAR O. CHUA

Independent Director

Edgar O. Chua was first elected as Director of the Company at the Annual Stockholders' Meeting held on April 14, 2021. He is currently the Chairman of Makati Business Club, Philippine Business for the Environment and De La Salle Philippines. He is the Lead Independent Director of Integrated MicroElectronics, Inc., Independent Director of Metropolitan Bank and Trust Company since 2017, Philcement since 2021, and First Gen since 2021. He is currently the Chairman for the College of Saint Benilde, University of La Salle Bacolod and CEO of De La Salle Philippines. He is a Trustee/Treasurer of PBED and Trustee for the De La Salle Greenhills since 2019, The English-Speaking Union of the Philippines, Inc. since 2009, Gawad Kalinga Community Development Foundation Inc. since 2005, and Pilipinas Shell Foundation Inc. 2003. Mr. Chua is also a Member of the Advisory Board of Mitsubishi Motors Phil. Corp. and Coca Cola Bottlers Phils. He is likewise 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.

Mr. Chua earned his Bachelor of Science degree in Chemical Engineering from DLSU in 1978 and attended various international seminars and courses including the senior management course in INSEAD in Fontainebleau, France. He attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

ATTY. LILIA DE LIMA

Independent Director

Lilia B. de Lima was elected as Independent Director of the Company on April 19, 2018. She 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. Atty. 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.

Atty. de Lima is an Independent Director of IONICS, Inc., IONICS EMS, FWD Insurance Philippines, Dusit Thani Philippines, Science Park of the Philippines, RFM Science Park of the Philippines, Pueblo de Oro Development Corporation, Regatta Properties Inc. and Cadence Property Development. She is a Director/Trustee of Fatima Center for Human Development, Senior Adviser to the Board in RCBC and a Board Advisor of AC Industries.

Atty. de Lima 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 attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

BOARD OF DIRECTORS

RIZALINA G. MANTARING

Independent Director

Rizalina G. Mantaring was elected as Independent Director of the Company on April 12, 2019. She 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 the Lead Independent Director of First Philippine Holdings Corporation Inc. and Bank of the Philippine Islands. She is also an Independent Director of Ayala Corporation Inc., Universal Robina Corporation Inc., BPI Asset Management & Trust Company (BPI Wealth), GoTYME Bank, Inc., Maxicare Healthcare Corporation Inc. and East Asia Computer Center Inc. Among her other affiliations are as a member of the Board of Trustees of Makati Business Club and Philippine Business for Education. She was also President of the Management Association of the Philippines and the Philippine Life Insurance Association. A recipient of the Asia Talent Management Award in the Asia Business Leaders Award organized by the global business news network Consumer News and Business Channel (CNBC), she has also been recognized by the International Association of Business Communicators (Philippines) with the CEO Excel award, and was named by Moneysense Magazine as one of the 12 Most Influential in Personal Finance. She was selected as one of the 100 Most Outstanding Alumni of the past century in 2010 by the University of the Philippines College of Engineering and received the PAX award, the highest award given to outstanding alumnae, in 2019 from St. Scholastica's College Manila.

Ms. Mantaring holds a BS Electrical Engineering degree from UP 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 attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

BOARD OF DIRECTORS

EXECUTIVE OFFICERS

RAMON R. DEL ROSARIO, JR.

Chief Executive Officer

Ramon R. del Rosario, Jr. is the Chairman and Chief Executive Officer of PHINMA Corporation, where he is also a Director. He is the Chairman of the educational institutions under the PHINMA Education Network—Araullo University, Cagayan de Oro College, University of Iloilo, University of Pangasinan, Southwestern University, St. Jude College, Republican College, Rizal College of Laguna and Union College of Laguna—and a number of other PHINMA companies. He is also the President of the Board of Commissioners of PT Ind Phil Management.

Mr. del Rosario served as the Philippines' Secretary of Finance from 1992 to 1993. He was a 1978 Ten Outstanding Young Men (TOYM) awardee in the field of Investment Banking and Finance and was conferred the "Management Man of the Year Award for 2010" by the Management Association of the Philippines. Mr. del Rosario was honored in 2010 by the Philippine District of the De La Salle Brothers as an Affiliated Member of the Institute of the Brothers of the Christian Schools. He was also awarded the "Business as a Noble Vocation Award", the first recipient of this global award presented by the International Christian Union of Business Executives or UNIAPAC in Lisbon, Portugal during its XXVI World Congress on November 24, 2018.

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

Mr. del Rosario graduated from De La Salle University (DLSU) Manila with an AB-BSC degree, magna cum laude, and earned his Master in Business Administration from Harvard Business School. In addition to two earlier honorary doctorate degrees from other institutions, Mr. del Rosario was conferred the Degree of Doctor of Business Administration, Honoris Causa, by De La Salle University last December 10, 2022. He attended the PHINMA Group Annual Corporate Governance Enhancement Session on October 2, 2023 on Data Analytics and Artificial Intelligence (AI), Workplace Reimagined and Overview of Corporate Governance conducted by SGV & Co.

DR. CHITO B. SALAZAR

President and Chief Operating Officer, Head of Education

Chito B. Salazar is the President and Chief Operating Officer, Head of Education of PHINMA Corporation. Concurrently, he is the President and Chief Executive Officer of PHINMA Education and a Senior Vice President of PHINMA, Inc. from 2003 to present. Dr. Salazar was first elected as Director of the Company at the Annual Stockholders' Meeting held on April 14, 2021.

He is also the President and Co-Founder of PBEd, a nonprofit organization founded by the country's top business leaders that works for education policy reform; Vice-Chairman of the Board of Trustees of Ateneo de Manila University (ADMU); and an Advisory Council member for the Second Congressional Commission on Education or EDCOM 2.

Prior to joining PHINMA, Dr. Salazar was a part-time Associate Professor at the School of Management and at the School of Social Sciences from 2007 to 2010 and Part-Time Lecturer at the Department of Economics, Department of English and Department of Math at ADMU from 1988 to 1992. He was also a part-time Lecturer at the Economics Department of Assumption College and an Associate Professor at the Asian Institute of Management (AIM).

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 MA in International Political Economy and Development from Fordham University in New York, and a BS Management Engineering degree from ADMU.

EXECUTIVE OFFICERS

EDUARDO A. SAHAGUN

Executive Vice President, Construction Materials

Eduardo A. Sahagun is the Executive Vice President, Construction Materials and a Director of the Company. Concurrently, he is the President and Chief Executive Officer of UGC, PHINMA Solar, and Philcement—roles he has held since 2017. He is also a director of UGC, Philcement, PHINMA Solar, PHINMA Properties, T-O Insurance Brokers, Inc., Song Lam Joint Stock Company, First Batangas Hotel Corporation, and Cagayan de Oro College, Inc., and also serves as a member of the PHINMA Foundation, Inc.'s Board of Trustees. He is likewise the Chairman of Edcommerce Corporation and an Independent Director of Philippine Savings Bank.

Mr. Sahagun formerly served as President and Country Chief Executive Officer of Holcim Philippines Inc., as a Director of Holcim Philippines Manufacturing Corporation, and as a Director of Holcim Mining and Development Corporation.

A Certified Public Accountant, Mr. Sahagun obtained his Bachelor of Science in Commerce degree, major in Accounting from Holy Angel University and his Master in Business Administration from the Ateneo Graduate School of Business. He also earned his graduate degree in Management Science from the Arthur D. Little Management Education Institute (now known as Hult International Business School) in Cambridge, Massachusetts, USA. He likewise took up the Senior Management Program, Senior Leadership Program, and Managing Change Program at the Institute for Management Development, based in Lausanne, Switzerland. Mr. Sahagun attended The Corporate Board's Roadmap to ESG-Driven Sustainability Strategy and Reporting conducted by SEC-accredited training provider Center for Global Best Practices on October 20, 2023.

PYTHAGORAS L. BRION, JR.

Group Chief Financial Officer

Pythagoras L. Brion, Jr. was appointed as Group Chief Financial Officer on November 10, 2021. He serves in the Board of Directors of PHINMA Solar Corporation, CDCC, API and at PHINMA PRISM Property Development Inc.

He received his Bachelor of Science in Management Engineering degree from ADMU and holds a Master in Business Administration degree from UP.

EDMUND ALAN A. QUA HIANSEN

Senior Vice President, Chief Financial Officer

Edmund Alan A. Qua Hiansen was appointed as Senior Vice President, Chief Financial Officer (CFO) on on April 1, 2024. His concurrent positions include Vice President-Finance for the PHINMA Construction Materials Group companies, Chief Financial Officer of Song Lam Cement Joint Stock Company, and Deputy Chief Finance Officer of PHINMA Prism Development Corporation. He is a member of the Board of Directors of the Financial Executives Institute of the Philippines.

Mr. Qua Hiansen 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.

EXECUTIVE OFFICERS

REGINA B. ALVAREZ

Senior Vice President and Group Controller

Regina B. Alvarez is the Company's Senior Vice President and Group Controller. She was previously appointed as Senior Vice President, Finance of the Company in April 2005. Ms. Alvarez is concurrently Senior Vice President and Group Controller of PHINMA, Inc. and holds various executive posts in PHINMA-managed companies. She is also a director of Araullo University and Southwestern University

Ms. Alvarez, a Certified Public Accountant, holds a Bachelor of Science degree in Business Administration and Accountancy from UP and a Master's degree in Business Administration from the Wharton School of Business.

JOSE MARI R. DEL ROSARIO

Senior Vice President, Hospitality

Jose Mari del Rosario is the Senior Vice President, Hospitality of PHINMA Corporation and the concurrent President and CEO of PHINMA Microtel Hotels Inc. and PHINMA Hospitality, Inc. He is also the President of Coralway City Hotel Corp, Krypton Esplanade Hotel Corp, First Commonwealth Hotel Corp., First Batangas Hotel Corp., South Forbes Silangan Hotel Corp., Diniwid Beach Hotel Corp., and Nemo Beach Hotel Corp. Mr. del Rosario likewise sits on the Board of Directors in other joint ventures that own hotels operating under the Microtel by Wyndham brand. He was honored with the Ernst & Young Entrepreneur of the Year – Industry Entrepreneur award in 2015 for his game-changing role in the hospitality industry and recognized by GoNegosyo as Most Inspiring Tourism Entrepreneur in 2007.

Mr. del Rosario 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 Master in Business Administration 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 September 2022.

He is the brother of Mr. Ramon R. del Rosario, Jr. and Mr. Victor J. del Rosario.

RAPHAEL B. FELIX

Senior Vice President, Properties

Raphael B. Felix is the Senior Vice President, Properties of PHINMA Corporation and the concurrent President and Chief Executive Officer of PHINMA Property Holdings Corporation, the Company's real estate subsidiary. He also serves as the President of PHINMA Prism Development Corporation since 2019, involved in upscale housing developments. He also serves as chairman of Community Developers and Construction Corporation, 's construction arm.

Mr. Felix is a graduate of AB Economics from ADMU and has attended business planning and strategy courses from AIM, Ateneo Graduate School and Harvard Business Review.

EXECUTIVE OFFICERS

NANETTE P. VILLALOBOS

Vice President and Treasurer

Nanette P. Villalobos was appointed Vice President and Treasurer in January 2019. She was previously the Treasurer for PHINMA Energy Corporation 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 PHINMA Property Holdings Corp., Treasurer for PHINMA Education Holdings, Inc., Treasurer and Compliance Officer for TO PHINMA Insurance Brokers, Inc. and Treasurer for PHINMA Hospitality. Ms. Villalobos is a member of Fund Managers Association of the Philippines and Financial Executives Institute of the Philippines.

Ms. Villalobos obtained her degree in Bachelor of Science in Accountancy from University of the East. She finished the Ateneo-Bankers Association of the Philippines (Ateneo-BAP) Treasury Certification Program in 2004, attended the Basic Management Program at the AIM in 2008, and completed a Certification study for Macroeconomics at University of Asia and the Pacific in 2014. She also took up the Diploma Program in Corporate Finance of the Ateneo Graduate School of Business-Center for Continuing Education in 2023.

ANNABELLE S. GUZMAN

Vice President, Controller

Annabelle S. Guzman was appointed as Vice President, Controller on April 14, 2021. She joined the company in September 2020.

Ms. Guzman is a Certified Public Accountant and holds a Bachelor of Science degree in Business Administration and Accountancy from UP. Prior to joining the Company, she worked in the financial services industry as VP–Fund Administration Manager with JP Morgan Chase & Co and as Finance Head with Pepper Financial Services.

ROLANDO D. SOLIVEN

Vice President, Corporate Governance

Rolando D. Soliven was appointed Compliance Officer on April 14, 2021 and has served concurrently as Vice President, Group Corporate Governance since April 2019 and Data Protection Officer since May 2022. He has been an officer of the company since March 2012.

Mr. Soliven is a Certified Public Accountant (CPA) and a Certified Internal Auditor (CIA) with distinction as a recipient of the IIA Certificate of Honor for submitting among the Top 25 results in the Global CIA Exams. He is also Certified in Risk Management Assurance (CRMA), ISO 31000 Certified Risk Manager (CRM), and Certified Fraud Examiner (CFE). Mr. Soliven is likewise a distinguished Fellow of the Institute of Corporate Directors (ICD). He is currently a member and previously served in the Board of Trustees for the Philippine chapters of both the Institute of Internal Auditors (IIA) and the Association of Certified Fraud Examiners (ACFE).

Mr. Soliven holds a Bachelor of Science degree in Accountancy from San Beda College. He has also completed the Enterprise Wide Risk Management Program as well as the Business Analytics Program of the Asian Institute of Management.

EXECUTIVE OFFICERS

PETER ANGELO V. PERFECTO

Vice President, Public Affairs

Peter Angelo V. Perfecto was appointed Vice President, Public Affairs in April 2019. He concurrently serves as the PHINMA Foundation Vice President, chairman of the Oxfam Pilipinas Board and private sector representative of the People's Survival Fund.

As former Executive Director of the Makati Business Club from 2011 to 2018, Mr. Perfecto also took on leadership and secretariat roles in the Integrity Initiative, Bishops-Businessmen's Conference for Human Development, National Competitiveness Council and the APEC Business Advisory Council. He also helped establish Philippine Business for Education and became its first Executive Director, driving business-led advocacies for education reform and mobilizing resources from corporates as well as international agencies. Mr. Perfecto's other past positions include Director V for Media and Public Affairs of the Office of the Presidential Adviser on the Peace Process and Executive Director of Amnesty International Philippines where he had the opportunity to join various international meetings and working groups on human rights.

Mr. Perfecto completed his Bachelor of Science in Management Engineering at ADMU in 1987.

ALEJANDRO DIEGO LUIS GILES R. KATIGBAK

Assistant Vice President, Chief Risk Officer

Giles R. Katigbak was appointed as Assistant Vice President, Chief Risk Officer effective April 12, 2022. Prior to joining PHINMA Corporation, he was employed in a financial advisory capacity at various Philippine firms including Investment & Capital Corporation of the Philippines, Jardine Fleming Exchange Capital Group, Inc., and SyCip, Gorres, Velayo and Company.

Mr. Katigbak received his bachelor's degree in Management Economics from ADMU and an MBA with concentration in Finance and Corporate Accounting from the University of Rochester in New York.

MA. GRACIA M. PURISIMA

Assistant Treasurer

Grace M. Purisima joined the company in 2011 and was appointed Assistant Treasurer in April 2019. She is also the Assistant Treasurer of PHINMA, Inc. She is a member of the Fund Managers Association of the Philippines.

Ms. Purisima holds a Bachelor of Arts degree in Management Economics from ADMU. She completed the Treasury Certification Program from Ateneo-BAP in 2012.

EXECUTIVE
OFFICERS

TROY A. LUNA
Corporate Secretary

Troy A. Luna was appointed 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, Toon City Animation, Inc. and other unrelated companies such as TCL Sun, Inc., Newminco Pacific Mining Corporation and Philippine Business for Education, Inc., a Trustee of the Licensing Executives Society of the Philippines and a Trustee and President of the Intellectual Property Alumni Association. He was elected as Director of the Company on November 5, 2020 until April 2021.

Atty. Luna holds a Liberal Arts in Economics degree from DLSU. He is a lawyer by profession, having earned his Bachelor of Laws degree from the Ateneo School of Law in 1986 and was admitted to the Philippine Bar in 1987. He is a Senior and named Partner of the Migallos & Luna Law Offices.

MA. CONCEPCION Z. SANDOVAL
Assistant Corporate Secretary

Ma. Concepcion Z. Sandoval was appointed Assistant Corporate Secretary in March 2017. She also acts as Assistant Corporate Secretary of PHINMA, Inc. and other PHINMA-related companies such as UI, PHIINMA Education, ABCIC, Asian Plaza, Inc., Toon City Animation, Inc. and unrelated companies such as TCL Sun, Inc. and Philippine Business for Education, Inc.

Atty. Sandoval holds a Bachelor of Arts major in Legal Management degree from the University of Sto. Tomas. She earned Bachelor of Laws degree from San Beda College of Law in 2006 and was admitted to the Philippine Bar in 2007. She is a Junior Partner of the Migallos & Luna Law Offices.

FINANCIALS

PHINMA
Making Lives Better

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, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, 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 14th day of March 2024.

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

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

PYTHAGORAS L. BRION, JR.
Group CFO

SGV
Building a better working world

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

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of PHINMA Corporation and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, 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, 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements of the Company as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023 are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the consolidated financial statements.

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.

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements which indicates that the consolidated financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs on the 2023 consolidated financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.

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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, 2023, the Company's goodwill arising from its acquisitions of educational institutions amounted to ₱1,817.9 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty, 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 obtained an understanding of the management's process for evaluating the impairment of goodwill. 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. 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 ₱1,916.2 million, comprising 4.4% of total assets as at December 31, 2023. 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.

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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. 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.

Real Estate Revenue Recognition

The Company's revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following areas: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) application of the input method as the measure of progress in determining real estate revenue; and (3) estimation of the total project cost.

In evaluating whether collectability of the amount of consideration is probable, the Company considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is also assessed by considering factors such as history with the buyer, and age and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, if it would still support its current threshold of buyers' equity before commencing revenue recognition.

In measuring the progress of its performance obligation over time, the Company uses input method. Under this method, progress is measured based on actual costs incurred relative to the estimated total project cost. In the estimation of total project costs, the Company's specialists (project engineers) to estimate all the inputs involved in the construction and development of the projects to include materials, labor and other costs directly related in the construction of the projects. The management uses the information from the project engineers to identify the appropriate inputs for their computation of the percentage of completion (POC) per project.

The disclosures related to the real estate revenue are included in Note 25 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Company's revenue recognition process.

For the buyers' equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales cancellations from buyers with accumulated payments above the collection threshold. We traced the analysis to supporting documents such as past due report, history of payments, notices of contract cancellation, letters of backout and notices of forfeiture.

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For the application of the input method, in determining real estate revenue, we obtained an understanding of the Company's processes for determining the percentage of completion (POC), including the cost accumulation process, and for determining and updating of total estimated costs, and performed tests of the relevant controls on these processes. We assessed the competence, capabilities and objectivity of the project engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we traced the accumulated incurred costs to the supporting documents such as contractors' and suppliers' invoices and receipts. For the estimation of total project costs, we obtained an understanding of the Company's budgeting and project close-out process and, on a sampling basis, performed test of details (price and quantity) for the inputs for each of the major project development workstream. We also performed test of subsequent changes to the budget by tracing to relevant documents such as estimated development cost reports and signed and approved change order forms.
For selected projects, we traced the accumulated incurred costs to the supporting analysis and documents such as schedule of actual and budgeted costs per project, certificate of completion project and purchase order forms. We visited selected ongoing and completed project sites in 2023, made relevant inquiries with project engineers and correlated our observations with the reported project accomplishment.
We performed test computation of the POC calculation of management.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, 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, 2023 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 of the consolidated financial statements in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements, 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.

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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 accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements.

