SEC Number **12397**
File Number ____

PHINMA CORPORATION

12/f, Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City

Telephone No. : **88700100**

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

ANNUAL REPORT

(SEC Form 17 – A)

____
Amendment Designation (If Applicable)

December 31, 2022
Period Ended Date

____
Secondary License Type and File No.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17- A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the calendar year ended **December 31, 2022**

2. SEC Identification Number **12397** 3. BIR Tax Identification No**. 000-107-026-000**

4. Exact name of issuer as specified in its charter

PHINMA Corporation

5. . **Manila, Philippines**
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. **12/F, Phinma Plaza, No. 39 Plaza Drive, Rockwell Center, Makati City 1210**
Address of principal office Postal Code

8. (**632) 88700-100**
Issuer's telephone number, including area code

9. ______________________
Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	**Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding (as of Dec. 31, 2022)**
Common Shares – (net of treasury shares)	286,325,265 shares
Amount of Debt Outstanding	P10.9 billion

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

Yes [x] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange, Inc. Common Shares

12. Check whether the issuer:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

13. Aggregate Market Value of the Voting Stock held by Non-affiliates of the Registrant.

P1, 304, 394, 220

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

NOT APPLICABLE

DOCUMENTS INCORPORATED BY REFERENCE

15. The following documents are incorporated by reference as part of SEC Form 17-A:

(a) Audited Consolidated Financial Statements for the calendar year ended December 31, 2022, 2021 and 2020 - **Annex A**

(b) Audited Parent Financial Statements for the calendar year ended December 31, 2022, 2021 and 2020 - **Annex A-1**

(b) Supplementary Schedules to the Audited Financial Statements - **Annex B**

(c) Statement of Management's Responsibility for Financial Statements

(d) SEC Form 17 – C (Current Report) - **Annex C**

(e) SEC Form 17 – Q (Quarterly Report) - **Annex D**

(f) Sustainability Report - **Annex E**

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PART 1 – BUSINESS AND GENERAL INFORMATION

Item 1. Business and General Information

A) Parent Company

The Company was incorporated in the Philippines on March 12, 1957. Its principal activity is investment in shares of various subsidiaries, associates, affiliates and other marketable equity securities. The ultimate parent company of PHN and its subsidiaries is Philippine Investment-Management (PHINMA), Inc.

On May 27, 2010, the Securities and Exchange Commission approved the change of name of the Company from Bacnotan Consolidated Industries, Inc. to Phinma Corporation.

On September 18, 2020, the Parent Company executed a deed of absolute sale with the President of ICI Asia for its entire ownership interest in ICI Asia for P0.5 million resulting to a loss of control to the latter by the Parent Company. As a result, the Company recognized a loss from deconsolidation amounting to P11.2 million and derecognized the net assets of ICI Asia.

On December 21, 2020, PHINMA approved the sale of its 225,000,000 shares of PHINMA Solar to UGC. The sale rationalized PHINMA's ownership structure in its Construction Materials group by consolidating in UGC 100% ownership in PHINMA Solar. PHINMA Solar is 98.01% indirectly-owned by PHINMA and 100% owned by UGC.

As of December 31, 2022, the Company's principal subsidiaries and its percentage of ownership are as follows:

Table 1 - List of Subsidiaries

Name of Subsidiaries	PHN Direct Interest	Direct Interest of Subsidiary	PHN Effective Interest
Union Galvasteel Corporation (UGC)	98.01	-	98.01
Phinma Education Holdings, Inc. (PEHI) [a and b]	67.18	-	67.18
Pamantasan ng Araullo (Araullo University), Inc. (AU) [a]	-	97.57	65.55
Cagayan de Oro College, Inc. (COC) [a]	-	91.27	61.32
University of Pangasinan (UPANG) and subsidiary [a]	-	69.33	46.58
University of Iloilo (UI) [a]	-	69.23	46.51
Southwestern University (SWU), Inc. [a]	-	84.34	56.66
St. Jude College Inc. (SJCI)	-	98.30	66.04
Republican College, inc. (RCI) [c]	-	98.41	66.11
Rizal College of Laguna (RCL) [a and d]		90.00	60.46
Union College of Laguna (UCLI) [a and e]	-	80.91	54.36
Career Academy, Asia, Inc. (CAA) [f]	90.00	-	90.00
PhilCement Corporation (PhilCement))	60.00	-	60.00
P & S Holdings Corporation (PSHC)	60.00	-	60.00
Phinma Solar Energy Corporation (PHINMA Solar) [g]	-	100.00	98.01
Asian Plaza, Inc. (API)	57.62	-	57.62
One Animate Limited (OAL) and subsidiary [h]	80.00	-	80.00

[a] *Balances as at and for the year ended December 31 of these subsidiaries were used for consolidation purposes.*

[b] *On May 21, 2021, PEHI acquired 65.76% controlling shares of stocks in UCLI. On August 5, 2021, PEHI acquired additional 328,810 shares for a total consideration of P32.9 million, which increased its ownership interest to 79.07%. On September 12, 2021, PEHI acquired additional 121,190 shares for a total consideration of P12.1 million, which increased its ownership interest to 80.91%.*

[c] *CAA ceased its operations on March 31, 2019.*

[d] *On December 22, 2020, PHN sold its 225.0 million shares in PHINMA Solar to UGC representing 50.00% ownership in PHINMA Solar.*

[e] *OAL owns 100.00% interest in Toon City Animation, Inc. (Toon City). OAL and Toon City ceased operations in April 2013.*

The principal activities of the subsidiaries both direct and indirect are as follows:

Name of Subsidiaries	Principal Activities
Union Galvasteel Corporation	Manufacturing and distribution of steel products
PhilCement Corporation	Distribution of cement products
PHINMA Solar	Solar rooftop
Phinma Education Holdings, Inc.	Holding company for investments in education
Pamantasan ng Araullo (Araullo University),Inc.	Educational institution
Cagayan de Oro College, Inc.	Educational institution
University of Pangasinan	Educational institution
University of Iloilo	Educational institution
Southwestern University	Educational institution
Career Academy, Asia, Inc. (CAA)	Educational institution
St. Jude College, Inc. (SJCI)	Educational institution
Republican College, Inc. (RCI)	Educational institution
Rizal College of Laguna (RCL)	Educational institution
Union College of Laguna (UCLI)	Educational institution
Asian Plaza, Inc.	Lease of real property
P&S Holdings Corporation	Investment and real estate holdings
One Animate Limited (OAL) and subsidiary	Business process outsourcing – animation services

The Company also has direct minority interest in the following companies:

Table 2 – Associates and Interest in Joint Ventures

Name of Associates	PHN Direct Interest	PHN Effective Interest
Phinma Property Holdings Corporation (PPHC) [a]	35.42%	42.71%
ABCIC Property Holdings, Inc. (APHI) [b]	26.51%	28.15%
Coral Way City Hotel Corporation (Coral Way) [c]	23.75%	29.27%
PHINMA Hospitality, Inc. (PHI) [d]	-	20.88%
Interest in Joint Ventures		
PHINMA Saytanar Education Company Limited (PHINMA Saytanar) [e]	-	35.92%
PT Ind Phil Manageme (IPM) [e]	-	46.17%

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

B) Subsidiaries:

Construction Materials

PHINMA operates its construction materials business under three (3) subsidiaries namely UGC, Philcement, and PHINMA Solar. The PHINMA Construction Materials Group aims to optimize synergies among the various companies within the group to provide innovative construction solutions to its customers, offering one-stop shop services, from floor to roofing, and providing superior convenience and service to customers nationwide.

Union Galvasteel Corporation (UGC)

UGC started as the Union Steel Plant Division of BCII. It began commercial operations in 1963 with a galvanizing plant in Poro, La Union for the manufacture of Galvanized Iron sheets, expanding to Ilang, Davao City in 1968 and to Calamba, Laguna in 1990. In 1993, the steel plant was spun off from BCII as a separate business unit, and incorporated as Bacnotan Steel

Corporation. It was later renamed UGC in 1997 and established a modern Continuous Galvanizing Line and Color Coating Line for the manufacture of pre-painted galvanized steel coils in Calamba, Laguna. On December 22, 2010, the SEC approved the merger of UGC and Atlas Holdings Corporation, a 90%-owned subsidiary of PHINMA with UGC as the surviving entity.

It is a leading manufacturer of pre-painted galvanized iron roofing products and other steel products such as steel decking, frames, pre-engineered building systems and insulated panels used for cold storage and other facilities. UGC's main manufacturing facilities are located in Calamba, Laguna. It also operates roll-forming plants in Poro, San Fernando, La Union, Ilang, Davao City, Cebu City, Sta. Rosa, Nueva Ecija, Cagayan de Oro City, Zamboanga City, Calasiao, Pangasinan, Bacolod City, Iloilo City, Pili, Camarines Sur, San Fernando, Pampanga, Batangas City, Tacloban City, Leyte and Cainta, Rizal.

Today, UGC is a significant player in the manufacture and distribution of pre-painted and other galvanized roofing, and of galvanized steel building products such as building system components like steel deckings, c-purlins, door jambs, steel trusses, pre-engineered building structures and insulated panels for commercial, industrial and residential applications. UGC has the largest and most diversified distribution network in the industry, with rollforming plants, warehouses and sales offices in strategic locations throughout the country. UGC's production lines are located in:

- Continuous Color Coating Line in Calamba City, Laguna
- PU Lines in Calamba City, Laguna and Davao City
- Discontinuous Rollforming Lines in various locations nationwide

On December 21, 2020, UGC purchased 100% of Phinma Corporation's shares in Phinma Solar Energy Corporation (PHINMA Solar), increasing its percentage of ownership in PHINMA Solar to 100%.

PhilCement Corporation (PhilCement)

Philcement was incorporated on September 22, 2017 to engage in the processing, manufacturing, distribution, marketing and sales of cement products. Philcement represents PHINMA's re-entry into the cement industry, re-introducing PHINMA's legacy brand "Union Cement". Union Cement enjoyed market dominance and strong brand recognition for many years when PHINMA was in direct ownership or management of majority of the country's integrated cement plants, until the Company sold its ownership stake to Holder Bank (now Holcim) in 2003. Philcement is proud to re-introduce the legacy Union Cement brand after a 14-year hiatus. The re-branding of Union Cement aims to combine world class standards with Filipino expertise to make the lives of Filipinos better through quality, affordable, and readily available cement products. Philcement imports cement from its partner The Vissai Group, one of the biggest privately-owned cement companies in Vietnam. Philcement is owned 60.00% by PHINMA, 30.00% by Viet Cement Terminal Joint Stock Company, and 10.00% by EDCOMMERCE Corporation.

Philcement is a Freeport Area of Bataan ("FAB") - registered enterprise permitted to engage in the processing, manufacturing, marketing, importing, trading – wholesale and retail, selling, and distributing cement, cement products, and other by-products and establishing, operating and managing cement supply terminals at the FAB. As a FAB Registered enterprise, Philcement is entitled to the benefits and incentives under Republic Act No. 9728, also known as "The Freeport Area of Bataan Act of 2009". The Authority of the Freeport Area of Bataan is further discussed under "*Regulatory Framework*".

Philcement's 7.8-hectare flagship cement processing complex is located in the Freeport Area of Bataan and is considered to be the first state-of-the-art cement facility in the Philippines and one of the largest independent cement terminals globally. The facility has an initial annual capacity of 2 million metric tons of cement or 400,000 bags a day. The cement processing complex serves as an importation, manufacturing, storage and bagging facility of Philcement in Mariveles, Bataan. The Mariveles Cement Facility is certified under ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018.

The cement processing complex is likewise strategically located and able to afford Philcement logistical advantage over competitors who transport cement mostly via land. Philcement is likewise able to leverage on its affiliate UGC's waterways distribution network, especially in its reach of the Visayas and Mindanao markets which is underserved by local cement manufacturers that rely heavily on trucking or land-based transportation.

In September 2019, PHINMA signed an agreement to invest USD $50.00 million in Song Lam Cement Joint Stock Company, the flagship plant of The Vissai, the largest private cement manufacturing group in Vietnam. The investment will be used to expand the capacity of the flagship plant located in Nge Anh province in Vietnam, and will cement Philcement's relationship with Viet Cement Terminal JSC, who is a shareholder in Philcement. While these mutual partnerships assure Philcement a reliable supply of high-quality cement for its customers, out of the world-class facility in Mariveles Bataan, all transactions between the different companies under the PHINMA Group and the Vissai Group are kept at arm's length and driven by market conditions. The Company finalized this investment on May 12, 2021.

PHINMA Solar Energy Corporation (PHINMA Solar)

PHINMA Solar, formerly Trans-Asia Wind Power Corporation, was incorporated in the Philippines and registered with the SEC on July 26, 2013.

PHINMA Solar is the Group's venture into the solar rooftop market, providing solar rooftop generation solutions for industrial, commercial, and residential clients, capitalizing on the opportunity presented by the declining cost of solar energy panels, rising levels of environmental awareness, and government initiatives mandating the use of renewable energy sources. In 2019, it expanded its portfolio of clients and has evolved from a lease model to a sale on installment model to maximize cashflow and mitigate exposure on fluctuation in the energy generation and prices. PHINMA Solar also started selling PV systems to commercial and residential customers.

On December 21, 2020, PHINMA approved the sale of its 225,000,000 shares of PHINMA Solar to UGC. The sale rationalized PHINMA's ownership structure in its Construction Materials group by consolidating in UGC 100% ownership in PHINMA Solar. PHINMA Solar is 98.01% indirectly-owned by PHINMA and 100% owned by UGC.

PHINMA Solar's value proposition for its customers comes from the savings the customers are able to achieve on their annual electricity costs from using the solar rooftop equipment. The customers not only save on their electricity costs but also support the environment.

In collaboration with UGC, PHINMA Solar not only promotes its own brand but is also able to extend UGC sales through PHINMA Solar's network of customers and vice versa.

Educational Services

The education services of PHINMA are held through its majority-owned subsidiary, PHINMA Education. PHINMA Education holds majority equity interests in schools including AU, COC, UPang, and UI, which all provide quality, accessible basic and tertiary education to students from low income families in developing urban centers. In Cebu, the company owns and operates SWU, which provides quality education to a middle-income market, catering to local as well as international students.

PHINMA made its first investment in education in 2004 with the acquisition of AU in Cabanatuan City, Nueva Ecija as its first venture into the education industry.

In 2005, PHINMA acquired COC to extend its affordable education offering to Mindanao, especially in Misamis Oriental, Camiguin, and Bukidnon. COC opened its second campus in Puerto in 2012.

UI, established in 1947 as Iloilo City Colleges, was acquired by PHINMA in 2009.

UPang, which began operation in 1925 as the Dagupan Institute, was acquired by PHINMA in 2009.

The school and hospital of SWU, a private university in Cebu City founded in 1946 by two pharmacists, were acquired by PHINMA in 2015.

On August 28, 2015, PHINMA Education was incorporated in the Philippines and registered with the SEC to invest in, purchase, acquire, own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, dispose of real and personal property of every kind and description, including shares of stock and other property of educational institutions.

In 2017, PHINMA Education Myanmar Limited opened the PHINMA Training Center in Yangon, Myanmar in partnership with Victoria Hospital, one of Myanmar's leading private hospitals. In 2018, the Joint Venture Company PHINMA Saytanar Education Company Ltd. ("PHINMA Saytanar") was created when the country regulations allowed foreign ownership with local partners. In 2020, PHINMA Education's operations in Myanmar ceased.

In 2017, PHINMA Education Myanmar Limited opened the PHINMA Training Center in Yangon, Myanmar in partnership with Victoria Hospital, one of Myanmar's leading private hospitals. In 2018, the Joint Venture Company PHINMA Saytanar Education Company Ltd. ("PHINMA Saytanar") was created when the country regulations allowed foreign ownership with local partners. In 2020, PHINMA Education's operations in Myanmar ceased.

SJCI was acquired in 2017 as the first PHINMA Education school in Metro Manila. Located in Sampaloc, Manila, it is a tertiary educational institution founded in 1968. It is well-known for its PACUCOA-accredited School of Nursing, but offers a range of other courses including Information Technology, Nutrition and Dietetics, and Radiologic Technology. In 2019, RCI was acquired as the second PHINMA Education school in Metro Manila.

In 2020, PHINMA Education began its planned Laguna network with the acquisition of RCL, which is also PHINMA Education's eighth school in the Philippines. It currently offers Junior and Senior High School and undergraduate courses in Education, Business Administration, Office Administration, and Industrial Technology.

On 23 April 2021, PHINMA Education, with the Center for Agricultural and Rural Development, Inc. ("CARD") entered into a Share Purchase Agreement with controlling stockholders of UCL, an educational institution located in Sta. Cruz, Laguna, Philippines. Under the said Agreement, the said stockholders agreed to sell and PHINMA Education and CARD agreed to acquire the shares of stock of the said stockholders in UCL. On May 21, 2021, PHINMA Education purchased shares of UCL equivalent to 66% of total outstanding shares including 90% of total voting shares, for the purchase price of ₱85.5 million for the voting shares and ₱2.7 million for the non-voting shares.

On February 18, 2022, Southwestern University Medical Center (SWUMed) held a ceremonial signing with Mount Grace Hospitals Inc. (MGHI), a member of the United Laboratories Group, the country's largest pharmaceutical company. MGHI will be managing SWUMed, which includes handling day-to-day operations and improving medical services and providing exceptional training to next generation health professionals. SWUMed officially turned over to MGHI the management of the facility's operation on April 2, 2022.

PHINMA Education is also expanding to provide education to countries across Southeast Asia.

In Indonesia, it oversees tertiary institutions for Yayasan Triputra Persada Horizon Education through the joint venture PT Ind-Phil Management, established in 2019. In 2021 it launched the brand Horizon Education. Its first school, Horizon Karawang, is located in Karawang, West

Java, and caters to underserved markets not just in Karawang but also Bekasi, Subang, and Purwakarta. It currently specializes in Nursing and Information Technology programs. PHINMA Education envisions a network of schools in Indonesia with a goal to grow its Indonesian enrollees to between 100,000 to 150,000 in 10 to 12 years. In Indonesia, a student-centric and communal mentorship approach to ensure that students are well-equipped to secure their future and contribute to the growth of their chosen industry.

The main business of PHINMA Education is to provide affordable and accessible basic and tertiary education to a low-income market. Average annual tuition fees across these schools which target the affordable segment ranges from ₱18,000 to ₱25,000. PHINMA Education also provides more opportunities to students from low-income families by offering academic scholarships and financial assistance on top of already accessible fees. The objectives of the programs are immediate employability of graduates, and as such, the quality of the programs is assessed through the performance of the graduates in board accreditation exams, particularly for courses aimed at immediate employability such as Nursing, Criminology, Education, and Medicine.

Investment in Property Development

Asian Plaza, Inc. (API) was incorporated on January 26, 2005 and started commercial operations on the same date. The Company's primary purpose is investment in real properties.

On March 24, 2022, API signed a Contract to Sell for the sale of API's condominium unit in Rufino Pacific Tower for ₱40.05 million.

Investment Holdings

P & S Holdings Corporation, a 60% owned subsidiary of Phinma Corporation was incorporated on September 11, 1998. The company's primary purpose is to invest in real and personal properties. The company currently owns and leases land located in Bulacan.

Product Lines

Construction Materials Group

Construction Materials Group' major product lines are:

Business Unit	Product	Type
Steel	Colored or Prepainted Sheets	In coil or in sheets roll formed
	Heavy Gauges	In sheets, coils and roll formed
	Long Span GI Sheets	Roll formed – in sheets
	Claddings and Sidings	Roll formed – in sheets
	Decking's / C. Purlins	Roll formed – in sheets
	Metal frames / Studs	Roll formed – in sheets
	Spandrel	Roll formed – in sheets
	Polyurethane Panels	Roll formed – in sheets
	Roofing Accessories	Bended or Roll formed
	Pre-engineered Building Systems	Roll formed
Cement	Cement (in 40-kg, jumbo bags, bulk)	High-strength cement, general-purpose cement
Solar	Rooftop System	Solar photovoltaic rooftop system
	Power / electricity	Generation and distribution of solar power

The Construction Materials Group namely UGC, Philcement and Phinma Solar generated combined revenues of PHP 13.25 billion, accounting for 74.98% of PHN's revenues in 2022. The following table shows the contribution of the various products of the Construction Materials Group.

CMG Combined Revenues (in thousands)

(in Thousand pesos)	**Calendar Year Ended December 31, 2022**	**Calendar Year Ended December 31, 2021**	**Calendar Year Ended December 31, 2020**
	₱13,245,555	₱12,144,100	₱10,199,133

Educational Services

PHINMA Education's (PEHI) mission is to make life better through education that is accessible and of good quality, through each of its divisions.

Markets

PHINMA Araullo University (AU) in Cabanatuan, Nueva Ecija, PHINMA Cagayan de Oro College (COC) in Cagayan de Oro City, PHINMA University of Pangasinan (UPang) in Dagupan City, and PHINMA University of Iloilo (UI) in Iloilo City serve students from low income families in developing urban centers.

Southwestern University PHINMA (SWU) in Cebu City serves a separate middle income market, catering to foreign as well as local students from Cebu and other provinces nationwide.

PHINMA St. Jude College, Inc. in Sampaloc, Manila and PHINMA Republican College in Cubao, Quezon City, serve students from low income families as well, but with a wider reach than its sister schools with enrollees coming from beyond Metro Manila.

PEHI is also operating a new Laguna network with the acquisition of Rizal College of Laguna and Union College of Laguna in 2020 and 2021 respectively.

All schools provide basic education, senior high school, tertiary, graduate and TVET programs.

Satellite Campuses

PEHI has also increased the schools' enrolment by establishing satellite campuses to widen their geographic reach. PHINMA UPang was the first school to open a satellite campus with its Urdaneta campus in SY2015-2016 while PHINMA AU South and San Jose and PHINMA COC Puerto both also continue to grow and provide education in the areas where they are located.

Contribution of Export Sales

UGC, PhilCement and PHINMA Solar have no export sales.

Supply

Construction Materials

a. UGC

UGC's major raw materials in the production of color-coated sheets are galvanized iron sheets in coils or zinc-aluminum coated sheets in coils. The sources of galvanized and zinc aluminum coated materials are China and other Asian countries. As of today, there are no local manufacturers of these materials that can meet the quality of substrates for pre-painting.

UGCs sources steel coils from a minimum of five different suppliers and as such believes its supplier base is diverse enough so as not to pose a concentration risk to the company from the loss of any single supplier.

b. PhilCement

Philcement currently sources substantially majority of its imported cement from one of the biggest privately-owned cement joint-stock companies in Vietnam. The Vissai Group, through Viet Cement Terminal JSC, and PHINMA, are shareholders of Philcement and it is in the mutual interest of both companies that the Vissai Group continues to supply Philcement with cement. However, the cement supply agreements between Philcement and The Vissai Group are non-exclusive, done at arm's length, and are at market prices, and as such, Philcement is free to source cement from other parties for supply reliability and risk mitigation.

To this end, Philcement has negotiated and developed cement supply arrangements with another supplier in Asia and continues to develop other sources of cement.

c. PHINMA Solar

PHINMA Solar's major inputs are provided by solar panel suppliers and Engineering, Procurement and Construction ("EPC") contractors for turnkey solar projects. Supply contracts are done on a per project basis. Prior to finalizing contracts, PHINMA Solar evaluates offers from a minimum of 3 different suppliers. The company purchases from several competing suppliers and believes there is no concentration risk from any one particular supplier.

Education Group

PHINMA Education schools have common suppliers for items including computers, providers of school IT systems, construction contractors, uniforms, and learning materials. PHINMA Education believes there is no concentration risk because no single supplier exerts any monopoly and there are several competing suppliers. The company benchmarks its supply costs against other schools in order to negotiate fair prices.

Customers

The Company believes its customer base across its major business segments are diverse enough and no single customer make up more than 20% or more of PHINMA or the business segments group revenue.

Construction Materials Group

The Construction Materials Group is not dependent on a single or few customers but, rather, has a well-balanced customer portfolio.

UGC
UGC serves the steel roofing requirements of end-users, developers, contractors, and dealers for residential, and commercial building applications and government projects including school buildings and military housing units. UGC also caters to the agribusiness sector such as the cold storage and poultry industries.

Philcement
Philcement's customers are grouped into the following segments: Contractor, Dealers, Developers, End-User, Hardware stores and Retailer, and Ready-Mix Players. Notably, despite the short time since the start of its operations, Philcement has supplied a number of big commercial and infrastructure projects across the country.

PHINMA Solar
PHINMA Solar's customers are mainly in industries including mall operations, manufacturing, schools, agri-businesses, hospitals, and hotel operations.

Education Group

Majority of PHINMA Education's students belong to the low-income market with an annual household income of ₱300,000.[1] Average annual tuition fees across the PHINMA Education schools, which target the affordable segment, ranges from ₱18,000 to ₱25,000.

Transactions with and/or dependence on related parties

Other than transaction disclosed in "*Certain Relationships and Related Party Transactions",* PHINMA has no dependence on any related parties.

Marketing and Distribution

Construction Materials

a) Steel Business

UGC serves the steel roofing requirements of end-users, developers, contractors and dealers for residential, commercial building applications and government projects such as school buildings and reconstruction efforts. Its secondary markets are facilities for the agribusiness sector such as cold storage, poultry structures and government projects for school buildings and public markets.

UGC's main manufacturing facilities are located in Calamba City, Laguna and it maintains a nationwide distribution network consisting of roll-forming plants, warehouses and sales offices located in strategic regions around the Philippines.

b) Cement Business

Backed by decades of experience in the cement industry and armed with technical and management expertise, Philcement aims to be a partner of choice for its reliability of supply and high-quality products and services. Philcement distributes its products in 40-kg bags, jumbo bags, and bulk trucks.

To serve key markets, Philcement has built a cement facility in the Freeport Area of Bataan which started operations in February 2020. It is the first in the industry to use ship unloader for bulk cement. Further, in September 2019, Philcement entered into an agreement with Seasia Nectar Port Services, Inc. to purchase the port and port assets where its terminal is constructed on, thereby affording the company cost-efficiencies.
The cement processing complex is likewise strategically located and able to afford Philcement logistical advantage over competitors who transport cement mostly via land. Philcement is likewise able to leverage on its affiliate UGC's waterways distribution network, especially in its reach of the Visayas and Mindanao markets which is underserved by local cement manufacturers that rely heavily on trucking or land-based transportation.

Philcement's main Office and Facility are located in the Freeport Area of Bataan, Mariveles, Bataan. Along with UGC, it continues to grow its distribution network nationwide.

[1] Philippine Institute for Development Studies 2018 Annual Report

Competition

Construction Materials

a) Steel Business

For steel roofing, UGC's main competitors are Puyat Steel, DN Steel, and Sonic Steel/United Steeltech Group. In terms of relative nationwide market share size in this category, it is estimated that UGC is roughly the same size as Puyat Steel and DN Steel, and a little over half the size of Sonic Steel/United Steeltech Group.

UGC's range of products in this category include: pre-painted galvanized sheets, galvanized sheets, light steel frames, purlins, and metal decking. In comparison, UGCs major competitors have a similar product range. UGC has a nationwide distribution network. In comparison, UGCs major competitors are also present nationwide. UGC effectively competes in the area of customer service, where its wide distribution network and speed of order fulfilment ensure its products are readily available in the market at the location and within the timeframe required by its customers.

For PU products, UGCs main competitors are DYD/Ultra, and iSteel. UGCs range of products in this category includes Insulated Roofing, Insulated Sandwich Panels and Doors.

b) Cement Business

Philcement's main competitors are Holcim, Republic Cement, Eagle Cement, Northern Cement, and Cemex. It is estimated that in terms of relative nationwide market share size, Holcim has the largest share, while Philcement has the smallest share among the aforementioned market players. Holcim, with cement plants in La Union, Bulacan, Misamis Oriental, and Davao and terminals in Visayas and South Luzon, has nationwide market presence. Eagle Cement and Northern Cement's integrated cement plants are primarily focused on Luzon, with Northern Cement covering the areas of Northern Luzon while Eagle Cement Bulacan operations concentrate on Central Luzon, NCR, and South Luzon. In early 2022, Southern Concrete (Oro Cement), which is part of the San Miguel Group along with Northern and Eagle, started operations in Davao del Sur. Republic Cement, similar to Holcim, maintains a nationwide market presence with several plants located mostly in Luzon, a grinding plant in Cebu, and its Iligan Cement plant in Lanao Del Norte. Cemex Philippines, with the Solid/Rizal cement plants in Antipolo City, Rizal and Apo cement plants in Naga, Cebu, has market presence in NCR and South Luzon and Visayas, respectively. Apart from Eagle Cement, many of these plants have been and continue to import clinker and, at many times, cement, to augment their supply. Aside from these large industry players with integrated capacities, Philcement also competes with cement importers in some areas. These cement importers source their cement mostly from Vietnam but also has supply from other parts of Asia.

Although Philcement's main facility is in Mariveles Bulacan, its port facilities provide transport flexibility to its customers. The facility can easily load cement to vessels and transport them out to different ports nationwide, while it can also dispatch cement products for land transport. This provides a significant competitive advantage compared to landlocked cement plants which have no choice but to traverse congested road networks. Philcement has been able to competitively serve areas such as Ilocos in North Luzon, Metro Manila, and islands in the MIMAROPA and the Visayas regions through vessels - markets which are very hard and costly to reach unless a cement plant is nearby.

In terms of pricing, Philcement recognizes the importance of quality of cement for its customers, while understanding the competitiveness of the market. Philcement's pricing strategy is market-driven and is competitive against local cement brands. For the bulk market segment where quality is of paramount significance, Philcement is also able to price competitively, while ensuring that it maintains consistent quality and reliability of supply for its customers.

Education Group

The competitors of each PHINMA Education school vary depending on the location of each school, as well as the presence of both private and public schools in the area catering to the low income market. In general, the PHINMA Education Schools in terms of enrolment are among the top 5 private schools operating in their respective localities, with the exception of the newer acquisitions: SJCI, RCI, UCL, and RCL.

In SY 2022-2023, it logged its highest enrolment yet by welcoming 124,501 students in the Philippines and Indonesia, with more than 61,000 of them new to the system. This marks a 30% overall increase versus the previous school year's enrollment of 95,503 students.

Total tertiary enrolment in the Philippines is currently estimated at around 3.4 million, resulting in an estimated nationwide market share of around 2.2% for the PHINMA Education Schools in aggregate. Table below presents top private higher educational institutions nationwide by enrolment:

Top 5 Private Higher Educational Institutions by Enrolment, SY 2015/2016[2]

1.	University of Sto. Tomas	44,769
2.	Saint Louis University	32,725
3.	South UPI College	29,052
4.	ICCT Colleges	26,833
5.	University of Cebu	26,593

Table below presents the top 5 SUCs nationwide in terms of enrollment. While the passage of the Universal Access to Tertiary Education Act removed tuition as an admission requirement, the SUCs' capacity to accept enrollees is still limited by capacity constraints and by its academic admission requirements. Hence, even with the passage of this law, PHINMA Education enrolments grew, especially since many of its low-income students are qualified to receive the Tertiary Education Subsidy.

Top 5 SUCs by Enrolment, SY 2019/2020[3]

1.	University of the Philippines	57,387
2.	Polytechnic University of the Philippines	56,928
3.	Cavite State University	43,634
4.	Cebu Technological University	41,395
5.	Batangas State University	39,955

In terms of tuition fees, average annual tuition fees of PHINMA Education schools are around ₱18,000-25,000 per annum. SWU, PHINMA Education's mid-income school, charges average annual fees of ₱35,000 which is in the mid-range of the private school market in Cebu.

In terms of Program offerings, the PHINMA Education Schools carry course offerings designed toward employability of graduates, including programs such as BS Business Administration, Education, Nursing, IT, and Civil Engineering. These same programs have the highest enrollment in the country and are likewise offered by competitors.

PHINMA Education Schools have an established track record in producing national licensure exam topnotchers in programs such as Nursing, Medical Technology, Medicine, Engineering and Criminology. COC is recognized by the CHED as a Center of Excellence in Criminology.

Competitors in Indonesia

PHINMA Education entered into a joint venture agreement with Tripersada Global

[2] *CHED website, latest available data*
[3] *CHED website, latest available data*

Management for the establishment of PT IndPhil Management (IPM) in 2019. It oversees tertiary institutions for Yayasan Triputra Persada Horizon Education. In 2021 it launched the brand Horizon Education, and the first school in Indonesia is now known as Horizon Karawang in West Java, Indonesia. It has a total enrollment of 1,274 students and specializes in Health Science and Information Technology (IT) programs. It is presently the only nursing school in Karawang. Its main competitors can be found in the table below.

PHINMA Education Schools and Their Major Competitors, Indonesia, SY 2022-2023

School	Freshmen Enrollment	Total Enrollment	Tuition (*In ₱ Mn*)
STIKes / STMIK Horizon Karawang	673	1,274	20,000 - 59,000 12,000 - 52,000 scholarships
Universitas Singaperbangsa Karawang (State University)	4,332	12,065	25,000 - 43,000
Universitas Buana Perjuangan (Business & IT Programs)	2,026	8,628	24,000 - 26,000
STIKes/ STMIK Bani Saleh (Health Science & IT Programs)	466	2,489*	22,000 - 63,000
Universitas Medika Suherman (Health Science Only)	454	1,173*	53,000 - 56,000
STMIK Rosma (IT Programs Only)	161	1,009	14,000 - 22,000

*Latest available data

STIKES/STMIK Horizon has a tuition fee range of around ₱20,000 - ₱59,000, at par with fees of direct competitor schools. PHINMA Education identifies Universitas Medika Suherman, Bani Saleh, and STMIK Rosma as closest competitors in terms of enrolment size and program.

Intellectual Property

Under the Intellectual Property Code of the Philippines, the rights to a trademark are acquired through the registration with the Bureau of Trademarks of the Intellectual Property Office, which is the principal government agency involved in the registration of brand names, trademarks, patents and other registrable intellectual property materials.

Upon registration, the Intellectual Property Office shall issue a certificate of registration to the owner of the mark, which shall confer the right to prevent all third parties not having the consent of the owner from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the mark is registered. The said certificate of registration shall also serve as prima facie evidence of the validity of registration and the ownership of the mark of the registrant. A certificate of registration shall remain in force for an initial period of ten (10) years, and may be renewed for periods of ten (10) years at its expiration.

As of December 31, 2022, PHINMA and its subsidiaries have the following registered trademarks:

PHINMA

Registered Trademark	Date of Registration	Registration No.	Date of Expiration
Making Lives Better	2 October 2015	4/2015/00001382	2 October 2025

Construction Materials Group

The Construction Materials Group holds several trademarks for the Union brand. UGC's logos and product names are registered while Philcement's Union Cement products are all registered. In 2022, PHINMA Solar secured the registration of its brand, Union Solar.

The Group is actively monitoring and registering its trademarks with the Intellectual Property Office.

Registered Trademark	Date of Registration	Registration No.	Date of Expiration
UGC Logo 1	30 November 2017	4/2016/00014189	30 November 2027
UGC Logo 2	30 November 2017	4/2016/00014190	30 November 2027
UGC Logo 3	2 March 2017	4/2016/00014188	2 March 2027
UGC Logo 4	8 June 2016	4/2001/00007745	8 June 2026
Duratile	4 September 2014	4/2014/00000624	4 September 2024
Duraseam	18 October 2018	4/2018/00000734	18 October 2028
Ecolume (Inactive)	7 April 2019	4/2018/00015871	7 April 2029
Union Cement	19 February 2021	4/2020/505431	19 February 2031
Union V Super	11 May 2018	4/2017/16641	11 May 2028
Union V Ultra	11 May 2018	4/2017/16644	11 May 2028
Union Astig	28 September 2018	4/2018/6692	28 September 2028
Sementong Astig	3 February 2019	4/2018/6691	3 February 2029

Education Group

Registered Trademark	Date of Registration	Registration No.	Date of Expiration
Araullo University	28 November 2005	4/2004/005672	28 November 2025
Araullo University Seal	19 March 2007	4/2004/007972	19 March 2027
Cagayan de Oro College Logo	15 August 2013	4/2012/00012187	15 August 2023
Cagayan de Oro College Seal	15 August 2013	4/2012/00012188	15 August 2023
Cagayan de Oro College	20 June 2013	4/2012/00012185	20 June 2023
Making Lives Better Through Education	3 July 2014	4/2013/00013276	3 July 2024
"Moving Minds, Changing Lives!"	10 June 2016	4/2015/00505108	10 June 2026
Southwestern University	14 January 2016	4/2015/00011472	14 January 2026
University of Iloilo Seal	13 January 2011 and renewed on 13 January 2021	4/2010/005386	13 January 2031
University of Iloilo	13 January 2011 and renewed on 13 January 2021	4/2010/005385	13 January 2031
University of Iloilo	14 December 2020	4/2020/0003018	14 December 2030
UI Sun Logo (No Verbal Elements)	7 June 2018	4/2018/0000163	7 June 2028
University of Pangasinan Seal	21 August 2014	4/2012/00012182	21 August 2024
University of Pangasinan Flame and Book Design	7 March 2013	4/2012/00012183	7 March 2023

Registered Trademark	Date of Registration	Registration No.	Date of Expiration
University of Pangasinan Logo	21 August 2014	4/2012/00012181	21 August 2024
University of Pangasinan	14 June 2013	4/2012/00012180	14 June 2023

Effect of Existing or Probable Government Regulations on the Business

Construction Materials

The Construction Materials Group relies heavily on the importation of inputs including cement, steel roofing raw materials, and solar panels. Any new taxes on these inputs or other new forms of non-tariff import restrictions may increase prices, reduce market demand, and adversely affect the business and financial performance of the Construction Materials Group.

In 2019, the Department of Trade and Industry ("DTI") imposed a definitive safeguard duty on imported cement for three years to redress alleged serious injury in the domestic industry. Philcement has filed a case with the Court of Tax Appeals ("CTA") opposing the safeguard taxes, maintaining that local cement manufacturers were not unduly harmed by cement imports. As of writing, the case is still pending with the CTA. Moreover, the domestic industry applied for an extension of the safeguard duty, which expired in October 2022. The Tariff Commission did not recommend the extension of the safeguard duty citing no significant impairment in the overall position of the domestic industry and no existence of an imminent threat of serious injury in the near future. DTI concurred with the recommendation of the Tariff Commission and in October 2022, dismissed the petition filed by local cement manufacturers to extend the tariff protection.

On top of safeguard measures, the domestic cement industry also applied for the imposition of anti-dumping duties on cement from Vietnam. In October 2022, the Tariff Commission has determined that an anti-dumping duty should be imposed on Philcement's exporter of Ordinary Portland Cement ("OPC" or "Type I"). DTI issued the final order imposing the aforementioned duty in February 2023.

To mitigate this risk, Philcement has started to manufacture its own blended cement in 2021, sold in the market as Union Extra Strength. Philcement has also established supply from other cement manufacturers in Asia. Moreover, Philcement has initiated several projects over a medium-term horizon which will allow the company to expand its product offerings and its domestic production of blended cement.

For the steel industry, DTI has received an application for safeguard tax protection from two local manufacturers claiming import protection in the galvanized roofing category, where UGC is also present. To mitigate this risk, UGC has the flexibility of activating its existing galvanized line to locally produce its own galvanized roofing. UGC, together with other steel roofing importers, continues to lobby against safeguard duties and has also submitted a position paper to the DTI against the proposed safeguard taxes to protect consumer interests.

Educational Services

Rules and regulations issued by the Commission on Higher Education (CHED), the Department of Education (DepEd), and the Technical Skills Development Authority (TESDA) affect the operations of the universities and colleges under PEHI. Some of the more salient effects include curricular requirements, faculty qualifications, and specifications of facilities. The universities and colleges are also governed by the rules and regulations prescribed by R.A. 9337, "An Act Amending Certain Sections of the National Internal Revenue Code (NIRC), as amended, and for other purposes. Under R.A. 9337, the universities and colleges are subject to a tax of 10% on their taxable income. However, if the gross income from unrelated trade, business or other activity exceeds 50% of the total gross income derived by such educational institutions from all sources, the regular corporate income tax under the NIRC shall be imposed on the entire taxable income.

Under the CREATE Law, the tax rate for "proprietary educational institutions and hospitals which are non-profit" was reduced from ten percent (10%) of taxable income to one percent (1%) for the period July 1, 2020 to June 30, 2023. The educational institutions which are subsidiaries of PHINMA Education should and will thus benefit from the said reduced rate as they are all proprietary (or privately-owned) educational institutions. However, on April 8, 2021, the BIR issued the Implementing Regulations of the CREATE Law (BIR Revenue Regulation No. 05-2021) where "Proprietary Educational Institutions" is defined as being non-profit, contrary to the CREATE Law itself.

The Revenue Regulations will in effect increase the tax rate of private educational institutions from the current ten percent (10%) to twenty-five percent (25%) which is not consistent with the CREATE Law. The subsidiary schools of PHINMA Education have joined other educational institutions in challenging the said Revenue Regulations.

On July 26, 2021, the BIR issued Revenue Regulation No. 14-2021 which suspended the implementation of BIR Revenue Regulation No. 05-2021, pending the passage of appropriate legislation on the matter.

The establishment, operation, administration and management of the Universities and Colleges under PEHI are subject to the existing laws, rules and regulations, policies and standards of the Technical Skills Development Authority (TESDA), Commission on Higher Education (CHED) and Department of Education (DepEd). Regulations from these governing bodies affect the operations of PEHI.

On January 24, 2022, the BIR issued Revenue Memorandum Circular (RMC) No. 13-2022, which reiterates the amendment on the tax treatment of nonprofit hospitals and proprietary educational institutions through Republic Act No. 11635, entitled "An Act Amending Section 27(B) of the National Internal Revenue Code of 1997, As Amended, and for Other Purposes". Qualified proprietary educational institutions and hospitals, which are nonprofit, are subject to a tax of ten percent (10%) of their taxable income, provided that from July 1, 2020 until June 30, 2023, the tax rate imposed shall be one percent (1%).

Governmental Evaluation of Products

Construction Materials

a) Steel Business

The Department of Trade and Industry (DTI) under its Mandatory Labelling with Self-Declaration and Conformity, requires that importers and manufacturers ensure that labelling and marking requirements of the applicable product standard and of the Consumer Act of the Philippines (R.A. 7394) are marked on the product itself.

Likewise, the Bureau of Philippine Standards (BPS) administers a product certification scheme for products under its List of Products under Mandatory Certification with specific product coverage and classification in safety and performance. For products not included in the mandatory list, manufacturers may still apply for PS License under the voluntary product certification scheme. UGC's products fall under the voluntary product certification scheme.

b) <u>Cement Business</u>

DTI, through the Bureau of Philippine Standards, mandates that the importation of cement products must comply with the implementing guidelines under Department Administrative Order 17-06 "The New Rules and Regulations Concerning the Mandatory Certification of Portland Cement and Blended Hydraulic Cement with Pozzolan".

Under the same DAO, all importers and manufacturers abroad need to undergo a product certification scheme for cement products incompliance with applicable Philippine National Standards (PNS 07:2018 for OPC and PNS 63:2008 for blended hydraulic cement with pozzolan).

Raw Materials

Construction Materials

a) <u>Steel Business</u>

UGC's major raw materials in the production of color-coated sheets are galvanized iron sheets in coils or zinc-aluminum coated sheets in coils.

The main sources of galvanized and zinc aluminum coated materials are China and Vietnam. There are no local manufacturers of these materials that can meet the quality of substrates for pre-painting.

b) <u>Cement Business</u>

Philcement mainly sources its cement products from its strategic partner in Vietnam. The cement supply agreements between Philcement and The Vissai Group are non-exclusive, done at arm's length, and are at market prices, and as such, Philcement is free to source cement from other parties for supply reliability and risk mitigation

All cement products are inspected and tested for product quality under the Philippine National Standards (PNS) and American Standards for Testing and Materials (ASTM) before they leave the port of origin, and again undergo product quality testing when they arrive at local ports.

Research and Development

Construction Materials

Research and Development Cost * (in '000)

Period covered	Amount	% to Revenues
CY2022	P1,109	0.01%
CY 2021	3,011	0.03%
CY 2020	2,654	0.03%

a) Steel Business

UGC has a full time Research and Development Section and one of its main functions is to take the lead in the Continuous Improvement Program in order to enhance product quality, customer service and cost competitiveness. UGC is an ISO-certified company for its Quality and Environmental Management Systems.

b) Cement Business

In its pursuit of delivering consistent and high-quality cement, Philcement Corporation has constructively completed its cement laboratory at its Mariveles Facility in 2021. The investment allows Philcement to do its own physical and chemical cement tests to ensure the consistent quality of its cement sold and distributed to customers. The Head of Plant Management is the lead for Product Quality and R&D activities for cement.

In Q3 2021, Philcement's Mariveles facility received the Philippine Standards license accreditation from DTI, allowing the Company to produce Type IP cement products locally.

Philcement is an ISO-certified company for its Quality, Environmental, and Health and Safety Management Systems.

Educational Services

PEHI's Academic System continually evolves to serve the needs of students and of the industry, both in the Philippine and global contexts.

Cost and Effects of Compliance with Environmental Matters

A discussion of the Company's compliance with its Manual on Good Corporate Governance maybe found in "**Annex B"**

Construction Materials

The Construction Materials Group operates production facilities that are subject to environmental regulations with terms specified in the Environmental Compliance Certificates ("ECCs") granted by the Department of Environment and Natural Resources ("DENR"). Although the companies exert due diligence in ensuring their facilities comply with these terms, any violation of ECC terms may require the company involved to pay a fine or incur costs in order to cure the violation. There can be no assurance that current or future environmental laws and regulations will not increase the costs of conducting businesses. The introduction of new environmental laws and regulations applicable to the business could have a material adverse effect on the financial results of the business.

a) Steel Business

UGC, as a corporate citizen, is committed to protect the environment and safeguard the health and safety of its employees. It strictly conforms to government environmental regulatory standards through its pollution control facilities for water and air. It continuously monitors its wastewater and air emissions and maintains and improves such facilities and processes to ensure environment friendly results. Regular tests conducted internally and by third parties show that effluents consistently met Department of Environmental and Natural Resources (DENR) and Laguna Lake Development Authority (LLDA) standards. In addition, UGC is a member of the Local Government Units (Calamba Green Stream Brigade and Laguna Water Conservancy), Pollution Control Association of the Philippines, Inc. (PCAPI) and Water Environment Association of the Philippines (WEAP) to strengthen its commitment and involvement for a better environment.

An Environmental Management Group which reports directly to the Vice President - Production is responsible for the implementation of the Company's Environmental Program including compliance with all laws and regulations on Environmental Standards.

b) Cement Business

Philcement fully complies with the regulations and conditions set by DENR and the Authority of the Freeport Area of Bataan. In January 2023, Philcement received its ISO certification, including its Environmental Management System.

A Pollution Control Officer, reporting directly to the Vice President – Plant Management, is responsible for the implementation and monitoring of the Company's environmental system, including compliance to environmental standards.

Employees

As of December 31, 2022 and 2021, PHN and its subsidiaries had a total of 3,983 employees broken down as follows:

Officers and Employees

Company	No. of employees			
	CY 2022		CY 2021	
PHN (Holding Company)				
Management	**5**		6	
Staff	**13**	**18**	14	20
UGC				
Executive	**18**		11	
Managers	**74**		70	
Supervisors	**422**		492	
Rank and File	**180**	**694**	221	794
Philcement				
Executive	**7**		3	
Managers	**19**		17	
Supervisors	**85**		90	
Rank and File	**4**	**115**	-	110
Phinma Solar				
Executive	**3**		3	
Managers	**11**		4	
Supervisors	**19**	**33**	4	11
AU				
Academic	**326**		309	
School Operations	**179**	**505**	113	422
COC				
Academic	**458**		433	
School Operations	**187**	**645**	127	560
UPANG				
Academic	**392**		458	
School Operations	**142**	**534**	124	582
UI				
Academic	**358**		331	
School Operations	**126**	**484**	119	450
SWU				
Academic	**385**		394	
School Operations	**186**	**571**	181	575
SJCI				

Academic	**101**		128	
School Operations	**51**	**152**	59	187
RC				
Academic	**17**		12	
School Operations	**17**	**34**	20	32
RCL				
Academic	**29**		10	
School Operations	**30**	**59**	21	31
UCL				
Academic	**47**		48	
School Operations	**31**	**78**	20	68
PEHI Rockwell				
Management	**18**		53	
Staff	**43**	**61**	3	56
TOTAL		**3,983**		3,898

Employees of PHN and its subsidiaries are not subject to a Collective Bargaining Agreement (CBA) except for the following subsidiaries:

a) UPANG - CBA renewed on June 10, 2022 for a 5 year term and will expire on June 10, 2027;
and
b) UGC - CBA been renewed on July 1, 2020 and will expire on June 30, 2025

The Company does not expect a substantial change in the workforce in the next twelve (12) months.

Risk Factors

1. Dividend Restriction

As a holding company which primarily derives cashflow from dividend income from its investments in subsidiaries and associates, PHINMA's ability to service its own obligations may be affected by the dividend restrictions imposed by the outstanding loan agreements and financial stability of its operating companies. Moreover, creditors of PHINMA's subsidiaries and affiliates will have priority claims over the assets of such subsidiaries and affiliates.

The Company has put in place prudent financial management measures, one of which is centralizing all loan documentation and availment within the Treasury Group, to ensure its subsidiaries and affiliates are still afforded flexibility to upstream dividends to their parent.

As parent company, PHINMA earned ₱169.22 million, ₱307.86 million and ₱429.58 million of dividend income for the years 2022, 2021 and 2020, respectively. Though these may not be indicative of future performance of the Company, PHINMA hopes to benefit from its expansion initiatives such as new acquisitions for PHINMA Education including RCI, RCL, and Union College of Laguna, Inc. ("Union College"), to expand its cashflow stream.

2. Business Cyclicality Risk

Select businesses of the Group have exhibited seasonality in demand and revenues. Demand for construction materials are higher during the months from December to May, than in the rainy months of June to November. School year for PHINMA Education's schools is generally from August to April and summer classes are from May to July. Thus, cashflow outside these periods may be relatively lower.

The Company takes this business seasonality into account during periodic budget review and undertakes capital reallocation as necessary should there be adverse changes in the business units projected cashflows.

3. Competition Risk

Construction Materials Group

The construction materials industry is a fragmented industry with numerous domestic and foreign competitors, although there are local market players, such as UGC, that hold relatively strong market positions.

As of December 31, 2022, UGC's estimated domestic market share for steel roofing and polyurethane products is around 6-8%, based on the company's estimates. UGC's steel roofing and steel products business faces stiff competition from other market participants that import finished steel products from foreign sources like China, Korea and Vietnam.

Compared to its competitors, UGC has a very large and diversified distribution network, with roll forming plants, warehouses, and sales offices in strategic locations throughout the country. UGC leverages its nationwide distribution and manufacturing footprint as a competitive advantage that ensures that its products are always available when needed by its customers. UGC can also manufacture and import roofing materials, giving it the flexibility to fulfill large, customized orders.

Philcement likewise operates in a highly competitive industry. Market players may employ aggressive pricing strategies and make it difficult for competitors, in general, to gain any non-price competitive advantage. Philcement mitigates this risk by owning and operating a very efficient cement terminal in Bataan (the "Mariveles Cement Facility") that allows the company to efficiently load and unload cement into and from vessels and transport them to different destinations nationwide. To this date, Philcement has been able to competitively serve key markets in North Luzon, Central Luzon, South Luzon, Metro Manila, Visayas, and Mindanao regions.

With the strong outcry for cleaner energy, PHINMA Solar finds itself in a very attractive and growing industry. Aside from other medium- and large-sized companies that offer solar rooftop solutions, several options have become available to the retail market, some of which are do-it-yourself and easily accessible through e-commerce channels. PHINMA Solar addresses this risk by ensuring high quality offers made possible by the use of materials that are of the highest quality, known as Tier 1 in the industry, as well as the provision of after-sales services.

Education Group

PHINMA Education Schools compete with both public and private educational institutions that cater to the low income market. If PHINMA Education is unable to keep its education costs at competitive levels, it may not be able to attract the desired number of students to maintain its growth and profitability.

PHINMA Education Schools are competitively priced compared to the other Higher Education Institutions (HEIs) which target the same market. Although State Universities and Colleges (SUC) offer free tuition since the passage of the Universal Access to Tertiary Education Act, enrollment in SUCs is limited due to constraints in budget and infrastructure, as well as stringent academic admission requirements of SUCs. In general, the PHINMA Education Schools, in terms of enrolment, are among the top 5 private schools operating in their respective localities based on enrollment size, with the exception of the newer acquisitions (SJCI, RCI, and RCL). Costs are managed in order to keep tuition fees accessible to the target market. Programs are modular, offering students options for shorter courses resulting in immediate course completion with employable skills. Options for remote and distance learning also reduce student transportations costs and improve affordability.

PHINMA Education Schools are designed to promote active learning and enable students immediately complete courses with employable skills. In total, PHINMA Education Schools have fielded 101 board exam topnotchers since PHINMA Education's acquisition of its first school in 2004. In terms of employment, around 81% of graduates are accepted into their first job within one (1) year from graduation based on tracer studies.

4. Market Risk

Construction Materials Group

The Company primarily serves the construction industry and by extension the infrastructure and real estate sectors. Growth in these key industries may be affected by certain factors including market trends, overall economic growth, and government policy. The strong consumption of construction materials in recent years may be affected by a national economic downturn, such as that caused by the ongoing COVID-19 pandemic and the global economic slowdown following the war between Russia and Ukraine, leading to the delay of construction projects and real estate developments. A change in government policy and lowered budget spending on infrastructure may also lead to lower sales growth.

The Construction Materials Group will continue to optimize its nationwide distribution area to deliver high quality products and bring value to its customers.

Education Group

A recession or decline in disposable income caused by the pandemic or other factors may reduce demand for affordable education. A discontinuation of the Senior High School Voucher Program and government subsidy for tertiary education may adversely impact the number of enrollees in PHINMA Education Schools.

5. Regulatory Risk

Construction Materials Group

The Construction Materials Group relies heavily on the importation of inputs including cement and steel roofing raw materials. Any new taxes on these inputs or other new forms of non-tariff import restrictions may increase prices, reduce market demand and adversely affect the business and financial performance of the Construction Materials Group.

In 2019, the Department of Trade and Industry ("DTI") imposed a definitive safeguard duty on imported cement for three years to redress alleged serious injury in the domestic industry. Philcement has filed a case with the Court of Tax Appeals ("CTA") opposing the safeguard taxes, maintaining that local cement manufacturers were not unduly harmed by cement imports. As of writing, the case is still pending with the CTA. Moreover, the domestic industry applied for an extension of the safeguard duty, which expired in October 2022. The Tariff Commission did not recommend the extension of the safeguard duty citing no significant impairment in the overall position of the domestic industry and no existence of an imminent threat of serious injury in the near future. DTI concurred with the recommendation of the Tariff Commission and in October 2022, dismissed the petition filed by local cement manufacturers to extend the tariff protection.

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For the steel industry, DTI has received an application for safeguard tax protection from two local manufacturers claiming import protection in the galvanized roofing category, where UGC is also present. To mitigate this risk, UGC has the flexibility of activating its existing galvanized line to locally produce its own galvanized roofing. UGC, together with other steel roofing importers, continues to lobby against safeguard duties and has also submitted a position paper to the DTI against the proposed safeguard taxes to protect consumer interests.

Education Group

The ability to raise additional equity financing from non-Philippine investors is restricted by the foreign ownership restrictions imposed by the Constitution and applicable laws. The Constitution prescribes that educational institutions shall be owned solely by citizens of the Philippines or corporations or associations at least sixty percent (60%) of the capital of which is owned by such citizens, except for educational institutions established by religious groups and mission boards.

The extended suspension of face-to-face classes due to the ongoing COVID-19 pandemic may adversely impact the financial and operating performance of PHINMA Education. PHINMA Education has adjusted its operations by piloting its new Flex Learning and Remote and Distance Learning programs. These remote learning programs are newly introduced, and their effectiveness compared to face-to-face classes are regularly being assessed and improved. To mitigate possible issues, PHINMA Education is conducting more frequent consultation with students and teachers and periodically adjusts the programs based on early feedback. The Flex Learning program also provides the flexibility to transition to face-to-face classes as these are gradually allowed.

PHINMA Education continues to ensure compliance with the program and curriculum guidelines and requirements of the Commission on Higher Education (CHED), Department of Education (DepEd) and Philippine Accrediting Association of Schools, Colleges and Universities (PAASCU). PHINMA Education also continuously engages in dialogue with CHED and other regulatory bodies, and coordinates with other educational institutions to develop guidelines for remote learning in the country.

6. Supply Chain Risk

Construction Materials Group

Philcement relies heavily on the importation of cement and cement materials. Philcement procures majority of its cement and cement materials from Vietnam. Any disruption in the supply of cement from Vietnam may have a material adverse effect on the operations and financial performance of Philcement. In addition, any prolonged disruption in supply of imported cement could adversely affect Philcement’s relationships with key customers, including large cement dealers and retailers.

Philcement is free to source cement from other parties to ensure reliability in its supply chain. To diversify supply, Philcement has developed cement supply arrangements with another supplier in Asia, and continues to explore other sources of cement supply. There are key projects under evaluation which will provide the flexibility and capability to competitively produce and distribute cement domestically.

Philcement’s supply chain can also be adversely affected in the event of a disruption in operations in its unloading port in Bataan, which may render it non-operational due to accident or other events of Force Majeure.

For UGC, although the company imports both raw materials and finished products primarily from Chinese suppliers, the China steel industry is diverse to the point that there is no material risk posed by supply disruption from any single supplier. However, developments in the Chinese economy and any changes in the regulations in China that are relevant to their steel industry may have an impact on the performance of UGC.

As the business of Construction Materials Group involves importation of raw materials for manufacturing inputs, disruptions in global supply chains and changes in global oil prices can have a significant impact on transportation costs, impacting the margins and pricing for products and services. To mitigate this, Construction Materials Group has both long-term and short-term vendor contracts with vessel companies to smoothen out the effect of volatility in oil prices.

The Company does not foresee any material supply chain risk for the Education Group, Properties Group and Hospitality group.

7. People Risk

The current and future performance of the Company depends on the expertise, experience, and continued service and employment of its senior management and key officers. The loss of the services of key officers or members of the management team could result to disruption in the operations of the Company and may delay the execution of its business plans and growth strategies.

To mitigate this risk, the Company has adopted a succession plan by identifying members of the management team who will be able to assume and take on the role and additional responsibilities arising from departures of existing members. The Company has also established organizational policies and procedures for the development and advancement of its employees to ensure that business continuity is done by employees with superior skills and talent thereby diminishing overdependence on key individuals in the Company.

Operations of the businesses can be substantially affected by a pandemic outbreak affecting the health of employees, clients, customers, or students at the various sites including manufacturing plants, warehouses, schools, affordable housing developments, hotels, and head offices. In general, on-site work by employees has been limited, where possible, through work-from-home arrangements. While operations are, to the extent possible, managed remotely. PHINMA has taken measures to ensure that the facilities are safe and that employees, students, and customers will be assured of their well-being should they need to visit or use the facilities. In general, PHINMA has implemented thermal-scanning and other controls at all designated entrances and exits, and other sanitation and social distancing protocols including directional passageways and signs, and disinfection stations. Masks and appropriate face coverings are required in all facilities, and all facilities adhere to local government protocols.

The Company further recognizes the need to support physical, psychological and mental wellbeing. The program My Wellness Journey, aims to address all of these concerns. Employees are given access to professional support for mental wellness and psychological safety, while physical well-being is promoted on a regular basis with various programs across the Group.

8. Dependence on Key Facilities and Equipment

Construction Materials Group

A substantial portion of UGC's income is derived from the sale of products produced or processed at UGC's production facilities. Any breakdown of, or significant damage to, UGC's production facilities could have a material adverse effect on the results of its operations. UGC maintains comprehensive property and casualty insurance policies on its production facilities under a broad name peril policy. However, there is no assurance that the proceeds from UGC's insurance policies would be sufficient to insulate UGC from all effects of possible total loss or damage caused by the named perils in the respective policies. In addition, UGC has adopted a risks management system covering preventive and preparedness action plans.

Philcement derives its revenues and income from the sale of cement products. Any breakdown of, or significant damage to, Philcement's materials handling and processing facilities could have a material adverse effect on the results of its operations. While the equipment is still under warranty, substantial downtime could affect the efficiency of operations and attainment of financial goals and objectives. To mitigate risk of equipment failure, Philcement maintains multiple units for key items of equipment such as cement storage silos, mechanized cement packers, and truck loaders.

Education Group

The income of the Education Group is derived from education operations at various school locations. Risk of a halt in operations due to fire or calamity is mitigated to the extent all the schools currently employ remote learning models. The schools similarly have insurance protection, with coverage including property all risk insurance and fire and allied perils.

9. Dependence on Logistics

For the Construction Materials Group in particular, the business relies on the orderly and timely movement of imported inputs such as cement, steel coils, and solar panels into the facilities, as well as the orderly and timely dispatch of finished products to customers or warehouses. Thus, the business is highly dependent on the reliability of owned, as well as leased, logistics facilities and equipment including ship unloading equipment, warehouses, cement storage silos, ships, and trucks. Any event which causes damage or renders inoperable key logistics components such as piers or major roads could substantially affect business operations of the Construction Materials Group. In addition, any increase in third-party-provided logistics services, including international shipping and freight costs, could also effectively increase raw materials costs and reduce profit margins for the Construction Materials Group.

The Construction Materials Group companies maintain adequate level of insurance coverage over the facilities involved.

10. Dependence on Weather

Construction Materials Group

Severe weather disturbances can affect the loading and unloading of cement at Philcement's Mariveles facility. Vessels cannot be loaded, transported, or unloaded over the duration of the severe weather disturbance. Prolonged or frequent weather disturbances could delay inbound material shipments which could reduce the inbound capacity of the terminal resulting in reduced sales for Philcement. Weather disturbances can also delay outbound overland shipments to customers resulting in failure to meet delivery schedules.

To mitigate this risk, Philcement contracts larger vessels more capable of withstanding turbulent weather. Philcement is also developing relationship with cement suppliers from other countries to diversify supplier base as well as geographic region.

Weather disturbances can also delay inbound shipments of raw materials to UGC as well as outbound delivery of finished products to customers. UGC relies on several third party operated ports for inbound shipments to reduce risk from weather disturbances and also performs seasonal planning and stocking to mitigate supply outages. The adverse effect of weather disturbances on outbound deliveries is also reduced due to UGCs nationwide network of roll forming facilities and warehouses, which reduces distance to customers and provides an available amount of finished goods inventory. UGC also tends to sell more steel roofing in the wake of weather disturbances in the Philippines involving strong winds which increases the demand for roofing around the country.

Education Group

The Education Group is likewise affected by weather disturbances to the extent such disturbances affect the holding of face-to-face classes at each particular location. This is mitigated to the extent that all the schools currently employ some form of remote learning where the students do not attend face-to-face classes. The schools have also historically acted as local typhoon relief and evacuation centers in their particular communities.

11. Information Security Risk

In conducting their businesses, the business segments are required to retain confidential information from customers. Although the business segments take the necessary precautions to secure such information, advances in the field of cryptography and increased exposure due to the recent prevalence of online transactions could result in compromise or breaches of security systems and personal data stored in our systems. The security measures set up by the Company and/or its subsidiaries may be inadequate to prevent security breaches which could adversely affect business operations.

The Company and its subsidiaries take precautions to protect the personal information of its customers through existing, periodically updated, and centrally approved IT security policies, the effectivity of which are measured through defined metrics. These policies are implemented by the respective IT teams of the Company and each of the subsidiaries. In addition, the Company and its subsidiaries have various information security software and tools, including firewalls, anti-virus, and 2-FA (2-Factor Authentication). IT risk assessment is periodically conducted using vulnerability assessment and penetration testing tools to check the vulnerability of the Company's and the subsidiaries' IT systems and network. Finally, information security awareness and training are also provided to all employees.

RISKS RELATED TO THE PHILIPPINES

1. Territorial Disputes

The Philippines, China and several Southeast Asian nations have been engaged in a series of long-standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea.

In January 2013, the Philippines lodged an arbitration case against China at the Permanent Court of Arbitration in The Hague to resolve the territorial dispute. China refused to recognize that the international tribunal had jurisdiction over the case. In July 2016, the international tribunal ruled in favor of the Philippines in its case against China by upholding the position that

China's "nine dash line" maritime claim is excessive and that it encroached into the Philippines' 200-nautical mile exclusive economic zone. It held that China had no legal basis to claim historic and economic rights to resources within the sea areas falling within the "nine-dash line".

Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted and the Company's operations could be adversely affected as a result. Further disputes between the Philippines and other countries may lead to reciprocal trade restrictions on the other's imports or suspension of visa-free access and/or OFW permits. Any impact from these disputes in countries in which the Company has operations could materially and adversely affect the business, financial condition and results of operations of the Company and its Subsidiaries.

2. Foreign Exchange Risk

Majority of the Company's revenues are denominated in Philippine peso. Nonetheless, the Company has offshore transactions such as its U.S. dollar-denominated preferred share investment in Vietnam, investments in schools in Indonesia and Myanmar and sourcing of cement from Vietnam. The Company likewise has plans of expanding its footprint in Southeast Asia, thus exposing PHINMA to more foreign exchange risks.

At present, the country's exchange rate policy supports a freely floating exchange rate system whereby the BSP allows market forces, such as supply and demand, market-moving events, to dictate exchange rate movement. The implementation of the revised Foreign Exchange rules eased the purchase of foreign currencies in the banking system. There is no assurance that the Philippine Peso will not deprecate against other currencies.

To mitigate its exposure to exchange rate fluctuation, the exchange rate risks on other foreign currencies are managed through constant monitoring of the global political and economic environment and its impact on the foreign exchange rates. Additionally, the Company takes advantage of hedging instruments such as deliverable and non-deliverable forward contracts to mitigate said risks.

Item 2. Properties

Table - Property, Plant and Equipment (in thousands)

	Dec. 31, 2022*	Dec. 31, 2021*
Cost		
Land	**₱3,271,394**	₱3,141,322
Plant site improvements	**3,472,872**	3,473,015
Buildings and improvements	**4,549,537**	4,147,397
Machinery and equipment	**2,495,712**	2,271,102
Transportation and other equipment	**602,384**	560,501
	14,391,899	13,593,337
Less : accumulated depreciation		
Plant site improvements	**375,831**	246,493
Buildings and improvements	**1,592,772**	1,460,651
Machinery and equipment	**1,842,164**	1,633,050
Transportation and other equipment	**404,896**	366,988
	4,215,663	3,707,182
	10,176,236	9,886,155
Construction in progress	**1,406,151**	779,711
Net Book Value	**11,582,387**	₱10,665,866

**Source: Audited financial statements as of December 31, 2022 and 2021.*

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

Interest capitalized as part of “Construction in progress” account amounted to ₱42.6 million and ₱24.1 million in 2022 and 2021, respectively.

Certain property and equipment of AU, COC, UI, UPANG, Philcement and UGC with aggregate amount of ₱4,922.4 million and ₱5,141.9 million as at December 31, 2022 and 2021, respectively, are used as collateral for their respective long-term debts obtained from local banks (see Note 23).

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

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

The COVID-19 pandemic did not materially affect the recoverability of property, plant and equipment.

Subsidiary	Collateral
AU	Land and land improvements in the main campus
COC	Land and land improvements in the main campus
UI, UPang	Land and land improvements
Philcement	Assignment of leasehold rights on the land where the cement terminal is constructed, registration of real estate or chattel mortgage on cement terminal building, equipment and other assets, and assignment of port ownership, right to land lease and rights to foreshore lease
UGC	Land, plant site improvements, building and installations and machinery and equipment
PSHC	Land

Currently, the Company has no intention to acquire material properties in the next twelve (12) months.

The following table summarizes the Group’s principal properties as of December 31, 2022:

Description	Location	Use	Mortgages
PHINMA			
Land	Silang, Cavite; Calaca, Batangas; San Fernando, La Union; Samal Island, Davao Del Norte	Investment property; Residential	No encumbrances
Buildings and improvements	Makati City, Metro Manila; Silang, Cavite; San Fernando, La Union	Office space and parking lots; Residential	No encumbrances
UGC			
Land, plant and equipment	Land, plant and equipment	Land, plant and equipment	Land, plant and equipment
Lease improvements, machinery and equipment	Lease improvements, machinery and equipment	Lease improvements, machinery and equipment	Lease improvements, machinery and equipment
Lease improvements, machinery and equipment	Lease improvements, machinery and equipment	Lease improvements, machinery and equipment	Lease improvements, machinery and equipment
Condominium unit	Condominium unit	Condominium	Condominium

Description	Location	Use	Mortgages
		unit	unit
Residential lot	Residential lot	Residential lot	Residential lot
Philcement			
Plant site improvements	Plant site improvements	Plant site improvements	Plant site improvements
Education Group			
Land, buildings and improvements	Cubao, Quezon City; Sampaloc, Metro Manila; Calamba, Laguna; Sta. Cruz, Laguna; Cebu City, Cebu; Danao, Cebu; Talisay City, Cebu; Iligan City, Misamis Oriental	Educational, hospital, commercial, residential and agricultural	No encumbrances
Land, buildings and improvements	Cabanatuan City, Nueva Ecija; San Jose City, Nueva Ecija; Dagupan City, Pangasinan; Urdaneta City, Pangasinan; Iloilo City, Iloilo; Cagayan de Oro City, Misamis Oriental	Educational and residential	Encumbered
PSHC			
Land	Calumpit, Bulacan	Industrial	Encumbered

Lease Agreements

The Company, CMG, and schools also enter into lease agreements or other arrangements with various persons and entities for use in operations and office space. Lease agreements are subject to renewal under such terms and condition as may be mutually agreed upon by both parties.

PHINMA leases a portion of its office space which have a term of one (1) year, renewable at the option of the lessor at such terms and conditions to be mutually agreed by the parties. In 2022, payments related to short-term leases amounted to ₱1.36 million

Construction Materials Group

UGC, Philcement and Phinma Solar entered into lease agreements covering its plants and warehouses, which have terms ranging from one (1) to twenty-five (25) years, renewable subject to mutual agreement of UGC, Philcement or Phinma Solar and the lessor under certain terms and conditions. In 2022, payments related to short-term leases totalled ₱103.33 million and payments for long-term leases amounted to ₱122.95 million.

Education Group

As a Lessee

PHINMA Education has entered into lease agreements to occupy a staff house, office and parking lots, learning centers, and drinking fountains, which have terms ranging from six months to one (1) year, renewable subject to mutual agreement of the PHINMA Education and the lessors under certain terms and conditions.

On April 1, 2019, PHINMA UPang College Urdaneta, Inc. (PUCUI), a wholly-owned subsidiary of PHINMA UPang, entered into a lease contract to occupy a four story building to be used exclusively for educational or school purposes for a period of five years. The lease agreement can be renewed subject to mutual agreement and can be terminated at the option of PUCUI on the third and fifth year of the lease. In 2022, payments related to short-term leases totalled ₱8.83 million and payments for long-term leases amounted to ₱2.50 million.