- 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
BIR Accreditation No. 08-001998-078-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10079907, January 5, 2024, Makati City

March 5, 2024

PHINMA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 9, 36 and 37)	**₱2,905,913**	₱3,421,578
Investments held for trading (Notes 10, 36 and 37)	**375,096**	654,316
Current portion of:		
Trade and other receivables (Notes 11, 36 and 37)	**8,513,789**	5,631,456
Contract assets (Note 25)	**3,105,830**	–
Inventories (Note 12)	**3,765,002**	2,376,008
Input value-added taxes and other current assets (Notes 19 and 36)	**1,871,411**	629,517
Total Current Assets	**20,537,041**	12,712,875
Noncurrent Assets		
Noncurrent portion of:		
Trade and other receivables (Notes 11, 36 and 37)	**331,719**	175,803
Contract assets (Note 25)	**516,752**	–
Investment in and advances to associates and joint ventures (Note 13)	**618,524**	1,412,637
Financial assets at fair value through profit or loss (FVPL) (Notes 14, 36 and 37)	**1,916,238**	2,209,088
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 15, 36 and 37)	**163,108**	122,959
Property, plant and equipment (Note 16)	**14,479,990**	11,582,387
Investment properties (Note 17)	**925,471**	627,291
Intangible assets (Note 18)	**1,951,480**	1,853,725
Right-of-use assets (Note 38)	**423,281**	315,031
Deferred tax assets - net (Note 34)	**164,807**	127,736
Derivative asset (Notes 14, 36 and 37)	**889,721**	648,117
Other noncurrent assets (Notes 19 and 36)	**560,824**	223,376
Total Noncurrent Assets	**22,941,915**	19,298,150
	₱43,478,956	₱32,011,025
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Notes 20, 36 and 37)	**₱7,626,264**	₱2,779,103
Trade and other payables (Notes 21, 36 and 37)	**3,572,566**	2,150,350
Contract liabilities (Notes 22 and 25)	**1,809,423**	1,416,637
Trust receipts payable (Notes 12, 36 and 37)	**883,106**	128,249
Derivative liability (Notes 36 and 37)	–	371
Income and other taxes payable	**224,350**	49,151
Current portion of:		
Long-term debt (Notes 23, 36 and 37)	**3,799,341**	652,399
Lease liabilities (Notes 36, 37 and 38)	**128,510**	102,676
Due to related parties (Notes 33, 36 and 37)	**71,981**	155,595
Total Current Liabilities	**18,115,541**	7,434,531
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 23, 36 and 37)	**10,339,725**	10,282,347
Non-controlling interest put liability (Notes 7, 36 and 37)	**2,570,619**	2,188,320
Deferred tax liabilities - net (Note 34)	**696,455**	426,529
Pension and other post-employment benefits (Note 35)	**358,321**	275,600
Lease liabilities - net of current portion (Notes 36 and 38)	**396,007**	211,452
Other noncurrent liabilities	**301,918**	49,577
Total Noncurrent Liabilities	**14,663,045**	13,433,825
Total Liabilities	**32,778,586**	20,868,356

(Forward)

	December 31 2023	2022
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 24)	**₱2,863,312**	₱2,863,312
Additional paid-in capital	**396,845**	396,845
Treasury shares (Note 24)	**(57,909)**	(182)
Exchange differences on translation of foreign operations	**(773)**	(933)
Equity reserves (Note 7)	**(1,709,755)**	(299,535)
Other comprehensive income (Note 15)	**63,772**	50,920
Share in other comprehensive income of associates (Note 13)	**–**	9,809
Retained earnings (Note 24)	**6,132,003**	5,360,643
Equity Attributable to Equity Holders of the Parent	**7,687,495**	8,380,879
Non-controlling Interests	**3,012,875**	2,761,790
Total Equity	**10,700,370**	11,142,669
	₱43,478,956	₱32,011,025

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 2023	2022	2021
REVENUES			
Revenue from contracts with customers (Note 25)	**₱20,840,789**	₱17,334,033	₱15,820,133
Investment income (Note 26)	**329,681**	260,901	148,380
Rental income (Note 17)	**103,348**	69,648	69,673
	21,273,818	17,664,582	16,038,186
COSTS AND EXPENSES			
Cost of sales (Note 27)	**11,678,169**	11,681,409	10,147,777
General and administrative expenses (Note 28)	**2,778,457**	2,030,826	1,680,114
Cost of educational, hospital and installation services (Note 27)	**2,053,833**	1,613,799	1,391,127
Cost of real estate sold and construction services (Note 12 and 27)	**984,290**	–	–
Selling expenses (Note 29)	**720,468**	534,525	563,568
Cost of hotel operations (Note 27)	**131,322**	–	–
Cost of management and administrative services (Note 27)	**83,875**	–	–
	18,430,414	15,860,559	13,782,586
OTHER INCOME (EXPENSES)			
Interest expense and other financing charges (Note 32)	**(1,004,689)**	(688,190)	(649,248)
Unrealized gain (loss) on change in fair value of financial assets at FVPL (Note 14)	**(292,850)**	103,845	172,438
Net gains on derivatives (Notes 14 and 37)	**241,212**	142,596	56,324
Equity in net earnings (losses) of associates and joint ventures (Note 13)	**(81,596)**	58,014	32,940
Foreign exchange gains - net (Note 36)	**4,580**	89,500	56,237
Gain on sale of investment properties (Note 17)	**7,764**	–	–
Gain on sale of property, plant and equipment - net (Note 16)	**2,366**	489	214
Gain on bargain purchase (Note 6)	**–**	–	8,334
Others - net (Notes 25 and 38)	**70,341**	39,400	43,806
	(1,052,872)	(254,346)	(278,955)
INCOME BEFORE INCOME TAX	**1,790,532**	1,549,677	1,976,645
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 34)			
Current	**144,701**	59,642	70,883
Deferred	**19,228**	(39,146)	25,566
	163,929	20,496	96,449
NET INCOME	**₱1,626,603**	₱1,529,181	₱1,880,196
Attributable to:			
Equity holders of the Parent	**₱957,626**	₱947,677	₱1,128,965
Non-controlling interests	**668,977**	581,504	751,231
Net income	**₱1,626,603**	₱1,529,181	₱1,880,196
Basic/Diluted Earnings Per Common Share - Attributable to Equity Holders of the Parent (Note 40)	**₱3.34**	₱3.42	₱4.15

See accompanying Notes to Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2023	2022	2021
NET INCOME	**₱1,626,603**	₱1,529,181	₱1,880,196
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss in subsequent periods			
Unrealized gain (loss) on change in fair value of financial assets at FVOCI (Note 15)	**32,542**	15,713	(1,365)
Re-measurement gain (loss) on defined benefit obligation (Note 35)	**(16,112)**	8,797	(3,865)
Share in unrealized gain (loss) on change in fair value of financial assets at FVOCI and defined benefit obligation of associates and joint venture (Note 13)	**(201)**	(1,729)	13,675
Income tax effect	**(6,409)**	(2,199)	196
	9,820	20,582	8,641
Item to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations	**208**	(439)	(1,261)
Total other comprehensive income	**10,028**	20,143	7,380
TOTAL COMPREHENSIVE INCOME	**₱1,636,631**	₱1,549,324	₱1,887,576
Attributable to:			
Equity holders of the Parent	**₱980,877**	₱964,965	₱1,141,246
Non-controlling interests	**655,754**	584,359	746,330
Total comprehensive income	**₱1,636,631**	₱1,549,324	₱1,887,576

See accompanying Notes to Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Note 24)	Additional Paid-in Capital	Treasury Shares (Note 24)	Exchange Differences on Translation of Foreign Operations	Equity Reserves (Note 7)	Other Comprehensive Income (Note 15)	Share in Other Comprehensive Income of Associates and Joint Ventures (Note 13)	Retained Earnings (Note 24) Appropriated	Retained Earnings (Note 24) Unappropriated	Subtotal	Non-controlling Interests	Total Equity
Balance, January 1, 2023	₱2,863,312	₱396,845	(₱182)	(₱933)	(₱299,535)	₱50,920	₱9,809	₱1,765,500	₱3,595,143	₱8,380,879	₱2,761,790	₱11,142,669
Net income	–	–	–	–	–	–	–	–	957,626	957,626	668,977	1,626,603
Other comprehensive income (loss)	–	–	–	160	–	27,370	(201)	–	(4,078)	23,251	(13,223)	10,028
Total comprehensive income (loss)	–	–	–	160	–	27,370	(201)	–	953,548	980,877	655,754	1,636,631
Cash dividends (Note 24)	–	–	–	–	–	–	–	–	(171,795)	(171,795)	(301,564)	(473,359)
Realized gain on sale of financial assets at FVOCI (Note 15)	–	–	–	–	–	(238)	–	–	238	–	–	–
Business combination (Note 6)	–	–	–	–	(636,375)	(14,280)	(9,608)	–	(10,631)	(670,894)	573,887	(97,007)
Dilution of equity shares (Note 7)	–	–	–	–	(3,053)	–	–	–	–	(3,053)	(734)	(3,787)
Acquisition of NCI (Note 7)	–	–	–	–	(522,315)	–	–	–	–	(522,315)	(542,437)	(1,064,752)
Put option over NCI (Note 7)	–	–	–	–	(248,477)	–	–	–	–	(248,477)	(133,821)	(382,298)
Reversal of appropriation (Note 24)	–	–	–	–	–	–	–	(1,765,500)	1,765,500	–	–	–
Appropriation of retained earnings (Note 24)	–	–	–	–	–	–	–	1,600,000	(1,600,000)	–	–	–
Parent company shares held by a subsidiary (Note 24)	–	–	(57,727)	–	–	–	–	–	–	(57,727)	–	(57,727)
Balance, December 31, 2023	₱2,863,312	₱396,845	(₱57,909)	(₱773)	(₱1,709,755)	₱63,772	₱–	₱1,600,000	₱4,532,003	₱7,687,495	₱3,012,875	₱10,700,370
Balance, January 1, 2022	₱2,863,312	₱259,248	(₱143,574)	(₱581)	(₱81,446)	₱38,167	₱11,538	₱1,765,500	₱2,776,780	₱7,488,944	₱2,483,624	₱9,972,568
Net income	–	–	–	–	–	–	–	–	947,677	947,677	581,504	1,529,181
Other comprehensive income (loss)	–	–	–	(352)	–	13,153	(1,729)	–	6,216	17,288	2,855	20,143
Total comprehensive income (loss)	–	–	–	(352)	–	13,153	(1,729)	–	953,893	964,965	584,359	1,549,324
Cash dividends (Note 24)	–	–	–	–	–	–	–	–	(135,930)	(135,930)	(198,838)	(334,768)
Realized gain on sale of financial assets at FVOCI (Note 15)	–	–	–	–	–	(400)	–	–	400	–	–	–
Put option over NCI (Note 7)	–	–	–	–	(218,089)	–	–	–	–	(218,089)	(107,355)	(325,444)
Sale of treasury shares	–	137,597	143,851	–	–	–	–	–	–	281,448	–	281,448
Buyback of shares (Note 24)	–	–	(459)	–	–	–	–	–	–	(459)	–	(459)
Balance, December 31, 2022	₱2,863,312	₱396,845	(₱182)	(₱933)	(₱299,535)	₱50,920	₱9,809	₱1,765,500	₱3,595,143	₱8,380,879	₱2,761,790	₱11,142,669

- 2 -

	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, 2021	₱2,863,312	₱259,248	(₱136,347)	₱297	₱34,694	₱38,922	(₱2,137)	₱2,415,500	₱1,106,503	₱6,579,992	₱1,973,422	₱8,553,414
Net income	–	–	–	–	–	–	–	–	1,128,965	1,128,965	751,231	1,880,196
Other comprehensive income (loss)	–	–	–	(878)	–	(755)	13,675	–	239	12,281	(4,901)	7,380
Total comprehensive income	–	–	–	(878)	–	(755)	13,675	–	1,129,204	1,141,246	746,330	1,887,576
Cash dividends (Note 24)	–	–	–	–	–	–	–	–	(108,927)	(108,927)	(132,304)	(241,231)
Business combination (Note 6)	–	–	–	–	3,629	–	–	–	–	3,629	53,429	57,058
Dilution of equity shares	–	–	–	–	14,038	–	–	–	–	14,038	(14,038)	–
Put option over NCI (Note 7)	–	–	–	–	(133,807)	–	–	–	–	(133,807)	(143,215)	(277,022)
Reversal of appropriation (Note 24)	–	–	–	–	–	–	–	(2,250,000)	2,250,000	–	–	–
Appropriation of retained earnings (Note 24)	–	–	–	–	–	–	–	1,600,000	(1,600,000)	–	–	–
Buyback of shares (Note 24)	–	–	(7,227)	–	–	–	–	–	–	(7,227)	–	(7,227)
Balance, December 31, 2021	₱2,863,312	₱259,248	(₱143,574)	(₱581)	(₱81,446)	₱38,167	₱11,538	₱1,765,500	₱2,776,780	₱7,488,944	₱2,483,624	₱9,972,568

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

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,790,532**	₱1,549,677	₱1,976,645
Adjustments to reconcile income before income tax to net cash flows:			
Interest expense and other financing charges (Note 32)	**1,004,689**	688,190	649,248
Depreciation and amortization (Note 31)	**786,056**	629,184	603,562
Interest income (Note 26)	**(314,349)**	(248,963)	(132,186)
Net gain on derivatives (Notes 14 and 37)	**(241,212)**	(142,596)	(56,324)
Unrealized loss (gain) on change in fair value of financial assets at FVPL (Note 14)	**292,850**	(103,845)	(172,438)
Pension and other employee benefits expense (Note 35)	**125,143**	103,368	79,732
Unrealized foreign exchange gain - net (Note 36)	**(4,580)**	(89,500)	(56,237)
Equity in net losses (earnings) of associates and joint ventures (Note 13)	**81,596**	(58,014)	(32,940)
Gain on investments held for trading - net (Note 10)	**(15,124)**	(11,737)	(15,970)
Gain on sale of investment properties (Note 17)	**(7,764)**	(32,592)	–
Gain on sale of property, plant and equipment (Note 16)	**(2,366)**	(489)	(214)
Dividend income (Note 26)	**(208)**	(201)	(224)
Loss (gain) on pre-termination of long-term leases (Note 38)	**225**	(5,621)	(849)
Gain on bargain purchase (Note 6)	–	–	(8,334)
Operating income before working capital changes	**3,495,488**	2,276,861	2,833,471
Decrease (increase) in:			
Trade and other receivables	**(1,978,796)**	(496,743)	(1,403,768)
Contract assets	**(1,092,158)**	–	–
Inventories	**205,160**	(401,954)	(366,073)
Input value-added taxes and other current assets	**(308,577)**	(274,586)	(53,590)
Increase (decrease) in:			
Trade and other payables	**(199,886)**	(91,297)	314,174
Trust receipts payable	**754,857**	(1,583,184)	(319,443)
Contract liabilities	**142,082**	89,495	717,868
Net cash provided by (used in) operations	**1,018,170**	(481,408)	1,722,639
Interest paid	**(912,060)**	(706,092)	(690,872)
Income tax paid	**(239,392)**	(86,107)	(53,146)
Contributions to the pension fund (Note 35)	**(101,679)**	(41,844)	(47,337)
Benefits paid from operating fund (Note 35)	**(11,016)**	(23,804)	(13,182)
Interest received	**212,618**	49,554	11,715
Net cash provided by (used in) operating activities	**(33,359)**	(1,289,701)	929,817
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment held for trading	**(68,000)**	(1,468,223)	(2,974,298)
Property, plant and equipment (Note 16)	**(2,432,584)**	(1,432,052)	(1,573,268)
Investment in and advances to associates and joint ventures (Note 13)	**(165,024)**	(109,266)	–
Intangible assets	**(32,391)**	(11,124)	(7,048)
Investment properties	**(241,193)**	(3,780)	–
Financial assets at FVPL	–	–	(1,932,805)
Derivative asset	–	–	(202,345)

(Forward)

	Years Ended December 31		
	2023	2022	2021
Proceeds from sale of:			
Investments held for trading	**₱507,416**	₱2,136,372	₱3,809,362
Investment properties	**19,928**	35,759	–
Property, plant and equipment (Note 16)	**10,761**	2,054	3,523
Financial assets at FVOCI	**250**	1,450	–
Decrease (increase) in other noncurrent assets	**195,737**	(58,065)	(124,404)
Payment of advances to associates and joint ventures (Note 13)	**5,000**	–	–
Dividends received (Note 13)	**208**	201	224
Acquisition of subsidiaries - net of cash acquired (Note 6)	**(983,362)**	–	(101,543)
Net cash used in investing activities	**(3,183,254)**	(906,674)	(3,102,602)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Notes payable	**(7,158,495)**	(1,531,718)	(2,398,285)
Long-term debt	**(748,958)**	(1,048,952)	(918,091)
Cash dividends	**(405,795)**	(377,332)	(188,048)
Lease liabilities	**(111,449)**	(125,452)	(124,617)
Treasury shares	**–**	(459)	(7,227)
Proceeds from availments of:			
Notes payable	**9,029,800**	3,380,647	2,002,549
Long-term debt	**3,159,325**	1,280,000	4,524,477
Proceeds from sale of treasury shares	**–**	281,448	–
Increase (decrease) in due to related parties	**(85,767)**	(27,283)	31,768
Increase (decrease) in other noncurrent liabilities	**86,245**	1,640	(2,556)
Issuance of shares to non-controlling interests	**–**	–	3,629
Acquisition of non-controlling interests (Note 7)	**(1,068,538)**	–	–
Net cash provided by financing activities	**2,696,368**	1,832,539	2,923,599
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**4,580**	89,500	56,237
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(515,665)**	(274,336)	807,051
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,421,578**	3,695,914	2,888,863
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 9)	**₱2,905,913**	₱3,421,578	₱3,695,914

See accompanying Notes to Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES
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, 2023			December 31, 2022		
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)	Solar rooftop	December 31	–	**100.00**	**98.01**	–	100.00	98.01
PHINMA Education Holdings, Inc. (PEHI) [a and d]	Holding company	March 31	**75.21**	–	**75.21**	67.18	–	67.18
Pamantasan ng Araullo (Araullo University), Inc. (AU) [a]	Educational institution	March 31	–	**97.76**	**73.53**	–	97.57	65.55
Cagayan de Oro College, Inc. (COC) [a]	Educational institution	March 31	–	**91.27**	**68.64**	–	91.27	61.32
University of Iloilo (UI) [a]	Educational institution	March 31	–	**69.23**	**52.07**	–	69.23	46.51
University of Pangasinan (UPANG) and Subsidiary [a]	Educational institution	March 31	–	**69.33**	**52.14**	–	69.33	46.58
Southwestern University (SWU) [a]	Educational institution	March 31	–	**84.34**	**63.43**	–	84.34	56.66
St. Jude College, Inc. (SJCI) [a]	Educational institution	March 31	–	**98.30**	**73.93**	–	98.30	66.04
Republican College, Inc. (RCI)	Educational institution	December 31	–	**98.41**	**74.01**	–	98.41	66.11
Rizal College of Laguna (RCL) [a]	Educational institution	April 30	–	**90.00**	**67.69**	–	90.00	60.46
Union College of Laguna (UCLI) [a]	Educational institution	December 31	–	**80.91**	**60.85**	–	80.91	54.36
Career Academy Asia, Inc. (CAA) [b]	Educational Institution	March 31	**90.00**	–	**90.00**	90.00	–	90.00
Philcement Corporation (PCC)	Manufacturing and distribution of cement products	December 31	**60.00**	–	**60.00**	60.00	–	60.00
P & S Holdings Corporation (PSHC)	Investment and real estate holdings	December 31	**60.00**	–	**60.00**	60.00	–	60.00
Asian Plaza, Inc. (API)	Lease of real property	December 31	**57.62**	–	**57.62**	57.62	–	57.62
PHINMA Property Holdings Corporation (PPHC) [d]	Real estate development	December 31	**76.81**	**22.38**	**94.01**	–	–	–
Community Developers and Construction Corporation (CDCC) [d]	Real estate development	December 31	–	**99.22**	**93.28**	–	–	–
Community Property Managers Group, Inc. (CPMGI) [d]	Property Management	December 31	–	**95.75**	**90.01**	–	–	–
ABCIC Property Holdings, Inc. (APHI) [d]	Selling of real and personal properties	December 31	**89.98**	–	**89.98**	–	–	–
PHINMA Hospitality, Inc. (PHI) and Subsidiaries [d]	Management services and investment holdings	December 31	**63.77**	**36.23**	**84.65**	–	–	–
PHINMA Microtel Hotels, Inc. (PHINMA Microtel) [d]	Hotel franchising	December 31	**51.00**	–	**51.00**	–	–	–
Coral Way City Hotel Corp. (Coral Way)	Hotel operations	December 31	**23.75**	**26.44**	**46.13**	–	–	–
Krypton Esplanade Hotel Corporation (KEHC)	Hotel operations	December 31	–	**100.00**	**46.13**	–	–	–
One Animate Limited (OAL) and Subsidiary [c]	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] *CAA ceased its operations on March 31, 2019.*
[c] *OAL owns 100.00% interest in Toon City Animation, Inc. (Toon City). OAL and Toon City ceased operations in April 2013.*
[d] *On July 17, 2023, PHN acquired shares in the following companies: 36.71% ownership interest of PPHC; 63.47% ownership interest of APHI; 63.77% ownership interest of PHI; 51.00% ownership interest of PHINMA Microtel and 8.03% ownership interest of PEHI*

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, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 were reviewed and recommended for approval by the Audit Committee on March 1, 2024. On March 5, 2024 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), as modified by the application of the financial reporting reliefs issued and approved by SEC in response to COVID-19 pandemic.

The Company availed of the relief granted by the SEC under Memorandum Circular (MC) No. 34-2020 which further extended the deferral of Philippine Interpretations Committee (PIC) Q&A 2018-12-D (assessment if the transaction price includes a significant financing component) until December 31, 2023.

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.

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.

3. **Changes in Accounting Policies and Disclosures**

Current Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2023. Unless otherwise indicated, adoption of these new standards did not have any significant impact on the consolidated financial statements of the Company.

- 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.

  The adoption resulted in the changes of accounting policy information to only include material accounting policy information.

- 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.

- 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.

Future Changes in Accounting Policies and Disclosures
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, 2024

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

  The amendments clarify:

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

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

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

- Amendments to PAS 7 and PFRS 7*, Disclosures: Supplier Finance Arrangements*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

- Amendments to PAS 21*, Lack of exchangeability*

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

- Adoption of the Deferred Provisions of PIC Q&A 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry* (as amended by PIC Q&A 2020-04)

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 8, 2019, the Philippine SEC issued SEC MC No. 14-2018 and SEC MC No. 3-2019 respectively, providing relief to the real estate industry by deferring the application of the following provisions of this PIC Q&A for a period of three (3) years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023.

The PIC Q&A provisions covered by the Philippine SEC deferral that the Company availed in 2021 follows:

	Deferral Period
Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023

On July 8, 2021, to assist real estate companies to finally adopt the above mentioned PIC Q&A and IFRIC pronouncements and enable them to fully comply with PFRS 15 and revert to full PFRS, the SEC issued SEC MC No. 8-2021 amending the transition provision of the above PIC Q&A, which would provide real estate companies the accounting policy option of applying either the full retrospective approach or modified retrospective approach when they apply the provisions of the above PIC Q&A and IFRIC pronouncements.

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

PPHC availed of the SEC relief on the accounting for significant financing component of PIC Q&A No. 2018-12.

4. Summary of Material Accounting Policy Information

Financial Instruments - Initial Recognition and Subsequent Measurement

Financial assets

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

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

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

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

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, 2023 and 2022.

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 as at December 31, 2023 and 2022.

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.

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.

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 trade receivables [excluding real estate installment contracts receivable (ICR)], 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.

For its real estate ICR and contract assets, the Company uses the vintage analysis for ECL by calculating the cumulative loss rates of a given real estate ICR and contract asset pool. It derives the probability of default (PD) from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

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

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

Financial Liabilities

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

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

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

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

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

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

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. This category includes the Company's derivative liability as at December 31, 2023 and 2022.

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, 2023 and 2022.

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.

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.

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.

Inventories

Inventories are valued at the lower of cost or net realizable value (NRV). 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.

Real Estate Inventories. Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as real estate inventory and are measured at the lower of cost and NRV. Principally, this is the land, condominium and residential units and parking slots that the Company develops and intends to sell before, or on completion of, development.

Cost incurred in bringing each property to its present location and condition includes:

- Acquisition costs of raw land;
- Amounts paid to contractors for construction and development; and
- Capitalized borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, development overheads and other related costs.

NRV is the estimated selling price in the ordinary course of business, based on market prices at the reporting date, less estimated costs of completion and estimated costs necessary to make the sale.

When a real estate inventory is sold, the carrying amount of the property is recognized as an expense in the period in which the related revenue is recognized. The carrying amount of the real estate inventory recognized in profit or loss is determined with reference to the directly attributable costs incurred on the property sold and an allocation of any other related costs based on the relative size of the property sold.

Construction Materials Inventory. This pertains to construction materials, which are stated at lower of cost and NRV. Cost is determined using the first-in, first-out method and composed of purchase price, transport, handling and other costs directly attributable to the acquisition. NRV of construction materials inventory is the current replacement cost. In determining the NRV, the Company considers any adjustment necessary for obsolescence.

Other Current Assets

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

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

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

Investment in Associates and Joint Ventures

The 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.

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 equipment	2 - 10 years
Office furniture and equipment	3 - 10 years
Leasehold improvements	3 - 10 years or lease term, whichever is shorter

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 lives of the depreciable investment properties, which refer to building, apartment and condominium units.

Depreciation of the building improvements is calculated over the shorter between the estimated useful life of the building improvements and the remaining useful life of the building unit.

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.

Business combinations under common control used an accounting similar to pooling-of-interest method. In pooling-of-intrests method, the assets and liabilities of the acquired entities are based on the carrying values reported in the consolidated financial statements of the original parent. Accordingly, the assets and liabilities of the acquired entities will be based on the fair value as at the date the acquired entities became part of the original parent and adjusted for subsequent transactions. Any goodwill relating to the acquired entities that was recognized in the original parent's consolidated financial statements will also be recognized. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of combination that would otherwise be done under the acquisition method. The only adjustments that are made are to align the accounting policies. The difference in the carrying values of the acquired entities and the fair value of the consideration given is accounted for as "Other reserves" and is presented as a separate component of equity in the consolidated statement of financial position. Whereas, the carrying amount with respect to the new parent are the same as those in its existing financial statements prior to taking over control of the other entity.

The Company did not restate the periods prior to the combination under common control but retained the equity balances. While the financial information for periods prior to the transaction are not restated, the values assigned to the acquired entities, including equity reserves, are determined as if pooling had been applied since the entities were under common control. This means that any equity values associated with the acquired entities that would have been recognized in equity are carried over as at the date of transaction. This view of not restating balances is consistent with of the pooling-of-interests concept.

Further, the Company's common control business combination involves acquisition of partially owned subsidiaries of the original parent. The NCI is acquired as part of the common control business combination at the same time as the common control transaction. Accordingly, the acquisition of the NCI by the new parent is accounted for from the date of acquisition of these interests.

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 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.

The useful lives of intangible assets are as follows:

Franchise	20 years
Software costs	5 years
Student lists	3 years
Leasehold rights	Based on the term in the facility lease agreement

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the leasehold rights, student lists and software costs and franchise 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.

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.

Shares of the Parent Company held by a subsidiary are reflected as treasury shares in the consolidated statements of changes in equity.

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.

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 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.

Real Estate Sales. The Company enters into contracts with customers to sell property that are either completed or under development.

- Completed Real Estate Inventory

  The sale of completed property constitutes a single performance obligation and the Company has determined that it is satisfied at the point in time when control is transferred. For unconditional exchange of contracts, this generally occurs when legal title is transferred to the customer. For conditional exchanges, this generally occurs when all significant conditions are satisfied.

- Real Estate Inventory under Development

  The Company considers whether there are promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. For contracts relating to sale of property under development, the Company is responsible for the overall management of the project and identifies various goods and services to be provided, including design work, procurement of materials, site preparation and foundation pouring, framing and plastering, mechanical and electrical work, installation of fixtures (e.g., windows, doors, cabinetry, etc.) and finishing work. The Company accounts for these items as a single performance obligation because it provides a significant service integrating the goods and services (the inputs) in the completed property (the combined output) which the customer has contracted to buy.

  For the sale of real estate inventory under development, the Company has determined that its performance does not create an asset with alternative use to the Company based on the terms and conditions of its contract with the buyers and it has concluded, at all times, it has an enforceable right to payment for performance completed to date. Therefore control is transferred and revenue is recognized over time.

The Company's performance is measured using input method, by reference to the costs incurred to the satisfaction of a performance obligation (e.g., resources consumed, labor hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the completion of the property. The Company excludes the effect of any costs incurred that do not contribute to the Company's performance in transferring control of goods or services to the customer (such as unexpected amounts of wasted materials, labor or other resources) and adjusts the input method for any costs incurred that are not proportionate to the Company's progress in satisfying the performance obligation (such as land, mobilization costs, temporary facilities and uninstalled materials).

Revisions in the estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, for part of total project costs on a prospective basis, is allocated between costs of sales and real estate inventories.

Construction Contracts. Revenue from construction contracts are recognized over time using the input method. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated costs of the project. The Company uses the cost accumulated by the accounting department to determine the actual resources used. Input method exclude the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on onerous contracts are recognized immediately when it is probable that the total unavoidable contract costs will exceed total contract revenue. The amount of such loss is determined irrespective of whether or not work has commenced on the contract; the stage of completion of contract activity; or the amount of profits expected to arise on other contracts, which are not treated as a single construction contract. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements that may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined. Profit incentives are recognized as revenue when their realization is reasonably assured.

Service Fees. Service fees pertains to rental management, technical services and property administration and management. These services pertain to the Company's obligation to look for different tenants and manage different condominium covered by the management agreement. Related fees are recognized over time when services are rendered.

Unit Improvement Income. Unit improvement income under pre-completion stage are recognized over time during the construction period or percentage of completion (POC) since based on the terms and conditions of its contract with the buyers, 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.

In measuring the progress of its performance obligation over time, the Company uses output method. The Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the third-party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Water Revenues. Revenue from water services is recognized upon the supply of water to the customers and when the related services are rendered. The performance obligations are satisfied over-time.

Forfeitures and Cancellations of Real Estate Contracts. Income from forfeited reservation and collections is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act (RA) No. 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

In 2021, PPHC adopted the third acceptable approach in accounting for cancellations under PIC Q&A 2020-05 where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost.

Commission Income. Revenue from commissions is recognized upon collection of insurance premium from policyholders.

Management Fees. Management fees represent payment to the Company for services rendered as covered by existing management contracts. Management fees are recognized over time when earned based on a certain percentage of gross revenues of hotels as provided in the management contracts.

License, Marketing and Reservation Fees. License fees represent payment to the Company in consideration for the services provided by the Company to hotel licensees with respect to training, consultation, compliance and other services. Marketing and reservation fees represent the share of the hotel licensee in the marketing and promotional efforts provided by the Company for the hotel brand. License, marketing and reservation fees are recognized over time when earned based on certain percentage of gross revenues of the licensees as provided in the license agreements.

Franchise Fees. Franchise fees represent the one-time fee payment equivalent to a fixed rate upon signing of the license agreement. Franchise fees are recognized when earned based on certain amount per guest room of the licensee.

Hotel Operations. Revenue is recognized based on actual occupancy. Based on the Company's assessment, all of the Company's contracts with customers generally undertake to provide single performance obligation are fixed price which is mainly hotel services and sale of goods.

The Company recognizes revenue as the services are rendered over time. Revenue from stand-alone sale of hotel supplies are considered as a single performance obligation recognized at a point in time when control of the asset is transferred to the customer, generally on delivery of the promised goods.

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.

For the Company's real estate segment, the amounts recognized as revenue related to sale of a property under development for a given period do not necessarily coincide with the amounts billed to or certified by the customer. In the case of contracts in which the goods or services transferred to the customer exceed the related amount billed, the difference is recognized as a contract asset.

For the Company's construction segment, contract assets include costs and estimated earnings in excess of billings on uncompleted contracts which represents total costs incurred and estimated earnings recognized in excess of amounts billed.

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.

For the Company's real estate segment, contract liability is recognized in the case of contracts in which the goods or services transferred are lower than the amount billed to the customer.

For the Company's construction segment, contract liabilities include billings in excess of costs and estimated earnings on uncompleted contracts which represents billings in excess of total costs incurred and estimated earnings recognized.

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.

On the other hand, the Company's real estate segment pays sales commission to its brokers and marketing agents for contracts that they obtain to sell certain units of property and capitalizes the incremental cost of obtaining a contract that meet the criteria in PFRS 15. These costs are amortized and are charged to expense in the period in which the related revenue is recognized as earned. Capitalized costs to obtain such contracts are represented as "Cost to obtain contract" under "Other current assets" account in the consolidated statement of financial position and its amortization is included in the "Operating expenses" as "Commission expense" in the consolidated statement of income.

The real estate segment assesses, at each reporting date, whether the carrying amount exceeds the remaining amount of consideration that the entity expects to receive in exchange for the residential development less the costs that relate directly to completing the development and that have not been recognized as expenses.

Contract Fulfillment Assets. The Company's contract fulfillment costs pertain to cost of temporary facilities, mobilization and demobilization costs, capitalized borrowing costs and land acquisition costs as included in the "Inventories" account in the consolidated statement of financial position.

The Company amortizes contract fulfillment assets over the expected construction period using POC following the pattern of real estate revenue recognition. The amortization is included within cost of sales (for contract fulfillment asset) and operating expenses (for capitalized costs to obtain a contract).

<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, Cost of Real Estate Sold and Construction Services, Cost of Educational Services, Cost of Installation Services, Cost of Hotel Operations, Cost of Hospital Services, and Cost of Management 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. Costs of hotel services includes advertising and promotions expenses incurred for advertising schemes and promotional activities for indorsing the project hotels of the Company. Costs of real estate sold includes cost of land and development. Costs of management services constitute costs incurred for the general management of all operations and personnel of customers and costs of administering the business. These expenses are expensed as incurred.

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

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

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

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

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

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods but rather these are closed to retained earnings every end of the period.

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

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

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

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

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

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

<u>Leases</u>

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*. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. 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.

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.

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 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 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.

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 six major business segments namely, investment holdings, property development, construction materials, educational services, hospitality, hotel franchising and management and business process outsourcing (BPO). 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:

Revenue Recognition for Real Estate

i. *Existence of a Contract.*
The Company's primary document for a contract with a customer is a signed contract to sell. It has determined however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, quotation sheets and other documents, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Company before revenue recognition is to assess the probability that the Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Company considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past credit history of customer, age, pricing of the property and ability to comply with the documentary requirements. The Company requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Company. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

From September 1, 2020, the Company changed its policy and criteria for recognizing real estate revenues for its Home Development Mutual Fund (HDMF), bank and in-house financing schemes. Previously, a contract is considered to meet the revenue recognition criteria once it has breached the minimum collection threshold and met certain documentary requirements. The change beginning September 1, 2020 resulted to management requiring a lower collection requirement for bank and in-house financed real estate sales, while a higher collection threshold and more stringent documentation for HDMF-financed real estate sales. Management takes the view that this revised collection threshold provides reliable and more relevant information considering that there were minimal backouts under the previous collection requirement for bank and in-house financed sales. For its HDMF financing scheme, the change was in response to the challenges brought by the COVID-19 pandemic, which limited the documentary requirements required by HDMF in the facilitation of loan take-outs for real estate sales. The effect in 2021 was increase in revenue of ₱287.2 million, with corresponding impact on tax. The impact on future periods cannot be presently determined as it is dependent on existing and future sales contracts that will or will not fall or meet the new collection threshold and/ or documentary requirements.

For construction contracts, the Company assessed that various documents or arrangements (whether separately or collectively) will create a contract in accordance with PFRS 15. The Company considered relevant facts and circumstances including customary business practices and assessed that the enforceability of its documents or arrangements depends on the nature and requirements stated in the terms of those documents or arrangements. Certain documents that indicate enforceability of contract include Letter/ Notice of Award, Letter of Intent, Notice to Proceed and Purchase Order.

ii. *Revenue Recognition Method.*
For sale of real estate inventories under development, the Company has concluded that revenue is to be recognized over time because: (a) the Company's performance does not create an asset with an alternative use and; (b) the Company has an enforceable right to payment for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Company's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

The Company has determined that input method used in measuring progress of the performance obligation faithfully depicts the Company's performance in transferring control of real estate development to the customers.

For construction contracts, the Company concluded that revenue is to be recognized over time because: (a) the customer controls assets as it is created or enhanced; (b) the Company's performance does not create an asset with an alternative use; and (c) the Company has an enforceable right to payment for performance completed to date. The Company assessed that the first criterion is consistent with the rationale for POC revenue recognition approach for construction contract. Moreover, the customer can also specify the design of the asset being constructed and the Company builds the asset on the customer's land and the customer can generally control any work in progress arising from the Company's performance. The last criterion is evident in the actual provisions of the contract. As the Company cannot direct the asset to another customer, it satisfies the criteria of no alternative use.

The Company elected to use the input method to measure the progress of the fulfillment of its performance obligation, which is based on the actual costs incurred to date relative to the total estimated costs to complete the construction projects. The Company believes that this method faithfully depicts the Company's performance towards satisfaction of its performance obligation because there is a direct relationship between the Company's efforts (i.e., costs incurred) and the transfer of control of the services provided to the customer.

iii. *Identifying Performance Obligation.*
Construction projects of the Company usually includes individually distinct goods and services. These goods and services are distinct as the customers can benefit from the service on its own and are separately identifiable. However, the Company assessed that goods and services are not separately identifiable from other promises in the contract. The Company provides significant service of integrating the various goods and services (inputs) into a single output for which the customer has contracted. Consequently, the Company accounts for all of the goods and services in the contract as a single performance obligation.

iv. *Consideration of Significant Financing Component in a Construction Contract.* The Company usually imposes to its customers a percentage of contract price as an advance payment of the total contract price as mobilization fees. The Company concluded that there is no significant financing component for those contracts where the customer pays in advance, considering: (a) the advance payments have historically been recouped within 12 months from the reporting date; and (b) the billings are normally based on the POC. The lag time between performance of construction service which is measured through POC and actual billing and billing to collection is substantially within 12 months.

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, 2023 and 2022, 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 ₱166.0 million, ₱113.5 million and ₱103.5 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Notes 27, 28 and 38).

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the succeeding paragraphs.

Business Combination. The Company's consolidated financial statements and financial performance reflect acquired businesses after the completion of the respective acquisition. The Company accounts for the acquired businesses using the acquisition method, which require extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any excess in the purchase price over the estimated fair market values of the net assets acquired is recorded as goodwill in the Company's consolidated statement of financial position. Thus, the numerous judgments made in estimating the fair market value to be assigned to the acquiree's assets and liabilities can materially affect the Company's financial performance.

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

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

The Company's lease liabilities amounted to ₱524.5 million and ₱314.1 million as at December 31, 2023 and 2022, 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.

  For the Company's real estate segment, it uses vintage analysis approach to calculate ECLs for real estate ICR and contract assets. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability of default (PD) model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

- 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 three (3) to five (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. Receivables from real estate sales are grouped based on shared risk characteristics, such that risk exposures within a group are homogenous. In performing this grouping, there must be sufficient information for the Company to be statistically credible. Where sufficient information is not available internally, the Company has considered benchmarking internal/external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings for real estate receivables are (i) bank financing, (ii) in-house financing and (iii) HDMF financing.

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The changes in the gross carrying amount of receivables during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

Provision for ECL amounted to ₱88.1 million, ₱178.8 million and ₱185.9 million in 2023, 2022 and 2021, respectively (see Note 28). The allowance for ECL amounted to ₱1,524.7 million and ₱1,377.4 million as at December 31, 2023 and 2022. The carrying amounts of trade and other receivables amounted to ₱8,845.5 million and ₱5,807.3 million as at December 31, 2023 and 2022 (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 recognized provision (reversal) for inventory obsolescence of (₱7.4 million) and ₱4.0 million in 2023 and 2022, respectively. Write-off of inventory amounted to nil in 2023 and 2022. The allowance for inventory obsolescence amounted to ₱6.7 million and ₱14.1 million as at December 31, 2023 and 2022, respectively. The carrying amounts of inventories amounted to ₱3,765.0 million and ₱2,376.0 million as at December 31, 2023 and 2022, respectively (see Note 12).

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	
	2023	2022	**2023**	2022	**2023**	2022
SWU	**₱996,484**	₱996,484	**12.1%**	14.9%	**5%**	5%
UPANG	**385,817**	385,817	**12.1%**	14.6%	**5%**	5%
UI	**213,995**	213,995	**12.1%**	14.6%	**5%**	5%
SJCI	**103,992**	103,992	**12.1%**	14.7%	**5%**	5%
RCI	**61,286**	61,286	**12.1%**	15.4%	**5%**	5%
AU	**35,917**	35,917	**12.1%**	14.6%	**5%**	5%
COC	**20,445**	20,445	**12.1%**	14.6%	**5%**	5%
PPHC	**4,122**	–	**12.1%**	–	**5%**	–
	₱1,822,058	₱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 2023 and 2022. The carrying amount of goodwill amounting to ₱1,822.1 million and ₱1,817.9 million as at December 31, 2023 and 2022, was presented under "Intangible assets" account in the consolidated statements of financial position (see Note 18).

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 ₱804.2 million and ₱421.4 million as at December 31, 2023 and 2022, 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:

	2023	2022
Property, plant and equipment (see Note 16)	**₱9,281,912**	₱6,904,842
Investment properties (see Note 17)	**300,731**	12,787
Intangible assets with finite useful lives (see Note 18)	**121,806**	35,789

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 ₱125.1 million, ₱103.4 million and ₱79.7 million in 2023, 2022 and 2021, respectively (see Note 30). Pension and other-employment benefits liability amounted to ₱358.3 million and ₱275.6 million as at December 31, 2023 and 2022, 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 PHINMA Property Holdings Corporation, ABCIC Property Holdings, Inc. PHINMA Hospitality and PHINMA Microtel Hotels, Inc. On July 17, 2023, the Parent Company and PHINMA, Inc., executed a Deed of Sale for the purchase of investments of PHINMA, Inc. in the following Companies:

Company	**Description**	**PHINMA, Inc.'s Direct Ownership**	**Transaction Value (₱ in millions)**
PPHC	Holding company of the Company's property development arm	36.71%	₱588.9
PHI	Management company of the Company's Microtel and TRYP hotels; part-owner in 7 hotels	63.77%	251.2
PHINMA Microtel	Master franchisor of Microtel and TRYP hotels in the Philippines	51.00%	21.2
APHI	Owner of real estate properties	63.47%	409.4
Total			**₱1,270.7**

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

Cash payments relating to acquisition	₱1,270,699
Less cash of acquired subsidiaries	287,337
Net cash outflow	₱983,362

The Parent Company and all the entities above are subsidiaries of PHINMA, Inc. before and after the business combination. Thus, the acquisition was accounted for as business combination 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 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 combination resulted to equity adjustment from common control business combination, included under "Equity reserves" account, amounting to ₱636.4 million. It also resulted to increase in "Non-controlling interests" account amounting to ₱573.9 million and decrease in "Retained earnings" account amounting to ₱10.6 million.

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

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

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

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

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

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

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

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

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

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

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

Acquisition of Ownership Interest of NCI in PEHI
On July 17, 2023, the Parent Company acquired the shares in PEHI held by PHINMA, Inc. for a total cost of ₱1,064.8 million, which increased its ownership interest to 75.21%. The transaction resulted to the decrease in "Non-controlling interests" and "Equity reserves" accounts by ₱542.4 million and ₱522.3 million, respectively.

Dilution and Acquisition of Ownership Interest of NCI in AU
On September 1, 2023, PEHI acquired 32,361 shares in AU for a total cost of ₱3.79 million, which increased its ownership interest to 97.76%. The transaction resulted to the decrease in "Equity reserves" and "Non-controlling interests" accounts by ₱3.1 million and ₱0.7 million, respectively.

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

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

This transaction resulted to recognition of "Non-controlling interest put liability" amounting to ₱2,570.6 million and ₱2,188.3 million as at December 31, 2023 and 2022, respectively, and derecognition of "Non-controlling interests" amounting to ₱133.8 million and ₱107.4 million in 2023 and 2022, with the difference recorded as "Equity reserves" amounting to ₱248.5 million and ₱218.1 million in 2023 and 2022, respectively. As at December 31, 2023, 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.

8. Material Partly-owned Subsidiaries

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

Proportion of equity interest held by NCI in 2023 and 2022 are as follows:

	Percentage of Ownership	
Name	**2023**	2022
API	**42.38**	42.38
PCC	**40.00**	40.00
PEHI and subsidiaries	**24.79**	32.82
PPHC and subsidiaries	**23.19**	–

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

Name	**2023**	2022
PEHI and subsidiaries	**₱1,347,026**	₱1,788,535
PCC	**885,152**	791,331
PPHC and subsidiaries	**318,482**	–
API	**189,808**	182,374

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

Name	**2023**	2022
PEHI and subsidiaries	**₱251,216**	₱392,637
PCC	**134,536**	167,327
API	**7,434**	17,240
PPHC and subsidiaries	**3,490**	–

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, 2023 are as follows:

	PPHC and subsidiaries	**PEHI and subsidiaries**	**API**	**PCC**
Current assets	**₱6,898,713**	**₱4,531,476**	**₱112,950**	**₱4,656,472**
Noncurrent assets	**1,012,287**	**11,759,680**	**289,145**	**4,090,432**
Total assets	**₱7,911,000**	**₱16,291,156**	**₱402,095**	**₱8,746,904**
Current liabilities	**₱4,774,291**	**₱3,619,863**	**₱52,189**	**₱4,696,188**
Noncurrent liabilities	**1,130,710**	**4,752,096**	**–**	**1,545,834**
Total liabilities	**₱5,905,001**	**₱8,371,959**	**₱52,189**	**₱6,242,022**

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

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

Summarized statements of comprehensive income for the year ended December 31, 2023:

	PPHC and subsidiairies	PEHI and subsidiaries	API	PCC
Revenues	**₱1,915,503**	**₱5,438,698**	**₱3,588**	**₱8,664,116**
Cost of sales	**(1,068,166)**	**(2,405,211)**	**–**	**(7,821,066)**
Administrative and selling expenses	**(391,002)**	**(1,600,733)**	**(1,509)**	**(289,544)**
Finance costs	**(122,759)**	**(210,544)**	**–**	**(261,349)**
Other income - net	**32,578**	**17,960**	**15,409**	**19,866**
Income before income tax	**366,154**	**1,240,170**	**17,488**	**312,023**
Income tax	**(84,009)**	**(45,994)**	**–**	**24,266**
Net income	**282,145**	**1,194,176**	**17,488**	**336,289**
Other comprehensive income (loss)	**(11,440)**	**(24,638)**	**–**	**(1,785)**
Total comprehensive income	**₱270,705**	**₱1,169,538**	**₱17,488**	**₱334,504**

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

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

Summarized statements of cash flows for the year ended December 31, 2023:

	PPHC and subsidiaries	PEHI and subsidiaries	API	PCC
Operating	**(₱1,074,261)**	**₱67,667,789**	**₱16,316**	**₱435,491**
Investing	**(25,769)**	**(68,794,704)**	**2,324**	**(365,809)**
Financing	**789,987**	**804,306**	**–**	**138,595**
Net increase (decrease) in cash and cash equivalents	**(310,043)**	**(322,609)**	**₱18,640**	**₱208,277**
Dividends paid to non-controlling interests	**₱–**	**₱259,994**	**₱–**	**₱40,000**

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

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

9. Cash and Cash Equivalents

This account consists of:

	2023	2022
Cash on hand and in banks	**₱2,115,094**	₱1,727,119
Short-term deposits	**790,819**	1,694,459
	₱2,905,913	₱3,421,578

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 ₱69.5 million, ₱29.6 million and ₱7.8 million in 2023, 2022 and 2021, respectively (see Note 26).

10. Investments Held for Trading

This account consists of investments in:

	2023	2022
Unit Investment Trust Funds (UITFs)	**₱371,412**	₱647,383
Marketable equity securities	**3,684**	6,933
	₱375,096	₱654,316

Investments held for trading have yields ranging from 3.83% to 5.00% in 2023, 1.25% to 1.84% in 2022 and 0.04% to 1.25% in 2021. Net gains from investments held for trading amounted to ₱15.1 million, ₱11.7 million and ₱16.0 million in 2023, 2022 and 2021, respectively (see Note 26).

Interest income from investments held for trading amounted to nil in 2023, 2022 and 2021.

11. Trade and Other Receivables

This account consists of:

	2023	2022
Receivables from customers (Note 25)	**₱6,058,404**	₱4,560,715
Advances to suppliers and contractors	**2,198,352**	1,759,992
Advances to other third parties	**540,518**	160,985
Accrued interest receivables	**440,276**	338,546
Loans receivables	**379,486**	4,417
Due from related parties (see Note 33)	**150,870**	28,918
Rent receivable	**112,662**	95,761
Advances to officers and employees	**61,793**	56,148
Others	**427,844**	179,196
	10,370,205	7,184,678
Less allowance for ECLs	**1,524,697**	1,377,419
	8,845,508	5,807,259
Less: Noncurrent portion	**331,719**	175,803
	₱8,513,789	₱5,631,456

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. It also includes PPHC's trade receivables with detailed nature below:

Retention Receivables
Retention receivables includes those arising from sale of real estate under HDMF financing and those from construction contracts.