As a Lessor

On August 6, 2010, SWU entered into a lease agreement with a third party for its investment properties. The lease is long-term, non-cancellable, renewable and subject to rent escalation. The property was turned over to the lessee on May 14, 2011 and was given a ten-month grace period to construct a building on the said property. After which, the 25-years lease period will commence.

On June 1, 2013, SWU entered into another lease contract for its investment properties. The lease term is five years with two months rent-free period.

The Schools entered into operating leases on some of its properties, particularly portions of its buildings for the operation of cell sites, canteens, food stands and convenience stores within its premises. These leases have terms ranging from less than a year to twenty-five (25) years

Item 3. Legal Proceedings

Cohaco Merchandising & Development Corp., Fortem Cement Corporation, NGC Land Corp., Pabaza Import and Export Inc., and Philcement Corporation vs. Secretary Of Trade And Industry, Secretary of Finance, Commissioner Of Customs, And Chairman of The Tariff Commission (Court of Tax Appeals Case No. 10185)

On October 11, 2019, Philcement Corporation, a subsidiary of the Company, together with other cement importers Cohaco Merchandising & Development Corp., Fortem Cement Corporation, NGC Land Corp., Pabaza Import and Export Inc. , filed a Petition for Review with the Court of Tax Appeals ("CTA") praying for the reversal and nullification of the decision of the Secretary of the Department of Trade and Industry ("DTI") dated 27 August 2019, or DTI Department Administrative Order ("DAO") No. 19-13, safeguard duties (the "Duties) on imported cement classified. Said petitioners also seek a declaration that they are not liable for payment of said Duties and a refund of the Duties already paid. They principally assert that their importations cause no serious injury or threat of serious injury to the domestic cement industry. Further, consistent with the position of the Philippine Competition Commission, the imposition of the Duties would weaken competitive pressure and endanger the realization of huge benefits that a competitive landscape in the cement industry would bring. The said petition is still pending for resolution before the CTA.

Item 4. Submission of Matters to a Vote of Security Holders

During the calendar year covered by this report, no matter was submitted to a vote of security holders through solicitation of proxies or otherwise.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and Related Stockholders' Matters

Market Price

The shares of stock of PHN are listed and traded in the Philippine Stock Exchange, Inc. (PSE). The high and low market prices of the shares of stock of PHN for each quarter within the last two (2) years, and for the months January to March of 2023, are as follows:

Period	High	Low
Calendar Year 2023		
January	19.20	18.90
February	19.20	19.00
March	19.78	18.90
Calendar Year 2022		
January – March	21.05	18.00
April – June	19.94	18.90
July – September	21.25	18.90
October - December	20.65	18.50
Calendar Year 2021		
January – March	12.40	9.45
April – June	13.46	11.96
July – September	15.46	13.00
October - December	20.50	14.32

Source: Philippine Stock Exchange, Inc.

Dividends on Common Shares

Cash Dividends Payment on Common Shares

The payment by PHN of dividends shall be subject to the availability of retained earnings following the SEC rule on calculation of available retained earnings for dividend declaration, loan covenants and financial ratios.

PHN declares cash or stock dividends to its common stockholders in amounts determined by the Board taking into consideration the results of the Company's operations, its cash position, investments and capital expenditure requirements, and unrestricted retained earnings. The Company also declares special cash dividends where appropriate.

Dividends declared and paid from 2010 to 2022 are as follows:

	Dividend			
Date of Declaration	**Type**	**Rate**	**Record Date**	**Payment Date**
March 3, 2010	Cash	P0.40 per share	March 29, 2010	April 23, 2010
March 3, 2011	Cash	P0.40 per share	March 29, 2011	April 26, 2011
March 22, 2012	Cash	P0.40 per share	April 11, 2012	April 26, 2012
March 6, 2013	Cash	P0.40 per share	March 22, 2013	April 17, 2013
March 4, 2014	Cash	P0.40 per share	March 20, 2014	April 15, 2014
March 4, 2015	Cash	P0.40 per share	March 18, 2015	March 31, 2015
March 4, 2016	Cash	P0.40 per share	March 18, 2016	March 31, 2016
March 22, 2017	Cash	P0.40 per share	April 5, 2017	April 21, 2017
March 6, 2018	Cash	P0.40 per share	March 22, 2018	April 6, 2018
March 5, 2019	Cash	P0.40 per share	March 21, 2019	March 29, 2019

November 11, 2019	Cash	P0.40 per share	November 25,	December 9, 2019
February 28, 2020	Cash	P0.40 per share	March 17, 2020	March 27, 2020
March 2, 2021	Cash	P0.40 per share	April 14, 2021	May 5, 2021
March 1, 2022	Cash	P0.40 per share	March 22, 2022	April 6, 2022
March 1, 2022	Cash	P0.10 per share	March 22, 2022	April 6, 2022

On March 3, 2023, the Board of Directors declared regular cash dividend of P 0.60 per share to all shareholders of record as of March 22, 2023 payable on April 5, 2023.

Stock Dividends Payment on Common Shares

No stock dividend was declared for the calendar years 2018 up to 2022.

Holders

As of January 31, 2023, there are 1,220 common shareholders.

Sale of Unregistered Securities Within the Last Three (3) Years:

PHN has no unregistered securities, hence no sale of said securities within the last three (3) years.

Stockholders

As of January 31, 2023, PHN has 286,325,265 common shares outstanding held by 1,220 stockholders. The list of the top twenty (20) stockholders of the Company as recorded by the Stock Transfer Service, Inc., the Company's stock transfer agent, is as follows:

Rank	Stockholders	No. of Shares	% of ownership
1	PCD Nominee Corp. (Filipino)	138,323,818	48.31%
2	Philippine Investment Management, Inc. (PHINMA)	97,903,395	34.19%
3	PCD Nominee Corp. (Non-Filipino)	27,754,875	9.69%
4	Magdaleno B. Albarracin, Jr.&/OR Trinidad Albarracin	9,535,459	3.33%
5	Philippine Remnants Co.	1,176,308	0.41%
6	Estate of Allen Cham	782,896	0.27%
7	Salud D. De Castro	550,000	0.19%
8	Kayumanggi Publishers Co.	517,762	0.18%
9	Emerick Jefferson Sy Go OR Girlie Ng Go 501,460	501,460	0.18%
10	Magdaleno B. Albarracin, Jr. OR Trinidad M. Albarracin	464,600	0.16%
11	Del Rosario Victor Juan	439,356	0.15%
12	Doris Teresa Ho	185,461	0.06%
13	Virginia S. Syjuco	178,204	0.06%
14	Daughters of Charity of St. Vincent de Paul	175,533	0.06%
15	The Roman Catholic Bishop of the Diocese of Juan de Dios	169,268	0.06%
16	United Life Assurance Corporation	153,916	0.05%
17	Alvarez Regina B.	153,413	0.05%
18	United Insurance Company, Inc.	149,860	0.05%
19	Amando Rosalia M.	142,632	0.05%
20	Gonzalez Blanquita S.	141,051	0.05%
TOTAL		**279,399,267**	**97.55%**

Stock Purchase Plan for Senior Officers

Following are the salient features of the Parent Company's Stock Purchase Plan:

Purpose	To motivate the Senior Officers to achieve the Parent Company's goals, to help make the personal goals and corporate goals congruent and to reward the senior officers for the resulting increase in the value of PHN shares.
Prices of share	The officers shall purchase shares of stock of PHN from those set aside under the Stock Purchase Plan at the average closing price of PHN shares in the stock market for 20 trading days, in no case shall the price be lower than par value.
Tranches	1/3 of the maximum shares can be purchased upon date of first notice and 1/3 each every year thereafter provided that work performance is deemed acceptable.
Holding period	One-third of the shares shall not be sold or transferred to a 3rd party for at least one year from the date of each purchase or until retirement whichever comes first. Another one-third of the shares shall not be sold or transferred to a 3rd party for at least two years from the date of each purchase or until retirement whichever comes first. The last one-third of the shares shall not be sold or transferred to a 3rd party for at least three years from the date of each purchase or until retirement whichever comes first. Any such sale or transfer shall be considered null and void.

On April 2, 2009 and April 20, 2010, the BOD and shareholders of PHN, respectively, approved the setting aside of 8.4 million shares from the unsubscribed portion of the Parent Company's 420 million authorized common shares for stock purchase by the Senior Officers of this Corporation. On January 26, 2012, the Philippine SEC approved the Parent Company's Stock Purchase Plan while the PSE approved for listing the 8.4 million shares on May 23, 2012.

Under the Stock Purchase Plan, officers of the Parent Company can purchase ₱30.5 million worth of shares over three years, subject to certain conditions. The shares can be purchased at the average closing price of PHN shares in the market 20 days prior to each notice, but in no case shall the price be less than par value.

As at December 31, 2022 and 2021, shares acquired under the stock purchase plan totaled 2,703, 501.

Total cumulative expense recognized in relation to the stock purchase plan amounted to nil as at December 31, 2022 and 2021. There were no unexercised vested shares as at December 31, 2022.

Item 6. Management's Discussion and Analysis or Plan of Operation

CALENDAR YEAR 2022

For the year ended December 31, 2022, consolidated revenue of PHINMA Corporation increased 10.14% to P17.66 billion. Consolidated net income declined 18.67% to P1.53 billion due to factors including higher raw materials costs driven by global supply chain disruptions, a strong US Dollar, and increased education costs due to a revision in school opening schedules.

PHINMA Education Holdings, Inc. (PHINMA Education) is the country's largest private education network. In SY 2022-23, PHINMA Education posted a 31.81% increase in annual enrollment resulting in consolidated revenue of P4.07 billion for 2022, an increase of 10.21% over the previous year. Enrollment of PHINMA Education is 124,501 students for SY 2022-23, making it the largest education network in the Philippines. Net income attributable to shareholders of the parent during the period however was P633.46 million, a decrease from P838.60 million for the previous year, due to a revision in the school opening schedules, reflecting 9 months of regular semester for 2022 compared to eleven months in 2021.

The Construction Materials Group (CMG), composed of Union Galvasteel Corporation (UGC), Philcement Corporation, and PHINMA Solar Corporation (PHINMA Solar), achieved an increase of 9.07% over the previous year with combined revenues of P 13.25 billion for 2022. Net income for the group of P494.88 million for 2022 was however lower than P902.08 million posted in the previous year due to higher input costs amidst global supply chain issues and a strong US Dollar.

During the year, PHN's subsidiary, Asian Plaza Inc. posted net income of P40.77 million mainly due to a gain on sale of real property.

From affiliates PHINMA Property Holdings Corp. (PHINMA Properties) and Coral Way City Hotel Corporation (Coral Way), PHN equitized net income of P58.01 million in 2022, an increase over P32.94 million equitized in the previous year, as both companies posted improved operating results during the year.

Consolidated net income attributable to equity holders of the parent amounted to P947.68 million in 2022 which represents a decrease of 16.06% compared to the previous year.

For 2023, PHINMA Corporation expects a recovery in profitability of its Construction Materials Group and Properties business as global supply chains and foreign exchange rates continue to stabilize and input costs decrease. Profitability of the education business will gain clarity as school opening schedules become more regular every year. Our schools are also expanding capacity in anticipation of continuing growth in enrolment. Our hotels are also expected to post a strong recovery as occupancy rates and average daily rates continue to improve with leisure and business travel gaining momentum.

PHINMA Corporation ended the period with cash and cash equivalents of P3.42 billion. Consolidated Total Assets and Total Stockholders' Equity at December 31, 2022 stood at P 32.01 billion and P 11.14 billion, respectively.

2022 Highlights

PHINMA Education, the country's largest private education network, holds the group's investment in nine tertiary education schools in the Philippines and also oversees the Horizon Education tertiary institution brand in Indonesia. Despite the suspension of face-to-face classes in the country for most of 2022, PHINMA Education achieved record breaking enrolment for SY 2022 to 2023 of 124,501 students in the Philippines and Indonesia, an increase of over 30%.

To address inflation and its effect on affordability of its programs, PHINMA Education partnered with education financing platforms to intensify flexible tuition payment plans for students. In addition, six out of ten students in the Philippines benefit from scholarships which effectively reduce tuition fees. This resulted in high retention rates in both the Philippines and Indonesia. PHINMA Education continued to achieve strong results in key indicators like board exams and graduate employment. PHINMA Education's board exam passing rates in the Philippines averaged 76% in 2022, well above the national average. The PHINMA Education schools also produced two board topnotchers last year, producing 137 topnotchers since 2004.

In its first ever tracer study, PHINMA Education found that over half of its 2020 graduates were employed within 6 months after graduation, perhaps the best testament to how the company makes lives better.

PHINMA Education posted consolidated revenues of P4.07 billion in 2022, an 11 percent increase over the previous year. Net income attributable to shareholders of the parent, on the other hand, decreased to P633.46 million due to revisions in the school opening schedules effectively shortening the 2022 school year with nine months of regular classes in CY2022 as compared to 11 months of regular classes in the previous year.

The PHINMA Construction Materials Group (PHINMA CMG), composed of Union Galvasteel Corporation (UGC), Philcement Corporation (Philcement), and PHINMA Solar Energy Corporation (PHINMA Solar), supply galvanized iron and steel building products, cement, and solar rooftop generation solutions, respectively, in support of our nation's infrastructure and construction sectors.

In 2022, even as the local construction industry began to recover following the easing of pandemic constraints, further disruptions in global supply chains as well as a strong US dollar following the Russia-Ukraine war resulted in a sharp increase in landed cost of inputs for the domestic construction industry. In response, the PHINMA CMG implemented cost management and margin optimization initiatives to continue its revenue growth while also positioning itself for improved operating results in the future.

UGC managed costs and improved margins to address the global volatility. More importantly, the company expanded two new distinct divisions to focus on promising businesses with potentially higher margins. The Light Steel Frames and Insulated Panels divisions position UGC to capture more growth as the global economy stabilizes. Philcement strengthened relationships with customers, maintained sales volumes, and recalibrated strategies to focus on higher margin products and markets in 2022. Meanwhile, PHINMA Solar continued to expand in the residential market, reduced build costs, and leveraged group synergies through joint selling efforts with UGC.

The Construction Materials Group combined posted revenues of P13.25 billion for 2022, a 9.07% increase over the previous year. Net income for the group of P494.88 million was lower than the previous year due to the abnormal global supply chain issues and the strong US Dollar.

PHINMA Property Holdings Corporation (PHINMA Properties) seeks to make lives better through creating sustainable communities and townships for middle-income Filipino families. In 2022, PHINMA Properties closed the year with record high net reservations and revenue recognition leading to improved financial results. In our hospitality business, the two hotels operating under Coral Way City Hotel Corporation began recovering leisure and corporate bookings as pandemic restrictions were removed. The Company correspondingly recognized higher earnings contributions from these two associates amounting to P58.01 million in 2022.

In 2022, the Company in coordination with its financial advisors facilitated several online corporate access events to enhance visibility in the capital markets in support of the overall plan to improve shareholder values. PHINMA launched the PHINMA Certificate of Readiness (PHINMA CORE) Program to continue to develop its bench and to prepare for the future growth of its businesses.

PHINMA Corporation's strong business performance has allowed it to maintain a healthy balance sheet in 2022 with total assets of P32.01 billion, and a current ratio and debt-to-equity ratio of 1.71:1.00 and 1.87: 1.00, respectively.

The Company is happy to report that the Board has declared a regular cash dividend of P0.60 per share, which is payable on 5 April 2023.

The Company is also delighted to share how it has made lives better outside the business, through its volunteer and scholarship programs. Last September, PHINMA Group mobilized over 800 employees, scholars, and their families to help with Brigada Eskwela, the Department of Education's annual school improvement initiative. The Company's efforts benefitted 40 public schools across the country. In November, as part of PHINMA's 66th anniversary, some 1,300 volunteers once again gave their time and talent in various PHINMA Reaches Out activities, which ranged from bloodletting, tree-planting, and coastal and river clean-up drives.

Last year, 47 deserving students were inducted into the PHINMA National Scholarship (PNS) program. With this recent addition, the program now nurtures 99 scholars from Philippine Normal University, University of the Philippines, Polytechnic University of the Philippines, and PHINMA University of Pangasinan. As these scholars complete their tertiary education, they will add to PNS' growing list of alumni which currently numbers 252. More significant to note is the fact that the PHINMA Education network supports the schooling of about 60% of its student population with the Hawak Kamay scholarship, which reduces tuition by up to 75%, based on the student's capacity to pay. Hawak Kamay boasts of at least 74,000 beneficiaries, making it the single largest private sector-driven scholarship program in the country today.

2023 Outlook

This year the country looks forward to a recovery from the pandemic and a strong rebound in affected sectors including property, travel, and hospitality. A hybrid system will likely prevail under the new normal as schools and workplaces have realized the benefits of remote work and learning. The Russia-Ukraine War unfortunately has no resolution in sight and though we expect supply chain distortions to moderate, inflation will likely remain elevated in the year. The government has mentioned it intends to continue to control inflation through higher interest rates and, to compensate, spur economic recovery through infrastructure spending and development.

With the full resumption of face-to-face classes, the education industry hopes to begin to recover from the learning crisis caused by the pandemic. Moving forward, PHINMA Education intends to maintain alternative learning systems as a fundamental change in the way it delivers education and as an additional channel to reach distant students. PHINMA Education continues to invest in its schools to improve learning facilities and increase capacity and looks forward to further overseas expansion to capture more of the underserved education market in Indonesia and eventually other Southeast Asian countries. In the Philippines, PHINMA Education is always on the lookout to acquire more schools situated in growing urban communities which complement its network, to offer its brand of accessible quality education to more underserved youth.

For the Construction Materials Group, UGC with its emphasis on two new distinct divisions is well positioned to capture growth from a further recovery of the construction sector. Philcement looks forward to improved margins as efficiency and optimization measures continue, supplier relationships are maintained, and costs normalize. Meanwhile, PHINMA Solar hopes to leverage the previous volatility in energy prices to push more clean and renewable energy to a target residential and commercial market, with the support of its parent, UGC.

For 2023, PHINMA Properties will continue existing horizontal projects in Cebu, Las Pinas City, and Batangas while also developing its first mixed-use township project in Bacolod City as it pursues a new direction to shape urban centers. PHINMA Corporation has also announced plans of an equity investment of up to P420 million in PHINMA Properties by 2024 to provide funding for this new initiative. Finally, following the lifting of pandemic and travel restrictions, we expect a recovery in the hotel industry and the return of Coral Way's pre-pandemic market for international and domestic leisure and corporate accommodations.

Despite global volatility, the past several years has been a period of remarkable growth for the Company driven primarily by its strategic business units. The Company reaffirms a long-term plan of mission orientation, succession planning, talent development, and investor relations, with the objective of returning value to its loyal investors and growing sustainably for many more years to come.

Key Performance Indicators (KPI)

Below are the top five (5) KPI's used to measure the financial performance of PHINMA and its material subsidiaries for the periods indicated:

Financial KPI	Definition	December 2022	December 2021
Profitability			
Return on Equity (ROE)	Net Income Attributable to Equity holders of the Parent / Average Equity Attributable to Equity Holders of the Parent[4]	**11.94%**	16.05%
Gross Profit Margin	Gross Profit[5] / Total Revenues	**24.74%**	28.05%
Efficiency			
Cash Flow Margin	Cash Flows from Operating Activities / Total Revenues	**-7.30%**	5.80%
Liquidity			
Current Ratio	Total Current Assets / Total Current Liabilities	**1.71:1.00**	1.71 : 1.00
Debt-to-Equity Ratio	Total Liabilities / Total Equity	**1.87:1.00**	2.02 : 1.00

Profitability

The return on equity of 11.94 % in CY 2022, is lower than 16.05% return of the previous year due to lower net income in 2022, coupled with higher equity resulting from the CY2022 net income and sale of treasury shares in September 2022. Gross profit margin decreased from 28.05% to 24.74% in 2022 due to increased input costs, given the abnormal supply conditions and weakening of the peso.

Efficiency

Net cash outflow from operations amounted to ₱1,289.70 million in CY 2022 compared to net cash inflow of ₱929.82 million in CY 2021, mainly due to increase in trade and other receivables and in inventory of CMG and the schools, as well as payment of trust receipts by CMG.

Liquidity

Current ratio remained the same at 1.71:1.00 in CY 2022 as there were minimal net movements with current assets and current liabilities.

Debt-to-equity ratio of PHN and its subsidiaries as of end December 2022 decreased from

[4] Average Equity Attributable to Equity Holders of the Parent is derived by dividing in two (2) the sum of beginning Equity Attributable to Equity Holders of the Parent and ending Equity Attributable to Equity Holders of the Parent.
[5] Gross Profit is calculated by deducting cost of sales and cost of educational, installation, hospital and consultancy service from total revenues.

2.02:1.00 to 1.87:1.00, mainly due to higher equity resulting from net income for the year and sale of the treasury shares.

Other Financial Ratios are as follows:

Financial Ratio	Definition	December 2022	December 2021
Asset to Equity	Total Assets / Total Equity	**2.87**	3.02
Interest Rate Coverage Ratio	EBITDA[6] / Interest Expense and Other Financing Charges	**4.17**	4.97

Asset to Equity ratio of PHN and subsidiaries as of end December 2022 decreased from 3.02 to 2.87 due to increase in total equity from ₱9.97 billion in 2021 to ₱11.14 billion in 2022, mainly due to net income and sale of treasury shares.

Interest rate coverage ratio decreased from 4.97 in 2021 to 4.17 in 2022, due to lower earnings in CY 2022, as compared to CY 2021.

Accounting Policies and Principles

The accompanying consolidated financial statements of Phinma Corporation have been prepared in compliance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS). The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit and loss, available for sale investments and derivative investments that have been measured at fair value.

The consolidated financial statements are prepared in Philippine pesos, the company's functional and presentation currency.

Disclosures on Financial Statements

Below are additional disclosures on the Company's operations :

a. On any known trend, demand, commitment, event and uncertainty that will result in or likely to decrease its liquidity in any material way :

   PHN does not anticipate having any cash flow or liquidity problems nor does it anticipate any default or breach of any of its existing loans.

b. On any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

   None

c. On material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other person created during the reporting period:

   None

d. On material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures:

[6] EBITDA is net income of the Issuer after adding back (i) interest expense and other financing charges (ii) provision for (benefit from) income tax and (iii) depreciation and amortization.

None

e. On any known trend, event or uncertainty that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations:

The easing of pandemic constraints followed by further disruptions in global supply chains as well as a strong US dollar following the Russia-Ukraine war, resulted in a sharp increase in input costs, which significantly affected the Company's margins. Their impact is reflected in the financial statements as of December 31, 2022. Phinma Corporation and its subsidiaries continue to monitor developments and to adapt accordingly with continuous implementation of cost management measures/cost rationalization across departments.

f. Any significant elements of income or loss that did not arise from the Issuer's continuing operations.

None.

g. On the causes for any material change from period to period which shall include vertical and horizontal analyses of any material item:

Increase or decrease of 5% or more in the financial statements are discussed below.

h. On any seasonal aspect that had a material effect on the financial condition or results of operations.

Like any other company in the construction industry, the operations of UGC is affected by seasonality demand. Demand for roofing materials is greater during the months from December to May, than during the rainy months of June to November. Hence, the demand for the first semester of the calendar year is normally higher than that of the second semester.

The revenues of the PHINMA Education schools decline during summer months. Hence, net income during the first half of the calendar year is lower than the second half.

For other subsidiaries, there is no significant seasonality that would materially affect their operations.

Material Changes in Statement of Financial Position Accounts

As of December 31, 2022, the Group's total consolidated assets stood at ₱32.01 billion, higher by 6.19 % than the ₱30.15 billion total consolidated assets as of December 31, 2021.

Similarly, total consolidated liabilities amounted to ₱20.87 billion, higher by 3.44 % or by ₱694.83 million than total consolidated liabilities as of December 31, 2021.

The following are the material changes in account balances:

ASSETS

Cash and cash equivalents
The movements in cash and cash equivalents are shown in the cash flow statement

Investments held for trading
The drop in the account is mainly attributable to maturity of investments in UITFs of the parent company.

Trade and other receivables
The net increase in trade and other receivables is attributable to higher trade receivables from CMG on the back of improved selling prices and higher volume.

Inventories
The net increase in inventory of P401.95 million is attributable to higher input costs in 2022.

Input value-added taxes and other current assets
The net increase in this account is attributable to increase in prepaid expenses and prepaid taxes from CMG and the schools

Derivative asset - current
Higher forward rates on CMG's deliverable forward contracts compared to closing rate resulted in a derivative liability, hence the decrease in this asset account.

Investment in associates and joint venture
The increase of P165.55 million is mainly due to additional investment of Phinma Education in IPM

Financial asset at fair value through profit or loss
The increase of P103.85 million is due to the mark-to-market gain on investment in preferred shares of Songlam.

Property, plant and equipment
The P916.52 million increase is due to the purchase of land in COC, continuing construction activities in various school buildings and CMG plant site, hospital renovation and purchase of transportation and machinery equipment.

Right-of-use assets
The ₱20.21 million decrease represents the depreciation of the right-of-use assets of CMG.

Deferred tax assets - net
The 26.46% increase in this account pertains mainly to an increase in deferred tax assets of CMG, SWU and RCL.

Derivative asset – non-current
The increase of P137.62 million is due to unrealized gain on the put option on the investment in Songlam preferred shares

Other noncurrent assets
The 16.98% increase in this account pertains mainly to the increase in advances to suppliers and contractors, in relation to the on-going construction and renovation of the schools.

LIABILITIES

Notes payable
The P1.85 billion increase in this account is attributable to the short-term notes that CMG availed of in 2022.

Trade and other payables
The increase of ₱ 172.79 million in trade and other payables represents increase in trade and other payables of the various schools partially offset by payments made by CMG and parent.

Contract Liabilities
The increase in contract liabilities is attributable to the higher enrolment in SY22-23 vs SY21-22. Tuition fees are accrued as payables at the start of the semester and decrease as the revenue is earned over the semester.

Trust receipts payable
The decrease of ₱1.58 billion in the account is attributable to settlement of CMG's trust receipts payable using the proceeds from the short-term loans.

Derivative liability
The increase in this account is mainly attributable to higher forward rate on CMG's deliverable forward contracts compared to closing rate for the period, resulting in a derivative liability.

Income and other taxes payable
The increase in this account is attributable to increase in tax payable from the schools.

Current portion - long-term debt
The increase in this account resulted mainly from re-classification of a portion of long-term debt of CMG which became current towards the latter part of 2022.

Due to related parties
The drop in this account is mainly attributable to payment of amounts due to the parent holding company.

Non-controlling interest put liability
The movement represents the increase in present value of the contingent amount payable by PHINMA Corporation to non-controlling shareholders of PHINMA Education.

Pension and other post-employment benefits
The increase in the account represents increased accrual of retirement benefits by CMG.

Lease liability
The decrease in the account amounting to ₱36.18 million represents periodic lease payments by UPang.

EQUITY

Treasury shares
The movement in the account represents the sale of 14.41 million treasury shares in 2022.

Exchange differences on translation of foreign operations
The movement in the account represents the adjustments arising from the translation of the financial statements of One Animate Limited (OAL) to Philippine Pesos.

Equity reserves
The movement in the account is due to the increase in the contingent liability arising from the put option on shares in PHINMA Education.

Share in other comprehensive income of associates
The change is attributable to other comprehensive income of ABCIC Property Holdings Inc.

Retained earnings
The increase in the account represents increase in net income for the year, partially offset by dividends declared during the period amounting to ₱135.93 million.

Non-controlling interests
The increase is mainly attributable to the share of non-controlling shareholders in the income of the schools and in CMG offset by the impact of the accretion of the contingent NCI put liability.

Material Changes in Income Statement Accounts

Revenues
The P1.63 billion increase in revenues is mainly due to higher CMG revenues and higher enrollment in schools.

Cost of sales
The P1.76 billion increase in cost of sales is attributable to higher costs of raw materials, fuel and freight faced by CMG, and higher cost of learning materials and other direct costs as students returned to face to face classes.

General and administrative expenses
General and administrative expenses also increased from previous year due to higher costs resulting from volatile supply situation as well as higher personnel cost to support increased enrollment in SY2223.

Selling expenses
The decrease in the account can be attributed to the manpower rationalization in CMG.

Interest expense and other financing charges
The increase in interest expense and other financing charges resulted from the P3 billion corporate bond issued during third quarter of last year as well as the additional long-term debt obtained by Philcement during the last quarter of 2021.

Equity in net earnings (losses) of associates and joint ventures
Equity in net earnings of investees increased in 2022 due to higher equitized earnings in Phinma Property Holdings Corp.

Foreign exchange gains (losses) - net
In 2021, the foreign exchange gain arose from the dollar-denominated assets of the parent company, earmarked for the investment in Songlam. For 2022, the forex gain is attributable to PEHI's USD holdings restated at the forex rate of P55.755: $1 compared to P50.99: $1 as of December 31, 2021.

Unrealized gain on change in fair value of financial assets at fair value through profit or loss
Increase in this account is attributable to the increase in fair value of the investment in Song Lam preferred shares.

Gain (Loss) on derivatives
The gain on derivatives mainly resulted from the increase in value of the put option on the Song Lam preferred shares.

Gain on sale of property, plant and equipment - net
The amount represents the gain on sale of PPE of the Construction Materials group.

Others – net
The decrease in this account is mainly due to the lower other income of CMG and Phinma Education compared to CY 2021

Provision for (benefit from) income tax
The provision resulted mainly from the deferred tax adjustments of PHINMA Education.

CALENDAR YEAR 2021

2021 marked the second year of the pandemic, which has posed a new set challenges for all of us. As our nation continues to embrace these challenges, the PHINMA Group has become even more determined to pursue its mission of making lives better by giving communities, not only in the Philippines but wherever else we might find the need, improved access to the essentials of a dignified life. Despite the prolonged impact of the pandemic, your Company successfully achieved major milestones, including the acquisition of its tenth tertiary education institution, its first bond issuance in over 25 years, and vaccine rollout for employees and their dependents. Based on the proven resiliency and innovative strategies of its business units, we believe PHINMA Corporation has established a strong base for sustained growth.

In 2021, your Company posted consolidated revenues of ₱16.04 billion and consolidated net income of ₱1.87 billion. This represents a 250-percent growth in bottom line on the back of strategic business units that continued to achieve strong results amid a challenging business environment.

Our Education Group, led by *PHINMA Education Holdings, Inc.*, significantly exceeded its pre-pandemic performance owing to record-breaking enrollment for SY 2021-2022. Our Construction Materials Group, comprised of *Union Galvasteel Corporation, Philcement Corporation,* and *Phinma Solar Energy Corporation,* posted higher revenues and nearly maintained its bottom line through strategic partnerships, operational efficiencies, and margin optimization initiatives. *PHINMA Property Holdings Corporation* achieved growth by capitalizing on a shift in demand trends driven by the pandemic. Meanwhile, our two hotels in the Mall of Asia complex, operating under *Coral Way City Hotel Corporation*, sustained occupancy and positive cash generation through quarantine bookings.

2021 Highlights

PHINMA Education holds the group's investment in tertiary education schools in the Philippines and Southeast Asia. PHINMA Education was able to grow its network to nine schools in the Philippines through its acquisition of PHINMA Union College of Laguna (PHINMA UCL) last May 2021 in line with its plans to strengthen its offerings in Laguna. PHINMA Education also continues to manage Horizon Karawang in Indonesia and formally launched the Horizon Education brand to the public in December 2021.

Despite the worsening learning crisis in the country with face-to-face classes still suspended, PHINMA Education successfully hit record-breaking enrollment in SY 2021-2022 and welcomed 95,503 students. This marked a 31% growth in enrollment from the previous school year and is a testament to PHINMA Education's successful implementation of distance learning systems starting in 2020.

Leveraging on learnings from the previous year, PHINMA Education continued to respond to challenges in creative and proactive ways with the goal of maintaining the quality and accessibility of its offerings. Apart from enrollment, PHINMA Education achieved higher-than-expected results in key indicators like student retention and employment. PHINMA Education also continued to produce strong student-based outcomes in SY 2020-2021, including a board passing rate of 78 percent for first-time takers as well as 10 additional board exam topnotchers.

The remarkable growth achieved by PHINMA Education in 2021 has resulted in consolidated revenues of ₱3.69 billion, a 76-percent increase year-on-year. An additional contributor to this was the delayed recognition of some revenues from SY 2020-2021. Consolidated net income, on the other hand, rose to ₱1.02 billion.

Our Construction Materials Group consists of *Union Galvasteel Corporation, Philcement Corporation,* and *Phinma Solar Energy Corporation*, which boost our nation's infrastructure and construction sectors by supplying galvanized iron and steel building products, cement, and solar rooftop generation solutions. In 2021, demand for construction materials was buoyed by a recovery in construction activities. However, our Construction Materials Group faced a new set of challenges during the year which were primarily driven by global supply chain disruptions. In response to these challenges, the group focused on leveraging its competitive advantages and optimizing its margins.

Union Galvasteel Corporation (UGC) saw an improvement in performance in 2021 despite obstacles brought about by an industry slowdown, material availability constraints, and higher input costs. UGC responded to these by capitalizing on its market leadership through margin optimization initiatives, including selling price increases, and cost efficiencies realized in logistics and manufacturing. We are also proud to share that in response to the devastation caused by Typhoon Odette last December, UGC was able to utilize its wide distribution network to continue to ensure the stable supply of roofing products in key locations across the country. Additionally, all roofing sheets were made available at pre-typhoon prices without sacrificing product quality.

On the back of the recovery of domestic construction activities, *Philcement Corporation* (Philcement) successfully was operating near capacity in 2021. This strengthened its resilience against a substantial increase in its costs due to global supply chain disruptions. In order to manage these cost increases and improve margins, Philcement began to manufacture its own blended cement. Philcement also leveraged its strategic relationship with the Vissai Group and implemented logistics optimization strategies to manage the impact of increasing freight costs on its margins. In May, 2021, your Company closed on its strategic investment in Song Lam Cement Joint Stock Company, which will assure Philcement of a steady supply of quality cement to support expanding infrastructure development projects.

Moreover, *PHINMA Solar Energy Corporation* (PHINMA Solar) successfully shifted its business model to capture more pandemic-resilient industries, including residential and retail markets as well as small to medium commercial projects. PHINMA Solar also ramped up its sales effort and leveraged synergies with UGC in the areas of sales and logistics. As a result, the company achieved profitability for the first time in 2021.

Together, the Construction Materials Group achieved a 20-percent growth in topline and booked ₱12.14 billion in consolidated revenues in 2021. Meanwhile, despite severe cost pressures faced in 2021, the Construction Materials Group attained ₱902.08 million in consolidated net income, demonstrating the group's resilient strategies and ability to quickly and innovatively respond to challenges.

PHINMA Property Holdings Corporation (PHINMA Properties) is the group's property arm which seeks to make lives better through creating sustainable communities for middle-income Filipino families. In 2021, PHINMA Properties showed an improvement in performance owing primarily to higher sales amidst delays in new project launches because of the pandemic. The company successfully sold out residences at Arezzo Place, Pasig and Hacienda Balai, Quezon City, and ended the year with a cumulative total of 16,264 residential units sold. Moreover, at our hospitality business, your two hotels under *Coral Way City Hotel Corporation* have managed to sustain occupancy despite the pandemic's impact on travel and tourism by serving as accredited quarantine facilities for returning Filipinos. Your Company correspondingly recognized higher net earnings from associates amounting to ₱28.61 million in 2021.

Apart from the milestones achieved by its strategic business units, 2021 also marked your Company's first public bond issuance in more than 25 years, which was well-received by the market and was more than 9 times oversubscribed. The ₱3.00 billion raised through this issuance has been deployed to support growth and enhance operational efficiencies across our strategic business units. The bond issuance is part of your Company's overall value building plan and will be the first of many capital market transactions to come for the PHINMA Group.

PHINMA Corporation's strong business performance has allowed it to maintain a healthy balance sheet in 2021 with total assets of ₱30.08 billion, and a current ratio and debt-to-equity ratio of 1.71 : 1.00 and 2.03 : 1.00, respectively.

Finally, in celebration of the key milestones achieved by your Company in 2021, we are happy to report that the Board has declared a regular cash dividend of ₱0.40 per share, along with a special cash dividend of ₱0.10 per share, which were both paid on 6 April 2022.

Education

PHINMA Education Holdings, Inc. (PHINMA Education) is the strategic business arm of the PHINMA Group which aims to make lives better by providing quality education, adapting to the evolving needs of the underserved youth in the Philippines and Southeast Asia.

PHINMA Education owns and operates schools in key cities in the Philippines. Outside the National Capital Region (NCR), these include PHINMA Araullo University (PHINMA AU), PHINMA Cagayan de Oro College (PHINMA COC), PHINMA University of Pangasinan (PHINMA UPang), and PHINMA University of Iloilo (PHINMA UI). The PHINMA Education NCR network is composed of PHINMA St. Jude College (PHINMA SJC), PHINMA Republican College (PHINMA RC), and two schools, in a Laguna subnetwork, PHINMA Rizal College of Laguna (PHINMA RCL) and PHINMA Union College of Laguna (PHINMA UCL).

PHINMA UCL, acquired in May 2021, is the newest institution under the PHINMA Education network, now poised to further strengthen PHINMA Education's offerings in the Laguna province. The college presently offers undergraduate courses targeting employment, including Accountancy, Business Administration, Information Technology, Hospitality Management, Psychology, Education, and Criminology. With two schools now in the subnetwork, PHINMA Education plans to continue to expand in Laguna.

PHINMA Education also owns a majority stake in Southwestern University PHINMA (SWU PHINMA) in Cebu, which serves the region's mid-income market as well as a growing number of international students. It provides highly competitive programs that cater to health and allied health sciences, with graduates consistently placing within the top ten of board licensure examinations in the country and abroad.

In Indonesia, PHINMA Education manages Horizon Karawang in West Java through PT IndPhil Management (IPM). The STMIK and STIKES colleges of Horizon Karawang cater to underserved markets, specializing in Nursing and Information Technology programs that boast an 80%-100% licensure exam success rate. The Horizon Education brand was formally launched to the public in December 2021 at the virtual event, *Horizon Rising*.

Despite the ongoing pandemic, In SY 2021-2022, PHINMA Education welcomed 94,452 students in the Philippines and 1,051 in Indonesia, a 31% increase from total enrollment of 72,746 students in SY 2020-2021. The increase in enrollment resulted in Consolidated Revenues of ₱ 3.69 billion, a 76% increase year-on-year. Consolidated Net Income, on the other hand, rose to ₱ 1.02 billion.

PHINMA Education's mission has always been aligned with the United Nations' Sustainable Development Goals for the country for 2030. Beyond its focus on educating underserved youth, PHINMA Education implemented programs to strengthen sustainability in the schools and increase social and political awareness among students.

In January 2021, PHINMA Education spearheaded the first ever annual *Education@theMargins: A Global Alliance* conference, gathering education industry experts from several countries including the Philippines to tackle issues such as the widening gap in education, how to help marginalized students cope with the pandemic, and tech solutions to marginalized education.

In March 2021, PHINMA Education contributed a chapter to the *World Scientific* publication, "Univer-Cities: Reshaping Strategies to Meet Radical Change, Pandemics and Inequality - Revisiting the Social Compact?" The chapter discussed how the company is responding to three major challenges underserved students face at higher education institutions (HEIs).

In April 2021, the company institutionalized an Environmental and Social Management System (ESMS) Policy across its constituent campuses. All PHINMA Education schools now have a waste segregation scheme in place via an on-site Material Recovery Facility (MRF). The company is also steadily expanding its use of green technologies, including solar panels, rainwater catchment systems, gray water facilities, and sewer treatment plants.

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

Later in the year, PHINMA Education released a series of white papers through the Education@theMargins website newsletter, focused on youth and civic engagement and the impact of the pandemic on college retention. The white paper discussed MULAT, a nationwide civic engagement and education program launched in 2020.

Through MULAT, educators implement curricular and extra-curricular interventions to increase the students' social awareness and promote human dignity, educating them about their rights and encouraging them to take an active role in pursuing positive social change in the Philippines. As MULAT is aligned with the overall mission of PHINMA, the company has folded this into its classroom curriculum and college experience, focusing on modules that raise social and political awareness and inculcate values of good citizenship and active civic participation.

In 2021, as part of its initiatives to strengthen and improve corporate governance in the organization, the company organized Board Committees with independent directors to oversee key governance areas including Nominations, Remunerations, and Risk Oversight.

2021 was a pivotal year for PHINMA Education as it moved towards recovery from the initial effects of the COVID-19 pandemic. Forays into alternative learning systems and more accessible financing options instituted in the previous year have paid off with higher-than-expected results in key indicators including enrollment, retention, and employment. With further improvements in corporate governance and continued network additions, PHINMA Education is poised to continue further growth in the years to come as it expands even further in the country and throughout Southeast Asia.

Construction Materials

In 2021, sustained vaccination campaigns and lower cases of infection in the second half of the year allowed business sectors to open up and increase operating capacities. As COVID-19 related restrictions were eased, the construction industry posted a significant recovery, growing 9.8% over the year. Investment in construction measured via gross capital formation rose 10.6% as downstream sectors such as real estate and tourism heavily affected by the pandemic began to recover.

While construction activities rebounded in 2021, the challenges to contain the Delta variant in the 2nd half of the year dampened hopes for a much stronger economic recovery. Meanwhile, global supply chain disruptions affected the availability of raw materials and the cost of international freight, which led to higher costs of landed inputs for domestic construction materials suppliers. Hampered by the cancellation of export subsidies from China, the world's largest supplier, domestic flat steel firms also experienced soft demand. On the other hand, the local cement industry, based on management's own estimates, climbed 12-14% year-on-year on increased infrastructure investments.

With greater experience in navigating the pandemic, the firms under the PHINMA Construction Materials Group (PHINMA CMG) – Union Galvasteel Corporation (UGC), Philcement Corporation (Philcement), and PHINMA Solar Energy Corporation (PHINMA Solar) - responded by sustaining "new normal" protocols and recalibrating operations and strategies to the volatile business environment. Supported by the PHINMAVax vaccination programs of PHINMA, the group has been able to operate continuously while keeping its employees safe and protected against COVID.

In 2021, UGC again managed to deliver gains despite soft demand and supply challenges. The company implemented margin optimization and cost management initiatives, primarily on production and logistics, to support a solid bottom line by year-end.

Philcement continued to perform encouragingly well in 2021, supported by sound sales performance and more efficient operations. To partially offset external shocks which led to the sharp rise in the cost of its inputs, the company implemented measures to keep customers engaged, manage margins and improve productivity across functions. Initiatives in the areas of production, quality, and distribution enabled the company support the cement requirements of its growing customer base.

In the midst of the pandemic, Phinma Solar made modest returns in 2021 as potential customers put investment decisions on hold. Supported by its competitive advantages in the construction materials industry, PHIMA Solar actively pivoted towards the residential segment instead of the institutional sector. This alignment in strategy is expected to enhance the synergies between Phinma Solar and its two affiliates, UGC and Philcement.

PHINMA CMG closed 2021 with a decent performance, with the three firms contributing total revenues of ₱ 12.14 billion, an increase of 20% from the previous year. Total net income for the group was ₱ 902.08 million.

With the worst of the pandemic hopefully behind, PHINMA CMG maintains an optimistic yet cautious outlook for 2022. As the group's journey continues, it understands the challenges and uncertainties as well as opportunities that lie ahead. To sustain the momentum and common success of the three companies, PHINMA CMG needs to continue to perform well, learn from the lessons of the past, and ultimately remain engaged and deliver on its commitment to improve lives by providing materials to build a better future.

Properties

PHINMA Property Holdings Corporation (PPHC) seeks to make Filipino lives better by creating sustainable communities and townships based on ergonomic and green architecture. The company's vision is to be the preferred property developer in providing Filipinos the essentials for dignified living, developing communities inspired by the traditional Filipino *Bayanihan* spirit.

Since its inception in 1987, PPHC heeded the call for nation building, becoming an early pioneer of vertical metropolitan development and spearheading Medium Rise Buildings (MRB)s for the low-income market within Metro Manila. PPHC continues to be a major player in this highly competitive market, with sold-out residences at Arezzo Place, Pasig and Hacienda Balai, Quezon City. The company has also expanded further into the market segment in places such as Uniplace @ SWU Village, in Cebu City.

Inspired, well-built, conveniently located, and competitively-priced living spaces are a hallmark of PPHC, enabling it to weather market downturns including challenges posed by the COVID-19 pandemic. In 2021, PPHC started the year strong, posting high average monthly reservations despite a host of issues. The COVID-19 lockdowns over the year were compounded by a rise in sales reservation cancellations due to a moratorium on pandemic assistance loans as well as a shift in VAT regulatory guidelines. In addition, super typhoon Odette battered Cebu and Davao, directly affecting the company's developments in those areas.

Despite these setbacks, the company capped 2021 on a high note, rallying in the fourth quarter to end the year with a total of 688 residential units sold. Phinma Corporation equitized net income of ₱ 40.87 million in PPHC.

In 2021, PPHC continued to expand related businesses. Community Property Managers Group, Inc. (CPMGI), a subsidiary engaged in property management and leasing, now services close to 28,000 units for PPHC as well as for other property developers. Meanwhile, the *Community Developers and Construction Corporation* (CDCC), PPHC's own construction division that pioneered the use of the Tunnel Formwork System, has expanded its operations to provide construction and construction management services to external clients as well as the PPHC. To date, this group has built a total of 21,334 for PPHC and for other private developers and LGUs.

During the pandemic, PPHC listened to its customers, finding that many, particularly millennials and new-nesters, place more value now on ownership versus home rental. PPHC has always strived to be the preferred developer for first-time Filipino homebuyers seeking to live in nurturing communities. The company has designed its portfolio to cater to these new-nesters, who account for as much as 90% of our clientele.

There has also been a marked increase in the demand for properties in emerging "new wave" areas outside of established central business districts. In recent years, PPHC has seen a progressive shift among prospective homeowners to expand into emerging cities. This has been spurred by the abrupt changes brought by the COVID-19 pandemic, which has driven demand for mixed-use spaces that allow work or study from home. The crisis has also driven demand for low-density housing. PPHC is moving to address both these needs by delivering tailored products and services—particularly green and ergonomic architecture—within a trustworthy, high-touch customer service experience. PPHC is poised to meet rising demand in provinces where it already has a foothold, particularly in Batangas, Davao, and Cebu. The first of these projects, PHINMA Maayo, is already being executed in San Jose, Batangas, and Tugbok, Davao. Through mostly horizontal developments such as single detached, single attached, and townhouse units, PPHC aims to minimize working capital while maintaining profitability, even as the company remains on the lookout for traditional vertical development opportunities.

Moving forward, aside from residential projects, PPHC is considering township developments in emerging regions across the country, due to the better availability of land and the shift in demand. Mixed-use developments considered could be zoned with residential, commercial, office, transportation, hotels/condotel, schools, or recreational areas. These towns will be master planned in collaboration with high-profile designers, ensuring features and amenities that are attuned to the needs and lifestyle of the local market. The residential portion of the townships will be composed of both middle-income and high-end units to maximize land use and generate increased project returns.

PPHC remains driven by its mission of making lives better while meeting aspirations of various stakeholders. The company weaves the cherished Filipino *Bayanihan* spirit into all its endeavors as it cooperates with shareholders, creditors, and employees to provide first time Filipino families essential homes as part of a dignified life.

Hospitality

PHINMA Hospitality Inc., the hospitality arm of PHINMA Group, operates 14 Microtel by Wyndham hotels and one TRYP by Wyndham hotel in the Philippines. It is also a joint venture partner in majority of these properties, including the flagship 150-room Microtel by Wyndham Mall of Asia. PHINMA Corporation, through Asian Plaza Inc., has a 36% equity interest in PHINMA Hospitality as well as a direct 24% equity interest in Coral Way City Hotel Corporation (Coral Way), owner of Microtel by Wyndham Mall of Asia. Coral Way's wholly owned subsidiary, Krypton Esplanade Hotel Corporation owns the 191-room TRYP by Wyndham Mall of Asia.

The pandemic severely affected the global travel and tourism industry from 2020 up to 2021. Because of continued restrictions on land, air and sea travel worldwide, border closures, and health and safety concerns, demand for business and leisure travel was at an all-time low. However, Microtel by Wyndham Mall of Asia and TRYP by Wyndham Mall of Asia were able to maximize demand for quarantine-related accommodation which comprised the majority of hotel bookings for 2021.

Microtel by Wyndham Mall of Asia and TRYP by Wyndham Mall of Asia served as accredited quarantine facilities, providing safe and comfortable accommodations to returning Overseas Foreign Workers under the Overseas Workers Welfare Administration repatriation program, seafarers from various shipping companies, corporate travelers, and returning Filipinos. In response to the COVID-19 situation, the hotels ensured that health and safety protocols were strictly implemented.

In 2021, Microtel by Wyndham Mall of Asia and its subsidiary TRYP by Wyndham Mall of Asia achieved a combined average occupancy of 83% and posted positive cash flow for the year. Equity in net loss from the hospitality group amounted to ₱ 12.04 million.

The hotel industry will continue to face challenges moving forward as companies have adapted to work-from-home arrangements, online meetings, and travel restrictions. The ongoing pandemic has also resulted in changes in the travel and booking behavior of the market. We remain optimistic that demand from the leisure, corporate and meetings/events markets will slowly build-up and drive occupancy in our properties as international and domestic travel recover.

Key Performance Indicators (KPI)

Below are the top five (5) KPI's used to measure the financial performance of PHINMA and its material subsidiaries for the periods indicated:

Financial KPI	Definition	December 2021	December 2020
Profitability			
Return on Equity (ROE)	Net Income Attributable to Equity holders of the Parent / Average Equity Attributable to Equity Holders of the Parent[7]	**15.96%**	2.61%
Gross Profit Margin	Gross Profit[8] / Total Revenues	**28.26%**	26.54%
Efficiency			
Cash Flow Margin	Cash Flows from Operating Activities / Total Revenues	**5.67%**	9.04%
Liquidity			
Current Ratio	Total Current Assets / Total Current Liabilities	**1.71:1.00**	1.53 : 1.00
Debt-to-Equity Ratio	Total Liabilities / Total Equity	**2.03:1.00**	1.86 : 1.00

Profitability

The return on equity of 15.96 % in CY 2021, is higher than 2.61% return for the previous year due to steady performance of the CMG business and improved performance of PHINMA Education. Gross profit margin increased from 26.54% to 28.26% in 2021 mainly due to optimized gross profit margin contribution of the schools and the Construction Materials Group.

Efficiency

Net cash inflow from operations in CY 2021 was ₱908.87 million compared to net cash inflow from operations of ₱1.11 billion for CY 2020. The decrease was due to the increase in trade and other receivables of the schools and CMG as well as decrease in trust receipts payable of CMG.

Liquidity

Current ratio increased from 1.53:1.00 in CY 2020 to 1.71:1.00 in CY 2021 resulting from the increase in trade and other receivables of the schools and CMG.

Debt-to-equity ratio of PHN and its subsidiaries as of end December 2021 increased from

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[7] Average Equity Attributable to Equity Holders of the Parent is derived by dividing in two (2) the sum of beginning Equity Attributable to Equity Holders of the Parent and ending Equity Attributable to Equity Holders of the Parent.

[8] Gross Profit is calculated by deducting cost of sales and cost of educational, installation, hospital and consultancy service from total revenues.

1.86:1.00 to 2.03:1.00, mainly due to issuance of the parent company's corporate bond.

Other Financial Ratios are as follows:

Financial Ratio	Definition	December 2021	December 2020
Asset to Equity	Total Assets / Total Equity	**3.03**	2.86
Interest Rate Coverage Ratio	EBITDA[9] / Interest Expense and Other Financing Charges	**4.96**	2.79

Asset to Equity ratio of PHN and subsidiaries as of end December 2021 increased from 2.86 to 3.03 due to increase in total assets from ₱24.47 billion in 2020 to ₱30.08 billion in 2021. The increase is mainly due to the increase in trade and other receivables of the schools and CMG as well as the increase in fair value of the parent company's investment in Song Lam, presented as a financial asset at fair value through profit or loss.

Interest rate coverage ratio increased from 2.79 in 2020 to 4.96 in 2021, due to stable performance of the CMG business and improved performance of the schools.

Accounting Policies and Principles

The accompanying consolidated financial statements of Phinma Corporation have been prepared in compliance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS). The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit and loss, available for sale investments and derivative investments that have been measured at fair value.

The consolidated financial statements are prepared in Philippine pesos, the company's functional and presentation currency.

Disclosures on Financial Statements

Below are additional disclosures on the Company's operations :

a. On any known trend, demand, commitment, event and uncertainty that will result in or likely to decrease its liquidity in any material way :

   PHN does not anticipate having any cash flow or liquidity problems nor does it anticipate any default or breach of any of its existing loans.

b. On any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

   None

d. On material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other person created during the reporting period:

[9] EBITDA is net income of the Issuer after adding back (i) interest expense and other financing charges (ii) provision for (benefit from) income tax and (iii) depreciation and amortization.

None

d. On material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures:

None

e. On any known trend, event or uncertainty that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations:

The COVID-19 surges in Q1 and Q3 have resulted in disruptions in operations of the various business units. Its impact is reflected in the financial statements as of December 31, 2021. Phinma Corporation and its subsidiaries continue to monitor developments and to adapt accordingly with continuous implementation of cost management measures/cost rationalization across departments.

g. Any significant elements of income or loss that did not arise from the Issuer's continuing operations.

None.

g. On the causes for any material change from period to period which shall include vertical and horizontal analyses of any material item:

Increase or decrease of 5% or more in the financial statements are discussed below.

h. On any seasonal aspect that had a material effect on the financial condition or results of operations.

Like any other company in the construction industry, the operations of UGC is affected by seasonality demand. Demand for roofing materials is greater during the months from December to May, than during the rainy months of June to November. Hence, the demand for the first semester of the calendar year is normally higher than that of the second semester.

The revenues of the PHINMA Education schools decline during summer months. Hence, net income during the first half of the calendar year is lower than the second half.

For other subsidiaries, there is no significant seasonality that would materially affect their operations.

Material Changes in Statement of Financial Position Accounts

As of December 31, 2021, the Group's total consolidated assets stood at ₱30.08 billion, higher by 22.92% or by ₱5.61 billion than the ₱24.47 billion total consolidated assets as of December 31, 2020.

Similarly, total consolidated liabilities amounted to ₱20.15 billion, higher by 26.57% or by ₱4.23 billion, than total consolidated liabilities as of December 31, 2020.

The following are the material changes in account balances:

Cash and cash equivalents
The movements in cash and cash equivalents are shown in the cash flow statement

Investments held for trading
The 38.46% decrease in investments held for trading is mainly attributable to redemption of Phinma Solar's and the schools' investments in unit investment trust fund (UITF) as well as the redemption of the parent company's investment in Song Lam preferred shares in May 2021.

Trade and other receivables
The 44.21% increase in trade and other receivables is attributable to increase in receivables of the schools on the back of increased enrolment and increase in the receivables of the Construction Materials Group (CMG) and safeguard duties in relation to Philcement's importation of cement.

Inventories
The ₱366.07 million increase in inventory mainly represents the increase in CMG's product costs due to global supply chain disruptions due to COVID-19 surges.

Input value-added taxes and other current assets
The increase in the account of ₱58.23 million represents mainly the increase in prepaid expenses and prepaid assets of the Construction Materials Group and the increase in the deferred scholarship and discounts of the schools. The latter is amortized and charged to expense over the semester.

Financial asset at fair value through profit or loss
The account represents the parent company's $50 million investment in Song Lam, carried at fair value.

Property, plant and equipment
The P1.16 billion increase in PPE was mainly due to the completion of Philcement's port facility in Mariveles, Bataan and construction and building improvements of the schools.

Deferred tax assets - net
The 24.57% decrease represents mainly the decrease in deferred tax assets of the Construction Materials Group and SWU.

Derivative asset – non-current
The derivative asset pertains to the value of the put option of Phinma Corporation with respect to the investment in Song Lam preferred shares.

Right-of-use assets
The decrease in right of use assets of ₱63.26 million represents mainly the depreciation of the right-of-use assets of CMG and UPang.

Other noncurrent assets
The decrease in noncurrent assets pertains mainly to the reclassification of the amount of ₱ 255 million from advance to Song Lam to investment in preferred shares of Song Lam, partially offset by the increase in long-term receivable of Phinma Solar and other non-current assets of PEHI.

Notes payable
The decrease in the account amounting to ₱395.74 million represents payment of short-term borrowings of the parent company, AU, COC, UI and SWU, partially offset by the additional borrowings of CMG.

Trade and other payables
The increase of ₱ 354.6 million in trade and other payables represents increase in trade and other payables of the various schools and of the parent company.

Trust receipts payable
Net decrease of ₱319.44 million was mainly due to a decrease in trust receipts payable of the Construction Materials Group

Contract Liabilities
The increase in contract liabilities is attributable to the schools. Tuition fees are accrued as payables at the start of the semester and decrease as the revenue is earned over the semester.

Income and other taxes payable
The decrease in the account of ₱3.57 million represents the decrease in tax payable of the schools and the Construction Material Group due to lower income tax rate due to the implementation of the CREATE law.

Due to related parties
The ₱31.77 million increase in the account represents payable of the parent company and Phinma Education to the ultimate parent, Phinma Inc.

Derivative liability
The group has no derivative liability as of December 31, 2021.

Long-term debt – net of current portion
The increase in the account represents the ₱3.0 billion corporate bond issued by the parent company during the year and the availment of additional long-term loan by Philcement for

working capital requirements and the Mariveles port facility.

Lease liability
The decrease in the account represents the lease payments of Construction Materials Group net of pre-termination.

Non-controlling interest put liability
The account represents the present value of the contingent amount payable by PHINMA if the non-controlling shareholders of PHINMA Education exercise their put option on PHINMA Education shares. The increase in the account is the accretion of the present value of the liability during the year.

Other noncurrent liabilities
The decrease in the account in the amount of ₱2.56 million is primarily a decrease in other noncurrent liabilities of the schools.

Share in other comprehensive income of associates
The change is due to an increase in fair value of financial assets held by ABCIC Property Holdings Corporation.

Exchange differences on translation of foreign operations
The movement in the account represents the cumulative adjustments arising from the translation of the financial statements of PHINMA Education Myanmar to Philippine pesos.

Equity reserves
The movement in the account arises from the increase in the liability on the put option on shares of Phinma Education Holdings Inc.,net of the increase in the carrying value of the said shares.

Non-controlling interests
The increase is mainly attributable to the share of non-controlling shareholders in the income of the schools and in CMG offset by the impact of the accretion of the NCI put liability.

Treasury shares
The movement in the account represents the buyback of 456,600 shares of Phinma Corporation from the market during the year.

Material Changes in Income Statement Accounts

Revenues
The 30.37% increase in the account is mainly due to the performance of the Construction Materials group, higher enrolment and higher retention of students for the schools and accrual of interest income by the parent company for its investment in preferred shares of Song Lam.

Rental revenue declined primarily due to decrease in rental income of the schools due to the pandemic. On the other hand, investment income increased due to an increase in interest income of the parent company.

Cost of sales
The ₱2.47 billion net increase in cost of sales is largely attributable to higher production cost of the CMG business, resulting from global supply chain disruptions and the increase in raw material costs throughout the year.

General and administrative expenses
The 20.36% increase in general and administrative expenses is mainly driven by the schools' higher number of enrolees in 2021.

Selling expenses
The 13.68% increase in selling expenses is attributable to the Construction Materials Group's increased selling efforts during the pandemic period.

Unrealized gain on change in fair value of financial assets at fair value through profit or loss
The amount represents the unrealized fair value gain on the investment in Song Lam preferred shares.

Gain (Loss) on derivatives
The gain on derivative is the increase in the value of the put option of PHN with respect to the

investment in Song Lam preferred shares.

Foreign exchange gains (losses) - net
Foreign exchange gain of ₱56.24 million as at December 31, 2021 arose from the restatement of dollar denominated assets, largely earmarked for dollar-denominated investments of PEHI and restated at an exchange rate of ₱50.999 to US$1.00.

Equity in net earnings (losses) of associates and joint ventures
In CY 2021, PHN equitized income in Phinma Property Holdings Corp. improved to ₱ 40.8 million

Gain on sale of property, plant and equipment - net
The amount represents the gain on sale of vehicles of the Construction Materials group.

Loss on deconsolidation
In 2020, Phinma Corporation booked a loss on deconsolidation arising from the sale of its investment in ICI Asia.

Others – net
Other income decreased by ₱4.5 million due to a decrease in other income of the schools.

Provision for (benefit from) income tax
The decrease in provision for income tax reflects the lower income tax rate of the subsidiaries as a result of the implementation of the CREATE law.

CALENDAR YEAR 2020

In 2020, the Group saw consolidated revenue growth of 8.63%, posting consolidated revenues of ₱12.30 billion for the year. Income from operations of the Group increased by 25.95% to ₱1.35 billion during the year.

Consolidated net income of the Group increased to ₱521.94 million in 2020 from ₱437.12 million in the previous year while net income attributable to shareholders of the parent was ₱172.64 million in 2020.

Construction Materials Group

Despite the early weakness in flat steel demand, UGC managed to deliver strong operational performance and posted a significant recovery by year end. UGC achieved positive annual results as the company enhanced customer engagement initiatives and operational efficiencies in production and logistics. UGC also, together with a foreign partner, began a study on an expansion of its PU line to supply insulated panels for the cold chain industry. A robust cold chain industry addresses the issue of food security and provides part of the logistics needed for a nationwide vaccine rollout.

Philcement posted significant gains in 2020, backed by the efficient operation of the new Mariveles Cement Facility which was launched in January. The company also leveraged on strong customer partnerships and increased reliability and availability of its legacy Union Cement brand in key areas.

Despite the pandemic, Construction Materials Group finished the year on a strong growth track, with CMG's combined revenues of ₱10.12 billion and combined net income of ₱915.89 million in 2020.

Education Group

PHINMA Education was able to maintain a strong system wide total enrolment of 71,659 students in the Philippines which was a 3.41% decline from previous years. Due to the effect of the pandemic on face-to-face classes as well as the shift in the academic calendar from June to late August which delayed the recognition of some revenues to the following year, PHINMA

Education posted a 28.37% decrease in consolidated revenue to ₱2.09 billion for the calendar year 2020. Maintaining profitability, PHINMA Education posted a lower consolidated net income of ₱14.29 million in calendar year 2020 from ₱433.73 million in the previous year.

Properties Group

PPHC posted revenues of ₱1.95 billion in 2020, at the same level as the previous year. Despite the pandemic, sales reservations and revenue-recognition maintained pace through the company's #DontPutHomeownershipOnHold marketing campaign. Consolidated net income for the year amounted to ₱71.87 million.

PPHC's revenues are not consolidated with PHINMA since it is not a subsidiary, but it is accounted for under the equity method. In 2020, PHINMA equitized a net income of ₱6.36 million in PPHC.

Hospitality Group

Equitized earnings from affiliates of the Company hence declined to a loss of ₱6.52 million in 2020.

Microtel by Wyndham Mall of Asia's posted average occupancy of 76.71%, gross revenues of ₱128.02 million, and a net loss of ₱6.53 million. TRYP by Wyndham Mall of Asia on the other hand posted average occupancy of 72.46%, gross revenues of ₱161.40 million, and a net loss of ₱20.92 million. Despite respectable occupancy levels, revenues and profits declined due to caps on room rates for hotels operating as quarantine facilities under the OWWA repatriation program.

Others

On September 18, 2020, PHINMA divested 100.00% of its interest in ICI Asia.

Key Performance Indicators (KPI)

Below are the top five (5) KPI's used to measure the financial performance of PHINMA and its material subsidiaries for the periods indicated:

Financial KPI	Definition	December 2020	December 2019
Profitability			
Return on Equity (ROE)	Net Income Attributable to Equity holders of the Parent / Average Equity Attributable to Equity Holders of the Parent[10]	**2.61%**	3.46%
Gross Profit Margin	Gross Profit[11] / Total Revenues	**26.54%**	28.62%
Efficiency			
Cash Flow Margin	Cash Flows from Operating Activities	**9.04%**	(1.06%)

[10] Average Equity Attributable to Equity Holders of the Parent is derived by dividing in two (2) the sum of beginning Equity Attributable to Equity Holders of the Parent and ending Equity Attributable to Equity Holders of the Parent.
[11] Gross Profit is calculated by deducting cost of sales and cost of educational, installation, hospital and consultancy service from total revenues.

	Total Revenues		
Liquidity Current Ratio Debt-to-Equity Ratio	Total Current Assets Total Current Liabilities Total Liabilities Total Equity	**1.53:1.00** **1.86:1.00**	1.93 : 1.00 1.68 : 1.00

Profitability

The return on equity of 2.61 % in CY 2020, is lower than 3.46% return for the previous year due to decrease in net income attributable to equity holders of the parent. Gross profit margin decreased from 28.62% to 26.54% in 2020 mainly due to decrease in gross profit margin contribution of the schools and Construction Materials Group.

Efficiency

Net cash inflow from operations in CY 2020 was ₱1.11 billion compared to net cash outflow from operations of ₱120.30 million for CY 2019. The increase was due to the increase in trust receipts payable and trade and other payables of the Construction Materials Group.

Liquidity

Current ratio decreased from P1.93:1.00 in CY 2019 to P1.53:1.00 in CY 2020 due to increase in trust receipts payable of the Construction Materials group to support its expanded sales.

Debt-to-equity ratio of PHN and its subsidiaries as of end December 2020 increased from 1.68:1.00 to 1.86:1.00, mainly due to increase in total liabilities from ₱14.04 billion to ₱15.92 billion. The increase is largely attributable to the Construction Materials Group.

Other Financial Ratios are as follows:

Financial Ratio	Definition	December 2020	December 2019
Asset to Equity	Total Assets Total Equity	**2.86**	2.68
Interest Rate Coverage Ratio	EBITDA[12] Interest Expense and Other Financing Charges	**2.79**	3.14

Asset to Equity ratio of PHN and subsidiaries as of end December 2020 increased from 2.68 to 2.86 due to increase in total assets from ₱22.38 billion in 2019 to ₱24.47 billion in 2020. The increase is mainly due to the investment in PEHI by the Asian Development Bank in the amount of ₱625.00 million and the increase in assets of Philcement Corporation with the completion of its facility in Mariveles, Bataan.

Interest rate coverage ratio decreased from 3.14 to 2.73 in 2020 due to an increase in interest

[12] EBITDA is net income of the Issuer after adding back (i) interest expense and other financing charges (ii) provision for (benefit from) income tax and (iii) depreciation and amortization.

expense from ₱463.79 million in 2019 to ₱626.77 million in 2020 of the Construction Materials Group.

Accounting Policies and Principles

The accompanying consolidated financial statements of Phinma Corporation have been prepared in compliance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS). The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit and loss, available for sale investments and derivative investments that have been measured at fair value.

The consolidated financial statements are prepared in Philippine pesos, the company's functional and presentation currency.

Disclosures on Financial Statements

Below are additional disclosures on the Company's operations :

a. On any known trend, demand, commitment, event and uncertainty that will result in or likely to decrease its liquidity in any material way :

   PHN does not anticipate having any cash flow or liquidity problems nor does it anticipate any default or breach of any of its existing loans.

b. On any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

   None

e. On material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other person created during the reporting period:

   None

d. On material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures:

   None

e. On any known trend, event or uncertainty that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations:

   The COVID-19 pandemic has resulted in disruptions in operations of the various business units. Its impact is reflected in the financial statements as of December 31, 2020. Phinma Corporation and its subsidiaries continue to monitor developments and to adapt accordingly.

h. Any significant elements of income or loss that did not arise from the Issuer's continuing operations.

   None.

g. On the causes for any material change from period to period which shall include vertical and horizontal analyses of any material item:

   Increase or decrease of 5% or more in the financial statements are discussed below.

h. On any seasonal aspect that had a material effect on the financial condition or results of operations.

   Like any other company in the construction industry, the operations of UGC is affected by seasonality demand. Demand for roofing materials is greater during the months from December to May, than during the rainy months of June to November. Hence, the demand for the first semester of the calendar year is normally higher than that of the *second semester.*

The revenues of the PHINMA Education schools decline during summer months. Hence, net income during the first half of the calendar year is lower than the second half.

For other subsidiaries, there is no significant seasonality that would materially affect their operations.

Material Changes in Statement of Financial Position Accounts

As of December 31, 2020, the Group's total consolidated assets stood at ₱24.47 billion, higher by 9.36% or by ₱2.09 billion than the ₱22.38 billion total consolidated assets as of December 31, 2019.

Similarly, total consolidated liabilities amounted to ₱15.92 billion, higher by 13.42% or by ₱1.88 billion total consolidated liabilities as of December 31, 2019.

The following are the material changes in account balances:

Trade and other receivables
The 16.57% increase in trade and other receivables is mainly attributable to increase in trade receivables of Construction Materials Group.

Inventories
The ₱228.31 million increase in inventory mainly represents increase in inventories of Construction Materials Group.

Input value-added taxes
The 90.56% increase in input tax is attributable mainly to Construction Materials Group.

Other current assets
The increase in the account of ₱36.31 million represents mainly the increase in prepaid insurance of CMG and increase in the deferred scholarship and discounts from the PHINMA Education schools. The latter is amortized and charged to expense over the semester.

Property, plant and equipment
The ₱1.46 billion increase in PPE was mainly due to the completion of Philcement's facility in Mariveles, Bataan and acquisition of RCL. The latter was acquired by PHINMA Education in July 2020.

Deferred tax assets - net
The 31.70% increase represents mainly the increase in deferred tax assets of Construction Materials Group and SWU.

Right-of-use assets
The increase in right of use assets of ₱147.94 million represents mainly the warehouses, properties and other assets leased by Construction Materials Group.

Notes payable
The increase in the account amounting to ₱357.03 million represents additional short-term borrowings of PHINMA, Construction Materials Group, AU, COC, UI and SWU.

Trade and other payables
The increase of ₱597.76 million in trade and other payables represents increase in trade and other payables of Construction Materials Group.

Trust receipts payable
The increase of ₱826.97 million in trust receipts payable was largely in support of the expanded operations of Construction Materials Group.

Contract Liabilities
As a result of the decline in revenues of the PHINMA Education schools, contract liabilities dropped by ₱396.68 million.

Income and other taxes payable
The decrease of ₱71.58 million represents decrease in tax payable of the PHINMA Education schools and Construction Materials Group due to lower income for the year.

Due to related parties
The ₱58.57 million increase in the account represents payable of PHINMA Education to the ultimate parent, PHI

Derivative liability
The decrease in the account represents deliverable forward contracts of Construction Materials Group that became due during the period. As of December 31, 2020, PHINMA had an outstanding derivative liability amounting to ₱32,000.00.