Retention receivables from HDMF represent amounts withheld by HDMF on the Group's loan take-out of sales of condominium and housing units availed under HDMF financing scheme. These are released to the Group within two years from the date of loan take-out.

Retention receivable from construction contracts represents the amount retained by the contract owner as security for any construction defects and other non-compliance from the specifications and shall be released after the period as indicated in the contract.

Real Estate ICR
Real estate ICR consist of accounts collectible in equal monthly installments with various terms up to a maximum of ten (10) years). These are carried at amortized cost. The corresponding titles to the condominium and housing unit sold under this arrangement are transferred to the buyers only upon full payment of the contract price. Real estate ICR are subject to 16.0% interest rate per annum. Interest income earned from real estate ICR amounted to ₱24.4 million in 2023 (see Note 26).

On February 28, 2022 and December 1, 2020, PPHC entered into a receivable purchase agreement with a local financial institution whereby PPHC will assign its installment contracts receivable on a "with recourse basis" in the aggregate credit facility agreement totaling ₱500.0 million and ₱50.0 million, respectively. PPHC assigned real estate ICR (included in trade receivables) with an aggregate carrying amount and equal amount of cash proceeds of nil in 2023.

PPHC retains the assigned receivables in the real estate ICR and contract asset account and records the proceeds from these sales as short-term and long-term debt. The carrying value of real estate ICR and contract assets assigned with recourse and the associated liability amounted to nil as of 2023. The real estate ICR on a with recourse basis are used as collaterals for the bank loans obtained. If the real estate ICR are not paid at maturity, the bank has the right to request PPHC to pay the unsettled balance.

General Construction Receivables
General construction receivables principally consist of receivables arising from third-party construction projects. These receivables are based on progress billings provided to customers over the period of construction and are normally collected within 30 days. Interest income earned from construction receivables amounted to nil in 2023.

Property Management Receivables
Receivables from property management services are claims from condominium corporations and unit owners for the services rendered by the Group. These are generally on a 30-day credit term.

Other trade receivables are noninterest-bearing and are normally collected within the next financial year.

Advances to suppliers and contractors are noninterest-bearing and normally received within the next financial year. This account mainly consists of safeguard duties paid to Bureau of Customs in relation to the PCC's importation of cement. In October 2019, PCC filed a petition with the Court of Tax Appeals (CTA) to reverse and nullify the imposition by the Department of Trade and Industry (DTI) of safeguard duties on its importation of cement during the year. As at December 31, 2023 and 2022, safeguard duties paid amounted to ₱1,242.6 million.

Advances to other third parties mainly represent advances to utility companies, brokers and agents. It also include PPHC's advances to condominium corporations for the out-of-pocket costs paid while in the process of establishing the condominium corporations and receivables from the related parties of SWU before the takeover of the Company in April 2015. The amount is fully provided with an allowance for ECL.

Accrued interest receivables are normally collected within the next financial year. Interest income from trade and other receivables amounted to ₱35.2 million, ₱9.9 million and ₱5.1 million in 2023, 2022 and 2021, respectively (see Note 26).

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.

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

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.

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

Movements in the allowance for ECLs are as follows:

	2023		
	Customer	**Others**	**Total**
Balance at January 1, 2023	**₱1,230,484**	**₱146,935**	**₱1,377,419**
Provisions (see Note 28)	**87,376**	**725**	**88,101**
Write-off	**(22,747)**	**–**	**(22,747)**
Acquisition through business combination	**81,879**	**45**	**81,924**
Balance at December 31, 2023	**₱1,376,992**	**₱147,705**	**₱1,524,697**

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

12. **Inventories**

This account consists of:

	2023	2022
At cost:		
Finished goods	**₱1,884,342**	₱1,942,001
Land and development cost	**1,218,512**	–
Condominium and housing units for sale	**179,625**	–
Raw materials	**248,514**	186,259
Other inventories	**133,168**	149,607
At net realizable value:		
Spare parts and others	**91,294**	90,345
Other inventories	**9,547**	7,796
	₱3,765,002	₱2,376,008

Movements in the land and development costs and condominium and housing units for sale are as follows:

Land and development costs	2023
Balance at beginning of year	₱–
Acquisition through business combination	1,755,136
Sale (recognized in cost of real estate sold and construction services) (see Note 27)	(797,321)
Land and development cost	87,482
Land acquired during the year	141,560
Cancelled sales	31,636
Capitalized depreciation (see Note 31)	19
Balance at end of year	₱1,218,512

Condominium and housing units for sale	2023
Balance at beginning of year	₱–
Acquisition through business combination	259,739
Sale (recognized in costs of real estate sold and construction services) (see Note 27)	(111,750)
Cancelled sales	31,636
Balance at end of year	₱179,625

Real estate inventories recognized as costs of sales amounted to ₱909.1 million in 2023 (see Note 27). Cost of real estate sales includes acquisition cost of land, amount paid to contractors, development costs and other costs attributable to bringing the real estate inventories to their intended condition. There are no borrowing costs capitalized in 2023.

Under the terms of the agreements covering liabilities under trust receipts, certain inventories amounting to ₱883.1 million and ₱128.2 million as at December 31, 2023 and 2022, respectively, have been released to UGC and PCC in trust for the banks. UGC and PCC are accountable to the banks for the inventories under trust or its sales proceeds.

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

The cost of spare parts and other inventories carried at net realizable value amounted to ₱107.5 million and ₱112.3 million as at December 31, 2023 and 2022, respectively. The Company has allowance for inventory write-down amounting to ₱6.7 million and ₱14.1 million as at December 31, 2023 and 2022, respectively.

Cost of inventories sold, presented as "Inventories used" under "Cost of sales", amounted to ₱10,587.6 million, ₱10,694.9 million and ₱9,189.2 million in 2023, 2022 and 2021, respectively (see Note 27).

Depreciation charges amounting to ₱19,241 were capitalized to "Land and development" in 2023.

There are no real estate inventory used as collateral or pledged as security to secure the borrowings of the Group.

13. **Investment in and Advances to Associates and Joint Ventures**

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

	Percentage of Ownership			
	2023		2022	
	Direct	**Effective**	Direct	Effective
Investment in associates:				
PPHC [a and h]	–	–	35.42	42.71
APHI [b and h]	–	–	26.51	28.15
Coral Way [c and h]	–	–	23.75	29.27
PHI [d and h]	–	–	–	20.88
Diniwid Beach Hotel Corp. (DBHC) [e]	–	**36.46**	–	–
First Batangas Hotel Corp (FBHC) [e]	–	**35.83**	–	–
Nemo Beach Hotel Corp. (NBHC) [e]	–	**16.93**	–	–
First Commonwealth Hotel Corp.(FCHC) [e]	–	**16.93**	–	–
South Forbes Silangan Hotel Corp. (SFSHC) [e]	–	**25.39**	–	–
Inphin8 Space, Inc. (InPHIN8) [f]	–	**34.56**	–	–
Interests in joint ventures:				
PHINMA Saytanar Education Company Limited (PHINMA Saytanar) [g]	–	**37.61**	–	35.92
PT Ind-Phil Management (IPM) [g]	–	**51.69**	–	46.17

(a) *Indirect ownership through API and APHI.*
(b) *Indirect ownership through UGC.*
(c) *Indirect ownership through PHI.*
(d) *Formerly Microtel Development Corporation (MDC). Indirect ownership through API.*
(e) *Indirect ownership through PHI.*
(f) *Indirect ownership through PPHC.*
(g) *Indirect ownership through PEHI.*
(h) *Subsidiaries staring July 17, 2023 and accounted for as business combination under common control for which pooling of interest method was used.*

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:

	2023	2022
DBHC	**₱35,178**	₱–
FBHC	**21,952**	–
NBHC	**10,147**	–
FCHC	**8,774**	–
SFSHC	**29,314**	–
InPHIN8	**2,454**	–
PPHC	–	₱366,537
APHI	–	173,191
PHI	–	132,476
Coral Way	–	62,913
	₱107,819	₱735,117

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

	2023	2022
Acquisition costs		
Balances at beginning of year	**₱1,535,212**	₱1,535,212
Reclassification from advances to associate	**328,110**	–
Acquisitions through business combination	**149,471**	–
Reclassification to subsidiaries	**(1,863,322)**	–
Balances at end of year	**149,471**	1,535,212
Accumulated equity in net losses		
Balances at beginning of year	**(825,859)**	(883,407)
Equity in net earnings (loss)	**(76,568)**	57,548
Acquisition through business combination	**(41,231)**	–
Reclassification to subsidiaries	**902,006**	–
Balances at end of year	**(41,652)**	(825,859)
Share in other comprehensive income of associates		
Balances at beginning of year	**25,764**	27,493
Acquisition through business combination	**(9,608)**	–
Share in other comprehensive loss	**(201)**	(1,729)
Reclassification to subsidiaries	**(15,955)**	–
Balances at end of year	–	25,764
	₱107,819	₱735,117

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

	2023	2022	2021
Share in net income (loss)	**(₱76,568)**	₱57,548	₱28,614
Share in other comprehensive income (loss)	**(201)**	(1,729)	13,675
Share in total comprehensive income (loss)	**(₱76,769)**	₱55,819	₱42,289

InPHIN8
On June 11, 2019, InPHIN8 was incorporated and registered with the SEC. InPHIN8 is a company incorporated in the Philippines and involved in co-working space services thru providing facilities and equipment in connection therewith, extending all relevant support services, and undertaking any and all activities which may be required for the purpose of said business.

For the year 2023, PPHC has a total share in net income amounting to ₱1.8 million.

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

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

On January 18, 2023, the Company advanced the amount of ₱276.0 million to PPHC for future subscription in common shares.

On April 13, 2023, the request for increase in capital stock of PPHC with SEC was approved. The Company's advances to PPHC amounting to ₱328.1 million was converted to investment in PPHC and this resulted to change in ownership interest from 35.42% to 40.10%.

The movement in advances to associate is as follows:

	2023	2022
Balance at beginning of year	**₱328,110**	₱328,110
Conversion to subsidiary	**(328,110)**	–
Advances during the year	**276,000**	–
Reclassification as a result of being a subsidiary	**(276,000)**	–
Acquisition through business combination	**6,299**	–
Payments	**(5,000)**	–
Balance at end of year	**₱1,299**	₱328,110

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:

	2023	2022
IPM	**₱509,406**	₱349,410
PHINMA Saytanar	–	–
	₱509,406	₱349,410

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

	2023	2022
Acquisition costs:		
Balance at beginning of year	**₱344,769**	₱235,503
Additions	**165,024**	109,266
Balance at end of year	**509,793**	344,769
Accumulated equity in net earnings (losses):		
Balance at beginning of year	**4,641**	4,175
Equity in net earnings (losses)	**(5,028)**	466
Balance at end of year	**(387)**	4,641
	₱509,406	₱349,410

The Company has no material joint venture as at December 31, 2023 and 2022.

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

	2023	2022	2021
Share in net income (loss) / total comprehensive income (loss)	**(₱5,028)**	₱466	₱4,326

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

(a) PHINMA Saytanar

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

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

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

(b) IPM

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

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

On December 6, 2023, PEHI infused additional capital to IPM amounting to ₱165.0 million. No change in the ownership interest of 68.72%.

14. **Financial Assets at FVPL**

This account consists of:

	2023	2022
Investment in preferred shares	**₱1,916,238**	₱2,209,088

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

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

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

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

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

The significant assumptions used in the fair value computation as at 2023 and 2022 are as follows:

a. The pre-tax discount rate applied to cash flow projection is 17.11% and 16.20%, respectively.
b. The explicit forecast period used in discounting cash flows in 2023 and 2022 is 5 years.
c. The terminal value in the discounted cash flow uses 5.8% and 6.20% long-term growth rate based on expected Vietnam Gross Domestic Product (GDP) growth rate in 2023 and 2022, respectively.
d. The binomial model uses 38.06% and 44.23% average volatility of comparable companies' quarterly historical prices and used interquartile range to consider outliers in 2023 and 2022, respectively.

e. The option-adjusted spread computed at inception from the binomial model is 9.93% in 2023 and 2022.
f. The risk-free rate used in the binomial model is 3.77% and 3.82% in 2023 and 2022, respectively.

The unrealized gain (loss) on change in fair value of financial assets at FVPL amounted to ₱292.8 million, ₱103.8 million and ₱172.4 million in 2023, 2022 and 2021, respectively.

The derivative asset arising from the put option amounted to ₱889.7 million and ₱648.1 million as at December 31, 2023 and December 31, 2022, respectively. The unrealized gain on change in fair value of the derivative asset amounted to ₱241.6 million, ₱137.6 million and ₱53.1 million in 2023, 2022 and 2021, respectively.

15. Financial Assets at FVOCI

This account consists of:

	2023	2022
Investment in club shares	**₱70,550**	₱41,000
Non-listed equity securities	**92,558**	81,959
	₱163,108	₱122,959

Investment in equity investments pertain to shares of stock and club shares which are not held for trading as shown below.

	2023	2022
Unquoted		
Beacon Property Ventures, Inc.	**₱65,473**	₱64,335
Manila Cordage	**14,773**	11,045
Others	**9,695**	6,579
Quoted		
Manila Polo Club	**55,000**	30,000
Alabang Country Club, Inc. B	**15,000**	10,500
Others	**3,167**	500
	₱163,108	₱122,959

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 2023 and 2022 from financial assets at FVOCI.

The movements in net unrealized gain on financial assets at FVOCI, net of tax in 2023 and 2022 are as follows:

	2023	2022
Balance at beginning of year	**₱50,920**	₱38,167
Acquisition through business combination	**(14,280)**	–
Gain due to changes in fair value of investment in equity instruments	**27,370**	13,153
Sale of equity instruments	**(238)**	(400)
Balance at end of year	**₱63,772**	₱50,920

16. Property, Plant and Equipment

This account consists of:

	January 1, 2023	**Acquisition through business combination** (see Note 6)	**Additions**	**Disposals**	**Reclassifications**	**December 31, 2023**
Cost						
Land	**₱3,271,394**	**₱62,699**	**₱854,490**	**₱–**	**₱–**	**₱4,188,583**
Plant site improvements	**3,472,872**	**–**	**–**	**–**	**824,050**	**4,296,922**
Buildings and improvements	**4,549,537**	**806,453**	**1,192,769**	**–**	**39,478**	**6,588,237**
Machinery and equipment	**2,495,712**	**180,898**	**312,643**	**(1,035)**	**49,356**	**3,037,574**
Transportation and other equipment	**602,384**	**328,534**	**104,031**	**(14,693)**	**–**	**1,020,256**
Linens, curtains and draperies	**–**	**28,609**	**3,181**	**–**	**–**	**31,790**
	14,391,899	**1,407,193**	**2,467,114**	**(15,728)**	**912,884**	**19,163,362**
Less Accumulated Depreciation						
Plant site improvements	**375,831**	**–**	**144,304**	**–**	**–**	**520,135**
Buildings and improvements	**1,592,772**	**411,459**	**215,078**	**–**	**–**	**2,219,309**
Machinery and equipment	**1,842,164**	**139,284**	**226,058**	**(1,035)**	**–**	**2,206,471**
Transportation and other equipment	**404,896**	**274,743**	**46,417**	**(6,298)**	**–**	**719,758**
Linens, curtains and draperies	**–**	**26,404**	**790**	**–**	**–**	**27,194**
	4,215,663	**851,890**	**632,647**	**(7,333)**	**–**	**5,692,867**
	10,176,236	**555,303**	**1,834,467**	**(8,395)**	**912,884**	**13,470,495**
Construction in progress	**1,406,151**	**95**	**588,721**	**–**	**(985,472)**	**1,009,495**
Net Book Value	**₱11,582,387**	**₱555,398**	**₱2,423,188**	**(₱8,395)**	**(₱72,588)**	**₱14,479,990**

	January 1, 2022	Acquisition through business combination (see Note 6)	Additions	Disposals	Reclassifications	December 31, 2022
Cost						
Land	₱3,141,322	₱–	₱130,072	₱–	₱–	₱3,271,394
Plant site improvements	3,473,015	–	–	(10,884)	10,741	3,472,872
Buildings and improvements	4,147,397	–	408,070	(5,930)	–	4,549,537
Machinery and equipment	2,271,102	–	224,610	–	–	2,495,712
Transportation and other equipment	560,501	–	46,622	(4,739)	–	602,384
	13,593,337	–	809,374	(21,553)	10,741	14,391,899
Less Accumulated Depreciation						
Plant site improvements	246,493	–	140,222	(10,884)	–	375,831
Buildings and improvements	1,460,651	–	138,051	(5,930)	–	1,592,772
Machinery and equipment	1,633,050	–	209,114	–	–	1,842,164
Transportation and other equipment	366,988	–	41,082	(3,174)	–	404,896
	3,707,182	–	528,469	(19,988)	–	4,215,663
	9,886,155	–	280,905	(1,565)	10,741	10,176,236
Construction in progress	779,711	–	637,181	–	(10,741)	1,406,151
Net Book Value	₱10,665,866	₱–	₱918,086	(₱1,565)	₱–	₱11,582,387

Outstanding construction in progress pertains to construction costs for various buildings and hospital renovations which are expected to be completed in 2023.

Interest capitalized as part of "Construction in progress" account amounted to ₱106.6 million and ₱42.6 million at a capitalization rate ranging from 5.575% to 8.45% and 3.0% to 7.1% in 2023 and 2022, respectively.

Unpaid portion of the acquired property and equipment included under "Accounts payable and other current liabilities" in the consolidated statements of financial position amounted to ₱516.7 million and ₱14.5 million as at December 31, 2023 and December 31, 2022, respectively.

Certain property and equipment of AU, COC, UI, UPANG, PCC, UGC, Coral Way and Krypton Esplanade Hotel Corporation (KEHC) with aggregate amount of ₱5,053.3 million and ₱4,922.4 million as at December 31, 2023 and 2022, respectively, are used as collateral for their respective long-term debts obtained from local banks (see Note 23).

In 2023, the Company sold various property and equipment with aggregate carrying value of ₱8.4 million for ₱10.8 million, resulting to a gain of ₱2.4 million.

In 2022, the Company sold various property and equipment with aggregate carrying value of ₱1.6 million for ₱2.1 million, resulting to a gain of ₱0.5 million.

In 2021, the Company sold various property and equipment with aggregate carrying value of ₱3.2 million for ₱3.4 million, resulting to a gain of ₱0.2 million.

17. Investment Properties

This account consists of:

	January 1, 2023	**Acquisition through business combination**	**Additions**	**Disposals**	**December 31, 2023**
Cost:					
Land	**₱614,504**	**₱19,200**	**₱3,200**	**(₱12,164)**	**₱624,740**
Buildings for lease	**85,625**	**68,240**	**237,993**	**–**	**391,858**
	700,129	**87,440**	**241,193**	**(12,164)**	**1,016,598**
Less accumulated depreciation -					
Buildings for lease	**72,838**	**11,679**	**6,610**	**–**	**91,127**
	₱627,291	**₱75,761**	**₱234,583**	**(₱12,164)**	**₱925,471**

	January 1, 2022	Additions	Disposals	December 31, 2022
Cost:				
Land	₱610,724	₱3,780	₱–	₱614,504
Buildings for lease	95,625	–	(10,000)	85,625
	706,349	3,780	(10,000)	700,129
Less accumulated depreciation -				
Buildings for lease	78,911	760	(6,833)	72,838
	₱627,438	₱3,020	(₱3,167)	₱627,291

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

	2023	2022	2021
Rental income	**₱103,348**	₱69,648	₱69,673
Depreciation and amortization (included under "General and administrative expenses" account) (see Notes 28 and 31)	**(6,610)**	(760)	(1,231)
	₱96,738	₱68,888	₱68,442

The fair values of the investment properties amounted to ₱4,042.1 million and ₱2,919.4 million as at December 31, 2023 and 2022, respectively, based on valuations performed by accredited independent appraisers on various dates from 2019 to 2023.

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, 2023, the Company's management believes that cost of these investment properties approximate their fair values as at December 31, 2023.

PSHC's land amounting to ₱220.0 as at December 31, 2023 and 2022 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 ₱7.8 million, ₱32.6 million and nil in 2023, 2022 and 2021, respectively.

18. Intangible Assets

Following are the details and movements in this account:

	Student List	**Software Costs**	**Trademark with Indefinite Useful Life**	**Goodwill**	**Total**
Cost					
At January 1, 2023	₱165,638	₱85,650	₱–	₱2,221,068	₱2,472,356
Acquisition through business combination	–	25,130	15,335	4,122	44,587
Additions	–	32,391	–	–	32,391
Reclassification (Note 16)	–	72,588	–	–	72,588
At December 31, 2023	**₱165,638**	**₱215,759**	**₱15,335**	**₱2,225,190**	**₱2,621,922**
Amortization and Impairment					
At January 1, 2023	₱165,638	₱49,861	₱–	₱403,132	₱618,631
Acquisition through business combination	–	15,275	6,541	–	21,816
Amortization (see Note 31)	–	28,816	1,179	–	29,995
At December 31, 2023	**₱165,638**	**₱93,952**	**₱7,720**	**₱403,132**	**₱670,442**
Net Book Value					
At December 31, 2023	**₱–**	**₱121,806**	**₱7,616**	**₱1,822,058**	**₱1,951,480**
At December 31, 2022	₱–	₱35,789	₱–	₱1,817,936	₱1,853,725

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 2023, 2022 and 2021.

19. Other Noncurrent Assets

This account consists of:

	2023	2022
Advances to suppliers and contractors	**₱395,376**	₱160,400
Deposits in escrow - bonds	**105,296**	–
Refundable and other deposits (see Note 36)	**21,138**	10,193
Creditable withholding taxes	**7,812**	7,812
Indemnification assets (see Note 6)	**6,412**	38,114
Others	**24,790**	6,857
	₱560,824	₱223,376

Advances to suppliers and contractors
This consists of amounts advanced to various building contractors, suppliers and utility providers while construction is in progress and are recouped proportionately upon every progress billing payment.

Deposits in Escrow - Bonds
This pertains to deposits made by PPHC and held by the escrow agent and will be returned once the conditions, as stated in the escrow agreement, is fulfilled. PPHC has an escrow agreement with HDMF, with Security Bank Corporation (SBC) Trust Division as the escrow agent , whereby HDMF, in relation to the conversion of the CTS to real estate mortgage, allowed PPHC to substitute the retention held by HDMF with an escrow account.

In 2022, PPHC has an escrow agreement with Rizal Commercial Banking Corporation (RCBC) and Security Bank and Trust Corporation on incentivized compliance provision for Metrotowne Las Piñas and Phinma Maayo San Jose projects.

Refundable and other deposits
Refundable deposits mainly pertain to deposits under operating lease and construction. Other deposits consist of deposits made for Company's utilities which are to be applied to the last billing of the utilities provider. The current portion is included in "Input value-added taxes and other current assets" amounting to ₱333.4 million and ₱67.3 million in 2023 and 2022, respectively.

20. Notes Payable

This account consists of notes payable of the following subsidiaries:

	2023	2022
PCC	**₱2,949,000**	₱1,775,000
PPHC	**3,494,468**	–
UGC	**1,152,796**	1,004,103
PSEC	**30,000**	–
	₱7,626,264	₱2,779,103

The notes payable are unsecured short-term peso-denominated loans obtained from financial institutions with an annual interest rate ranging between 4.0% to 17.0% and 2.60% to 4.05% in 2023 and 2022, respectively.

Interest expense incurred from notes payable amounted to ₱302.6 million, ₱92.3 million and ₱122.5 million in 2023, 2022 and 2021, respectively (See Note 32).

21. Trade and Other Payables

This account consists of:

	2023	2022
Trade	**₱1,275,683**	₱1,107,394
Accruals for:		
Professional fees and others	**920,957**	591,946
Commission	**193,246**	–
Personnel costs (Note 30)	**148,148**	113,109
Freight, hauling and handling	**147,476**	45,797
Interest (see Notes 23 and 32)	**132,140**	73,551
Processing cost	**12,712**	–
Dividends	**254,258**	185,687
Deposits from buyers	**170,143**	–
Retentions payable	**152,373**	–
Deposit liabilities	**61,608**	4,874
Liability from acquisition of land (see Note 39)	**12,943**	–
Others	**90,879**	27,992
	₱3,572,566	₱2,150,350

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.

Deposits from buyers pertains to equity payments on sale of condominium units and parking slots prior to recognition of revenue.

Retentions payable, representing 10.0% of each progress payments to suppliers and contractors retained by PPHC are released upon fulfillment of certain requirements.

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. It also represents PPHC's rents collected on behalf of the unit owner under rental management agreement, amounts collected from customers for processing of title and registration of purchased units and security deposits for water subscription.

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:

	2023	2022
Unearned revenues	**₱1,487,609**	₱1,327,343
Customers' deposits	**321,814**	89,294
	₱1,809,423	₱1,416,637

Unearned revenues pertain to portion of tuition fees received or due from students to which the Company still has an obligation to transfer services to the students within the next financial year. The amount of unearned revenues for a term shall be divided equally by the number of months covered by the term (five months each for the 1st and 2nd semesters and two months for summer). The resulting amount shall be recorded as the amount of tuition and school fees for the month, net of amortization of deferred scholarship and discounts. Total deferred scholarships and discounts amounted to ₱203.5 million and ₱225.4 million as at December 31, 2023 and 2022 presented under the "Input value-added taxes and other current assets" accounts in the statements of financial position.

Customers' deposits pertains to cash advance received to which the Company has an obligation to deliver roofing and other steel products and installation services within the next financial year.

23. Long-term Debt

This account consists of the Parent Company's fixed rate bonds and the Company's long-term loans.

PHN Fixed Rate Bonds due 2024

	2023	2022
Principal	**₱3,000,000**	₱3,000,000
Less: debt issuance cost	**10,802**	27,223
	2,989,198	2,972,777
Less current portion - net of debt issuance cost	**(2,989,198)**	–
	₱–	₱2,972,777

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 two 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:

	2023	2022
Beginning of year	**₱27,223**	₱42,984
Amortization	**(16,421)**	(15,761)
End of year	**₱10,802**	₱27,223

Long- Term Loans

	2023	2022
PHN	**₱2,930,000**	₱1,950,000
PEHI	**1,957,160**	2,025,080
PCC	**1,857,000**	1,288,365
UGC	**912,500**	962,500
UPANG	**597,875**	226,933
SWU	**581,000**	589,000
PPHC	**491,875**	–
AU	**394,907**	221,497
UI	**380,000**	386,000
COC	**320,938**	150,965
SJC	**270,000**	–
Coral Way	**214,000**	–
Phinma Solar	**201,831**	97,222
PSHC	**112,000**	120,982
	11,221,086	8,018,544
Less debt issuance cost	**71,218**	56,575
	11,149,868	7,961,969
Less current portion - net of debt issuance cost	**810,143**	652,399
	₱10,339,725	₱7,309,570

The debt agreements presented in the succeeding pages include, among others, certain restrictions and requirements. The loan agreements with Security Bank Corporation (SBC), Rizal Commercial Banking Corporation (RCBC) and China Banking Corporation (CBC) stipulate, among others, positive and negative covenants which must be complied with by PHN, UGC, PCC, PEHI, AU, COC, UPANG, UI, SWU, PPHC and Coral Way 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, 2023 and December 31, 2022, the Company is in compliance with the required financial ratios and other loan covenants.

Certain assets amounting ₱5,053.3 million and ₱4,922.4 million as at December 31, 2023 and 2022, respectively, are mortgaged as collaterals for the respective long-term debts as follows (see Notes 16 and 17):

Entity	Collateral
AU	Land and land improvements in the main campus
COC	Land in the main campus
UPANG	Land and land improvements
UI	Land and land improvements
PCC	Assignment of leasehold rights on the land where the cement terminal is constructed, registration of real estate or chattel mortgage on cement terminal building, equipment and other assets, and assignment of port ownership, right to land lease and rights to foreshore lease
UGC	Land, plant site improvements, buildings and installations and machinery and equipment
PSHC	Land
PPHC	Real estate ICR under receivable purchase agreements
Coral Way	Real estate mortgage on a hotel building
KEHC	Assignment of the lease rights over the land where the hotel is constructed and real estate mortgage over the hotel building and its permanent improvements

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:

	2023	2022
Beginning of year	**₱56,575**	₱62,043
Additions	**30,675**	12,440
Acquisition through business combination	**1,587**	–
Amortization	**(17,619)**	(17,908)
End of year	**₱71,218**	₱56,575

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 ₱630.6 million, ₱556.2 million and ₱502.3 million in 2023, 2022 and 2021, 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, 2023	Outstanding Amounts[10]: December 31, 2022
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	**₱420,692**	₱433,375
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	**751,087**	769,255
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	**425,524**	441,901
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	**340,780**	351,016

(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, 2023	Outstanding Amounts[10] December 31, 2022
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	**₱–**	₱1,251
COC		July 18, 2013	CBC	39 equal quarterly payments of ₱1.3 million. First principal payment commenced on June 27, 2013.	March 27, 2023	Nominal interest rate of 5.81% from July 18, 2013 to June 27, 2018, 6.05% from June 27, 2018 to June 27, 2020 and 7.38% from June 27, 2020 to March 27, 2023 with the EIR of 6.07% over 365 days.	July 18, 2013	50,000	**–**	1,284
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	**120,920**	123,003
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
COC	200,000[27]	February 1, 2023	CBC	Quarterly principal payments as follows: ₱1.69 million from May 10, 2025 to November 10, 2032 and; ₱97.5 million upon maturity on February 10, 2033	February 10, 2033	Interest payable quarterly in arrears at 7.3170% per annum fixed up to February 10, 2028, and 7.6258% per annum thereafter up to February 10, 2030. On the day after the seventh (7th) anniversary from the initial drawdown date until the maturity date, the interest rate per annum shall be reset on the interest rate resetting date to the higher of: (a) benchmark rate plus interest spread, divided by the interest premium factor; or (b) existing interest rate.	February 10, 2023	150,000	**149,113**	–

(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, 2023	Outstanding Amounts[10] December 31, 2022
COC		February 1, 2023	CBC	Quarterly principal payments as follows: ₱0.565 million from May 10, 2025 to November 10, 2032 and; ₱32.5 million upon maturity on February 10, 2033	February 10, 2033	Interest payable quarterly in arrears at 7.2824% per annum fixed up to February 10, 2028, and 7.5897% per annum thereafter up to February 10, 2030. On the day after the seventh (7th) anniversary from the initial drawdown date until the maturity date, the interest rate per annum shall be reset on the interest rate resetting date to the higher of: (a) benchmark rate plus interest spread, divided by the interest premium factor; or (b) existing interest rate.	March 17, 2023	₱50,000	**₱49,697**	₱–
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	The borrower has the option, which shall be made known to the bank on the initial drawdown date: i. Fixed for the first seven years. Applicable seven-year PDST-R2 a spread up to 1.25%, for the remaining three years, the applicable three-year PDST-R2 plus a spread up to 1.25%; or, ii. Fixed for ten years, applicable PDST-R2 plus a spread up to 1.35%.	December 20, 2017	100,000	**89,289**	92,088
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	**89,653**	92,556
UI	200,000[5]	October 14, 2022	RCBC	Quarterly principal payments as follows: ₱1.5 million per quarter from the beginning of the 3rd year drawn	December 18, 2032	For the first seven years, from the initial drawn date to the end of the 7th year. Interest shall be based on the sum of the applicable 7-year benchmark and margin. For the next 3 years: from the beginning of the 8th year to final maturity date - sum of the applicable 3-year benchmark and the margin.	October 18, 2022	200,000	**198,957**	198,582

(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, 2023	Outstanding Amounts[10]: December 31, 2022
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	**₱10,700**	₱21,351
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	**93,723**	99,315
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 four 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	**89,606**	99,357

(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, 2023	Outstanding Amounts[10]: December 31, 2022
AU	₱200,000[27]	February 1, 2023	CBC	Quarterly principal payments as follows: ₱1.1 million from June 1, 2025 to December 1, 2032 and; ₱65.0 million upon maturity on March 1, 2033	March 1, 2033	Interest payable quarterly in arrears at 7.3900% per annum fixed up to March 1, 2028, and 7.7019% per annum thereafter up to March 1, 2030. On the day after the seventh (7th) anniversary from the initial drawdown date until the maturity date, the interest rate per annum shall be reset on the interest rate resetting date to the higher of: (a) benchmark rate plus interest spread, divided by the interest premium factor; or (b) existing interest rate.	March 1, 2023	₱100,000	**₱98,794**	₱–
AU		February 1, 2023	CBC	Quarterly principal payments as follows: ₱1.1 million from June 1, 2025 to December 1, 2032 and; ₱65.0 million upon maturity on March 1, 2033	March 1, 2033	Interest payable quarterly in arrears at 7.7601% per annum fixed up to March 1, 2028, and 8.8076% per annum thereafter up to March 1, 2030. On the day after the seventh (7th) anniversary from the initial drawdown date until the maturity date, the interest rate per annum shall be reset on the interest rate resetting date to the higher of: (a) benchmark rate plus interest spread, divided by the interest premium factor; or (b) existing interest rate.	July 11, 2023	100,000	**100,000**	–
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	**154,311**	165,554

(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, 2023	Outstanding Amounts[10] December 31, 2022
UPANG	₱200,000[27]	February 1, 2023	CBC	Quarterly principal payments as follows: ₱1.1 million from May 27, 2025 to November 27, 2032 and; ₱65.0 million upon maturity on February 27, 2033	February 27, 2033	Interest payable quarterly in arrears at 7.3871% per annum fixed up to February 27, 2028, and 7.6988% per annum thereafter up to February 27, 2030. On the day after the seventh (7th) anniversary from the initial drawdown date until the maturity date, the interest rate per annum shall be reset on the interest rate resetting date to the higher of: (a) benchmark rate plus interest spread, divided by the interest premium factor; or (b) existing interest rate.	February 27, 2023	₱100,000	**₱99,401**	₱–
UPANG		February 1, 2023	CBC	Quarterly principal payments as follows: ₱0.57 million from May 27, 2025 to November 27, 2032 and; ₱32.5 million upon maturity on February 27, 2033	February 27, 2033	Interest payable quarterly in arrears at 7.4081% per annum fixed up to February 27, 2028, and 7.7207% per annum thereafter up to February 27, 2030. On the day after the seventh (7th) anniversary from the Initial Drawdown Date until the Maturity Date, the Interest Rate per annum shall be reset on the Interest Rate Resetting Date to the higher of: (a) Benchmark Rate plus Interest Spread, divided by the Interest Premium Factor; or (b) existing interest rate.	July 3, 2023	50,000	**49,672**	–
UPANG		February 1, 2023	CBC	31 quarterly installments of ₱0.564 million from May 27, 2025 to November 27, 2032, full payment of ₱32.5 million upon maturity	February 27, 2033	Interest payable quarterly in arrears @ 7.3775% p.a. fixed up to 2/27/2028, and 7.6888% p.a. thereafter up to February 27, 2030. On the day after the seventh (7th) anniversary from the Initial Drawdown Date until the Maturity Date, the Interest Rate per annum shall be reset on the Interest Rate Resetting Date to the higher of: (a) Benchmark Rate plus Interest Spread, divided by the Interest Premium Factor; or (b) existing interest rate.	December 13, 2023	50,000	**49,632**	–

(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, 2023	Outstanding Amounts[10]: December 31, 2022
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	**₱42,979**	₱60,488
UPANG Urdaneta	300,000	April 25, 2023	RCBC	31 quarterly payments of ₱1.5 million with the remaining balance of ₱84.5 million to be paid on maturity date. First principal payment will commence on September 1, 2025.	June 1, 2033	Interest payable quarterly in arrears at 7.0200% per annum fixed up to June 1, 2028 and 7.3160% thereafter up to June 1, 2030. From the beginning of the 8th year to final maturity date, interest shall be applicable 3-year BVAL + 115bps.	June 1, 2023	130,000	**129,157**	–
				31 quarterly installments of ₱0.790 million from September 1, 2025 to March 1, 2033, full payment of ₱45.5 million upon maturity	June 1, 2033	Interest payable quarterly in arrears @ 7.652% p.a. fixed up to June 1, 2028 and 7.9750% thereafter up to June 1 2030.From the beginning of the 8th year to final maturity date, interest shall be applicable 3-year BVAL + 115bps..	September 8, 2023	70,000	**69,538**	–
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	**96,750** **194,000** **97,250**	97,915 195,831 97,915

(Forward)

				Terms					Outstanding Amounts[10]	
Debtor	**Loan Amount**	**Date of Loan Agreement**	**Lender**	**Installments**	**Final Installment**	**Interest Rate**	**Dates Drawn**	**Amount Drawn**	**December 31, 2023**	December 31, 2022
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	**₱193,000**	₱196,829
SJC	110,000[28]	April 25, 2023	RCBC	31 quarterly payments of ₱1.2 million with the remaining balance of ₱71.5 million to be paid on maturity date. First principal payment will commence on August 3, 2025	May 3, 2033	Interest payable quarterly in arrears at 7.2320% per annum fixed up to May 3, 2028 and 7.5340% thereafter up to May 3, 2030. From the beginning of the 8th year to final maturity date, interest shall be applicable 3-year BVAL + 115bps.	May 3, 2023	110,000	**109,302**	–
SJC	70,000[28]	April 25, 2023	RCBC	31 quarterly payments of ₱0.79 million with the remaining balance of ₱45.5 million to be paid on maturity date. First principal payment will commence on August 3, 2025	May 3, 2033	Interest payable quarterly in arrears at 7.0670% per annum fixed up to May 3, 2028 and 7.3650% thereafter up to May 3, 2030. From the beginning of the 8th year to final maturity date, interest shall be applicable 3-year BVAL + 115bps.	May 31, 2023	70,000	**69,548**	–
SJC	90,000[28]	April 25, 2023	RCBC	31 quarterly payments of ₱1.0 million with the remaining balance of ₱58.5 million to be paid on maturity date. First principal payment will commence on August 3, 2025	May 3, 2023	Interest payable quarterly in arrears at 7.5080% per annum fixed up to May 3, 2028 and 7.824% thereafter up to May 3, 2030. From the beginning of the 8th year to final maturity date, interest shall be applicable 3-year BVAL + 115bps.	July 5, 2023	90,000	**89,405**	–
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	**1,923,946**	1,942,344
PHN	1,000,000[29]	July 11, 2023	CBC	Principal repayment of ₱50.0 million after 1 year of initial drawdown date and balance on principal amount on maturity date	July 17, 2025	With regular interest of 7.8557%. Interest to be paid on quarterly basis.	July 17, 2023	1,000,000	**994,151**	–

(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, 2023	Outstanding Amounts[10]: December 31, 2022
UGC	₱1,000,000[22]	February 18, 2022	BDO	Principal amortization commence three months after drawdown date and every quarter thereafter and shall be paid based on 1.25% every quarter for 4 years and the remaining 80% paid in balloon upon maturity	February 18, 2027	Interest rate is based on 3Y BVAL 3.3618+ spread 1.25%= 4.6118% + 5% GRT = 4.8545%	February 18, 2022	₱1,000,000	**₱906,247**	₱954,206
PCC	875,000[14,15]	June 1, 2018	SBC	14 equal quarterly payments [16]	October 25, 2023	Interest rate is based on the 5-year PDST-R2 reference rate for securities with 5-year tenor plus 1.25% spread, subject to floor rate of 5.5% per annum. No repricing of interest rate from availment date to maturity date.	October 25, 2018 January 03, 2019 January 22, 2019 January 25, 2019 April 26, 2019 May 21, 2019 July 5, 2019 September 4, 2019	160,000 160,000 59,000 65,000 18,555 81,439 251,977 51,418	– – – – – – – –	45,567 45,602 16,833 18,549 5,281 23,234 71,888 14,667
PCC	720,000[17]	February 26, 2021	SBC	Eight quarterly principal payments of ₱10.3 million, nine 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	**203,270**	286,005
PCC		February 26, 2021	SBC	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	**₱192,964**	₱271,504

(Forward)

				Terms					Outstanding Amounts[10]	
Debtor	**Loan Amount**	**Date of Loan Agreement**	**Lender**	**Installments**	**Final Installment**	**Interest Rate**	**Dates Drawn**	**Amount Drawn**	**December 31, 2023**	December 31, 2022
PCC	₱500,000[18]	March 19, 2021	SBC	20 unequal quarterly payments as follows: ₱1.0 million from September 30, 2021 to December 29, 2021; ₱2.5 million from March 30, 2022 to December 29, 2022; ₱5.0 million from March 30, 2023 to December 29, 2023; ₱58.4 million from March 29, 2024 to December 27, 2024; ₱49.2 million from March 28, 2025 to December 29, 2025 and ₱36.8 million on March 30, 2026.	March 30, 2026	Interest rate of 5.1% GRT inclusive, fixed rate up to March 29, 2024 and for the remaining two years, the applicable two-year BVAL plus 40 bps, subject to a floor rate of 5.1%	March 19, 2021	₱500,000	**₱463,284**	₱484,899
PCC	1,000,000[30]	September 5, 2023	SBC	Eight quarterly principal payments of ₱10.0 million, Four quarterly payments of ₱50.0 million and four quarterly payments of ₱180.0 million. First principal payment will commence on December 7, 2023.	September 7, 2027	Interest rate of 7.2056% fixed rate for the first 2 years, subject to repricing at the end of the 2nd year (2+2 structure)	September 7, 2023	1,000,000	**976,313**	–
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	**17,125**	18,164
Phinma Solar	80,000[23]	April 21, 2022	DBP	Principal repayment to commence at the end of the sixth (6) months from date of Draw Down. Principal shall be payable in thirty-six equal quarterly installments.	August 13, 2031	With regular interest of 6.37710%	April 21, 2022	80,000	**68,447**	78,378

(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, 2023	Outstanding Amounts[10]: December 31, 2022
Phinma Solar	₱50,000[31]	August 2, 2023	DBP	Principal repayment to commence on August 13, 2023 from date of drawdown and principal shall be payable in 33 equal quarterly installments.	August 13, 2031	With regular interest of 7.31470%	August 2, 2023	₱50,000	**₱46,601**	₱–
PHINMA Solar	40,000[31]	November 10, 2023	DBP	Principal repayment to commence on November 13, 2023 and shall be payable in 32 equal quarterly installments.	August 13, 2031	With regular interest rate of 7.5413%	November 10, 2023	40,000	**38,450**	–
PHINMA Solar	30,000[31]	December 22, 2023	DBP	Principal repayment to commence Feb 13, 2024 and shall be payable in 31 equal quarterly installments.	August 13, 2031	With regular interest rate of 6.9291%	December 22, 2023	30,000	**29,775**	–
PSHC	154,000[20]	July 15, 2006	UPPC	Annual installment payments of ₱4 million for 32 years starting December 31, 2021.	December 31, 2052	The effective interest rate after the modification of term is 6.80%	July 15, 2006	154,000	**112,000**	120,982
PPHC	950,000[24]	February 15, 2016	RCBC	28 quarterly installments within seven (7) years.	February 15, 2023	Fixed interest rate of 5.5%, 5.5903% and 5.885% on ₱250.0, ₱450.0, and ₱250.0 million, respectively.	February 15, 2016	250,000	**–**	–
							March 1, 2016	450,000	**–**	–
							April 14, 2016	250,000	**–**	–
PPHC	500,000[24]	March 31, 2016	CBC	Payable in 36 quarterly installments with final repayment on April 11, 2026. Annual principal payment of 1/4 of 1% of beginning principal balance to commence on 5th quarter with remaining principal balance payable on final maturity date.	April 11, 2026	Fixed interest rate of 6.1567% and 6.04% on ₱100.0, and ₱400.0 million, respectively.	April 11, 2016	100,000	**98,164**	–
							March 20, 2016	400,000	**392,650**	–

(Forward)

				Terms					Outstanding Amounts[10]	
Debtor	**Loan Amount**	**Date of Loan Agreement**	**Lender**	**Installments**	**Final Installment**	**Interest Rate**	**Dates Drawn**	**Amount Drawn**	**December 31, 2023**	December 31, 2022
Coral Way	₱200,000[25]	October 29, 2015	Local bank	40 quarterly installments	October 29, 2025	First 7 years - fixed based on a seven-year Philippine Daily System Treasury Fixing - R2 benchmark rate plus the minimum spread of 1.4% or annual fixed 5.75%; whichever is higher. Next 3years – subject to repricing after the 7th year based on the prevailing market rate as mutually agreed upon by the third parties.	October 29, 2015	₱200,000	**₱60,000**	₱–
KEHC	300,000[26]	January 2017	Local bank	35 quarterly installments	January 2017	The term loan bears quarterly interest of 5.5% for the first seven (7) years and subject to repricing after the 7th year.	January 2017	300,000	**154,000**	–
	Total								**₱11,149,867**	₱7,961,969

(1) The purpose of this debt is to finance the acquisition of majority ownership in AU, COC, UPANG, UI and SWU by PEHI.
(2) The purpose of this debt is to finance various capital expenditures of COC.
(3) The purpose of this debt is to finance the expansion and development plans of COC.
(4) The purpose of this debt is for general funding requirements of COC.
(5) The purpose of this debt is to finance the expansion and development plans including school building upgrades and improvement of existing facilities of UI.
(6) The purpose of this debt is to finance various capital expenditures and to refinance existing obligations of AU.
(7) The purpose of this debt is to finance various capital expenditures and to refinance existing obligations of UPANG and subsidiary.
(8) The purpose of this debt is to finance the building development, expansion and purchase of equipment for SWU's Hospital and building developments of SWU.
(9) The purpose of this loan is to refinance investments in subsidiaries and other general corporate purposes.
(10) Amounts are net of unamortized debt discount and/or debt issue cost.
(11) The purpose of this loan is to refinance the outstanding loan of the UGC with SBC in the principal amount of ₱182.3 million and to finance general working capital requirements, and acquisition of equipment and plant structural components of UGC.
(12) The purpose of this amended loan is to extend maturity date of old loan to July 20, 2023.
(13) The purpose of this loan is to finance plant expansions in Calamba, Davao and Pampanga.
(14) The purpose of this loan is to partially finance construction of an integrated cement processing terminal in Mariveles, Bataan, permanent working capital requirements and importation of equipment.
(15) Availment of loan is staggered based on pre-agreed drawdown schedule during the availability period.
(16) The quarterly installment will commence at the end of the sixth quarter following the initial drawdown date of October 25, 2018.
(17) The purpose of this loan is to partially finance the acquisition of Phase 2 port terminal. This is a continuation of the remaining tenor with the original SNPSI loan.
(18) The purpose of this loan is to refinance short-term project costs and finance the mixer facility.
(19) The purpose of this loan is to finance the general corporate requirements of the rooftop solar projects.
(20) The purpose of this loan is to finance the acquisition of land from UPPC.
(21) The purpose of this loan is to refinance the loan used to partially finance the investment through acquisition by PEHI of majority stock ownership in AU, COC, UPANG, UI and SWU.
(22) The purpose of this loan is to refinance the outstanding loan of UGC with BDO and convert the short term loans to long-term loans.
(23) The purpose of this loan is to finance the general corporate requirements of the rooftop solar projects.
(24) The purpose of this loan is to fund PPHC's ongoing projects.
(25) The purpose of this loan is to partially finance the equity contribution in a subsidiary for construction of a hotel.
(26) The purpose of this loan is to partially finance the construction of the hotel and for working capital purposes.
(27) The proceeds of this loan shall be used by the borrower to finance its capital expenditures and expansion plans.
(28) The proceeds of the loan shall be exclusively used to finance capital expenditures, expansion plans, and other general corporate purposes of the debtor.
(29) The purpose of this loan shall be used by the borrower to finance its acquisition of shares in various PHINMA entities from Philippine Investment-Management (PHINMA), Inc.
(30) The purpose of this loan is for refinancing of Phinma loans and expansionary/improvements in Mariveles facility.
(31) To finance the general corporate requirements of the rooftop solar projects of the borrower.