Current portion of long-term debt
The increase in the account of ₱204.65 million represents reclassification of Construction Materials Group loan from long-term debt to current portion of long-term debt***.***

Current portion of lease liabilities
The increase represents the present value of lease payments of Construction Materials Group which will be due within one (1) year.

Long-term debt – net of current portion
The decrease in the account represents transfers to current portion of long-term debt.

Pension and other post-employment benefits
The decrease in the account amounting to ₱34.28 million represents decrease in accrued retirement of the PHINMA Education schools.

Lease liability
The increase in the account represents the present value of lease payments of Construction Materials Group.

Non-controlling interest put liability
The account represents the present value of the contingent amount payable by PHINMA if the non-controlling shareholders of PHINMA Education exercise their put option on PHINMA Education shares.
In January 2020, Asian Development Bank invested ₱625.00 million in PHINMA Education. The increase in the account is mainly attributable to the NCI put liability arising from ADB's put option.

Other noncurrent liabilities
The decrease in the account in the amount of ₱3.97 million represents primarily a decrease in other noncurrent liabilities of the PHINMA Education schools.

Share in other comprehensive income of associates
The change is due to an increase in fair value of financial assets held by APHI.

Exchange differences on translation of foreign operations
The movement in the account represents the cumulative adjustments arising from the translation of the financial statements of PHINMA Education Myanmar to Philippine pesos.

Equity reserves
The movement in the account arises largely from the investment of Asian Development Bank in PHINMA Education at a premium over book value, offset by the impact of the increase in the Non-controlling interest put liability.

Non-controlling interests
The increase is mainly attributable to the investment made by Asian Development Bank in PHINMA Education in January 2020.

Material Changes in Income Statement Accounts

Revenues
The 8.63% net increase in Group revenue of ₱976.84 million is mainly due to an increase in revenues of Construction Materials Group from the start of operation of the new Mariveles Cement Facility, partially offset by a decrease in revenues of the schools as a result of the COVID-19 quarantine restrictions.

Cost of sales
The ₱1.35 billion net increase in cost of sales represents increase in cost of sales of Construction Materials Group on account of expanded sales.

Cost of educational, installation, hospital and consultancy services
The ₱393.05 million decrease in the account represents a decrease in the school's personnel costs, academic activities, graduation expenses and educational tour expenses.

Operating expenses
The ₱227.10 million drop in general and administrative expenses is mainly due to decrease in the schools' expenses due to the delay in school opening and decline in enrolees.

Interest expense and other financing charges
The increase in the account amounting to ₱162.98 million is due to increase in interest expense of Construction Materials Group.

Equity in net earnings (losses) of associates and joint ventures
The decrease in the account is largely due to equitized loss in affiliate Coral Way in the amount of ₱6.90 million.

Foreign exchange gains (losses) - net
Foreign exchange loss of ₱152.63 million for the year ended December 31, 2020 arose from the restatement of dollar denominated assets, largely earmarked for dollar-denominated investments of the parent company and restated at an exchange rate of ₱48.02 to US$1.00.

Net losses on derivatives
PHINMA recognized a gain on fair value changes of forward contracts in the total amount of ₱11.07 million in 2019. In 2020, Construction Materials Group booked a loss on derivatives in the amount of ₱7.04 million.

Gain on sale of property, plant and equipment - net
The amount of ₱0.86 million represents the gain on sale of vehicles of Construction Materials Group.

Others – net
Others income increased by ₱23.08 million due to increase in other income of COC and SJC.

Provision for (benefit from) income tax
The decrease in provision for (benefit from) income tax reflects the decrease in taxable income of the subsidiaries during the year.

Information on Independent Accountant and other Related Matters

Audit and Audit-Related Fees

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

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

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

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

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

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

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

Item 7. Financial Statements

Please find the Audited Consolidated Financial Statements of the Company for calendar years ended December 31, 2022, 2021 and 2020 attached hereto as **Annex A.** The Audited Parent Financial Statements are attached as **Annex A-1.**

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

During the past five (5) years, there has been no event in which PHINMA Corporation and SGV has any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures.

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

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

Mr. Juan B. Santos	-	Chairman
Ms. Rizalina G. Mantaring	-	Member
Edgar O. Chua	-	Member

Amb. Jose L. Cuisia, Jr.	-	Member

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

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

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

a) Board of Directors

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

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

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

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

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

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

Table 10 - Board of Directors

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

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

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

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

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

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

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

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

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

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

Victor J. del Rosario is an Economics and Accounting graduate of De La Salle University and holds a Master's degree in Business Administration from Columbia University. He was elected as director on September 15, 2008. He is the Chairman of Union Galvasteel Corporation and PhilCement Corporation. He is also a member of the Board of Directors of PHINMA, Inc. and other PHINMA-managed companies. Mr. Del Rosario is the brother of Mr. Ramon R. del

Rosario, Jr. and Mr. Jose Mari del Rosario. He attended the Annual Corporate Governance seminar conducted by SEC-accredited training provider CGBP on September 30, 2022.

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

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

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

Corporation; Consultant of Marsman-Drysdale Group of Companies. His past experiences include: Chairman of Social Security System; Secretary of Trade and Industry, Philippines ; Chairman and CEO of Nestle Philippines, Singapore and Thailand; Director of Philex Mining Corporation, Philippine Long Distance Telephone Company, San Miguel Corporation; Educational Background: Advanced Management from International Institute of Management Development (IMD), Lausanne, Switzerland; Postgraduate studies on Foreign Trade from Thunderbird School of Global Management, Arizona, USA; and Bachelor of Science in Business Administration from Ateneo De Manila University, Philippines. He attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices on September 30, 2022 and the Advanced Corporate Governance Training by Institute of Corporate Directors held on November 11, 2022.

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

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

Engineering degree from the University of the Philippines where she graduated with honors. She obtained her MS degree in Computer Science from the State University of New York at Albany. She is also a Fellow, Life Management Institute (with distinction) and Associate, Customer Service (with honors) of the Life Office Management Association. She was elected as Independent Director of the Company on April 12, 2019. She attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices on September 30, 2022.

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

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b) Executive Officers

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

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

Table 11 – Executive Officers

Name	Citizenship	Age	Position
Ramon R. del Rosario, Jr	Filipino	78	Chairman and CEO
Meliton B. Salazar, Jr.	Filipino	57	President and COO, Head of Education
Eduardo A. Sahagun	Filipino	65	Executive Vice President, Construction Materials
Pythagoras L. Brion	Filipino	70	Executive Vice President, Group CFO
Jose Mari del Rosario	Filipino	65	Senior Vice President, Hospitality
Raphael B. Felix	Filipino	51	Senior Vice President - Properties
Regina B. Alvarez	Filipino	56	Senior Vice President, Group Controller
Nanette P. Villalobos	Filipino	50	Vice President and Treasurer
Edmund Alan A. Qua Hiansen	Filipino	39	Vice President, Strategy and Planning
Annabelle S. Guzman	Filipino	50	Vice President, Controller
Rolando Soliven	Filipino	48	Vice President, Corporate Governance
Peter Angelo V. Perfecto	Filipino	57	Vice President, Public Affairs
Giles R. Katigbak	Filipino	52	Assistant Vice President, Chief Risk Officer
Ma. Gracia M. Purisima	Filipino	40	Assistant Treasurer
Troy A. Luna	Filipino	60	Corporate Secretary
Ma. Concepcion Z. Sandoval	Filipino	42	Assistant Corporate Secretary

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

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

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

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

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

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

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

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

Peter Angelo V. Perfecto was appointed Vice President, Public Affairs in April 2019. As former Executive Director of the Makati Business Club from 2011 to 2018, he also took on leadership and secretariat roles in the Integrity Initiative, Bishops-Businessmen's Conference for Human Development, National Competitiveness Council and the APEC Business Advisory Council. He also helped establish Philippine Business for Education and became its first Executive Director, driving business-led advocacies for education reform and mobilizing resources from corporates as well as international agencies. Today, he concurrently serves as the PHINMA Foundation Vice President, chairman of the Oxfam Pilipinas Board as well as its Country Governance Group, and private sector representative of the People's Survival

Fund. His other past positions include Director V for Media and Public Affairs of the Office of the Presidential Adviser on the Peace Process and Executive Director of Amnesty International Philippines where he had the opportunity to join various international meetings and working groups on human rights. An alumnus of the Ateneo de Manila University, he completed his Bachelor of Science in Management Engineering in 1987.

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

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

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

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

Significant Employees

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

Family Relationships

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

Pending Legal Proceedings

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

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

2) any conviction by final judgment, including the nature of the offense in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign , excluding traffic violations and other minor offenses ;

3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities ; and

4) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

5) A securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Other than the case disclosed in ***Item 3. Legal Proceedings***, the Company is not involved in or aware of any material legal proceedings that may significantly affect the Company, or any of its subsidiaries or affiliates.

Independent Directors

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

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

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

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

Item 10. Compensation of Directors and Executive Officers

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

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

TABLE 12 - Compensation of Directors and Executive Officers

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

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

a) Compensation of Directors

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

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

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

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

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

c) Compensatory Plan or Arrangement

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

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

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

d) Compensation Committee

The members of the Compensation Committee are as follow:

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

a) Security Ownership of Certain Record and Beneficial Owners:

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

Table 13 - Owners of Voting Securities

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

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

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

b) Security Ownership of Management

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

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

Item 12. Relationships and Related Transactions:

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individual or corporate entities.

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

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

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

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

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

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

PART IV – CORPORATE GOVERNANCE

Compliance Policy

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

Integrated Annual Corporate Governance Report (I-ACGR)

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

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

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

Compliance Monitoring and Improving Corporate Governance

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

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

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

Board of Directors Attendance

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

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

P : Present A : Absent

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

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

Board Performance Assessment Policy and Report

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

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

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

PART V – <u>EXHIBITS AND SCHEDULES</u>

Item 13. <u>List of Exhibits</u>

Annex A – Audited Consolidated Financial Statements For Calendar Years 2022, 2021 and 2020
Statement of Management's Responsibility For Financial Statements
Report of Independent Public Accountants
Consolidated Statements of Financial Position as of December 31, 2022 and 2021.
Consolidated Statements of Income for the Years ended December 31, 2022, 2021 and 2020.
Consolidated Statements of Comprehensive Income for the Years ended December 31, 2022, 2021 and 2020.
Consolidated Statements of Changes in Equity for the Years ended December 31, 2022, 2021 and 2020.
Consolidated Statements of Cash Flows for the Years ended December 31, 2022, 2021 and 2020.
Notes to Consolidated Financial Statements

Annex B – Supplementary Schedules To The Audited Financial Statements	
SCHEDULE	**DESCRIPTION**
A	Financial Assets
B	Accounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets – Other Assets
E	Long-term Debt
F	Indebtedness to Related Parties (Long-term loans from Related Companies)
G	Guarantees of Securities of Other Issuers
H	Capital Stock
Additional Components :	
i)	Reconciliation of Retained Earnings Available for Dividend Declaration
ii)	Map of Relationships of the Companies within the Group
iii)	Financial Soundness Indicators – December 31, 2022

Annex C - SEC Form 17 - C	
Date Filed	**Description**
January 7, 2022	An advisory on the attendance of directors to board meetings of the company held in the year 2021.
March 1, 2022	An advisory on the matters approved by the Board of Directors on March 1, 2022.
April 12, 2022	An advisory on the results of the Annual Stockholders Meeting and Organizational Meeting held on April 12, 2022.
June 1, 2022	An advisory on the matters approved by the Executive Committee on May 31, 2022.
August 10, 2022	An advisory on the matters approved by the Board of Directors on August 10, 2022.
August 22, 2022	An advisory on the purchase of 5,500 Phinma Corporation shares by ABCIC Property Holdings, Inc., a 1.85% affiliate of Phinma Corporation.

August 23, 2022	An advisory on the purchase of 500 Phinma Corporation shares by ABCIC Property Holdings, Inc., a 1.85% affiliate of Phinma Corporation.
August 24, 2022	An advisory on the purchase of 500 Phinma Corporation shares by ABCIC Property Holdings, Inc., a 1.85% affiliate of Phinma Corporation.
August 25, 2022	An advisory on the purchase of 3,200 Phinma Corporation shares by ABCIC Property Holdings, Inc., a 1.85% affiliate of Phinma Corporation.
September 19, 2022	An advisory on the purchase of 4,500 Phinma Corporation shares by ABCIC Property Holdings, Inc., a 1.85% affiliate of Phinma Corporation.
September 16, 2022	An advisory on the use of bond proceeds to fund expansion and improvements of Philcement Corporation's facility located in Mariveles, Bataan.
October 4, 2022	An advisory on the purchase of 12,800 Phinma Corporation shares by ABCIC Property Holdings, Inc., a 1.77% affiliate of Phinma Corporation.
October 27, 2022	An advisory on a press release regarding Phinma Corporation's new leaders.
November 11, 2022	An advisory on the matters approved by the Board of Directors on November 11, 2022.

Annex D - SEC Form 17 - Q	
Quarter Ending	**Date Submitted**
March 31, 2022	May 16, 2022
June 30, 2022	August 11, 2022
September 30, 2022	November 11, 2022

Annex E - Sustainability Report

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized in the City of Makati on APR 1, 2023

By:

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

MELITON B. SALAZAR, JR.
President and Chief Operating Officer
Head of Education

PYTHAGORAS L. BRION
Executive Vice President, Group CFO

REGINA B. ALVAREZ
Senior Vice President, Group Controller

TROY A. LUNA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 17 2023 day of April 2023, affiants exhibiting to me their government issued IDs, as follows:

Name	ID Presented	Date of Issue	Place of Issue
Ramon R. Del Rosario, Jr.	Passport No. P5770713A	January 26, 2018 – January 25, 2028	DFA NCR EAST
Meliton B. Salazar, Jr.	Driver's License No. N01-85-022389	November 09, 2021 – December 02, 2026	
Pythagoras L. Brion	SC ID No. 58262	March 13, 2013	Pasig
Regina B. Alvarez	Passport No. P1941749C	October 7, 2022 – October 6, 2032	DFA MANILA
Troy A. Luna	Passport No. P8660514B	January 7, 2022 – January 6, 2032	DFA MANILA

ATTY. JOEL FERRER FLORES
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2023 (2023-2024)
APPOINTMENT NO. M-115
ROLL NO. 77376
MCLE COMPLIANCE NO. 0001303, Jan. 03, 2023 Until Apr. 14, 2028
PTR NO. 9563564 / JAN.03.2023/MAKATI CITY
IBP NO. 261994 / JAN.03.2023 / PASIG CITY
1107 D BATAAN ST., GUADALUPE NUEVO, MAKATI CITY

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Series of 2023

ANNEX A

Audited Consolidated Financial Statements December 31, 2022

PHINMA
Making Lives Better

PHINMA Corporation

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **PHINMA CORPORATION AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Signed this 10th day of March 2023.

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

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

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

PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City, Philippines 1200

Tel: (632) 870 0100
www.phinmacorp.com.ph

SUBSCRIBED AND SWORN to before me this MAR 1 0 2023 day of March 2023 in Makati City, affiants exhibiting to me their respective identifications, as follows:

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

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

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

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						1	2	3	9	7

COMPANY NAME

PHINMA CORPORATION AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

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, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Recoverability of Goodwill

Under PFRS, the Company is required to annually test the amount of goodwill for impairment. As at December 31, 2022, the Company's goodwill arising from its acquisitions of educational institutions amounted to ₱1,817.9 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically revenue growth rate and discount rate.

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

Audit Response

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

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

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

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

Audit Response

We involved our internal specialists in evaluating the valuation technique and assumptions used. For long-term growth rate, we compared it with the growth rate for the products, industries or relevant country gross domestic product growth rate. We compared the other key assumptions such as the explicit forecast period, volatility, option-adjusted spread and risk-free rate against the historical performance of the investee, industry outlook and other relevant external data, taking into consideration the impact associated with the coronavirus pandemic. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Company's disclosures about those assumptions to which the outcome of the valuation is most sensitive; specifically, those that have the most significant effect on the determination of the fair value of the unquoted equity investment.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Belinda T. Beng Hui.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui

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

March 3, 2023

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Data)

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

See accompanying Notes to Consolidated Financial Statements.

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

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

See accompanying Notes to Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

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

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

See accompanying Notes to Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

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

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

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

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

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

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

2. Basis of Preparation and Consolidation and Statement of Compliance

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

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

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

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

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

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

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

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

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

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

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

3. Changes in Accounting Polices and Disclosures

Current Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2022.

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

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

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

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

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

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

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

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

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a First-time Adopter*

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

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

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

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

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

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

Effective beginning on or after January 1, 2023

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

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

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2024

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

  The amendments clarify:

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

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

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

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

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

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

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

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

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

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

Deferred effectivity

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

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

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

4. Summary of Significant Accounting and Financial Reporting Policies

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

Financial assets

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

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

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

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

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

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

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

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

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

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

Financial Assets Designated FVOCI (Equity Instruments). Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

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

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

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

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

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

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

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

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

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

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

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

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

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

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

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

<u>Financial Liabilities</u>

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

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

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

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

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

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

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

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as "Interest expense and other financing charges" in the consolidated statement of income.

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

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

Offsetting Financial Instruments

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

The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Derivative Financial Instruments

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

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

Non-controlling Interest Put Liability
While the NCI put remains unexercised, the Company accounts for it at the end of each reporting period as follows:

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

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

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

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt if it provides for a contractual obligation to:

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

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

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

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

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

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

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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

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

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of change in value.

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

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

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

Other Current Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

Property, Plant and Equipment

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

Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to operations in the year such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.

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

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

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

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

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

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

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

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

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

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

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

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

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

Business Combinations, Goodwill and Impairment of Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the Company measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. It is then considered in the determination of goodwill.

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

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of income.

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

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

from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

When goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

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

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

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

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

The useful lives of intangible assets are as follows:

Software costs	5 years
Student lists	3 years

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

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

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

<u>Impairment of Nonfinancial Assets</u>

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.

<u>Current versus Noncurrent Classification</u>

The Company presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;

- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as noncurrent.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Contract Balances

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

Contract Assets. A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. The Company currently does not have right to consideration that is conditional.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Stock Purchase Plan</u>
The Company has a stock purchase plan offered to senior officers which gives them the right to purchase shares of the Company set aside by the plan.

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

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

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

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

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

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

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

- *Right-of-use Assets.* The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follow:

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

Right-of-use assets are subject to impairment.

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

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

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

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

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

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

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

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

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

Taxes

Current Income Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

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

- in respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

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

Value-Added Tax (VAT). Revenue, expenses and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as part of “Income and other taxes payable” account in the consolidated statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as part of “Input value-added taxes” account in the consolidated balance sheet to the extent of the recoverable amount.

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

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

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

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

Events After Financial Reporting Date
Post year-end events up to the date of approval of the consolidated financial statements by the BOD that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

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

The Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

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

Estimates and Assumptions

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

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

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

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

The Company’s lease liabilities amounted to ₱314.1 million and ₱355.9 million as at December 31, 2022 and 2021, respectively (see Note 38).

Estimating Allowance for ECLs

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

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

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

- Simplified approach for receivables from customers

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

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

- Incorporation of forward-looking information

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

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

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

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

- Grouping of instruments for losses measured on collective basis

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. Business Combination

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dilution of Ownership Interest in PEHI

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

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

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

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

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

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

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

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

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

8. Material Partly-owned Subsidiaries

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9. Cash and Cash Equivalents

This account consists of:

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

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

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

10. **Investments Held for Trading**

This account consists of investments in:

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

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

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

11. **Trade and Other Receivables**

This account consists of:

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

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

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

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

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

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

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

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

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

Movements in the allowance for ECLs are as follows:

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

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

12. **Inventories**

This account consists of:

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

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

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

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

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

13. Investment in Associates and Joint Ventures

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

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

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

Investment in Associates

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

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

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

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

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

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

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

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

a. PPHC

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

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

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

b. APHI

APHI is primarily engaged in selling real and personal properties.

c. Coral Way

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

d. PHI

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

Interests in Joint Ventures

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

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

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

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

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

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

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

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

(a) PHINMA Saytanar

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

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

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

(b) IPM

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

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

14. Financial Assets at FVPL

This account consists of:

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

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

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

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

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

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

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

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

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

15. Financial Assets at FVOCI

This account consists of:

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

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

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

The movements in net unrealized gain on financial assets at FVOCI, net of tax in 2022 and 2021 are as follows:

	2022	2021
Balance at beginning of year	**₱38,167**	₱38,922
Gain (loss) due to changes in fair value of investment in equity instruments	**13,153**	(755)
Sale of equity instruments	**(400)**	–
Balance at end of year	**₱50,920**	₱38,167

16. Property, Plant and Equipment

This account consists of:

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

	January 1, 2021	Acquisition through business combination (see Note 6)	Additions	Disposals	Reclassifications	December 31, 2021
Cost						
Land	₱2,967,593	₱142,032	₱31,697	₱–	₱–	₱3,141,322
Plant site improvements	2,206,926	–	–	–	1,266,089	3,473,015
Buildings and improvements	3,703,129	58,400	269,908	–	115,960	4,147,397
Machinery and equipment	2,150,869	3,325	115,075	–	1,833	2,271,102
Transportation and other equipment	525,105	402	60,769	(15,191)	(10,584)	560,501
	11,553,622	204,159	477,449	(15,191)	1,373,298	13,593,337
Less Accumulated Depreciation						
Plant site improvements	122,365	–	124,128	–	–	246,493
Buildings and improvements	1,310,860	972	148,819	–	–	1,460,651
Machinery and equipment	1,444,702	–	188,348	–	–	1,633,050
Transportation and other equipment	348,238	–	30,632	(11,882)	–	366,988
	3,226,165	972	491,927	(11,882)	–	3,707,182
	8,327,457	203,187	(14,478)	(3,309)	1,373,298	9,886,155
Construction in progress	1,063,297	–	1,119,893	–	(1,403,479)	779,711
Net Book Value	₱9,390,754	₱203,187	₱1,105,415	(₱3,309)	(₱30,181)	₱10,665,866

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

Interest capitalized as part of "Construction in progress" account amounted to ₱42.6 million and ₱24.1 million at a capitalization rate ranging from 3.0% to 7.1% and 5.2% to 7.0% in 2022 and 2021, respectively.

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

Certain property and equipment of AU, COC, UI, UPANG, PCC and UGC with aggregate amount of ₱4,922.4 and ₱5,141.9 million as at December 31, 2022 and 2021, respectively, are used as collateral for their respective long-term debts obtained from local banks (see Note 23).

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

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

The COVID-19 pandemic did not materially affect the recoverability of property, plant and equipment.

17. Investment Properties

This account consists of:

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

	January 1, 2021	Additions	Disposals	December 31, 2021
Cost:				
Land	₱610,724	₱–	₱–	₱610,724
Buildings for lease	95,625	–	–	95,625
	706,349	–	–	706,349
Less accumulated depreciation -				
Buildings for lease	77,680	1,231	–	78,911
	₱628,669	(₱1,231)	₱–	₱627,438

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

	2022	2021	2020
Rental income	**₱69,648**	₱69,673	₱74,025
Depreciation and amortization (included under "General and administrative expenses" account) (see Notes 28 and 31)	**(760)**	(1,231)	(1,265)
	₱68,888	₱68,442	₱72,760

The fair values of the investment properties amounted to ₱2,919.4 million and ₱2,861.8 million as at December 31, 2022 and 2021, respectively, based on valuations performed by accredited independent appraisers on various dates from 2018 to 2022. The description of the valuation techniques used and key inputs to fair valuation are as follows:

	Valuation Technique	Significant Unobservable Inputs	Range
Land	Market comparable assets	Price per square metre	₱250–₱100,000
Buildings for lease	Market comparable assets	Price per square metre	₱165,000–₱255,000

The fair value disclosure is categorized under Level 3, except for the investment property of COC which is categorized under Level 2.

While fair value of some investment properties was not determined as at December 31, 2022, the Company's management believes that cost of these investment properties approximate their fair values as at December 31, 2022.

PSHC's land amounting to ₱220.0 as at December 31, 2022 and 2021 is used as a security for its long-term debt (see Note 23). Other than this, the Company has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties.

The Company sold certain investment properties and recognized a net gain of ₱34.2 million in 2022, and nil in 2021 and 2020.

The COVID-19 pandemic did not materially affect the recoverability of investment properties.

18. Intangible Assets

Following are the details and movements in this account:

	Student List	Software Costs	Goodwill	Total
Cost				
At January 1, 2021	₱165,638	₱37,200	₱2,221,068	₱2,423,906
Additions	–	7,048	–	7,048
Reclassification	–	30,278	–	30,278
At December 31, 2021 (As restated - Note 6)	165,638	74,526	2,221,068	2,461,232
Additions	–	11,124	–	11,124
At December 31, 2022	**₱165,638**	**₱85,650**	**₱2,221,068**	**₱2,472,356**
Amortization and Impairment				
At January 1, 2021	₱165,638	₱29,463	₱403,132	₱598,233
Amortization (see Note 31)	–	10,420	–	10,420
At December 31, 2021	165,638	39,883	403,132	608,653
Amortization (see Note 31)	–	9,978	–	9,978
At December 31, 2022	**₱165,638**	**₱49,861**	**₱403,132**	**₱618,631**
Net Book Value				
At December 31, 2022	**₱–**	**₱35,789**	**₱1,817,936**	**₱1,853,725**
At December 31, 2021 (As restated - Note 6)	–	34,643	1,817,936	1,852,579

The Company performs its annual impairment test close to year-end, after finalizing the annual financial budgets and forecasts. The impairment test of goodwill is based on VIU calculations that uses the discounted cash flow model. Cash flow projections are based on the most recent financial budgets and forecast. Discount rates applied are based on market weighted average cost of capital with estimated premium over cost of equity. The carrying amount of goodwill allocated to each of the CGUs and key assumptions used to determine the recoverable amount for the different CGUs are discussed in Note 5.

Based on the impairment test performed for each of the CGUs, there was no impairment loss in 2022 and 2021. The Company did not recognize impairment loss in 2020.

19. **Other Noncurrent Assets**

This account consists of:

	2022	2021
Advances to suppliers and contractors	**₱336,203**	₱278,001
Indemnification assets (see Note 6)	**38,114**	38,114
Refundable deposits (see Note 36)	**10,193**	10,161
Creditable withholding taxes	**7,812**	7,812
Others	**6,857**	7,135
	₱399,179	₱341,223

20. **Notes Payable**

This account consists of notes payable of the following subsidiaries:

	2022	2021
PCC	**₱1,775,000**	₱450,000
UGC	**1,004,103**	460,174
SWU	**–**	20,000
	₱2,779,103	₱930,174

The notes payable are unsecured short-term peso-denominated loans obtained from financial institutions with an annual interest rate ranging between 2.60% to 4.05% and 2.60% to 4.75% in 2022 and 2021, respectively.

Interest expense incurred from notes payable amounted to ₱92.3 million, ₱122.5 million and ₱163.5 million in 2022, 2021 and 2020, respectively (See Note 32).

21. Trade and Other Payables

This account consists of:

	2022	2021
Trade	**₱1,107,394**	₱1,155,666
Accruals for:		
Professional fees and others (see Note 33)	**591,946**	516,924
Personnel costs (see Notes 30 and 33)	**113,109**	152,670
Interest (see Notes 23 and 32)	**73,551**	65,403
Freight, hauling and handling	**45,797**	42,186
Dividends	**185,687**	228,251
Deposit liabilities	**4,874**	7,613
Others	**27,992**	154,422
As at December 31 (as restated)	**₱2,150,350**	₱2,323,135

Trade payables are noninterest-bearing and are normally settled on 30 to 90-day terms.

Accrued expenses and dividends are normally settled within the next financial year.

Dividends payable pertains to dividends not yet claimed by various stockholders. These are expected to be claimed by various stockholders within the next financial year.

Deposit liabilities mainly comprises laboratory deposits, student development fund and alumni fees which are refundable to students. These represent collections from (i) graduating students for their alumni membership fees and alumni identification cards; (ii) Commission on Higher Education (CHED) for their scholars; and (iii) students for their student organizations and club fees. Organizational and club fees are used to defray costs of their activities, printing and other related expenses.

Other liabilities pertain to other unpaid general and administrative expenses which are normally settled throughout the financial year.

22. Contract Liabilities

This account consists of:

	2022	2021
Unearned revenues	**₱1,327,343**	₱1,200,172
Customers' deposits	**89,294**	126,970
	₱1,416,637	₱1,327,142

Unearned revenues pertain to portion of tuition fees received or due from students to which the Company still has an obligation to transfer services to the students within the next financial year. The amount of unearned revenues for a term shall be divided equally by the number of months covered by the term (five months each for the 1st and 2nd semesters and two months for summer). The resulting amount shall be recorded as the amount of tuition and school fees for the month, net of amortization of deferred scholarship and discounts. Total deferred scholarships and discounts amounted to ₱225,368 million and ₱43.8 million as at December 31, 2022 and 2021 presented under the "Input value-added taxes and other current assets" accounts in the statements of financial position.

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

23. Long-term Debt

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

PHN Fixed Rate Bonds due 2024

	2022	2021
Principal	**₱3,000,000**	₱3,000,000
Less debt issuance cost	**27,223**	42,984
	₱2,972,777	₱2,957,016

On May 6, 2021, the Parent Company filed with the SEC a Registration Statement for the proposed offering of three-year fixed rate bonds due 2024 with an aggregate principal amount of up to wo Billion Pesos (₱2,000,000,000.00), with an oversubscription option of up to One Billion Pesos (₱1,000,000,000.00) at an offer price of 100% of face value. This bond offering was authorized by resolutions of the BOD of the Parent Company on March 2, 2021 and the Executive Committee of the Parent Company on April 30, 2021. The Certificate of Permit to offer securities for sale was issued by SEC on August 10, 2021. The interest rate was set at 3.5335% and the offer period commenced at 9:00 a.m. on August 10, 2021 and ended at 5:00 p.m. on August 16, 2021. The Parent Company appointed China Bank Capital Corporation and SB Capital Investment Corporation as Joint Issue Managers and Joint Lead Underwriters; Rizal Commercial Banking Corporation –Trust and Investments Group as the Trustee; and Philippine Depository & Trust Corp. as the Registrar and Paying Agent.

The bonds were listed in the Philippine Dealing & Exchange Corp. on August 20, 2021.

The balance of unamortized debt issuance cost follows:

	2022	2021
Beginning of year	**₱42,984**	₱–
Additions	**–**	48,559
Amortization	**(15,761)**	(5,575)
End of year	**₱27,223**	₱42,984

Long- Term Loans

	2022	2021
PEHI	**₱2,025,080**	₱2,093,000
PHN	**1,950,000**	1,970,000
PCC	**1,288,365**	1,621,223
UGC	**962,500**	524,375
SWU	**589,000**	595,000
UI	**386,000**	192,000
UPANG	**226,933**	253,025
AU	**221,497**	232,220

(Forward)

	2022	2021
COC	**₱150,965**	₱162,342
PSHC	**120,982**	124,957
Phinma Solar	**97,222**	20,000
	8,018,544	7,788,142
Less debt issuance cost	**56,575**	62,043
	7,961,969	7,726,099
Less current portion - net of debt issuance cost	**652,399**	544,032
	₱7,309,570	₱7,182,067

The debt agreements presented in the succeeding pages include, among others, certain restrictions and requirements. The loan agreements with Security Bank Corporation (SBC), Rizal Commercial Banking Corporation (RCBC) and China Banking Corporation (CBC) stipulate, among others, positive and negative covenants which must be complied with by PHN, UGC, PCC, PEHI, AU, COC, UPANG, UI and SWU for as long as the loans remain outstanding. Negative covenants include certain restrictions and requirements, such as maintenance of certain current, debt-to-equity and debt service coverage ratios.

As at December 31, 2022 and December 31, 2021, the Company is in compliance with the required financial ratios and other loan covenants, respectively.

Certain assets amounting ₱4,922 million and ₱5,361.9 million as at December 31, 2022 and 2021, respectively, are mortgaged as collaterals for the respective long-term debts as follows (see Notes 16 and 17):

Entity	Collateral
AU	Land and land improvements in the main campus
COC	Land in the main campus
UPANG	Land and land improvements
UI	Land and land improvements
PCC	Assignment of leasehold rights on the land where the cement terminal is constructed, registration of real estate or chattel mortgage on cement terminal building, equipment and other assets, and assignment of port ownership, right to land lease and rights to foreshore lease
UGC	Land, plant site improvements, buildings and installations and machinery and equipment
PSHC	Land

PEHI's loan agreement with CBC is covered by a negative pledge on the shares of stocks held by PEHI with AU, COC, UPANG, UI and SWU.

The balance of unamortized debt issuance cost follows:

	2022	2021
Beginning of year	**₱62,043**	₱43,830
Additions	**12,440**	30,964
Amortization	**(17,908)**	(12,751)
End of year	**₱56,575**	₱62,043

Interest expense (including amortization of debt issuance costs) pertaining to the long-term debt was presented as part of "Interest expense and other financing charges" account in the consolidated statements of income amounting to ₱556.2 million, ₱502.3 million and ₱434.4 million in 2022, 2021 and 2020, respectively (see Note 32).

The details of long-term loans are summarized below:

.Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10] December 31, 2022	Outstanding Amounts[10] December 31, 2021
PEHI	₱1,500,000[1]	December 7, 2015	RCBC	28 equal quarterly payments of ₱3.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 7, 2019.	December 7, 2025	First five years is based on the three-day average of five-year Philippine Dealing System Treasury Reference Rate (PDST-R2) plus a 1.35% spread or 5.00%, whichever is higher, and to be repriced at the end of the fifth year for the remaining five years at an interest rate based on the interest rate then current or the applicable five-year benchmark rate plus 1.35% spread or 5.00%, whichever is higher.	December 7, 2015	₱500,000	**₱433,375**	₱446,372
PEHI		December 7, 2015	RCBC	28 equal quarterly payments of ₱6.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 7, 2019.	December 7, 2025	First seven years is based on the three-day average of seven-year PDST-R2 plus a 1.40% spread or 5.00%, whichever is higher, and to be repriced at the end of the seventh year for the remaining three years at an interest rate based on the interest rate then current or the applicable three-year benchmark rate plus 1.40% spread or 5.00%, whichever is higher.	December 7, 2015	900,000	**769,255**	791,251
PEHI	1,000,000[1]	December 1, 2015	CBC	28 equal quarterly payments of ₱3.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 8, 2019.	December 8, 2025	First five years is based on the three-day average of five-year PDST-R2 plus a 1.35% spread or 5.00%, whichever is higher, and to be repriced at the end of the fifth year for the remaining five years at an interest rate based on the interest rate then current or the applicable five-year benchmark rate plus 1.35% spread or 5.00%, whichever is higher.	December 8, 2015	500,000	**441,901**	456,048
PEHI	₱364,000[21]	December 27, 2021	RCBC	16 equal quarterly payments of ₱2.73 million with the remaining balance to be paid on maturity date. First principal payment will commence on March 27, 2022.	December 7, 2025	Nominal interest rate of 4.85%	December 27, 2021	364,000	**351,016**	361,277
(Forward)										
COC	100,000[2]	March 27, 2013	CBC	40 equal quarterly payments of ₱1.3 million. First principal	March 27, 2023	Nominal interest rate of 5.81% from March 27, 2013 to March 27, 2018, 6.05% from March 27, 2018 to March	March 27, 2013	₱50,000	**₱1,251**	₱6,268

.Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts(10): December 31, 2022	Outstanding Amounts(10): December 31, 2021
				payment commenced on June 27, 2013.		27, 2020 and 6.30% from March 27, 2020 to March 27, 2023 with the EIR of 6.12% over 365 days.				
COC		July 18, 2013	CBC	39 equal quarterly payments of ₱1.3 million. First principal payment commenced on June 27, 2013.	March 27, 2023	Nominal interest rate of 5.81% from July 18, 2013 to June 27, 2018, 6.05% from June 27, 2018 to June 27, 2020 and 7.38% from June 27, 2020 to March 27, 2023 with the EIR of 6.07% over 365 days.	July 18, 2013	50,000	**1,284**	6,434
COC	125,000(3)	June 24, 2018	CBC	28 unequal quarterly payments as follows: 8 quarterly installments of ₱0.3 million from October 9, 2021 to July 9, 2023; 8 quarterly installments of ₱1.6 million from October 9, 2023 to July 9, 2025; 8 quarterly installment of ₱3.1 million from October 9, 2025 to July 9, 2027 and 4 quarterly installments of ₱21.3 million from October 9, 2027 to July 9, 2028. First principal payment will commence on July 9, 2021.	July 9, 2028	Fixed rate of 6.25% p.a. for the first five years; for remaining five years, higher of applicable five-year PDST-R2 plus a spread of up to 100 bps or 6.25% p.a.	July 9, 2018	125,000	**123,003**	124,224
COC	25,000(4)	April 13, 2018	Private funder	One-time payment at maturity date of April 13, 2023.	April 13, 2023	Interest rate at 6.25% per annum payable until fully paid.	April 13, 2018	25,000	**25,000**	25,000
UI	200,000(5)	December 12, 2017	CBC	Principal payments will be the same with the first drawdown. As per agreement both the first and second drawdown will be repaid at the same dates and terms.	December 20, 2027	Fixed for the first seven years. Applicable seven- year PDST-R2 a spread up to 1.25%, and for the remaining three years, the applicable three-year PDST-R2 plus a spread up to 1.25%.	April 24, 2018	100,000	**92,556**	95,467

(Forward)

UI	200,000(5)	October 14, 2022	CBC	Quarterly principal payments as follows: 1.5 million per quarter from the beginning of the 3rd year drawn	December 18, 2032	For the first seven years, from the initial drawn date to the end of the 7th year. Interest shall be based on the sum of the applicable 7-year benchmark and	October 18, 2022	₱200,000	**₱198,582**	₱–

.Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts(10): December 31, 2022	Outstanding Amounts(10): December 31, 2021
						margin. For the next 3 years: from the beginning of the 8th year to final maturity date - sum of the applicable 3-year benchmark and the margin.				
AU	57,000(6)	November 29, 2019	CBC	20 equal quarterly payments of ₱3.0 million with the remaining balance to be paid on maturity date. First principal payment commenced on February 29, 2020.	November 29, 2024	Fixed rate for the first five years based on five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT.	November 29, 2019	53,700	**21,351**	31,939
AU	100,000(6)	November 29, 2019	CBC	27 equal quarterly payments of ₱1.5 million starting from November 29, 2022 to May 5, 2029 with the remaining balance of ₱60.3 million to be paid on maturity date. First principal payment will commence on February 28, 2023.	November 29, 2029	Fixed rate for the first five years based on the five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT. Interest rate is subject for repricing for the remaining five years based on: i. Initial interest rate; or ii. Then prevailing five-year Benchmark rate plus interest spread, whichever is higher.	November 29, 2019	100,000	**99,315**	99,059
AU	₱100,000(6)	November 29, 2019	CBC	28 unequal quarterly payments as follows: 8 quarterly installments of ₱2.5 million from February 28, 2023 to November 29, 2024; 16 quarterly installments of ₱3.8 million from February 28, 20205 to November 29, 2028 and 4 quarterly installment of ₱5.0 million from February 28, 2029 to November 29, 2029. First principal payment will commence on February 28, 2023.	November 29, 2029	Fixed rate for the first five years based on the five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT. Interest rate is subject for repricing for the remaining five years based on: i. Initial interest rate or ii. Then prevailing five-year Benchmark rate plus interest spread, whichever is higher.	November 29, 2019	100,000	**99,357**	99,086
(Forward)										
UPANG	190,000(7)	March 27, 2018	CBC	32 unequal quarterly payments as follows: ₱1.9 million from June 27, 2020 to March 27, 2022;	March 27, 2028	Interest shall be payable quarterly in arrears from February 27, 2018 to June 27, 2018 (92 days) shall be at 6.50% inclusive of GRT fixed for the first	March 27, 2018	₱190,000	**₱165,554**	₱175,844

.Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10] December 31, 2022	Outstanding Amounts[10] December 31, 2021
				₱2.9 million from June 27, 2022 to March 27, 2025; ₱4.8 million from June 27, 2025 to March 27, 2027; and ₱25.7 million from June 27, 2027 to March 27, 2028..		five years. Interest shall be based on five-year PDST-R2 (5.22% + 122 bps + 1% GRT. The interest rate for the remaining five years of the loan shall be the PDST-R2 plus a spread of up to 125 bps or 6.50% whichever is higher.				
UPANG Urdaneta	100,000[7]	September 29, 2015	RCBC	28 quarterly payments, to commence at the end of the 13th quarter from the initial drawdown date.	September 29, 2025	Interest shall be payable quarterly in arrears. i. Fixed rate for the first seven (7) years of the term based on three-day average of seven-year PDST-R2 + 1.42%, subject to repricing at the end of the seventh year; and ii. On the last three years of the term, the interest rate shall be based on the interest rate then current or the three-day average of three-year PDST-R2 + 1.42%, whichever is higher.	September 29, 2015	100,000	**60,488**	76,045
SWU	₱400,000[8]	December 6, 2017	RCBC	28 quarterly payments of ₱1.0 million. First principal payment will commence on March 7, 2021.	December 7, 2027	Interest is payable quarterly in arrears, commencing at the end of the first quarter from the initial drawdown date. Interest shall be fixed at 6.66% from years one to five and at 6.94% onwards until maturity.	December 7, 2017; December 20, 2017; March 29, 2018	100,000 200,000 100,000	**97,915** **195,831** **97,915**	98,887 198,193 98,822
SWU	200,000[8]	April 18, 2018	CBC	28 equal quarterly payments of ₱0.5 million with the remaining balance to be paid on maturity date. First principal payment will commence on July 18, 2021.	April 18, 2028	Fixed for the first five years, applicable five-year PDST-R2 plus a spread of up to 125 bps. For the remaining five years, applicable five-year PDST-R2 plus a spread of up to 125 bps.	April 18, 2018	200,000	**196,829**	197,773

(Forward)

.Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10] December 31, 2022	Outstanding Amounts[10] December 31, 2021
PHN	2,000,000[9]	May 23, 2017	SBC	Principal repayment shall commence at the end of the 3rd year from initial drawdown date until	May 21, 2027	Interest rate is equivalent to: i) the applicable 10-year PDST-R2 Benchmark Rate plus an interest spread of 125 basis points per annum	May 23, 2017	₱2,000,000	**₱1,942,344**	₱1,960,818

.Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10]: December 31, 2022	Outstanding Amounts[10]: December 31, 2021
				maturity date; balloon payment amounting to ₱1.9 billion or 94% of principal amount on maturity date.		(1.25% p.a.), and ii) 6.25% p.a., whichever is higher.				
UGC	1,000,000[22]	February 18, 2022	BDO	Principal amortization commence 3 months after drawdown date and every quarter thereafter and shall be paid based on 1.25% every quarter for 4 years and the remaining 80% paid in balloon upon maturity	February 18, 2027	Interest rate is based on 3Y BVAL 3.3618+ spread 1.25%= 4.6118% + 5% GRT = 4.8545%	February 18, 2022	1,000,000	**954,206**	–
UGC	400,000[11]	July 12, 2018	BDO	40 quarterly payments of ₱10.0 million	July 13, 2028	First 5 years is based on the 5 year interest rate basis prevailing on the relevant interest setting date plus a margin of 1.00% per annum (“initial interest rate”) divided by 0.99 or 5.50% per annum divided by 0.99, whichever is higher, and to be repriced at the end of 5th year for the remaining 5 years at an interest rate based on 5 year interest rate basis prevailing on the relevant interest setting date plus a margin of 1.00% per annum divided by 0.95 or the initial interest rate divided by 0.95, whichever is higher.	July 13, 2018	400,000	–	272,187
UGC	₱100,000	July 12, 2018	SBC	40 quarterly payments of ₱2.5 million	July 13, 2028	First 5 years based on the 5-year Peso Benchmark Rate plus 1% spread, subject to the following floor rates of 6.40% for drawdowns made on or before June 7, 2018 or 6.45% for drawdowns made after June 7, 2018 and to be repriced at the end of the fifth year at an interest rate equivalent to the higher of the 5- year Peso Benchmark Rate on repricing date plus 1% spread and interest rate for the first 5 years.	July 13, 2018	100,000	–	66,928
(Forward)										
UGC	218,750[12]	July 19, 2016	BDO	28 equal quarterly payments of ₱4.4 million with the remaining balance to be paid on maturity date	July 20, 2023	Interest rate is based on the 7-year Philippine Dealing System Treasury (PDST)-R2 plus a 1.40% spread or 5.5%, whichever is higher. No	March 25, 2013	₱218,750	**₱–**	₱126,486

.Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts(10) December 31, 2022	Outstanding Amounts(10) December 31, 2021
						repricing of interest rate from amendment date to maturity date.				
UGC	75,000(13)	November 3, 2015	BDO	40 equal quarterly payments	November 3, 2025	First 5 years is based on the 5-year PDST-R2 plus a 1.4% spread or 5.5%, whichever is higher, and on year 5 based on a rate to be negotiated by the Parties within 30 banking days prior to the interest repricing date.	November 3, 2015	75,000	–	29,844
UGC	75,000(13)	November 12, 2015	SBC	40 equal quarterly payments	November 5, 2025	First 5 years is based on the 3-day average of the 5-year PDST-R2 plus a 1.35% spread or 5.5%, whichever is higher, and to be repriced at the end of the fifth year for the remaining 5 years at an interest rate based on the 3-day average of the 5-year PDST-R2 plus a 1.35% spread or the interest rate set for the first 5 years, whichever is higher.	November 12, 2015	75,000	**–**	29,844
PCC	₱875,000(14,15)	June 1, 2018	SBC	14 equal quarterly payments (16)	October 25, 2023	Interest rate is based on the 5-year PDST-R2 reference rate for securities with 5-year tenor plus 1.25% spread, subject to floor rate of 5.5% per annum. No repricing of interest rate from availment date to maturity date.	October 25, 2018 January 03, 2019 January 22, 2019 January 25, 2019 April 26, 2019 May 21, 2019 July 5, 2019 September 4, 2019	160,000 160,000 59,000 65,000 18,555 81,439 251,977 51,418	**45,567** **45,602** **16,833** **18,549** **5,281** **23,234** **71,888** **14,667**	90,822 90,966 33,616 37,049 10,517 46,395 143,551 29,285
PCC	720,000(17)	February 26, 2021	SBC	8 quarterly principal payments of ₱10.3 million, 9 quarterly principal payments of ₱20.5 million and remaining balance to be paid at maturity date	June 13, 2025	Interest rate of 6.73% GRT inclusive, fixed rate up to maturity	February 26, 2021	369,363	**286,004**	326,261
(Forward)										
PCC				8 quarterly principal payments of ₱9.7 million, 9 quarterly principal payments of ₱19.5 million and		Interest rate of 6.84% GRT inclusive, fixed rate up to maturity		₱350,637	**₱271,504**	₱309,720

.Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10] December 31, 2022	Outstanding Amounts[10] December 31, 2021
				remaining balance to be paid at maturity date						
PCC	500,000[18]	March 19, 2021	SBC	20 unequal quarterly payments as follows: ₱1.0 million from September 30, 2021 to December 29, 2021; ₱2.5 million from March 30, 2022 to December 29, 2022; ₱5.0 million from March 30, 2023 to December 29, 2023; ₱58.4 million from March 29, 2024 to December 27, 2024; ₱49.2 million from March 28, 2025 to December 29, 2025 and ₱36.8 million on March 30, 2026.	March 30, 2026	Interest rate of 5.1% GRT inclusive, fixed rate up to March 29, 2024 and for the remaining two years, the applicable two-year BVAL plus 40 bps, subject to a floor rate of 5.1%	March 19, 2021	500,000	**484,899**	493,961
Phinma Solar	₱20,000[19]	June 25, 2021	DBP	Principal repayment to commence at the end of the fifth (5th) quarter from date of Initial Draw Down. Principal shall be payable in thirty-six equal quarterly installments.	August 13, 2031	4.875% (4.924% GRT inc.) for the 1st 5 years. Next 5 years based on the relevant 5YR BVAL + 1% spread with a floor rate not lower than the rate prior to repricing (4.875%). Interest to be paid on quarterly basis	August 31, 2021	₱20,000	**₱18,164**	₱20,000
Phinma Solar	80,000[23]	April 21, 2022	DBP	Principal repayment to commence at the end of the sixth (6) months from date of Draw Down. Principal shall be payable in thirty-six equal quarterly installments.	August 13, 2031	With regular interest of 6.37710%	April 21, 2022	80,000	**78,378**	–
PSHC	154,000[20]	July 15, 2006	UPPC	Annual installment payments of ₱4 million for 32 years starting December 31, 2021.	December 31, 2052	The effective interest rate after the modification of term is 6.80%	July 15, 2006	154,000	**120,982**	124,957
	Total								**₱7,961,969**	₱7,726,099

[1] *The purpose of this debt is to finance the acquisition of majority ownership in AU, COC, UPANG, UI and SWU by PEHI.*
[2] *The purpose of this debt is to finance various capital expenditures of COC.*
[3] *The purpose of this debt is to finance the expansion and development plans of COC.*
[4] *The purpose of this debt is for general funding requirements of COC.*
[5] *The purpose of this debt is to finance the expansion and development plans including school building upgrades and improvement of existing facilities of UI.*
[6] *The purpose of this debt is to finance various capital expenditures and to refinance existing obligations of AU.*

[7] *The purpose of this debt is to finance various capital expenditures and to refinance existing obligations of UPANG and subsidiary.*
[8] *The purpose of this debt is to finance the building development, expansion and purchase of equipment for SWU's Hospital and building developments of SWU.*
[9] *The purpose of this loan is to refinance investments in subsidiaries and other general corporate purposes.*
[10] *Amounts are net of unamortized debt discount and/or debt issue cost.*
[11] *The purpose of this loan is to refinance the outstanding loan of the UGC with SBC in the principal amount of ₱182.3 million and to finance general working capital requirements, and acquisition of equipment and plant structural components of UGC.*
[12] *The purpose of this amended loan is to extend maturity date of old loan to July 20, 2023.*
[13] *The purpose of this loan is to finance plant expansions in Calamba, Davao and Pampanga.*
[14] *The purpose of this loan is to partially finance construction of an integrated cement processing terminal in Mariveles, Bataan, permanent working capital requirements and importation of equipment.*
[15] *Availment of loan is staggered based on pre-agreed drawdown schedule during the availability period.*
[16] *The quarterly installment will commence at the end of the sixth quarter following the initial drawdown date of October 25, 2018.*
[17] *The purpose of this loan is to partially finance the acquisition of Phase 2 port terminal. This is a continuation of the remaining tenor with the original SNPSI loan.*
[18] *The purpose of this loan is to refinance short-term project costs and finance the mixer facility.*
[19] *The purpose of this loan is to finance the general corporate requirements of the rooftop solar projects.*
[20] *The purpose of this loan is to finance the acquisition of land from UPPC.*
[21] *The purpose of this loan is to refinance the loan used to partially finance the investment through acquisition by PEHI of majority stock ownership in AU, COC, UPANG, UI and SWU.*
[22] *The purpose of this loan is to refinance the outstanding loan of UGC with BDO and convert the short term loans to long-term loans.*
[23] *The purpose of this loan is to finance the general corporate requirements of the rooftop solar projects.*

24. **Equity**

a. Capital Stock

The composition of the Parent Company's capital stock as at December 31, 2022 and 2021 is as follows:

	Number of Shares	
	2022	2021
Preferred - cumulative, nonparticipating, ₱10 par value		
Class AA - Authorized	**50,000,000**	50,000,000
Class BB - Authorized	**50,000,000**	50,000,000
Issued and subscribed	**–**	–
Common - ₱10 par value		
Authorized	**420,000,000**	420,000,000
Issued	**286,303,550**	286,303,550
Subscribed	**39,994**	39,994
Issued and subscribed	**286,343,544**	286,343,544
Treasury shares	**18,279**	14,427,179

The issued and outstanding shares as at December 31, 2022 and 2021 are held by 1,218 and 1,223 equity holders respectively.

Capital stock presented in the consolidated statements of financial position is net of subscription receivable amounting to ₱0.1 million as at December 31, 2022 and 2021.

The following summarizes information on the Parent Company's track record of registration of securities under the Securities Regulation Code:

Date of SEC Approval	Authorized Shares	Issue/Offer Price
March 12, 1957	1,200,000	₱10
June 12, 1968	1,000,000	10
April 7, 1969	800,000	10
January 21, 1980	2,000,000	10
November 3, 1988	10,000,000	10
October 13, 1992	25,000,000	10
June 3, 1995	60,000,000	10
March 16, 1999	320,000,000	10

b. Retained Earnings

Appropriated

On February 28, 2020, the BOD reversed the appropriation of retained earnings made in 2018 in the amount of ₱1.3 billion for the investment in the Education and Construction Materials business, and buyback of shares. In addition, an appropriation was made for the investment in the Construction Materials business until December 31, 2020 amounting to ₱2.25 billion. Another ₱165.5 million of the retained earnings was appropriated for the buyback of PHN shares until February 28, 2022.

On March 2, 2021, the BOD reversed the appropriation of retained earnings made in 2020 in the amount of ₱2.25 billion for the investment in the Construction Materials business.

On November 10, 2021, an appropriation was made for the investment in Construction Materials business until December 31, 2022 amounting to ₱1.1 billion. Another ₱500.0 million of the retained earnings was appropriated for the Education business until December 31, 2022.

Unappropriated

On February 28, 2020, the Parent Company's BOD declared a cash dividend of ₱0.40 per share or an equivalent of ₱109.0 million, to all common shareholders of record as at March 17, 2020. The cash dividends were paid on March 27, 2020.

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

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

The balance of retained earnings includes Parent Company's accumulated equity in net earnings of subsidiaries and associates which are not currently available for dividend declaration until declared by the respective subsidiaries and associates amounting to ₱1,607.9 million and ₱943.7 million as at December 31, 2022 and 2021, respectively.

c. Buyback of Shares

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

In 2022, 2021 and 2020, the Parent Company bought back shares 23,000 shares, 456,600 shares and 215,800 shares which amounted to ₱0.5 million, ₱7.2 million and ₱1.9 million, respectively.

d. Put Option over Non-controlling Interests

In 2020, Asian Development Bank invested amounting to ₱625.0 million for 1.1 million shares of PEHI. As a result, additional non-controlling interest put liability is recognized amounting to ₱450.0 million.

Accretion of interest of non-controlling interest put liability amounted to ₱325.4 million and ₱277.0 million as at December 31, 2022 and 2021, respectively.

e. Sale of Treasury Shares

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

25. **Revenue from Contracts with Customers**

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

	2022	2021	2020
Revenue source:			
Sale of goods	**₱13,693,488**	₱12,452,783	₱9,837,225
Tuition, school fees and other services	**3,347,985**	3,087,927	1,711,509
Hospital routine services	**182,124**	179,029	151,337
Installation services	**65,017**	75,360	472,914
Consultancy services	**45,419**	25,034	2,125
Total revenue from contracts with customers	**₱17,334,033**	₱15,820,133	₱12,175,110
Timing of recognition:			
Goods transferred at a point in time	**₱13,693,488**	₱12,452,783	₱9,837,225
Services transferred over time	**3,640,545**	3,367,350	2,337,885
Total revenue from contracts with customers	**₱17,334,033**	₱15,820,133	₱12,175,110

"Others - net" in the consolidated statement of income includes miscellaneous income which consists of miscellaneous cash receipts. In 2022, 2021 and 2020, miscellaneous income amounted to ₱42.2 million, ₱23.6 million and ₱51.1 million, respectively.

Contract balances

	2022	2021
Trade receivables	**₱4,384,912**	₱4,319,605
Contract liabilities	**1,416,637**	1,327,142

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

Contract liabilities include unearned revenue from tuition, school and other service fees and deposits from customer for future goods and services. Contract liabilities amounting to ₱1,416.6 million as at December 31, 2022 are expected to be recognized as revenue within one year upon completion of the school term and delivery of roofing and other steel products or performance of installation service (see Note 22).

26. Investment Income

This account consists of:

	2022	2021	2020
Interest income on:			
Financial assets at fair value through profit or loss	**₱209,081**	₱118,939	₱–
Cash and cash equivalents (see Note 9)	**29,599**	7,823	17,233
Receivables	**9,898**	5,104	–
Due from related parties and others	**385**	320	473
Investments held for trading (see Note 10)	–	–	6,862
	248,963	132,186	24,568
Net gains from investments held for trading (see Note 10)	**11,737**	15,970	27,854
Dividend income	**201**	224	194
	₱260,901	₱148,380	₱52,616

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

This account consists of:

	2022	2021	2020
Cost of sales	**₱11,681,409**	₱10,147,777	₱7,684,394
Cost of educational services	**1,437,469**	1,202,971	849,006
Cost of hospital services	**121,577**	124,731	118,287
Cost of installation services	**54,753**	63,425	390,190
Cost of consultancy services	–	–	19,887
	₱13,295,208	₱ 11,538,904	₱9,061,764

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

	2022	2021	2020
Inventories used (see Note 12)	**₱10,372,128**	₱8,868,376	₱7,187,400
Personnel costs (see Note 30)	**1,173,309**	976,817	775,101
Depreciation (see Note 31)	**518,944**	507,853	409,297
Packaging materials	**322,819**	320,810	89,940
Power and fuel	**125,016**	123,851	69,544
Laboratory and school supplies	**80,228**	83,976	74,694
Rent (see Note 38)	**88,707**	81,151	88,046
Repairs and maintenance	**82,896**	69,481	37,183
Installation cost	**58,059**	31,789	24,934
Subscription	**50,650**	87,981	34,866
Review expenses	**33,054**	26,697	5,689
School affiliations and other expenses	**30,551**	5,528	5,910
Graduation expenses	**28,615**	20,135	17,843

(Forward)

	2022	2021	2020
School materials, publication and supplies	**₱12,171**	₱7,197	₱6,820
Accreditation expenses	**2,077**	2,315	1,198
Sports development and school activities	**2,744**	1,379	1,690
Educational tour expenses	**–**	909	16,788
Others	**313,240**	322,659	214,821
	₱13,295,208	₱11,538,904	₱9,061,764

28. **General and Administrative Expenses**

This account consists of:

	2022	2021	2020
Personnel costs (see Notes 30 and 33)	**₱897,014**	₱871,284	₱545,280
Professional fees and outside services (see Note 33)	**370,678**	179,209	274,049
Provision for ECLs (see Note 11)	**178,805**	185,897	168,492
Depreciation and amortization (see Note 31)	**89,891**	80,545	69,977
Utilities	**78,484**	40,048	40,432
Taxes and licenses	**77,418**	55,208	59,592
Security and janitorial	**74,145**	64,071	63,578
Transportation and travel	**31,767**	8,734	13,210
Donations	**29,604**	16,183	9,552
Rent (see Note 38)	**24,821**	22,313	24,405
Insurance	**18,620**	15,321	16,186
Office supplies	**18,239**	10,920	8,100
Meetings and conferences	**14,037**	3,974	3,761
Repairs and maintenance	**10,086**	6,339	5,599
Communications	**6,301**	10,756	9,918
Advertising and promotions	**2,987**	1,579	1,016
Others	**107,929**	107,733	82,706
	₱2,030,826	₱1,680,114	₱1,395,853

29. **Selling Expenses**

This account consists of:

	2022	2021	2020
Personnel costs (see Note 30)	**₱217,339**	₱238,625	₱210,866
Freight, handling and hauling	**94,044**	79,466	74,575
Advertising	**50,055**	65,080	34,557
Transportation and travel	**31,131**	18,507	17,840
Taxes and licenses	**30,198**	31,497	32,246
Outside services	**22,084**	18,963	31,087
Commission	**21,055**	22,478	30,585

(Forward)

	2022	2021	2020
Depreciation (see Note 31)	**₱20,349**	₱15,164	₱17,403
Insurance	**18,404**	26,215	6,312
Repairs and maintenance	**8,402**	6,186	4,874
Supplies	**4,977**	10,640	9,862
Postage, telephone and telegraph	**4,070**	19,095	11,795
Rental and utilities	**2,551**	2,426	2,758
Entertainment, amusement and recreation	**1,673**	2,498	2,730
Others	**8,193**	6,728	11,270
	₱534,525	₱563,568	₱498,760

30. Personnel Expenses

This account consists of:

	2022	2021	2020
Salaries, employee benefits and bonuses	**₱2,150,173**	₱1,985,948	₱1,468,122
Pension and other post-employment benefits (see Note 35)	**103,368**	79,732	55,924
Training	**17,415**	9,602	6,150
Others	**16,706**	11,444	1,051
	₱2,287,662	₱2,086,726	₱1,531,247

31. Depreciation and Amortization

	2022	2021	2020
Property, plant and equipment and investment properties (see Notes 16 and 17):			
Cost of sales, educational, installation, hospital, and consultancy services (see Note 27)	**₱463,474**	₱437,310	₱352,850
General and administrative expenses (see Note 28)	**52,403**	51,498	55,615
Selling expenses (see Note 29)	**13,352**	5,322	10,093
Intangible assets (see Note 18):			
General and administrative expenses (see Note 28)	**9,053**	8,533	2,890
Selling expenses (see Note 29)	**925**	1,887	813

(Forward)

	2022	2021	2020
Right-of-use assets (see Note 38):			
Cost of sales, educational, hospital installation and consultancy services (see Note 27)	**₱55,470**	₱70,543	₱56,447
General and administrative expenses (see Note 28)	**28,435**	20,514	11,472
Selling expenses (see Note 29)	**6,072**	7,955	6,497
	₱629,184	₱603,562	₱496,677

32. Interest Expense and Other Financing Charges

This account consists of:

	2022	2021	2020
Interest expense on long-term debts (see Note 23)	**₱556,219**	₱502,281	₱434,424
Interest expense on notes payable (see Note 20)	**92,265**	122,542	163,497
Interest expense on lease liabilities (see Note 38)	**19,646**	22,523	23,363
Other financing charges	**20,060**	1,902	5,484
	₱688,190	₱649,248	₱626,768

33. Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions and the parties are subject to common control. Related parties may be individual or corporate entities.

The Company has a policy that requires approval of related party transaction by the Audit and Related Party Transactions Committee of the BOD when these breach certain limits and/or when these are not of a usual nature.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2022, 2021 and 2020, the Company’s impairment of receivables from related parties amounted to nil. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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

2022

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

2021

Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 11)	Terms	Conditions
Ultimate Parent						
PHINMA Inc.	Share in expenses, management fees and bonus	₱280,141	₱130,456	₱686	Noninterest-bearing	Unsecured, no impairment
Associates						
PPHC	Share in expenses	1,575	–	3,139	Noninterest-bearing	Unsecured, no impairment
APHI	Share in expenses	6	–	6	Noninterest-bearing	Unsecured, no impairment
Other related parties						
PHINMA Hospitality Inc.	Subscription	–	52,000	–	Noninterest-bearing	Unsecured, no impairment
T-O Insurance Brokers, Inc., PHINMA Hospitality Inc., MDC, PHINMA Foundation, Inc. Phinma Prism	Share in expenses	19, 259	363	7,575	Noninterest-bearing	Unsecured, no impairment
PTC Myanmmar, IPM	Share in expenses	17	59	1,523	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy Fee	3,152	–	800	Noninterest-bearing	Unsecured, no impairment
			₱182,878	₱13,729		

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

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

Management fees and bonuses, presented as "Professional fees and outside services" under "General and administrative expenses" account, amounted to ₱210.2 million, ₱63.3 million and ₱127.7 million in 2022, 2021 and 2020, respectively (see Note 28). The related unpaid amount, presented as "Accruals for professional fees and others" under "Trade and other payables" account in the consolidated statements of financial position, amounted to ₱93.1 million and ₱38.5 million as at December 31, 2022 and 2021, respectively (see Note 21).

PHN, UGC, UI and AU recognized bonus to directors computed based on net income with pre-agreed adjustments. Directors' bonus, presented in "Personnel costs" under "General and administrative expenses" account, amounted to ₱77.7 million, ₱102.5 million and ₱111.3 million in 2022, 2021 and 2020, respectively (see Note 28). The related unpaid amount, presented in "Accruals for personnel costs" under "Trade and other payables" account in the consolidated statements of financial position, amounted to ₱53.4 million and ₱58.5 million as at December 31, 2022 and 2021, respectively (see Note 21).

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

	2022	2021	2020
Short-term employee benefits	**₱263,476**	₱189,558	₱240,879
Post-employment benefits (see Note 35):			
Retirement benefits	**10,031**	15,945	49,936
Vacation and sick leave	**3,189**	1,900	3,827
	₱276,696	₱207,403	₱294,642

34. **Income Taxes**

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

	2022	2021
Deferred tax assets:		
NOLCO	**₱247,724**	₱109,546
Lease liabilities	**67,689**	74,238
Pension liability	**37,936**	35,464
Allowance for ECLs	**32,830**	33,234
Accrued expenses	**23,974**	22,276
Management bonus	**2,576**	7,003
Allowance for inventory write-down	**2,295**	2,754
Others	**6,349**	1,751
	421,373	286,266
Deferred tax liabilities:		
Fair value adjustments on property, plant and equipment of subsidiaries acquired	**(426,423)**	(446,145)
Unrealized gain on change in fair value of financial assets at FVPL and derivative asset	**(119,788)**	(56,381)
Accrued income	**(82,005)**	(29,735)
Right-of-use assets	**(62,282)**	(67,273)
Excess of capital expenditures over depreciation	**(25,019)**	(25,019)
Unamortized debt issuance costs	**(3,846)**	(2,585)
Unrealized foreign exchange gain	**(387)**	(1,190)
Unamortized capitalized borrowing cost	**(392)**	(455)
Others	**(23)**	(104)
	(720,165)	(628,887)
	(₱298,793)	(₱342,621)

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

	2022	2021
Deferred tax assets - net	**₱127,736**	₱101,013
Deferred tax liabilities - net	**(426,529)**	(443,634)
	(₱298,793)	(342,621)

The Company's deductible temporary differences, unused NOLCO and MCIT for which no deferred tax assets are recognized in the consolidated statements of financial position, are as follows:

	2022	2021
NOLCO	**₱311,423**	₱745,046
Allowance for impairment loss	**203,874**	203,874
Allowance for ECLs	**122,172**	122,172
Accrued personnel costs and employee benefits	**41,905**	81,118

(Forward)

	2022	2021
Unrealized loss on change in fair value of FVOCI	**₱19,426**	₱5,503
Unamortized past service cost	**18,592**	17,825
MCIT	**2,626**	2,770
Pension liability	**2,105**	7,930
	₱722,123	₱1,186,238

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

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

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

MCIT totaling ₱3.5 million can be deducted against RCIT due while NOLCO totaling ₱1,063.9 million can be claimed as deduction against taxable income, as follows:

		Amount	
Date Paid/Incurred	Expiry Date	MCIT	NOLCO
December 31, 2020	December 31, 2023	₱1,360	₱–
December 31, 2020	December 31, 2025	–	268,771
December 31, 2021	December 31, 2024	596	–
December 31, 2021	December 31, 2026	–	473,872
December 31, 2022	December 31, 2025	1,584	321,298
		₱3,540	₱1,063,941

MCIT amounting to ₱1.2 million expired in 2022 and 2021, respectively. Expired NOLCO amounted ₱311.5 million and ₱249.9 million in 2022 and 2021. No MCIT and NOLCO were claimed as deduction against regular taxable income in 2022 and 2021.

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

	2022	2021	2020
Applicable statutory tax rate	**25.0%**	25.0%	30.0%
Income tax effects of:			
Income of school's subject to lower income tax rate of 10%/1%	**(13.1)**	(13.5)	(2.0)

(Forward)

	2022	2021	2020
Change in unrecognized deferred tax assets and others	**9.0**	(6.1)	(10.3)
Equity in net earnings of associates and joint ventures	**(0.9)**	(0.4)	(0.1)
Interest income subjected to lower final tax rate	**(0.7)**	(0.1)	(1.2)
Effective tax rates	**1.3%**	4.9%	16.4%

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

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

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Proprietary educational institutions and hospitals which are nonprofit previously subject to a tax of 10% on their taxable income, shall be imposed a tax rate of 1% beginning July 1, 2020 until June 30, 2023.

Applying the provisions of the CREATE Act, the Company, except the schools, has been subjected to the lower RCIT rate of 25% of taxable income or the reduced MCIT rate of 1% of gross income, effective July 1, 2020.

The Company recognized in its comprehensive income for the year ended December 31, 2021, a reduction in Provision for income tax (current and deferred), Deferred tax on comprehensive income directly charged to Equity and Deferred tax income tax assets - net amounting to ₱3.9 million, ₱0.3 million and ₱12.1 million, respectively, pertaining to the one-time impact of CREATE for the year ended December 31, 2020.

35. Pension and Other Post-employment Benefits

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

	2022	2021
Net pension liability	**₱196,059**	₱194,312
Vacation and sick leave	**79,502**	65,008
Defined contribution plan	**39**	(101)
	₱275,600	₱259,219

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

	2022	2021	2020
Net pension expense	**₱76,191**	₱66,091	₱37,008
Vacation and sick leave	**26,499**	12,775	18,043
Defined contribution plan	**678**	866	873
	₱103,368	₱79,732	₱55,924

A. Pension Benefit Obligation

The following tables summarize the components of net pension expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated statements of financial position for the respective plans.

Net pension expense consists of:

	2022	2021	2020
Current service cost	**₱62,415**	₱60,858	₱53,659
Net interest cost	**13,364**	5,233	11,993
Past service cost (credit)	**412**	–	(28,644)
Net pension expense	**₱76,191**	₱66,091	₱37,008

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

	2022	2021
Present value of defined benefit obligation	**₱531,538**	₱541,312
Fair value of plan assets	**(335,479)**	(347,000)
Pension liability	**₱196,059**	₱194,312

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

	2022	2021
Balance at beginning of year	**₱541,312**	₱566,320
Benefits paid from plan assets	**(44,201)**	(106,884)
Current service cost	**62,415**	60,858
Interest cost on defined benefit obligation	**22,434**	20,390
Benefits paid from operating funds	**(23,804)**	(13,182)
Acquisition / deconsolidation of subsidiaries	**192**	1,503
Past service cost	**412**	–
Actuarial (gains) losses:		
Experience adjustments	**30,609**	34,016
Changes in financial assumptions	**(38,078)**	(21,709)
Changes in demographic assumptions	**(19,753)**	–
Balance at end of year	**₱531,538**	₱541,312

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

	2022	2021
Balance at beginning of year	**₱347,000**	₱382,035
Benefits paid	**(44,201)**	(106,884)
Actual contributions	**41,844**	47,337
Interest income included in net interest cost	**9,070**	15,157
Actual return excluding amount included in net interest cost	**(18,426)**	8,442
Net acquired assets due to employee transfers	**192**	913
Balance at end of year	**₱335,479**	₱347,000
Actual return (deficit) on plan assets	**(₱9,356)**	₱23,599

Change in net pension liability are as follows:

	2022	2021
Balance at beginning of year	**₱194,312**	₱184,285
Pension expense	**76,192**	66,091
Contributions	**(41,844)**	(47,337)
Benefits paid from operating fund	**(23,804)**	(13,182)
Remeasurements in OCI	**(8,797)**	3,865
Acquisition / deconsolidation of subsidiaries	**–**	1,503
Net acquired asset due to employee transfers	**–**	(913)
Pension liability	**₱196,059**	₱194,312

The Company expects to contribute ₱83.1 million to its retirement fund in 2023.

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

	2022	2021
Discount rates	**4-7%**	4-5%
Rates of salary increase	**2-6%**	3-6%

The Company has established a retirement fund that is managed by a trustee. The carrying value and fair value of the retirement fund of the Company amounted to ₱335.5 million and ₱347.0 million as at December 31, 2022 and 2021, respectively. The major assets are as follows:

	2022	2021
Cash and short-term investments	**₱121,065**	₱179,631
Marketable equity securities	**214,414**	114,059
Others	**–**	53,310
	₱335,479	₱347,000

As at December 31, 2022 and 2021, the carrying amount of the retirement fund approximates its fair value. Cash and short-term investments include liquid investments in Special Deposit Accounts (SDAs), government securities and mutual funds and UITFs. Marketable equity securities can be sold through the PSE. These include shares of stock of the Parent Company with a fair value of ₱4.2 million and ₱4.4 million as at December 31, 2022 and 2021.

The voting rights over the shares are exercised by the trustee through the retirement committee, the members of which are directors or officers of the Parent Company.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Increase (Decrease)	
	2022	2021
Discount rate:		
Increase by 1%	**(₱38,877)**	(₱40,463)
Decrease by 1%	**28,325**	46,891
Salary increase rate:		
Increase by 1%	**₱39,443**	₱49,303
Decrease by 1%	**(43,935)**	(41,387)

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

	2022	2021
Within the next 12 months	**₱34,241**	₱37,505
Between 2 and 5 years	**155,027**	175,787
Beyond 5 years	**1,324,757**	2,017,570

The average duration of the defined benefit obligation as at December 31, 2022 is between 7.34 years to 22.09 years.

B. Defined Contribution Plan

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

Participation by employees in the defined contribution plan is voluntary. Total contribution is up to 4% of annual salary, of which, 60% is contributed by the employees and 40% by the Company. There will be separate sub-funds for the defined contribution and benefit plans which will not be commingled with each other or be used to fulfill the funding requirements of both retirement plans.

The Company contributed ₱0.7 million in 2022 and ₱0.9 million in 2021 and 2020 to the defined contribution plan, which were recognized as expense. The Company has advances to the defined contribution plan amounting to nil and ₱0.1 million as at December 31, 2022 and 2021, respectively.

C. Vacation and Sick Leave

The following tables summarize the components of vacation and sick leave expense recognized in the consolidated statements of income and the amounts recognized in the consolidated statements of financial position.

Vacation and sick leave expense consists of:

	2022	2021	2020
Current service cost	**₱7,256**	₱12,936	₱24,290
Actuarial losses	**17,724**	(2,533)	(9,124)
Past service credit	**(1,749)**	–	–
Interest cost	**3,268**	2,372	2,877
Vacation and sick leave expense	**₱26,499**	₱12,775	₱18,043

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

	2022	2021
Balance at beginning of year	**₱65,008**	₱69,468
Current service cost	**7,256**	12,936
Benefits paid	**(21,157)**	(17,235)
Actuarial gains	**26,876**	(2,533)
Interest cost	**3,268**	2,372
Past service cost	**(1,749)**	–
Balance at end of year	**₱79,502**	₱65,008

36. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash and cash equivalents, investments held for trading and investments in equity instruments classified as financial assets at FVOCI in Philippine Peso and U.S. dollar currencies. The main purpose of these financial instruments is to finance the Company's investments. The Company also has financial assets and liabilities, such as trade and other receivables and trade and other payables that arise directly from operations.

The main risks arising from the Company's treasury transactions are credit risk, liquidity risk, market risk, foreign currency risk, interest rate risk and equity price risk. Careful study, skill, prudence and due diligence are exercised at all times in the handling of the funds of the Company.

The basic parameters approved by the Investment Committee are:

Investment Objective	**Safety of Principal**
Tenor	Three year maximum for any security, with average duration between one and two years
Exposure Limits	a. For banks and fund managers: maximum of 20% of total funds of the Company per bank or fund b. For peso investments: minimal corporate exposure except for registered bonds c. For foreign currencies: maximum 50% of total portfolio. Limits on third currencies outside USD are set regularly and reviewed at least once a year by the Investment Committee d. For investments in equities whether directly managed or managed by professional managers: limits are set as approved by the Investment Committee and based on current market outlook at the time of review e. For derivative transactions - limits are set up to 100% of asset subject to derivative transaction with the objective of neutrality of gain/loss

Credit Risk

Credit risk is the risk that the Company will incur a loss arising from customers, clients or counter-parties that fail to discharge their contractual obligations. Due to the Company's investing and operating activities, the Company is exposed to the potential credit-related losses that may occur as a result of an individual, counterparty or issuer being unable or unwilling to honor its contractual obligations.

In managing credit risk on these financial instruments, the Company transacts only with the Company's duly accredited domestic and foreign banks. Investments per financial institution are subject to a maximum of 20% of the Company's investible funds. It is the Company's policy that investments cannot exceed 10% of the trust or mutual fund's total assets.

A comprehensive credit and business review in coordination with dealers or underwriters is performed whenever the Company invests in non-rated securities. Furthermore, the Company monitors the credit quality of corporate and sovereign bonds with reference to credit rating studies and updates from the major rating agencies. The Company's exposure to credit risk on its cash and cash equivalents and trade and other receivables arises from default of the counterparties with maximum exposures equal to the carrying amounts of the instruments.

	2022	2021
Financial assets at amortized cost:		
Cash and cash equivalents	**₱3,421,578**	₱3,695,914
Trade and other receivables	**5,631,456**	4,935,304
Refundable deposits*	**72,015**	38,773
	₱9,125,049	₱8,669,991

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

There are no significant concentrations of credit risk.

Credit Quality of Financial Assets, Other than Receivables from Customers

The financial assets are grouped according to stage whose description is explained as follows:

Stage 1 - those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The credit quality of the Company's financial assets are as follows:

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

**Excluding cash on hand.*

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

	2021			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Financial Assets at Amortized Cost:				
Cash and cash equivalents*	₱3,676,836	₱–	₱–	₱3,676,836
Other receivables:				
Due from related parties	13,729	–	–	13,729
Advances to officers and employees	53,958	–	–	53,958
Accrued interest receivables	139,137	–	–	139,137
Others	411,535	–	–	411,535
Refundable deposits**	38,773	–	–	38,773
Gross Carrying Amount	₱4,333,968	₱–	₱–	₱4,333,968

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

Credit Quality of Receivables from Customers
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure of the Company's receivables from customers using provision matrix:

December 31, 2022	**Receivables from customers**					
	Days past due					
	Current	**<30 Days**	**30-60 Days**	**61-90 Days**	**>91 Days**	**Total**
Expected credit loss rate	**3%**	**24%**	**5%**	**43%**	**75%**	**28%**
Estimated total gross carrying amount default	**₱2,177,709**	**₱702,318**	**₱110,158**	**₱171,741**	**₱1,222,986**	**₱4,384,912**
Expected credit loss	**64,193**	**170,053**	**5,284**	**73,048**	**917,906**	**1,230,484**

December 31, 2021	Receivables from customers					
	Days past due					
	Current	<30 Days	30-60 Days	61-90 Days	>91 Days	Total
Expected credit loss rate	5%	10%	10%	59%	72%	24%
Estimated total gross carrying amount default	₱2,427,509	₱506,153	₱115,519	₱277,157	₱993,267	₱4,319,605
Expected credit loss	110,180	49,673	11,862	163,345	716,619	1,051,679

Impaired financial instruments comprise of receivables from customers and other receivables. The past due but not impaired trade and other receivables are expected to be collected the following year.

Liquidity Risk
Liquidity risk is the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. The Company manages liquidity risks by restricting investments and continuously monitoring weekly and monthly cash flows as well as updates of annual plans.

The maturities of the financial liabilities are determined based on the Company's projected payments and contractual maturities. The average duration adheres to guidelines provided by the Investment Committee. It is the Company's policy to restrict investment principally to publicly traded securities with a history of marketability and by dealing with only large reputable domestic and international institutions.

The tables below show the maturity profile of the Company's financial assets used for liquidity purposes based on contractual undiscounted cash flows as of December 31:

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

	2021					
	Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	Total
Financial Assets						
Financial assets at amortized cost						
Cash and cash equivalents	₱3,695,914	₱–	₱–	₱–	₱–	₱3,695,914
Trade and other receivables	4,935,304	–	–	–	–	4,935,304
Financial assets at FVPL:						
Investment in UITF	1,302,457	–	–	–	–	1,302,457
Investments in marketable equity securities	8,271	–	–	–	–	8,271
Investments in preferred shares	–	–	–	–	2,105,243	2,105,243
	₱9,941,946	₱–	₱–	₱–	₱2,105,243	₱12,047,189

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

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

**Including current and noncurrent portion.*

	2021					
	Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	Total
Financial Liabilities						
Loans and borrowings:						
Notes payable	₱930,174	₱–	₱–	₱–	₱–	₱930,174
Trade and other payables	2,323,135	–	–	–	–	2,323,135
Trust receipts payable	1,711,433	–	–	–	–	1,711,433
Due to related parties	182,878	–	–	–	–	182,878
Lease liabilities	118,824	97,162	38,746	35,031	225,584	515,347
Long-term debt*	570,230	905,166	3,626,616	2,674,690	3,011,440	10,788,142
Non-controlling interest put liability	–	–	–	1,862,875	–	1,862,875
	₱5,836,674	₱1,002,328	₱3,665,362	₱4,572,596	₱3,237,024	₱18,313,984

**Including current and noncurrent portion.*

Changes in liabilities arising from financing activities

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

	January 1, 2022	**Additions**	**Payments**	**Others***	**December 31, 2022**
Notes payable	**₱930,174**	**₱3,380,647**	**(₱1,531,718)**	**₱–**	**₱2,779,103**
Long-term debt	**10,683,115**	**1,280,000**	**(1,048,952)**	**20,583**	**10,934,746**
Due to related parties	**182,878**	**272,379**	**(299,662)**	**–**	**155,595**
Dividends payable	**228,251**	**334,768**	**(337,332)**	**–**	**185,687**
Lease liabilities	**355,901**	**88,219**	**(125,452)**	**(4,540)**	**314,128**
Other noncurrent liabilities	**47,937**	**1,640**	**–**	**–**	**49,577**
Total liabilities from financing activities	**₱12,428,256**	**₱5,357,653**	**(₱3,343,116)**	**₱16,043**	**₱14,418,836**

* *Others include amortization of debt issue cost and accretion of interest. For lease liabilities, this also includes derecognized amount of ₱24.2 million due to pre-termination of long-term lease contract.*

	January 1, 2021	Additions	Payments	Others*	December 31, 2021
Notes payable	₱1,325,910	₱2,002,549	(₱2,398,285)	₱–	₱930,174
Long-term debt	7,058,404	4,524,477	(918,091)	18,325	10,683,115
Due to related parties	151,110	310,085	(278,317)	–	182,878
Dividends payable	175,068	241,231	(188,048)	–	228,251
Lease liabilities	419,671	53,810	(124,617)	7,037	355,901
Other noncurrent liabilities	50,493	–	(2,556)	–	47,937
Total liabilities from financing activities	₱9,180,656	₱7,132,152	(₱3,909,914)	₱25,362	₱12,428,256

* *Others include amortization of debt issue cost and accretion of interest. For lease liabilities, this also includes derecognized amount of ₱15.5 million due to pre-termination of long-term lease contract.*

Market Risk

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

Foreign Currency Risk

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

Foreign exchange risks on the U.S. dollar and other foreign currencies are managed through constant monitoring of the political and economic environment. Returns are also calibrated on a per currency basis to account for the perceived risks with higher returns expected from weaker currencies.

The following table shows the foreign currency-denominated financial assets and financial liabilities and their peso equivalents as of December 31:

	2022		2021	
	Foreign Currency	**Peso Equivalent**	Foreign Currency	Peso Equivalent
Financial assets:				
Cash and cash equivalents	**US$12,111**	**₱675,233**	US$18,682	₱952,771
Cash and cash equivalents	**VND35,703**	**80**	VND35,703	80
Receivables	**US$1,330**	**74,170**	US$491	25,034
Derivative assets	**US$–**	**–**	US$57	2,931
Investment in UITF	**US$34**	**1,879**	US$12	608
		₱751,362		₱981,424
Financial liabilities:				
Trust receipts payables	**US$3,245**	**₱180,925**	US$5,450	₱277,969
Trade and other payables	**–**	**–**	98	4,974
Derivative liability	**US$7**	**371**	–	–
		₱181,296		₱282,943

In translating foreign currency-denominated financial assets into peso amounts, the exchange rates used were ₱55.76 and ₱51.00 to US$1.00 as at December 31, 2022 and 2021, respectively.

The following table on the next page demonstrates the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant, of the Company's profit before tax (due to the changes in the fair value of monetary assets) as at December 31, 2022 and 2021. There is no impact on the Company's equity other than those already affecting the profit or loss.

The effect on profit before tax already includes the impact of derivatives outstanding as at December 31, 2022 and 2021:

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

	2021	
	Increase (Decrease) in Peso-Dollar Exchange Rate	Effect on Profit Before Tax
		(Amounts in Millions)
PHN	₱1.00	₱0.18
	(1.00)	(0.18)
PEHI	1.00	18.42
	(1.00)	(18.42)
UGC	3.00	1.63
	(3.00)	(1.63)
PCC	4.00	21.44
	(4.00)	(21.44)

Interest Rate Risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The following tables set out the carrying amounts, by maturity, of the Company's financial assets and liabilities that are exposed to interest rate risk as of December 31:

				2022			
	Interest Rates	**Within 1 Year**	**1 to < 2 Years**	**2 to < 3 Years**	**3 to 5 Years**	**More than 5 Years**	**Total**
Financial Assets							
Placements (PHP)	**5.25%-5.728%**	**₱1,694,459**	**₱–**	**₱–**	**₱**	**₱**	**₱1,694, 459**
Financial Liabilities							
PHN	**6.25%**	**20,000**	**20,000**	**20,000**	**1,882,344**	**_**	**1,942,344**
UGC	**4.85%-5.11%**	**47,958**	**47,982**	**48,025**	**810,240**		**954,205**
Phinma Solar	**4.875%-4.924%**	**11,111**	**11,111**	**11,111**	**33,333**	**29,876**	**96,542**
PEHI	**5.32%-5.48%**	**263,978**	**268,861**	**255,161**	**–**	**–**	**788,000**

				2021			
	Interest Rates	Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	Total
Financial Assets							
Placements (PHP)	0.45%-1.25%	₱1,539,766	₱–	₱–	₱–	₱–	₱1,539,766
Financial Liabilities							
PHN	6.25%	20,000	20,000	20,000	40,000	1,859,362	1,959,362
UGC	5.50%-6.72%	79,252	173,977	66,604	117,210	88,244	525,287
PHINMA Solar	4.875%-4.924%	556	2,222	2,222	4,444	10,556	20,000

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

The table below sets forth the estimated change in the Company's income before tax due to a reasonably possible change in interest rates as at December 31, 2022 and 2021. There is no impact on the Company's equity other than those already affecting the profit or loss.

	2022	
	Increase/ (Decrease) in Basis Points	**Effect on Profit Before Tax**
Financial Liabilities		
PHN	**25**	**(₱4,856)**
	(25)	**4,856**
UGC	**25**	**(2,406)**
	(25)	**2,406**
PHINMA Solar	**25**	**(243)**
	(25)	**243**

	2021	
	Increase/ (Decrease) in Basis Points	Effect on Profit Before Tax
Financial Liabilities		
PHN	25	(₱4,898)
	(25)	4,898
UGC	25	(1,313)
	(25)	1,313
PHINMA Solar	25	(50)
	(25)	50

Peso placements are subject to cash flow interest rate risk while peso and dollar bonds are subject to fair value interest rate risk.

Equity Price Risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The Company's exposure to equity price risk relates primarily to its equity investments listed in the PSE classified under investments held for trading.

The Company's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on the Company's financial position.

The following tables demonstrate the effect on the Company's profit before income tax (as a result of a change in the fair value of equity instruments held as investment held for trading) due to a reasonably possible change in equity indices, based on the Company's expectation, with all other variables held constant as at December 31, 2022 and 2021. There is no other significant impact on the Company's equity other than those already affecting the profit or loss.

	2022	
	Increase/ Decrease in Stock Exchange Index	**Effect on Profit Before Tax**
PHN	**+13.7%**	**₱325**
	-13.7%	**(325)**
API	**+13.7%**	**310**
	-13.7%	**(310)**

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

<u>Capital Management</u>
The primary objective of the Company's capital management is to ensure that the Company maintains a healthy capital structure to maintain strong credit rating and maximize shareholder value.

The Company closely monitors and manages its debt-to-equity ratio, which it defines as total liabilities divided by total equity. Capital includes all the accounts appearing in the "Equity attributable to equity holders of the parent" and "Equity attributable to non-controlling interests" in the consolidated statements of financial position.

To ensure that there are sufficient funds to settle its liabilities, the Company's policy is to keep debt-to-equity ratio below 2:1. The Company's consolidated debt-to-equity ratio as at December 31, 2022 and 2021 are as follows:

	2022	2021
Total liabilities	**₱20,868,356**	₱20,173,524
Total equity	**11,142,699**	9,972,568
Debt-to-equity ratio	**1.87:1**	2.02:1

The Company expects to improve the debt-to-equity ratio mainly through improvement in the Company's business operations.

37. **Financial Instruments**

Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of its assets and liabilities by valuation technique:

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

Assets and liabilities measured or disclosed at fair value are as follows:

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

	2021			
	Total	Level 1	Level 2	Level 3
Assets				
Investments held for trading:				
Investments in UITFs	₱1,302,457	₱–	₱1,302,457	₱–
Investments in marketable equity securities	8,271	8,271	–	–
Club shares designated at FVOCI	32,350	–	32,350	–
Non-listed equity instruments designated at FVOCI	76,310	–	–	76,310
Non-listed debt instrument designated at FVPL	2,105,243	–	–	2,105,243
Derivative assets	513,429	2,931		510,498
	₱4,038,060	₱11,202	₱1,334,807	₱2,692,051
Liabilities				
Non-controlling interest put liability	₱1,862,875	₱–	₱–	₱1,862,975
Long-term debt	9,313,655	–	–	9,313,655
	₱11,176,530	₱–	₱–	₱11,176,530

During the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

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

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

The fair values of non-listed shares of stock were determined through the following valuation approach: income approach and asset-based approach. Income approach is predicated upon the concept that the value of any asset can be estimated by ascertaining the amount and timing of future cash flows or earnings that are generated by that asset. Asset-based approach is based on the value of all the tangible and intangible assets and liabilities of the company. The discount rates, a significant unobservable input used in the valuation of the non-listed shares of stock using the income approach, were and 16.20% and 17.20% as at December 31, 2022 and 2021. An increase (decrease) in the discount rate used in the valuation of the non-listed shares will decrease (increase) the fair value of the non-listed shares of stock.

Cash and Cash Equivalents, Trade and Other Receivables, Notes Payable, Trade and Other Payables, Trust Receipts Payable and Due to Related Parties. Due to the short-term nature of these transactions, the carrying value approximate the fair values as at the reporting date.

Derivative Liability. Estimated fair value is based on the average rate of the forward bid rates and forward ask rates computed in Bloomberg.

Long-term Debt. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable rates for similar types of loans. Discount rates used ranged from 3% to 7% and 2% to 5% in 2022 and 2021, respectively.

Derivative Instruments

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

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

UGC has a derivative liability amounting to ₱0.3 million and derivative assets of ₱1.0 million as at December 31, 2022 and 2021, respectively. The transacted contract has an aggregate notional amount of US$28.4 million and US$10.8 million in 2022 and 2021, respectively. The unrealized gain on change in fair value of the derivative instrument amounted to ₱1.5 million and ₱1.3 million in 2022 and 2021, respectively. The weighted average contracted forward rates are ₱53.958 and ₱49.343 to US$1.00 in 2022 and 2021, respectively.

PCC has a derivative liability amounting to nil and derivative assets of ₱2.0 million as at December 31, 2022 and 2021, respectively. The transacted contracts have an aggregate notional amount of US$45.8 million and US$23.9 million in 2022 and 2021, respectively. The unrealized gain on change in fair value of the derivative instrument amounted to ₱3.5 million and ₱1.9 million in 2022 and 2021. The weighted average contracted forward rates are ₱53.994 in 2022 and ₱49.408 to US$1.00 in 2021.

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

	2022	2021
Balance at beginning of year	**(₱2,931)**	₱32
Net change in fair value during the year	**32,758**	1,524
Fair value of settled contracts	**(29,456)**	(4,487)
Balance at end of year	**₱371**	(₱2,931)

38. **Leases**

Company as Lessee

The Company has various lease contracts for land, buildings, warehouses and vehicles. The leases have lease terms of between 2 and 25 years.

The Company also has certain leases with lease terms of 12 months or less. The Company applies the "short-term lease" recognition exemptions for these leases.

The rollforward analysis of right-of-use assets follows:

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

	2021				
	Right-of-use: Land	Right-of-use: Buildings & Warehouses	Right-of-use: Vehicles	Right-of-use: Others	Right-of-use: Total
Cost					
At January 1, 2021	₱107,241	₱151,998	₱234,008	₱1,906	₱495,153
Additions	6,175	11,855	35,398	564	53,992
Pre-termination	(7,379)	(16,346)	–	–	(23,725)
At December 31, 2021	106,037	147,507	269,406	2,470	525,420
Accumulated Depreciation and Amortization					
At January 1, 2021	8,132	45,856	40,756	1,906	96,650
Depreciation	5,598	24,066	69,111	237	99,012
Pre-termination	(1,332)	(4,155)	–	–	(5,487)
At December 31, 2021	12,398	65,767	109,867	2,143	190,175
Net Book Value	₱93,639	₱81,740	₱159,539	₱327	₱335,245

The rollforward analysis of lease liabilities follows:

	2022	2021
As at beginning of year	**₱355,901**	₱419,671
Accretion of interest	**19,646**	22,523
Additions	**88,219**	53,810
Pre-termination	**(24,186)**	(15,486)
Payments	**(125,452)**	(124,617)
As at end of year	**314,128**	355,901
Less current portion of lease liabilities	**102,676**	108,266
Noncurrent portion of lease liabilities	**₱211,452**	₱247,635

In 2022, three long-term lease contracts were pre-terminated by the Company. As a result, the Company recognized gain from pre-termination of lease contract amounting to ₱0.2 million recognized in the statement of income as part of "Other income (expenses)", after derecognizing the related right-of-use assets and lease liabilities amounting to ₱1.5 million and ₱1.6 million, respectively, in the statements of financial position.

In 2021, two long-term lease contracts were pre-terminated by the Company. As a result, the Company recognized gain from pre-termination of lease contract amounting to ₱0.8 million, recognized in the consolidated statement of income as part of “Other income (expenses)”, after derecognizing the related right-of-use assets and lease liabilities amounting to ₱18.2 million and ₱15.5 million, respectively, and recognizing claims receivable amounting to ₱3.6 million presented as part of “Trade and other receivables” in the consolidated statements of financial position.

In 2020, two long-term lease contracts were pre-terminated by the Company. As a result, the Company recognized gain from pre-termination of lease contract amounting to ₱5.3 million recognized in the consolidated statement of income as part of “Other income (expenses)”, after derecognizing the related right-of-use assets and lease liabilities amounting to ₱71.8 million and ₱77.1 million, respectively.

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

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

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

	2022	2021
1 year	**₱104,197**	₱118,824
more than 1 years to 2 years	**51,409**	97,162
more than 2 years to 3 years	**26,473**	38,746
more than 3 years to 4 years	**29,531**	35,031
more than 5 years	**145,296**	225,584

39. Commitments and Contingencies

(a) Unused Credit Lines

PHN has an unused credit line amounting to ₱4.5 billion and ₱4.4 billion as at December 31, 2022 and 2021, respectively.

UGC has the following unused approved credit lines with local banks and financial institutions as at December 31, 2022:

Nature	Amount
Letters of credit/trust receipts	₱4,469,141
Bills purchase line	330,000
Forward contract (including settlement risk)	715,950

PCC has the following unused approved credit lines with local banks and financial institutions as at December 31, 2022:

Nature	Amount
Letters of credit/trust receipts	₱3,523,089
Forward contract (including settlement risk)	775,841
Bills purchase line	124,949

Phinma Solar has the following unused approved credit lines with local banks and financial institutions as at December 31, 2022:

Nature	Amount
Letters of credit/trust receipts	₱300,000
Bills purchase line	50,000

(b) Others

There are contingent liabilities arising from tax assessments occurring in the ordinary course of business, including the petition filed for the reversal and nullification of safeguard duties on its importation of cement. On the basis of information furnished by the Company's legal counsel, management believes that none of these contingencies will materially affect the Company's financial position and result of operations.

40. EPS Computation

Basic EPS is computed as follows:

	2022	2021	2020
(a) Net income attributable to equity holders of the parent	**₱947,677**	₱1,128,965	₱172,637
(b) Weighted average number of common shares outstanding	**276,721**	272,246	272,441
Basic/diluted EPS attributable to equity holders of the parent (a/b)	**₱3.42**	₱4.15	₱0.63

The Company's basic and diluted earnings per share are the same since the Company does not have potential common shares.

41. Segment Information

For management purposes, the Company is organized into business units based on its products and services and has five reportable operating segments as follows:

- Investment holdings - PHN and PSHC are engaged in investment holding activities of shares of stocks and other financial instruments.
- Property development - API, APHI, and Coral Way lease out its real and personal properties. PPHC is engaged in real estate development.
- Construction materials - PCC encompasses the operations of the cement trading. UGC handles the manufacturing and trading of iron and steel products. PHINMA Solar provides solar rooftop system to customers. The Company has assessed that the nature of the products and services and the type or class of customers for these products and services are related.
- Educational services - PEHI holds interest in AU, COC, UPANG, UI, SWU, RCI, RCL and UCLI which offer graduate, tertiary, secondary and elementary education services. CAA conducts a non-sectarian institution of learning and operates schools for all levels below tertiary level, whether preschool, primary, secondary, technical and vocational, specialized programs and for all and any form of educational activities.
- BPO - ICI Asia (formerly Fuld Philippines) was engaged in strategic consulting while OAL was engaged in animation services. In 2020, the Parent Company sold its ownership interest in ICI Asia (see Note 7).

The BOD (Chief Operating Decision Maker) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Segment result is defined as the segment's income generated from its own operations, net of its share in the equity in net earnings of associates and joint ventures and investment income, before deducting interest and financing charges, provision for income tax and share of NCI. The amounts of segment assets and liabilities, and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets, liabilities and profit or loss in the consolidated financial statements, which is in accordance with PFRS.

The Company does not report its results based on geographical segments since the Company's risks and rates of return are substantially in the same economic and political environment with the companies incorporated and operated in the Philippines. There are no transactions with a single customer that accounts to 10% or more of the Company's revenue.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transaction with third parties. Segment revenues, segment expenses and segment results include transfers between operating segments. These transfers are eliminated in full upon consolidation.

Segment Information

Financial information on the operating segments are summarized as follows:

	Investment Holdings	Property Development	Construction Materials	Educational Services	BPO	Eliminations	Total Operations
Year Ended December 31, 2022							
Revenue	**₱521,765**	**₱37,040**	**₱13,245,555**	**₱4,068,537**	**₱2**	**(₱208,317)**	**₱17,664,582**
Segment results	**87,327**	**29,921**	**804,293**	**973,520**	**(1,440)**	**25,331**	**1,918,952**
Investment income	**443,884**	**585**	**11,843**	**12,904**	**2**	**(208,317)**	**260,901**
Equity in net earnings of associates and joint ventures	**–**	**57,549**	**–**	**465**	**–**	**–**	**58,014**
Interest expense and other financing charges	**(249,101)**	**–**	**(305,631)**	**(175,167)**	**–**	**41,709**	**(688,190)**
Provision for income tax	**(6,238)**	**(5,025)**	**(15,629)**	**6,396**	**–**	**–**	**(20,496)**
Share of non-controlling interests	**–**	**–**	**–**	**(184,659)**	**–**	**(396,845)**	**(581,504)**
Net income attributable to equity holders of the parent	**₱275,872**	**₱83,030**	**₱494,876**	**₱633,459**	**(₱1,438)**	**(₱538,122)**	**₱947,677**
Total assets	**₱12,572,663**	**₱384,562**	**₱12,089,269**	**₱13,949,000**	**₱904**	**(₱6,985,373)**	**₱32,011,025**
Total liabilities	**₱5,335,317**	**₱52,197**	**₱8,188,314**	**₱6,765,676**	**₱309,481**	**₱217,371**	**₱20,868,356**
Year Ended December 31, 2021							
Revenue	₱503,963	₱11,838	₱12,144,100	₱3,690,805	₱–	(₱312,520)	₱16,038,186
Segment results	(773)	479	1,248,291	1,220,204	(830)	(30,160)	2,437,211
Investment income	441,145	9,939	6,063	3,753	–	(312,520)	148,380
Equity in net earnings of associates and joint ventures	–	28,614	–	4,326	–	–	32,940
Interest expense and other financing charges	(185,622)	–	(300,515)	(168,022)	–	4,911	(649,248)
Provision for income tax	(3,376)	(2)	(51,759)	(41,409)	–	–	(96,546)
Share of non-controlling interests	–	–	–	(180,251)	–	(571,280)	(751,531)
Net income attributable to equity holders of the parent	₱251,374	₱39,030	₱902,080	₱838,601	(₱830)	(₱909,049)	₱1,121,206
Total assets	₱12,200,444	₱344,085	₱10,960,965	₱13,158,870	₱698	(₱6,518,970)	₱30,146,092
Total liabilities	₱5,400,882	₱52,491	₱7,422,656	₱6,567,914	₱307,397	₱422,184	₱20,173,524

	Investment Holdings	Property Development	Construction Materials	Educational Services	BPO	Eliminations	Total Operations
Year Ended December 31, 2020							
Revenue	₱504,034	₱11,011	₱10,119,133	₱2,094,989	₱2,128	(₱429,544)	₱12,301,751
Segment results	(272,971)	(2,573)	1,310,709	197,347	(25,940)	(10,509)	1,196,063
Investment income	465,072	9,201	(15,087)	22,971	3	(429,544)	52,616
Equity in net earnings of associates and joint ventures	–	(951)	(4,683)	5,700	–	1,902	1,968
Interest expense and other financing charges	(138,988)	–	(306,672)	(184,566)	–	3,458	(626,768)
Provision for income tax	(3,998)	(220)	(70,567)	(27,154)	–	–	(101,939)
Share of non-controlling interests	–	–	–	(38,016)	–	(311,287)	(349,303)
Net income attributable to equity holders of the parent	₱49,115	₱5,457	₱913,700	(₱23,718)	(₱25,937)	(₱745,980)	₱172,637
Total assets	₱9,171,502	₱326,978	₱9,014,812	₱11,678,220	₱47,402	(₱5,766,499)	₱24,472,415
Total liabilities	₱2,514,432	₱52,561	₱6,096,982	₱5,974,629	₱393,494	₱886,903	₱15,919,001

42. Events after the Reporting Period

On March 3, 2023, the Parent Company's BOD declared a 6% regular cash dividend amounting to ₱171.8 million or equivalent to ₱0.60 per share payable on April 5, 2023 to shareholders of record as at March 22, 2023. On the same date, the Parent Company's BOD approved the appropriation of ₱500.0 million for the investment in PPHC and re-appropriation of ₱1.1 billion for the investment in the Construction Materials business until December 31, 2024. In addition, the Parent Company's BOD approved the reversal of previous appropriations of retained earnings amounting to ₱500.0 million for investment in Education business in 2021 and ₱165.5 million for buyback of PHN shares in 2020.

ANNEX A - 1

Audited Parent Financial Statements December 31, 2022

Gmail

Annabelle Guzman <asguzman@phinma.com.ph>

Your BIR AFS eSubmission uploads were received

1 message

eafs@bir.gov.ph <eafs@bir.gov.ph> Thu, Apr 13, 2023 at 9:49 PM
To: asguzman@phinma.com.ph
Cc: asguzman@phinma.com.ph

Hi PHINMA CORPORATION,

Valid files

- EAFS000107026AFSTY122022.pdf
- EAFS000107026ITRTY122022.pdf
- EAFS000107026OTHTY122022.pdf
- EAFS000107026RPTTY122022.pdf
- EAFS000107026TCRTY122022-01.pdf

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- <None>

Transaction Code: **AFS-0-QZY43W2T02VMZVV3MP231SRVY07JL7LJAD**
Submission Date/Time: **Apr 13, 2023 09:49 PM**
Company TIN: **000-107-026**

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- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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PHINMA
Making Lives Better

PHINMA Corporation

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR PARENT COMPANY FINANCIAL STATEMENTS

The management of **PHINMA CORPORATION** is responsible for the preparation and fair presentation of the parent company financial statements including the schedules attached therein, as at December 31, 2022 and 2021, and for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Board of Directors reviews and approves the parent company 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 parent company financial statements of the company in accordance with Philippine Standards on Auditing and in its report to the Stockholders, has expressed their opinion on the fairness of presentation upon completion of such audit.

Signed this 10th day of March 2023.

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

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

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

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

Name	ID Presented	Date of Issue/Expiry Date	Place of Issue
Ramon R. del Rosario, Jr.	Passport No. P5770713A	Ian.26,2018 Jan.25,2028	DFA NCR East
Meliton B. Salazar, Jr.	Passport No. P2127840B	09-May-2019 08-May-2029	DFA Antipolo
Pythagoras L. Brion, Jr.	OSCA No. 58262	03-March-2013	Pasig City

Doc No.: 390;
Page No.: 79;
Book No.: 6;
Series of 2023

ATTY. JOEL FERRER FLORES
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2023 (2023-2024)
APPOINTMENT NO. M-115
ROLL NO. 77376
MCLE COMPLIANCE NO. 0001393, Jan. 03, 2023 Until Apr. 14, 2028
PTR NO. 9563564 / JAN.03.2023/MAKATI CITY
IBP NO. 261994 / JAN.03,2023 / PASIG CITY
1107 D BATAAN ST., GUADALUPE NUEVO, MAKATI CITY

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						1	2	3	9	7

COMPANY NAME

PHINMA CORPORATION

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

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

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

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of PHINMA Corporation (the Company), which comprise the parent company statements of financial position as at December 31, 2022 and 2021, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company 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 parent company 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.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company 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 parent company 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 parent company 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 parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 28 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of PHINMA Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Belinda T. Beng Hui.

SYCIP GORRES VELAYO & CO.

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

March 3, 2023

PHINMA CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 23 and 24)	**₱900,785**	₱991,786
Investments held for trading (Notes 7, 23 and 24)	**506,804**	1,059,665
Receivables (Notes 8, 23 and 24)	**1,070,977**	1,268,816
Derivative asset (Notes 23 and 24)	**4,091**	27,668
Other current assets	**18,896**	10,765
Total Current Assets	**2,501,553**	3,358,700
Noncurrent Assets		
Investments in and advances to subsidiaries and associates (Note 9)	**5,668,708**	5,668,708
Financial assets at fair value through profit and loss (Notes 10, 23 and 24)	**2,209,088**	2,105,243
Financial assets at fair value through other comprehensive income (Notes 11 and 24)	**74,657**	63,301
Property and equipment (Note 12)	**39,197**	41,793
Investment properties (Note 13)	**103,734**	104,119
Derivative asset (Note 10)	**648,116**	510,498
Other noncurrent assets (Notes 21 and 23)	**987,074**	10,049
Total Noncurrent Assets	**9,730,574**	8,503,711
	₱12,232,127	₱11,862,411
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses and other payables (Notes 15, 23 and 24)	**₱148,266**	₱198,812
Income and withholding taxes payable	**3,284**	1,847
Current portion of long-term debt (Notes 16, 21, 23 and 24)	**88,036**	88,036
Total Current Liabilities	**239,586**	288,695
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 16, 21, 23 and 24)	**4,895,121**	4,897,834
Pension and other post-employment benefits liability (Note 22)	**33,170**	43,719
Deferred tax liabilities - net (Note 20)	**7,384**	5,468
Total Noncurrent Liabilities	**4,935,675**	4,947,021
Total Liabilities	**5,175,261**	5,235,716
Equity		
Capital stock (Note 17)	**2,863,312**	2,863,312
Additional paid-in capital	**396,845**	259,248
Treasury shares (Note 17)	**(182)**	(143,574)
Other comprehensive income (Notes 11 and 22)	**34,875**	24,436
Retained earnings (Note 17)	**3,762,016**	3,623,273
Total Equity	**7,056,866**	6,626,695
	₱12,232,127	₱11,862,411

See accompanying Notes to Parent Company Financial Statements.

PHINMA CORPORATION

PARENT COMPANY STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Value)

	Years Ended December 31	
	2022	2021
REVENUES		
Dividend income (Notes 7 and 9)	**₱169,217**	₱307,858
Investment income (Note 18)	**272,230**	130,134
Consultancy income	**45,419**	25,034
Rental income (Notes 13 and 25)	**11,231**	16,554
	498,097	479,580
GENERAL AND ADMINISTRATIVE EXPENSES (Note 19)	**209,922**	300,514
OTHER INCOME (EXPENSES)		
Interest expense and bank charges (Notes 14 and 16)	**(249,101)**	(176,665)
Unrealized gain on change in fair value of financial assets at fair value through profit or loss (Note 10)	**103,845**	172,438
Unrealized gain on derivative (Notes 10 and 24)	**114,041**	80,454
Foreign exchange loss – net	**4,582**	(23,776)
Gain on sale of property and equipment (Note 12)	**18**	17
Others (Note 19)	**10,905**	13,202
	(15,710)	65,670
INCOME BEFORE INCOME TAX	**272,465**	244,736
PROVISION FOR INCOME TAX (Note 20)		
Final	**3,024**	674
Current	**1,044**	310
Deferred	**(51)**	133
	4,017	1,117
NET INCOME	**₱268,448**	₱243,619
Basic/Diluted Earnings Per Share (Note 26)	**₱0.97**	₱0.89

See accompanying Notes to Parent Company Financial Statements.

PHINMA CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31	
	2022	2021
NET INCOME	**₱268,448**	₱243,619
OTHER COMPREHENSIVE INCOME		
Items not to be reclassified to profit or loss in subsequent period -		
Unrealized gain on change in fair value of financial assets at fair value through other comprehensive income (Note 11)	**12,806**	1,373
Remeasurement gain on pension benefit liability (Note 22)	**5,825**	5,784
Income tax effect	**(1,967)**	115
	16,664	7,272
TOTAL COMPREHENSIVE INCOME	**₱285,112**	₱250,891

See accompanying Notes to Parent Company Financial Statements.

PHINMA CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Amounts in Thousands, Except Per Share Data)

	Capital Stock (Note 17)	**Additional Paid-in Capital**	**Treasury Stock** (Note 17)	**Other Comprehensive Income** (Notes 11 and 22)	**Retained Earnings** (Note 17)		**Total Equity**
					Appropriated	**Unappropriated**	
Balance at January 1, 2022	**₱2,863,312**	**₱259,248**	**(₱143,574)**	**₱24,436**	**₱1,765,500**	**₱1,857,773**	**₱6,626,695**
Net income	–	–	–	–	–	**268,448**	**268,448**
Other comprehensive income	–	–	–	**16,664**	–	–	**16,664**
Total comprehensive income	–	–	–	**16,664**	–	**268,448**	**285,112**
Buy back of shares (Note 17)	–	–	**(459)**	–	–	–	**(459)**
Sale of treasury shares (Note 17)	–	**137,597**	**143,851**	–	–	–	**281,448**
Realized gain on sale of financial assets at fair value through other comprehensive income	–	–	–	**(400)**	–	**400**	–
Remeasurement gain on defined benefit obligation recycled to retained earnings (Note 22)	–	–	–	**(5,825)**	–	**5,825**	–
Cash dividends - ₱0.40 per share (Note 17)	–	–	–	–	–	**(135,930)**	**(135,930)**
Balance at December 31, 2022	**₱2,863,312**	**₱396,845**	**(₱182)**	**₱34,875**	**₱1,765,500**	**₱1,996,516**	**₱7,056,866**
Balance at January 1, 2021	₱2,863,312	₱259,248	(₱136,347)	₱22,948	₱2,415,500	₱1,067,297	₱6,491,958
Net income	–	–	–	–	–	243,619	243,619
Other comprehensive loss	–	–	–	7,272	–	–	7,272
Total comprehensive income	–	–	–	7,272	–	243,619	250,891
Buy back of shares (Note 17)	–	–	(7,227)	–	–	–	(7,227)
Remeasurement loss on defined benefit obligation recycled to retained earnings (Note 22)	–	–	–	(5,784)	–	5,784	–
Cash dividends - ₱0.40 per share (Note 17)	–	–	–	–	–	(108,927)	(108,927)
Reversal of appropriation (Note 17)	–	–	–	–	(2,250,000)	2,250,000	–
Appropriation of retained earnings (Note 17)	–	–	–	–	1,600,000	(1,600,000)	–
Balance at December 31, 2021	₱2,863,312	₱259,248	(₱143,574)	₱24,436	₱1,765,500	₱1,857,773	₱6,626,695

See accompanying Notes to Parent Company Financial Statements.

PHINMA CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax:	**₱272,465**	₱244,736
Adjustments to reconcile income before income tax to net cash flows:		
Interest income (Note 18)	**(260,997)**	(124,037)
Interest expense and bank charges (Notes 14 and 16)	**249,101**	176,665
Dividend income (Note 9)	**(169,217)**	(307,858)
Unrealized gain on derivative asset (Notes 10 and 24)	**(114,041)**	(80,454)
Unrealized gain on change in fair value of financial assets at fair value through profit or loss (Note 10)	**(103,845)**	(172,438)
Pension and other post-employment benefits expense (Note 22)	**8,511**	10,716
Unrealized gain on change in fair value of investments held for trading - net (Notes 7 and 18)	**(7,937)**	(1,750)
Depreciation expense (Note 19)	**5,720**	6,127
Unrealized foreign exchange gain – net	**(4,046)**	(533)
Gain on sale of property and equipment (Note 12)	**(18)**	(17)
Operating loss before working capital changes	**(124,304)**	(248,843)
Increase (decrease) in:		
Receivables	**284,390**	(879,686)
Other current assets	**(8,131)**	2,236
Increase (decrease) in accrued expenses and other payables		
Accrued expenses and other payables	**(57,534)**	104,225
Income and withholding taxes payables	**(2,631)**	(1,365)
Net cash provided by (used in) operations	**91,790**	(1,023,433)
Interest paid	**(229,393)**	(164,593)
Contributions to pension fund (Note 22)	**(11,004)**	(12,992)
Interest received	**46,257**	3,688
Net cash used in operating activities	**(102,350)**	(1,197,330)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investments held for trading	**(1,345,110)**	(2,918,730)
Financial assets at fair value through profit and loss	–	(1,932,805)
Derivative asset	–	(202,345)
Property and equipment (Note 12)	**(3,627)**	(12,018)
Proceeds from disposal/sale/redemption of:		
Investments held for trading	**1,905,908**	3,420,272
Property and equipment	**906**	2,460
Financial assets at FVOCI	**1,450**	–
Increase in other noncurrent assets	**(977,025)**	(150)
Dividends received	**301,123**	352,056
Net cash used in investing activities	**(116,375)**	(1,291,260)

(Forward)

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of treasury shares	**₱281,448**	₱–
Cash dividends (Notes 15 and 17)	**(133,594)**	(106,742)
Buyback of shares (Note 17)	**(459)**	(7,227)
Payments of:		
Notes payable	–	(300,000)
Long-term debt	**(20,000)**	(20,000)
Proceeds from availments of:		
Notes payable	–	150,000
Long-term debt	**–**	2,951,441
Net cash provided by financing activities	**127,395**	2,667,472
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**329**	533
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(91,001)**	179,415
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**991,786**	812,371
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱900,785**	₱991,786

See accompanying Notes to Parent Company Financial Statements.

1. Corporate Information

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

The 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 Company's corporate life for another 50 years. On May 27, 2010, the Philippine SEC approved the change in the 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.

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

The Company's ultimate parent company is Philippine Investment-Management (PHINMA), Inc. (PHINMA, Inc.) which is incorporated in the Philippines.

The parent company financial statements as at and for the years ended December 31, 2022 and 2021 were reviewed and recommended for approval by the Audit Committee on March 1, 2023.
On March 3, 2023, the Board of Directors (BOD) approved the issuance of the parent company financial statements.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The parent company financial statements of the Company have been prepared on a historical cost basis, except for investments held for trading, 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 parent company financial statements are presented in Philippine peso (₱) which is the Company's functional and presentation currency. All values are rounded to the nearest thousand peso, except when otherwise indicated.

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

The Company also prepares and issues consolidated financial statements in accordance with PFRS and for the same period as the parent company financial statements. These may be obtained at the registered office address of the Company or at the Philippine SEC.

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, 2022.

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

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

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

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

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

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

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

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

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a First-time Adopter*

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

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

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

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

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

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, 2023

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

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

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2024

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

  The amendments clarify:

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

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

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

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

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

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

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

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

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

Deferred effectivity

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

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

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

4. Summary of Significant Accounting and Financial Reporting Policies

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

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

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

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

The Company’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

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

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

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

The Company’s financial assets at amortized cost includes cash and cash equivalents, receivables and deposits (presented under “Other noncurrent assets” account in the parent company statements of financial position) as at December 31, 2022 and 2021.

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

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

Financial Assets Designated FVOCI (Equity Instruments). Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation,* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as “Dividend income” in the parent company 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 non-listed equity investments and club shares as at December 31, 2022 and 2021.

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

This category includes derivative instruments, unit investment trust funds (UITFs), investment in treasury bills, and marketable equity securities which the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as “Dividend income” in the parent company 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 parent company 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 parent company statement of financial position) when:

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

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

For cash and cash equivalents, receivables and deposits (presented under "Other noncurrent assets" account in the parent company 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.

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.

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 accrued expenses and other payables, notes payable and long-term debt.

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, *Financial Instruments*. 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 parent company 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.

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 bank charges" in the parent company statement of income.

This category includes notes payables, accrued expenses and other payables and long-term debt of the Company as at December 31, 2022 and 2021.

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

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

The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

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

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt if it provides for a contractual obligation to:

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

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

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

Debt Issuance Cost
Debt issuance costs are deducted against long-term debt and are amortized over the term of the related borrowings using the EIR method.

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

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

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the parent company 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 is significant to their fair value measurement is unobservable

For assets and liabilities that are recognized in the parent company financial statement at fair value 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 accounts 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 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.

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.

Day 1 Difference. Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the parent company statement of income unless it qualifies for recognition as some other type of asset or liability. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in the parent company statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

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

Investments in Subsidiaries and Associates and Interest in Joint Ventures
A subsidiary is an entity that is controlled by the Company. Specifically, the Company controls an investee if and only if the Company has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but has no control or joint control over those policies. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

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

The Company's investments in subsidiaries and associates, and interest in joint ventures are carried at cost less accumulated impairment losses, if any. The cost of investments includes transaction costs.

Below is the list of the major subsidiaries and associates, and interest in joint ventures and the related percentage of ownership:

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

(a) *On January 9, 2020, Asian Development Bank (ADB) subscribed in PEHI shares resulting to change in ownership interest of PHN to 67.18%.*

(b) *On March 12, 2020 and September 8, 2020, PEHI acquired additional 505 shares and 1,010 of RCI resulting to an increase in ownership interest to 98.41%.*

(c) *On July 31, 2020, PEHI acquired 100.00% interest in RCL. Subsequently, on December 5, 2020, PEHI sold 10.00% of its ownership interest in RCL reducing its ownership from 100.00% to 90.00%.*

(d) *On May 21, 2021, PEHI acquired 65.76% interest in UCLI. In September 2021, PEHI subscribed to an additional 450,000 shares, increasing its ownership interest to 80.91%*

(e) *CAA ceased its operations on March 31, 2019.*

(f) *On December 22, 2020, PHN sold its 225.0 million shares in PHINMA Solar to UGC representing 50.00% ownership in PHINMA Solar.*

(g) *OAL owns 100.00% interest in Toon City Animation, Inc. (Toon City). OAL and Toon City ceased operations in April 2013.*

Associates	Nature of Business	Calendar/ Fiscal Yearend	**December 31, 2022** PHN Direct Interest	**December 31, 2022** Direct Interest of Subsidiary	**December 31, 2022** PHN Effective Interest	December 31, 2021 PHN Direct Interest	December 31, 2021 Direct Interest of Subsidiary	December 31, 2021 PHN Effective Interest
PHINMA Property Holdings Corporation (PPHC) and Subsidiary [(a)]	Real estate	December 31	**35.42**	**12.66**	**42.71**	35.42	12.66	42.71
ABCIC Property Holdings, Inc. (APHI) [(b)]	Real estate	December 31	**26.51**	**1.64**	**28.15**	26.51	1.64	28.15
Coral Way City Hotel Corporation (Coral Way) [(c)]	Hotel	December 31	**23.75**	**26.44**	**29.27**	23.75	26.44	29.27
PHINMA Hospitality, Inc. (PHI) [(d)]	Hotel	December 31	**–**	**36.23**	**20.88**	–	36.23	20.88
Joint ventures								
PHINMA Saytanar Education Company Limited (PHINMA Saytanar) [(e)]	Educational institution	December 31	**–**	**50.00**	**35.92**	–	50.00	35.92
PT Ind Phil Managemen (IPM) [(e)]	Educational institution	December 31	**–**	**66.67**	**47.89**	–	66.67	47.89

(a) *Indirect ownership through API.*

(b) *Indirect ownership through UGC.*

(c) *Indirect ownership through PHI.*

(d) *Formerly Microtel Development Corporation (MDC). Indirect ownership through API.*

(e) *Indirect ownership through PEHI.*

All subsidiaries, associates and joint ventures were incorporated in the Philippines except for OAL, PHINMA Saytanar and IPM. OAL, PHINMA Saytanar and IPM were incorporated in Hong Kong, Myanmar and Indonesia, respectively.

Property and Equipment
Property and equipment, except land, are carried at cost less accumulated depreciation and any accumulated impairment loss. Land is carried at cost less any impairment loss. The cost of property and equipment comprises its purchase price and other costs directly attributable in bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are normally charged to the parent company statement of income in the year such costs are incurred. In situations when it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

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

Buildings	10-50 years
Transportation equipment	5 years
Office furniture, fixtures and equipment	3-10 years

In 2020, the Company changed the useful life of its buildings from 10-20 years to 10-50 years. The revised useful life is based on the 2020 valuation made by an independent firm of appraiser accredited by SEC, considering the extent, character and utility of the properties as evidenced by observed condition. The nature and amount of the effect of the change in useful life of buildings are disclosed in the Note 5 to parent company financial statements.

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

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

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

Depreciation is calculated on a straight-line basis over 50 years, the estimated useful life of the depreciable investment property which refers to a building unit.

In 2020, the Company changed the useful life of its buildings from 20 years to 50 years. The revised useful life is based on the 2020 valuation made by an independent firm of appraiser accredited by

SEC, considering the extent, character and utility of the properties as evidenced by observed condition. The nature and amount of the effect of the change in useful life of buildings are disclosed in the Note 5 to parent company financial statements.

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

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

Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that a nonfinancial asset may be impaired when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If any indication exists, or when annual impairment testing for an 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 cash-generating unit (CGU)'s fair value less costs to sell and its value-in-use (VIU). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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 periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognized in the parent company statement of income under expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses 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. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in the prior years. Such reversal is recognized in the parent company statement of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Current versus Noncurrent Classification
The Company presents assets and liabilities in the parent company statement of financial position based on current or noncurrent classification.

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all other liabilities as noncurrent.

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

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

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the “Additional paid-in capital” account in the parent company statement of financial position. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. Incremental costs incurred that are directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Treasury Shares
Treasury shares are recorded at cost and deducted from the Company’s equity. No gain or loss is recognized in the parent company 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 parent company statement of financial position.

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

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

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

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

Consultancy Services. Revenue from consultancy services include the revenue on services provided by the Company as a consultant in establishing and facilitating cement sale deals between its subsidiary and a cement seller. Revenue from consultancy services is recognized over time upon rendering of consultancy services.

Other Revenues
The following specific recognition criteria must be met before revenue is recognized for other revenue sources:

Dividend Income. Revenue is recognized when the shareholder's right to receive the payment is established.

Investment Income. Investment income includes net gains and losses on investments held for trading and interest income. Gain on sale of investments is recognized for the difference between the proceeds (net of disposal costs) and its carrying value upon sale of investment on date of disposal. Interest income is recognized as the interest accrues, taking into account the effective interest rate on the asset.

Rental Income. Rental income arising from operating leases is accounted for on a straight-line basis over the lease term.

Other Income. Revenue is recognized when services are rendered and the amount of revenue can be measured reliably. This includes share in expenses billed to related parties.

General and Administrative Expenses
General and administrative expenses constitute costs of administering the business and are expensed as incurred. These normally include personnel costs, management and professional fees, supplies, rental and utilities.

Pension and Other Employee Benefits
Defined Benefit Plan. The Company has a defined benefit pension plan that covers all regular full-time employees. 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 pension 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.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Net pension expense comprises the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the parent company 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 parent company statement of income in subsequent periods, but are closed to retained earnings every end of reporting 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). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting pension asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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 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. The retirement funds for the defined benefit and defined contribution plans cannot be used to meet the funding requirements of each other. While the Company is covered under Republic Act 7641, otherwise known as *"The Philippine Retirement Law"*, which provides for qualified employees to receive a defined minimum guarantee, the existing defined benefit plan is already sufficient to cover the minimum required 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. Upon the employee's separation from employment, credited leave entitlements can be converted to cash.

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

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

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

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

When an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

If a new award, however, is substituted for the cancelled awards and designated as a replacement award, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Leases

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

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

- *Right-of-use Assets.* The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. 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 parent company statement of 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 parent company statement of income. When the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

Borrowing Costs

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

Foreign Currency-denominated Transactions

Transactions denominated in foreign currencies are initially recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate at the end of the reporting period. All differences are recorded in the parent company statement of income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of initial transactions. Exchange gains or losses arising from foreign currency-denominated transactions are credited or charged to the parent company 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 end of the reporting period.

Deferred Income Tax. Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

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

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused excess MCIT and NOLCO can be utilized. Deferred tax, however, is not recognized 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. 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 future 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 sufficient future taxable profit will allow the deferred tax assets to be recovered.

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

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

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

Value-added Tax (VAT). Revenues and expenses, and assets are recognized net of the amount of VAT, if applicable.

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

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "Other current assets" or "Accrued expenses and other payables" account in the parent company statement of financial position.

The carrying amount of input tax is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient revenue subject to VAT will be available to allow all or part of the input tax to be utilized and is recorded under “Provision for unrecoverable input VAT” account in the parent company statement of income.

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

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

Segment Reporting
The Company is organized into five major business segments namely, investment holdings, property development, construction materials, educational services and business process outsourcing (BPO). Financial information about the Company’s business segments are in the consolidated financial statements.

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

Events After the Reporting Date
Post year-end events up to the date of approval of the parent company financial statements by the BOD that provide additional information about the Company’s financial position at the end of the reporting period (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the reporting period. In preparing the parent company financial statements, management has made its best estimates and judgments of certain amounts, giving due consideration to materiality. The estimates and assumptions used in the accompanying parent company financial statements are based upon management’s evaluation of relevant facts and circumstances as at the date of the parent company financial statements. Actual results could differ from such estimates.

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

Operating Lease Commitments - Company as Lessor. The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of the properties which are leased out on operating leases.

Rental income amounted to ₱11.2 million and ₱16.6 million in 2022 and 2021, respectively (see Note 13).

Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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 below.

Estimating Allowance for ECLs. The following information explains the inputs, assumptions and techniques used by the Company in estimating ECL:

- General approach for cash equivalents, receivables and deposits (presented under "Other noncurrent assets" account in the parent company statement of financial position).

  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.

- 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 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. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

- Grouping of instruments for losses measured on collective basis

  A broad range of forward-looking information were considered as economic inputs such as the inflation rate, interest rates and other economic indicators. 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 group are homogeneous. In performing this grouping, there must be sufficient information for the Company to be statistically credible. Where sufficient information is not available internally, then the Company has considered benchmarking internal/external supplementary data to use for modelling purposes. The Company segmented its receivables based on the nature of operations of its counterparty.

  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, receivables and deposits (presented under “Other noncurrent assets” account in the parent company statement of financial position).

  There have been no significant changes in estimation techniques or significant assumptions made in 2022 and 2021.

  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 nil in 2022 and 2021. The allowance for ECL amounted to ₱0.3 million as at December 31, 2022 and 2021. The carrying amounts of receivables amounted to ₱1,071.0 million and ₱1,268.8 million as at December 31, 2022 and 2021, respectively (see Note 8).

Impairment of Investments in and Advances to Subsidiaries and Associates. The Company assesses impairment on investments in and advances to subsidiaries and associates whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. This requires an estimation of the recoverable value which is the higher between VIU or fair value less costs to sell. Estimating the VIU requires the Company to make an estimate of the expected future cash flows from the CGU and also to choose an appropriate pre-tax discount rate in order to calculate the present value of those cash flows. Fair value less costs to sell is determined to be the amount obtainable from the sale of the underlying net assets of the subsidiary or associate based on the Company’s past experience of selling a subsidiary and associate.

The preparation of estimated future cash flows involves significant estimations and assumptions. While the Company believes that its assumptions are appropriate and reasonable, significant changes in its assumptions may materially affect its assessment of recoverable values and may lead to future additional impairment charges under PFRS.

There is no provision for impairment of investments in and advances to subsidiaries and associates in 2022 and 2021. Accumulated impairment losses on investments in and advances to subsidiaries and associates amounted to ₱557.8 million as at December 31, 2022 and 2021 (see Note 9).

The carrying values of investments in and advances to subsidiaries and associates amounted to ₱5,668.7 million as at December 31, 2022 and 2021 (see Note 9).

Impairment of Property and Equipment and Investment Properties. The Company assesses impairment on property and equipment and investment properties whenever events or changes in ciurcumstances indicate that the carrying amount of the asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

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

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

The Company did not recognize impairment loss on property and equipment and investment properties in 2022 and 2021. The COVID-19 pandemic did not materially affect the recoverability of property and equipment and investment properties.

The carrying amounts of property and equipment and investment properties as at December 31 are as follows:

	2022	2021
Property and equipment (see Note 12)	**₱39,197**	₱41,793
Investment properties (see Note 13)	**103,734**	104,119

Fair Value of Financial Instruments. The Company follows the principles of PFRS 13, *Fair Value Measurement* in determining the fair value of financial instruments. Where the fair values of financial assets and liabilities recorded in the parent company statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to the models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values.

The methods and assumptions used to estimate the fair value of financial assets and liabilities are discussed in Note 24.

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. 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.

As at December 31, 2022 and 2021, deferred tax assets amounting to ₱256.5 million and ₱362.4 million, respectively, were not recognized in the parent company statements of financial position (see Note 20) which pertain to deductible temporary differences, unused NOLCO and MCIT. Deferred tax assets were not recognized since management believes that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Estimating Useful Lives of Property and Equipment and Investment Properties. The Company estimates the useful lives of depreciable property and equipment and depreciable investment properties based on the period over which the property and equipment and investment properties are expected to be available for use and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of property and equipment and investment properties 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 and equipment and investment properties. 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.

There were no changes in useful lives of property and equipment and investment properties in 2022 and 2021.

Recoverability of Input VAT. The carrying amounts of input taxes were reduced to the extent that it is no longer probable that sufficient future revenue subject to output VAT will be available to allow all or part of the VAT to be utilized.

Provision for unrecoverable input VAT amounted to nil and ₱14.2 million in 2022 and 2021, respectively. Allowance for unrecoverable input VAT amounted to ₱114.8 million as at December 31, 2022 and 2021.

Pension and Other Post-employment Benefits Liability. The determination of the Company's obligation and cost of pension and other post-employment benefits is dependent on the selection of certain assumptions made by management and used by the actuary in calculating such amounts. The assumptions presented in Note 22 include, among others, discount rates, and future salary increases.

In determining the appropriate discount rates, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

Future salary increases are based on expected future inflation rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, pension benefits are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Pension and other post-employment benefits expense amounted to ₱8.5 million and ₱10.7 million in 2022 and 2021, respectively (see Note 22). The carrying values of pension and other post-employment benefits liability amounted to ₱33.2 million and ₱43.7 million as at December 31, 2022 and 2021, respectively (see Note 22).

6. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand and in banks	**₱198,602**	₱169,642
Short-term deposits	**702,183**	822,144
	₱900,785	₱991,786

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 prevailing short-term deposit rates. Interest income from cash and cash equivalents amounted to ₱15.1 million and ₱3.6 million in 2022 and 2021, respectively (see Note 18).

7. Investments Held for Trading

This account consists of investments in:

	2022	2021
UITFs	**₱503,702**	₱1,056,072
Marketable equity securities	**3,102**	3,593
	₱506,804	₱1,059,665

Investments held for trading have yields ranging from 1.25% to 1.84% in 2022 and 0.50% to 1.25% in 2021.
Net gain on sale of investments held for trading amounted to ₱3.3 million and ₱4.3 million in 2022 and 2021, respectively (see Note 18). Net gain from fair value change of investments held for trading amounted to ₱7.9 million and ₱1.8 million in 2022 and 2021, respectively (see Note 18).

Dividend income from marketable equity securities amounted to ₱131.0 thousand and ₱35.0 thousand in 2022 and 2021, respectively (see Note 9).

8. Receivables

This account consists of:

	2022	2021
Due from related parties (Note 21)	**₱886,327**	₱1,346,273
Accrued interest	**335,110**	120,370
Others	**135,773**	88,406
	1,357,210	1,555,049
Less allowance for ECLs	**286,233**	286,233
	₱1,070,977	₱1,268,816

The terms and conditions relating to due from related parties are discussed in Note 21.

Accrued interest and other receivables are noninterest-bearing and are normally collected within the next financial year.

Changes in the allowance for ECLs as at December 31, 2022 and 2021, respectively, are as follows:

	2022		
	Related parties	**Others**	**Total**
Balance at beginning and end of year	**₱233,892**	**₱52,341**	**₱286,233**
Stage 2 impairment	**₱136**	**₱–**	**₱136**
Stage 3 impairment	**233,756**	**52,341**	**286,097**
	₱233,892	**₱52,341**	**₱286,233**

	2021		
	Related parties	Others	Total
Balance at beginning and end of year	₱233,892	₱52,341	₱286,233
Stage 2 impairment	₱136	₱–	₱136
Stage 3 impairment	233,756	52,341	286,097
	₱233,892	₱52,341	₱286,233

9. **Investments in and Advances to Subsidiaries and Associates**

The carrying values of the investments in subsidiaries and associates are as follows:

	2022			2021		
	Cost	**Accumulated Impairment Loss**	**Net Book Value**	Cost	Accumulated Impairment Loss	Net Book Value
Subsidiaries:						
PEHI	**₱2,572,232**	**₱–**	**₱2,572,232**	₱2,572,232	₱–	₱2,572,232
UGC	**1,213,598**	**–**	**1,213,598**	1,213,598	–	1,213,598
Philcement	**625,000**	**–**	**625,000**	625,000	–	625,000
API	**198,048**	**–**	**198,048**	198,048	–	198,048
PSHC	**165,900**	**111,571**	**54,329**	165,900	111,571	54,329
OAL	**333,951**	**333,951**	**–**	333,951	333,951	–
CAA	**50,250**	**50,250**	**–**	50,250	50,250	–
Associates:						
PPHC	**492,444**	**–**	**492,444**	492,444	–	492,444
APHI	**95,536**	**–**	**95,536**	95,536	–	95,536
Coral Way	**89,411**	**–**	**89,411**	89,411	–	89,411
	5,836,370	**495,772**	**5,340,598**	5,836,370	495,772	5,340,598
Advances - PPHC	**328,110**	**–**	**328,110**	328,110	–	328,110
Advances-CAA	**62,000**	**62,000**	**–**	62,000	62,000	–
	390,110	**62,000**	**328,110**	390,110	62,000	328,110
	₱6,226,480	**₱557,772**	**₱5,668,708**	₱6,226,480	₱557,772	₱5,668,708

There were no changes in the cost of investments in and advances to subsidiaries and associates, before accumulated impairment loss, and in the accumulated impairment of investments in and advances to subsidiaries and associates, for the years ended December 31, 2022 and 2021.

PEHI
PEHI was incorporated on August 28, 2015 to serve as the holding company of the Company's investments in educational institutions.

UGC
UGC is engaged in the manufacture of pre-painted galvanized iron roofing products and other steel products, such as steel decking, frames, and insulated panels used for cold storage and other facilities.

Philcement
Philcement is incorporated in the Philippines and registered with the Philippine SEC on September 8, 2017. It is primarily engaged in manufacturing, processing, marketing, importing, trading - wholesale and retail, selling and distributing cement, cement products, and other by-products and establishing, operating, and managing cement supply terminals and ports. The registered office address of Philcement is in Mariveles, Bataan.

On August 15, 2019, the Company's BODs approved to invest in Philcement by way of preferred shares amounting to ₱400.0 million. The approved investment was made through advances that earned 6.8% interest. On April 12, 2021, Philcement issued the capital stock amounting to ₱400.0 million to the Company. As at December 31, 2022 and 2021, the Company's advances to Philcement amounted to nil, respectively.

PHINMA Solar

PHINMA Solar, formerly Trans-Asia Wind Power Corporation, was incorporated in the Philippines and registered with the Philippine SEC on July 26, 2013. It is primarily engaged in providing solar rooftop system to the customers.

API

API is engaged in real estate business.

CAA

CAA was incorporated on November 28, 2014 and is engaged in providing technical vocational education and training programs. CAA ceased its operations on March 31, 2019. The investment in and advances to CAA has an allowance for impairment loss amounting to ₱112.3 million as at December 31, 2022 and 2021.

PSHC

PSHC is a holding company for United Pulp and Paper Corporation, which manufactures paper bags and packaging medium. The investment in and advances to PSHC has an allowance for impairment loss amounting to ₱111.6 million as at December 31, 2022 and 2021.

OAL

OAL, a limited liability company, was used as a vehicle in the purchase of shares of stock of Toon City.

The investment in OAL has been fully provided with an allowance for impairment loss amounting to ₱334.0 million as at December 31, 2022 and 2021. OAL and Toon City have ceased their operations since April 2013.

PPHC

PPHC was incorporated in the Philippines and is engaged in real estate development, particularly in the development of affordable medium and high-rise condominium units.

Pursuant to the Deed of Assignment dated December 28, 2018, the Company and APHI transferred a 27.3 hectares property in Brgy. Puting Lupa, Calamba City in exchange for PPHC shares. PPHC will issue 65,622 shares to the Company at par value of ₱5,000 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 ₱308.1 million from the tax-free exchange.

As at December 31, 2022, the Transfer of Certificate of Title over the property has been 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.

Coral Way

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

Dividends
The Company's dividend income and receivables (see Note 21) are as follows:

	Dividend Income		Dividend Receivable	
	2022	2021	**2022**	2021
Subsidiaries				
UGC	**₱49,005**	₱144,080	**₱49,005**	₱144,080
Philcement	**66,000**	96,000	**30,000**	60,000
PEHI	**54,081**	67,743	**27,040**	33,871
Investments Held for Trading				
Marketable equity securities	**131**	35	**7**	7
	₱169,217	₱307,858	**₱106,052**	₱237,958

10. **Financial Assets at FVPL**

This account consists of:

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

On September 18, 2019, the 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 Philcement, a 60%-owned subsidiary of PHN. Vissai is the parent company of Song Lam which owns and manages five cement plants in Vietnam.

In January 2020, the Company, Song Lam, Vissai and Hoang Minh Truong entered into share subscription agreement related to the 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 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 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 Company. The put option may be exercised by the Company after five (5) years from closing and until the end of the seventh (7th) year from said closing.

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

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

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

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

11. **Financial Assets at FVOCI**

This account consists of:

	2022	2021
Investment in club shares	**₱41,000**	₱32,350
Non-listed equity securities	**33,657**	30,951
	₱74,657	₱63,301

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

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

The movements in net unrealized gain on financial assets at FVOCI in 2022 and 2021 are as follows:

	2022	2021
Balance at beginning of year	**₱24,436**	₱22,948
Gain due to changes in fair value of investment in equity instruments	**10,839**	1,488
Sale of equity instruments	**(400)**	–
Balance at end of year	**₱34,875**	₱24,436

12. Property and Equipment

This account consists of:

	January 1, 2022	**Additions**	**Disposals**	**December 31, 2022**
Cost:				
Lad	**₱818**	**₱–**	**₱–**	**₱818**
Buildings	**95,341**	**–**	**–**	**95,341**
Transportation equipment	**27,112**	**–**	**(987)**	**26,125**
Office furniture, fixtures and equipment	**39,644**	**3,627**	**(219)**	**43,052**
	162,915	**3,627**	**(1,206)**	**165,336**
Less accumulated depreciation:				
Buildings	**72,141**	**94**	–	**72,235**
Transportation equipment	**16,372**	**3,485**	**(165)**	**19,692**
Office furniture, fixtures and equipment	**32,609**	**1,756**	**(153)**	**34,212**
	121,122	**5,335**	**(318)**	**126,139**
Net book value	**₱41,793**	**(₱1,708)**	**(₱888)**	**₱39,197**

	January 1, 2021	Additions	Disposals	December 31, 2021
Cost:				
Land	₱818	₱–	₱–	₱818
Buildings	95,341	–	–	95,341
Transportation equipment	29,775	4,951	(7,614)	27,112
Office furniture, fixtures and equipment	32,860	7,067	(283)	39,644
	158,794	12,018	(7,897)	162,915
Less accumulated depreciation:				
Buildings	72,016	125	–	72,141
Transportation equipment	16,713	4,916	(5,257)	16,372
Office furniture, fixtures and equipment	32,074	732	(197)	32,609
	120,803	5,773	(5,454)	121,122
Net book value	₱37,991	₱6,245	(₱2,443)	₱41,793

In 2022 and 2021, the Company sold certain property and equipment resulting to a gain of ₱18.0 thousand and ₱16.7 thousand, respectively.