24. **Equity**

a. Capital Stock

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

	Number of Shares	
	2023	2022
Preferred - cumulative, nonparticipating, ₱10 par value		
Class AA – Authorized	**50,000,000**	50,000,000
Class BB – Authorized	**50,000,000**	50,000,000
Issued and subscribed	**–**	–
Common - ₱10 par value		
Authorized	**420,000,000**	420,000,000
Issued	**286,303,550**	286,303,550
Subscribed	**39,994**	39,994
Issued and subscribed	**286,343,544**	286,343,544
Treasury shares	**18,279**	18,279

The issued and outstanding shares as at December 31, 2023 and 2022 are held by 1,214 and 1,218 equity holders respectively.

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 Parent Company's 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 Parent Company's 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.

On March 3, 2023, the Parent Company's BOD approved the appropriation of ₱500.0 million for the investment in PPHC and re-appropriation of ₱1.1 billion for the investment in the Construction Materials business until December 31, 2024. In addition, the Parent Company's BOD approved the reversal of previous appropriations of retained earnings amounting to ₱500.0 million for investment in Education business in 2021 and ₱165.5 million for buyback of PHN shares in 2020.

Unappropriated

On March 2, 2021, the Parent Company's BOD declared a cash dividend of ₱0.40 per share or an equivalent of ₱108.9 million, to all common shareholders of record as at April 14, 2021. The cash dividends were paid on May 5, 2021.

On March 1, 2022, the Parent Company's BOD declared a regular cash dividend of ₱0.40 per share or an equivalent of ₱108.8 million and a special cash dividend of ₱0.10 per share or an equivalent of ₱27.2 million, to all common shareholders of record as at March 22, 2022. The cash dividends were paid on April 6, 2022.

On March 3, 2023, the Parent Company's BOD declared a regular cash dividend of ₱0.60 per share or an equivalent of ₱171.8 million, to all common shareholders of record as at March 22, 2023. The cash dividends were paid on April 5, 2023.

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 ₱2,455.2 million and ₱1,607.9 million as at December 31, 2023 and 2022, respectively.

c. Buyback of Shares

On February 28, 2020, the Parent Company's BOD approved the appropriation of ₱165.5 million for the buyback of shares of the Parent Company until February 28, 2022.

In 2023, 2022 and 2021, the Parent Company bought back nil shares, 23,000 shares and 456,600 shares which amounted to nil, ₱0.5 million and ₱7.2 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 ₱382.3 million and ₱325.4 million as at December 31, 2023 and 2022, respectively.

e. Sale of Treasury Shares

In 2022, the Parent Company sold 14,431,900 treasury shares with cost of ₱143.9 million for ₱281.4 million.

f. Parent company shares held by a subsidiary

In 2023, APHI acquired additional 164,100 PHN shares with a total cost of ₱3.2 million. As at December 31, 2023, APHI holds 5,407,822 shares with a total cost of ₱57.7 million accounted as treasury shares.

25. Revenue from Contracts with Customers

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

	2023	2022	2021
Revenue source:			
Sale of goods	**₱13,731,283**	₱13,693,488	₱12,452,783
Tuition, school fees and other services	**4,424,398**	3,347,985	3,087,927
Real estate sales	**1,744,807**	–	–
Hospital routine services	**225,198**	182,124	179,029
Installation services	**221,465**	65,017	75,360
Hotel operations	**219,765**	–	–
Management and administrative fees	**100,039**	–	–
Consultancy	**98,599**	45,419	25,034
Construction contracts	**58,217**	–	–
Royalty fees	**15,477**	–	–
Franchise fees	**1,541**	–	–
Total revenue from contracts with customers	**₱20,840,789**	₱17,334,033	₱15,820,133
Timing of recognition:			
Goods transferred at a point in time	**₱13,731,283**	₱13,693,488	₱12,452,783
Services transferred over time	**7,109,506**	3,640,545	3,367,350
Total revenue from contracts with customers	**₱20,840,789**	₱17,334,033	₱15,820,133

"Others - net" in the consolidated statement of income includes miscellaneous income which consists of miscellaneous cash receipts. In 2023, 2022 and 2021, miscellaneous income amounted to ₱51.2 million, ₱42.2 million and ₱23.6 million, respectively.

Contract balances

	2023	2022
Trade receivables (see Note 11)	**₱6,058,404**	₱4,560,715
Contract assets	**3,622,582**	–
Contract liabilities (see Note 22)	**1,809,423**	1,416,637
Cost to obtain contract	**43,636**	–

PHN and Subsidiaries

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. It also include the following receivables:

Real Estate Installment Contracts. Real estate installment contracts receivable (ICR) and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date (i.e., a loss allowance for credit losses expected over the remaining life of the exposure, irrespective of the timing of default). The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

General Construction. General construction receivables principally consist of receivables arising from third-party construction projects. These receivables are based on progress billings provided to customers over the period of construction and are normally collected within 30 days.

Property Management. Receivables from property management services are claims from condominium corporations and unit owners for the services rendered by PPHC. These are generally on a 30-day credit term.

Retention. Retention receivables includes those arising from sale of real estate under HDMF financing and those from construction contracts.

Contract Assets and Liabilities. Contract assets represent the right to consideration that was already delivered by PPHC in excess of the amount recognized as installment contracts receivable. This is reclassified as real estate installment contracts receivable when the monthly amortization of the customer is already due for collection or, in the case of sales of real estate under HDMF and bank financing schemes, upon submission of the documentary requirements to HDMF and the lending bank, respectively and upon approval of the loan. Movements in contract asset during the year is mainly due to real estate sales recognized during the period less transfer to real estate installment contracts receivable.

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 ₱1,809.4 million as at December 31, 2023 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). Contract liabilities also consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the goods and services transferred by PPHC based on POC. When the conditions for revenue recognition are met for the related customer account, sale is recognized and these contract liabilities will be recognized as revenue. The movement in contract liabilities is mainly due to reservation sales and advance payment of buyers less real estate sales recognized upon reaching the equity threshold and from increase in POC.

For construction segment, contract liabilities include billings in excess of costs and estimated earnings on uncompleted contracts which represents billings in excess of total costs incurred and estimated earnings recognized.

Billings in excess of costs and estimated earnings on uncompleted contracts as follows:

	2023
Total costs incurred to date	₱142,072
Add estimated earnings recognized	95,434
	237,506
Less total billings	239,918
	(₱2,412)

Cost to Obtain Contract. The incremental costs of obtaining a contract with a customer are recognized as an asset if PPHC expects to recover them. PPHC has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

The balances below pertains to the cost to obtain contracts presented in consolidated statements of financial position.

	2023
Balance at beginning of the year	₱–
Acquisition through business combination	52,255
Additions	72,211
Amortization	(80,830)
	₱43,636

In line with PPHC's accounting policy, if a contract or specific performance obligation exhibited marginal profitability or other indicators of impairment, judgment was applied to ascertain whether or not the future economic benefits from these contracts were sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific key performance indicators that could trigger variable consideration, or service credits.

Contract Fulfillment Assets. Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. PPHC's contract fulfillment costs pertain to cost of temporary facilities, mobilization and demobilization costs, capitalized borrowing costs and land acquisition costs as included in the "Inventories" account in the consolidated statement of financial position.

PPHC amortizes contract fulfillment assets and capitalized costs to obtain a contract over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of sales (for contract fulfillment assets) and operating expenses (for capitalized costs to obtain a contract).

26. Investment Income

This account consists of:

	2023	2022	2021
Interest income on:			
Financial assets at fair value through profit or loss	**₱207,638**	₱209,081	₱118,939
Cash and cash equivalents (see Note 9)	**69,542**	29,599	7,823
Receivables (see Note 11)	**35,175**	9,898	5,104
Due from related parties and others	**1,994**	385	320
	314,349	248,963	132,186
Net gains from investments held for trading (see Note 10)	**15,124**	11,737	15,970
Dividend income	**208**	201	224
	₱329,681	₱260,901	₱148,380

27. Cost of Sales, Educational, Real Estate Sold and Construction Services, Hospital and Installation Services

This account consists of:

	2023	2022	2021
Cost of sales	**₱11,678,169**	₱11,681,409	₱10,147,777
Cost of educational services	**1,859,385**	1,437,469	1,202,971
Cost of hospital services	**140,618**	121,577	124,731
Cost of installation services	**53,830**	54,753	63,425
Cost of sales, educational, hospital and installation Services	**13,732,002**	13,295,208	11,538,904
Cost of real estate sold and construction services (Note 12)	**984,290**	–	–
Cost of hotel operations	**131,322**	–	–
Cost of management and administrative services	**83,875**	–	–
	₱14,931,489	₱13,295,208	₱11,538,904

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

	2023	2022	2021
Inventories used (see Note 12)	**₱10,587,556**	₱10,694,947	₱9,189,186
Personnel costs (see Note 30)	**1,510,888**	1,173,309	976,817
Depreciation (see Note 31)	**577,075**	518,944	507,853
Repairs and maintenance	**157,300**	82,896	69,481
Rent (see Note 38)	**108,604**	88,707	81,151
Power and fuel	**97,497**	125,016	123,851
Laboratory and school supplies	**94,808**	80,228	83,976
Installation cost	**53,830**	58,059	31,789
School affiliations and other expenses	**49,786**	30,551	5,528
Graduation expenses	**40,000**	28,615	20,135
Review expenses	**32,627**	33,054	26,697
School materials, publication and supplies	**22,788**	12,171	7,197
Subscription	**18,639**	50,650	87,981
Educational tour expenses	**15,497**	–	909
Sports development and school activities	**4,654**	2,744	1,379
Accreditation expenses	**2,316**	2,077	2,315
Others	**358,137**	313,240	322,659
	₱13,732,002	₱13,295,208	₱11,538,904

Cost of Real Estate Sales and Construction Services

Cost of real estate sales includes acquisition cost of land, construction and development cost, including overhead and capitalized borrowing costs. Cost of real estate sales recognized for the six-month period ended December 31, 2023 amounted to ₱909.1 million (see Note 9). It also includes cost of construction management services amounting to ₱75.2 million.

28. General and Administrative Expenses

This account consists of:

	2023	2022	2021
Personnel costs (see Notes 30 and 33)	**₱1,355,498**	₱897,014	₱871,284
Professional fees and outside services (see Note 33)	**483,120**	370,678	179,209
Depreciation and amortization (see Note 31)	**134,740**	89,891	80,545
Utilities	**121,649**	78,484	40,048
Taxes and licenses	**118,130**	77,418	55,208
Security and janitorial	**112,994**	74,145	64,071
Provision for ECLs (see Note 11)	**88,101**	178,805	185,897
Transportation and travel	**60,959**	31,767	8,734
Rent (see Note 38)	**31,471**	24,821	22,313
Office supplies	**25,588**	18,239	10,920
Insurance	**25,500**	18,620	15,321
Repairs and maintenance	**24,264**	10,086	6,339

(Forward)

	2023	2022	2021
Meetings and conferences	**₱22,653**	₱14,037	₱3,974
Communications	**15,570**	6,301	10,756
Advertising and promotions	**8,216**	2,987	1,579
Donations	**6,202**	29,604	16,183
Others	**143,802**	107,929	107,733
	₱2,778,457	₱2,030,826	₱1,680,114

29. Selling Expenses

This account consists of:

	2023	2022	2021
Personnel costs (see Note 30)	**₱196,987**	₱217,339	₱238,625
Advertising	**128,539**	50,055	65,080
Freight, handling and hauling	**119,319**	94,044	79,466
Commission	**53,447**	21,055	22,478
Transportation and travel	**47,592**	31,131	18,507
Depreciation (see Note 31)	**37,956**	20,349	15,164
Outside services	**36,438**	22,084	18,963
Taxes and licenses	**26,517**	30,198	31,497
Repairs and maintenance	**15,184**	8,402	6,186
Postage, telephone and telegraph	**13,882**	4,070	19,095
Insurance	**13,022**	18,404	26,215
Supplies	**5,034**	4,977	10,640
Utilities	**2,351**	2,551	2,426
Entertainment, amusement and recreation	**3,710**	1,673	2,498
Others	**20,490**	8,193	6,728
	₱720,468	₱534,525	₱563,568

30. Personnel Expenses

This account consists of:

	2023	2022	2021
Salaries, employee benefits and bonuses	**₱2,886,697**	₱2,150,173	₱1,985,948
Pension and other post-employment benefits (see Note 35)	**125,143**	103,368	79,732
Training	**22,051**	17,415	9,602
Others	**42,266**	16,706	11,444
	₱3,076,157	₱2,287,662	₱2,086,726

Personnel costs, other than those presented in Notes 27, 28 and 29, are under cost of hotel operations amounting to ₱12.8 million in 2023, and nil in 2022 and 2021.

31. Depreciation and Amortization

	2023	2022	2021
Property, plant and equipment and investment properties (see Notes 12, 16 and 17):			
Cost of sales, educational, installation and hospital (see Note 27)	**₱508,723**	₱463,474	₱437,310
General and administrative expenses (see Note 28)	**83,810**	52,403	51,498
Cost of hotel operations	**30,966**	–	–
Selling expenses (see Note 29)	**15,739**	13,352	5,322
Intangible assets (see Note 18):			
General and administrative expenses (see Note 28)	**28,130**	9,053	8,533
Cost of hotel operations	**1,179**	–	–
Selling expenses (see Note 29)	**686**	925	1,887
Inventories (see Note 12)			
Capitalized depreciation to real estate inventory (see Note 12)	**19**	–	–
Right-of-use assets (see Note 38):			
Cost of sales, educational, hospital installation and consultancy services (see Note 27)	**68,352**	55,470	70,543
General and administrative expenses (see Note 28)	**22,800**	28,435	20,514
Selling expenses (see Note 29)	**21,531**	6,072	7,955
Cost of hotel operations	**4,121**	–	–
	₱786,056	₱629,184	₱603,562

32. Interest Expense and Other Financing Charges

This account consists of:

	2023	2022	2021
Interest expense on long-term debts (see Note 23)	**₱630,645**	₱556,219	₱502,281
Interest expense on notes payable (see Note 20)	**302,582**	92,265	122,542
Interest expense on lease liabilities (see Note 38)	**25,640**	19,646	22,523
Other financing charges	**45,822**	20,060	1,902
	₱1,004,689	₱688,190	₱649,248

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, 2023, 2022 and 2021, the Company's impairment of receivables from related parties amounted to nil. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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

		2023				
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	**₱333,022**	**₱70,636**	**₱5,660**	Noninterest-bearing	Unsecured, no impairment
	Purchase of shares	**2,335,451**	–	–	Noninterest-bearing	Unsecured, no impairment
	Purchase of properties	**452,787**	–	–	Noninterest-bearing	Unsecured, no impairment
Other related parties						
PHINMA Insurance Brokers, Inc. (PHINMA Insurance), PHINMA Foundation, Inc., Phinma Plaza Condominium Corporation, Phinma Prism Property Development Corp.	Advances (PHINMA Prism)	–	–	**56,142**	Interest-bearing at range of 4.7% - 6.3% for 95 days	Unsecured, no impairment
	Interest income (PHINMA Prism)	**3,597**	–	–	Interest at 4.7% to 6.3%	Unsecured, no impairment
	Share in expenses	**10,344**	**1,345**	**68,970**	Noninterest-bearing	Unsecured, no impairment
PTC Myanmar, IPM, PHINMA Saytanar (PSEd), PE International, Yayasan Triputra Persada	Share in expenses	**5,384**	–	**17,066**	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy Fee	**2,437**	–	**3,032**	Noninterest-bearing	Unsecured, no impairment
InPHIN8, DBHC, FBHC, SFSHC	Management And Incentive Fees	**10,714**	–	–	Noninterest-bearing	Unsecured, no impairment
	Rent (Inphin8)	**8,943**	–	–		
			₱71,981	**₱150,870**		

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

PHINMA, Inc. The Parent Company has a 5-year management contract with PHINMA, Inc. up to June 30, 2024, renewable thereafter mutual agreement. Under this contract, PHINMA, Inc. has a general management authority with corresponding responsibility over all operations and personnel of the Parent Company including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance and other business activities of the Parent Company. Under the existing management agreement, the Parent Company pays PHINMA, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of the Parent Company's net income.

<u>Management and Directors' Compensation</u>

PHN, UGC, COC, AU, UPANG, SWU, UI and PPHC are under common management of PHINMA, Inc. and pay PHINMA, Inc. a fixed annual management fee plus an annual bonus based on a certain percentage of the respective companies' adjusted net income, as defined in the management contract between PHINMA, Inc. and the respective companies, pursuant to the provisions of the same contract.

The details of the management fee and bonus which is included in "Outside services" and "Personnel costs", respectively, under the "General and administrative expenses" account are as follows:

	2023	2022
Management fee	**₱99,613**	₱90,814
Management bonus	**162,335**	121,321
	₱261,948	₱212,135

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 ₱75.0 million and ₱93.2 million as at December 31, 2023 and 2022, respectively.

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 are as follows:

	2023	2022
Directors' fee	**₱60,088**	₱62,788
Directors' bonus	**98,453**	14,898
	₱158,541	₱77,686

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 ₱61.7 million and ₱53.4 million as at December 31, 2023 and 2022, respectively (see Note 21).

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

	2023	2022	2021
Short-term employee benefits	**₱313,780**	₱263,476	₱189,558
Post-employment benefits (see Note 35):			
Retirement benefits	**15,124**	10,031	15,945
Vacation and sick leave	**1,714**	3,189	1,900
	₱330,618	₱276,696	₱207,403

34. Income Taxes

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

	2023	2022
Deferred tax assets:		
NOLCO	**₱315,276**	₱247,724
Allowance for ECLs	**164,569**	32,830
Lease liabilities	**99,077**	67,689
Accrued expenses	**92,436**	23,974
Pension liability	**58,377**	37,936
Management bonus	**33,809**	2,576
Allowance for inventory write-down	**953**	2,295
Others	**39,715**	6,349
	804,212	421,373
Deferred tax liabilities:		
Fair value adjustments on property, plant and equipment of subsidiaries acquired	**(453,816)**	(426,423)
Deferred gross profit on sale of real estate inventories	**(446,647)**	–
Unrealized gain on change in fair value of financial assets at FVPL and derivative asset	**(109,055)**	(119,788)
Accrued income	**(105,649)**	(82,005)

(Forward)

	2023	2022
Excess of capital expenditures over depreciation	**(₱98,431)**	(₱25,019)
Right-of-use assets	**(76,500)**	(62,282)
Unrealized foreign exchange gain	**(18,068)**	(387)
Unamortized debt issuance costs	**(6,512)**	(3,846)
Unamortized capitalized borrowing cost	**(2,620)**	(392)
Others	**(18,562)**	(24)
	(1,335,860)	(720,166)
	(₱531,648)	(₱298,793)

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

	2023	2022
Deferred tax assets - net	**₱164,807**	₱127,736
Deferred tax liabilities - net	**(696,455)**	(426,529)
	(₱531,648)	(₱298,793)

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:

	2023	2022
NOLCO	**₱1,041,915**	₱311,423
Allowance for impairment loss	**203,874**	203,874
Allowance for ECLs	**122,915**	122,172
Accrued personnel costs and employee benefits	**41,750**	41,905
MCIT	**38,866**	2,626
Unrealized loss on change in fair value of FVOCI	**32,082**	19,426
Unamortized past service cost	**19,781**	18,592
Pension liability	**9,154**	2,105
Equity in net losses of associate	**2,497**	–
	₱1,512,834	₱722,123

Deferred tax assets were not recognized since management believes that it is not probable that sufficient future taxable profit will be available to allow said deferred tax assets to be utilized.

The educational segment as private educational institutions, are taxed based on R.A. No. 9337 which was effective January 1, 1998. Section 27(B) of R.A. No. 9337 defines and provides that: "A Proprietary Educational Institution is any private school maintained and administered by private individuals or groups with an issued permit to operate from the Department of Education (DepEd) , or CHED, or Technical Education and Skills Development Authority (TESDA), as the case may be, in accordance with the existing laws and regulations, shall pay a tax of 1% beginning July 1, 2020 until June 30, 2023 and to a tax of 10% beginning July 1, 2023 on their taxable income."

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

MCIT totaling ₱49.6 million can be deducted against RCIT due while NOLCO totaling ₱2,711.7 million can be claimed as deduction against taxable income, as follows:

		Amount	
Date Paid/Incurred	Expiry Date	MCIT	NOLCO
December 31, 2020	December 31, 2023	₱6,122	₱–
December 31, 2020	December 31, 2025	–	562,049
December 31, 2021	December 31, 2024	12,333	–
December 31, 2021	December 31, 2026	–	749,056
December 31, 2022	December 31, 2025	11,262	611,811
December 31, 2023	December 31, 2026	19,862	788,764
		₱49,579	₱2,711,680

MCIT amounting to ₱1.0 million and ₱1.2 million expired in 2023 and 2022, respectively. Expired NOLCO amounted to nil and ₱311.5 million in 2023 and 2022, respectively. MCIT amounting to ₱2.5 million and nil in 2023 and 2022, respectively, and NOLCO amounting to ₱47.4 million and nil in 2023 and 2022, respectively, were claimed as deduction against regular taxable income.