13. Investment Properties

This account consists of:

	January 1, 2022	**Additions**	**Disposals**	**December 31, 2022**
Cost:				
Land	**₱92,049**	**₱–**	**₱–**	**₱92,049**
Building	**83,318**	**–**	**–**	**83,318**
	175,367	–	**–**	**175,367**

(Forward)

	January 1, 2022	**Additions**	**Disposals**	**December 31, 2022**
Less accumulated depreciation -				
Building	**₱71,248**	**₱385**	**₱–**	**₱71,633**
Net book value	**₱104,119**	**(₱385)**	**₱–**	**₱103,734**

	January 1, 2021	Additions	Disposals	December 31, 2021
Cost:				
Land	₱92,049	₱–	₱–	₱92,049
Building	83,318	–	–	83,318
	175,367	–	–	175,367
Less accumulated depreciation -				
Building	70,894	354	–	71,248
Net book value	₱104,473	(₱354)	₱–	₱104,119

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

	2022	2021
Rental income (Note 25)	**₱11,231**	₱16,554
Depreciation (Note 19)	**(385)**	(354)
	₱10,846	₱16,200

As at December 31, 2022 and 2021, the fair values of the investment properties amounted to ₱1,502.1 million and ₱1,405.7 million, respectively, based on valuations performed by accredited independent appraisers.

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 meter	₱3,800 - ₱10,500
Building for lease	Market comparable assets	Price per square meter	₱165,000 - ₱169,000

The fair value disclosure is categorized under Level 3.

14. Notes Payable

In 2021, the Company availed ₱150.0 million unsecured short-term peso-denominated loans with an annual interest rate ranging between 2.75% to 4.68% from Rizal Commercial Banking Corporation (RCBC), which was settled as at December 31, 2021 (see Note 21)

Interest expense incurred from notes payable amounted to nil and ₱5.6 million in 2022 and 2021, respectively.

15. **Accrued Expenses and Other Payables**

This account consists of:

	2022	2021
Dividends payable (Note 17)	**₱45,660**	₱43,324
Due to related parties (Note 21)	**42,861**	46,366
Accruals for:		
Professional fees	**21,773**	43,945
Interest (Note 21)	**28,324**	25,903
Personnel costs	**153**	13,008
Payable to third parties	**6,266**	22,932
Deposit payable	**2,246**	2,246
Retention payable	**175**	175
Others	**808**	913
	₱148,266	₱198,812

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.

The terms and conditions of due to related parties are disclosed in Note 21.

Accruals for interest, personnel costs and professional fees pertain to expenses incurred but not yet paid by the Company and are normally settled within a year.

Payable to third parties are liabilities to suppliers, employees, government and others and are expected to be paid with the next financial year.

Deposit payable pertains to rent deposited by the lessees. Normally, lease contracts have a one-year term.

16. **Long-Term Debt**

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

<u>PHN Fixed Rate Bonds due 2024</u>

	2022	2021
Principal	**₱3,000,000**	₱3,000,000
Less debt issuance cost	**27,223**	42,984
	₱2,972,777	₱2,957,016

On May 6, 2021, the 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 Company on March 2, 2021 and the Executive Committee of the 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 Company appointed China Bank Capital Corporation and SB Capital Investment Corporation as Joint Issue Managers and

Joint Lead Underwriters; Rizal Commercial Banking Corporation –Trust and Investments Group as the Trustee; and Philippine Depository & Trust Corp. as the Registrar and Paying Agent.

The bonds were listed in the Philippine Dealing & Exchange Corp. on August 20, 2021.

The balance of unamortized debt issuance cost follows:

	2022	2021
Beginning of period	**₱42,984**	₱–
Additions	**–**	48,559
Amortization	**(15,761)**	(5,575)
End of period	**₱27,223**	₱42,984

Long- Term Loans

	2022	2021
Noncurrent portion of long-term debt:		
Long-term debt	**₱1,930,000**	₱1,950,000
Less: unamortized debt issuance cost	**7,656**	9,182
	1,922,344	1,940,818
Add current portion	**88,036**	88,036
	₱2,010,380	₱2,028,854

The debt agreements presented in the succeeding page include, among others, certain restrictions and requirements. The loan agreement with Security Bank Corporation (SBC) stipulates positive and negative covenants which must be complied with by the Company for as long as the loans remain outstanding. Negative covenants include certain restrictions and requirements, such as maintenance of certain current, debt-to-equity and debt service coverage ratios.

As at December 31, 2022 and 2021, the Company is in compliance with the required financial ratios and other loan covenants.

The following table describes the changes in unamortized debt issuance costs for the year ended December 31, 2022 and 2021.

	2022	2021
Unamortized debt issuance costs at beginning of year	**₱9,182**	₱10,638
Less: amortizationduring the year included as part of interest charges	**1,526**	1,456
Unamortized debt issuance costs at end of year	**₱7,656**	₱9,182

Interest expense (including amortization of debt issuance costs) pertaining to the loan was presented as part of “Interest expense and bank charges” account in the parent company statements of income amounting to ₱245.0 million and ₱169.8 million in 2022 and 2021, respectively.

The details of long-term debts are summarized below:

Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[1] December 31, 2022	Outstanding Amounts[1] December 31, 2021
₱2,000,000[1] [2]	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	**₱1,942,344**	₱1,960,818
68,036[2]	September 16, 2021	PSHC	Interest is payable on March 15 and September 15. Principal payment due on or before September 15, 2023	On or before September 15, 2023	Interest rate is 3.53 % gross p.a. plus 12% value-added tax	–	68,036	**68,036**	68,036
Total								**₱2,010,380**	₱2,028,854

[1] *Amounts are net of unamortized debt issue cost.*
[2] *The loan was acquired for working capital purposes. The PSHC loan was renewed for another 2-year period on September 16, 2021.*

Changes in Liabilities Arising from Financing Activities

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

	January 1, 2022	**Declaration**	**Availments**	**Payments**	**Others***	**December 31, 2022**
Liabilities from financing activities						
Dividends payable	**₱43,324**	**₱135,930**	**₱–**	**(₱133,594)**	**₱–**	**₱45,660**
Long-term debt	**4,985,870**	**–**	**–**	**(20,000)**	**17,287**	**4,983,157**
	₱5,029,194	**₱135,930**	**₱–**	**(₱153,594)**	**₱17,287**	**₱5,028,817**

**Others include amortization of debt issue costs*

	January 1, 2021	Declaration	Availments	Payments	Others*	December 31, 2021
Liabilities from financing activities						
Dividends payable	₱41,139	₱108,927	₱–	(₱106,742)	₱–	₱43,324
Notes payable	150,000	–	150,000	(300,000)	–	–
Long-term debt	2,047,398	–	2,951,441	(20,000)	7,031	4,985,870
	₱2,238,537	₱108,927	₱3,101,441	(₱426,742)	₱7,031	₱5,029,194

**Others include amortization of debt issue costs*

17. Capital Stock and Retained Earnings

a. Capital Stock

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

	Number of Shares	
	2022	2021
Preferred - cumulative, nonparticipating, ₱10 par value		
Class AA – Authorized	**50,000,000**	50,000,000
Class BB – Authorized	**50,000,000**	50,000,000
Issued and subscribed	**–**	–
Common - ₱10 par value		
Authorized	**420,000,000**	420,000,000
Issued	**286,303,550**	286,303,550
Subscribed	**39,994**	39,994
Issued and subscribed	**286,343,544**	286,343,544
Treasury shares	**18,279**	14,427,179

The issued and outstanding shares as at December 31, 2022 and 2021 are held by 1,218 and 1,223 equity holders, respectively.

Capital stock presented in the parent company statements of financial position is net of subscription receivable amounting to ₱0.1 million as at December 31, 2022 and 2021.

The following summarizes information on the Company's track record of registration of securities under the Securities Regulation Code:

Date of SEC Approval	Authorized Shares	Issue/Offer Price
March 12, 1957	1,200,000	₱10
June 12, 1968	1,000,000	10
April 7, 1969	800,000	10
January 21, 1980	2,000,000	10
November 3, 1988	10,000,000	10
October 13, 1992	25,000,000	10
June 3, 1995	60,000,000	10
March 16, 1999	320,000,000	10

b. Retained Earnings

Appropriated

On February 28, 2020, the BOD reversed the appropriation of retained earnings made in 2018 in the amount of ₱1.3 billion for the investment in the Education and Construction Materials business, and buyback of shares. In addition, an appropriation was made for the investment in the Construction Materials business until December 31, 2020 amounting to ₱2.3 billion. Another ₱165.5 million of the retained earnings was appropriated for the buyback of PHN shares until February 28, 2022.

On March 2, 2021, the BOD reversed the appropriation of retained earnings made in 2020 in the amount of ₱2.25 billion for the investment in the Construction Materials business.

On November 10, 2021, an appropriation was made for the investment in Construction Materials business until December 31, 2022 amounting to ₱1.1 billion. Another ₱500.0 million of the retained earnings was appropriated for the Education business until December 31, 2022.

Unappropriated

Retained earnings available for dividend declaration amounted to ₱1,523.6 million and ₱1,468.7 million as at December 31, 2022 and 2021, respectively.

On February 28, 2020, the BOD declared a cash dividend amounting to ₱109.0 million, equivalent to ₱0.40 per share, to all common shareholders of record as at March 17, 2020, which were paid on March 27, 2020.

On March 2, 2021, the BOD declared a cash dividend amounting to ₱108.9 million, equivalent to ₱0.40 per share, to all common shareholders of record as at April 14, 2021, which were paid on May 5, 2021.

On March 1, 2022, the 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.

Dividends payable amounted to ₱45.7 million and ₱43.3 million as at December 31, 2022 and 2021, respectively (see Note 15). These pertain to dividends not yet claimed by various stockholders.

c. Buyback of shares

On February 28, 2020, the Company's BOD appropriated ₱165.5 million of the retained earnings for the buyback of shares until February 28, 2022.

In 2022 and 2021, the Company bought back 23,000 shares and 456,600 shares for a total consideration of ₱0.5 million and ₱7.2 million, respectively.

d. Sale of Treasury Shares

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

18. Investment Income

This account consists of:

	2022	2021
Interest income from:		
Financial assets at FVPL	**₱209,081**	₱118,939
Cash and cash equivalents (see Note 6)	**15,123**	3,554
Advances to subsidiaries (see Note and 21)	**36,793**	1,544
	260,997	124,037
Net gain on sale of investments held for trading (see Note 7) -		
Marketable equity securities	**64**	–
Investments in UITFs	**3,232**	4,347
	3,296	4,347
Net gain (loss) from fair value change of investments held for trading (see Note 7):		
Investments in UITFs	**8,335**	1,610
Investments in marketable equity securities	**(398)**	140
	7,937	1,750
	₱272,230	₱130,134

19. General and Administrative Expenses and Others

General and administrative expenses and others consist of:

	2022	2021
Personnel costs (see Notes 21 and 22)	**₱102,027**	₱151,284
Outside services (see Note 21)	**24,416**	29,406
Intercompany charges (see Note 21)	**23,138**	19,690
Depreciation (see Notes 12 and 13)	**5,720**	6,127
Tax indemnity	**4,378**	34,764
Taxes and licenses	**4,186**	5,883
Utilities	**3,717**	3,189
Dues and subscriptions	**2,938**	889

(Forward)

	2022	2021
Donations and contributions	**₱2,275**	₱13,118
Insurance	**1,797**	2,036
Rent	**1,363**	1,390
Postage, telephone and telegraph	**1,335**	1,144
Office supplies	**914**	486
Repairs and maintenance	**769**	194
Transportation and travel	**361**	142
Entertainment, amusement and recreation	**6**	59
Provision for unrecoverable input VAT	–	14,155
Others	**30,582**	16,558
	₱209,922	₱300,514

The Company's expenses for meetings, conferences and other miscellaneous charges are included as part of "Others" in the table above.

"Intercompany charges" in the parent company statements of income include share in expenses of the Ultimate Parent, subsidiaries, associates and other related parties that is initially incurred by the Company and subsequently billed to related parties and recognized in miscellaneous income (see Note 21).

20. **Income Tax**

The provision for current income tax in 2022 and 2021 represents MCIT.

The components of the Company's deferred tax asset and liabilities as at December 31, 2022 and 2021 are as follows:

	2022	2021
Deferred tax asset:		
NOLCO	**₱199,673**	₱86,108
Deferred tax liabilities:		
Unrealized gain on change in fair value of financial assets at FVPL and derivative asset	**(116,739)**	(56,373)
Accrued income	**(82,005)**	(29,735)
Unrealized gain on change in fair value of financial assets at FVOCI	**(7,302)**	(5,335)
Unrealized foreign exchange gain	**(1,011)**	(133)
	(207,057)	(91,576)
	(₱7,384)	(₱5,468)

The details of deductible temporary differences, unused NOLCO and MCIT for which no deferred tax assets were recognized are as follows:

	2022	2021
Unused NOLCO	**₱365,609**	₱752,139
Accumulated impairment loss on subsidiary	**495,772**	495,773
Allowance on expected credit losses	**286,233**	286,233
Accrued employee benefits and professional fees	**41,732**	73,803
Unamortized past service cost	**18,592**	17,825
Unrealized loss on change in fair value of investment in FVOCI	**6,256**	5,503
MCIT	**2,625**	2,770
Net remeasurement loss on pension liability	**2,105**	7,930
Unrecognized deferred tax assets	**₱256,497**	₱362,444

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 reconciliation between the statutory and effective income tax rates are as follows:

	2022	2021
Applicable statutory income tax rate	**25.0%**	25.0%
Change in unrecognized deferred tax assets and others	**32.0%**	39.9%
Increase (decrease) in tax rates resulting from:		
Dividend income exempt from income tax	**(15.5%)**	(31.4%)
Other non-taxable income	**(40.2%)**	(38.6%)
Interest income subjected to final tax	**(1.4%)**	(0.4%)
Nondeductible expenses	**0.5%**	5.7%
Provision for final tax	**1.1%**	0.3%
Effective tax rates	**1.5%**	0.5%

As at December 31, 2022, NOLCO totaling ₱1,106.5 million can be claimed as deduction against future taxable income while MCIT totaling ₱2.7 million can be deducted against RCIT due, as follows:

Date Incurred/Paid	Expiry Date	NOLCO	MCIT
December 31, 2020	December 31, 2023	₱–	₱1,017
December 31, 2020	December 31, 2025	304,163	–
December 31, 2021	December 31, 2024	–	564
December 31, 2021	December 31, 2026	480,965	–
December 31, 2022	December 31, 2025	379,174	1,044
		₱1,164,302	₱2,625

MCIT amounting to ₱1.2 million and ₱1.4 million expired in 2022 and 2021. NOLCO amounting to ₱311.4 million and ₱249.6 million expired in 2022 and 2021, respectively.

Moreover, the Company incurred NOLCO amounting to ₱304.2 million and ₱481.0 million in 2020 and 2021, which can be carried over as deductions from gross income until December 31, 2025 and December 31, 2026, respectively, as provided under Section 4 (bbbb) of Republic Act (R.A) 11494, otherwise known as the “Bayanihan to Recover as One Act” and as implemented by Revenue

Regulations No. 25-2020. The law provides that NOLCO incurred by businesses or enterprises for the taxable years 2020 and 2021 shall be allowed to be carried over as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

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

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

Applying the provisions of the CREATE Act, the Company has been subjected to reduced MCIT rate of 1% of gross income, effective July 1, 2020.

21. Related Party Transactions

Parties are considered to be 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 or common significant influence. Related parties may be individual or corporate entities.

The significant related party transactions entered into by the Company with its ultimate parent company, subsidiaries, associates and other related parties, and the amounts included in the parent company financial statements with respect to such transactions are as follows:

				2022			
Affiliate	**Nature**	**Amount/ Volume**	**Amount Due from Related Parties** (Note 8)	**Amount Due to Related Parties** (Note 15)	**Long-term Debt** (Note 16)	**Terms**	**Conditions**
Ultimate Parent	Share in expenses	**₱39,704**	**₱1,289**	**(₱19,477)**	**₱–**	Noninterest-bearing	Unsecured, no impairment
	Management fee and bonus	**38,048**	**–**	**(23,348)**	**–**	Noninterest-bearing	Unsecured
	Rent income	**5,699**	**–**	**–**	**–**	Noninterest-bearing	Unsecured, no impairment
Subsidiaries							
	Grant of noninterest-bearing advances	**–**	**232,059**	**–**	**–**	Noninterest-bearing	Unsecured, with impairment of ₱232.1 million

(Forward)

2022							
Affiliate	**Nature**	**Amount/ Volume**	**Amount Due from Related Parties** (Note 8)	**Amount Due to Related Parties** (Note 15)	**Long-term Debt** (Note 16)	**Terms**	**Conditions**
	Grant of interest-bearing advances	**₱1,350,000**	**₱1,495,000**	**₱–**	**₱–**	3.14% to 5.05% per annum	Unsecured, no impairment
	Share in expenses	**7,239**	**19,552**	**–**	**–**	Noninterest-bearing	Unsecured, with impairment of ₱1.7 million
	Rent income	**1,640**	**263**	**–**	**–**	Noninterest-bearing	Unsecured, no impairment
	Dividend income	**169,086**	**106,045**	**–**	**–**	Noninterest-bearing	Unsecured, no impairment
	Long-term debt	**–**	**–**	**–**	**(68,036)**	3.5335% per annum	Unsecured, no impairment
	Interest expense	**2,437**	**–**	**(714)**	**–**		Unsecured
	Interest income	**36,793**	**5,096**	**–**	**–**	3.14% to 5.05% per annum	Unsecured, no impairment
Associates							
	Share in expenses	**3,831**	**6,320**	**(36)**	**–**	Noninterest-bearing	Unsecured, no impairment
	Rent income	**289**	**–**	**–**	**–**	Noninterest-bearing	Unsecured, no impairment
Other Related Parties*							
	Miscellaneous income	**2,437**	**799**	**–**	**–**	Noninterest-bearing	Unsecured, with impairment of ₱0.1 million
			₱1,866,423	**(₱43,575)**	**(₱68,036)**		

* *Other related parties pertain to entities under common control of PHINMA, Inc.*

	Total Related Party Outstanding Balances		
(1)	Accrued interest receivable	₱5,096	
(2)	Due from related parties	886,327	
(3)	Non-current assets -Philcement LTD advances	975,000	
(4)	Due to related parties		(₱42,861)
(5)	Accrued interest expense		(714)

2021							
Affiliate	Nature	Amount/ Volume	Amount Due from Related Parties (Note 8)	Amount Due to Related Parties (Note 15)	Long-term Debt (Note 16)	Terms	Conditions
Ultimate Parent	Share in expenses	₱39,055	₱367	(₱24,998)	₱–	Noninterest-bearing	Unsecured, no impairment
	Management fee and bonus	34,708	–	(21,184)	–	Noninterest-bearing	Unsecured
	Rent income	5,617	–	–	–	Noninterest-bearing	Unsecured, no impairment
Subsidiaries							
	Grant of noninterest-bearing advances		232,059	–	–	Noninterest-bearing	Unsecured, with impairment of ₱232.1 million
	Grant of interest-bearing advances	850,000	850,000	–	–	2.7% per annum	Unsecured, no impairment

(Forward)

			2021				
Affiliate	Nature	Amount/ Volume	Amount Due from Related Parties (Note 8)	Amount Due to Related Parties (Note 15)	Long-term Debt (Note 16)	Terms	Conditions
	Share in expenses	₱6,334	₱19,281	(₱184)	₱–	Noninterest-bearing	Unsecured, with impairment of ₱1.7 million
	Rent income	1,500	421	–	–	Noninterest-bearing	Unsecured, no impairment
	Dividend income	307,823	237,951	–	–	Noninterest-bearing	Unsecured, no impairment
	Long-term debt	–	–	–	(68,036)	3.5335% per annum	Unsecured
	Interest expense	3,152	–	–	–		
	Interest income	1,544	–	–	–	2.7% per annum	
Associates	Share in expenses	1,905	4,892	–	–	Noninterest-bearing	Unsecured, no impairment
	Rent income	48	72	–	–	Noninterest-bearing	Unsecured, no impairment
Other Related Parties*							
	Miscellaneous income	3,718	1,230	–	–	Noninterest-bearing	Unsecured, with impairment of ₱0.1 million
			₱1,346,273	(₱46,366)	(₱68,036)		

** Other related parties pertain to entities under common control of PHINMA, Inc*

Total Related Party Outstanding Balances			
(1)	Due from related parties	1,346,273	
(2)	Due to related parties		(46,366)

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. The Company's accounting for impaired receivables is based on forward-looking expected credit loss method using the external credit approach. Allowance for expected credit losses from related parties amounted ₱233.9 million as at December 31, 2022 and 2021 (see Note 8).

As at December 31, 2022 and 2021, dividends receivable is ₱106.0 million and ₱238.0 million, respectively (see Note 9).

The share in expenses charged to related parties are recorded under "Others" account in the parent company statements of income.

Management Fee and Bonus

PHINMA, Inc. has various management contracts with its subsidiaries and associates that give it the general management authority with corresponding responsibility over all operations and personnel of certain related parties including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance and other business activities of the related parties.

The Company has a 5-year management contract with PHINMA, Inc. up to June 30, 2024, renewable thereafter upon mutual agreement of the two parties. Under the existing management agreement, the Company pays PHINMA, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of the Company's net income.

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:

	2022	2021
Management fee	**₱14,700**	₱13,524
Management bonus	**23,348**	21,184
	₱38,048	₱34,708

The amounts pertaining to the management bonus in 2022 and 2021 remain unpaid as at December 31, 2022 and 2021, respectively.

Directors' Fee and Bonus
The Company recognizes compensation to directors computed based on net income after certain adjustments. The details of the directors' compensation which is included in "Personnel costs" under "General and administrative expenses" account are as follows:

	2022	2021
Directors' fee	**₱6,125**	₱4,314
Directors' bonus	**–**	12,822
	₱6,125	₱17,136

The amount pertaining to the directors' bonus in 2021 remain unpaid as at December 31, 2021.

Rent Income
The Company has existing short-term lease agreements for office and parking spaces with related companies (PHINMA, Inc., subsidiaries, and associates). Rent income earned from related parties amounted to ₱7.6 million and ₱7.2 million in 2022 and 2021, respectively. Outstanding receivable of the Company amounted to ₱0.3 million and ₱0.5 million as at December 31, 2022 and 2021, respectively.

Share in Expenses
Out-of-pocket and other operating expenses initially shouldered by the Company are reimbursed by the affiliates when billed by the Company. "Intercompany charges" in the parent company statements of income include share in expenses of the Ultimate Parent, subsidiaries, associates and other related parties that is initially incurred by the Company and subsequently billed to related parties and recognized in miscellaneous income. The total intercompany expenses incurred on behalf of the affiliates amounted to ₱50.8 million and ₱47.3 million in 2022 and 2021, respectively. Outstanding receivable of the Company amounted to ₱27.2 million and ₱24.5 million as at December 31, 2022 and 2021, respectively. Outstanding payable of the Company amounted to ₱19.5 million and ₱25.2 million as at December 31, 2022 and 2021, respectively.

Advances To and From Related Parties
The Company also grants advances to its related parties to fund certain working capital requirements. Outstanding noninterest-bearing advances of the Company amounted to ₱232.1 million as at December 31, 2022 and 2021.

On August 15, 2019, the Company's BODs approved to invest in Philcement by way of preferred shares amounting to ₱400.0 million. The approved investment was made through advances that earned 6.8% interest. On April 12, 2021, Philcement issued the capital stock amounting to ₱400.0 million to the Company.

On August 10, 2022, the Company's BOD approved to extend credit facilities to the Construction Materials Group. On September 16, 2022, Philcement drawdown an amount of ₱1.0 billion with an interest rate of 5.05% with 5 quarterly payment of ₱5.0 million from drawdown date and balloon payment amounting to ₱975.0 million on March 8, 2024.

As at December 31, 2022 and 2021, the Company's advances to Philcement amounted to ₱1,495.0 million and ₱650.0 million, respectively.

Long-term Debt
On September 16, 2021, the Company renewed its loan from PSHC which resulted to an extended maturity period until September 15, 2023. The renewed loan has an interest rate of 3.5335%. Related interest expense amounted to ₱2.4 million and ₱3.2 million in 2022 and 2021.

Dividend Income
The Company earns dividend income from its subsidiaries and associates. In 2022 and 2021, the Company earned ₱169.1 million and ₱307.8 million, respectively. As at December 31, 2022 and 2021, the outstanding dividends receivable amounted to ₱106.0 million and ₱238.0 million, respectively (see Note 9).

Sale of US dollar
The Company sells US dollars to its subsidiaries and associates to which the Company becomes a conduit or pass through which enabled them to source US dollars at a cheaper rate than in need of its subsidiaries and associates to directly buy/transact with the bank.

Miscellaneous Income
The Company provides financial management consultancy to its related party United Pulp and Paper Company (UPPC). Miscellaneous income amounted to ₱2.4 million and ₱3.7 million in 2022 and 2021, respectively. Due from these transactions amounted to ₱0.8 million and ₱1.2 million as at December 31, 2022 and 2021 respectively. An allowance for impairment amounting to ₱0.1 million was recognized as at December 31, 2022 and 2021.

Compensation of Key Management Personnel
Compensation of key management personnel of the Company are as follows:

	2022	2021
Short-term employee benefits	**₱79,826**	₱43,589
Pension and other post-employment benefits	**1,434**	7,814
	₱81,260	₱51,403

22. **Pension and Other Post-employment Benefits Liability**

This account consists of:

	2022	2021
Defined benefit pension liability	**₱20,017**	₱28,252
Other post-employment benefits liability	**13,114**	15,568
Defined contribution plan	**39**	(101)
	₱33,170	₱43,719

Pension and other post-employment benefits, included in "Personnel costs" under "General and administrative expenses" account, consist of:

	2022	2021
Defined benefit pension expense	**₱4,756**	₱5,932
Contribution to PHINMA retirement fund for common employees	**3,161**	3,790
Other post-employment benefits expense	**(83)**	128
Contribution to defined contribution plan	**677**	866
	₱8,511	₱10,716

a. Defined benefit pension plan

The Company has an actuarially computed retirement plan covering all permanent employees. The benefits are based on years of service and compensation during the last year of employment. The Company has established a retirement fund that is managed by a trustee.

Annual contribution to the pension plan consists of a payment to cover the current service costs for the year plus a payment toward funding the actuarial accrued liability.

The following tables summarize the components of net pension expense recognized in the parent company statements of income and the funded status and amounts recognized in the parent company statements of financial position for the pension plan:

Net pension expense consists of:

	2022	2021
Current service cost	**₱3,091**	₱4,664
Past service cost	**412**	–
Net interest cost	**1,253**	1,268
Net pension expense	**₱4,756**	₱5,932

Details of net pension liability are as follows:

	2022	2021
Present value of defined benefit obligation	**₱30,961**	₱36,714
Fair value of plan assets	**(10,944)**	(8,462)
Net pension liability	**₱20,017**	₱28,252

Changes in the present value of the pension obligation are as follows:

	2022	2021
Balance at beginning of year	**₱36,714**	₱72,248
Current service cost	**3,091**	4,664
Interest cost on defined benefit obligation	**1,779**	2,448
Benefits paid	**(4,559)**	(38,335)
Actuarial (gains) losses:		
Experience adjustment	**(1,123)**	501
Change in financial assumptions	**(5,353)**	(4,812)
Past service cost	**412**	–
Balance at end of year	**₱30,961**	₱36,714

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

	2022	2021
Balance at beginning of year	**₱8,462**	₱34,895
Contributions by the Company	**7,166**	8,336
Actual return excluding amount included in net interest cost	**(651)**	1,473
Interest income included in net interest cost	**526**	1,180
Net acquired assets due to employee transfers	**–**	913
Benefits paid	**(4,559)**	(38,335)
Balance at end of year	**₱10,944**	₱8,462
Actual return (deficit) on plan assets	**(₱126)**	₱2,653

Changes in net pension liability are as follows:

	2022	2021
Balance at beginning of year	**₱28,252**	₱37,353
Net pension expense	**4,756**	5,932
Contributions	**(7,166)**	(8,336)
Remeasurement loss (gain) in OCI	**(5,825)**	(5,784)
Net acquired assets due to employee transfers	**–**	(913)
Net pension liability	**₱20,017**	₱28,252

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2022	2021
Cash and short-term investments	**2%**	48%
Marketable equity securities	**98%**	52%
	100%	100%

Cash and short-term investments include liquid investments in Special Deposit Accounts, government securities, mutual funds and UITFs. Marketable equity securities can be sold through the PSE. These include shares of stock of the Company with a fair value of ₱4.2 million and ₱4.4 million as at December 31, 2022 and 2021, respectively. Cumulative unrealized fair value gains on the shares amounted to ₱0.02 million and ₱0.01 million as at December 31, 2022 and 2021, respectively.

The Company expects to contribute ₱6.9 million to its defined benefit retirement fund in 2023.

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

	2022	2021
Discount rate	**7.2%**	5.1%
Rate of salary increase	**6.0%**	6.0%
Turnover rates	**A scale ranging from 14% at age 18 to 0% at age 60**	A scale ranging from 14% at age 18 to 0% at age 60

The calculation of the pension liability is sensitive to the assumptions set above. The following table summarizes how the pension liability at the end of the reporting period would have increased (decreased) as a result of a change in the assumptions by:

	Increase (Decrease)	
	2022	2021
Discount rate:		
Increase by 1%	**(₱2,082)**	(₱3,219)
Decrease by 1%	**2,351**	3,754
Rate of salary increase:		
Increase by 1%	**2,486**	3,841
Decrease by 1%	**(2,237)**	(3,355)

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

Year	**2022**	2021
Less than 1 year	**₱4,172**	₱3,402
1 year to less than 5 years	**13,531**	14,259
5 years to less than 10 years	**18,236**	11,004
10 years and beyond	**91,036**	127,217

The average duration of the pension liability as at December 31, 2022 is 10.13 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 which has started in October 2017. 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 and ₱0.9 million to the defined contribution plan, which were recognized as expense in 2022 and 2021. The Company has payable to the defined contribution plan amounting to ₱0.04 million as at December 31, 2022 and has advances amounting to ₱0.1 million as at December 31, 2021.

c. PHINMA Jumbo Retirement Plan

The Company has cross-assigned executives currently enrolled in the PHINMA Jumbo Retirement Plan of PHINMA, Inc. The Company contributes to the retirement fund of the cross-assigned executives and recognizes the contribution as retirement expense in the year it was incurred. In 2022 and 2021, the Company contributed ₱3.3 million and ₱3.2 million to the retirement fund, respectively.

d. Other post-employment benefits

Other post-employment benefits consist of accumulated employee sick and vacation leave entitlement. Other post-employment benefits expense (income) consists of:

	2022	2021
Current service cost	**₱337**	₱1,794
Net interest cost	**755**	771
Past service cost	**(1,748)**	–
Actuarial loss	**573**	(2,437)
	(₱83)	₱128

Changes in present value of other post-employment benefits liability are as follows:

	2022	2021
Balance at beginning of year	**₱15,568**	₱22,582
Current service cost	**337**	1,794
Interest cost	**755**	771
Actuarial loss (gain)	**573**	(2,437)
Past service cost	**(1,748)**	–
Benefits paid	**(2,371)**	(7,142)
Balance at end of year	**₱13,114**	₱15,568

The principal assumptions used in determining other post-employment benefits are as follows:

	2022	2021
Discount rate	**7.0%**	4.9%
Rate of salary increase	**6.0%**	6.0%
Turnover rates	**A scale ranging from 14% at age 18 to 0% at age 60**	A scale ranging from 14% at age 18 to 0% at age 60

23. **Financial Risk Management Objectives and Policies**

The Company’s principal financial instruments comprise cash and cash equivalents, investments held for trading and investments in financial assets at FVOCI in Philippine Peso and U.S. dollar currencies. The main purpose of these financial instruments is to finance the Company’s investments. The Company also has financial assets and liabilities, such as receivables and accrued expenses and other payables that arise directly from operations.

The main risks arising from the Company’s treasury transactions are credit risk, foreign currency risk, liquidity risk, market risk and equity price risk. Careful study, skill, prudence and due diligence are exercised at all times in the handling of the funds of the Company. An Investment Committee reviews and approves policies and directions for investments and risk management.

The basic parameters approved by the Investment Committee are:

Investment Objective	Safety of Principal
Tenor	Three-year maximum for any security, with average duration between one and two years
Exposure Limits	a. For banks and fund managers: maximum of 20% of total fund of the Company per bank or fund b. For peso investments: minimal corporate exposure except for registered bonds c. For foreign currencies: maximum 50% of total portfolio. Limits on third currencies outside USD are set regularly and reviewed at least once a year by the Investment Committee d. For investments in equities whether directly managed or managed by professional managers: limits are set as approved by the Investment Committee and based on current market outlook at the time of review e. For derivative transactions - limits are set up to 100% of asset subject to derivative transaction with the objective of neutrality of gain/loss

Credit Risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Due to the Company's investing and operating activities, the Company is exposed to the potential credit-related losses that may occur as a result of an individual, counterparty or issuer being unable or unwilling to honor its contractual obligations.

In managing credit risk on these financial instruments, the Company transacts only with the Company's duly accredited domestic and foreign banks. Investments per financial institution are subject to a maximum of 20% of the Company's investible funds. It is the Company's policy that investments cannot exceed 10% of the trust or mutual fund's total assets.

A comprehensive credit and business review in coordination with dealers or underwriters is performed whenever the Company invests in non-rated securities. Furthermore, the Company monitors the credit quality of corporate and sovereign bonds with reference to credit rating studies and updates from the major rating agencies.

The Company's exposure to credit risk on its cash and cash equivalents and receivables arises from the default of counterparties with maximum exposures equal to the carrying amounts of these instruments.

	2022	2021
Financial assets at amortized cost:		
Cash and cash equivalents*	**₱900,702**	₱991,703
Receivables	**1,070,977**	1,268,816
	₱1,971,679	₱2,260,519

**Excluding cash on hand amounting to ₱0.1 million as at December 31, 2022 and 2021.*

There are no significant concentrations of credit risk within the Company.

Credit Quality of Financial Assets

The financial assets are grouped according to stage whose description is explained as follows:

Stage 1 - those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The credit quality of the Company's financial assets are as follows:

	2022			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
Financial Assets at Amortized Cost				
Cash and cash equivalents*	**₱900,702**	**₱–**	**₱–**	**₱900,702**
Receivables	**1,070,977**	**136**	**286,097**	**1,357,210**
Gross Carrying Amount	**₱1,971,679**	**₱136**	**₱286,097**	**₱2,257,912**

**Excluding cash on hand amounting to ₱0.1 million as at December 31, 2022.*

	2021			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Financial Assets at Amortized Cost				
Cash and cash equivalents*	₱991,703	₱–	₱–	₱991,703
Receivables	1,268,816	136	286,097	1,555,049
Gross Carrying Amount	₱2,260,519	₱136	₱286,097	₱2,546,752

**Excluding cash on hand amounting to ₱0.1 million as at December 31, 2021.*

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 and investments in UITFs.

Foreign exchange risks on the U.S. dollar and other foreign currencies are managed through constant monitoring of the political and economic environment. Returns are also calibrated on a per currency basis to account for the perceived risks with higher returns expected from weaker currencies.

The following table shows the U.S. dollar and Vietnamese dong currency-denominated financial assets and their peso equivalents as at December 31:

	2022		2021	
Financial assets:	**Foreign Currency**	**Peso Equivalent**	Foreign Currency	Peso Equivalent
Cash and cash equivalents	US$94	**₱5,263**	US$167	₱8,501
Cash and cash equivalents	VND33,703	**80**	VND35,703	80
Investment held for trading	US$12	**665**	US$12	608
Receivables	US$1,330	**74,170**	US$491	25,034
		₱80,178		₱34,223

In translating foreign currency-denominated financial assets into peso amounts, the exchange rates used were ₱55.76 and ₱51.00 to US$1.00 as at December 31, 2022 and 2021, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant, of the Company's profit before tax (due to the changes in the fair value of financial assets) as at December 31, 2022 and 2021. There is no impact on the Company's equity other than those already affecting the profit or loss.

2022		2021	
Increase (Decrease) in Peso-Dollar Exchange Rate	**Effect on Profit Before Tax**	Increase (Decrease) in Peso-Dollar Exchange Rate	Effect on Profit Before Tax
1.00	**₱1,437**	1.00	₱669
(1.00)	**(1,437)**	(1.00)	(669)

Liquidity Risk

Liquidity risk is the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. The Company manages liquidity risk by restricting investments principally to publicly traded securities with a history of marketability and by dealing with only large reputable domestic and international institutions and continuously monitoring weekly and monthly cash flows as well as updates of annual plans.

The maturities of the financial liabilities are determined based on the Company's projected payments and contractual maturities. The average duration adheres to guidelines provided by the Investment Committee. It is the Company's policy to restrict investment.

Financial assets at amortized cost (comprised of cash and cash equivalents, receivables) amounting to ₱1,971.7 million and ₱2,260.5 million as at December 31, 2022 and 2021, respectively, and financial assets at FVPL (comprised of investments in UITFs, investments in marketable equity securities and derivative assets) amounting to ₱510.9 million and ₱1,087.3 million as at December 31, 2022 and 2021, respectively, are expected to be realized within one year from the reporting date.

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

	2022				
	Within 1 Year	**1–2 Years**	**More than 2 to 3 years**	**More than 3 years**	**Total**
Financial Liabilities:					
Current portion of long-term debt	**₱88,036**	**₱**	**₱**	**₱**	**₱88,036**
Accrued expenses and other payables	**148,266**	–	–	–	**148,266**
Long-term loan payable - net of current portion	–	**3,020,000**	**20,000**	**1,890,000**	**4,930,000**
	₱236,302	**₱3,020,000**	**₱20,000**	**₱1,890,000**	**₱5,166,302**

	2021				
	Within 1 Year	1–2 Years	More than 2 to 3 years	More than 3 years	Total
Financial Liabilities:					
Current portion of long-term debt	₱88,036	₱–	₱–	₱–	₱88,036
Accrued expenses and other payables	198,812	–	–	–	198,812
Long-term loan payable - net of current portion	–	20,000	3,020,000	1,910,000	4,950,000
	₱ 286,848	₱20,000	₱3,020,000	₱1,910,000	₱5,236,848

Interest Rate Risk
Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The following tables set out the carrying amounts, by maturity, of the Company's financial instrument that are exposed to interest rate risk as of December 31:

				2022			
	Interest Rates	**Within 1 Year**	**1 to < 2 Years**	**2 to < 3 Years**	**3 to 5 Years**	**More than 5 Years**	**Total**
Financial Liabilities							
Long-term debt	6.25%	**₱20,000**	**₱20,000**	**₱20,000**	**₱1,882,344**	**₱–**	**₱1,942,344**

				2021			
	Interest Rates	Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	Total
Financial Liabilities							
Long-term debt	6.25%	₱20,000	₱20,000	₱20,000	₱20,000	₱1,859,362	₱1,959,362

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

The table below sets forth the estimated change in the Company's income before tax due to a reasonably possible change in interest rates as at December 31, 2022 and 2021. There is no impact on the Company's equity other than those already affecting the profit or loss.

	2022	
	Increase/(Decrease) in Basis Points	**Effect on Profit Before Tax**
Financial Liabilities		
Long-term debt	**25**	**(₱4,856)**
	(25)	**4,856**

	2021	
	Increase/(Decrease) in Basis Points	Effect on Profit Before Tax
Financial Liabilities		
Long-term debt	25	(₱4,898)
	(25)	4,898

Market 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 made.

Equity Price Risk. Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The Company's exposure to equity price risk relates primarily to its equity investments listed in the PSE classified under investments held for trading.

The Company's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on the Company's financial position.

The Company's assessment of reasonably possibly change, based on its expectations, was determined to be an increase of 13.7% and 6.0% in the index with an impact of ₱0.3 million and ₱0.2 million as at December 31, 2022 and 2021, respectively.

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

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2022 and 2021.

The Company monitors capital using the debt-to-equity ratio, which is total liabilities divided by total equity. Capital includes all the items appearing in the equity section of the parent company statements of financial position. The Company's policy is to keep debt-to-equity ratio below the maximum ratio of 2:1.

	2022	2021
Total liabilities	**₱5,175,261**	₱5,235,716
Total equity	**7,056,866**	6,626,695
Debt-to-equity ratio	**0.73:1**	0.79:1

24. Fair Value of Financial Instruments

The following table sets forth the carrying amounts and estimated fair values of the Company's financial liabilities recognized as at December 31, 2022 and 2021 other than those whose carrying amounts are reasonable approximations of fair values:

	Carrying Amounts		**Fair Values**	
	2022	2021	**2022**	2021
Financial liabilities				
Long-term debt	**₱4,983,157**	₱4,985,870	**₱4,697,088**	₱5,077,628

There were no financial assets and liabilities which were offset based on the Company's currently enforceable legal right to offset and intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously in the parent company statements of financial position as at December 31, 2022 and 2021.

Fair Value Hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments 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

The following table sets forth the carrying amounts and estimated fair values of the Company's financial assets that are carried at fair value classified using a fair value hierarchy as at December 31, 2022 and 2021:

	2022			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Investments held for trading:				
Investments in UITFs	**₱503,702**	**₱–**	**₱503,702**	**₱–**
Investments in marketable equity securities	**3,102**	**3,102**	**–**	**–**
Club shares designated at FVOCI	**41,000**	**–**	**41,000**	**–**
Non-listed equity instruments	**33,657**	**–**	**–**	**33,657**
Non-listed debt instrument designated at FVPL	**2,209,088**	**–**	**–**	**2,209,088**
Derivative asset	**652,207**	**–**	**–**	**652,207**
	₱3,442,756	**₱3,102**	**₱544,702**	**₱2,894,952**

	2021			
	Total	Level 1	Level 2	Level 3
Financial assets				
Investments held for trading:				
Investments in UITFs	₱1,056,072	₱–	₱1,056,072	₱–
Investments in marketable equity securities	3,593	3,593	–	–
Quoted club shares	32,350	–	32,350	–
Non-listed equity instruments	30,951	–	–	30,951
Non-listed debt instrument designated at FVPL	2,105,243	–	–	2,105,243
Derivative asset	538,166	–	–	538,166
	₱3,766,375	₱3,593	₱1,088,422	₱2,674,360

During the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The fair value of golf club shares classified under level 2 were based on the prices readily available from brokers or other regulatory agencies as at reporting date.

The fair values of unlisted shares of stock classified under Level 3 were determined through the following valuation approach: income approach and asset-based approach. Income approach is predicted upon the concept of 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 tangible and intangible assets and liabilities of the investee.

The discount rates, a significant unobservable input used in the valuation of the unlisted shares of stock using the income approach, were 16.20% and 17.20% as at December 31, 2022 and 2021.

Movements in the fair value of non-listed shares of stock classified under Level 3 in 2022 and 2021 are as follows:

	2022	2021
Balance at the beginning of the year	**₱30,951**	₱30,099
Fair value adjustment recognized under "Unrealized gain on change in fair value of financial assets at FVOCI"	**2,706**	852
Balance at end of the year	**₱33,657**	₱30,951

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 discount rate to calculate the present value of 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 equity investments.

Cash and Cash Equivalents, Receivables, and Accrued Expenses and Other Payables. Due to the short-term nature of these transactions, the carrying value approximate the fair values as at the reporting date.

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 were 5.28% to 7.67% in 2022 and 1.66% to 4.81% in 2021.

Derivative Instruments

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

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 Company to purchase all or portion of their shares (put option). On the other hand, the 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.

The Company recognized derivative asset amounting to ₱4.1 million and ₱27.7 million related to transaction above as at December 31, 2022 and 2021, respectively.

The net changes in fair value of these derivative assets in 2022 and 2021 are as follows:

	2022	2021
Balance at beginning of year	**₱27,668**	₱267
Net change in fair value during the year	**(23,577)**	27,401
Balance at end of year	**₱4,091**	₱27,668

25. Operating Lease Commitments

The Company, as a lessor of its investment property portfolio, has entered into various lease agreements with lease period ranging from 1 to 5 years and with renewal options.

The future minimum lease payments under the lease agreements are as follows:

	2022	2021
Within one year	**₱5,571**	₱7,829
After one year but not more than five years	**219**	6,718
	₱5,790	₱14,547

Rental income amounted to ₱11.2 million and ₱16.6 million in 2022 and 2021, respectively (see Note 13).

26. EPS Computation

Basic/diluted EPS is computed as follows:

	2022	2021
(a) Net income	**₱268,448**	₱243,619
(b) Weighted average number of common shares outstanding	**276,721**	272,246
Basic/diluted EPS attributable to equity holders of the parent (a/b)	**₱0.97**	₱0.89

The Company's basic and diluted earnings per share are the same since the Company does not have potential common shares.

27. Events after the Reporting Period

On March 3, 2023, the BOD declared a 6% regular cash dividend amounting to ₱171.8 million or equivalent to ₱0.60 per share payable on April 5, 2023, to shareholders of record as at March 22, 2023. On the same date, the 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 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.

28. Supplementary Tax Information Required under Revenue Regulation (RR) 15-2010

Below is the additional information required by RR 15-2010. This information is presented for purposes of filing with the Bureau of Internal Revenue (BIR) and is not a required part of the basic financial statements. All values are rounded to the nearest peso.

The Company reported and/or paid the following types of taxes for the calendar year 2022:

VAT

Details of the Company's net sales/receipts, output VAT and input VAT accounts are as follows:

a. Net sales/receipts and output VAT declared in the Company's VAT returns filed in 2022

	Net Sales/Receipts	Output VAT
Taxable sales:		
Sale of services	₱45,373,588	₱5,444,831
Leasing income	17,638,945	2,116,673
	₱ 63,012,533	₱7,561,504

b. Input VAT in 2022

Balance at beginning of year	₱114,391,686
Current year's domestic purchases/payments for:	
Services lodged under other accounts	11,011,074
Capital goods subject to amortization	393,795
Capital goods not subject to amortization	31,393
Goods other than for resale or manufacture	17,249
Total input VAT	125,845,197
Application of output VAT	7,561,504
Balance at end of year	₱118,283,693

Documentary Stamps Tax Paid in 2022

Insurance policies	₱24,265
Contract of lease	680
	₱24,945

Other Taxes and Licenses in 2022

Real property tax	₱2,280,531
Business permits and licenses	172,653
Others	1,708,148
	₱4,161,332

Withholding Taxes in 2022

Withholding tax on wages and fringe benefits tax	₱26,429,098
Expanded withholding taxes	11,723,036
Final withholding taxes	21,534,662
	₱59,686,796

Tax Assessments and Cases in 2022

The Company has no outstanding final tax assessments with the BIR and there were no tax cases nor litigation and/or prosecution in the courts or bodies outside of the BIR as of and during the year ended December 31, 2022.

ANNEX B

Supplementary Schedules to the 2022 Audited Consolidated Financial Statements

SGV
Building a better working world

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

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

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of PHINMA Corporation and its subsidiaries (the Company) as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 3, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui

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

March 3, 2023

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

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

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of PHINMA Corporation and its subsidiaries (the Company) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 3, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Components of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
Tax Identification No. 153-978-243
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
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PTR No. 9369781, January 3, 2023, Makati City

March 3, 2023

PHINMA CORPORATION AND SUBSIDIARIES

Index to the Consolidated Financial Statements and Supplementary Schedules
December 31, 2022

ANNEX I

PHINMA CORPORATION

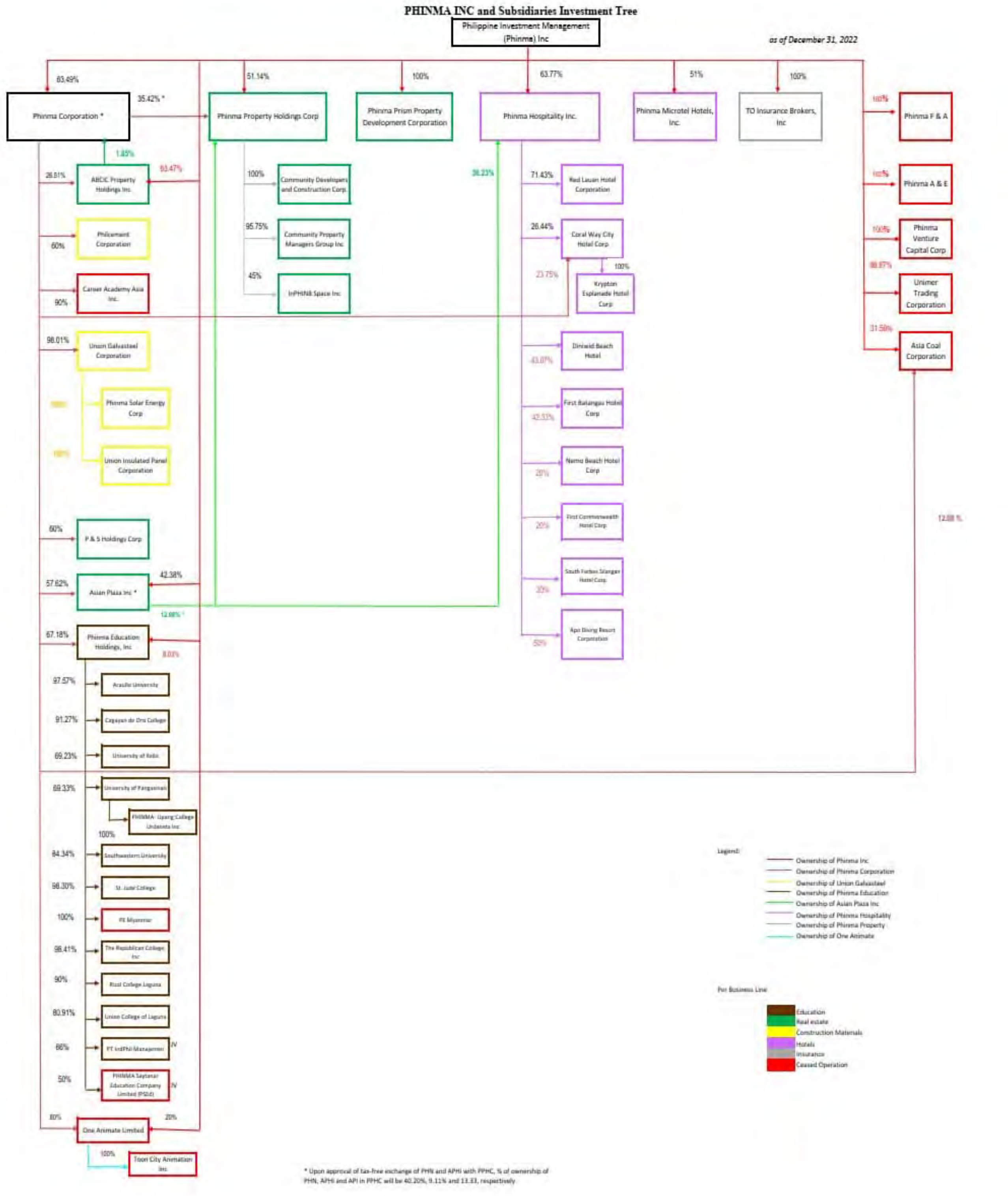
Reconciliation of Retained Earnings
Available for Dividend Declaration
As at December 31, 2022

Unappropriated Retained earnings at January 1, 2022		₱1,857,774,698
Add: Prior years' outstanding reconciling items, net of tax:		
Remeasurement loss on pension liability transferred to retained earnings	24,803,621	
Unrealized gain on derivatives	(85,488,074)	
Unrealized gain on change in fair value of financial assets through profit or loss	(172,437,949)	
Unrealized gain on fair value adjustment on investments held for trading	(1,749,860)	(234,872,262)
Unappropriated retained earnings available for dividend declaration at January 1, 2022, as adjusted		1,622,902,436
Add (Less): Net income actually earned / realized in 2022		
Net income	268,500,068	
Unrealized gain on derivative investments	(114,041,866)	
Unrealized gain on change in fair value of financial assets through profit or loss	(103,844,796)	
Unrealized gain on fair value adjustment on investments held for trading	(7,937,087)	42,676,319
Add: Remeasurement gain on pension liability transferred to retained earnings		(5,825,286)
Add: Reversal of appropriation during the year		-
Less: Appropriation of retained earnings during the period	-	
Cash dividend declared	(135,929,983)	
Treasury shares	(182,198)	(136,112,181)
Unappropriated retained earnings available for dividend declaration at December 31, 2022		₱1,523,641,288

PHINMA CORPORATION AND SUBSIDIARIES

Map of the Relationship of the Companies within the Group

December 31, 2022



PHINMA CORPORATION AND SUBSIDIARIES
Supplementary Schedules Required by Paragraph 7D, Part II
Under Revised SRC Rule 68
December 31, 2022

Schedule A. Financial Assets

Name of issuing entity and description of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotations at balance sheet date	Interest received and accrued
Cash and cash equivalents		**₱ 3,421,577,720**	**₱ 3,421,577,720**	**₱ 29,598,903**
Investment in Unit Investment Trust Fund and Money				
BDO Unibank, Inc. (Peso MMF)	115,704	193,295,559	193,295,559	–
BDO Unibank, Inc. (Peso STF)	571,615	64,917,557	64,917,557	–
BDO Unibank, Inc. (ÙSD MMF)	163	1,326,583	1,326,583	–
Bank of the Philippine Islands (MMF)	98,097	26,251,674	26,251,674	–
Bank of the Philippine Islands (Peso Short term fund)	158,200	25,055,884	25,055,884	–
Bank of the Philippine Islands (USD Short term fund)	32	556,647	556,647	–
China Banking Corporation (Cash Fund)	46,599,785	54,584,764	54,584,764	–
China Banking Corporation (MMF)	27,278,397	36,772,280	36,772,280	–
China Banking Corporation (IFIF)	22,035	26,844	26,844	–
China Banking Corporation (STF)	21,475,308	26,200,435	26,200,435	–
Rizal Commercial Banking Corporation (Peso MMF)	8,875,568	15,064,650	15,064,650	–
Rizal Commercial Banking Corporation (Peso CMF)	9,322,887	10,888,009	10,888,009	–
Security Bank Corporation (Peso Bond Fund)	215,932	423,285	423,285	–
Security Bank Corporation (Peso MMF)	131,889,349	192,018,875	192,018,875	–
		₱647,383,046	**₱647,383,046**	**₱12,919,055**
Marketable Equity Securities				
Aboitiz Equity Venture	1,900	109,630	109,630	
Aboitiz Power Corporation	3,700	125,800	125,800	–
AC Energy (ACEPH) formerly Phinma Energy Corp.	200,000	1,512,000	1,512,000	–
ACE Enexor, Inc. formerly Phinma Petroleum and Geothermal Corp.	8	112	112	–
Ayala Corporation	530	368,350	368,350	–
Banco de Oro Universal Bank	1,253	132,442	132,442	–
Century Pacific Food, Inc	3,500	85,750	85,750	
Cosco Capital	19,000	88,540	88,540	
D&L Industries, Inc.	24,400	190,808	190,808	–
Del Monte Pacific Limited	5,972	83,608	83,608	–
DMCI Holdings, Inc	14,100	157,920	157,920	
First Gen Corp	5,600	93,296	93,296	–
First Phil. Holdings Corp.	9,440	571,592	571,592	–

Name of issuing entity and description of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotations at balance sheet date	Interest received and accrued
Holcim Phil.	15,603	60,696	60,696	–
Metro Pacific Investment Corp.	60,000	204,600	204,600	
Metrobank	5,000	270,000	270,000	
Phinma Corp.	114,850	2,182,150	2,182,150	–
Puregold Price Club, Inc.	2,400	83,520	83,520	
Robinsons Retail Holdings, Inc.	6,100	327,875	327,875	
San Miguel Food and Beverage	1,270	49,149	49,149	
Security Bank Corporation	1,767	153,729	153,729	–
Universal Robina Corp.	600	81,600	81,600	–
		₱6,933,167	**₱6,933,167**	**(₱1,182,170)**
Treasury Bills	–	–	–	–
Trade and other receivables	–	**₱5,631,456,359**	**₱5,631,456,359**	**₱10,282,821**
Financial assets at fair value through other comprehensive income				
Unquoted:				
Asian Eye Institute, Inc.	100,000	3,391,364	3,391,364	–
Asia Coal	6,039	153,857	153,857	–
Beacon Property Ventures, Inc.	32,400,000	64,334,808	64,334,808	–
Manila Cordage Company	18,136	11,045,436	11,045,436	–
Others	various	3,033,675	3,033,675	–
Quoted				
Club shares	various	41,000,000	41,000,000	–
		₱122,959,140	**₱122,959,140**	–
		₱9,830,335,962	**₱9,830,335,962**	**₱ 51,618,609**

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

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts collected	Amounts Written off	Current	Not Current	Balance at end of period
Advances to officers and employees	₱ 53,958,276	₱ 10,536,996	(₱8,336,906)	₱–	₱ 56,148,366	₱–	**₱ 56,148,366**

Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts collected	Allowance for doubtful accounts	Current	Non Current	Balance at end of period
Accounts Receivable							
One Animate Ltd.	₱303,639,045	₱150,200	₱–	₱–	₱–	₱303,789,245	₱303,789,245
Philippine Cement Corp.	713,235,050	1,562,122,253	(740,249,847)	–	1,535,107,456	–	1,535,107,456
Union Galvasteel Corporation	345,456,810	168,936,650	(463,949,693)	–	50,443,767	–	50,443,767
Phinma Corporation	68,386,938	25,960,689	(25,854,973)	–	68,492,654	–	68,492,654
Phinma Education Holdings, Inc.	48,793,250	54,791,774	(61,556,234)	–	42,028,790	–	42,028,790
Phinma Solar	6,422,298	9,936,464	(12,878,060)	–	3,480,702	–	3,480,702
Career Asia Academy	6,925,184	–	(5,921,801)	–	1,003,38	–	1,003,38
Cagayan de Oro College	44,699	1,224,413	(630,430)	–	638,682	–	638,682
University of Iloilo	49,383	98,001	(11,221)	–	136,163	–	136,163
Pamantasan ng Araullo (Araullo University), Inc.	56,105	417,570	(70,576)	–	403,099	–	403,099
South Western University	37,787	180,191	(69,223)	–	148,755	–	148,755
University of Pangasinan	39,427	505,254	(104,712)	–	439,969		439,969
St. Jude College	6,160	160,764	(24,154)	–	142,770	–	142,770
Asian Plaza, Inc	2,895	200	–	–	3,095	–	3,095
Republican College	4,421	9,779	(4,421)	–	9,779	–	9,779
Rizal College of Laguna	–	1,973	–	–	1,973	–	1,973
	₱1,493,099,452	₱ 1,824,496,175	(₱ 1,311,325,345)	₱–	₱1,1702,481,037	₱ 303,789,245	**₱2,006,270,282**

Schedule D. Intangible Assets - Other Assets

Description	Beginning Balance	Additions At Cost	Charged to Costs and Expenses	Charged to Other Accounts	Other Changes-Additions (Deductions)	Ending Balance
Cost:						
Goodwill	₱ 2,221,068,048	₱ –	₱–	₱–	₱	₱ 2,221,068,048
Student lists	165,638,300	–	–	–	–	165,638,300
Software	74,524,901	11,123,805	–	–	–	85,648,706
	2,467,231,249	11,123,805	–	–	–	2,472,355,054
Accumulated amortization :						
Goodwill	403,131,669	–	–	–	–	403,131,669
Student lists	165,638,300	–	–	–	–	165,638,300
Software	39,882,247	9,978,150	–	–	–	49,860,397
	608,652,216	9,978,150	–	–	–	618,630,366
	₱ 1,852,579,033	₱1,145,655	₱–	₱–	₱ –	**₱ 1,853,724,688**

Schedule E. Long-term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long Term Debt" in related balance sheet"
PHINMA Education Holdings, Inc.			
Rizal Commercial Banking Corporation	₱ 1,553,646	₱ 43,194,185	₱ 1,510,452,440
China Banking Corporation	441,900,506	15,263,724	426,636,782
	1,995,547,131	58,457,909	1,937,089,222
PHINMA Corporation			
Bonds payable	2,972,777,072	–	2,972,777,072
Security Bank Corporation	1,942,344,485	20,000,000	1,922,344,485
	4,915,121,557	20,000,000	4,895,121,557
Southwestern University			
Rizal Commercial Banking Corporation	391,660,599	4,067,676	387,592,923
China Banking Corporation	196,829,000	1,915,338	194,913,662
	588,489,599	5,983,014	582,506,585
Union Galvasteel Corporation			
Banco de Oro	954,205,544	47,958,083	906,247,461
PhilCement Corporation			
Security Bank Corporation	1,284,028,348	418,466,281	865,562,067
University of Pangasinan			
China Banking Corporation	165,554,030	11,240,304	154,313,726
Rizal Commercial Banking Corporation	60,488,000	17,524,597	42,963,403
	226,042,030	28,764,901	197,277,129
Pamantasan ng Araullo (Araullo University), Inc.			
China Banking Corporation	220,022,967	21,981,952	198,041,015
University of Iloilo			
China Banking Corporation	188,900,522	4,983,727	183,916,795
Rizal Commercial Banking Corporation	194,325,755	728,919	193,596,836
	383,226,277	5,712,646	377,513,631
Cagayan de Oro College			
China Banking Corporation	125,537,909	30,103,902	95,434,007
Private Funder	25,000,000	–	25,000,000
	150,537,909	30,103,902	120,434,007
Phinma Solar Energy Corp.			
China Banking Corporation	96,542,241	10,970,313	85,571,928
P&S Holdings Corporation			
United Pulp and Paper Company, Inc.	120,982,411	4,000,000	116,982,411
	₱ 10,934,746,014	₱ 652,399,001	**₱ 10,282,347,013**

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

	Balance at beginning of period	Balance at end of period
None	₱–	₱–

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of Guarantee
None	–	–	–	–

Schedule H. Capital Stock

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Preferred shares						
Class AA	50,000,000	–	–	–		
Class BB	50,000,000	–	–	–		
	100,000,000	–	–	–		
Common shares	420,000,000	286,343,544	–	187,428,922	30,460,130	68,436,213
Treasury shares	–	(18,279)	–	–	–	–
	520,000,000	**286,325,265**	–	**187,428,922**	**30,460,130**	**68,436,213**

PHINMA CORPORATION AND SUBSIDIARIES
Components of Financial Soundness Indicators
December 31, 2022

Ratio	Formula		2022	2021
Current Ratio	**Total Current Assets divided by Total Current Liabilities**		**1.71**	1.71
	Total Current Assets	₱ 12,712,875		
	Divided by: Total Current Liabilities	7,424,531		
	Current Ratio	1.71		
Acid Test Ratio	**Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities**		**1.31**	1.39
	Quick Assets	₱ 9,707,350		
	Divided by: Total Current Liabilities	7,424,531		
	Acid Test Ratio	1.31		
Solvency Ratio	**Net Income add Non-cash Expenses divide by Total Liabilities**		**10.34%**	12.31%
	Net Income	₱ 1,529,181		
	Add: Non-cash expenses	629,184		
		2,158,365		
	Divided by: Total Liabilities	20,868,356		
	Solvency Ratio	10.34%		
Debt-to-Equity Ratio	**Total Interest-Bearing Debt divided by Total Stockholders' Equity**		**1.87**	2.02
	Total liabilities	₱ 20,868,356		
	Divided by: Total stockholders' equity	11,142,669		
	Debt-to-Equity Ratio	1.87		
Asset-to-Equity Ratio	**Total Assets divided by Total Stockholders' Equity**		**2.87**	3.02
	Total Assets	₱ 32,011,025		
	Divided by: Total Stockholders' Equity	11,142,669		
	Asset-to-Equity Ratio	2.87		
Interest Rate Coverage Ratio	**Earnings Before Interest and Taxes divided by Total Interest Expense**		**3.25**	4.04
	Earnings Before Interest and Taxes	₱ 2,237,867		
	Divided by: Interest Expense	688,190		
	Interest Rate Coverage Ratio	3.25		

Ratio	**Formula**		**2022**	2021
Return on Equity	**Net Income divided by Average Total Stockholders' Equity**		**14%**	20%
	Net Income	₱ 1,529,181		
	Divided by: Average Total Stockholders' Equity	10,557,619		
	Return on Equity	14%		
Return on Assets	**Net Income divided by Average Total Assets**		**5%**	7%
	Net Income	₱ 1,529,181		
	Divided by: Average Total Assets	31,078,559		
	Return on Assets	5%		
Net Profit Margin	**Net Income divided by Total Revenue**		**9%**	12%
	Net Income	₱ 1,529,181		
	Divided by: Total Revenue	17,664,582		
	Net Profit Margin	9%		

ANNEX C

SEC Form 17 – C
Current Reports

Certification

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

1) That on behalf of **PHINMA Corporation**, I have caused the report on **2021 Board of Directors Attendance** to be prepared;

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

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

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

JAN 0 6 2022

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of ______________ , 2022.

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

JAN 0 6 2022

SUBSCRIBED AND SWORN to before me this _____day of____________, 2022 in MAKATI CITY, affiant exhibited to me his Driver's License N02-18-006050 issued on December 14, 2019 with expiration date of December 14, 2022.

NOTARY PUBLIC

Doc. No. 18
Page No. 5
Book No. IV
Series of 2022

SAMANTHA LOUISE B. BUGAY
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-107 (2021-2022)
COMMISSION EXPIRES ON DECEMBER 31, 2022
7th Floor, The PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 8530258; Makati City; 1/4/2021
IBP O.R. No. 137577; Makati City; 1/4/2021
TIN 355-207-180
Attorney's Roll No. 73688
Admitted to the Philippine Bar: 20 June 2019

PHINMA
Making Lives Better

January 4, 2022

SECURITIES AND EXCHANGE COMMISSION
PICC Complex, Roxas Boulevard, Pasay City

Attention: **MS. RACHEL ESTHER J. GUMTANG-REMALANTE**
OIC, Corporate Governance & Finance Department

THE PHILIPPINE STOCK EXCHANGE, INC.
PSE Tower, 5th Avenue Bonifacio Global City, Taguig City

Attention: **MS. JANET A. ENCARNACION**
Head, Disclosure Department

PHILIPPINE DEALING EXCHANGE
BDO Equitable Tower, 8751 Paseo de Roxas, Makati City

Attention: **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head, Issuer Compliance and Disclosure Department

In compliance with SEC memorandum circular SEC Memorandum Circular No. 1 Series of 2014, this serves as the advisement letter on the attendance of directors to board meetings of the company held on March 2, 2021, May 12, 2021, July 1, 2021, August 12, 2021 and November 10, 2021. The Board held the organizational meeting on April 14, 2021.

The record of attendance of the directors at such meetings is as follows:

Directors	No. of Meetings Attended / Held	Attendance %
Oscar J. Hilado	6/6	100%
Ramon R. del Rosario, Jr.	6/6	100%
Roberto M. Laviña	1/1	100%
Magdaleno B. Albarracin, Jr.	6/6	100%
Victor J. del Rosario	6/6	100%
Jose L. Cuisia, Jr.	6/6	100%
Meliton B. Salazar, Jr.	5/5	100%
Guillermo D. Luchangco	1/1	100%
Rizalina G. Mantaring	6/6	100%
Lilia B. De Lima	6/6	100%
Juan B. Santos	6/6	100%
Eduardo A. Sahagun	5/5	100%
Edgar O. Chua	5/5	100%
Troy A. Luna	1/1	100%

PHINMA
Making Lives Better

Please note that Mr. Meliton B. Salazar, Jr., Mr. Eduardo A. Sahagun and Mr. Edgar O Chua were elected on April 14, 2021 to replace Atty. Troy A. Luna, Mr. Roberto M. Laviña and Mr. Guillermo D. Luchangco. Mr. Laviña continues to serve as Board Advisor.

Very truly yours,

ROLANDO D. SOLIVEN
VP - Group Corporate Assurance & Compliance Officer

	March 2, 2021	April 14, 2021	May 12, 2021	July 1, 2021	August 12, 2021	November 10, 2021	Attended	%
Oscar J. Hilado	P	P	P	P	P	P	6	100%
Ramon R. del Rosario, Jr.	P	P	P	P	P	P	6	100%
Roberto M. Laviña***	P	-	-	-	-	-	1	100%
Magdaleno B. Albarracin, Jr.	P	P	P	P	P	P	6	100%
Victor J. del Rosario	P	P	P	P	P	P	6	100%
Amb. Jose L. Cuisia, Jr.	P	P	P	P	P	P	6	100%
Meliton B. Salazar, Jr.**	-	P	P	P	P	P	5	100%
Eduardo A. Sahagun**	-	P	P	P	P	P	5	100%
Guillermo D. Luchangco - Independent Director*	P	-	-	-	-	-	1	100%
Rizalina G. Mantaring - Independent Director	P	P	P	P	P	P	6	100%
Lilia B. De Lima - Independent Director	P	P	P	P	P	P	6	100%
Juan B. Santos - Independent Director	P	P	P	P	P	P	6	100%
Troy A. Luna*	P	-	-	-	-	-	1	100%
Edgar O. Chua - Independent Director**		P	P	P	P	P	5	100%

April 14, 2021 - Organizational Meeting
*Resigned effective April 14, 2021
**Elected on April 14, 2021
***Elected as Board Advisor on April 14, 2021

P - Present
A - Absent

COVER SHEET

1 2 3 9 7

S.E.C. Registration Number

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

(Company's Full Name)

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

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

R O L A N D O   S O L I V E N

Contact Person

8 7 0 0 1 0 0

Company Telephone Number

1 2 | 3 1

Month Day

Calendar Year

S E C - 1 7 C

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = Pls. Use black ink for scanning purposes

Certification

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

1) That on behalf of **PHINMA Corporation**, I have caused this report on **SEC Form 17-C on Matters Approved by the Board of Directors on March 1, 2022** to be prepared;

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

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this MAR 04 2022 day of __________, 2022.

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

SUBSCRIBED AND SWORN to before me this MAR 04 2022 day of __________, 2022 in Makati City, affiant exhibited to me his Driver's License N02-18-006050 issued on December 14, 2019 with expiration date of December 14, 2022.

NOTARY PUBLIC

RALYANA KNUSHARA M. GADDI
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-219 (2021-2022)
COMMISSION EXPIRES ON DECEMBER 31, 2022
7th Floor, The PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 8853540; Makati City; 1/3/2022
IBP O.R. No. 178651; Makati City; 1/3/2022
TIN 473-816-131
Attorney's Roll No. 75398
Admitted to the Philippine Bar: 24 July 2020

Doc. No. 283
Page No. 58
Book No. II
Series of 2022

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17

OF THE SECURITIES REGULATION CODE

AND SRC RULE 17.2(c) THEREUNDER

1. **March 2, 2022**

....

Date of Report (Date of earliest event reported)

2. **12397**

....

SEC Identification Number

3. **000-107-026-000**

....

BIR Tax Identification No.

4. **PHINMA Corporation**

....

Exact name of issuer as specified in its charter

5. **Metro Manila, Philippines**

....

Province, country or other jurisdiction of incorporation

6. (SEC Use Only)

....

Industry Classification Code:

7. **Level 12 PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City** **1210**

....

Address of principal office — Postal Code

8. **(632) 88700 100**

....

Issuer's telephone number, including area code

9. **Not applicable.**

....

Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	**272,295,565**

11. Indicate the item numbers reported herein:

Please see enclosed letter.

....