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

	2023	2022	2021
Applicable statutory tax rate	**25.0%**	25.0%	25.0%
Income tax effects of:			
Income of school's subject to lower income tax rate of 10%/1%	**(17.3)**	(13.1)	(13.5)
Change in unrecognized deferred tax assets and others	**1.4**	9.0	(6.1)
Equity in net earnings of associates and joint ventures	**1.1**	(0.9)	(0.4)
Interest income subjected to lower final tax rate	**(1.0)**	(0.7)	(0.1)
Effective tax rates	**9.2%**	1.3%	4.9%

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
On March 26, 2021, the Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law to introduce reforms to the corporate income tax and incentives systems in the Philippines.

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

- 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.

35. Pension and Other Post-employment Benefits

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

	2023	2022
Net pension liability	**₱267,222**	₱196,059
Vacation and sick leave	**91,094**	79,502
Defined contribution plan	**5**	39
	₱358,321	₱275,600

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

	2023	2022	2021
Net pension expense	**₱112,018**	₱76,191	₱66,091
Vacation and sick leave	**12,402**	26,499	12,775
Defined contribution plan	**723**	678	866
	₱125,143	₱103,368	₱79,732

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:

	2023	2022	2021
Current service cost	**₱99,296**	₱62,415	₱60,858
Net interest cost	**12,402**	13,364	5,233
Past service cost	**320**	412	–
Net pension expense	**₱112,018**	₱76,191	₱66,091

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

	2023	2022
Present value of defined benefit obligation	**₱793,183**	₱531,538
Fair value of plan assets	**(525,961)**	(335,479)
Pension liability	**₱267,222**	₱196,059

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

	2023	2022
Balance at beginning of year	**₱531,538**	₱541,312
Acquisition through business combination	**145,313**	192
Current service cost	**99,296**	62,415
Interest cost on defined benefit obligation	**38,350**	22,434
Benefits paid from plan assets	**(22,147)**	(44,201)
Benefits paid from operating funds	**(11,016)**	(23,804)
Past service cost	**320**	412
Actuarial (gains) losses:		
Changes in financial assumptions	**18,419**	(38,078)
Changes in demographic assumptions	**(14,709)**	(19,753)
Experience adjustments	**7,819**	30,609
Balance at end of year	**₱793,183**	₱531,538

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

	2023	2022
Balance at beginning of year	**₱335,479**	₱347,000
Actual contributions	**101,679**	41,844
Acquisition through business combination	**89,585**	–
Interest income included in net interest cost	**25,948**	9,070
Benefits paid	**(22,147)**	(44,201)
Actual return excluding amount included in net interest cost	**(4,583)**	(18,426)
Net acquired assets due to employee transfers	**–**	192
Balance at end of year	**₱525,961**	₱335,479
Actual return (deficit) on plan assets	**₱21,365**	(₱9,356)

Change in net pension liability are as follows:

	2023	2022
Balance at beginning of year	**₱196,059**	₱194,312
Pension expense	**112,018**	76,192
Contributions	**(101,679)**	(41,844)
Benefits paid from operating fund	**(11,016)**	(23,804)
Remeasurements in OCI	**16,112**	(8,797)
Acquisition through business combination	**55,728**	–
Pension liability	**₱267,222**	₱196,059

The Company expects to contribute ₱90.3 million to its retirement fund in 2023.

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

	2023	2022
Discount rates	**5-7%**	4-7%
Rates of salary increase	**3-6%**	2-6%

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 ₱526.0 million and ₱335.5 million as at December 31, 2023 and 2022, respectively. The major assets are as follows:

	2023	2022
Cash and short-term investments	**₱338,473**	₱121,065
Marketable equity securities	**156,667**	214,414
Others	**30,821**	–
	₱525,961	₱335,479

As at December 31, 2023 and 2022, 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 ₱4.5 million and ₱4.2 million as at December 31, 2023 and 2022, respectively.

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:

	2023	2022
	Increase (Decrease)	
Discount rate:		
Increase by 1%	**(₱11,402)**	(₱38,877)
Decrease by 1%	**117,826**	28,325
Salary increase rate:		
Increase by 1%	**₱122,192**	₱39,443
Decrease by 1%	**(6,564)**	(43,935)

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

	2023	2022
Within the next 12 months	**₱137,183**	₱34,241
Between two and five years	**311,485**	155,027
Beyond five years	**2,889,349**	1,324,757

The average duration of the defined benefit obligation as at December 31, 2023 is between 6.1 years to 19.93 years.

B. Defined Contribution Plan

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

Participation by employees in the defined contribution plan is voluntary. Total contribution is up to 4% of annual salary, of which, 60% is contributed by the employees and 40% by the Company.

There will be separate sub-funds for the defined contribution and benefit plans which will not be commingled with each other or be used to fulfill the funding requirements of both retirement plans.

The Company contributed ₱0.7 million in 2023 and 2022 and ₱0.9 million 2021 to the defined contribution plan, which were recognized as expense. The Company has no advances to the defined contribution plan as at December 31, 2023 and 2022.

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:

	2023	2022	2021
Current service cost	**₱20,124**	₱7,256	₱12,936
Past service credit	**(11,200)**	(1,749)	–
Interest cost	**6,786**	3,268	2,372
Actuarial losses (gains)	**(3,308)**	17,724	(2,533)
Vacation and sick leave expense	**₱12,402**	₱26,499	₱12,775

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

	2023	2022
Balances at beginning of year	**₱79,502**	₱65,008
Current service cost	**20,124**	7,256
Past service cost	**(11,200)**	(1,749)
Benefits paid	**(9,118)**	(21,157)
Interest cost	**6,786**	3,268
Acquisition through business combination	**8,308**	–
Actuarial losses (gains)	**(3,308)**	26,876
Balances at end of year	**₱91,094**	₱79,502

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 for a temporary outlay of funds. The Company has financial liabilities in the form of bank loans and corporate bonds with the main purpose of funding its investments in the Strategic Business Units (SBUs), potential new investments, refinancing maturing loans, and general corporate purposes.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 and capital raising of the Company.

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 the financial instruments, the Company transacts only with the Financial Institutions (FIs) duly approved by the Board of Directors. Investments per financial institution are subject to a maximum of 20% of the Company's investible funds. For investments in UITFs or Mutual Funds, it is the Company's policy that investments cannot exceed 10% of the size of the fund.

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.

	2023	2022
Financial assets at amortized cost:		
Cash and cash equivalents*	**₱2,677,785**	₱3,398,748
Trade and other receivables	**8,845,508**	5,807,259
Refundable deposits**	**347,293**	72,015
	₱11,870,586	₱9,278,022

**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.*

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:

	2023			
	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*	**₱2,677,785**	**₱–**	**₱–**	**₱2,677,785**
Other receivables:				
Due from related parties	**150,870**	–	–	**150,870**
Advances to officers and employees	**61,793**	–	–	**61,793**
Accrued interest receivables	**440,276**	–	–	**440,276**
Others	**1,460,510**	–	–	**1,460,510**
Refundable deposits**	**347,293**	–	–	**347,293**
Gross Carrying Amount	**₱5,138,527**	**₱–**	**₱–**	**₱5,138,527**

**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.*

	2022			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Financial Assets at Amortized Cost:				
Cash and cash equivalents*	₱3,398,748	₱–	₱–	₱3,398,748
Other receivables:				
Due from related parties	28,918	–	–	28,918
Advances to officers and employees	56,148	–	–	56,148
Accrued interest receivables	338,546	–	–	338,546
Others	440,359	–	–	440,359
Refundable deposits**	72,015	–	–	72,015
Gross Carrying Amount	₱4,334,734	₱–	₱–	₱4,334,734

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

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, 2023	**Receivables from customers**					
	Days past due					
	Current	**<30 Days**	**30-60 Days**	**61-90 Days**	**>91 Days**	**Total**
Expected credit loss rate	**2%**	**11%**	**3%**	**35%**	**25%**	**12%**
Estimated total gross carrying amount default	**₱2,786,242**	**₱908,664**	**₱245,070**	**₱323,788**	**₱1,794,640**	**₱6,058,404**
Expected credit loss	**55,578**	**97,824**	**6,987**	**112,733**	**454,537**	**727,659**

December 31, 2022	Receivables from customers					
	Days past due					
	Current	<30 Days	30-60 Days	61-90 Days	>91 Days	Total
Expected credit loss rate	3%	9%	7%	28%	44%	15%
Estimated total gross carrying amount default	₱2,353,512	₱702,318	₱116,874	₱600,616	₱787,395	₱4,560,715
Expected credit loss	71,331	66,071	8,713	170,527	350,085	666,727

Customer receivables amounting to ₱649.3 million and ₱563.8 million in 2023 and 2022, respectively, was specifically identified to be fully impaired (see Note 11). 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.

<u>Liquidity Risk</u>

Liquidity risk is the risk that the Company may not be able to settle or meet its obligations on time due to the inability to collect its receivables, liquidate its other assets or obtain funding at reasonable terms. The Company manages liquidity risks by keeping a level of cash and cash equivalents sufficient to finance the operating requirements. The cash and cash equivalents are invested in time deposits and money market funds that can be liquidated quickly. The Company also ensures that it always has enough and active working capital lines with banks for bridge financing. The maturities of the financial liabilities are determined based on the Company's projected payments and contractual maturities. The key terms and threshholds are approved by the Board of Directors. It is the Company's policy to restrict investment in marketable securities, principally to publicly traded securities with a history of marketability and by dealing with only large reputable domestic institutions.

As part of liquidity risk management, the Company regularly evaluates the projected and actual cash flows and conducts stress-testing of assumptions to establish contingency plans. The Company continuously assesses conditions in the financial markets for opportunities for fund-raising activities which may include bank loans and capital market issues.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:

	2023					
	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	**₱2,905,913**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,905,913**
Trade and other receivables	**8,845,508**	**–**	**–**	**–**	**–**	**8,845,508**
Financial assets at FVPL:						
Investment in UITF	**371,412**	**–**	**–**	**–**	**–**	**371,412**
Investments in marketable equity securities	**3,684**	**–**	**–**	**–**	**–**	**3,684**
Investments in preferred shares	**–**	**–**	**–**	**1,916,238**	**–**	**1,916,238**
	₱12,126,517	**₱–**	**₱–**	**₱1,916,238**	**₱–**	**₱14,042,755**

	2022					
	Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	Total
Financial Assets						
Financial assets at amortized cost						
Cash and cash equivalents	₱3,421,578	₱–	₱–	₱–	₱–	₱3,421,578
Trade and other receivables	5,631,456	–	–	–	–	5,631,456
Financial assets at FVPL:						
Investment in UITF	647,383	–	–	–	–	647,383
Investments in marketable equity securities	6,933	–	–	–	–	6,933
Investments in preferred shares	–	–	–	2,209,088	–	2,209,088
	₱9,707,350	₱–	₱–	₱2,209,088	₱–	₱11,916,438

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

	2023					
	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	**₱7,626,264**	**₱–**	**₱–**	**₱–**	**₱–**	**₱7,626,264**
Trade and other payables	**3,572,566**	**–**	**–**	**–**	**–**	**3,572,566**
Trust receipts payable	**883,106**	**–**	**–**	**–**	**–**	**883,106**
Due to related parties	**71,981**	**–**	**–**	**–**	**–**	**71,981**
Lease liabilities	**155,812**	**95,891**	**79,212**	**68,943**	**398,331**	**798,189**
Long-term debt*	**672,723**	**3,740,337**	**2,497,272**	**3,514,071**	**594,788**	**11,019,191**
Non-controlling interest put liability	**2,570,619**	**–**	**–**	**–**	**–**	**2,570,619**
	₱15,553,071	**₱3,836,228**	**₱2,576,484**	**₱3,583,014**	**₱993,119**	**₱26,541,916**

**Including current and noncurrent portion.*

	2022					
	Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	Total
Financial Liabilities						
Loans and borrowings and payables						
Notes payable	₱2,779,103	₱–	₱–	₱–	₱–	₱2,779,103
Trade and other payables	2,150,350	–	–	–	–	2,150,350
Trust receipts payable	128,249	–	–	–	–	128,249
Due to related parties	155,595	–	–	–	–	155,595
Lease liabilities	104,197	51,409	26,473	29,531	145,296	356,906
Long-term debt*	672,723	3,627,354	2,501,272	3,526,071	691,124	11,018,544
Non-controlling interest put liability	–	2,188,320		–	–	2,188,320
	₱5,990,217	₱5,867,083	₱2,527,745	₱3,555,602	₱836,420	₱18,777,067

**Including current and noncurrent portion.*

<u>Changes in liabilities arising from financing activities</u>

The changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes are as follows:

	January 1, 2023	**Acquisition through business combination**	**Additions**	**Payments**	**Others***	**December 31, 2023**
Notes payable	**₱2,779,103**	**3,169,577**	**₱9,029,800**	**(₱7,158,495)**	**(₱193,721)**	**₱7,626,264**
Long-term debt	**10,934,746**	**743,413**	**3,159,325**	**(748,958)**	**50,540**	**14,139,066**
Due to related parties	**155,595**	**2,153**	**3,055,020**	**(3,140,787)**	**–**	**71,981**
Dividends payable	**185,687**	**1,007**	**473,359**	**(405,795)**	**–**	**254,258**
Lease liabilities	**314,128**	**193,318**	**107,788**	**(111,449)**	**20,732**	**524,517**
Other noncurrent liabilities	**49,577**	**166,096**	**86,245**	**–**	**–**	**301,918**
Total liabilities from financing activities	**₱14,418,836**	**₱4,275,564**	**₱15,911,537**	**(₱11,565,484)**	**(₱122,449)**	**₱22,918,004**

* *Others include amortization of debt issue cost and accretion of interest. For lease liabilities, this also includes derecognized amount of ₱1.4 million due to pre-termination of long-term lease contract.*

	January 1, 2022	Additions	Payments	Others*	December 31, 2022
Notes payable	₱930,174	₱3,380,647	(₱1,531,718)	₱–	₱2,779,103
Long-term debt	10,683,115	1,280,000	(1,048,952)	20,583	10,934,746
Due to related parties	182,878	272,379	(299,662)	–	155,595
Dividends payable	228,251	334,768	(377,332)	–	185,687
Lease liabilities	355,901	88,219	(125,452)	(4,540)	314,128
Other noncurrent liabilities	47,937	1,640	–	–	49,577
Total liabilities from financing activities	₱12,428,256	₱5,357,653	(₱3,383,116)	₱16,043	₱14,418,836

* *Others include amortization of debt issue cost and accretion of interest. For lease liabilities, this also includes derecognized amount of ₱151515.5 million due to pre-termination of long-term lease contract.*

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Market risks are managed by constant review of global and domestic economic and financial environments as well as regular discussions with banks' economists/strategy officers to get multiple perspectives on interest rate trends/forecasts. Regular comparison of the portfolio's marked-to-market values and yields with defined benchmarks are also made.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's financial assets that are exposed to foreign currency risk are foreign currency denominated cash and cash equivalents, receivables, derivative assets and investments in UITFs.

Foreign exchange risks on the U.S. dollar and other foreign currencies are managed through constant monitoring of the political and economic environment domestically and abroad. Should the need arise, approved hedging strategies may be implemented to mitigate risks. 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:

	2023		2022	
	Foreign Currency	**Peso Equivalent**	Foreign Currency	Peso Equivalent
Financial assets:				
Cash and cash equivalents	**US$9,628**	**₱533,102**	US$12,111	₱675,233
Cash and cash equivalents	**VND17,941,227**	**40,936**	VND35,703	80
Receivables	**US$10,056**	**556,825**	US$1,330	74,170
Investment at FVPL	**US$34,608**	**1,916,238**	US$39,618	2,209,088
Derivative assets	**US$16,069**	**889,721**	US$11,623	648,117
Investment in UITF	**US$35**	**1,937**	US$34	1,879
		₱3,938,759		₱3,608,567
Financial liabilities:				
Trust receipts payables	**US$–**	**₱–**	US$3,245	₱180,925
Trade and other payables	**US$16**	**859**	–	–
Derivative liability	**US$–**	**–**	US$7	371
		₱859		₱181,296

In translating foreign currency-denominated financial assets into peso amounts, the exchange rates used were ₱55.37 and ₱55.76 to US$1.00 as at December 31, 2023 and 2022, respectively.

The following tables demonstrate 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, 2023 and 2022. 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, 2023 and 2022:

	2023	
	Increase (Decrease) in Peso-Dollar Exchange Rate	**Effect on Profit Before Tax**
		(Amounts in Millions)
PHN	**₱1.0** **(1.0)**	**₱61.71** **(61.71)**
PEHI	**1.0** **(1.0)**	**8.14** **(8.14)**
UGC	**3.0** **(3.0)**	**0.14** **(0.14)**
PCC	**4.0** **(4.0)**	**1.80** **(1.80)**

	2022	
	Increase (Decrease) in Peso-Dollar Exchange Rate	Effect on Profit Before Tax
		(Amounts in Millions)
PHN	₱1.0 (1.0)	₱1.44 (1.44)
PEHI	1.0 (1.0)	11.95 (11.95)
UGC	3.0 (3.0)	0.07 (0.07)
PCC	4.0 (4.0)	0.18 (0.18)

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. Interest rate risk is managed by assessing developments in the market and also internally monitoring the interest rate, interest structure, and maturity profile of the company's debt obligations.

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:

2023

	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)	**1.40%-6.10%**	**₱790,819**	**₱–**	**₱–**	**₱–**	**₱–**	**₱790,819**
Financial Liabilities							
PHN	**6.00%-7.86%**	**64,564**	**966,133**	**18,142**	**1,869,258**	**–**	**2,918,097**
UGC	**4.85%**	**48,218**	**48,258**	**12,233**	**800,276**	**–**	**908,985**

2022

	Interest Rates	Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	Total
Financial Assets							
Placements (PHP)	5.25%-5.728%	₱1,694,459	₱–	₱–	₱–	₱–	₱1,694, 459
Financial Liabilities							
PHN	6.25%	20,000	20,000	20,000	1,882,344	–	1,942,344
UGC	4.85%-5.11%	47,958	47,982	48,025	810,240	–	954,205

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, 2023 and 2022. There is no impact on the Company's equity other than those already affecting the profit or loss.

2023

	Increase/ (Decrease) in Basis Points	**Effect on Profit Before Tax**
Financial Liabilities		
PHN	**25**	**(₱7,295)**
	(25)	**7,295**
UGC	**25**	**(2,272)**
	(25)	**2,272**

2022

	Increase/ (Decrease) in Basis Points	Effect on Profit Before Tax
Financial Liabilities		
PHN	25	(₱4,856)
	(25)	4,856
UGC	25	(2,406)
	(25)	2,406

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. Unsystemic risk is managed through diversification in the stock portfolio.

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, 2023 and 2022. There is no other significant impact on the Company's equity other than those already affecting the profit or loss.

2023

	Increase/ Decrease in Stock Exchange Index	**Effect on Profit Before Tax**
PHN	**+8.6%**	**₱10**
	-8.6%	**(10)**
API	**+8.6%**	**0.08**
	-8.6%	**(0.08)**

2022

	Increase/ Decrease in Stock Exchange Index	Effect on Profit Before Tax
PHN	+13.7%	₱325
	-13.7%	(325)
API	+13.7%	310
	-13.7%	(310)

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.

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.

The Company keeps the debt-to-equity (DE) ratio at a level no higher than 3.33:1, with the DE ratio computed as consolidated total indebtedness over consolidated total equity. Total indebtedness defined as (a) money borrowed; (b) any amount raised by acceptance credit facility; (c) any amount raised pursuant to any note purchase facility or the issue of bonds, promisory notes, debentures, loan stock or any similar instrument; (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with PFRS, be treated as a finance or capital lease; (e) receivables sold on a non-recourse basis; (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing; (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked-to-market value shall be taken into account); (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; (i) the amount paid-up or credited as paid-up on any redeemable share capital; and (j) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above.

The Company's consolidated debt-to-equity ratio as at December 31 are as follows:

	2023	2022
Total indebtedness	**₱25,743,572**	₱16,344,917
Total equity	**10,700,370**	11,142,669
Debt-to-equity ratio	**2.41:1**	1.47:1

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:

	2023			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Investments held for trading:				
Investments in UITFs	**₱371,412**	**₱–**	**₱371,412**	**₱–**
Investments in marketable equity securities	**3,684**	**3,684**	–	–
Club shares designated at FVOCI	**70,550**	–	**70,550**	–
Non-listed equity instruments designated at FVOCI	**92,558**	–	–	**92,558**
Non-listed debt instrument designated at FVPL	**1,916,238**	–	–	**1,916,238**
Derivative assets	**889,721**	–	–	**889,721**
	₱3,344,163	**₱3,684**	**₱441,962**	**₱2,898,517**
Liabilities				
Non-controlling interest put liability	**₱2,570,619**	**₱–**	**₱–**	**₱2,570,619**
Long-term debt	**14,449,990**	–	–	**14,449,990**
	₱17,020,609	**₱–**	**₱–**	**₱17,020,609**

	2022			
	Total	Level 1	Level 2	Level 3
Assets				
Investments held for trading:				
Investments in UITFs	₱647,383	₱–	₱647,383	₱–
Investments in marketable equity securities	6,933	6,933	–	–
Club shares designated at FVOCI	41,000	–	41,000	–
Non-listed equity instruments designated at FVOCI	81,959	–	–	81,959
Non-listed debt instrument designated at FVPL	2,209,088	–	–	2,209,088
Derivative assets	648,117	–	–	648,117
	₱3,634,480	₱6,933	₱688,383	₱2,939,164
Liabilities				
Derivative liability	₱371	₱–	₱371	₱–
Non-controlling interest put liability	2,188,320	–	–	2,188,320
Long-term debt	10,581,439	–	–	10,581,439
	₱12,770,130	₱–	₱371	₱12,769,759

During the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The following methods and assumptions are used to estimate the fair value of the following financial instruments.

Investments Held for Trading, Financial Assets at FVPL, Financial Assets at FVOCI and Derivative Assets. Quoted market prices have been used to determine the fair value of investments in marketable equity securities and club shares designated at FVOCI. The fair values of unquoted equity investments at FVOCI, unquoted debt investment classified as financial asset at FVPL and derivative asset have been estimated using a future cash flows from the investee and applying a discount rate to calculate the present value of the cash flows. The valuation requires management to make certain assumptions about the model inputs including forecast cashflows, discount rate, long-term growth rate, comparable companies' average volatility, option adjusted spread and risk-free rate. The probabilities of various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted investments.

The fair values of non-listed shares of stock were determined through the following valuation approach: income approach and asset-based approach. Income approach is predicated upon the concept that the value of any asset can be estimated by ascertaining the amount and timing of future cash flows or earnings that are generated by that asset. Asset-based approach is based on the value of all the tangible and intangible assets and liabilities of the company. The discount rates, a significant unobservable input used in the valuation of the non-listed shares of stock using the income approach, were and 17.11% and 16.20% as at December 31, 2023 and 2022, respectively. 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 5% to 8% and 3% to 7% in 2023 and 2022, respectively.