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PHINMA Corporation
Registrant

March 2, 2022
Date

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

....
Signature and Title

PHINMA
Making Lives Better

March 2, 2022

SECURITIES AND EXCHANGE COMMISSION
PICC Complex, Roxas Boulevard, Pasay City

Attention: **MS. RACHEL ESTHER J. GUMTANG-REMALANTE**
OIC, Corporate Governance & Finance Department

THE PHILIPPINE STOCK EXCHANGE, INC.
PSE Tower, 5th Avenue Bonifacio Global City, Taguig City

Attention: **MS. JANET A. ENCARNACION**
Head, Disclosure Department

PHILIPPINE DEALING EXCHANGE
BDO Equitable Tower, 8751 Paseo de Roxas, Makati City

Attention: **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head, Issuer Compliance and Disclosure Department

Gentlemen:

Please be informed that at the regular meeting of the Board of Directors of PHINMA Corporation held on November 10, 2021, the following matters were discussed and approved:

1. Audited Financial Statements for the year ended December 31, 2021 was approved. Consolidated net income of PHINMA Corporation was P1.872 billion in 2021 with net income attributable to shareholders of the parent amounting to P1.121 billion thanks to stronger business performance and improved revenue across its Strategic Business Units (SBUs). Earnings per share increased from P0.63 per share in 2020 to P4.12 per share.

2. Declaration of a 4% regular cash dividend equivalent to P0.40 per share and 1% special cash dividend equivalent to P0.10 per share, both payable on April 6, 2022 to shareholders of record as of March 22, 2022.

3. Nomination of Board of Directors for the year 2022.

4. Endorsement of Sycip Gorres Velayo & Co. as External Auditors for the year 2022.

5. Scheduling of the Corporation's 2022 Annual Shareholders Meeting on Tuesday, April 12, 2022, 10:00 a.m. via video conference with Record Date of March 15, 2022.

6. Approval of the Agenda for the forthcoming Annual Shareholders Meeting.

Thank you.

ROLANDO D. SOLIVEN
VP – Group Corporate Assurance &Compliance Officer

COVER SHEET

1	2	3	9	7					

S.E.C. Registration Number

PHINMA CORPORATION

(Company's Full Name)

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

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

ROLANDO SOLIVEN

Contact Person

8700100

Company Telephone Number

12 31

Month Day

Calendar Year

RESULTS OF ASM & ORG MTG

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = Pls. Use black ink for scanning purposes

Certification

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

1) That on behalf of **PHINMA Corporation**, I have caused this **Current Report (SEC Form 17 – C) on the Results of the Annual Stockholders Meeting and Organizational Meeting dated April 12, 2022** to be prepared;

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

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

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

06 APR 2022

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of ______________ , 2022.

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

06 APR 2022

SUBSCRIBED AND SWORN to before me this _____day of_____________, 2022 in MAKATI CITY, affiant exhibited to me his Driver's License N02-18-006050 issued on December 14, 2019 with expiration date of December 14, 2022.

NOTARY PUBLIC

Doc. No. 3
Page No. 2
Book No. II
Series of 2022

RALYANA KNUSHARA M. GADDI
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-219 (2021-2022)
COMMISSION EXPIRES ON DECEMBER 31, 2022
7th Floor, The PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 8853540; Makati City; 1/3/2022
IBP O.R. No. 178651; Makati City; 1/3/2022
TIN 473-816-131
Attorney's Roll No. 75398
Admitted to the Philippine Bar: 24 July 2020

April 12, 2022

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

Attention: MS. RACHEL ESTHER J. GUMTANG-REMALANTE
OIC, Corporate Governance & Finance Department

THE PHILIPPINE STOCK EXCHANGE, INC.
6th Floor, Philippine Stock Exchange Tower
26th Street corner 5th Avenue Bonifacio Global City, Taguig City

Attention: MS. JANET A. ENCARNACION
Head, Disclosure Department

PHILIPPINE DEALING EXCHANGE
BDO Equitable Tower, 8751 Paseo de Roxas, Makati City

Attention: ATTY. MARIE ROSE M. MAGALLEN-LIRIO
Head, Issuer Compliance and Disclosure Department

Gentlemen:

Please be informed that at the annual meeting of the stockholders of PHINMA Corporation (the "Corporation") held on April 12, 2022 with all of the directors present and where stockholders owning 79.14% of the total issued and outstanding capital stock were present or duly represented , the following actions were taken:

1. The Minutes of the previous Annual Shareholders Meeting held on 14 April 2021 were unanimously approved.

2. The Annual Report of Management including the Audited Financial Statements for the year 2021 was unanimously approved.

3. All acts of the Board of Directors, Committees and of Management since the last Annual Shareholders Meeting were approved, confirmed and ratified.

4. The following were elected Directors for the ensuing year 2022 and until their successors are duly elected and qualified:

Mr. Oscar J. Hilado		
Mr. Ramon R. del Rosario, Jr.		
Dr. Magdaleno B. Albarracin, Jr.		
Ambassador Jose L. Cuisia, Jr.		
Mr. Victor J. del Rosario		
Dr. Meliton B. Salazar, Jr.		
Mr. Eduardo A. Sahagun		
Mr. Edgar O. Chua	-	Independent
Mr. Juan B. Santos	-	Independent
Atty. Lilia B. de Lima	-	Independent
Ms. Rizalina G. Mantaring	-	Independent

5. The accounting firm of SyCip Gorres Velayo and Co. was appointed as external auditor of the Corporation for the calendar year 2022 and until its successor is appointed.

In the Organizational Meeting of the Board which followed the Annual Shareholders Meeting, the following actions were taken:

1. The following individuals were elected as officers of the Corporation:

Name	Position
Oscar J. Hilado	Chairman Emeritus
Ramon R. del Rosario, Jr.	Chairman & CEO
Magdaleno B. Albarracin, Jr.	Vice Chairman
Meliton B. Salazar, Jr.	President & COO, Head of Education
Eduardo A. Sahagun	Executive Vice President, Construction Materials
Pythagoras L. Brion, Jr.	Executive Vice President, Group CFO
Jose Mari R. del Rosario	Senior Vice President, Hospitality
Raphael B. Felix	Senior Vice President, Properties
Regina B. Alvarez	Senior Vice President and Group Controller
Nanette P. Villalobos	Vice President and Treasurer
Edmund Alan A. Qua Hiansen	Vice President, Strategy and Planning
Annabelle S. Guzman	Vice President, Controller
Rolando D. Soliven	Vice President, Corporate Governance
Peter V. Perfecto	Vice President, Public Affairs
Giles R. Katigbak	Assistant Vice President, Chief Risk Officer
Grace M. Purisima	Assistant Treasurer
Troy A. Luna	Corporate Secretary
Ma. Concepcion Z. Sandoval	Assistant Corporate Secretary

2. The following Board Committees were constituted and members thereof appointed:

Executive Committee

Name	Position
Oscar J. Hilado	Chairman
Magdaleno B. Albarracin, Jr.	Member
Ramon R. del Rosario, Jr.	Member
Jose L. Cuisia, Jr.	Member
Juan B. Santos	Member
Meliton B. Salazar, Jr.	Member

Audit and Related Party Transactions Committee

Name	Position
Juan B. Santos	Chairman
Rizalina G. Mantaring	Member
Edgar O. Chua	Member
Jose L. Cuisia, Jr.	Member

Risk Oversight Committee

Name	Position
Rizalina G. Mantaring	Chairman
Edgar O. Chua	Member
Lilia B. de Lima	Member
Magdaleno B. Albarracin, Jr.	Member

Corporate Governance Committee

Name	Position
Lilia B. de Lima	Chairman
Rizalina G. Mantaring	Member
Edgar O. Chua	Member

Nomination Committee

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

Compensation Committee

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

Retirement Committee

Name	Position
Oscar J. Hilado	Chairman
Magdaleno B. Albarracin, Jr.	Member
Victor J. del Rosario	Member
Meliton B. Salazar, Jr.	Member

Very truly yours,

TROY A. LUNA
Corporate Secretary

Certification

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

1) That on behalf of **PHINMA Corporation**, I have caused this **SEC Form 17-C on Matters Approved by The Executive Committee on May 31, 2022** to be prepared;

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

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 07 day of JUN 2022, 2022.

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

SUBSCRIBED AND SWORN to before me this 07 day of JUN 2022, 2022 in MAKATI CITY, affiant exhibited to me his Driver's License N02-18-006050 issued on December 14, 2019 with expiration date of December 14, 2022.

Doc. No. 262
Page No. 74
Book No. III
Series of 2022

NOTARY PUBLIC
RALYANA KNUSHARA M. GADDI
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-219 (2021-2022)
COMMISSION EXPIRES ON DECEMBER 31, 2022
7th Floor, The PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 8853540; Makati City; 1/3/2022
IBP O.R. No. 178651; Makati City; 1/3/2022
TIN 473-816-131
Attorney's Roll No. 75398
Admitted to the Philippine Bar: 24 July 2020

COVER SHEET

12397
S.E.C. Registration Number

PHINMA CORPORATION

(Company's Full Name)

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

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

ROLANDO SOLIVEN
Contact Person

8700100
Company Telephone Number

12 31
Month Day
Calendar Year

SEC-17C
FORM TYPE

Month Day
Annual Meeting

Secondary License Type, If Applicable

CFD
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = Pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17

OF THE SECURITIES REGULATION CODE

AND SRC RULE 17.2(c) THEREUNDER

1. **June 6, 2022**

…………………………………………………………………………………….
Date of Report (Date of earliest event reported)

2. **12397** 3. **000-107-026-000**

………………………………………………… ………………………………………

SEC Identification Number BIR Tax Identification No.

4. **PHINMA Corporation**

…………………………………………………………………………………

Exact name of issuer as specified in its charter

5. **Metro Manila, Philippines** 6. (SEC Use Only)

……………………………………………………………………… ……………………………………

Province, country or other jurisdiction of incorporation Industry Classification Code:

7. **Level 12 PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City 1210**

……………………………………………………………………………………………………

Address of principal office Postal Code

8. **(632) 88700 100**

……………………………………………………………………………………………………..

Issuer's telephone number, including area code

9. **Not applicable.**

………

Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	**271,893,365**

11. Indicate the item numbers reported herein:

Please see enclosed letter.

…….

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PHINMA Corporation
Registrant

June 6, 2022
Date

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

PHINMA
Making Lives Better

June 6, 2022

SECURITIES AND EXCHANGE COMMISSION
PICC Complex, Roxas Boulevard, Pasay City

Attention: **MS. RACHEL ESTHER J. GUMTANG-REMALANTE**
OIC, Corporate Governance & Finance Department

THE PHILIPPINE STOCK EXCHANGE, INC.
PSE Tower, 5th Avenue Bonifacio Global City, Taguig City

Attention: **MS. ALEXANDRA D. TOM WONG**
Head, Disclosure Department

PHILIPPINE DEALING EXCHANGE
BDO Equitable Tower, 8751 Paseo de Roxas, Makati City

Attention: **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head, Issuer Compliance and Disclosure Department

Gentlemen:

We hereby submit the Notice of Special Stockholders Meeting and detailed Agenda duly signed by the Corporate Secretary, enclosed to this letter, for the Special Stockholders Meeting to be held on July 14, 2022.

Thank you.

ROLANDO D. SOLIVEN
VP – Group Corporate Governance & Compliance Officer

PHINMA
Making Lives Better

NOTICE OF SPECIAL MEETING OF THE STOCKHOLDERS

TO ALL SHAREHOLDERS:

Please be informed that the Special Meeting of the Stockholders of PHINMA CORPORATION will be held through remote communication via www.asm.phinmacorp.ph on Thursday, 14 July 2022, at 2:30 p.m. with the following agenda:

1. Call to Order
2. Notice and Quorum
3. One-time Denial of Pre-emptive Rights on Issuance of Treasury Shares
4. Other Matters
5. Adjournment

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

The record date for the determination of the shareholders entitled to notice of said meeting and to vote thereat is June 20, 2022.

In view of the current COVID-19 environment, attendance will be allowed only through remote communication.

Duly accomplished proxies should be submitted on or before July 08, 2022 by email to phncorpsec@phinma.com.ph. Validation of proxies is set on July 08, 2022 starting at 9:00 a.m.

Stockholders who wish to participate by remote communication should notify the Corporation by email to phncorpsec@phinma.com.ph on or before July 08, 2022.

12th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City, Philippines 1200

Tel: +632 8870 0100
Fax: +632 8870 0456
www.phinma.com.ph

PHINMA
Making Lives Better

Procedures for participating in the meeting through remote communication and for voting will be included in the Information Statement to be disclosed on June 22, 2022.

TROY A. LUNA
Corporate Secretary

12th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City, Philippines 1200

Tel: +632 8870 0100
Fax: +632 8870 0456
www.phinma.com.ph

Annex "A"

PHINMA CORPORATION
SPECIAL MEETING OF STOCKHOLDERS
Thursday, July 14, 2022, 2:30 pm
Through livestreaming at asm.phinmacorp.ph

<u>Explanation of Each Item of the Agenda</u>

1. <u>Call to Order</u>

The Chairman, Mr. Ramon R. del Rosario, Jr., will formally begin the annual meeting of the stockholders of PHINMA Corporation (the "Corporation").

2. <u>Proof of Notice and Determination of Quorum</u>

The Corporate Secretary, Atty. Troy A. Luna, will certify to the date when the notice of meeting and Information Statement were sent to the stockholders of record as of June 20, 2022 and to the Securities and Exchange (SEC) and Philippine Stock Exchange (PSE), as well as the date of publication of the notice in a newspaper of general circulation. The Corporate Secretary will likewise certify as to the existence of a quorum.

Stockholders may participate in the meeting only by remote communication. Stockholders who have informed the Corporation of their attendance by email to phncorpsec@phinma.com.ph on or before July 08, 2022 shall be considered present at the meeting, subject to the procedure set forth in Annex "B" of the Information Statement to be posted on the Company's website.

The following are the rules of conduct and procedure for the meeting:

i) Votes of all stockholders may only be cast through ballots/proxies submitted on or before July 08, 2022. A sample of the Ballot/Proxy will be included in the Information Statement.

All Ballots/Proxies should be received by the Corporate Secretary on or before July 08, 2022 by email to phncorpsec@phinma.com.ph.

ii) The one item in the agenda for which the meeting is called will need the affirmative vote of stockholders, in person or by proxy, owning at least two-thirds (2/3) of the shares of stock present or represented at the meeting. The proposed resolution/s will be shown on the screen as the same is taken-up at the meeting.

iii) The Committee of Inspectors of Proxies and Ballots will tabulate all votes cast and received, and an independent third party will validate the results. The Corporate Secretary will report the result of voting during the meeting.

iv) Stockholders may email to phncorpsec@phinma.com.ph questions or comments on matters to be taken up at the meeting on or before July 08, 2022. These will be answered during the meeting or via email to the stockholder sending the question, subject to appropriateness, relevance and time limits.

v) A link to the recorded webcast of the meeting will be posted on the Company's website after the meeting. Stockholders shall have one week from the meeting to send to the Company through the same email address, questions or concerns on matters arising from and relevant to the meeting held.

3. **One-time Denial of Pre-emptive Rights in Relation to Issuance of Treasury Shares**

As stated above, the one-time denial of pre-emptive rights with respect to the issuance of treasury shares, will need the affirmative vote of stockholders, in person or by proxy, owning at least two-thirds (2/3) of the shares of stock present or represented at the meeting. The proposed resolution/s will be shown on the screen as the same is taken-up at the meeting.

4. **Other Matters**

The Chairman will inquire whether there are other relevant matters and concerns to be discussed. Other matters which the stockholders wish to be discussed or responded to, which are relevant to the meeting and the matters discussed and voted upon thereat, may be raised by the stockholders by emailing them to phncorpsec@phinma.com.ph within one week from the meeting.

5. **Adjournment**

The Chairman will adjourn the meeting when the scheduled order of business is completed.

COVER SHEET

1 2 3 9 7

S.E.C. Registration Number

P H I N M A   C O R P O R A T I O N

(Company's Full Name)

L E V E L   1 2 - P H I N M A   P L A Z A   3 9   P L A Z A

D R I V E ,   R O C K W E L L   C E N T E R   M A K A T I

(Business Address: No. Street City/Town/Province)

R O L A N D O   S O L I V E N

Contact Person

8 7 0 0 1 0 0

Company Telephone Number

1 2 | 3 1

Month Day

Calendar Year

S E C - 1 7 C

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = Pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17

OF THE SECURITIES REGULATION CODE

AND SRC RULE 17.2(c) THEREUNDER

1. **June 6, 2022**

…………………………………………………………………………………………
Date of Report (Date of earliest event reported)

2. **12397** 3. **000-107-026-000**

……………………………………………………… ………………………………………………

SEC Identification Number BIR Tax Identification No.

4. **PHINMA Corporation**

……………………………………………………………………………………….

Exact name of issuer as specified in its charter

5. **Metro Manila, Philippines** 6. (SEC Use Only)

……………………………………………………………………………… ………………………………………

Province, country or other jurisdiction of incorporation Industry Classification Code:

7. **Level 12 PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City 1210**

……

Address of principal office Postal Code

8. **(632) 88700 100**

……..

Issuer's telephone number, including area code

9. **Not applicable.**

……….

Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	**271,893,365**

11. Indicate the item numbers reported herein:

Please see enclosed letter.

……………………………………………………………………………………………………….

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PHINMA Corporation
Registrant

June 6, 2022
Date

Rolando D. Soliven
Vice President – Group Corporate Governance and Compliance Officer
………………………………………………………………………………
Signature and Title

PHINMA
Making Lives Better

June 6, 2022

SECURITIES AND EXCHANGE COMMISSION
PICC Complex, Roxas Boulevard, Pasay City

Attention: **MS. RACHEL ESTHER J. GUMTANG-REMALANTE**
OIC, Corporate Governance & Finance Department

THE PHILIPPINE STOCK EXCHANGE, INC.
PSE Tower, 5th Avenue Bonifacio Global City, Taguig City

Attention: **MS. ALEXANDRA D. TOM WONG**
Head, Disclosure Department

PHILIPPINE DEALING EXCHANGE
BDO Equitable Tower, 8751 Paseo de Roxas, Makati City

Attention: **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head, Issuer Compliance and Disclosure Department

Gentlemen:

Please be informed that at the meeting of the Executive Committee held on May 31, 2022, with the authority delegated by the Board of Directors of PHINMA Corporation, the following matters were approved:

1. Issuance and sale of Fourteen Million Four Hundred Fifty Thousand One Hundred Seventy-nine (14,450,179) Treasury Shares through the Philippine Stock Exchange, Inc. and its trading facilities, at the minimum selling price of Nineteen Pesos and Fifty Centavos (Php19.50) per share.

   The proceeds from the sale will be used for investments and for general corporate purposes. The treasury shares represent 5% shareholding interest.

2. One-time denial of pre-emptive rights of stockholders on and in connection with the sale of its Treasury Shares, subject to approval by shareholders at a Special Stockholders' Meeting to be held on July 14, 2022.

   Notwithstanding the said denial of pre-emptive rights, stockholders will have the opportunity to acquire the said Treasury Shares through the Exchange.

3. Date, time and agenda for the Special Stockholders' Meeting to be held virtually on Thursday, July 14, 2022 at 2:30 pm. with record date of June 20, 2022.

Agenda:

I. Call to Order
II. Notice and Quorum
III. One-time Denial of Pre-emptive Rights
IV. Other Matters
V. Adjournment

Thank you.

ROLANDO D. SOLIVEN
VP – Group Corporate Governance & Compliance Officer

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17

OF THE SECURITIES REGULATION CODE

AND SRC RULE 17.2(c) THEREUNDER

1. **August 10, 2022**

………………………………………………………………………………………
Date of Report (Date of earliest event reported)

2. **12397** 3. **000-107-026-000**

…………………………………………………… ………………………………………

SEC Identification Number BIR Tax Identification No.

4. **PHINMA Corporation**

……………………………………………………………………………….

Exact name of issuer as specified in its charter

5. **Metro Manila, Philippines** 6. (SEC Use Only)

…………………………………………………………………… ……………………………………

Province, country or other jurisdiction of incorporation Industry Classification Code:

7. **Level 12 PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City 1210**

……………………………………………………………………………………………………

Address of principal office Postal Code

8. **(632) 88700 100**

……………………………………………………………………………………………………..

Issuer's telephone number, including area code

9. **Not applicable.**

……

Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	**279,992,265**

11. Indicate the item numbers reported herein:

Please see enclosed letter.

…….

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PHINMA Corporation
Registrant

August 10, 2022
Date

Rolando D. Soliven
Vice President – Group Corporate Governance and Compliance Officer
…………………………………………………………………………………
Signature and Title

PHINMA
Making Lives Better

August 10, 2022

SECURITIES AND EXCHANGE COMMISSION
PICC Complex, Roxas Boulevard, Pasay City

Attention: **MS. RACHEL ESTHER J. GUMTANG-REMALANTE**
OIC, Corporate Governance & Finance Department

THE PHILIPPINE STOCK EXCHANGE, INC.
PSE Tower, 5th Avenue Bonifacio Global City, Taguig City

Attention: **MS. ALEXANDRA D. TOM WONG**
Head, Disclosure Department

PHILIPPINE DEALING EXCHANGE
BDO Equitable Tower, 8751 Paseo de Roxas, Makati City

Attention: **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head, Issuer Compliance and Disclosure Department

Gentlemen:

Please be informed that at the regular meeting of the Board of Directors of PHINMA Corporation (PHN) held on August 10, 2022, the following matters were discussed and approved:

1. Financial Results for the six (6) months ended June 30, 2022 showing consolidated net income of P 639.07 million. Net income attributable to equity holders of the parent amounted to P 406.83 million.

2. Increase in investment of up to P 420 million in PHINMA Property Holdings Corporation (PPHC), a 35% owned affiliate of PHN. The additional investment will increase PPHC's equity to support development of a township business line and will improve PPHC's and PHN's earnings stream. This investment in 2023 will enable PHN to increase its ownership in PPHC to approximately 50%.

Thank you.

ROLANDO D. SOLIVEN
VP – Group Corporate Governance & Compliance Officer

PHINMA
Making Lives Better

August 22, 2022

PHILIPPINE DEALING EXCHANGE
BDO Equitable Tower, 8751 Paseo de Roxas, Makati City

Attention: **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head, Issuer Compliance and Disclosure Department

Gentlemen:

Please be informed of the following transaction by ABCIC Property Holdings, Inc., a 1.85% affiliate of PHINMA Corporation (PHN):

Date of Transaction	Number of Shares Acquired	Number of Shares Disposed	Price Per Share
Aug 22, 2022	5,500	0	19.42

Total number of shares held by the subsidiary and/or affiliate after transaction	5,024,222
Percentage to total outstanding shares	1.85

Thank you.

ROLANDO D. SOLIVEN
VP – Group Corporate Governance & Compliance Officer

PHINMA
Making Lives Better

August 23, 2022

PHILIPPINE DEALING EXCHANGE
BDO Equitable Tower, 8751 Paseo de Roxas, Makati City

Attention: **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head, Issuer Compliance and Disclosure Department

Gentlemen:

Please be informed of the following transaction by ABCIC Property Holdings, Inc., an affiliate holding 1.85% of PHINMA Corporation (PHN) shares:

Date of Transaction	Number of Shares Acquired	Number of Shares Disposed	Price Per Share (in Php)
Aug 23, 2022	500	0	19.42
Total number of shares held by the subsidiary and/or affiliate after transaction			5,024,722
Percentage to total outstanding shares			1.85%

Thank you.

ROLANDO D. SOLIVEN
VP – Group Corporate Governance & Compliance Officer

PHINMA
Making Lives Better

August 24, 2022

PHILIPPINE DEALING EXCHANGE
BDO Equitable Tower, 8751 Paseo de Roxas, Makati City

Attention: **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head, Issuer Compliance and Disclosure Department

Gentlemen:

Please be informed of the following transaction by ABCIC Property Holdings, Inc., an affiliate holding 1.85% of PHINMA Corporation (PHN) shares:

Date of Transaction	Number of Shares Acquired	Number of Shares Disposed	Price Per Share (in Php)
Aug 24, 2022	500	0	19.38
Total number of shares held by the subsidiary and/or affiliate after transaction			5,025,222
Percentage to total outstanding shares			1.85%

Thank you.

ROLANDO D. SOLIVEN
VP – Group Corporate Governance & Compliance Officer

PHINMA
Making Lives Better

August 25, 2022

PHILIPPINE DEALING EXCHANGE
BDO Equitable Tower, 8751 Paseo de Roxas, Makati City

Attention: **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head, Issuer Compliance and Disclosure Department

Gentlemen:

Please be informed of the following transactions by ABCIC Property Holdings, Inc., an affiliate holding 1.85% of PHINMA Corporation (PHN) shares:

Date of Transaction	Number of Shares Acquired	Number of Shares Disposed	Price Per Share (in Php)
Aug 25, 2022	1,400	0	19.42
Aug. 25, 2022	300	0	19.44
Aug. 25, 2022	1,500	0	19.44
Total number of shares held by the subsidiary and/or affiliate after transaction			5,028,422
Percentage to total outstanding shares			1.85%

Thank you.

ROLANDO D. SOLIVEN
VP – Group Corporate Governance & Compliance Officer

COVER SHEET

1 2 3 9 7

S.E.C. Registration Number

P H I N M A C O R P O R A T I O N

(Company's Full Name)

L E V E L 1 2 - P H I N M A P L A Z A 3 9 P L A Z A

D R I V E , R O C K W E L L C E N T E R M A K A T I

(Business Address: No. Street City/Town/Province)

R O L A N D O S O L I V E N

Contact Person

8 7 0 0 1 0 0

Company Telephone Number

1 2 — 3 1

Month — Day

Calendar Year

S E C - 1 7 C

FORM TYPE

Month — Day

Annual Meeting

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = Pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17

OF THE SECURITIES REGULATION CODE

AND SRC RULE 17.2(c) THEREUNDER

1. **September 19, 2022**

……………………………………………………………………………………

Date of Report (Date of earliest event reported)

2. **12397**	3. **000-107-026-000**

…………………………………………………	………………………………………

SEC Identification Number	BIR Tax Identification No.

4. **PHINMA Corporation**

……………………………………………………………………………….

Exact name of issuer as specified in its charter

5. **Metro Manila, Philippines**	6. (SEC Use Only)

……………………………………………………………………	……………………………………

Province, country or other jurisdiction of incorporation	Industry Classification Code:

7. **Level 12 PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City	1210**

……………………………………………………………………………………………………

Address of principal office	Postal Code

8. **(632) 88700 100**

…………………………………………………………………………………………………..

Issuer's telephone number, including area code

9. **Not applicable.**

………

Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	**285,592,265**

11. Indicate the item numbers reported herein:

Please see enclosed letter.

……….

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PHINMA Corporation
Registrant

September 19, 2022
Date

Rolando D. Soliven
VP – Group Corporate Governance
Compliance Officer
……………………………………………………………………………….
Signature and Title

PHINMA
Making Lives Better

September 19, 2022

SECURITIES AND EXCHANGE COMMISSION
PICC Complex, Roxas Boulevard, Pasay City

Attention: **MS. RACHEL ESTHER J. GUMTANG-REMALANTE**
OIC, Corporate Governance & Finance Department

Gentlemen:

Please be informed of the following transactions by ABCIC Property Holdings, Inc., an affiliate holding 1.86% of PHINMA Corporation (PHN) shares:

Transaction Date	Number of Shares	Price
14-Sep-22	100	20.50
14-Sep-22	400	20.40
15-Sep-22	4,000	20.20

Total Shares Acquired = 4,500
Total Shares Disposed = 0
Total Shares Owned = 5,067,022

Thank you.

ROLANDO D. SOLIVEN
VP – Group Corporate Governance
Compliance Officer

COVER SHEET

12397
S.E.C. Registration Number

PHINMA CORPORATION

(Company's Full Name)

LEVEL 12 - PHINMA PLAZA 39 PLAZA DRIVE, ROCKWELL CENTER MAKATI

(Business Address: No. Street City/Town/Province)

ROLANDO SOLIVEN
Contact Person

8700100
Company Telephone Number

12 31
Month Day
Calendar Year

SEC-17C
FORM TYPE

Month Day
Annual Meeting

Secondary License Type, If Applicable

CFD
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = Pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17

OF THE SECURITIES REGULATION CODE

AND SRC RULE 17.2(c) THEREUNDER

1. **September 16, 2022**

…………………………………………………………………………………………
Date of Report (Date of earliest event reported)

2. **12397** 3**. 000-107-026-000**

………………………………………………… ………………………………………

SEC Identification Number BIR Tax Identification No.

4. **PHINMA Corporation**

……………………………………………………………………………………….

Exact name of issuer as specified in its charter

5**. Metro Manila, Philippines** 6. (SEC Use Only)

……………………………………………………………………… ……………………………………

Province, country or other jurisdiction of incorporation Industry Classification Code:

7. **Level 12 PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City 1210**

……………………………………………………………………………………………………

Address of principal office Postal Code

8**. (632) 88700 100**

……………………………………………………………………………………………………..

Issuer's telephone number, including area code

9. **Not applicable.**

………

Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	**285,592,265**

11. Indicate the item numbers reported herein:

Please see enclosed letter.

…….

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PHINMA Corporation
Registrant

September 16, 2022
Date

Rolando D. Soliven
Vice President – Group Corporate Governance and Compliance Officer
………………………………………………………………………………
Signature and Title

PHINMA
Making Lives Better

September 16, 2022

SECURITIES AND EXCHANGE COMMISSION
PICC Complex, Roxas Boulevard, Pasay City

Attention: **MS. RACHEL ESTHER J. GUMTANG-REMALANTE**
OIC, Corporate Governance & Finance Department

THE PHILIPPINE STOCK EXCHANGE, INC.
PSE Tower, 5th Avenue Bonifacio Global City, Taguig City

Attention: **MS. ALEXANDA D. TOM WONG**
Head, Disclosure Department

PHILIPPINE DEALING EXCHANGE
BDO Equitable Tower, 8751 Paseo de Roxas, Makati City

Attention: **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head, Issuer Compliance and Disclosure Department

Gentlemen:

Please be informed that on September 16, 2022, Philcement Corporation ("PCC"), a 60% owned subsidiary of PHINMA Corporation (PHN), availed of a term loan facility from the proceeds of PHN's bond issuance, in the amount of Php 1 Billion for 1.5 years at current market rate.

In line with the disclosed use of bond proceeds to support the growth of PHINMA Corporation's Strategic Business Units, the loan was approved by the Board of Directors of PHN on November 10, 2021 and August 10, 2022

The loan proceeds will be used by PCC to fund expansion and improvements in its facility located in Mariveles, Bataan. This is aligned with PCC's promise to assure Filipino consumers with reliable, high quality supply of cement products under its legacy brand, Union Cement.

Thank you.

ROLANDO D. SOLIVEN
VP – Group Corporate Governance & Compliance Officer

COVER SHEET

12397

S.E.C. Registration Number

PHINMA CORPORATION

(Company's Full Name)

LEVEL 12 - PHINMA PLAZA 39 PLAZA DRIVE, ROCKWELL CENTER MAKATI

(Business Address: No. Street City/Town/Province)

ROLANDO SOLIVEN

Contact Person

8700100

Company Telephone Number

12 31

Month Day

Calendar Year

SEC-17C

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = Pls. Use black ink for scanning purposes

Certification

I, **Rolando D. Soliven, Vice President – Group Corporate Governance and Compliance Officer** of **PHINMA Corporation** with SEC registration number **12397** with principal office at **Level 12, PHINMA Plaza, Plaza Drive, Rockwell Center, Makati City**, on oath state:

1) That on behalf of **PHINMA Corporation**, I have caused this **SEC Form 17-C on Acquisition of PHN Shares by ABCIC Property Holdings, Inc. for transactions dated Sept. 28 – Oct. 3, 2022** to be prepared;

2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;

3) That the company **PHINMA Corporation** will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and

4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of 05 OCT 2022 , 2022.

Rolando D. Soliven
Vice President – Group Corporate Governance and Compliance Officer

SUBSCRIBED AND SWORN to before me this ____ day of 05 OCT 2022, 2022 in MAKATI CITY, affiant exhibited to me his Driver's License N02-18-006050 issued on December 14, 2019 with expiration date of December 14, 2022.

NOTARY PUBLIC

RALYANA KNUSHARA M. GADDI
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-219 (2021-2022)
COMMISSION EXPIRES ON DECEMBER 31, 2022
7th Floor, The PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 8853540; Makati City; 1/3/2022
IBP O.R. No. 176951; Makati City; 1/3/2022
TIN 473-816-131
Attorney's Roll No. 75396
Admitted to the Philippine Bar: 24 July 2020

Doc. No. 249
Page No. 51
Book No. IV
Series of 2022

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17

OF THE SECURITIES REGULATION CODE

AND SRC RULE 17.2(c) THEREUNDER

1. **October 4, 2022**

………………………………………………………………………………………
Date of Report (Date of earliest event reported)

2. **12397**

…………………………………………………
SEC Identification Number

3. **000-107-026-000**

………………………………………
BIR Tax Identification No.

4. **PHINMA Corporation**

……………………………………………………………………………….
Exact name of issuer as specified in its charter

5. **Metro Manila, Philippines**

…………………………………………………………………………
Province, country or other jurisdiction of incorporation

6. (SEC Use Only)

……………………………………
Industry Classification Code:

7. **Level 12 PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City** **1210**

……………………………………………………………………………………………………
Address of principal office Postal Code

8. **(632) 88700 100**

……………………………………………………………………………………………………..
Issuer's telephone number, including area code

9. **Not applicable.**

……
Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	**286,325,265**

11. Indicate the item numbers reported herein:

Please see enclosed letter.

……….

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PHINMA Corporation
Registrant

October 4, 2022
Date

Rolando D. Soliven
VP – Group Corporate Governance
Compliance Officer
………………………………………………………………………………
Signature and Title

PHINMA
Making Lives Better

October 4, 2022

SECURITIES AND EXCHANGE COMMISSION
PICC Complex, Roxas Boulevard, Pasay City

Attention: **MS. RACHEL ESTHER J. GUMTANG-REMALANTE**
OIC, Corporate Governance & Finance Department

Gentlemen:

Please be informed of the following transactions by ABCIC Property Holdings, Inc., an affiliate holding 1.77% of PHINMA Corporation (PHN) shares:

Transaction Date	Number of Shares	Price
28-Sep-22	300	19.98
29-Sep-22	300	19.84
30-Sep-22	6,800	19.90
30-Sep-22	500	19.60
30-Sep-22	400	19.70
3-Oct-22	100	19.90
3-Oct-22	1,400	19.80
3-Oct-22	3,000	19.70

Total Shares Acquired = 12,800
Total Shares Disposed = 0
Total Shares Owned = 5,079,822

Thank you.

ROLANDO D. SOLIVEN
VP – Group Corporate Governance
Compliance Officer

PHINMA Corporation
PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City 1200
+632 8870 0100 | www.phinma.com

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17

OF THE SECURITIES REGULATION CODE

AND SRC RULE 17.2(c) THEREUNDER

1. **October 27, 2022**

……………………………………………………………………………………
Date of Report (Date of earliest event reported)

2. **12397** 3. **000-107-026-000**

…………………………………………………… ………………………………………
SEC Identification Number BIR Tax Identification No.

4. **PHINMA Corporation**

……………………………………………………………………………….
Exact name of issuer as specified in its charter

5. **Metro Manila, Philippines** 6. (SEC Use Only)

…………………………………………………………………… ……………………………………
Province, country or other jurisdiction of incorporation Industry Classification Code:

7. **Level 12 PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City** **1210**

……………………………………………………………………………………………………
Address of principal office Postal Code

8. **(632) 88700 100**

……………………………………………………………………………………………………..
Issuer's telephone number, including area code

9. **Not applicable.**

………
Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	**286,325,265**

11. Indicate the item numbers reported herein:

Please see enclosed Press Release.

…….

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PHINMA Corporation
Registrant

October 27, 2022
Date

Rolando D. Soliven
Vice President – Group Corporate Governance and Compliance Officer
…………………………………………………………………………………
Signature and Title

PHINMA
Making Lives Better

PHINMA Corp welcomes new leaders, bares positive post-pandemic plans for the group

Manila, Philippines. October 27, 2022 – PHINMA Corporation, a proudly-Filipino conglomerate with businesses in education, construction materials, property development, and hospitality, is leveraging its growth to fuel the company's post-pandemic business plans and solidify its commitment to make lives better under the management of its refreshed set of leaders.

Mr. Oscar J. Hilado, who has led PHINMA Corp as Chairman of the board since 2003, stepped down earlier this year and will stay as the company's Chairman Emeritus. Mr. Ramon R. del Rosario Jr., previously the company's President and CEO, is now the Chairman and CEO of PHINMA Corp. Replacing del Rosario as President is Dr. Chito B. Salazar, who will concurrently serve as COO and Head of Education.

"PHINMA has always aimed to find the gaps in our society–here in the Philippines and elsewhere–where we can help. The current landscape has given us the opportunity to spot these gaps more quickly and has obliged us to respond more quickly as well. We pursue our mission of 'making lives better' with ever-growing fervor," del Rosario said.

In 2021, PHINMA boasted a 259-percent year-on-year increase in income, having attained P16.04 billion in consolidated revenues and P1.8 billion in consolidated net income. PHINMA Education earned consolidated revenues of P3.69 billion, a 76 percent increase year-on-year driven by a 33-percent increase in enrollment to 95,503 students for school year 2021-2022. The Group's education arm also acquired PHINMA Union College of Laguna in 2021, a recent addition to its planned Laguna network of schools. PHINMA's Construction Materials Group (CMG), consisting of Union Galvasteel Corporation (UGC), Philcement Corporation, and PHINMA Solar Energy Corporation, closed 2021 with P12.14 billion in consolidated revenue, representing a 20-percent increase year-on-year. PHINMA Properties reported a 26-percent year-on-year growth in consolidated revenue to P2.4 billion as well. PHINMA continued its strong top line growth in the first half of 2022 with a 10-percent increase over the same period in 2021.

Last September, PHINMA Education welcomed over 124,000 students across nine schools in the Philippines and one in Indonesia for the school year 2022-2023. Around 60 percent of the student population benefits from its Hawak Kamay Scholarship (HK) program, which reduces tuition fees by as much as 75 percent based on the student's capacity to pay. PHINMA Education boasts a 75% licensure exam passing rate for first-time takers and 71% of its students are employed within a year of graduation. Since 2004, its network of schools has produced 27,000 licensed professionals, 122 of them topping their board exams. To note, six topnotchers of the May 2022 Nurse Licensure Exam (NLE) graduated from PHINMA University of Pangasinan, and the university was also recognized as the second best performing school in the country. In August, 38 graduates of PHINMA Cagayan de Oro College and PHINMA University of Pangasinan passed the mechanical engineering licensure exams. In September, both universities had 100% passing rates for first-time takers of the electrical engineering licensure exam.

Backed by its growth as well as the country's slow return to normalcy, the Group's new leaders are eager to roll out its post-pandemic plans, which include expanding its business units and bringing PHINMA's legacy and commitment to make lives better to greater heights.

"PHINMA banks on its 66 years of mission-driven businesses in treading new terrain and facing

new challenges. We draw from experience as we answer the call to make business a force for doing good," said Salazar.

Driven by its mission of making lives better through education, PHINMA Education seeks to leverage its strong growth in enrollment and expand its reach in delivering high-quality education to underserved youth through its current network as well as further acquisitions. This growth is envisioned to happen not only in the country but also by reaching Southeast Asian markets with similar demographics to the Philippines, such as Indonesia.

PHINMA CMG looks to develop its growth markets amid an encouraging outlook for public infrastructure and residential construction activities. As the Philippine economy slowly recovers from the pandemic disruptions, the construction arm of the Group has capitalized on strategic partnerships, operational efficiencies, and margin optimization initiatives. CMG strengthened its offering of its own locally manufactured cement mix, polyurethane panels (PU), and light steel frames. UGC's premium quality PU panels are used for walls, partitions and ceiling of cold storage, food processing facilities, and other controlled temperature rooms to help offset costs that were affected by higher commodity prices.

PHINMA Hospitality has begun to benefit from the return of leisure travelers and the resumption of MICE activities (i.e., meetings, incentives, conferences, and exhibitions). In order to capitalize on the hospitality industry's expected recovery, PHINMA Corp. approved an investment of up to P50 million in the expansion of the Hospitality group's flagship hotel, Microtel by Wyndham in the Mall of Asia Complex, earlier this year. The company also targets to expand in more areas with growing demand.

This year, PHINMA Properties will launch horizontal projects in emerging cities outside central business districts in order to capture shifts in demand trends driven by the pandemic. The company is also expanding into mixed-use developments, such as townships in Western Visayas and other emerging regions. The company launched Metrotowne, a medium-rise condominium in Las Piñas, Uniplace, a residential and dormitory development located at the Southwestern University Village in Cebu City, and PHINMA Maayo San Jose, a 9.5-hectare horizontal development in Batangas. Recently, PHINMA Properties bagged the Best Housing Development in the Philippines award for PHINMA Maayo San Jose at the 10th PropertyGuru Philippines Property Awards and received commendations from Lamudi's The Outlook 2022 - a fitting tribute to its long history of building safe and secure communities for Filipino families. PHINMA Corporation also affirmed its belief in PHINMA Properties by approving an investment of up to P420 million for the development of a township division.

"*I have full confidence in Ramon and Chito that they will lead PHINMA towards the realization of our goal of making the essentials to a dignified life more accessible to more families. PHINMA has weathered many crises in its 66 years of existence, and it has always come out stronger and wiser. I am sure this time will be no different,*" said Hilado.

###

About PHINMA Corporation

PHINMA is a proudly-Filipino conglomerate that seeks to make lives better through successfully run and profitable businesses in education, construction materials, property development, and hospitality. 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.

COVER SHEET

12397

S.E.C. Registration Number

PHINMA CORPORATION

(Company's Full Name)

LEVEL 12 - PHINMA PLAZA 39 PLAZA DRIVE, ROCKWELL CENTER MAKATI

(Business Address: No. Street City/Town/Province)

ROLANDO SOLIVEN

Contact Person

8700100

Company Telephone Number

12	31	SEC-17C		
Month	Day	FORM TYPE	Month	Day
Calendar Year			Annual Meeting	

Secondary License Type, If Applicable

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = Pls. Use black ink for scanning purposes

Certification

I, **Rolando D. Soliven, Vice President – Group Corporate Governance and Compliance Officer** of **PHINMA Corporation** with SEC registration number **12397** with principal office at **Level 12, PHINMA Plaza, Plaza Drive, Rockwell Center, Makati City**, on oath state:

1) That on behalf of **PHINMA Corporation**, I have caused this **SEC Form 17-C on Matters Approved by the Board dated November 11, 2022** to be prepared;

2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;

3) That the company **PHINMA Corporation** will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and

4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

NOV 04 2022

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of ____________ , 2022.

Rolando D. Soliven
Vice President – Group Corporate Governance and Compliance Officer

NOV 04 2022 MAKATI CITY

SUBSCRIBED AND SWORN to before me this _____day of____________, 2022 in ____________, affiant exhibited to me his Driver's License N02-18-006050 issued on December 14, 2019 with expiration date of December 14, 2022.

NOTARY PUBLIC

BRYAN GEORGE M. MANZANO
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-291 (2022-2023)
COMMISSION EXPIRES ON DECEMBER 31, 2023
7th Floor, The PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 9007818; Makati City; 5/19/2022
IBP O.R. No. 212774; Zambales; 5/18/2022
TIN 607-109-916
Attorney's Roll No. 79205
Admitted to the Philippine Bar: 16 May 2022

Doc. No. 06
Page No. 03
Book No. 01
Series of 2022

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17

OF THE SECURITIES REGULATION CODE

AND SRC RULE 17.2(c) THEREUNDER

1. **November 11, 2022**

…………………………………………………………………………………………
Date of Report (Date of earliest event reported)

2. **12397**

……………………………………………………

SEC Identification Number

3. **000-107-026-000**

………………………………………

BIR Tax Identification No.

4. **PHINMA Corporation**

……………………………………………………………………………….

Exact name of issuer as specified in its charter

5. **Metro Manila, Philippines**

…………………………………………………………………………

Province, country or other jurisdiction of incorporation

6. (SEC Use Only)

……………………………………

Industry Classification Code:

7. **Level 12 PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City** **1210**

………………………………………………………………………………………………………

Address of principal office Postal Code

8. **(632) 88700 100**

………………………………………………………………………………………………………..

Issuer's telephone number, including area code

9. **Not applicable.**

……

Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	**286,325,265**

11. Indicate the item numbers reported herein:

Please see enclosed letter.

…….

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PHINMA Corporation
Registrant

November 11, 2022
Date

Rolando D. Soliven
Vice President – Group Corporate Governance and Compliance Officer
……………………………………………………………………………
Signature and Title

PHINMA
Making Lives Better

November 11, 2022

SECURITIES AND EXCHANGE COMMISSION
PICC Complex, Roxas Boulevard, Pasay City

Attention: **MS. RACHEL ESTHER J. GUMTANG-REMALANTE**
OIC, Corporate Governance & Finance Department

THE PHILIPPINE STOCK EXCHANGE, INC.
PSE Tower, 5th Avenue Bonifacio Global City, Taguig City

Attention: **MS. ALEXANDRA D. TOM WONG**
Head, Disclosure Department

PHILIPPINE DEALING EXCHANGE
BDO Equitable Tower, 8751 Paseo de Roxas, Makati City

Attention: **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head, Issuer Compliance and Disclosure Department

Gentlemen:

Please be informed that at the meeting of the Board of Directors of PHINMA Corporation, held today, November 11, 2022, the following matters were discussed and approved:

1. Financial Results for the nine (9) months ended September 30, 2022 showing consolidated net income of ₱1.27 billion. Net income attributable to equity holders of the parent amounted to ₱ 821.69 million.

2. Dissolution of the following subsidiaries of PHINMA Corporation: Career Academy Asia, Inc., a company 90% owned by PHN, One Animate Ltd., 80% owned by PHN and Toon City Animation Inc., 100% owned by One Animate Limited.

   These subsidiaries are inactive and do not have business operations. The dissolution of these companies will simplify PHN's corporate structure.

3. Appointment of Mr. Ramon R. del Rosario, Jr. and Ms. Regina B. Alvarez as members of the Retirement Committee to replace Dr. Magdaleno B. Albarracin, Jr. and Mr. Victor J. del Rosario, and appointment of Ms. Karen B. Seno as additional member of said Committee. The Retirement Committee will henceforth consist of five (5) members consisting of the said new Members, together with Mr. Oscar J. Hilado (Chairman) and Dr. Meliton B. Salazar, Jr.

   Mr. Ramon R. del Rosario, Jr. (Member) is the Chairman & CEO of PHINMA Corporation and President and CEO of PHINMA, Inc. and. He is the Chairman of the Board of Trustees of PHINMA Education Holdings, Inc., Araullo University, Cagayan de Oro College, University of Iloilo, University of Pangasinan, Southwestern University, St. Jude College, Republican

College, Rizal College of Laguna and Union College of Laguna. He is also President of the Board of Commissioners of PT and Phil Management, Vice Chairman of PHINMA Property Holdings Corp., Chairman of United Pulp and Paper Co., Inc. of the Siam Cement Group, PHINMA Microtel Hotels, Microtel Hospitality, Inc. and other PHINMA-managed companies. Mr. del Rosario obtained his BSC-Accounting and AB-Social Sciences degrees (Magna cum Laude) from De La Salle University and Master's degree in Business Administration from the Harvard Business School. He has been a director of the company since 2002.

Ms. Regina B. Alvarez (Member) is the 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 – Group Controller of PHINMA, Inc. and holds various executive posts in PHINMA-managed companies. She is a director of Araullo University, Southwestern University and T-O Insurance Brokers, Inc. Ms. Alvarez is a Certified Public Accountant and holds a Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines and a Master's degree in Business Administration from the Wharton School of Business.

Ms. Karen B. Seno (Member) is the Assistant Vice President for Human Resources of PHINMA, Inc., the parent company of PHINMA Corporation. She took up Bachelor of Arts in Communication Arts major in Broadcast Journalism at De La Salle University and studied Organizational Development at the Ateneo Center for Organization Research and Development. She completed the Chief Human Resource Officer Development Program at the Asian Institute of Management.

4. Revised Corporate Governance Manual

   A copy of the revised manual is hereby submitted.

Thank you.

ROLANDO D. SOLIVEN
VP – Group Corporate Governance & Compliance Officer

PHINMA
Making Lives Better

PHINMA CORPORATION SEPTEMBER YTD 2022 RESULTS

For the nine-month period ended September 30, 2022, PHINMA Corporation (PHN) continued its strong top line growth as consolidated revenues grew to ₱13.43 billion, marking an 11.49% increase over the same period last year. Despite this, consolidated net income declined to ₱1.27 billion from ₱1.45 billion in the first three quarters of 2021, primarily due to higher costs driven by continued abnormal supply conditions as well as the return of face-to-face classes. The increase in costs was partially offset by mark to market and other gains of the parent company in the amount of ₱286.02 million on PHN's investment in Song Lam Cement Joint Stock Corporation (Song Lam).

PHINMA Education Holdings, Inc. (PHINMA Education) posted a 30% increase in total enrollment for the 1st semester SY 22-23, making PHINMA Education the country's largest education network. This contributed to an increase in consolidated revenue for the nine-month period to ₱2.86 billion, higher by 8.37% compared to the same period in 2021. The increase in enrollment offset the impact of the change in the school opening schedule, necessitated by delays in the academic calendars of public high schools. The current period only had six months regular term and three months summer classes compared to eight months regular term and one month of summer class during the same period in 2021. Costs increased during the period due to the return of face-to-face classes and the resumption of regular operations. As a result, net income declined to ₱ 568.1 million.

The Construction Materials Group (CMG), composed of Union Galvasteel Corporation (UGC), Philcement Corporation (Philcement), and PHINMA Solar Corporation (PHINMA Solar), posted consolidated revenues of ₱10.29 billion for the nine months ended September 2022, up by 10.9% from the same period last year. Net income of CMG for the period was lower at ₱467.30 million due to soft construction demand, higher input costs amidst global supply chain issues, and a weak peso.

In its affiliate, PHINMA Property Holdings Corp. (PHINMA Properties), PHN equitized net income of ₱12.27 million during the period compared to an equitized net income of ₱7.80 million during the same period last year.

Equitized net loss in Coral Way City Hotel Corporation (Coral Way) amounted to ₱5.35 million, as the company continued to maximize bookings from the leisure and corporate market segments given the gradual resumption of leisure and business travel. Cash from operations nevertheless remained positive.

Consolidated net income attributable to equity holders of the parent amounted to ₱821.68 million for the first nine months of 2022, which represented a 7.50% decline from the same period last year.

PHINMA Corporation ended the period with cash and cash equivalents of ₱3.72 billion. As of September 30, 2022, consolidated total assets and total stockholders' equity amounted to ₱31.85 billion and ₱10.99 billion, respectively.

ANNEX D

SEC Form 17 – Q
Quarterly Reports

Gmail

Flora Tolarba <fdtolarba@phinma.com.ph>

PHINMA Corporation_SEC Form 17-Q_Quarterly Report for the period ended March 31, 2022

Flora Tolarba <fdtolarba@phinma.com.ph> Mon, May 16, 2022 at 10:35 PM
To: Annabelle Guzman <asguzman@phinma.com.ph>

Hi Ms. Annabs

Please see forwarded acknowledgment email from SEC ICTD of our submission..

Regards
Flora

---------- Forwarded message ---------
From: **ICTD Submission** <ictdsubmission+canned.response@sec.gov.ph>
Date: Mon, May 16, 2022, 10:34 PM
Subject: Re: Fwd: PHINMA Corporation_SEC Form 17-Q_Quarterly Report for the period ended March 31, 2022
To: <fdtolarba@phinma.com.ph>

Your report/document has been SUCCESSFULLY ACCEPTED by ICTD.
(Subject to Verification and Review of the Quality of the Attached Document)
Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at www.sec.gov.ph

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NOTICE

Please be informed that pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (PDF) **Secondary Reports** such as: 17-A, 17-C, 17-L, 17-Q, ICASR, 23-A, 23-B, I-ACGR, Monthly Reports, Quarterly Reports, Letters, through email at

ictdsubmission@sec.gov.ph

Note: All submissions through this email are no longer required to submit the hard copy thru mail, eFAST/OST or over- the- counter.

For those applications that require payment of filing fees, these still need to be filed and sent via email with the SEC RESPECTIVE OPERATING DEPARTMENT.

Further, note that other reports shall be filed thru the **ONLINE SUBMISSION TOOL (OST)** such as:
AFS, GIS, GFFS, LCFS, LCIF, FCFS. FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT, FS-CONSOLIDATED, OPC_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS)

FOR MC28, please email to:

https://apps010.sec.gov.ph

For your information and guidance.

Thank you and keep safe.

Gmail

Flora Tolarba <fdtolarba@phinma.com.ph>

PHINMA Corporation_SEC Form 17-Q_Quarterly Report for the period ended March 31, 2022

Rolando Soliven <rdsoliven@phinma.com.ph> Mon, May 16, 2022 at 10:27 PM
To: ICTD Submission <ictdsubmission@sec.gov.ph>
Cc: msrd_covid19@sec.gov.ph, Flora Tolarba <fdtolarba@phinma.com.ph>, Annabelle Guzman <asguzman@phinma.com.ph>

Gentlemen,

We hereby submit the **SEC Form 17 - Q - Quarterly Report for the period ended March 31, 2022**, filed on behalf of **PHINMA Corporation** in compliance with SEC Notice on Options in the Submission of Reports, Applications and Other Documents during the Effectivity of All Community Quarantine Imposed due to COVID-19, dated June 24, 2020.

We hope you find our submission in order and acknowledge receipt.

Thank you.

Bong

Rolando D. Soliven

Vice President - Corporate Governance

Chief Compliance Officer

PHINMA
Making Lives Better

12th Floor, PHINMA Plaza,
39 Plaza Drive, Rockwell Center,
Makati City, Philippines 1200

+632 870 0100

www.phinma.com.ph

PHINMA Corp SEC Form 17-Q for the period ended March 31, 2022.pdf
1632K

COVER SHEET

1 2 3 9 7

S.E.C. Registration Number

P H I N M A   C O R P O R A T I O N

(Company's Full Name)

L E V E L   1 2 - P H I N M A   P L A Z A   3 9   P L A Z A

D R I V E ,   R O C K W E L L   C E N T E R   M A K A T I

(Business Address: No. Street City/Town/Province)

A N N A B E L L E   G U Z M A N

Contact Person

8 8 7 0 0 1 0 0

Company Telephone Number

1 2	3 1
Month	Day

Calendar Year

S E C   1 7 - Q

FORM TYPE

0 5	**1 6**	**2 2**
Month	Day	Year

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = Pls. Use black ink for scanning purposes

PHINMA
Making Lives Better

PHINMA Corporation

Certification

I, **ANNABELLE S. GUZMAN, Vice President - Controller** of **PHINMA CORPORATION** with SEC registration number **12397** with principal office at **Level 12, PHINMA Plaza, 39 Plaza Drive, Rockwell Center Makati City**, on oath state:

1) That on behalf of **PHINMA Corporation**, I have caused this **SEC Form 17 – Q (Quarterly Report) as of March 31, 2022** to be prepared;

2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;

3) That **PHINMA Corporation** will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and

4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this 13th day of May, 2022.

Annabelle S. Guzman
ANNABELLE S. GUZMAN
Vice President - Controller

SUBSCRIBED AND SWORN to before me this 13th day of May, 2022 in Makati City, affiant exhibited1 her Passport No. P3786360A issued on July 25, 2017 at DFA Manila with expiration date July 24, 2022.

NOTARY PUBLIC

Doc. No. 237
Page No. 49
Book No. 283
Series No. 2022

ATTY.GEORGE DAVID D. SITON
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-061 - UNTIL DEC. 31, 2023
ROLL NO. 68402 / MCLE COMPLIANCE NO. VII-0010136/2-15-2022
IBP O.R No.002282-LIFETIME MEMBER MAY 5, 2017
PTR No.8852066- JAN 03, 2022-MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI AVE., COR. JUPITER ST., MAKATI CITY

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17 – Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE (SRC) AND SRC RULE 17 (2)(b) THEREUNDER

1. For the quarterly period ended ***March 31, 2022***

2. Commission identification no. ***12397*** 3. BIR Tax Identification No. ***000-107-026-000***

4. ***PHINMA Corporation***
   Exact name of registrant as specified in its charter

5. ***Manila, Philippines***
   Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code : __________

7. ***12/F, Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City 1210***
   Address of registrant's principal office

8. ***(632) 8870-01-00***
   Registrant's telephone number, including area code

9. Former name, former address, and former fiscal year, if changed since last report : **N/A**

10. Common Shares - **271,893,365** shares issued and outstanding

11. Are any or all of the securities listed on the Philippine Stock Exchange?

    Yes (x) No ( )

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    Philippine Stock Exchange, Inc. **Common Shares**

12. Indicate by check mark whether the registrant :

    (a) Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11 (a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period the registrant was required to file such reports)

    Yes [x] No [ ]

    (b) Has been subject to such filing requirements for the past 90 days.

    Yes [x] No [ ]

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PART I - FINANCIAL INFORMATION

PHINMA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2022
(With Comparative Audited Figures as at December 31, 2021)
(Amounts in Thousands)

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 27 and 28)	**₱3,737,081**	₱3,695,914
Investments held for trading (Notes 6, 27 and 28)	**990.347**	1,310,728
Trade and other receivables (Notes 7, 27 and 28)	**4,699,582**	4,935,304
Inventories (Note 8)	**1,934,777**	1,974,054
Input value-added taxes and other current assets (Note 27)	**381,673**	335,241
Total Current Assets	**11,743,460**	12,251,241
Noncurrent Assets		
Investment in associates and joint ventures (Note 9)	**1,263,103**	1,247,086
Financial assets at fair value through profit or loss (Notes 10,27 and 28)	**2,135,832**	2,105,243
Financial assets at fair value through other comprehensive income (Notes 11, 27 and 28)	**109,960**	108,660
Property, plant and equipment (Note 12)	**10,731,563**	10,547,854
Investment properties (Note 13)	**623,956**	627,438
Intangible assets (Note 14)	**1,902,969**	1,905,794
Right-of-use assets (Note 29)	**313,579**	335,245
Deferred tax assets - net (Note 24)	**105,314**	101,013
Derivative asset (Notes 10, 27 and 28)	**517,916**	510,498
Other noncurrent assets (Notes 15 and 27)	**305,527**	341,223
Total Noncurrent Assets	**18,009,719**	17,830,054
	₱29,753,179	₱30,081,295
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Notes 16, 27 and 28)	**₱231,979**	₱930,174
Trade and other payables (Notes 17, 27 and 28)	**2,727,450**	2,314,696
Contract liabilities (Note 18 and 27)	**403,995**	1,327,142
Trust receipts payable (Notes 27 and 28)	**1,927,499**	1,711,433
Derivative liability (Notes 27 and 28)	**2,940**	–
Income and other taxes payable	**64,130**	47,614
Current portion of:		
Long-term debt (Notes 19, 27 and 28)	**522,415**	544,032
Lease liabilities (Notes 27 and 29)	**108,266**	108,266
Due to related parties (Notes 24, 27 and 28)	**141,232**	182,878
Total Current Liabilities	**6,129,906**	7,166,235
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 19, 27 and 28)	**10,517,154**	10,139,083
Non-controlling interest put liability (Notes 27 and 28)	**1,944,236**	1,862,875
Deferred tax liabilities - net (Note 25)	**430,366**	425,250
Pension and other post-employment benefits (Note 26)	**252,205**	259,219
Lease liabilities - net of current portion (Notes 27 and 29)	**223,196**	247,635
Other noncurrent liabilities	**47,949**	47,937
Total Noncurrent Liabilities	**13,415,106**	12,981,999
Total Liabilities	**19,545,012**	20,148,234

(Forward)

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 20)	**₱2,863,312**	₱2,863,312
Additional paid-in capital	**259,248**	259,248
Treasury shares (Note 20)	**(144,033)**	(143,574)
Exchange differences on translation of foreign operations	**(633)**	(581)
Equity reserves	**(146,085)**	(95,484)
Other comprehensive income (Note 9)	**39,228**	38,167
Share in other comprehensive income (loss) of associates (Note 9)	**9,853**	11,538
Retained earnings (Note 20)	**4,690,646**	4,534,521
Equity Attributable to Equity Holders of the Parent	**7,571,536**	7,467,147
Non-controlling Interests	**2,636,631**	2,465,914
Total Equity	**10,208,167**	9,933,061
	₱29,753,179	₱30,081,295

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Data)

	Three-Month Periods Ended March 31	
	2022 (Unaudited)	2021 (Unaudited)
REVENUES		
Revenue from contracts with customers		
Sale of goods	**₱3,451,182**	₱3,033,873
Tuition, school fees and other services	**909,832**	734,623
Installation services	**16,347**	48,785
Hospital routine services	**33,680**	40,677
Consultancy services	**11,069**	–
Rental income	**17,437**	17,162
Investment income	**54,470**	5,364
	4,494,017	3,880,484
COSTS AND EXPENSES		
Cost of sales (Note 21)	**2,856,226**	2,338,723
Cost of educational, installation, hospital and consultancy services (Note 21)	**394,904**	360,031
General and administrative expenses (Note 22)	**495,639**	344,240
Selling expenses (Note 23)	**154,646**	163,770
	3,901,315	3,206,764
OTHER INCOME (EXPENSES)		
Interest expense and other financing charges	**(171,279)**	(119,423)
Foreign exchange gains - net (Note 27)	**13,190**	29,917
Equity in net losses of associates and joint ventures (Note 9)	**17,702**	(9,926)
Gain on derivatives – net	**1,546**	(570)
Gain on change in fair value of financial assets at FVPL	**30,589**	–
Loss on sale of property, plant and equipment – net	**59**	–
Others – net	**7,105**	1,560
	(101,088)	(98,442)
INCOME BEFORE INCOME TAX	**491,614**	575,278
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)		
Current	**(405)**	32,170
Deferred	**(1,444)**	14,116
	(1,849)	46,286
NET INCOME	**₱493,463**	₱528,992
Attributable to:		
Equity holders of the Parent	**₱292,055**	₱303,551
Non-controlling interests	**201,408**	225,441
Net income	**₱493,463**	₱528,992
Basic/Diluted Earnings Per Common Share - Attributable to Equity Holders of the Parent (Note 31)	**₱1.07**	₱1.11

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Three-Month Periods Ended March 31	
	2022 (Unaudited)	2021 (Unaudited)
NET INCOME	**₱493,463**	₱528,992
OTHER COMPREHENSIVE INCOME (LOSS)		
Items not to be reclassified to profit or loss in subsequent periods		
Re-measurement loss on defined benefit obligation	−	(10,479)
Unrealized loss on change in fair value of financial assets at fair value through other comprehensive income	**1,301**	(1,065)
Share in unrealized gain (loss) on change in fair value of financial assets at fair value through other comprehensive income and defined benefit obligation of associates and joint ventures	**(1,685)**	3,301
Income tax effect	**(157)**	1,208
	(541)	(7,035)
Items to be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of foreign operations	**(66)**	(1,009)
Total other comprehensive loss	**(607)**	(8,044)
TOTAL COMPREHENSIVE INCOME	**₱492,856**	₱520,948
Attributable to:		
Equity holders of the Parent	**₱291,379**	₱296,911
Non-controlling interests	**201,477**	224,037
Total comprehensive income	**₱492,856**	₱520,948

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Exchange Differences on Translation of Foreign Operations	Equity Reserves	Other Comprehensive Income	Share in Other Comprehensive Income (Loss) of Associates and Joint Ventures	Retained Earnings		Subtotal	Non-controlling Interests	Total Equity
								Appropriated	Unappropriated			
Balance, December 31, 2021 (Audited)	**₱2,863,312**	**₱259,248**	**(₱143,574)**	**(₱581)**	**(₱95,484)**	**₱38,167**	**₱11,538**	**₱1,765,500**	**₱2,769,021**	**₱7,467,147**	**₱2,465,914**	**₱9,933,061**
Net income	–	–	–	–	–	–	–	–	292,055	292,055	201,408	493,463
Other comprehensive income (loss)	–	–	–	(52)	–	1,061	(1,685)	–	–	(676)	69	(607)
Total comprehensive income	–	–	–	(52)	–	1,061	(1,685)	–	292,055	291,379	201,477	492,856
Cash dividends (Note 20)	–	–	–	–	–	–	–	–	(135,930)	(135,930)	–	(135,930)
Put option over NCI (Note 20)	–	–	–	–	(50,601)	–	–	–	–	(50,061)	(30,760)	(81,361)
Appropriation of retained earnings (Note 20)												
Buyback of shares (Note 20)	–	–	(459)	–	–	–	–	–	–	(459)	–	(459)
Balance, March 31, 2022 (Unaudited)	**₱2,863,312**	**₱259,248**	**(₱144,033)**	**(₱633)**	**₱146,085)**	**₱39,228**	**₱9,853**	**₱1,765,500**	**₱2,925,146**	**₱7,571,536**	**₱2,636,631**	**₱10,208,167**

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Exchange Differences on Translation of Foreign Operations	Equity Reserves	Other Comprehensive Income	Share in Other Comprehensive Income (Loss) of Associates and Joint Ventures	Retained Earnings		Subtotal	Non-controlling Interests	Total Equity
								Appropriated	Unappropriated			
Balance, December 31, 2020 (Audited)	₱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	–	–	–	–	–	–	–	–	303,551	303,551	225,441	528,992
Other comprehensive income (loss)	–	–	–	(1,009)	–	(905)	3,301	–	(8,027)	(6,640)	(1,404)	(8,044)
Total comprehensive income	–	–	–	(1,009)	–	(905)	3,301	–	295,524	296,911	224,037	520,948
Cash dividends (Note 20)	–	–	–	–	–	–	–	–	(108,927)	(108,927)	–	(108,927)
Put option over non-controlling interests (Note 20)	–	–	–	–	(25,480)	–	–	–	–	(25,480)	(43,759)	(69,239)
Reversal of appropriation (Note 20)	–	–	–	–	–	–	–	(2,250,000)	2,250,000	–	–	–
Buyback of shares	–	–	(618)	–	–	–	–	–	–	(618)	–	(618)
Balance, March 31, 2021 (Unaudited)	₱2,863,312	₱259,248	(₱136,965)	(₱712)	₱9,214	₱38,017	₱1,164	₱165,500	₱3,543,100	₱6,741,878	₱2,153,700	₱8,895,578

PHINMA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Three-Month Periods Ended March 31	
	2022 (Unaudited)	2021 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱491,614**	₱575,278
Adjustments to reconcile income before income tax to net cash flows:		
Depreciation and amortization (Notes 21, 22 and 23)	**151,196**	152,981
Interest expense and other financing charges	**171,279**	119,423
Unrealized foreign exchange loss (gain) - net	**(13,190)**	(21,010)
Pension and other employee benefits expense	**11,990**	15,124
Equity in net losses of associates and joint ventures (Note 9)	**(17,702)**	9,926
Gain on investments held for trading – net	**(1,259)**	(4,456)
Interest income	**(53,212)**	(716)
Loss (gain) on derivatives – net	**(1,546)**	570
Dividend income	–	(192)
Unrealized gain on change in fair value of investment	**(30,589)**	–
Loss on sale of property, plant and equipment – net	**(59)**	–
Operating income before working capital changes	**708,522**	846,928
Decrease (increase) in:		
Trade and other receivables	**429,528**	(456,597)
Inventories	**39,277**	350,473
Input value-added taxes and other current assets	**(37,843)**	(80,046)
Increase (decrease) in:		
Trade and other payables	**255,947**	(232,395)
Trust receipts payables	**216,066**	(495,363)
Contract liabilities	**(923,147)**	76,865
Net cash provided by operations	**688,350**	9,865
Interest paid	**(155,089)**	(181,751)
Income tax paid	**7,504**	(23,924)
Contributions to the pension fund and benefits paid from operating fund	**(19,004)**	(24,749)
Interest received	**(141,355)**	4,128
Net cash provided by (used in) operating activities	**380,406**	(216,431)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investment held for trading	**(662,183)**	(1,201,134)
Property, plant and equipment	**(309,742)**	(925,108)
Financial assets at fair value through profit and loss	–	–
Intangible assets	–	(165)
Proceeds from sale of:		
Investment held for trading	**983,822**	983,419
Property, plant and equipment	**59**	123
Investment properties	**3,929**	–
Increase in other noncurrent assets	**35,696**	(33,044)
Dividends received	–	192
Net cash provided by (used in) investing activities	**51,581**	(1,175,717)

(Forward)

	Three-Month Periods Ended March 31	
	2022 (Unaudited)	2021 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Notes payable	**(₱885,000)**	(₱1,377,500)
Cash dividends	**14,289**	(15,275)
Treasury shares	**(459)**	(618)
Lease liability	**(29,726)**	(29,864)
Long-term debt	**(638,207)**	(137,475)
Proceeds from availments of:		
Notes payable	**186,805**	1,692,598
Long-term debt	**989,922**	1,210,849
Increase (decrease) in due to related parties	**(41,646)**	13,544
Increase in other noncurrent liabilities	**12**	9,021
Net cash provided by financing activities	**404,010**	1,365,280
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**13,190**	5,372
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**41,167**	(21,496)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**3,695,914**	2,888,863
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	**₱3,737,081**	₱2,867,367

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED INTERIM CONDENSED 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:

			March 31, 2022			December 31, 2021		
Subsidiaries	Nature of Business	Calendar/ Fiscal Yearend	**PHN Direct Interest**	**Direct Interest of Subsidiary**	**PHN Effective Interest**	PHN Direct Interest	Direct Interest of Subsidiary	PHN Effective Interest
Union Galvasteel Corporation (UGC)	Manufacturing and distribution of steel products	December 31	**98.01**	**–**	**98.01**	98.01	–	98.01
PHINMA Solar Energy Corporation (PHINMA Solar) [(g)]	Solar rooftop	December 31	**–**	**100.00**	**98.01**	–	100.00	98.01
PHINMA Education Holdings, Inc. (PEHI) [(a and b)]	Holding company	March 31	**67.18**	**–**	**67.18**	67.18	–	67.18
Pamantasan ng Araullo (Araullo University), Inc. (AU) [(a)]	Educational institution	March 31	**–**	**97.57**	**65.55**	–	97.57	65.55
Cagayan de Oro College, Inc. (COC) [(a)]	Educational institution	March 31	**–**	**91.27**	**61.32**	–	91.27	61.32
University of Iloilo (UI) [(a)]	Educational institution	March 31	**–**	**69.23**	**46.51**	–	69.23	46.51
University of Pangasinan (UPANG) and Subsidiary[(a)]	Educational institution	March 31	**–**	**69.33**	**46.58**	–	69.33	46.58
Southwestern University (SWU) [(a)]	Educational institution	March 31	**–**	**84.34**	**56.66**	–	84.34	56.66
St. Jude College, Inc. (SJCI)	Educational institution	December 31	**–**	**98.30**	**66.04**	–	98.30	66.04
Republican College, Inc. (RCI) [(c)]	Educational institution	December 31	**–**	**98.41**	**66.11**	–	98.41	66.11
Rizal College of Laguna (RCL) [(a and d)]	Educational institution	April 30	**–**	**90.00**	**60.46**	–	90.00	60.46
Union College of Laguna (UCLI) [(a and e)]	Educational institution	May 31	–	**80.91**	**54.36**	–	80.91	54.36
Career Academy Asia, Inc. (CAA) [(f)]	Educational Institution	March 31	**90.00**	**–**	**90.00**	90.00	–	90.00
Philcement Corporation (Philcement)	Manufacturing and distribution of cement products	December 31	**60.00**	**–**	**60.00**	60.00	–	60.00
P & S Holdings Corporation (PSHC)	Investment and real estate holdings	December 31	**60.00**	**–**	**60.00**	60.00	–	60.00
Asian Plaza, Inc. (API)	Lease of real property	December 31	**57.62**	**–**	**57.62**	57.62	–	57.62
One Animate Limited (OAL) and Subsidiary [(h)]	Business process outsourcing - animation services	December 31	**80.00**	**–**	**80.00**	80.00	–	80.00

[(a)] *Balances as at and for the year ended December 31 of these subsidiaries were used for consolidation purposes.*
[(b)] *On January 9, 2020, Asian Development Bank (ADB) subscribed in PEHI shares resulting to change in ownership interest of PHN to 67.18%.*
[(c)] *On March 12, 2020 and September 8, 2020, PEHI acquired additional 505 shares and 1,010 shares of RCI resulting to an increase in ownership interest to 98.41%.*
[(d)] *On July 31, 2020, PEHI acquired 100.00% interest in RCL. Subsequently, on December 5, 2020, PEHI sold 10.00% of its ownership interest in RCL reducing its ownership from 100.00% to 90.00%.*
[(e)] *On May 21, 2021, PEHI acquired 65.76% interest in UCLI. In September 2021, PEHI subscribed to an additional 450,000 shares, increasing its ownership interest to 80.91%*
[(f)] *CAA ceased its operations on March 31, 2019.*
[(g)] On December 22, 2020, PHN sold its 225.0 million shares in PHINMA Solar to UGC representing 50.00% ownership in PHINMA Solar.
[(h)] *OAL owns 100.00% interest in Toon City Animation, Inc. (Toon City). OAL and Toon City ceased operations in April 2013.*

The Parent Company and its subsidiaries (collectively referred to as "the Company") were all incorporated in the Philippines, except for OAL which was incorporated in Hong Kong. The Company's ultimate parent company is Philippine Investment-Management (PHINMA), Inc., which is also incorporated in the Philippines.

The information on the segments of the Company is presented in Note 31 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 accompanying unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors (BOD), as approved and recommended for approval by the Audit Committee on May 10, 2022.

2. Basis of Preparation and Consolidation and Statement of Compliance

Basis of Preparation

The interim condensed consolidated financial statements of the Company have been prepared on a historical cost basis, except for investments held for trading classified as 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 interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. The Company has prepared the financial statements on the basis that it will continue to operate as a going concern. The BOD considers that there are no material uncertainties that may cast significant doubt over this assumption. The BOD has formed a judgment that there is reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period. The interim condensed consolidated financial statements are presented in Philippine peso (₱), which is the Parent Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest thousand peso, except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's audited consolidated financial statements as at December 31, 2020. These interim condensed consolidated financial statements have been prepared for inclusion in the Prospectus to be prepared by the Company for its planned offering transaction.

Basis of Consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. As at March 31, 2022, there were no significant changes in the Parent Company's ownership interest in its subsidiaries.

3. Changes in Accounting Polices and Disclosures

Current Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021.

Unless otherwise indicated, adoption of these new standards did not have any significant impact on the consolidated financial statements of the Company.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

  The amendment provides relief to lessees from applying the PFRS 16, *Leases* requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted. The Company adopted the amendment beginning January 1, 2021. There are no rent concessions received by the Company from its lessors.

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Company shall also disclose information about:

  - The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The Company adopted the amendments beginning January 1, 2021.

<u>Future Changes in Accounting Policies and Disclosures</u>

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to Philippine Accounting Standards (PAS) 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a First-time Adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to PAS 41, *Agriculture, Taxation in Fair Value Measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or noncurrent. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the Financial Reporting Standards Council (FRSC) amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB. PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the FRSC deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the interim condensed consolidated financial statements and accompanying notes. Changes in these estimates and assumptions could result in outcomes that may require material adjustments to the carrying amounts of the affected assets or liabilities in the future.

The impact of COVID-19 has been considered in the significant judgments, estimates and assumptions in the Company's audited consolidated financial statements as at December 31, 2021. Thus, there were no significant changes in accounting judgments, estimates, and assumptions that affect the amounts reported in the interim condensed consolidated financial statements and accompanying notes.

5. Cash and Cash Equivalents

This account consists of:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)	March 31, 2021 (Unaudited)
Cash on hand and in banks	**₱2,422,130**	₱2,156,148	₱2,106,249
Short-term deposits	**1,314,951**	1,539,766	761,118
	₱3,737,081	₱3,695,914	₱2,867,367

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.

6. Investments Held for Trading

This account consists of investments in:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Unit Investment Trust Funds (UITFs)	**₱982,772**	₱1,302,457
Marketable equity securities	**7,575**	8,271
	₱990,347	₱1,310,728

7. Trade and Other Receivables

This account consists of:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Receivables from customers	**₱3,973,473**	₱4,319,605
Advances to suppliers and contractors	**1,375,729**	1,195,954
Advances to officers and employees	**213,233**	139,137
Rent receivables	**96,828**	92,521
Due from related parties (see Note 24)	**24,045**	53,958
Loans receivable	**16,119**	13,729
Accrued interest receivables	**4,634**	4,634
Others	**237,190**	314,380
	5,941,251	6,133,918
Less allowance for expected credit losses (ECLs)	**1,241,669**	1,198,614
	₱4,699,582	₱4,935,304

Movements in the allowance for ECLs are as follows:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning balance	**₱1,198,614**	₱1,013,115
Provisions (see Notes 22 and 23)	**42,911**	185,897
Write-offs/adjustments	**144**	(398)
Deconsolidation of a subsidiary	**–**	–
	₱1,241,669	₱1,198,614

The changes in the gross carrying amount of receivables during the period and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

8. Inventories

This account consists of:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
At cost:		
Finished goods	**₱1,526,783**	₱1,554,506
Raw materials	**113,935**	252,501
Other inventories	**85,037**	89,784
At net realizable value		
Spare parts and others	**75,087**	69.980
Other inventories	**133,935**	7,283
	₱1,934,777	₱1,974,054

9. Investment in Associates and Joint Ventures

The Company's associates and joint ventures consist of the following:

	Percentage of Ownership			
	2022		2020	
	Direct	**Effective**	Direct	Effective
Investment in associates:				
PHINMA Property Holdings Corporation (PPHC) [(a)]	**35.42**	**42.71**	35.42	42.71
ABCIC Property Holdings, Inc. (APHI) [(b)]	**26.51**	**28.15**	26.51	28.15
Coral Way City Hotel Corporation (Coral Way) [(c)]	**23.75**	**29.27**	23.75	29.27
PHINMA Hospitality, Inc (PHI) [(d)]	**–**	**20.88**	–	20.88
Interests in joint ventures:				
PHINMA Saytanar Education Company Limited (PHINMA Saytanar) [(e)]	**–**	**35.92**	–	35.92
PT Ind Phil Managemen (IPM) [(e)]	**–**	**47.89**	–	47.89

(a) *Indirect ownership through API.*
(b) *Indirect ownership through UGC.*
(c) *Indirect ownership through PHI.*
(d) *Formerly Microtel Development Corporation (MDC). Indirect ownership through API.*
(e) *Indirect ownership through PEHI.*

Investment in Associates

The detailed carrying values of investments in associates (accounted for under the equity method) are as follows:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
PPHC	**₱655,822**	₱632,669
APHI	**173,339**	174,586
PHI	**131,210**	133,827
Coral Way	**63,054**	66,326
	₱1,023,425	₱1,007,4

The movements and details of the investments in associates are as follows:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Acquisition costs, balance at beginning and end of period	**₱1,863,322**	₱1,863,322
Accumulated equity in net losses:		
Balance at beginning of period	**(883,407)**	(912,021)
Equity in net losses	**17,701**	28,614
Balance at end of period	**(865,706)**	(883,407
Share in other comprehensive income (loss) of associates:		
Balance at beginning of period	**27,493**	13,818
Share in other comprehensive income	**(1,684)**	13,675
Balance at end of period	**25,809**	27,493
	₱1,023,425	₱1,007,4

Interests in Joint Ventures

The detailed carrying values of interests in joint ventures (accounted for under the equity method) are as follows:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
IPM	**₱239,678**	₱239,678
PHINMA Saytanar	**–**	–
	₱239,678	₱239,678

The movements and details of the investments in joint ventures are as follows:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Acquisition costs:		
Balance at beginning and end of period	**₱235,503**	₱235,503
Accumulated equity in net earnings (losses):		
Balance at beginning of period	**4,175**	(151)
Equity in net earnings	**–**	4,326
Balance at end of period	**4,175**	(4,175)
	₱239,678	₱239,678

10. **Financial Assets at FVPL**

This account consists of:

	March 31, 202 2 (Unaudited)	December 31, 2021 (Audited)
Investment in preferred shares	**₱2,135,832**	₱2,105,243

On September 18, 2019, the Parent Company executed a Term Sheet with Song Lam Cement Joint Stock Company (Song Lam), Vissai Ninh Binh Joint Stock Company (Vissai) and Hoang Manh Truong (Sponsor) for the investment of US$50.0 million via preferred shares in Song Lam. Song Lam Joint Stock Company manufactures, markets, distributes and exports clinker, cement and cement products and is a supplier of Philcement, a 60%-owned subsidiary of PHN. Vissai is the parent company of Song Lam which owns and manages five cement plants in Vietnam.

In January 2020, the Parent Company, Song Lam, Vissai and Hoang Minh Truong entered into share subscription agreement related to the Parent Company's subscription of the new preferred shares of Song Lam. An advance payment of 10% equivalent to US$5.0 million was made on November 26, 2019 and the 90% balance or US$45.0 million was paid on May 18, 2021. The total US$50.0 million investment has an equivalent peso amount of ₱2.39 billion on May 18, 2021.

The preferred shares are entitled to receive an annual fixed cumulative dividends of 7.5%, independent of Song Lam's business outcome and regardless of operating business results of Song Lam and the existence of retained earnings. The preferred shares shall be convertible to common shares after two (2) years from issuance thereof. The Parent Company may convert the preferred shares between the last day of the second (2nd) year after issuance thereof until the end of the seventh (7th) year following said issuance.

The Parent Company has the option to sell the preferred shares or converted shares to Vissai, the Sponsor or Song Lam at a price equivalent to seventy-five million US Dollars (US$75,000,000.00), less the amount of preferred dividends received by the Parent Company. The put option may be exercised by the Parent Company after five (5) years from closing and until the end of the seventh (7th) year from said closing.

11. Financial Assets at FVOCI

This account consists of:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Investment in club shares	**₱33,400**	₱32,350
Non-listed equity securities	**76,560**	76,310
	₱109,960	₱108,660

Investment in equity investments pertain to shares of stock and club shares which are not held for trading. The Company has irrevocably designated the equity instruments at FVOCI, as the Company considers these investments to be strategic in nature.

12. Property, Plant and Equipment

This account consists of:

	January 1, 2022	**Acquisition through business Combination**	**Additions**	**Disposals**	**Reclassifications**	**March 31, 2022 (Unaudited)**
Cost						
Land	**₱3,064,961**	**₱–**	**₱27,309**	**₱–**	**₱–**	**₱3,092,270**
Plant site improvements	**3,473,015**	**–**	**–**	**–**	**7,595**	**3,480,610**
Buildings and improvements	**4,104,774**	**–**	**182,820**	**–**	**–**	**4,287,594**
Machinery and equipment	**2,271,102**	–	**62,837**	–	–	**2,333,939**
Transportation and other equipment	**560,501**	–	**3,217**	**(800)**	–	**562,918**
	13,474,353	–	**276,183**	**(800)**	**7,595**	**13,757,331**
Less Accumulated Depreciation						
Plant site improvements	**246,493**	**–**	**65,539**	–	**–**	**312,032**
Buildings and improvements	**1,459,679**	–	**34,135**	**–**	–	**1,493,814**
Machinery and equipment	**1,633,050**	–	**20,672**	**–**	–	**1,653,722**
Transportation and other equipment	**366,988**	–	**5,687**	**(800)**	–	**371,875**
	3,706,210	–	**126,033**	**(800)**	–	**3,831,443**
	9,768,143	–	**150,150**	–	**7,595**	**9,925,888**
Construction in progress (see Note 13)	**779,711**	–	**33,559**	–	**(7,595)**	**805,675**
Net Book Value	**₱10,547,854**	**₱–**	**₱183,709**	**₱–**	**₱–**	**₱10,731,563**

	January 1, 2021	Acquisition through business combination	Additions	Disposals	Reclassifications	December 31, 2021 (Audited)
Cost						
Land	₱2,967,593	₱65,671	₱31,697	₱–	₱–	₱3,064,961
Plant site improvements	2,206,926	–	–	–	1,266,089	3,473,015
Buildings and improvements	3,703,129	15,777	269,908	–	115,960	4,104,774
Machinery and equipment	2,150,869	3,325	115,075	–	1,833	2,271,102
Transportation and other equipment	525,105	402	60,769	(15,191)	(10,584)	560,501
	11,553,622	85,175	477,449	(15,191)	1,373,298	13,474,353
Less Accumulated Depreciation						
Plant site improvements	122,365	–	124,128	–	–	246,493
Buildings and improvements	1,310,860	–	148,819	–	–	1,459,679
Machinery and equipment	1,444,702	–	188,348	–	–	1,633,050
Transportation and other equipment	348,238	–	30,632	(11,882)	–	366,988
	3,226,165	–	491,927	(11,882)	–	3,706,210
	8,327,457	85,175	(14,478)	(3,309)	1,373,298	9,768,143
Construction in progress	8,327,457	–	1,119,893	–	(1,403,479)	779,711
Net Book Value	₱9,390,754	₱85,175	₱1,105,415	(₱3,309)	(₱30,181)	₱10,547,854

Interest capitalized as part of "Construction in progress" account amounted to nil and ₱24.1 million at a capitalization rate ranging from 5.2% to 7.0% as at March 31, 2022 and as at December 31, 2021, respectively.

Certain property and equipment of AU, COC, UI, UPANG, Philcement and UGC with aggregate amount of ₱5,056.18 million and ₱5,141.9 million as at March 31, 2022 and December 31, 2021, respectively, are used as collateral for their respective long-term debts obtained from local banks (see Note 19).

The COVID-19 pandemic did not materially affect the recoverability of property, plant and equipment.

13. Investment Properties

This account consists of:

	January 1, 2022	**Additions**	**Disposal**	**March 31, 2022 (Unaudited)**
Cost:				
Land	**₱610,724**	**₱–**	**₱–**	**₱610,724**
Buildings for lease	**95,625**	**–**	**(10,000)**	**85,625**
	706,349	**–**	**(10,000)**	**696,349**
Less accumulated depreciation -				
Buildings for lease	**78,911**	**(315)**	**(6,833)**	**72,393**
	₱627,438	**(₱315)**	**(₱3,167)**	**₱623,956**

	January 1, 2021	Additions	Disposal	December 31, 2021 (Audited)
Cost:				
Land	₱610,724	₱–	–	₱610,724
Buildings for lease	95,625	–	–	95,625
	706,349	–	–	706,349
Less accumulated depreciation -				
Buildings for lease	77,680	1,231	–	78,911
	₱628,669	₱1,231	–	₱627,438

As at March 31, 2022 and December 31, 2021, the fair values of the investment properties amounted to ₱2,861.8 million, respectively, based on valuations performed by accredited independent appraisers on various dates from 2018 to 2021. The description of the valuation techniques used and key inputs to fair valuation are as follows:

	Valuation Technique	Significant Unobservable Inputs	Range
Land	Market comparable assets	Price per square metre	₱250–₱100,000
Buildings for lease	Market comparable assets	Price per square metre	₱165,000–₱255,000

The fair value disclosure is categorized under Level 3, except for the investment property of COC which is categorized under Level 2.

PSHC's land amounting to ₱220.0 million as at December 31, 2021 is used as a security for its long-term debt (see Note 19). 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 COVID-19 pandemic did not materially affect the recoverability of investment properties.

14. Intangible Assets

Following are the details and movements in this account:

	Student List	Software Costs	Goodwill	Total
Cost				
At January 1, 2021	₱165,638	₱37,200	₱2,221,068	₱2,423,906
Additions	–	7,048	–	7,048
Acquisition through business combination			53,215	53,215
Reclassifications	–	30,278		30,278
At December 31, 2021 (Audited)	165,638	74,526	2,274,283	2,514,447
Reclassifications (see Note 11)	–	–	–	–
Additions	–	–	–	–
At March 31, 2022 (Unaudited)	**₱165,638**	**₱74,526**	**₱2,274,283**	**₱2,514,447**
Amortization and Impairment				
At January 1, 2021	₱165,638	₱29,462	₱403,132	₱598,232
Amortization	–	10,420	–	10,420
At December 31, 2021 (Audited)	165,638	39,882	403,132	608,652
Amortization	–	2,825	–	2,825
At March 31, 2022 (Unaudited)	**₱165,638**	**₱42,707**	**₱403,132**	**₱611,477**
Net Book Value				
At March 31, 2022 (Unaudited)	**₱–**	**₱31,818**	**₱1,871,151**	**₱1,902,969**
At December 31, 2021 (Audited)	–	34,643	1,871,151	1,905,794

15. Other Noncurrent Assets

This account consists of:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Deposit	**₱247,059**	₱278,001
Advances to suppliers and contractors	**38,115**	38,114
Indemnification assets	**4,376**	10,161
Refundable deposits	**8,135**	7,812
Others	**7,842**	7,135
	₱305,527	₱341,223

16. Notes Payable

This account consists of notes payable of the Parent Company and subsidiaries:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Philcement	**₱100,000**	₱450,000
UGC	**75,296**	460,174

SWU	**20,000**	20,000
UI	**4,683**	–
UCLI	**32,000**	–
	₱231,979	₱930,174

The notes payable are unsecured short-term peso-denominated loans obtained from financial institutions with an annual interest rate ranging between 2.60% to 4.75% and 2.81% to 5.75% in 2022 and 2021, respectively.

17. Trade and Other Payables

This account consists of:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Trade	**₱1,216,603**	₱1,147,22
Accruals for:		
Professional fees and others	**633,014**	516,924
Personnel costs	**230,636**	152,670
Interest	**₱135,927**	₱65,403
Freight, hauling and handling	**33,509**	42,186
Dividends	**325,287**	228,251
Deposit liabilities	**5,379**	7,613
Others	**147,096**	154,422
	₱2,727,451	₱2,314,696

18. Contract Liabilities

This account consists of:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Unearned revenues	**₱302,737**	₱1,200,172
Customers' deposits	**101,258**	126,970
	₱403,995	₱1,327,142

Unearned revenues pertain to portion of tuition fees received or due from students for which the Company still has an obligation to transfer services to the students within the next financial year.

Customers' deposits pertain to cash advance received to which the Company has an obligation to deliver roofing and other steel products and installation services within the financial year.

19. 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

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Principal	**₱3,000,000**	₱3,000,000
Less debt issuance cost	**39,190**	42,984
	₱2,960,810	₱2,957,016

On May 6, 2021, the Parent Company filed with the SEC a Registration Statement for the proposed offering of three-year fixed rate bonds due 2024 with an aggregate principal amount of up to wo Billion Pesos (₱2,000,000,000.00), with an oversubscription option of up to One Billion Pesos (₱1,000,000,000.00) at an offer price of 100% of face value. This bond offering was authorized by resolutions of the BOD of the Parent Company on March 2, 2021 and the Executive Committee of the Parent Company on April 30, 2021. The Certificate of Permit to offer securities for sale was issued by SEC on August 10, 2021. The interest rate was set at 3.5335% and the offer period commenced at 9:00 a.m. on August 10, 2021 and ended at 5:00 p.m. on August 16, 2021. The Parent Company appointed: China Bank Capital Corporation and SB Capital Investment Corporation as Joint Issue Managers and Joint Lead Underwriters; Rizal Commercial Banking Corporation –Trust and Investments Group as the Trustee; and Philippine Depository & Trust Corp. as the Registrar and Paying Agent.

The bonds were listed in the Philippine Dealing & Exchange Corp. on August 20, 2021.

The balance of unamortized debt issuance cost follows:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning of year	**₱42,984**	₱–
Additions	**–**	48,559
Amortization	**(3,794)**	(5,575)
	₱39,190	₱42,984

Long- Term Loans

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
PEHI	**₱2,076,020**	₱2,093,000
PHN	**1,965,000**	1,970,000
Philcement	**1,538,196**	1,621,223
SWU	**593,500**	595,000
UGC	**1,000,000**	524,375
UPANG	**247,350**	253,025
AU	**232,220**	232,220
UI	**190,500**	192,000
COC	**162,342**	162,342
PSHC	**124,957**	124,957

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Phinma Solar	**19,851**	20,000
	8,149,936	7,788,142
Less debt issuance cost	**71,177**	62,043
	8,078,759	7,726,099
Less current portion - net of debt issuance cost	**522,415**	544,032
	₱7,556,344	₱7,182,067

The debt agreements presented in the succeeding pages include, among others, certain restrictions and requirements. The loan agreements with Security Bank Corporation (SBC), Rizal Commercial Banking Corporation (RCBC) and China Banking Corporation (CBC) stipulate, among others, positive and negative covenants which must be complied with by PHN, UGC, Philcement, PEHI, AU, COC, UPANG, UI and SWU for as long as the loans remain outstanding. Negative covenants include certain restrictions and requirements, such as maintenance of certain current, debt-to-equity and debt service coverage ratios.

As at March 31, 2022, the Company is in compliance with the required financial ratios and other loan covenants.

Certain assets amounting ₱5,276.2 million and ₱5,361.9 million as at March 31, 2022 and December 31, 2021, respectively, are mortgaged as collaterals for the respective long-term debts as follows (see Note 16 and 17):

Entity	Collateral
AU	Land and land improvements in the main campus
COC	Land in the main campus
UPANG	Land and land improvements
UI	Land and land improvements
Philcement	Assignment of leasehold rights on the land where the cement terminal is constructed, registration of real estate or chattel mortgage on cement terminal building, equipment and other assets, and assignment of port ownership, right to land lease and rights to foreshore lease
UGC	Land, plant site improvements, buildings and installations and machinery and equipment
PSHC	Land

PEHI's loan agreement with CBC is covered by a negative pledge on the shares of stocks held by PEHI with AU, COC, UPANG, UI and SWU.

The balance of unamortized debt issuance cost follows:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning of year	**₱62,043**	₱43,830

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Additions	**10,079**	30,964
Amortization	**(945)**	(12,751)
	₱71,177	₱62,043

The details of long-term debts 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] March 31, 2022	Outstanding Amounts[10] December 31, 2021
PEHI	₱1,500,000[1]	December 7, 2015	RCBC	28 equal quarterly payments of ₱3.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 7, 2019.	December 7, 2025	First five years is based on the three-day average of five-year Philippine Dealing System Treasury Reference Rate (PDST-R2) plus a 1.35% spread or 5.00%, whichever is higher, and to be repriced at the end of the fifth year for the remaining five years at an interest rate based on the interest rate then current or the applicable five-year benchmark rate plus 1.35% spread or 5.00%, whichever is higher.	December 7, 2015	₱500,000	**₱442,622**	₱446,372
PEHI		December 7, 2015	RCBC	28 equal quarterly payments of ₱6.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 7, 2019.	December 7, 2025	First seven years is based on the three-day average of seven-year PDST-R2 plus a 1.40% spread or 5.00%, whichever is higher, and to be repriced at the end of the seventh year for the remaining three years at an interest rate based on the interest rate then current or the applicable three-year benchmark rate plus 1.40% spread or 5.00%, whichever is higher.	December 7, 2015	900,000	**784,501**	791,251
PEHI	1,000,000[1]	December 1, 2015	CBC	28 equal quarterly payments of ₱3.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 8, 2019.	December 8, 2025	First five years is based on the three-day average of five-year PDST-R2 plus a 1.35% spread or 5.00%, whichever is higher, and to be repriced at the end of the fifth year for the remaining five years at an interest rate based on the interest rate then current or the applicable five-year benchmark rate plus 1.35% spread or 5.00%, whichever is higher.	December 8, 2015	500,000	**452,298**	456,048
PEHI	₱364,000[21]	December 27, 2021	RCBC	16 equal quarterly payments of ₱2.73 million with the remaining balance to be paid on maturity date. First principal payment will commence on March 27, 2022.	December 7, 2025	Nominal interest rate of 4.85%	December 27, 2021	₱364,000	**₱358,548**	₱361,277
COC	100,000[2]	March 27, 2013	CBC	40 equal quarterly payments of ₱1.3 million. First principal payment commenced on June 27, 2013.	March 27, 2023	Nominal interest rate of 5.81% from March 27, 2013 to March 27, 2018, 6.05% from March 27, 2018 to March 27, 2020 and 6.30% from March 27, 2020 to March 27, 2023 with the EIR of 6.12% over 365 days.	March 27, 2013	50,000	**6,262**	6,268
COC		July 18, 2013	CBC	39 equal quarterly payments of ₱1.3 million. First principal payment commenced on June 27, 2013.	March 27, 2023	Nominal interest rate of 5.81% from July 18, 2013 to June 27, 2018, 6.05% from June 27, 2018 to June 27, 2020 and 7.38% from June 27, 2020 to March 27, 2023 with the EIR of 6.07% over 365 days.	July 18, 2013	50,000	**6,431**	6,434
COC	125,000[3]	June 24, 2018	CBC	28 unequal quarterly payments	July 9, 2028	Fixed rate of 6.25% p.a. for the first five	July 9, 2018	125,000	**124,305**	124,224

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[(10)]: March 31, 2022	Outstanding Amounts[(10)]: December 31, 2021
				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.		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.				
COC	25,000[(4)]	April 13, 2018	Private funder	One-time payment at maturity date of April 13, 2023.	April 13, 2023	Interest rate at 6.25% per annum payable until fully paid.	April 13, 2018	25,000	**25,000**	25,000
UI	₱200,000[(5)]	December 12, 2017	CBC	Quarterly principal payments as follows: ₱1.0 million per quarter for the 3rd and 4th year from initial drawdown; ₱1.5 million per quarter for the 5th and 6th year; ₱2.5 million per quarter for the 7th until 9th year; and, ₱37.5 million per quarter for the 10th year.	December 20, 2027	Fixed for the first seven years. Applicable seven- year PDST-R2 a spread up to 1.25%, and for the remaining three years, the applicable three-year PDST-R2 plus a spread up to 1.25%.	December 20, 2017	₱100,000	**₱94,153**	₱94,903
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	**94,717**	95,467
AU	57,000[(6)]	November 29, 2019	CBC	20 equal quarterly payments of ₱3.0 million with the remaining balance to be paid on maturity date. First principal payment commenced on February 29, 2020.	November 29, 2024	Fixed rate for the first five years based on five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT.	November 29, 2019	53,700	**31,898**	31,939
AU	100,000[(6)]	November 29, 2019	CBC	27 equal quarterly payments of ₱1.5 million starting from November 29, 2022 to May 5, 2029 with the remaining balance of ₱60.3 million to be paid on maturity date. First principal payment will commence on February 28, 2023.	November 29, 2029	Fixed rate for the first five years based on the five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT. Interest rate is subject for repricing for the remaining five years based on: i. Initial interest rate; or ii. Then prevailing five-year Benchmark rate plus interest spread, whichever is higher.	November 29, 2019	100,000	**99,161**	99,059

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts(10): March 31, 2022	Outstanding Amounts(10): December 31, 2021
AU	₱100,000(6)	November 29, 2019	CBC	28 unequal quarterly payments as follows: 8 quarterly installments of ₱2.5 million from February 28, 2023 to November 29, 2024; 16 quarterly installments of ₱3.8 million from February 28, 20205 to November 29, 2028 and 4 quarterly installment of ₱5.0 million from February 28, 2029 to November 29, 2029. First principal payment will commence on February 28, 2023.	November 29, 2029	Fixed rate for the first five years based on the five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT. Interest rate is subject for repricing for the remaining five years based on: i. Initial interest rate or ii. Then prevailing five-year Benchmark rate plus interest spread, whichever is higher.	November 29, 2019	₱100,000	**₱99,194**	₱99,086
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	**173,984**	175,844
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	**73,561**	76,045
SWU	₱400,000(8)	December 6, 2017	RCBC	28 quarterly payments of ₱1.0 million. First principal payment will commence on March 7, 2021.	December 7, 2027	Interest is payable quarterly in arrears, commencing at the end of the first quarter from the initial drawdown date. Interest shall be fixed at 6.66% from years one to five and at 6.94% onwards until maturity.	December 7, 2017; December 20, 2017; March 29, 2018	₱100,000 200,000 100,000	**₱98,565** **197,547** **98,515**	₱98,887 198,193 98,822
SWU	200,000(8)	April 18, 2018	CBC	28 equal quarterly payments of ₱0.5 million with the remaining balance to be paid on maturity date. First principal payment will commence on July 18, 2021.	April 18, 2028	Fixed for the first five years, applicable five-year PDST-R2 plus a spread of up to 125 bps. For the remaining five years, applicable five-year PDST-R2 plus a spread of up to 125 bps.	April 18, 2018	200,000	**197,165**	197,773

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10]: March 31, 2022	Outstanding Amounts[10]: December 31, 2021
PHN	2,000,000[9]	May 23, 2017	SBC	Principal repayment shall commence at the end of the 3rd year from initial drawdown date until 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	**1,956,187**	1,960,818
UGC	400,000[11]	July 12, 2018	BDO	40 quarterly payments of ₱10.0 million	July 13, 2028	First 5 years is based on the 5 year interest rate basis prevailing on the relevant interest setting date plus a margin of 1.00% per annum ("initial interest rate") divided by 0.99 or 5.50% per annum divided by 0.99, whichever is higher, and to be repriced at the end of 5th year for the remaining 5 years at an interest rate based on 5 year interest rate basis prevailing on the relevant interest setting date plus a margin of 1.00% per annum divided by 0.95 or the initial interest rate divided by 0.95, whichever is higher.	July 13, 2018	400,000	-	272,187
UGC	₱100,000	July 12, 2018	SBC	40 quarterly payments of ₱2.5 million	July 13, 2028	First 5 years based on the 5-year Peso Benchmark Rate plus 1% spread, subject to the following floor rates of 6.40% for drawdowns made on or before June 7, 2018 or 6.45% for drawdowns made after June 7, 2018 and to be repriced at the end of the fifth year at an interest rate equivalent to the higher of the 5- year Peso Benchmark Rate on repricing date plus 1% spread and interest rate for the first 5 years.	July 13, 2018	₱100,000	**₱-**	₱66,928
UGC	218,750[12]	July 19, 2016	BDO	28 equal quarterly payments of ₱4.4 million with the remaining balance to be paid on maturity date	July 20, 2023	Interest rate is based on the 7-year Philippine Dealing System Treasury (PDST)-R2 plus a 1.40% spread or 5.5%, whichever is higher. No repricing of interest rate from amendment date to maturity date.	March 25, 2013	218,750	-	126,486
UGC	75,000[13]	November 3, 2015	BDO	40 equal quarterly payments	November 3, 2025	First 5 years is based on the 5-year PDST-R2 plus a 1.4% spread or 5.5%, whichever is higher, and on year 5 based on a rate to be negotiated by the Parties within 30 banking days prior to the interest repricing date.	November 3, 2015	75,000	-	29,844
UGC	75,000[13]	November 12, 2015	SBC	40 equal quarterly payments	November 5, 2025	First 5 years is based on the 3-day average of the 5-year PDST-R2 plus a 1.35% spread or 5.5%, whichever is higher, and to be repriced at the end of the fifth year for the remaining 5 years	November 12, 2015	75,000	-	29,844

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10]: March 31, 2022	Outstanding Amounts[10]: December 31, 2021
						at an interest rate based on the 3-day average of the 5-year PDST-R2 plus a 1.35% spread or the interest rate set for the first 5 years, whichever is higher.				
UGC	1,000,000[22]	February 18, 2022	SBC	Principal amortization commence 3 months after drawdown date and every quarter thereafter and shall be paid based on 1.25% every quarter for 4 years and the remaining 80% paid in balloon upon maturity	February 18, 2022	Interest rate is based on the 3Y BVAL 4.3618 + spread 1.25% = 4.6118% +5% GRT = 4.8545%	February 18, 2022	₱1,000,000	**₱990,122**	₱-
Philcement	₱875,000[14,15]	June 1, 2018	SBC	14 equal quarterly payments [16]	October 25, 2023	Interest rate is based on the 5-year PDST-R2 reference rate for securities with 5-year tenor plus 1.25% spread, subject to floor rate of 5.5% per annum. No repricing of interest rate from availment date to maturity date.	October 25, 2018 January 03, 2019 January 22, 2019 January 25, 2019 April 26, 2019 May 21, 2019 July 5, 2019 September 4, 2019	₱160,000 160,000 59,000 65,000 18,555 81,439 251,977 51,418	**₱79,525** **79,638** **29,423** **32,426** **9,210** **40,609** **125,648** **25,633**	₱90,822 90,966 33,616 37,049 10,517 46,395 143,551 29,285
Philcement	720,000[17]	February 26, 2021	SBC	8 quarterly principal payments of ₱10.3 million, 9 quarterly principal payments of ₱20.5 million and remaining balance to be paid at maturity date	June 13, 2025	Interest rate of 6.73% GRT inclusive, fixed rate up to maturity	February 26, 2021	369,363	**316,200**	326,261
				8 quarterly principal payments of ₱9.7 million, 9 quarterly principal payments of ₱19.5 million and remaining balance to be paid at maturity date		Interest rate of 6.84% GRT inclusive, fixed rate up to maturity		350,637	**300,169**	309,720
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	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	**₱19,851**	₱20,000

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10]: March 31, 2022	Outstanding Amounts[10]: December 31, 2021
				installments.						
PSHC	154,000[20]	July 15, 2006	UPPC	2 installment payments	July 15, 2023	The effective interest rate after the change in interest rate is 7.00%.	July 15, 2006	154,000	**124,957**	124,957
	Total								**₱8,078,759**	₱7,726,099

[1] The purpose of this debt is to finance the acquisition of majority ownership in AU, COC, UPANG, UI and SWU by PEHI.
[2] The purpose of this debt is to finance various capital expenditures of COC.
[3] The purpose of this debt is to finance the expansion and development plans of COC.
[4] The purpose of this debt is for general funding requirements of COC.
[5] The purpose of this debt is to finance the expansion and development plans including school building upgrades and improvement of existing facilities of UI.
[6] The purpose of this debt is to finance various capital expenditures and to refinance existing obligations of AU.
[7] The purpose of this debt is to finance various capital expenditures and to refinance existing obligations of UPANG and subsidiary.
[8] The purpose of this debt is to finance the building development, expansion and purchase of equipment for SWU's Hospital and building developments of SWU.
[9] The purpose of this loan is to refinance investments in subsidiaries and other general corporate purposes.
[10] Amounts are net of unamortized debt discount and/or debt issue cost.
[11] The purpose of this loan is to refinance the outstanding loan of the UGC with SBC in the principal amount of ₱182.3 million and to finance general working capital requirements, and acquisition of equipment and plant structural components of UGC.
[12] The purpose of this amended loan is to extend maturity date of old loan to July 20, 2023.
[13] The purpose of this loan is to finance plant expansions in Calamba, Davao and Pampanga.
[14] The purpose of this loan is to partially finance construction of an integrated cement processing terminal in Mariveles, Bataan, permanent working capital requirements and importation of equipment.
[15] Availment of loan is staggered based on pre-agreed drawdown schedule during the availability period.
[16] The quarterly installment will commence at the end of the sixth quarter following the initial drawdown date of October 25, 2018.
[17] The purpose of this loan is to partially finance the acquisition of Phase 2 port terminal. This is a continuation of the remaining tenor with the original SNPSI loan.
[18] The purpose of this loan is to refinance short-term project costs and finance the mixer facility.
[19] The purpose of this loan is to finance the general corporate requirements of the rooftop solar projects.
[20] The purpose of this loan is to finance the acquisition of land from UPPC.
[21] The purpose of this loan is to refinance the loan used to partially finance the investment through acquisition by PEHI of majority stock ownership in AU, COC, UPANG, UI and SWU.
[22] The purpose of this loan is to refinance the outstanding loan of UGC with BDO and convert the short term loans to long-term loans.

20. **Equity**

a. Capital Stock

The composition of the Parent Company's capital stock as at December 31, 2021 and 2020 is as follows:

	Number of Shares	
	March 31, 2022 (Unaudited)	December 31, 2020 (Audited)
Preferred - cumulative, nonparticipating, ₱10 par value		
Class AA – Authorized	**50,000,000**	50,000,000
Class BB – Authorized	**50,000,000**	50,000,000
Issued and subscribed	**–**	–
Common - ₱10 par value		
Authorized	**420,000,000**	420,000,000
Issued	**286,303,550**	286,303,550
Subscribed	**39,994**	39,994
Issued and subscribed	**286,343,544**	286,343,544
Treasury shares	**14,450,179**	**14,427,179**

The issued and outstanding shares as at March 31, 2022 and December 31, 2021 are held by 1,223 and 1,223 equity holders respectively.

Capital stock presented in the consolidated statements of financial position is net of subscription receivable amounting to ₱0.1 million as at March 31, 2022 and December 31, 2021.

b. Retained Earnings

Appropriated

On February 28, 2020, the BOD reversed the appropriation of retained earnings made in 2018 in the amount of ₱1.3 billion for the investment in the Education and Construction Materials business, and buyback of shares. In addition, an appropriation was made for the investment in the Construction Materials business until December 31, 2020 amounting to ₱2.25 billion. Another ₱165.5 million of the retained earnings was appropriated for the buyback of PHN shares until February 28, 2022.

On March 2, 2021, the BOD reversed the appropriation of retained earnings made in 2020 in the amount of ₱2.25 billion for the investment in the Construction Materials business.

On November 10, 2021, an appropriation was made for the investment in Construction Materials business until December 31, 2022 amounting to ₱1.1 billion. Another ₱500.0 million of the retained earnings was appropriated for the Education business until December 31, 2022.

Unappropriated

On February 28, 2020, the Parent Company's BOD declared a cash dividend of ₱0.40 per share or an equivalent of ₱109.0 million, to all common shareholders of record as at March 17, 2020. The cash dividends were paid on March 27, 2020.

On March 2, 2021, the Parent Company's BOD declared a cash dividend of ₱0.40 per share or an equivalent of ₱108.9 million, to all common shareholders of record as at April 14, 2021. The cash dividends were paid on May 5, 2021.

On March 1, 2022, the Parent Company's BOD declared a 4% regular cash dividend amounting to ₱108.8 million or equivalent to ₱0.40 per share and a 1% special cash dividend amounting to ₱27.2 million or equivalent to ₱0.10 per share payable on April 6, 2022 to shareholders of record as at March 22, 2022.

The balance of retained earnings includes Parent Company's accumulated equity in net earnings of subsidiaries and associates which are not currently available for dividend declaration until declared by the respective subsidiaries and associates amounting to ₱1,223.7 million and ₱943.7 million as at March 31, 2022 and December 31, 2021, respectively.

c. Buyback of Shares

On February 28, 2020, the BOD approved the appropriation of ₱165.5 million for the buyback of shares of the Parent Company until February 28, 2022.

As at March 31, 2022 and December 31, 2021, the Parent Company bought back a total of 14,450,179 shares and 14,427,179 shares which amounted to ₱144.0 million, ₱143.6 million, respectively.

d. Put Option over Non-controlling Interests

Accretion of interest of non-controlling interest put liability amounted to ₱81.4 million and ₱277.0 million as at March 31, 2022 and December 30, 2021, respectively.

21. **Cost of Sales**

This account consists of:

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)
Cost of sales	**₱2,856,226**	₱2,338,723
Cost of educational, installation, hospital, and consultancy services	**394,904**	360,031
	₱3,251,130	₱2,698,754

The details of cost of sales, educational, installation, hospital and consultancy services are as follows:

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)
Inventories used	**₱2,553,900**	₱2,698,754
Personnel costs	**279,062**	219,174
Depreciation	**127,087**	131,478
Installation cost	**13,750**	72,029
Cost of sales - bookstore	**35,886**	52,528
Subscription	**13,154**	27,539
Rent expense	**17,786**	25,655
Repairs and maintenance	**30,213**	20,936
Laboratory and school supplies	**21,175**	19,603
Power and fuel	**5,856**	17,639
Review expenses	**13,523**	2,375
School materials, publication and supplies	**3,889**	1,892
Graduation expenses	**5,828**	1,290
School affiliations and other expenses	**9,829**	1,193
Accreditation expenses	**635**	375
Sports development and school activities	**738**	80
Others	**118,819**	38,574
	₱3,251,130	₱2,698,754

22. General and Administrative Expenses

This account consists of:

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)
Personnel costs	**₱238,565**	₱124,319
Professional fees and outside services	**97,088**	91,176
Security and janitorial	**17,453**	23,651
Provision for ECLs (see Note 7)	**32,415**	18,952
Depreciation and amortization	**20,748**	18,051
Taxes and licenses	**17,065**	16,532
Utilities	**8,960**	16,251
Rent	**5,436**	6,630
Repairs and maintenance	**1,611**	3,261
Insurance	**2,170**	3,239
Office supplies	**4,702**	2,816
Communications	**3,029**	1,721
Transportation and travel	**6,429**	1,609
Advertising and promotions	**122**	586
Donations	**15,921**	321
Meetings and conferences	**851**	317
Others	**22,974**	14,808
	₱495,539	₱344,240

23. Selling Expenses

This account consists of:

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)
Personnel costs	**₱57,993**	₱55,585
Freight, handling and hauling	**23,103**	19,412
Advertising	**13,061**	17,522
Installation cost	**5,672**	13,282
Taxes and licenses	**7,906**	10,652
Commission	**6,837**	8,384
Provision for ECLs (see Note 7)	**10,496**	7,907
Supplies	**1,892**	5,179
Outside services	**4,351**	4,340
Postage, telephone and telegraph	**5,849**	4,242
Transportation and travel	**5,477**	3,854
Depreciation and amortization	**3,361**	3,452
Insurance	**4,574**	3,067
Entertainment, amusement and recreation	**391**	2,224
Repairs and maintenance	**1,161**	1,053
Rent and utilities	**590**	630
Others	**1,932**	2,985
	₱154,646	₱163,770

24. 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.

Outstanding balances at period-end are unsecured and settlement occurs in cash throughout the period. There have been no guarantees provided or received for any related party receivables or payables.

The significant related party transactions entered into by the Company with its associates and entities under common control and the amounts included in the consolidated financial statements with respect to such transactions follow:

March 31, 2022 (Unaudited)

Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 7)	Terms	Conditions
Ultimate Parent						
PHINMA Inc.	Share in expenses, management fees and bonus	**₱14,386**	**₱87,739**	**₱3,575**	Noninterest-bearing	Unsecured, no impairment
Associates						
PPHC	Share in expenses	–	–	**3,139**	Noninterest-bearing	Unsecured, no impairment
APHI	Share in expenses	–	–	**6**	Noninterest-bearing	Unsecured, no impairment
Entities Under Common Control						
T-O Insurance Brokers, Inc., MDC,	Share in expenses	**₱2,284**	**₱52,014**	**₱7,550**	Noninterest-bearing	Unsecured, no impairment

March 31, 2022 (Unaudited)						
Company	**Nature**	**Amount/ Volume**	**Amount Due to Related Parties**	**Amount Due from Related Parties** (see Note 7)	**Terms**	**Conditions**
PHINMA Foundation, Inc. PHINMA Prism Property Development Corporation, PHINMA Plaza Condominium Corporation						
UPPC	Consultancy fee	**601**	–	–	Noninterest-bearing	Unsecured, no impairment
PTC Myanmar, PHINMA Saytanar, IPM, Yayasan Triputra Persada	Share in expenses	**1,420**	**1,479**	**1,849**	Noninterest-bearing	Unsecured, no impairment
			₱141,232	**₱16,119**		

December 31, 2021 (Audited)						
Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 7)	Terms	Conditions
Ultimate Parent						
PHINMA Inc.	Share in expenses, management fees and bonus	**₱280,141**	**₱130,456**	**₱686**	Noninterest-bearing	Unsecured, no impairment
Associates						
PPHC	Share in expenses	**1,575**	–	**3,139**	Noninterest-bearing	Unsecured, no impairment
APHI	Share in expenses	**6**	–	**6**	Noninterest-bearing	Unsecured, no impairment
Other related parties						
T-O Insurance Brokers, Inc., PHINMA Hospitality Inc., PHINMA Foundation, Inc. Phinma Prism, PHINMA Plaza Condominium Corp	Share in expenses	**19,259**	**52,363**	**7,575**	Noninterest-bearing	Unsecured, no impairment
PTC Myanmar, IPM	Share in expenses	**17**	**59**	**1,523**	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy Fee	**3,152**	–	**800**	Noninterest-bearing	Unsecured, no impairment
			₱182,878	**₱13,729**		

PHINMA, Inc. The Parent Company has a 5-year management contract with PHINMA, Inc. up to June 30, 2024, renewable thereafter mutual agreement. Under this contract, PHINMA, Inc. has a general management authority with corresponding responsibility over all operations and personnel of the Parent Company including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance and other business activities of the Parent Company. Under the existing management agreement, the Parent Company pays PHINMA, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of the Parent Company's net income.

Management and Directors' Compensation

PHN, UGC, COC, AU, UPANG and UI are under common management of PHINMA, Inc. and pay PHINMA, Inc. a fixed annual management fee plus an annual bonus based on a certain percentage of the respective companies' adjusted net income, as defined in the management contract between PHINMA, Inc. and the respective companies, pursuant to the provisions of the same contract.

Management fees and bonuses, presented as "Professional fees and outside services" under "General and administrative expenses" account, amounted to ₱55.3 million and ₱44.4 million for the three-month periods ended March 31, 2022 and 2021, respectively. The related unpaid amount, presented as "Accruals for professional fees and others" under "Trade and other payables" account in the unaudited interim consolidated statement of financial position, amounted to ₱79.3 million and ₱38.5 million as at March 31, 2022 and December 31, 2021, 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, amounted to ₱47.6 million and ₱23.2 million for the three-month periods ended March 31, 2022 and 2021, respectively. The related unpaid amount, presented in "Accruals for personnel costs" under "Trade and other payables" account in the unaudited interim consolidated statement of financial position, amounted to ₱6.9 million and ₱58.5 million as at March 31, 2022 and December 31, 2021, respectively.

25. Income Taxes

The deferred tax assets and liabilities are presented in the consolidated statements of financial position as follows:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Deferred tax assets – net	**₱105,314**	₱133,911
Deferred tax liabilities – net	**(403,366)**	(422,434)
	₱325,052	(₱288,523)

The deferred tax assets consist of the tax effects of lease liabilities, net operating loss carryover (NOLCO), pension liability, allowance for ECLs, accrued expenses, management bonus and allowance for inventory write-down.

The deferred tax liabilities consist of excess of fair value over cost, right-of use assets, fair value adjustments on property, plant and equipment of subsidiaries, unrealized gains on change in fair value, unamortized debt issuance costs, unrealized foreign exchange gain and unamortized capitalized borrowing cost.

The disproportionate relationship between income before income tax and the provision for income tax is due to various factors such as income of schools subjected to lower income tax rate, interest income subjected to lower final tax rate and equity in net losses of associates and joint ventures.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (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%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Proprietary educational institutions and hospitals which are nonprofit previously subject to a tax of 10% on their taxable income, shall be imposed a tax rate of 1% beginning July 1, 2020 until June 30, 2023.

Applying the provisions of the CREATE Act, the Company, except the schools, has been subjected to the lower RCIT rate of 25% of taxable income or the reduced MCIT rate of 1% of gross income, effective July 1, 2020. Likewise, the impact on the December 31, 2020 consolidated balances had the CREATE Act been substantially enacted as of then, that were adjusted in March 2021, are as follows:

Unaudited Interim Consolidated Statement of Financial Position

	Increase (Decrease)
Deferred tax assets	(₱23,018)
Deferred tax liabilities	(1,681)
Income tax payable	(21,056)
Other current assets	991

Unaudited Interim Consolidated Statement of Income

	Increase (Decrease)
Provision for current income tax	(₱22,047)
Provision for deferred income tax	21,337

26. Pension and Other Post-employment Benefits

Pension and other post-employment benefits consist of:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Net pension liability	**₱185,707**	₱194,312
Vacation and sick leave	**66,456**	65,008
Defined contribution plan	**42**	(101)
	₱252,205	₱259,219

27. **Financial Risk Management Objectives and Policies**

The main risks arising from the Company's treasury transactions are credit risk, liquidity risk, market risk, foreign currency risk, interest rate risk and equity price risk. Careful study, skill, prudence and due diligence are exercised at all times in the handling of the funds of the Company.

Credit Risk

Credit risk is the risk that the Company will incur a loss arising from customers, clients or counter- parties that fail to discharge their contractual obligations. Due to the Company's investing and operating activities, the Company is exposed to the potential credit-related losses that may occur as a result of an individual, counterparty or issuer being unable or unwilling to honor its contractual obligations.

In managing credit risk on these financial instruments, the Company transacts only with the Company's duly accredited domestic and foreign banks. Investments per financial institution are subject to a maximum of 20% of the Company's investible funds. It is the Company's policy that investments cannot exceed 10% of the trust or mutual fund's total assets.

A comprehensive credit and business review in coordination with dealers or underwriters is performed whenever the Company invests in non-rated securities. Furthermore, the Company monitors the credit quality of corporate and sovereign bonds with reference to credit rating studies and updates from the major rating agencies. The Company's exposure to credit risk on its cash and cash equivalents and trade and other receivables arises from default of the counterparties with maximum exposures equal to the carrying amounts of the instruments.

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Financial assets at amortized cost:		
Cash and cash equivalents	**₱3,737,081**	₱3,695,914
Trade and other receivables	**4,699,582**	4,935,304
Refundable deposits*	**14,541**	38,773
	₱8,451,204	₱8,669,991

**Presented under "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:

March 31, 2022	**Receivables from customers**					
	Days past due					
	Current	**<30 Days**	**30-60 Days**	**61-90 Days**	**>91 Days**	**Total**
Expected credit loss rate	7%	10%	12%	58%	70%	28%
Estimated total gross carrying amount default	**₱2,038,465**	**₱519,463**	**₱103,781**	**₱279,696**	**₱1,032,068**	**₱3,973,473**
Expected credit loss	**144,588**	**50,367**	**12,634**	**163,317**	**723,828**	**1,094,734**

December 31, 2021	Receivables from customers					
	Days past due					
	Current	<30 Days	30-60 Days	61-90 Days	>91 Days	Total
Expected credit loss rate	5%	10%	10%	59%	72%	24%
Estimated total gross carrying amount default	₱2,427,509	₱506,153	₱115,519	₱277,157	₱993,267	4,319,605
Expected credit loss	110,180	49,673	11,862	163,345	716,619	1,051,679

Impaired financial instruments comprise of receivables from customers and other receivables. The past due but not impaired trade and other receivables are expected to be collected the following year.

Liquidity Risk

Liquidity risk is the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. The Company manages liquidity risks by restricting investments and continuously monitoring weekly and monthly cash flows as well as updates of annual plans.

The maturities of the financial liabilities are determined based on the Company's projected payments and contractual maturities. The average duration adheres to guidelines provided by the Investment Committee. It is the Company's policy to restrict investment principally to publicly traded securities with a history of marketability and by dealing with only large reputable domestic and international institutions.

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, investment in bonds and investments in UITFs.

Foreign exchange risks on the U.S. dollar and other foreign currencies are managed through constant monitoring of the political and economic environment. Returns are also calibrated on a per currency basis to account for the perceived risks with higher returns expected from weaker currencies.

The following table shows the foreign currency-denominated financial assets and financial liabilities and their peso equivalents as of March 31, 2022 and December 31, 2021:

	March 31, 2022 (Unaudited)		December 31, 2021 (Audited)	
	Foreign Currency	**Peso Equivalent**	Foreign Currency	Peso Equivalent
Financial assets:				
Cash and cash equivalents	**US$20,496**	**₱1,060,460**	US$18,682	₱952,771
Cash and cash equivalents	**VND35,610**	**81**	VND35,703	80
Receivables	**US$706**	**36,521**	US$491	25,034
Derivative assets	–	–	US$57	₱2,931
Investment in UITF	**US$12**	**617**	US$12	608
		₱1,097,679		₱981,424
Financial liabilities:				
Trust receipts payables	**US$**	**–**	US$5,450	**₱**277,969
Trade and other payables	–	**₱–**	98	4,974
Derivative liability	**US$57**	**2,940**	–	–
		₱2,940		₱282,943

In translating foreign currency-denominated financial assets into peso amounts, the exchange rates used were ₱51.74 and ₱51.00 to US$1.00 as at March 31, 2022 and December 31, 2021, respectively.

Interest Rate Risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The following tables set out the carrying amounts, by maturity, of the Company's financial assets and liabilities that are exposed to interest rate risk as at March 31, 2022 and December 31, 2021:

	March 31, 2022 (Unaudited)						
	Interest Rates	**Within 1 Year**	**1 to < 2 Years**	**2 to < 3 Years**	**3 to 5 Years**	**More than 5 Years**	**Total**
Financial Assets							
Placements (PHP)	0.45% -1.25%	₱1,314,951	₱–	₱–	₱–	₱–	₱1,314,951
Financial Liabilities							
PHN	2.75%-6.00%	20,000	20,000	20,000	40,000	1,865,000	1,965,000
PHINMA Solar	4.875%-4.924%	2,222	2,222	2,222	4,444	8,740	19,851

December 31, 2021 (Audited)								
	Interest Rates	Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	Total
Financial Assets							
Placements (PHP)	0.45%-1.25%	₱890,496	₱–	₱–	₱–	₱–	₱890,496
Financial Liabilities							
PHN	6.00%	20,000	20,000	20,000	40,000	1,859,362	1,959,362
UGC	5.50%-6.72%	79,252	173,977	66,604	117,210	88,244	525,287
Phinma Solar	4.875%-4.924%	556	2,222	2,222	4,444	10,556	20,000

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

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.

Capital Management
The primary objective of the Company's capital management is to ensure that the Company maintains a healthy capital structure to maintain strong credit rating and maximize shareholder value.

The Company closely monitors and manages its debt-to-equity ratio, which it defines as total liabilities divided by total equity. Capital includes all the accounts appearing in the "Equity attributable to equity holders of the parent" and "Equity attributable to non-controlling interests" in the unaudited interim condensed consolidated statement of financial position.

To ensure that there are sufficient funds to settle its liabilities, the Company's policy is to keep debt-to-equity ratio below 1:1. The Company's consolidated debt-to-equity ratio as at March 31, 2022 and December 31, 2021 are as follows:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Total liabilities	**₱19,545,012**	₱20,148,234
Total equity	**10,208,167**	9,933,061
Debt-to-equity ratio	**1.92:1**	2.03:1

The Company expects to improve the debt-to-equity ratio mainly through improvement in the Company's business operations.

28. 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:

	March 31, 2022 (Unaudited)			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Investments held for trading:				
Investments in UITFs	**₱982,772**	**₱–**	**₱982,772**	**₱–**
Investments in marketable equity securities	**7,575**	**7,575**	**–**	**–**
Investment in club shares designated at FVOCI	**33,400**	**–**	**33,400**	**–**
Non-listed equity instruments designated at FVOCI	**76,560**	**–**	**–**	**76,560**
Non-listed equity instruments designated at P&L	2,**135,832**	**–**	**–**	**2,135,832**
Derivative assets	**517,916**	**–**	**–**	**517,916**
	₱3,754,055	**₱7,575**	**₱1,016,172**	**₱2,730,308**
Liabilities				
Derivative liability	**₱2,940**	**₱–**	**₱2,940**	**₱–**
Non-controlling interest put liability	**1,944,236**	**–**	**–**	**1,944,236**
Long-term debt	**9,227,862**	**–**	**–**	**9,227,862**
	₱11,175,038	**₱–**	**₱2,940**	**₱11,172,098**

	December 31, 2021 (Audited)			
	Total	Level 1	Level 2	Level 3
Assets				
Investments held for trading:				
Investments in UITFs	₱1,302,457	₱–	₱1,302,457	₱–
Investments in marketable equity securities	8,271	8,271	–	–
Club shares designated at FVOCI	32,350	–	32,350	–
Non-listed equity instruments designated at FVOCI	76,310	–	–	76,310
Non-listed debt instrument designated at FVPL	2,105,243	–	–	2,105,243
Derivative assets	513,429	2,931	–	510,498
	₱4,038,060	₱11,202	₱1,334,807	₱2,692,051
Liabilities				
Non-controlling interest put liability	₱1,862,875	₱–	₱–	₱1,862,875
Long-term debt	9,313,655	–	–	9,313,655
	₱11,176,530	₱–	₱–	₱11,176,530

During the periods ended March 31, 2022 and December 31, 2021, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The following methods and assumptions are used to estimate the fair value of the following financial instruments.

Investments Held for Trading and Financial Assets at FVOCI. Quoted market prices have been used to determine the fair value of financial assets at FVPL and quoted equity at FVOCI investments. The fair values of unquoted equity investments at FVOCI have been estimated using a discounted cashflow model. The valuation requires management to make certain assumptions about the model inputs including forecast cashflows, the discount rate, credit risk and volatility. 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 equity investments.

The fair values of non-listed shares of stock were determined through the following valuation approach: income approach and asset-based approach. Income approach is predicated upon the concept that the value of any asset can be estimated by ascertaining the amount and timing of future cash flows or earnings that are generated by that asset. Asset-based approach is based on the value of all the tangible and intangible assets and liabilities of the company. The discount rates, a significant unobservable input used in the valuation of the non-listed shares of stock using the income approach, were 17.20% as at March 31, 2022 and December 31, 2021. An increase (decrease) in the discount rate will decrease (increase) the fair value of the non-listed shares of stock.

Cash and Cash Equivalents, Trade and Other Receivables, Notes Payable, Trade and Other Payables, Trust Receipts Payable and Due to Related Parties. Due to the short-term nature of these transactions, the carrying value approximate the fair values as at the reporting date.

Derivative Liability. Estimated fair value is based on the average rate of the forward bid rates and forward ask rates computed in Bloomberg.

Long-term Debt. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable rates for similar types of loans. Discount rates used ranged from 2% to 6% and 1% to 4% in 2022 and 2021, respectively.

Derivative Instruments

Freestanding Derivatives. The Company's derivative financial instruments are accounted for as financial instruments at FVPL.

UGC and Philcement 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.

29. **Leases**

Company as Lessee

The Company has various lease contracts for land, buildings, warehouses and vehicles. The leases have lease terms of between 2 and 25 years.

The Company also has certain leases with lease terms of 12 months or less. The Company applies the "short-term lease" recognition exemptions for these leases.

The rollforward analysis of right-of-use assets follows:

	Right-of-use: Land	Right-of-use: Buildings &	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	**–**	**–**	**356**	**–**	**356**
Retirement	**–**	**–**	**(1,434)**	**–**	**(1,434)**
At March 31, 2022	**106,037**	**147,507**	**268,328**	**2,470**	**524,342**
Accumulated Depreciation and Amortization					
At January 1, 2022	**12,398**	**65,767**	**109,867**	**2,143**	**190,175**
Depreciation	**1,530**	**5,217**	**15,248**	**27**	**22,022**
Retirement	**–**	**–**	**(1,434)**	**–**	**(1,434)**
At March 31, 2022	**13,928**	**70,984**	**123,681**	**2,170**	**210,763**
Net Book Value	**₱92,109**	**₱76,523**	**₱144,647**	**₱300**	**₱313,579**

	December 31, 2021 (Audited)				
	Right-of-use: Land	Right-of-use: Buildings & Warehouses	Right-of-use: Vehicles	Right-of-use: Others	Right-of-use: Total
Cost					
At January 1, 2021	₱107,241	₱151,998	₱234,008	₱1,906	₱495,153
Additions	6,175	11,855	35,398	564	53,992
Pre-termination	(7,379)	(16,346)	–	–	(23,725)
At December 31, 2021	106,037	147,507	269,406	2,470	525,420
Accumulated Depreciation and Amortization					
At January 1, 2021	8,132	45,856	40,756	1,906	96,650
Depreciation	5,598	24,066	69,111	237	99,012
Pre-termination	(1,332)	(4,155)	–	–	(5,487)
At December 31, 2021	12,398	65,767	109,867	2,143	190,175
Net Book Value	₱93,639	₱81,740	₱159,539	₱327	₱335,245

The rollforward analysis of lease liabilities follows:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
As at beginning of period	**₱355,901**	₱419,671
Payments	**(29,726)**	22,523
Accretion of interest	**4,978**	53,810
Additions	**1,869**	(15,486)
Pre-termination	**(1,560)**	(124,617)
As at end of period	**₱331,462**	₱355,901

30. Contingencies

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.

31. Earnings per Share (EPS) Computation

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)
(a) Net income attributable to equity holders of the parent	**₱292,055**	₱303,551

(b) Weighted average number of common shares outstanding	**271,893**	272,340
Basic/diluted EPS attributable to equity holders of the parent (a/b)	**₱1.07**	₱1.11

32. Segment Information

For management purposes, the Company is organized into business units based on its products and services and has five reportable operating segments as follows:

- Investment holdings - PHN and PSHC are engaged in investment holding activities of shares of stocks and other financial instruments.
- Property development - API, APHI, and Coral Way lease out its real and personal properties. PPHC is engaged in real estate development.
- Construction materials - Philcement encompasses the operations of the cement trading. UGC handles the manufacturing and trading of iron and steel products. PHINMA Solar provides solar rooftop system to customers. The Company has assessed that the nature of the products and services and the type or class of customers for these products and services are related.
- Educational services - PEHI holds interest in AU, COC, UPANG, UI, SWU, RCI and RCL which offer graduate, tertiary, secondary and elementary education services. CAA conducts a non-sectarian institution of learning and operates schools for all levels below tertiary level, whether preschool, primary, secondary, technical and vocational, specialized programs and for all and any form of educational activities.
- BPO - ICI Asia (formerly Fuld Philippines) is engaged in strategic consulting while OAL was engaged in animation services. In 2020, the Parent Company sold its ownership interest in ICI Asia.

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 unaudited interim condensed 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 non-controlling interests. 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 unaudited interim condensed consolidated financial statements, which is in accordance with PFRS.

The Company does not report its results based on geographical segments since the Company's risks and rates of return are substantially in the same economic and political environment with the companies incorporated and operated in the Philippines. There are no transactions with a single customer that accounts to 10% or more of the Company's revenue.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transaction with third parties. Segment revenues, segment expenses and segment results include transfers between operating segments. These transfers are eliminated in full upon consolidation.

Segment Information

Financial information on the operating segments are summarized as follows:

	Investment Holdings	Property Development	Construction Materials	Educational Services	BPO	Eliminations	Total Operations
Three-Month Period Ended March 31,2022 (Unaudited)							
Revenue	**₱78,549**	**₱35,801**	**₱3,380,682**	**₱1,005,046**	**₱–**	**(₱6,061)**	**₱4,494,017**
Segment results	**16,639**	**30,277**	**287,696**	**255,831**	**(211)**	**489**	**590,721**
Investment income	**58,117**	**(455)**	**2,421**	**448**	**–**	**(6,061)**	**54,470**
Equity in net earnings of associates and joint ventures	**–**	**17,702**	**–**	**–**	**–**	**–**	**17,702**
Interest expense and other financing charges	**(60,499)**	**–**	**(80,770)**	**(37,855)**	**–**	**7,845**	**(171,279)**
Provision for income tax	**(743)**	**(4,951)**	**9,809**	**(2,266)**	**–**	**-**	**1,849**
Share of non-controlling interests	**–**	**–**	**–**	**(57,655)**	**–**	**(143,753)**	**(201,408)**
Net income attributable to equity holders of the parent	**₱13,514**	**₱42,573**	**₱219,156**	**₱158,503**	**(₱211)**	**(₱141,480)**	**₱292,085**
Total assets	**₱12,180,050**	**₱381,384**	**₱11,426,394**	**₱12,529,886**	**₱688**	**(₱6,765,223)**	**₱29,753,179**
Total liabilities	**₱5,502,231**	**₱61,435**	**₱7,668,681**	**₱5,762,028**	**₱307,664**	**₱242,973**	**₱19,545,012**

	Investment Holdings	Property Development	Construction Materials	Educational Services	BPO	Eliminations	Total Operations
Three-Month Period Ended March 31, 2021 (Unaudited)							
Revenue	₱10,286	₱4,302	₱2,971,341	₱895,405	₱–	(₱850)	₱3,880,484
Segment results	(8,319)	162	374,759	330,749	(201)	2,113	699,263
Investment income	1,907	3,850	81	376	–	(850)	5,364
Equity in net earnings of associates and joint ventures	–	(3,617)	–	1,676	–	(7,985)	(9,926)
Interest expense and other financing charges	(33,354)	–	(64,992)	(21,927)	–	850	(119,423)
Provision for income tax	(352)	(31)	(6,578)	(39,325)	–	-	(46,286)
Share of non-controlling interests	–	–	–	(46,065)	–	(179,376)	(225,441)
Net income attributable to equity holders of the parent	(₱40,118)	₱364	₱303,270	₱225,484	(₱201)	(₱185,248)	₱303,551

	Investment Holdings	Property Development	Construction Materials	Educational Services	BPO	Eliminations	Total Operations
Year Ended December 31, 2021 (Audited)							
Revenue	₱503,963	₱11,838	₱12,144,100	₱3,690,805	₱–	(₱312,520)	₱16,038,186
Segment results	(773)	479	1,248,291	1,220,204	(830)	(30,160)	2,437,211
Investment income	441,145	9,939	6,063	3,753	–	(312,520)	148,380
Equity in net earnings of associates and joint ventures	–	28,614	–	4,326	–	–	32,940
Interest expense and other financing charges	(185,622)	–	(300,515)	(168,022)	–	4,911	(649,248)
Provision for income tax	(3,376)	(2)	(51,759)	(41,409)	–	-	(96,546)
Share of non-controlling interests	–	–	–	(180,251)	–	(571,280)	(751,531)
Net income attributable to equity holders of the parent	₱251,374	₱39,030	₱902,080	₱838,601	(₱830)	(₱909,049)	₱1,121,206
Total assets	₱12,200,444	₱344,085	₱10,960,965	₱13,094,073	₱698	(₱6,518,970)	₱30,081,295
Total liabilities	₱5,400,882	₱52,491	₱7,422,656	₱6,542,624	₱307,397	₱422,184	₱20,148,234

Seasonality of Operations
Like any company in the construction industry, the operations of UGC and Philcement are affected by seasonality demand. Demand for construction materials is greater during the dry months from December to May than during the rainy months of June to November. Hence, the demand for the first semester of the calendar year is normally higher than that of the second semester.

The revenues of the schools under the PHINMA Education network decline during summer months. Hence, net income during the first half of the calendar year is lower than the second half.

For other subsidiaries, there is no significant seasonality that would materially affect their operations.

33. **Other Matters**

COVID-19 Pandemic
The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country starting March 16, 2020 have caused disruptions in the Company's business activities. There are increased market activities with the easing of the quarantine measures in key areas in the Philippines. Easing of the quarantine restrictions and rollout of the national vaccination program will further improve market activities.

The COVID-19 pandemic has resulted in disruptions in operations of the various business units. Its impact is reflected in the unaudited interim condensed consolidated financial statements. The Company continues to monitor developments and to adapt accordingly.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the three-month period ended March 31, 2022, PHINMA Corporation's (PHN) consolidated revenues grew to ₱4.49 billion, marking a 15.81% increase from the same period last year. On the other hand, consolidated net income declined 6.72 % to ₱493.46 million primarily due to a 20.47% increase in costs of ₱552.38 million in the midst of abnormal supply conditions. The increase in cost was offset by the improvement in performance of PHINMA Property Holdings Corporation (PHINMA Properties) as well as ₱78.43 million in gains from PHN's investment in Song Lam Cement Joint Stock Corporation (Song Lam).

Consolidated revenue of PHINMA Education Holdings, Inc. (PHINMA Education) grew by 12.52% year-on-year to ₱1.01 billion for the three-month period driven by a 31.0% growth in enrolment from the previous school year. However, PHINMA Education's net income for the period declined 20.40% to ₱216.16 million due to higher costs and postponement of classes in January due to the Covid lockdowns and typhoon Odette. The postponement will result in the recognition of income amounting to ₱94 million to spill over to April.

The Construction Materials Group (CMG), composed of Union Galvasteel Corporation (UGC), Philcement Corporation (Philcement) and PHINMA Solar Corporation (PHINMA Solar), posted consolidated revenues of ₱3.38 billion for the first three months of 2022, up by 13.78% from the same period last year owing to higher volume sold. Net income of CMG for the period declined 27.74 % to ₱219.16 million on account of higher costs amidst a volatile supply situation.

During the period, subsidiary Asian Plaza Inc. posted net income of P 28.36 million mainly due to a gain on sale of real property.

In affiliate PHINMA Property Holdings Corporation (PHINMA Properties), PHN equitized net income of ₱17.05 million during the period compared to an equitized net loss of ₱6.23 million during the same period last year. This was driven largely by higher selling prices of ready for occupancy (RFO) or near RFO units plus controlled construction costs, resulting in a corresponding improvement in the company's gross profit margin.

Equitized net loss in Coral Way City Hotel Corporation (Coral Way) amounted to ₱3.27 million, as the company underwent a transition from quarantine to mixed use hotels that could also service the business and leisure markets during the period. Cash from operations nevertheless remained positive on the back of steady bookings from corporate-related clients as a result of easing up of travel restrictions.

Consolidated net income attributable to equity holders of the parent amounted to ₱292.06 million for the first three months of 2022, lower by 3.79% compared to P303.55M in Q1 2021.

PHINMA Corporation ended the period with cash and cash equivalents of ₱4.73 billion. As of March 31, 2022, consolidated total assets and total stockholders' equity amounted to ₱29.75 billion and ₱10.21 billion, respectively.

STRATEGIC BUSINESS UNITS (SBU)

The following discussion describes the performance of PHINMA's SBUs for the 1st quarter of 2022:

Education Group

For the period ended March 31, 2022, PHINMA Education registered consolidated revenues of ₱1.01 billion, a 12.52% increase compared to ₱895.41 million for the same period last year. This was driven by the record-breaking enrolment figures achieved by PHINMA Education for S.Y. 2021-2022 of 95,503 students, which marked a 31%-increase from the prior school year. PHINMA Education's net income declined from P 271.55 to ₱216.16 million for the period, due to higher direct costs and the postponement of classes which will result in a spill over of income recognition to April amounting to ₱94 million.