Derivative Instruments

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

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

UGC has a derivative liability amounting to nil and ₱0.3 million as at December 31, 2023 and 2022, respectively. The transacted contract has an aggregate notional amount of nil and US$28.4 million in 2023 and 2022, respectively. The unrealized gain (loss) on change in fair value of the derivative instrument amounted to (₱0.4 million), ₱1.5 million and ₱1.3 million in 2023, 2022 and 2021, respectively. The weighted average contracted forward rates are nil and ₱53.958 to US$1.00 in 2023 and 2022, respectively.

PCC has a derivative liability amounting to nil and nil as at December 31, 2023 and 2022, respectively. The transacted contracts have an aggregate notional amount of nil and US$45.8 million in 2023 and 2022, respectively. The unrealized gain on change in fair value of the derivative instrument amounted to nil, ₱3.5 million and ₱1.9 million in 2023, 2022 and 2021, respectively. The weighted average contracted forward rates are nil in 2023 and ₱53.994 to US$1.00 in 2022.

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

	2023	2022
Balance at beginning of year	**₱371**	(₱2,931)
Net change in fair value during the year	**1,608**	32,758
Fair value of settled contracts	**(1,979)**	(29,456)
Balance at end of year	**₱–**	₱371

38. **Leases**

Company as Lessee

The Company has various lease contracts for land, buildings, warehouses and vehicles. The leases have lease terms of between two (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:

	2023				
	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, 2023	**₱119,241**	**₱170,017**	**₱291,890**	**₱2,470**	**₱583,618**
Acquisition through business combination	**98,012**	**126,254**	**–**	**–**	**224,266**
Additions	**31,181**	**9,831**	**62,868**	**675**	**104,555**
Pre-termination	**–**	**–**	**(5,941)**	**(384)**	**(6,325)**
At December 31, 2023	**248,434**	**306,102**	**348,817**	**2,761**	**906,114**
Accumulated Depreciation and Amortization					
At January 1, 2023	**19,032**	**80,113**	**166,972**	**2,470**	**268,587**
Acquisition through business combination	**37,086**	**65,029**	**–**	**–**	**102,115**
Depreciation	**12,025**	**40,426**	**63,962**	**391**	**116,804**
Pre-termination	**–**	**–**	**(4,573)**	**(100)**	**(4,673)**
At December 31, 2023	**68,143**	**185,568**	**226,361**	**2,761**	**482,833**
Net Book Value	**₱180,291**	**₱120,534**	**₱122,456**	**₱–**	**₱423,281**

	2022				
	Right-of-use: Land	Right-of-use: Buildings & Warehouses	Right-of-use: Vehicles	Right-of-use: Others	Right-of-use: Total
Cost					
At January 1, 2022	₱106,037	₱147,507	₱269,406	₱2,470	₱525,420
Additions	15,942	43,332	29,054	–	88,328
Pre-termination	(2,738)	(20,822)	(6,570)	–	(30,130)
At December 31, 2022	119,241	170,017	291,890	2,470	583,618
Accumulated Depreciation and Amortization					
At January 1, 2022	12,398	65,767	109,867	2,143	190,175
Depreciation	6,634	22,712	60,304	327	89,977
Pre-termination	–	(8,366)	(3,199)	–	(11,565)
At December 31, 2022	19,032	80,113	166,972	2,470	268,587
Net Book Value	₱100,209	₱89,904	₱124,918	₱–	₱315,031

The rollforward analysis of lease liabilities follows:

	2023	2022
As at beginning of year	**₱314,128**	₱355,901
Acquisition through business combination	**193,318**	–
Payments	**(111,306)**	(125,452)
Additions	**104,307**	88,219
Accretion of interest	**25,497**	19,646
Pretermination	**(1,427)**	(24,186)
As at end of year	**524,517**	314,128
Less current portion of lease liabilities	**128,510**	102,676
Noncurrent portion of lease liabilities	**₱396,007**	₱211,452

In 2023, three (3) long-term lease contracts were pre-terminated by the Company. As a result, the Company recognized loss from pre-termination of lease contract amounting to ₱0.2 million recognized in the statement of income as part of "Other income (expenses)", after derecognizing the related right-of-use assets and lease liabilities amounting to ₱1.6 million and ₱1.4 million, respectively, in the statements of financial position.

In 2022, three (3) 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 ₱5.6 million recognized in the statement of income as part of "Other income (expenses)", after derecognizing the related right-of-use assets and lease liabilities amounting to ₱18.6 million and ₱24.2 million, respectively, in the statements of financial position.

In 2021, two (2) 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.

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

	2023	2022	2021
Depreciation expense of right-of-use assets (see Notes 31)	**₱116,804**	₱89,977	99,012
Interest expense on lease liabilities (see Note 32)	**25,640**	19,646	22,523
Expenses relating to short-term leases	**140,076**	113,528	103,464

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

	2023	2022
1 year	**₱155,812**	₱104,197
more than 1 years to 2 years	**95,891**	51,409
more than 2 years to 3 years	**79,212**	26,473
more than 3 years to 4 years	**68,943**	29,531
more than 5 years	**398,331**	145,296

39. Commitments and Contingencies

(a) Unused Credit Lines

PHN has an unused credit line amounting to ₱4.7 billion and ₱4.5 billion as at December 31, 2023 and 2022, respectively.

UGC has the following unused approved credit lines with local banks and financial institutions as at December 31, 2023:

Nature	Amount
Letters of credit/trust receipts	₱4,730,616
Bills purchase line	921,480
Forward contract (including settlement risk)	1,189,989

PCC has the following unused approved credit lines with local banks and financial institutions as at December 31, 2023:

Nature	Amount
Letters of credit/trust receipts	₱4,596,532
Bills purchase line	550,764
Forward contract (including settlement risk)	1,398,182

Phinma Solar has the following unused approved credit lines with local banks and financial institutions as at December 31, 2023:

Nature	Amount
Letters of credit/trust receipts	₱461,831
Bills purchase line	50,000
Forward contract (including settlement risk)	140,000

PEHI has the following unused approved credit lines with local banks and financial institutions as at December 31, 2023:

Nature	Amount
Letters of credit/trust receipts	₱4,650,000
Bills purchase line	275,000
Forward contract (including settlement risk)	276,850

(b) PPHC

a. PPHC is a party to certain claims arising from the ordinary course of business. Management, after consultations with its legal counsel, is of the opinion that adverse judgment in any case will not materially affect its financial position and results of operations. Other disclosures required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, were not provided as it may prejudice PPHC's position on these claims.

On October 22, 2022, PPHC executed a joint development agreement (JDA) with Jepp Real Estate Co. Inc. (JREC), to undertake a certain property development project through the formation of a joint venture company. The JDA contains conditions precedent, activities and milestones that need to be met by both parties, which most of these are yet to be completed as at December 31, 2022.

On December 12, 2022, Jepp Property Corporation (JEPP), the "JV Company", was incorporated and registered with the Philippine SEC. The JV company's primary purpose is to deal and engage in the real estate business in all its aspects; to hold, develop, finance or otherwise deal in and dispose of all kind of real estate development. As of December 31, 2022, PPHC has no ownership interest in the JV Company.

b. On January 19, 2023, PPHC and JREC entered into a Contract to Sell whereby PPHC agreed to purchase 9.7% ownership interest in JEPP Property Corporation, for a total consideration of ₱294.1 million.

In November 17, 2023, the Parent Company entered into a subscription agreement with JEPP, whereby it agreed to subscribe and purchase 18.2 million shares of JEPP for a price of ₱18.2 million. No shares has been issued as at December 31, 2023, while approval for the Confirmation of Valuation (COV) is still pending with the SEC. The request for COV was filed and submitted by JEPP Property Corporation.

c. On January 28, 2021, PPHC entered into a Loan Agreement with HDMF, under its Program for the Development of Medium/High Rise Condominium Building (MHRB) Projects. Such agreement grants PPHC a facility of up to ₱300.0 million to be drawn in several tranches in 2021and payable within 6 months of each drawdown. As of 2021, the group availed ₱184.0 million from the facility, which were fully paid in March 2022.

d. PPHC has entered into a Funding Commitment Agreement with the HDMF covering the terms and conditions for extension of housing loans to HDMF members under the Pag-IBIG Housing Loan Program. HDMF requires a seasoning period of two years within which to convert the Contract to Sell between PPHC and the buyer to Real Estate Mortgage between the HDMF and the buyer.

e. On September 13, 2019, the Group entered into a Memorandum of Agreement (MOA) with Jose Claro H. Velez for the development of the property into a town house project with a total area of 17,946 square meters, more or less, located at Buhangin, Brgy. Pampanga, Davao City. As stated in the MOA, the land area shall be provided by Jose Claro H. Velez while the Group shall provide all the resources to develop the project from planning and design to construction, marketing and sales. The development consists of Phases 1 to 3 where number of units will depend on market needs and conditions. Liability for acquisition of land in relation to this amounted to ₱4.5 million as at December 31, 2023 (see Note 21).The project has started its site development in January 2021. As of December 31, 2023, the project is still on-going.

f. On December 15, 2017, the Group entered into a Memorandum of Understanding (MOU) with Giant Philippines Incorporated (GPI) for a possible joint venture for the development of a residential condominium complex. GPI will contribute the project area and the Group shall be responsible for the planning and design, land development, construction of the condominium units, project management, marketing and sale of units, documentation of housing loans, securing of credit lines for development and buyer's financing and post project management. As of December 31, 2023, the project is still on-going.

g. In August 2016, PPHC entered into a MOA with Jose Claro H. Velez for the development of parcels of land into a condominium project with a total land area of 21,409 square meters, more or less, located at Brgy. Vicente Hizon, Sasa, Davao City. As stated in the MOA, the land area shall be provided by Jose Claro H. Velez while PPHC shall provide all the resources to develop the project from planning and design to construction, marketing and sales. The development consists of 1,080 condominium units. In accordance with the MOA, PPHC has accrued nil in December 31, 2023. Liability for acquisition of land in relation to this amounted to ₱1.7 million as at December 31, 2023 (see Note 21).

h. On December 29, 2015, the Group entered into a Contract to Buy and Sell with Buena Homes (Sandoval), Inc. (BHSI) for the acquisition of certain parcels of land located in Pasig City with a total area of 42,711 square meters, more or less. In 2017, the Company paid ₱56.8 million for Phase 2. In accordance with the agreement, the Company accrued nil and ₱41.9 million in 2023 and 2022, respectively, for Phase 3. Liability for acquisition of land in relation to this amounted ₱1.2 million as at December 31, 2023 (see Note 21).

i. PPHC entered into a MOA with Anglo Philippines Maritime, Inc. (APMI) for the development of several parcels of land into a housing project with a total land area of 38,868 square meters, more or less, located in Muntinlupa City. The land area shall be provided by APMI whereas PPHC shall provide all the resources to develop the project from planning and design to construction, marketing and sales. The development shall be divided into four phases consisting of total of 1,792 condominium units. Phase 1 consisting of 588 units and all five buildings were completed in 2016. In 2018, PPHC paid APMI a total of ₱18.6 million. As at December 31, 2023, the balance of the liability amounted to ₱3.7 million (see Note 21).

j. On September 16, 2008, PPHC entered into a Contract to Sell with the Baradi Family for the acquisition of several parcels of land located in Quezon City, with a total area of 16,956 square meters, more or less. Total consideration amounted to ₱127.0 million. As at December 31, 2023, the remaining balance of the liability amounted ₱1.8 million (see Note 21).

(c) PHI

Lease Agreements

PHI as Lessee
On August 16, 2009, PHI entered into a lease agreement with EMAR Corporation, a related party, which shall be for a period of five (5) years until August 15, 2014 and is renewable under such terms and conditions as the parties may agree. In September 2011, the lease agreement was amended to reduce the leased area by half of the original size. On September 1, 2021 and 2020, respectively, the lease agreement was renewed for another year with total leased space of 205 square meters. PHI applied the "short-term lease" recognition exemption for this lease under PFRS 16.

Rent expense arising from this lease agreement amounted to ₱2.7 million in 2023.

Security Deposit
The lease agreement provides for a security deposit to be applied against monthly rentals due or to be refunded, free of interest, after PHI has completely vacated the leased premises, less certain deductions as stipulated in the agreement.

The carrying amount of the security deposit amounted to ₱0.4 million as at December 31, 2023.

(d) Coral Way

Lease Commitments

Coral Way as a Lessee
Coral Way entered into a non-cancellable commercial lease of land with Shoemart, Inc., which shall be used for the development and operation of Coral Way until 2027. The lease contract includes a clause to enable yearly upward revision of the rental charges.

Coral Way as a Lessor
Coral Way entered into a commercial lease with Paramount Hotels and Facilities Management Company, Inc. (Paramount) for the rental of a commercial space in the Hotel. The operating lease is renewable upon mutual agreement between the parties. In 2021, Coral Way and Paramount have agreed to renew the lease for another 3 years.

In May 2010, Coral Way entered into a lease agreement with a third party for the rental of a space in the Hotel to be used as equipment room. The lease is for a period of five years. The lease agreement was renewed in 2021 for another five years.

(e) KEHC

Lease Commitments

KEHC as a Lessee
On December 19, 2013, Coral Way entered into a non-cancellable commercial lease of land with a third party, which shall be used for the development and operation of KEHC for a period of 25 years, renewable for another 10 years upon mutual agreement of the parties. The lease contract includes a clause to enable yearly upward revision of the rental charges and grace period of two years.

In 2014, KEHC and Coral Way entered into a deed of assignment wherein the latter agreed to assign all its rights, interests and obligations under the contract of lease in favor of KEHC as the new lessee.

Except for the change in the lessee, all other provisions of the contract of lease shall continue to be valid and binding with the lessor.

KEHC as a Lessor
KEHC entered into a commercial lease with Paramount for the rental of a commercial space in the Hotel. The lease is for a period of three (3) years and renewable for another three (3) years, after 2019.

In 2019, KEHC entered into a lease agreement with Cutad, Inc. for the rental of a commercial space in the Hotel. The lease is for a period of twenty (20) years with 5.0% yearly escalation clause.

(f) 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:

	2023	2022	2021
(a) Net income attributable to equity holders of the parent	**₱957,626**	₱947,677	₱1,128,965
(b) Weighted average number of common shares outstanding	**286,326**	276,721	272,246
Basic/diluted EPS attributable to equity holders of the parent (a/b)	**₱3.34**	₱3.42	₱4.15

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 six (6) 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 - PPHC is engaged in real estate development. API and APHI lease out its real and personal properties.
- Construction materials - PCC encompasses the operations of the cement trading. UGC handles the manufacturing and trading of iron and steel products. PHINMA Solar provides solar rooftop system to customers. The Company has assessed that the nature of the products and services and the type or class of customers for these products and services are related.
- Educational services - PEHI holds interest in AU, COC, UPANG, UI, SWU, RCI, RCL and UCLI which offer graduate, tertiary, secondary and elementary education services. CAA conducts a non-sectarian institution of learning and operates schools for all levels below tertiary level, whether preschool, primary, secondary, technical and vocational, specialized programs and for all and any form of educational activities.
- Hospitality - PHI provides management services and is engaged in investment holding activities for the hotels. PHINMA Microtel is engaged in hotel franchising. Coral Way is engaged in hotel operations.
- OAL was engaged in animation services.

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	Hospitality	BPO	Eliminations	Total Operations
Year Ended December 31, 2023								
Revenue	₱766,950	₱1,921,024	₱13,268,172	₱5,438,749	₱293,027	₱7	(₱414,111)	₱21,273,818
Segment results	(205,108)	467,317	826,900	1,410,280	46,258	(389)	1,879	2,547,137
Investment income	620,101	24,401	18,200	45,253	3,689	7	(381,970)	329,681
Equity in net earnings (losses) of associates and joint ventures	–	(76,649)	–	(5,028)	81	–	–	(81,596)
Interest expense and financing charges	(297,548)	(122,759)	(402,784)	(210,544)	(12,179)	–	41,125	(1,004,689)
Provision for income tax	(11,241)	(84,042)	(11,367)	(45,994)	(11,285)	–	–	(163,929)
Share of non-controlling interest	–	(161)	–	(254,639)	–	–	(414,178)	(668,978)
Net income attributable to equity holders of parent	₱106,204	₱208,107	₱430,949	₱939,328	₱26,564	(₱382)	(₱753,144)	₱957,626
Total assets	₱13,532,537	₱8,720,617	₱13,547,766	₱16,294,786	₱1,250,846	₱1,022	(₱9,872,740)	₱43,474,834
Total liabilities	₱6,340,455	₱5,958,056	₱9,404,511	₱8,373,846	₱497,025	₱309,917	₱1,894,776	₱32,778,586

	Investment Holdings	Property Development	Construction Materials	Educational Services	BPO	Eliminations	Total Operations
Year Ended December 31, 2022							
Revenue	₱521,765	₱37,040	₱13,245,555	₱4,068,537	₱2	(₱208,317)	₱17,664,582
Segment results	87,327	29,921	804,293	973,520	(1,440)	25,331	1,918,952
Investment income	443,884	585	11,843	12,904	2	(208,317)	260,901
Equity in net earnings of associates and joint ventures	–	57,549	–	465	–	–	58,014
Interest expense and other financing charges	(249,101)	–	(305,631)	(175,167)	–	41,709	(688,190)
Provision for income tax	(6,238)	(5,025)	(15,629)	6,396	–	–	(20,496)
Share of non-controlling interests	–	–	–	(184,659)	–	(396,845)	(581,504)
Net income attributable to equity holders of the parent	₱275,872	₱83,030	₱494,876	₱633,459	(₱1,438)	(₱538,122)	₱947,677
Total assets	₱12,572,663	₱384,562	₱12,089,269	₱13,949,000	₱904	(₱6,985,373)	₱32,011,025
Total Liabilities	₱5,335,317	₱52,197	₱8,188,314	₱6,765,676	₱309,481	₱217,371	₱20,868,356

	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	₱13,158,870	₱698	(₱6,518,970)	₱30,146,092
Total liabilities	₱5,400,882	₱52,491	₱7,422,656	₱6,567,914	₱307,397	₱422,184	₱20,173,524

42. **Events after the Reporting Period**

On March 5, 2024, the Parent Company's BOD declared a 6% regular cash dividend amounting to ₱171.8 million or equivalent to ₱0.60 per share payable on April 12, 2024 to shareholders of record as at March 25, 2024.

Principal Office
12th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City
Tel. (632) 8870-0100
Fax (632) 8870-0456
www.phinma.com.ph

Investor Relations Officer
12th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City
Tel. (632) 8870-0231
Fax (632) 8870-0456
investorrelations@phinma.com.ph

Integrity Hotline
Tel. (0917) 174-4662
phinma.io@phinma.com.ph

Independent Public Accountants
Sycip, Gorres, Velayo & Co.
6760 Ayala Avenue, Makati City
Tel. (632) 8891-0307

Transfer Agents
Stock Transfer Service, Inc.
34th Floor, Unit D
Rufino Pacific Tower
6784 Ayala Avenue, Makati City
Tel. (632) 8403-2410

CORPORATE INFORMATION

CORPORATE DIRECTORY

Education

PHINMA EDUCATION HOLDINGS, INC.
2nd Floor, PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City
Tel. (632) 8896-9537
phinma.edu.ph

PHINMA ARAULLO UNIVERSITY (Main Campus)
Maharlika Highway, Barangay Bitas
Cabanatuan City, Nueva Ejica
Tel. (63915) 769-0106
au.phinma.edu.ph

PHINMA CAGAYAN DE ORO COLLEGE (Carmen Campus)
Max Suniel St., Carmen
Cagayan de Oro City, Misamis Oriental
Tel. (63917) 376-5105
coc.phinma.edu.ph

PHINMA UNIVERSITY OF PANGASINAN (Dagupan Campus)
Arellano Street, Downtown District
Dagupan City, Pangasinan
Tel. (63995) 078-5660
up.phinma.edu.ph

PHINMA UNIVERSITY OF ILOILO
Rizal Street
Iloilo City, Iloilo
Tel. (63927) 982-7512
ui.phinma.edu.ph

SOUTHWESTERN UNIVERSITY PHINMA
Urgello Street, Sambag 2
Cebu City, Cebu
Tel. (63917) 835-2881
swu.phinma.edu.ph

PHINMA SAINT JUDE COLLEGE (Manila Campus)
Dimasalang cor. Don Quijote St.
Sampaloc, Metro Manila
Tel. (63960) 483-6786
ncr.phinma.edu.ph

PHINMA SAINT JUDE COLLEGE (Quezon City Campus)
42 18th Avenue, Cubao
Quezon City, Metro Manila
Tel. (63969) 237-4770
ncr.phinma.edu.ph

PHINMA RIZAL COLLEGE OF LAGUNA
Manila South Road, Brgy. Parian
Calamba City, Laguna
Tel. (6349) 557-1879
laguna.phinma.edu.ph

PHINMA UNION COLLEGE OF LAGUNA
A. Mabini St.
Santa Cruz, Laguna
Tel. (63966) 223-9773
laguna.phinma.edu.ph

PT IND PHIL MANAGEMEN
Menara Kadin Indonesia, 19th Floor
Jl. H.R. Rasuna Said Blok X-5 Kav.2-3
Kuningan Jakarta Selatan 12950
Tel. (621) 5790-3610

Construction Materials

CORPORATE OFFICE
3rd Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City
Tel. (632) 8870-0100

UNION GALVASTEEL CORPORATION
Chipeco Avenue, Barangay Real
Calamba City, Laguna
Tel. (6349) 8545-0084
www.ugc.ph

PHILCEMENT CORPORATION
Garcia Road
Mariveles Diversion Road
Mariveles , Bataan 2106
Tel. (632) 8870-0548
www.unioncement.com.ph

PHINMA SOLAR ENERGY CORPORATION
3rd Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center, Makati City
Tel. (632) 8870-0482
www.unionsolar.ph

Property Development

PHINMA PROPERTY HOLDINGS CORPORATION
29 PHINMA Properties Center
Epifanio delos Santos Avenue
Mandaluyong City
Tel. (632) 8533-7777
inquiries@phinmaproperties.com

COMMUNITY PROPERTY MANAGERS GROUP, INC.
29 PHINMA Properties Center
Epifanio delos Santos Avenue
Mandaluyong City
Tel. (632) 8533-7777 loc 2037
inquire@cpmgi.com.ph

COMMUNITY DEVELOPERS AND CONSTRUCTION CORPORATION
29 PHINMA Properties Center
Epifanio delos Santos Avenue
Mandaluyong City
Tel. (632) 8533-7777 loc 110
info@cdcc.com.ph

Hospitality

PHINMA HOSPITALITY, INC.
PHINMA MICROTEL HOTELS, INC.
2nd Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City
Tel. (632) 8870-0302

CORAL WAY CITY HOTEL CORPORATION
MICROTEL MALL OF ASIA
Coral Way Avenue cor. Seaside Boulevard
Tel. (632) 8403-3333
www.microtel-manila.com

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Seaside Boulevard corner J.W. Diokno Boulevard
Tel. (632) 840-8000 | (63) 917 686-8000
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