Construction Materials Group

The Construction Materials Group, composed of UGC, Philcement and PHINMA Solar, posted consolidated revenues of ₱3.38 billion for the first quarter of 2022, up from ₱2.97 billion during the same period last year. While demand started to pick up, the first quarter of 2022 was a challenging quarter for CMG as it continued to face rising costs of raw materials, oil and freight driven by volatile global supply chain issues as well as the war between Russia and Ukraine. Net income of CMG for the period declined to ₱219.16 million.

Properties Group

In affiliate PHINMA Property Holdings Corporation (PHINMA Properties), PHN equitized net income of ₱17.05 million during the period compared to an equitized net loss of ₱6.23 million during the same period last year. This was driven by higher selling prices and a corresponding improvement in the company's gross profit margin

During the period, Asian Plaza Inc. posted net income of P 28.36 million mainly arising from a gain on sale of real property.

Hospitality Group

Coral Way began to also accept business and leisure travelers following the removal of facility-based quarantine requirements for incoming travelers starting mid-February 2022 and as domestic travel began to recover. Hence, PHN equitized a net loss of ₱3.27 million in Coral Way during the period. EBITDA and cash flow from operations nevertheless remained positive on the back of steady bookings from various shipping companies for their outgoing seafarers.

Key Performance Indicators (KPI)

The top five (5) KPI's used to measure the financial performance of PHINMA and its subsidiaries as of the three (3) month period ended March 31, 2022 compared to the same period in the previous year are shown in the following table:

Financial KPI	Definition	March 2022	March 2021
Profitability			
Return on Equity	Net income attributable to equity holders of the parent / Average equity attributable to equity holders of the parent[1]	**3.88%**	4.56%
Gross Profit Margin	Gross profit[ii] / Total Revenues	**27.66%**	30.45%
Efficiency			
Cash Flow Margin	Cash flows from operating activities / Total Revenues	**8.46%**	(5.58%)
Liquidity			
Current Ratio	Total Current Assets / Total Current Liabilities	**1.92 : 1:00**	1.65 : 1.00
Debt-to Equity Ratio	Total Liabilities / Total Equity	**1.91 : 1:00**	1.88 : 1.00

i Average Equity Attributable to Equity Holders of the Parent is derived by dividing in two (2) the sum of beginning Equity Attributable to Equity Holders of the Parent and ending Equity Attributable to Equity Holders of the Parent. ii

Gross Profit is calculated by deducting cost of sales and cost of educational, installation, hospital and consultancy service from total revenues

Profitability

The return on equity for the period of 3.88% is lower than 4.56% return for the same period the previous year due to decrease in net income. Gross profit margin decreased from 30.45% in 2021 to 27.66% in 2022 due to increased costs, given the abnormal supply conditions.

Efficiency

Net cash inflow from operations amounted to ₱380.41 million for the three months ended March 31, 2022 compared to net cash outflow of ₱216.43 million over the same period last year, mainly due to higher collection from the schools, due to the earlier end of the semester this SY 2021-22 in April. In the previous year, collections continued until the second semester ended in May 2021.

Liquidity

Current ratio as of end March 2022 increased from 1.65:1.00 in 2021 to 1.92:1.00 in 2022 mainly due to increase in prepaid expenses from CMG coupled with the decrease in notes payable of UGC.

Debt-equity ratio of PHINMA and its subsidiaries as of end March 2022 was 1.91:1.00.

The accompanying interim condensed consolidated financial statements of PHINMA for the three (3) months ended March 31, 2022 have been prepared in accordance with PAS 34, Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of December 31, 2021.

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit and loss and derivative investments that have been measured at fair value.

The consolidated financial statements are prepared in Philippine pesos, the company's functional and presentation currency.

<u>Interim Disclosures on Financial Statements</u>

Below are additional disclosures on the Company's operations:

a. On any known trend, demand, commitment, event and uncertainty that will result in or likely to decrease its liquidity in any material way :

   PHN does not anticipate having any cash flow or liquidity problems nor does it anticipate any default or breach of any of its existing loans.

b. On any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

   None

c. On material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other person created during the reporting period:

   None

d. On material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures:

   None

e. On any known trend, event or uncertainty that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations:

   The COVID-19 surge in January-February has resulted in disruptions in operations of the various business units. Its impact is reflected in the financial statements as of March 31, 2022. PHINMA Corporation and its subsidiaries continue to monitor developments and to adapt accordingly.

f. Any significant elements of income or loss that did not arise from the Issuer's continuing operations.

   None.

g. On the causes for any material change from period to period which shall include vertical and horizontal analyses of any material item:

   Increase or decrease of 5% or more in the financial statements are discussed below.

h. On any seasonal aspect that had a material effect on the financial condition or results of operations.

   Like any company in the construction industry, the operations of UGC and Philcement are affected by seasonal demand. Demand for construction materials is greater during the dry months than during the rainy months. Hence, the demand for the first semester of the calendar year is normally higher than that of the second semester.

   School year 2021/22 for PHINMA Education's schools was from August to April; summer classes started in June. . Thus cashflow outside these periods may be relatively lower.

   For other subsidiaries, there is no significant seasonality that would materially affect their operations.

Material Changes in Statement of Financial Position Accounts

Cash and cash equivalents

The movement in cash and cash equivalents are shown in the cash flow statement

Investments held for trading

The drop in the account is mainly attributable to transfer of investments in UITFs of the parent company to cash and cash equivalents.

Trade and other receivables

The net decrease in trade and other receivables is attributable to collection of tuition in the schools, as the second semester in SY2021-22 ended on April 2, compared to close of classes in May during the previous SY 2020-21. The impact of early collection of the receivables was partially offset by increase in receivables of CMG due to higher volume of sales.

Input value-added taxes

The decrease in the account is mainly due to utilization of CMG's input tax which was offset against its output tax from increased sales in Q1 2022.

Derivative asset

The decrease in this account is mainly attributable to higher forward rate on Philcement's deliverable forward contracts compared to closing rate for the period, resulting in a derivative liability

Other current assets

The net increase in other current assets is mainly due to increase in prepaid expenses and prepaid taxes from CMG

Right-of-use of assets

The ₱21.67 decrease represents the depreciation of the right of use of asset of CMG.

Other noncurrent assets

The decrease of ₱35.70 million pertains mainly to decrease in long term receivables of the schools and UGC

LIABILITIES

Notes payable

The decrease in this account represents UGC's payment of its Notes Payables

Trade and other payables

The increase in Trade and other payables is due to dividends declared by the Parent company as well as accrual of expenses by Phinma Education.

Contract liabilities

Tuition fees for the semester are accrued as receivable at the start of the semester and the corresponding liability is booked under Contract Liabilities. The latter decreases as the revenue is earned over the semester.

Trust receipts payable

The increase of ₱216.07 million in the account is attributable to an increase in CMG's trust receipts payable on the back of expanded sales

Income and other taxes payable

This account represents mainly the increase in taxes payable of the schools and also API arising from the sale of its real estate asset.

Derivative liability

The increase in this account is mainly attributable to higher forward rate of Philcement's deliverable forward compared to closing rate for the period.

Due to related parties

The decrease in this account is attributable to payment by the parent company and Phinma Education of amounts due to the ultimate parent company.

Lease liabilities

The decrease in the account amounting to ₱24.44 million represents periodic lease payments by CMG and UPang.

EQUITY

Share in other comprehensive income of associates

The change is due to a decrease in fair value of financial assets held by ABCIC Property Holdings Corporation

Exchange differences on translation of foreign operations

The movement in the account represents the cumulative adjustments mainly arising from the translation of the financial statements of One Animate Limited (OAL) to Philippine Pesos.

Equity reserves

The movement in the account is due to the increase in the contingent liability arising from the put option on shares in PHINMA Education

Other comprehensive income

The change is due to the increase in fair value of financial assets at FVOCI held by the Parent Company and PHINMA Education.

Retained earnings

The increase in the account represents increase in net income for the 1st quarter of 2022 partially offset by dividends declared, amounting to P135.93 million.

Material Changes in Income Statement Accounts

Revenues

The ₱613.53 million increase in revenues is mainly due to 31% growth in school enrolment to 95,503 students and to higher volume sold by CMG compared to the same period last year.

Cost of sales

The ₱552.38 million increase in cost of sales is attributable to abnormal supply conditions faced by the CMG companies.

General and administrative expenses

The ₱136.71 million increase in the account increased due to higher costs of the schools.

Selling expenses

The ₱5.47 million increase in the account represents mainly the increase in selling expenses of CMG on the back of higher revenues.

Interest expense and other financing charges

The increase in interest expense and other financing charges arose from the P3 billion corporate bond issued third quarter of last year as well as the additional long-term debt obtained by Philcement during the last quarter of 2021.

Equity in net earnings (losses) of associates and joint ventures

Equity in net earnings of investees increased in Q1 2022 due to higher share in net earnings in Phinma Property Holdings Corp.

Foreign exchange gains (losses) – net

In March 2021, a foreign exchange gain arose from the dollar-denominated assets of the parent company, earmarked for the investment in Song Lam. For the 1Q 2022, the forex gain is attributable to PEHI's USD holdings restated at the forex rate of P 51.74: $1 compared to P 50.99: $1 as of December 31, 2021.

Gain (loss) on change in fair value of financial assets at FVPL

Increase in this account is attributable to the investment in Song Lam preferred shares.

Gain (loss) on derivatives

Net increase in gain from derivatives is mainly due to a gain on the put option on the investment in Song Lam partially offset by a loss on deliverable forward contracts of CMG.

Others – net

Increase in other income is attributable to increase in other income of Phinma Education and CMG.

Provision for (benefit from) income tax

Net benefit from income tax, amounting to ₱1.8 million is attributable to CMG.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHINMA CORPORATION

REGINA B. ALVAREZ
Senior Vice President and Group Controller

ANNABELLE S. GUZMAN
Vice President - Controller

May 16, 2022

PHINMA CORPORATION
Consolidated Aging of A/R-Trade
As of March 31, 2022
in thousands

	Amount
Current	2,038,465
1 - 30 days	519,463
31 - 60 days	103,781
61 - 90 days	279,686
Over 90 days	1,032,066
TOTAL	**3,973,473**
Less : Allowance for doubtful accounts	1,094,734
Net Trade Receivable	**2,878,739**

PHINMA CORPORATION
Consolidated Aging of A/R-Nontrade
As of March 31, 2022
in thousands

	Amount
Current	P911,963
1 - 30 days	19,306
31 - 60 days	7,753
61 - 90 days	8,461
Over 90 days	247,999
TOTAL	**P1,195,482**
Less : Allowance for doubtful accounts	146,935
Net AR - Non Trade	**P1,048,457**

Gmail

Flora Tolarba <fdtolarba@phinma.com.ph>

PHINMA Corporation_SEC Form 17-Q_Quarterly Report for the period ended June 30, 2022

ICTD Submission <ictdsubmission+canned.response@sec.gov.ph> Wed, Mar 29, 2023 at 3:50 PM

To: fdtolarba@phinma.com.ph

Thank you for reaching out to ictdsubmission@sec.gov.ph. Your submission is subject for Verification and Review of the Quality of the Attached Document only for **Secondary Reports**. Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 7 working days via order from receipt through the SEC Express System at https://secexpress.ph/. Or you may call 8737-8888 for further clarifications.

NOTICE

Please be informed that selected reports should be filed through ***ELECTRONIC FILING AND SUBMISSION TOOL*** **(EFAST)**. **https://cifss-ost.sec.gov.ph/user/login**

such as: **AFS, GIS, GFFS, LCFS, LCIF, FCFS. FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT, FS-CONSOLIDATED, OPC_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS**)

Further, pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in **PORTABLE DOCUMENT FORMAT (PDF)** Secondary Reports such as:

17-A, 17-C, 17-L, 17-Q, ICASR, ICA-QR, ICA-AR, 23-A, 23-B, I-ACGR, ACGR, Monthly Reports, Quarterly Reports, Letters, OPC(ALTERNATE NOMINEE),GIS-G, 52-AR, IHAR,AMLA-CF,NPM,NPAM, BP-FCLC, CHINESEWALL, 39-AR,36-AR, PNFS, MCG, S10/SEC-NTCE-EXEMPT, through email at

ictdsubmission@sec.gov.ph

FOR **MC28**, please go to SEC website:

https://apps010.sec.gov.ph

For your information and guidance.

Thank you and keep safe.

Gmail **Flora Tolarba <fdtolarba@phinma.com.ph>**

PHINMA Corporation_SEC Form 17-Q_Quarterly Report for the period ended June 30, 2022

rdsoliven <rdsoliven@phinma.com.ph> Thu, Aug 11, 2022 at 5:10 PM
To: ictdsubmission@sec.gov.ph
Cc: msrd_covid19@sec.gov.ph, Flora Tolarba <fdtolarba@phinma.com.ph>, Gina Baclig <gbbaclig@phinma.com.ph>, Annabelle Guzman <asguzman@phinma.com.ph>

Gentlemen,

We hereby submit the SEC Form 17 - Q (Quarterly Report) for the period ended June 30, 2022, filed on behalf of PHINMA Corporation in compliance with SEC Notice on Options in the Submission of Reports, Applications and Other Documents during the Effectivity of All Community Quarantine Imposed due to COVID-19, dated June 24, 2020.

We hope you find our submission in order and acknowledge receipt.

Thank you.

ROLANDO D. SOLIVEN
Vice President - Group Corporate Governance and Compliance Officer

PHINMA Corp_SEC 17 - Q_Q2 2022.pdf
925K

COVER SHEET

1	2	3	9	7					

S.E.C. Registration Number

P H I N M A   C O R P O R A T I O N

(Company's Full Name)

L E V E L   1 2 - P H I N M A   P L A Z A   3 9   P L A Z A
D R I V E ,   R O C K W E L L   C E N T E R   M A K A T I

(Business Address: No. Street City/Town/Province)

A N N A B E L L E   G U Z M A N

Contact Person

8 8 7 0 0 1 0 0

Company Telephone Number

1	2		3	1

Month Day
Calendar Year

S E C   1 7 - Q

FORM TYPE

0 8   1 1   2 2

Month Day Year

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

PHINMA
Making Lives Better

PHINMA Corporation

Certification

I, **ANNABELLE S. GUZMAN, Vice President - Controller** of **PHINMA CORPORATION** with SEC registration number **12397** with principal office at **Level 12, PHINMA Plaza, 39 Plaza Drive, Rockwell Center Makati City**, on oath state:

1) That on behalf of **PHINMA Corporation**, I have caused this **SEC Form 17 – Q (Quarterly Report) as of June 30, 2022** to be prepared;

2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;

3) That **PHINMA Corporation** will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and

4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this 09 AUG 2022 day of August, 2022.

Annabelle S. Guzman
ANNABELLE S. GUZMAN
Vice President - Controller

SUBSCRIBED AND SWORN to before me this 09 AUG 2022 day of August, 2022 in Makati City, affiant exhibited her Driver's License No. N01-01-266669 with expiration date April 15, 2024.

NOTARY PUBLIC

ATTY. GEORGE DAVID D. SITON
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-061 - UNTIL DEC. 31, 2023
ROLL NO. 62402 / MCLE COMPLIANCE NO. VII-0010136/2-15-2022
IBP O.R. No. 062352-LIFETIME MEMBER MAY 5, 2017
PTR No. 8852066- JAN 03, 2022-MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI AVE., COR. JUPITER ST., MAKATI CITY

Doc. No. 165
Page No. 34
Book No. 335
Series No. 2022

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17 – Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE (SRC) AND SRC RULE 17 (2)(b) THEREUNDER

1. For the quarterly period ended ***June 30, 2022***

2. Commission identification no. ***12397***

3. BIR Tax Identification No. ***000-107-026-000***

4. ***PHINMA Corporation***
   Exact name of registrant as specified in its charter

5. ***Manila, Philippines***
   Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code : ___

7. ***12/F, Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City 1210***
   Address of registrant's principal office

8. ***(632) 8870-01-00***
   Registrant's telephone number, including area code

9. Former name, former address, and former fiscal year, if changed since last report : **N/A**
10. Common Shares – **271,893,365** shares issued and outstanding

11. Are any or all of the securities listed on the Philippine Stock Exchange ?

    Yes (x)   No ( )

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    Philippine Stock Exchange, Inc.   **Common Shares**

12. Indicate by check mark whether the registrant :

(α) Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11 (a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period the registrant was required to file such reports)

Yes [x]   No [ ]

(β) Has been subject to such filing requirements for the past 90 days.

Yes [x]   No [ ]

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PART I - FINANCIAL INFORMATION

Item 1 Financial Statement

PHINMA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022
(With Comparative Audited Figures as at December 31, 2021)
(Amounts in Thousands)

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 26 and 27)	**₱3,356,354**	₱3,695,914
Investments held for trading (Notes 6, 27 and 28)	**1,775,282**	1,310,728
Trade and other receivables (Notes 7, 27 and 28)	**4,504,772**	4,935,304
Inventories (Note 8)	**2,127,589**	1,974,054
Input value-added taxes	**63,827**	335,241
Other current assets	**367,433**	–
Total Current Assets	**12,195,257**	12,251,241
Noncurrent Assets		
Investment in associates and joint ventures (Note 9)	**1,261,744**	1,247,086
Financial assets at fair value through profit and loss (Notes 10 and 28)	**2,200,457**	2,105,243
Financial assets at fair value through other comprehensive income (Notes 11 and 28)	**108,860**	108,660
Property, plant and equipment (Note 12)	**10,905,798**	10,547,854
Investment properties (Note 13)	**623,808**	627,438
Intangible assets (Note 14)	**1,900,901**	1,905,794
Right-of-use assets (Note 29)	**292,869**	335,245
Deferred tax assets - net (Note 25)	**113,977**	101,013
Derivative asset (Notes 27 and 28)	**520,638**	510,498
Other noncurrent assets (Notes 15 and 27)	**353,855**	341,223
Total Noncurrent Assets	**18,282,907**	17,830,054
	₱30,478,164	₱30,081,295
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Notes 16, 27 and 28)	**₱2,643,852**	₱930,174
Trade and other payables (Notes 17, 27 and 28)	**2,331,369**	2,314,696
Trust receipts payable (Notes 27 and 28)	**832,555**	1,711,433
Contract liabilities (Note 18)	**329,218**	1.327,142
Income and other taxes payable	**40,858**	47,614
Current portion of:		
Long-term debt (Notes 19, 27 and 28)	**573,482**	544,032
Lease liabilities (Notes 28 and 29)	**108,376**	108,266
Due to related parties (Notes 24, 27 and 28)	**134,999**	182,878
Total Current Liabilities	**6,994,709**	7,166,235
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 19 and 28)	**10,422,663**	10,139,083
Non-controlling interest put liability (Note 28)	**2,025,597**	1,862,875
Deferred tax liabilities - net (Note 25)	**417,391**	425,250
Pension and other post-employment benefits (Note 26)	**259,885**	259,219
Lease liabilities - net of current portion (Note 29)	**197,278**	247,635
Other noncurrent liabilities	**49,260**	47,937
Total Noncurrent Liabilities	**13,372,074**	12,981,999
Total Liabilities	**20,366,783**	20,148,234

(Forward)

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 20)	**₱2,863,312**	₱2,863,312
Additional paid-in capital	**259,248**	259,248
Treasury shares (Note 20)	**(144,033)**	(143,574)
Exchange differences on translation of foreign operations	**(871)**	(581)
Equity reserves	**(246,845)**	(95,484)
Other comprehensive income	**39,307**	38,167
Share in other comprehensive income (loss) of associates	**9,918**	11,538
Retained earnings (Note 20)	**4,809,450**	4,534,521
Equity Attributable to Equity Holders of the Parent	**7,589,486**	7,467,147
Non-controlling Interests	**2,521,895**	2,465,914
Total Equity	**10,111,381**	9,933,061
	₱30,478,164	₱30,081,295

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Data)

	Three-Month Periods Ended June 30		Six -Month Periods Ended June 30	
	2022 (Unaudited)	**2021 (Unaudited)**	**2022 (Unaudited)**	**2021 (Unaudited)**
REVENUES				
Revenue from contracts with customers				
Sale of goods	**₱3,712,094**	₱3,344,417	**₱7,163,276**	₱6,378,290
Tuition, school fees and other services	**274,606**	515,386	**1,184,438**	1,250,009
Installation services	**10,293**	566	**26,640**	49,351
Hospital routine services	**45,739**	42,915	**79,419**	83,592
Consultancy services	**12,583**	6,605	**23,652**	6,605
Rental income	**19,522**	14,858	**36,959**	32,020
Investment income	**62,998**	31,882	**117,468**	37,246
	4,137,835	3,956,629	**8,631,852**	7,837,113
COSTS AND EXPENSES				
Cost of sales (Note 21)	**3,160,828**	2,743,223	**6,017,054**	5,081,946
Cost of educational, installation, hospital and consultancy services (Note 21)	**312,715**	247,295	**707,619**	607,326
General and administrative expenses (Note 22)	**342,972**	348,429	**838,511**	692,669
Selling expenses (Note 23)	**149,935**	156,914	**304,581**	320,684
	3,966,450	3,495,861	**7,867,765**	6,702,625
OTHER INCOME (EXPENSES)				
Gain on change in fair value of financial assets at FVPL	**64,625**	–	**95,214**	–
Interest expense and other financing charges	**(167,481)**	(178,492)	**(338,760)**	(297,915)
Foreign exchange gains - net (Note 27)	**50,291**	17,984	**63,481**	47,901
Equity in net losses of associates and joint ventures (Note 9)	**(1,424)**	(22,753)	**16,278**	(32,679)
Gain (loss) on derivatives - net	**14,382**	(1,808)	**15,928**	(2,378)
Gain on pre-termination of long-term lease	**–**	653	**–**	653
Loss on sale of property, plant and equipment - net	**66**	416	**125**	416
Others - net	**15,486**	8,205	**22,591**	9,765
	(24,055)	(175,795)	**(125,143)**	(274,237)
INCOME BEFORE INCOME TAX	**147,330**	284,973	**638,944**	860,251
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)				
Current	**25,024**	12,729	**24,619**	44,899
Deferred	**(23,303)**	17,674	**(24,747)**	31,790
	1,721	30,403	**(128)**	76,689
NET INCOME (LOSS)	**₱145,609**	₱254,570	**₱639,072**	₱783,562
Attributable to:				
Equity holders of the Parent	**₱114,778**	₱135,789	**₱406,833**	₱439,340
Non-controlling interests	**30,831**	118,781	**232,239**	344,222
Net income (loss)	**₱145,609**	₱254,570	**₱639,072**	₱783,562
Basic/Diluted Earnings Per Common Share - Attributable to Equity Holders of the Parent (Note 31)	**₱0.54**	₱0.50	**₱1.50**	₱1.61

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Three-Month Periods Ended June 30		Six-Month Periods Ended June 30	
	2022 (Unaudited)	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)
NET INCOME	**₱145,609**	₱254,570	**₱639,072**	₱783,562
OTHER COMPREHENSIVE INCOME (LOSS)				
Items not to be reclassified to profit or loss in subsequent periods				
Re-measurement loss on defined benefit obligation	**6,746**	(1,599)	**6,746**	(12,078)
Unrealized loss on change in fair value of financial assets at fair value through other comprehensive income	**99**	(389)	**1,400**	(1,454)
Share in unrealized gain (loss) on change in fair value of financial assets at fair value through other comprehensive income and defined benefit obligation of associates and joint ventures	**65**	1,918	**(1,620)**	5,219
Income tax effect	**(38)**	197	**(195)**	1,405
	6,872	127	**6,331**	(6,908)
Items to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations	**(292)**	963	**(358)**	(46)
Total other comprehensive loss	**6,580**	1,090	**5,973**	(6,954)
TOTAL COMPREHENSIVE INCOME	**₱152,189**	₱255,660	**₱645,045**	₱776,608
Attributable to:				
Equity holders of the Parent	**₱118,710**	₱140,020	**₱410,089**	₱436,931
Non-controlling interests	**33,479**	115,640	**234,956**	339,677
Total comprehensive income	**₱152,189**	₱255,660	**₱645,045**	₱776,608

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2022 AND 2021

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Exchange Differences on Translation of Foreign Operations	Equity Reserves	Other Comprehensive Income	Share in Other Comprehensive Income (Loss) of Associates and Joint Ventures	Retained Earnings		Subtotal	Non-controlling Interests	Total Equity
								Appropriated	Unappropriated			
Balance, December 31, 2021 (Audited)	**₱2,863,312**	**₱259,248**	**(₱143,574)**	**(₱581)**	**(₱95,484)**	**₱38,167**	**₱11,538**	**₱1,765,500**	**₱2,769,021**	**₱7,467,147**	**₱2,465,914**	**₱9,933,061**
Net income	–	–	–	–	–	–	–	–	**406,833**	**406,833**	**232,239**	**639,072**
Other comprehensive income (loss)	–	–	–	**(290)**	–	**1,140**	**(1,620)**	–	**4,026**	**3,256**	**2,717**	**5,973**
Total comprehensive income	–	–	–	**(290)**	–	**1,140**	**(1,620)**	–	**410,859**	**410,089**	**234,956**	**645,045**
Cash dividends (Note 19)	–	–	–	–	–	–	–	–	**(135,930)**	**(135,930)**	**(167,615)**	**(303,545)**
Put option over non-controlling interests (Note 19)	–	–	–	–	**(151,361)**	–	–	–	–	**(151,361)**	**(11,360)**	**(162,721)**
Business Combination	–	–	–	–	–	–	–	–	–	–	–	–
Reversal of appropriation (Note 19)	–	–	–	–	–	–	–	–	–	–	–	–
Buyback of shares	–	–	**(459)**	–	–	–	–	–	–	**(459)**	–	**(459)**
Balance, June 30, 2022 (Unaudited)	**₱2,863,312**	**₱259,248**	**(₱144,033)**	**(₱871)**	**(₱246,845)**	**₱39,307**	**₱9,918**	**₱1,765,500**	**₱3,043,950**	**₱7,589,486**	**₱2,251,895**	**₱10,111,381**

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Exchange Differences on Translation of Foreign Operations	Equity Reserves	Other Comprehensive Income	Share in Other Comprehensive Income (Loss) of Associates and Joint Ventures	Retained Earnings Appropriated	Retained Earnings Unappropriated	Subtotal	Non-controlling Interests	Total Equity
Balance, December 31, 2020 (Audited)	₱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	–	–	–	–	–	–	–	–	439,340	439,340	344,222	783,562
Other comprehensive income (loss)	–	–	–	(39)	–	(1,200)	5,219	–	(6,389)	(2,409)	(4,545)	(6,954)
Total comprehensive income	–	–	–	(39)	–	(1,200)	5,219	–	432,951	436,931	339,677	776,608
Cash dividends (Note 19)	–	–	–	–	–	–	–	–	(108,927)	(108,927)	–	(108,927)
Put option over non-controlling interests (Note 19)	–	–	–	–	(82,290)	–	–	–	–	(82,290)	(56,210)	(138,500)
Business Combination	–	–	–	–	–	–	–	–	–	–	17,509	17,509
Reversal of appropriation (Note 19)	–	–	–	–	–	–	–	(2,250,000)	2,250,000	–	–	–
Buyback of shares	–	–	(1,093)	–	–	–	–	–	–	(1,093)	–	(1,093)
Balance, June 30, 2021 (Unaudited)	₱2,863,312	₱259,248	(₱137,440)	₱258	(₱47,596)	₱37,722	₱3,082	₱165,500	₱3,680,527	₱6,824,613	₱2,274,398	₱9,099,011

See accompanying Notes to Interim Condensed Consolidated Financial Statements

PHINMA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Six-Month Periods Ended June 30	
	2022 (Unaudited)	2021 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱638,944**	₱860,251
Adjustments to reconcile income before income tax to net cash flows:		
Depreciation and amortization (Notes 21, 22 and 23)	**301,171**	291,825
Interest expense and other financing charges	**338,760**	297,916
Unrealized loss (gain) on change in fair value of investment	**(95,214)**	–
Unrealized foreign exchange loss (gain) – net	**(63,481)**	(47,901)
Pension and other employee benefits expense	**43,300**	20,518
Equity in net losses of associates and joint ventures (Note 9)	**(16,278)**	32,679
Gain on investments held for trading – net	**(3,013)**	(9,974)
Interest income	**(114,345)**	(5,514)
Net loss (gain) on derivatives	**(13,371)**	2,378
Dividend income	**(111)**	(200)
Gain on pre-termination of long-term lease	–	(653)
Loss (gain) on sale of property, plant and equipment - net	**(125)**	(416)
Operating income before working capital changes	**1,016,237**	1,440,909
Decrease (increase) in:		
Trade and other receivables	**639,339**	(303,341)
Inventories	**(153,535)**	(619,169)
Input value-added taxes and other current assets	**(83,914)**	(32,134)
Increase (decrease) in:		
Trade and other payables	**(227,544)**	157,454
Trust receipts payables	**(878,878)**	88,954
Contract liabilities	**(997,924)**	(257,435)
Net cash provided by operations	**(686,219)**	475,238
Interest paid	**(365,926)**	(334,331)
Income tax paid	**(36,480)**	(42,326)
Contributions to the pension fund and benefits paid from operating fund	**(35,891)**	(35,799)
Interest received	**(95,223)**	4,398
Net cash provided by (used in) operating activities	**(1,219,739)**	67,180
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investment held for trading	**(1,142,169)**	(1,196,695)
Financial assets at fair value through profit and loss		(2,184,900)
Property, plant and equipment	**(611,127)**	(1,147,066)
Intangible assets	**(72)**	(147)
Proceeds from sale of:		
Investment held for trading	**680,628**	2,988,010
Investment properties	**3,929**	–
Property, plant and equipment	**297**	1,849
Acquisition of subsidiary – net of cash acquired		(86,843)
Increase in other noncurrent assets	**(12,632)**	(94,734)
Dividends received	**111**	200
Net cash provided by (used in) investing activities	**(1,081,035)**	(1,720,326)

(Forward)

	Six -Month Periods Ended June 30	
	2022 (Unaudited)	2021 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Notes payable	**(1,086,718)**	(1,166,092)
Cash dividends	**(3,774)**	(108,927)
Treasury shares	**(459)**	(1,093)
Lease liability	**(60,299)**	(61,778)
Long-term debt	**(774,179)**	(268,791)
Proceeds from availments of:		
Notes payable	**2,800,396**	1,378,728
Long-term debt	**1,069,322**	1,210,849
Increase (decrease) in due to related parties	**(47,879)**	(9,198)
Increase in other noncurrent liabilities	**1,323**	33
Issuance of shares to non-controlling interests	–	–
Net cash provided by financing activities	**1,897,733**	973,731
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**63,481**	47,901
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(339,560)**	(631,514)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**3,695,914**	2,888,863
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	**₱3,356,354**	₱2,257,349

See accompanying Notes to Interim Condensed 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:

			June 30, 2022			December 31, 2021		
Subsidiaries	Nature of Business	Calendar/ Fiscal Yearend	**PHN Direct Interest**	**Direct Interest of Subsidiary**	**PHN Effective Interest**	PHN Direct Interest	Direct Interest of Subsidiary	PHN Effective Interest
Union Galvasteel Corporation (UGC)	Manufacturing and distribution of steel products	December 31	**98.01**	**–**	**98.01**	98.01	–	98.01
PHINMA Solar Energy Corporation (PHINMA Solar) [g]	Solar rooftop	December 31	**–**	**100.00**	**98.01**	–	100.00	98.01
PHINMA Education Holdings, Inc. (PEHI) [a and b]	Holding company	March 31	**67.18**	**–**	**67.18**	67.18	–	67.18
Pamantasan ng Araullo (Araullo University), Inc. (AU) [a]	Educational institution	March 31	**–**	**97.57**	**65.55**	–	97.57	65.55
Cagayan de Oro College, Inc. (COC) [a]	Educational institution	March 31	**–**	**91.27**	**61.32**	–	91.27	61.32
University of Iloilo (UI) [a]	Educational institution	March 31	**–**	**69.23**	**46.51**	–	69.23	46.51
University of Pangasinan (UPANG) and Subsidiary[a]	Educational institution	March 31	**–**	**69.33**	**46.58**	–	69.33	46.58
Southwestern University (SWU) [a]	Educational institution	March 31	**–**	**84.34**	**56.66**	–	84.34	56.66
St. Jude College, Inc. (SJCI)	Educational institution	December 31	**–**	**98.30**	**66.04**	–	98.30	66.04
Republican College, Inc. (RCI) [c]	Educational institution	December 31	**–**	**98.41**	**66.11**	–	98.41	66.11
Rizal College of Laguna (RCL) [a and d]	Educational institution	April 30	**–**	**90.00**	**60.46**	–	90.00	60.46
Union College of Laguna (UCLI) [a and e]	Educational institution	May 31	–	**80.91**	**54.36**	–	80.91	54.36
Career Academy Asia, Inc. (CAA) [f]	Educational Institution	March 31	**90.00**	**–**	**90.00**	90.00	–	90.00
Philcement Corporation (Philcement)	Manufacturing and distribution of cement products	December 31	**60.00**	**–**	**60.00**	60.00	–	60.00
P & S Holdings Corporation (PSHC)	Investment and real estate holdings	December 31	**60.00**	**–**	**60.00**	60.00	–	60.00
Asian Plaza, Inc. (API)	Lease of real property	December 31	**57.62**	**–**	**57.62**	57.62	–	57.62
One Animate Limited (OAL) and Subsidiary [h]	Business process outsourcing - animation services	December 31	**80.00**	**–**	**80.00**	80.00	–	80.00

(α) *Balances as at and for the year ended December 31 of these subsidiaries were used for consolidation purposes.*
(β) *On January 9, 2020, Asian Development Bank (ADB) subscribed in PEHI shares resulting to change in ownership interest of PHN to 67.18%.*
(χ) *On March 12, 2020 and September 8, 2020, PEHI acquired additional 505 shares and 1,010 shares of RCI resulting to an increase in ownership interest to 98.41%.*
(δ) *On July 31, 2020, PEHI acquired 100.00% interest in RCL. Subsequently, on December 5, 2020, PEHI sold 10.00% of its ownership interest in RCL reducing its ownership from 100.00% to 90.00%.*
(ε) *On May 21, 2021, PEHI acquired 65.76% interest in UCLI. In September 2021, PEHI subscribed to an additional 450,000 shares, increasing its ownership interest to 80.91%*
(φ) *CAA ceased its operations on March 31, 2019.*
(γ) On December 22, 2020, PHN sold its 225.0 million shares in PHINMA Solar to UGC representing 50.00% ownership in PHINMA Solar.
(η) *OAL owns 100.00% interest in Toon City Animation, Inc. (Toon City). OAL and Toon City ceased operations in April 2013.*

The Parent Company and its subsidiaries (collectively referred to as "the Company") were all incorporated in the Philippines, except for OAL which was incorporated in Hong Kong. The Company's ultimate parent company is Philippine Investment-Management (PHINMA), Inc., which is also incorporated in the Philippines.

The information on the segments of the Company is presented in Note 31 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 accompanying unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors (BOD), as approved and recommended for approval by the Audit Committee on August 10, 2022.

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2. Basis of Preparation and Consolidation and Statement of Compliance

Basis of Preparation
The interim condensed consolidated financial statements of the Company have been prepared on a historical cost basis, except for investments held for trading classified as 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 interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting.* The Company has prepared the financial statements on the basis that it will continue to operate as a going concern. The BOD considers that there are no material uncertainties that may cast significant doubt over this assumption. The BOD has formed a judgment that there is reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period. The interim condensed consolidated financial statements are presented in Philippine peso (₱), which is the Parent Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest thousand peso, except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's audited consolidated financial statements as at December 31, 2021. These interim condensed consolidated financial statements have been prepared for inclusion in the Prospectus to be prepared by the Company for its planned offering transaction.

Basis of Consolidation
The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. As at June 30, 2022, there were no significant changes in the Parent Company's ownership interest in its subsidiaries.

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3. Changes in Accounting Polices and Disclosures

Current Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021.

Unless otherwise indicated, adoption of these new standards did not have any significant impact on the consolidated financial statements of the Company.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

  The amendment provides relief to lessees from applying the PFRS 16, *Leases* requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted. The Company adopted the amendment beginning January 1, 2021. There are no rent concessions received by the Company from its lessors.

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Company shall also disclose information about:

  - The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The Company adopted the amendments beginning January 1, 2021.

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, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to Philippine Accounting Standards (PAS) 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Annual Improvements to PFRSs 2018-2020 Cycle

- Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a First-time Adopter*

  The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to PAS 41, *Agriculture, Taxation in Fair Value Measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8*, Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or noncurrent. The amendments clarify:

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the Financial Reporting Standards Council (FRSC) amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the FRSC deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the interim condensed consolidated financial statements and accompanying notes. Changes in these estimates and assumptions could result in outcomes that may require material adjustments to the carrying amounts of the affected assets or liabilities in the future.

The impact of COVID-19 has been considered in the significant judgments, estimates and assumptions in the Company's audited consolidated financial statements as at December 31, 2021. Thus, there were no significant changes in accounting judgments, estimates, and assumptions that affect the amounts reported in the interim condensed consolidated financial statements and accompanying notes.

5. Cash and Cash Equivalents

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)	June 30, 2021 (Unaudited)
Cash on hand and in banks	**₱2,246,044**	₱2,156,148	₱1,610,486
Short-term deposits	**1,110,310**	1,539,766	646,863
	₱3,356,354	₱3,695,914	2,257,349

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.

6. Investments Held for Trading

This account consists of investments in:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Unit Investment Trust Funds (UITFs)	**₱1,768,403**	₱1,302,457
Marketable equity securities	**6,879**	8,271
	₱1,775,282	₱1,310,728

7. Trade and Other Receivables

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Receivables from customers	**₱3,524,394**	₱4,319,605
Advances to suppliers and contractors	**1,569,298**	1,195,954
Advances to officers and employees	**33,697**	53,958
Rent receivables	**91,384**	92,521
Due from related parties (see Note 23)	**18,443**	13,729
Loans receivable	**4,634**	4,634
Accrued interest receivables	**228,235**	139,137
Others	**252,188**	314,380
	5,722,273	6,133,918
Less allowance for expected credit losses (ECLs)	**1,217,501**	1,198,614
	₱4,504,772	₱4,935,304

Movements in the allowance for ECLs are as follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning balance	**₱1,198,614**	₱1,013,115
Provisions (see Notes 21 and 22)	**56,173**	185,897
Reversals	**–**	(398)
Adjustments/Write-off	**(37,286)**	–
	₱1,217,501	₱1,198,614

The changes in the gross carrying amount of receivables during the period and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

8. Inventories

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
At cost:		
Finished goods	**₱1,693,461**	₱1,554,506
Raw materials	**115,677**	252,501
Other inventories	**87,306**	89,784
At net realizable value -		
Spare parts and others	**79,201**	69,980
Other inventories	**151,944**	7,283
	₱2,127,589	₱1,974,054

9. Investment in Associates and Joint Ventures

The Company’s associates and joint ventures consist of the following:

	Percentage of Ownership			
	2022		2021	
	Direct	**Effective**	Direct	Effective
Investment in associates:				
PHINMA Property Holdings Corporation (PPHC) [(a)]	**35.42**	**42.71**	35.42	42.71
ABCIC Property Holdings, Inc. (APHI) [(b)]	**26.51**	**28.15**	26.51	28.15
Coral Way City Hotel Corporation (Coral Way) [(c)]	**23.75**	**29.27**	23.75	29.27
PHINMA Hospitality, Inc (PHI) [(d)]	**–**	**20.88**	–	20.88
Interests in joint ventures:				
PHINMA Saytanar Education Company Limited (PHINMA Saytanar) [(e)]	**–**	**35.92**	–	35.92
PT Ind Phil Managemen (IPM) [(e)]	**–**	**47.89**	–	47.89

(a) *Indirect ownership through API.*
(b) *Indirect ownership through UGC.*
(c) *Indirect ownership through PHI.*
(d) *Formerly Microtel Development Corporation (MDC). Indirect ownership through API.*
(e) *Indirect ownership through PEHI.*

Investment in Associates

The detailed carrying values of investments in associates (accounted for under the equity method) are as follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
PPHC	**₱657,641**	₱632,669
APHI	**173,275**	174,586
PHI	**130,345**	133,827
Coral Way	**60,973**	66,326
	₱1,022,234	1,007,408

The movements and details of the investments in associates are as follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Acquisition costs, balance at beginning and end of period	**₱1,863,322**	₱1,863,322
Accumulated equity in net losses:		
Balance at beginning of period	**(883,407)**	(912,021)
Equity in net earnings (losses)	**16,446**	28,614
Balance at end of period	**(866,961)**	(883,407)
Share in other comprehensive income (loss) of associates:		
Balance at beginning of period	**27,493**	13,818
Share in other comprehensive income	**(1,620)**	13,675
Balance at end of period	**25,873**	27,493
	₱1,022,234	1,007,408

Interests in Joint Ventures

The detailed carrying values of interests in joint ventures (accounted for under the equity method) are as follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
IPM	**₱239,510**	₱239,678
PHINMA Saytanar	**–**	–
	₱239,510	₱239,678

The movements and details of the investments in joint ventures are as follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Acquisition costs:		
Balance at beginning and end of period	**₱235,503**	₱235,503
Accumulated equity in net earnings (losses):		
Balance at beginning of period	**4,175**	(151)
Equity in net earnings	**(168)**	4,326
Balance at end of period	**4,007**	4,175
	₱239,510	₱239,678

10. **Financial Assets at FVPL**

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Investment in preferred shares	**₱2,200,457**	₱2,105,243

On September 18, 2019, the Parent Company executed a Term Sheet with Song Lam Cement Joint Stock Company (Song Lam), Vissai Ninh Binh Joint Stock Company (Vissai) and Hoang Manh Truong (Sponsor) for the investment of US$50.0 million via preferred shares in Song Lam. Song Lam Joint Stock Company manufactures, markets, distributes and exports clinker, cement and cement products and is a supplier of Philcement, a 60%-owned subsidiary of PHN. Vissai is the parent company of Song Lam which owns and manages five cement plants in Vietnam.

In January 2020, the Parent Company, Song Lam, Vissai and Hoang Minh Truong entered into share subscription agreement related to the Parent Company's subscription of the new preferred shares of Song Lam. An advance payment of 10% equivalent to US$5.0 million was made on November 26, 2019 and the 90% balance or US$45.0 million was paid on May 18, 2021. The total US$50.0 million investment has an equivalent peso amount of ₱2.39 billion on May 18, 2021.

The preferred shares are entitled to receive an annual fixed cumulative dividends of 7.5%, independent of Song Lam's business outcome and regardless of operating business results of Song Lam and the existence of retained earnings. The preferred shares shall be convertible to common shares after two (2) years from issuance thereof. The Parent Company may convert the preferred shares between the last day of the second (2nd) year after issuance thereof until the end of the seventh (7th) year following said issuance.

The Parent Company has the option to sell the preferred shares or converted shares to Vissai, the Sponsor or Song Lam at a price equivalent to seventy-five million US Dollars (US$75,000,000.00), less the amount of preferred dividends received by the Parent Company. The put option may be exercised by the Parent Company after five (5) years from closing and until the end of the seventh (7th) year from said closing.

11. **Financial Assets at FVOCI**

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Investment in club shares	**₱32,300**	₱32,350
Non-listed equity securities	**76,560**	76,310
	₱108,860	₱108,660

Investment in equity investments pertain to shares of stock and club shares which are not held for trading. The Company has irrevocably designated the equity instruments at FVOCI, as the Company considers these investments to be strategic in nature.

12. **Property, Plant and Equipment**

This account consists of:

	January 1, 2022	**Acquisition through business Combination**	**Additions**	**Disposals**	**Reclassifications**	**June 30, 2022 (Unaudited)**
Cost						
Land	**₱3,064,961**	₱–	**₱62,131**	**₱–**	**₱–**	**₱3.127.092**
Plant site improvements	**3,473,015**	**–**	**–**	**–**	**7,595**	**3,480,610**
Buildings and improvements	**4,104,774**	–	**159,817**	**–**	–	**4,264,591**
Machinery and equipment	**2,271,102**	–	**109,767**	–	–	**2,380,869**
Transportation and other equipment	**560,501**	–	**25,507**	**(1,089)**	–	**584,919**
	13,474,353	–	**357,222**	**(1,089)**	**7,595**	**13,838,081**
Less Accumulated Depreciation						
Plant site improvements	**246,493**	**–**	**124,688**	–	**–**	**371,181**
Buildings and improvements	**1,459,679**	–	**70,446**	**–**	–	**1,530,125**
Machinery and equipment	**1,633,050**	–	**46,404**	**–**	–	**1,679,454**
Transportation and other equipment	**366,988**	–	**11,473**	**(917)**	–	**377,544**
	3,706,210	–	**253,011**	**(917)**	–	**3,958,304**
	9,768,143	–	**104,211**	**(172)**	**7,595**	**9,879,777**
Construction in progress (see Note 13)	**779,711**	–	**253,905**	–	**(7,595)**	**1,026,021**
Net Book Value	**₱10,547,854**	**₱–**	**₱358,116**	**(₱172)**	**₱–**	**₱10,905,798**

	January 1, 2021	Acquisition through business combination	Additions	Disposals	Reclassifications	December 31, 2021 (Audited)
Cost						
Land	₱2,967,593	₱65,671	₱31,697	₱–	₱–	₱3,064,961
Plant site improvements	2,206,926	–	–	–	1,266,089	3,473,015
Buildings and improvements	3,703,129	15,777	269,908	–	115,960	4,104,774
Machinery and equipment	2,150,869	3,325	115,075	–	1,833	2,271,102
Transportation and other equipment	525,105	402	60,769	(15,191)	(10,584)	560,501
	11,553,622	85,175	477,449	(15,191)	1,373,298	13,474,353
Less Accumulated Depreciation						
Plant site improvements	122,365	–	124,128	–	–	246,493
Buildings and improvements	1,310,860	–	148,819	–	–	1,459,679
Machinery and equipment	1,444,702	–	188,348	–	–	1,633,050
Transportation and other equipment	348,238	–	30,632	(11,882)	–	366,988
	3,226,165	–	491,927	(11,882)	–	3,706,210
	8,327,457	85,175	(14,478)	(3,309)	1,373,298	9,768,143
Construction in progress	1,063,297	–	1,119,893	–	(1,403,479)	779,711
Net Book Value	₱9,390,754	₱85,175	₱1,105,415	(₱3,309)	(₱30,181)	₱10,547,854

Interest capitalized as part of "Construction in progress" account amounted to ₱24.1 million at capitalization rate ranging from 5.2% to 7.0% in 2021.

Certain property and equipment of AU, COC, UI, UPANG, PhilCement and UGC with aggregate amount of ₱5,019.2 million and ₱5,141.9 million as at June 30, 2022 and December 31, 2021, respectively, are used as collateral for their respective long-term debts obtained from local banks (see Note 18).

The COVID-19 pandemic did not materially affect the recoverability of property, plant and equipment.

13. Investment Properties

This account consists of

	January 1, 2022	**Additions**	**Disposal**	**June 30, 2022 (Unaudited)**
Cost:				
Land	**₱610,724**	**₱–**	**₱–**	**₱610,724**
Buildings for lease	**95,625**	**–**	**(10,000)**	**85,625**
	706,349	**–**	**(10,000)**	**696,349**
Less accumulated depreciation -				
Buildings for lease	**78,911**	**463**	**(6,833)**	**72,541**
	₱627,438	**(₱463)**	**(₱3,167)**	**₱623,808**

	January 1, 2021	Additions	Disposal	December 31, 2021 (Audited)
Cost:				
Land	₱610,724	₱–	–	₱610,724
Buildings for lease	95,625	–	–	95,625
	706,349	–	–	706,349
Less accumulated depreciation -				
Buildings for lease	77,680	1,231	–	78,911
	₱628,669	₱1,231	₱–	₱627,438

As at June 30, 2022 and December 31, 2021, the fair values of the investment properties amounted to ₱2,458.0 and ₱2,861.8 million, respectively, based on valuations performed by accredited independent appraisers on various dates from 2018 to 2021. The description of the valuation techniques used and key inputs to fair valuation are as follows:

	Valuation Technique	Significant Unobservable Inputs	Range
Land	Market comparable assets	Price per square metre	₱250–₱100,000
Buildings for lease	Market comparable assets	Price per square metre	₱160,700–₱229,167

The fair value disclosure is categorized under Level 3, except for the investment property of COC which is categorized under Level 2.

PSHC's land amounting to ₱220.0 million and ₱220.0 million as at June 30, 2022 and December 31, 2021, respectively, is used as a security for its long-term debt (see Note 19). 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 COVID-19 pandemic did not materially affect the recoverability of investment properties.

14. **Intangible Assets**

Following are the details and movements in this account:

	Student List	Software Costs	Goodwill	Total
Cost				
At January 1, 2021	₱165,638	₱37,200	₱2,221,068	₱2,423,906
Additions	–	7,048	–	7,048
Acquisitions through business combination	–	–	53,215	53,215
Reclassification	–	30,278	–	30,278
At December 31, 2021 (Audited)	165,638	74,526	2,274,283	2,514,447
Reclassifications (see Note 11)	–	–	–	–
Additions	–	72	–	72
At June 30, 2022 (Unaudited)	**₱165,638**	**₱74,598**	**₱2,274,283**	**₱2,514,519**
Amortization and Impairment				
At January 1, 2021	₱165,638	₱29,463	₱403,132	₱598,233
Amortization	–	10,420	–	10,420
At December 31, 2021 (Audited)	165,638	39,883	403,132	608,653
Amortization	–	4,965	–	4,965
At June 30, 2022 (Unaudited)	**₱165,638**	**₱44,848**	**₱403,132**	**₱613,618**
Net Book Value				
At June 30, 2022 (Unaudited)	**₱–**	**₱29,750**	**₱1,871,151**	**₱1,900,901**
At December 31, 2021 (Audited)	–	34,643	1,871,151	1,905,794

15. **Other Noncurrent Assets**

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Deposit	**₱-**	₱-
Advances to suppliers and contractors	**294,757**	278,001
Indemnification assets	**38,115**	38,114
Refundable deposits	**7,251**	10,161
Creditable withholding taxes	**10,769**	7,812
Others	**2,963**	7,135
	₱353,855	₱341,223

16. **Notes Payable**

This account consists of notes payable of the Parent Company and subsidiaries:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
PhilCement	**₱1,750,000**	₱450,000
UGC	**873,852**	460,174
PHN	–	–
SWU	**20,000**	20,000
UI	–	–
COC	–	–
AU	–	–
	₱2,643,852	₱930,174

The notes payable are unsecured short-term peso-denominated loans obtained from financial institutions with an annual interest rate ranging between 2.60% to 3.625% and 2.60% to 4.75% in 2022 and 2021, respectively.

17. **Trade and Other Payables**

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Trade	**₱1,052,279**	₱1,147,227
Accruals for:		
Professional fees and others	**670,489**	516,924
Personnel costs	**76,846**	152,670
Interest	**79,424**	65,403
Freight, hauling and handling	**5,884**	42,186
Dividends	**307,224**	228,251
Deposit liabilities	**4,633**	7,613
Others	**134,590**	154,422
	₱2,331,369	₱2,314,696

18. **Contract Liabilities**

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Unearned revenues	**₱225,726**	₱1,200,172
Customers' deposits	**103,492**	126,970
	₱329,218	₱1,327,142

Unearned revenues pertain to portion of tuition fees received or due from students to which the Company still has an obligation to transfer services to the students within the next financial year.

Customers' deposits pertain to cash advance received to which the Company has an obligation to deliver roofing and other steel products and installation services within the financial year.

19. **Long-term Debt**

This account consists of the Parent Company's fixed-rate bonds and long-term liabilities of the subsidiaries:

PHN Fixed Rate Bonds due 2024

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Principal	**₱3,000,000**	₱3,000,000
Less debt issuance cost	**35,185**	42,984
	₱2,964,815	₱2,957,016

On May 6, 2021, the Parent Company filed with the SEC a Registration Statement for the proposed offering of three-year fixed rate bonds due 2024 with an aggregate principal amount of up to 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:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning of year	**₱42,984**	₱–
Additions	**–**	48,559
Amortization	**(7,799)**	(5,575)
	₱35,185	₱42,984

Long- Term Loans

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
PEHI	**₱2,059,760**	₱2,093,000
PHN	**1,960,000**	1,970,000
PhilCement	**1,455,167**	1,621,223
SWU	**593,500**	595,000
UGC	**987,500**	524,375
UPANG	**240,725**	253,025
AU	**226,850**	232,220
UI	**189,000**	192,000
COC	**156,654**	162,342
PSHC	**124,957**	124,957
PSEC	**99,851**	20,000
	8,093,964	7,788,142
Less debt issuance cost	**62,634**	62,043
	8,031,330	7,726,099
Less current portion - net of debt issuance cost	**573,482**	544,032
	₱7,457,848	₱7,182,067

The debt agreements presented in the succeeding pages include, among others, certain restrictions and requirements. The loan agreements with Security Bank Corporation (SBC), Rizal Commercial Banking Corporation (RCBC) and China Banking Corporation (CBC) stipulate, among others, positive and negative covenants which must be complied with by PHN, UGC, PhilCement, PEHI, AU, COC, UPANG, UI and SWU for as long as the loans remain outstanding. Negative covenants include certain restrictions and requirements, such as maintenance of certain current, debt-to-equity and debt service coverage ratios.

As at June 30, 2022, the Company is in compliance with the required financial ratios and other loan covenants.

Certain assets amounting to ₱5,019.2 million and ₱5,361.9 million as at June 30, 2022 and December 31, 2021, respectively are mortgaged as collaterals for the respective long-term debts as follows (see Notes 11 and 12):

Entity	Collateral
AU	Land and land improvements in the main campus
COC	Land in the main campus
UPANG	Land and land improvements
UI	Land and land improvements
PhilCement	Assignment of leasehold rights on the land where the cement terminal is constructed, registration of real estate or chattel mortgage on cement terminal building, equipment and other assets, and assignment of port ownership, right to land lease and rights to foreshore lease.
UGC	Land, plant site improvements, buildings and installations and machinery and equipment
PSHC	Land

PEHI's loan agreement with CBC is covered by a negative pledge on the shares of stocks held by PEHI with AU, COC, UPANG, UI and SWU.

The balance of unamortized debt issuance cost follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning of period	**₱62,043**	₱43,830
Additions	**10,679**	30,964
Amortization	**(10,088)**	(12,751)
End of period	**₱62,634**	₱62,043

The details of long-term debts are summarized below:

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[9]: June 30, 2022 (Unaudited)	Outstanding Amounts[9]: December 31, 2021 (Audited)
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	**₱438,824**	₱446,372
PEHI		December 7, 2015	RCBC	28 equal quarterly payments of ₱6.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 7, 2019.	December 7, 2025	First seven years is based on the three-day average of seven-year PDST-R2 plus a 1.40% spread or 5.00%, whichever is higher, and to be repriced at the end of the seventh year for the remaining three years at an interest rate based on the interest rate then current or the applicable three-year benchmark rate plus 1.40% spread or 5.00%, whichever is higher.	December 7, 2015	900,000	**779,024**	791,251
PEHI	1,000,000[1]	December 1, 2015	CBC	28 equal quarterly payments of ₱3.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 8, 2019.	December 8, 2025	First five years is based on the three-day average of five-year PDST-R2 plus a 1.35% spread or 5.00%, whichever is higher, and to be repriced at the end of the fifth year for the remaining five years at an interest rate based on the interest rate then current or the applicable five-year benchmark rate plus 1.35% spread or 5.00%, whichever is higher.	December 8, 2015	500,000	**448,419**	456,048
PEHI	364,000[21]	December 27, 2021	RCBC	16 equal quarterly payments of ₱2.73 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 27, 2022.	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 27, 2021	364,000	**359,333**	361,277
(Forward)										
COC	₱100,000[2]	March 27, 2013	CBC	40 equal quarterly payments of ₱1.3 million. First	March 27, 2023	Nominal interest rate of 5.81% from March 27, 2013 to March 27, 2018,	March 27, 2013	₱50,000	**₱3,757**	₱6,268

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[9] June 30, 2022 (Unaudited)	Outstanding Amounts[9] December 31, 2021 (Audited)
				principal payment commenced on June 27, 2013.		6.05% from March 27, 2018 to March 27, 2020 and 6.30% from March 27, 2020 to March 27, 2023 with the effective interest rate (EIR) of 6.12% over 365 days.				
COC		July 18, 2013	CBC	39 equal quarterly payments of ₱1.3 million. First principal payment commenced on June 27, 2013.	March 27, 2023	Nominal interest rate of 5.81% from July 18, 2013 to June 27, 2018, 6.05% from June 27, 2018 to June 27, 2020 and 7.38% from June 27, 2020 to March 27, 2023 with the EIR of 6.07% over 365 days.	July 18, 2013	50,000	**3,856**	6,434
COC	125,000[3]	June 24, 2018	CBC	28 unequal quarterly payments as follows: 8 quarterly installments of ₱0.3 million from October 9, 2021 to July 9, 2023; 8 quarterly installments of ₱1.6 million from October 9, 2023 to July 9, 2025; 8 quarterly installment of ₱3.1 million from October 9, 2025 to July 9, 2027 and 4 quarterly installments of ₱21.3 million from October 9, 2027 to July 9, 2028. First principal payment will commence on July 9, 2021.	July 9, 2028	Fixed rate of 6.25% p.a. for the first five years; for remaining five years, higher of applicable five-year PDST-R2 plus a spread of up to 100 bps or 6.25% p.a.	July 9, 2018	125,000	**123,725**	124,224
COC	25,000[4]	April 13, 2018	Private funder	One-time payment at maturity date of April 13, 2023.	April 13, 2023	Interest rate at 6.25% per annum payable until fully paid.	April 13, 2018	25,000	**25,000**	25,000
UI	200,000[5]	December 12, 2017	CBC	Quarterly principal payments as follows: ₱1.0 million per quarter for the 3rd and 4th year from initial drawdown; ₱1.5 million per quarter for the 5th and 6th year; ₱2.5 million per quarter for the 7th until 9th year; and, ₱37.5 million per quarter for the 10th year.	December 20, 2027	Fixed for the first seven years. Applicable seven- year PDST-R2 a spread up to 1.25%, and for the remaining three years, the applicable three-year PDST-R2 plus a spread up to 1.25%.	December 20, 2017	100,000	**93,492**	94,903
UI	₱200,000[5]	December 12, 2017	CBC	Principal payments will be the same with the first drawdown. As per	December 20, 2027	Fixed for the first seven years. Applicable seven- year PDST-R2 a spread up to 1.25%, and for the	April 24, 2018	₱100,000	**₱93,947**	₱95,467

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[9]: June 30, 2022 (Unaudited)	Outstanding Amounts[9]: December 31, 2021 (Audited)
				Agreement, both the first and second drawdown will be repaid at the same dates and terms.		remaining three years, the applicable three-year PDST-R2 plus a spread up to 1.25%.				
AU	57,000[6]	November 29, 2019	CBC	20 equal quarterly payments of ₱2.7 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	**26,698**	31,939
AU	100,000[6]	November 29, 2019	CBC	27 equal quarterly payments of ₱1.5 million starting from February 28, 2023 to August 29, 2029 with the remaining balance of ₱60.6 million to be paid on maturity date. First principal payment will commence on February 28, 2023.	November 29, 2029	Fixed rate for the first five years based on the five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT. Interest rate is subject for repricing for the remaining five years based on: i. Initial interest rate; or ii. Then prevailing five-year Benchmark rate plus interest spread, whichever is higher	November 29, 2019	100,000	**99,161**	99,059
AU	100,000[6]	November 29, 2019	CBC	28 unequal quarterly payments as follows: 8 quarterly installments of ₱2.5 million from February 28, 2023 to November 29, 2024; 16 quarterly installments of ₱3.8 million from February 28, 2025 to November 29, 2028 and 4 quarterly installment of ₱5.0 million from February 28, 2029 to November 29, 2029. First principal payment will commence on February 28, 2023.	November 29, 2029	Fixed rate for the first five years based on the five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT. Interest rate is subject for repricing for the remaining five years based on: i. Initial interest rate or ii. Then prevailing five-year Benchmark rate plus interest spread, whichever is higher.	November 29, 2019	100,000	**99,194**	99,086

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[9] June 30, 2022 (Unaudited)	Outstanding Amounts[9] December 31, 2021 (Audited)
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	**₱173,969**	₱175,844
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	**68,648**	76,045
SWU	400,000[8]	December 6, 2017	RCBC	28 quarterly payments of ₱1.0 million. First principal payment commenced on March 7, 2021.	December 7, 2027	Interest is payable quarterly in arrears, commencing at the end of the first quarter from the initial drawdown date. Interest shall be fixed at 6.66% from years one to five and at 6.94% onwards until maturity.	December 7, 2017; December 20, 2017; March 29, 2018	100,000 200,000 100,000	**98,565** **197,447** **98,415**	99,887 198,193 98,822
SWU	200,000[8]	April 18, 2018	CBC	28 equal quarterly payments of ₱0.5 million with the remaining balance to be paid on maturity date. First principal payment will commence on July 18, 2021.	April 18, 2028	Fixed for the first five years, applicable five-year PDST-R2 plus a spread of up to 125 bps. For the remaining five years, applicable five-year PDST-R2 plus a spread of up to 125 bps.	April 18, 2018	200,000	**196,933**	197,773

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[9]: June 30, 2022 (Unaudited)	Outstanding Amounts[9]: December 31, 2021 (Audited)
PHN	₱2,000,000[10]	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	**₱1,951,566**	₱1,960,818
UGC	1,000,000[22]	February 18, 2022	BDO	Principal amortization commence 3 months after drawdown date and every quarter thereafter and shall be paid based on 1.25% every quarter for 4 years and the remaining 80% paid in balloon upon maturity date.	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	**978,066**	-
UGC	400,000[11]	July 12, 2018	BDO	40 quarterly payments of ₱10.0 million	July 13, 2028	First 5 years is based on the 5 year interest rate basis prevailing on the relevant interest setting date plus a margin of 1.00% per annum (“initial interest rate”) divided by 0.99 or 5.50% per annum divided by 0.99, whichever is higher, and to be repriced at the end of 5th year for the remaining 5 years at an interest rate based on 5 year interest rate basis prevailing on the relevant interest setting date plus a margin of 1.00% per annum divided by 0.95 or the initial interest rate divided by 0.95, whichever is higher.	July 13, 2018	400,000	**-**	272,187
UGC	100,000	July 12, 2018	SBC	40 quarterly payments of ₱2.5 million	July 13, 2028	First 5 years based on the 5-year Peso Benchmark Rate plus 1% spread, subject to the following floor rates of 6.40% for drawdowns made on or before June 7, 2018 or 6.45% for drawdowns made after June 7, 2018 and to be repriced at the end of the fifth year at an interest rate equivalent to the higher of the 5- year Peso Benchmark Rate on repricing date plus 1% spread and interest rate for the first 5 years.	July 13, 2018	100,000	**-**	66,928

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[9]: June 30, 2022 (Unaudited)	Outstanding Amounts[9]: December 31, 2021 (Audited)
UGC	₱218,750[12]	July 19, 2016	BDO	28 equal quarterly payments of ₱4.4 million with the remaining balance to be paid on maturity date	July 20, 2023	Interest rate is based on the 7-year PDST-R2 plus a 1.40% spread or 5.5%, whichever is higher. No repricing of interest rate from amendment date to maturity date.	March 25, 2013	₱218,750	**₱–**	₱126,486
UGC	75,000[13]	November 3, 2015	BDO	40 equal quarterly payments	November 3, 2025	First 5 years is based on the 5-year PDST-R2 plus a 1.4% spread or 5.5%, whichever is higher, and on year 5 based on a rate to be negotiated by the Parties within 30 banking days prior to the interest repricing date.	November 3, 2015	75,000	**–**	29,844
UGC	75,000[13]	November 12, 2015	SBC	40 equal quarterly payments	November 5, 2025	First 5 years is based on the 3-day average of the 5-year PDST-R2 plus a 1.35% spread or 5.5%, whichever is higher, and to be repriced at the end of the fifth year for the remaining 5 years at an interest rate based on the 3-day average of the 5-year PDST-R2 plus a 1.35% spread or the interest rate set for the first 5 years, whichever is higher.	November 12, 2015	75,000	**–**	29,844
PhilCement	875,000[14]	June 1, 2018	SBC	14 equal quarterly payments [15]	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	160,000	**68,223**	90,822
							January 3, 2019	160,000	**68,306**	90,966
							January 22, 2019	59,000	**25,229**	33,616
							January 25, 2019	65,000	**27,803**	37,049
							April 26, 2019	18,555	**7,903**	10,517
							May 21, 2019	81,439	**34,821**	46,395
							July 5, 2019	251,977	**107,741**	143,551
							September 4, 2019	51,418	**21,981**	29,285

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[9]: June 30, 2022 (Unaudited)	Outstanding Amounts[9]: December 31, 2021 (Audited)
PhilCement	₱720,000[16]	February 26, 2021	SBC	8 quarterly principal payments of ₱10.3 million, 9 quarterly principal payments of ₱20.5 million and remaining balance to be paid at maturity date	June 13, 2025	Interest rate of 6.73% GRT inclusive, fixed rate up to maturity	February 26, 2021	₱369,363	**₱306,137**	₱326.261
				8 quarterly principal payments of ₱9.7 million, 9 quarterly principal payments of ₱19.5 million and remaining balance to be paid at maturity date.		Interest rate of 6.84% GRT inclusive, fixed rate up to maturity		350,637	**290,616**	309,720
PhilCement	500,000[17]	March 19, 2021	SBC	20 unequal quarterly payments as follows: ₱1.0 million from June 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	**490,323**	493,961
PSEC	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%). Intrerest to be paid on quarterly basis	August 31, 2021	20,000	**19,851**	20,000
PSEC	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	**79,400**	-
PSHC	154,000[18]	July 15, 2006	United Pulp and Paper Co., Inc. (UPPC)	2 installment payments	July 15, 2023	The effective interest rate after the change in interest rate is 7.00%.	July 15, 2006	154,000	**124,957**	124,957
	Total								**₱8,031,330**	₱7,726,099

[1] *The purpose of this debt is to finance the acquisition of majority ownership in AU, COC, UPANG, UI and SWU by PEHI.*
[2] *The purpose of this debt is to finance various capital expenditures of COC.*
[3] *The purpose of this debt is to finance the expansion and development plans of COC.*
[4] *The purpose of this debt is for general funding requirements of COC.*

(5) *The purpose of this debt is to finance the expansion and development plans including school building upgrades and improvement of existing facilities of UI.*
(6) *The purpose of this debt is to finance various capital expenditures and to refinance existing obligations of AU.*
(7) *The purpose of this debt is to finance various capital expenditures and to refinance existing obligations of UPANG and subsidiary.*
(8) *The purpose of this debt is to finance the building development, expansion and purchase of equipment for SWU's Hospital and building developments of SWU.*
(9) *Amounts are net of unamortized debt discount and/or debt issue cost.*
(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 Company 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 the Company.*
(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 for 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.*

20. **Equity**

a. Capital Stock

The composition of the Parent Company's capital stock as at June 30, 2022 and December 31, 2021 is as follows:

	Number of Shares	
	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Preferred - cumulative, nonparticipating, ₱10 par value		
Class AA – Authorized	**50,000,000**	50,000,000
Class BB – Authorized	**50,000,000**	50,000,000
Issued and subscribed	**–**	–
Common - ₱10 par value		
Authorized	**420,000,000**	420,000,000
Issued	**286,303,550**	286,303,550
Subscribed	**39,994**	39,994
Issued and subscribed	**286,343,544**	286,343,544
Treasury shares	**14,450,179**	14,427,179

The issued and outstanding shares as at June 30, 2022 and December 31, 2021 are held by 1,221 and 1,223 equity holders respectively.

Capital stock presented in the consolidated statements of financial position is net of subscription receivable amounting to ₱0.1 million as at June 30, 2022 and December 31, 2021.

b. Retained Earnings

Appropriated

On February 28, 2020, the BOD reversed the appropriation of retained earnings made in 2018 in the amount of ₱1.3 billion for the investment in the Education and Construction Materials business, and buyback of shares. In addition, an appropriation was made for the investment in the Construction Materials business until December 31, 2020 amounting to ₱2.25 billion. Another ₱165.5 million of the retained earnings was appropriated for the buyback of PHN shares until February 28, 2022.

On March 2, 2021, the BOD reversed the appropriation of retained earnings made in 2020 in the amount of ₱2.25 billion for the investment in the Construction Materials business.

On November 10, 2021, an appropriation was made for the investment in Construction Materials business until December 31, 2022 amounting to ₱1.1 billion. Another ₱500.0 million of the retained earnings was appropriated for the Education business until December 31, 2022.

Unappropriated

On February 28, 2020, the Parent Company's BOD declared a cash dividend of ₱0.40 per share or an equivalent of ₱109.0 million, to all common shareholders of record as at March 17, 2020. The cash dividends were paid on March 27, 2020.

On March 2, 2021, the Parent Company's BOD declared a cash dividend of ₱0.40 per share or an equivalent of ₱108.9 million, to all common shareholders of record as at April 14, 2021. The cash dividends were paid on May 5, 2021.

On March 1, 2022, the Parent Company's BOD declared a 4% regular cash dividend amounting to ₱108.8 million or equivalent to ₱0.40 per share and a 1% special cash dividend amounting to ₱27.2 million or equivalent to ₱0.10 per share payable on April 6, 2022 to shareholders of record as at March 22, 2022.

The balance of retained earnings includes Parent Company's accumulated equity in net earnings of subsidiaries and associates which are not currently available for dividend declaration until declared by the respective subsidiaries and associates amounting to ₱1,301.9 million and ₱943.7 million as at June 30, 2022 and December 31, 2021, respectively.

c. Buyback of Shares

On February 28, 2020, the BOD approved the appropriation of ₱165.5 million for the buyback of shares of the Parent Company until February 28, 2022.

As at June 30, 2022 and December 31, 2021, the Parent Company bought back a total of 14,450,179 shares and 14,427,179 shares which amounted to ₱144.0 million, ₱143.6 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 ₱162.7 million and ₱277.0 million as at June 30, 2022 and December 31, 2021, respectively.

21. Cost of Sales

This account consists of:

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Cost of sales	**₱6,017,054**	₱5,081,946
Cost of educational, installation, hospital, and consultancy services	**707,619**	607,326
	₱6,724,673	₱5,689,272

The details of cost of sales, educational, installation, hospital and consultancy services are as follows:

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Inventories used	**₱5,436,795**	₱4,483,168
Personnel costs	**506,015**	428,052
Depreciation	**253,258**	248,417
Installation cost	**22,327**	49,351
Cost of sales - bookstore	**55,789**	60,297
Subscription	**16,390**	38,663
Rent expense	**41,826**	55,801
Repairs and maintenance	**47,810**	65,515
Laboratory and school supplies	**51,941**	37,918
Power and fuel	**12,617**	61,839
Review expenses	**12,938**	4,352
School materials, publication and supplies	**2,966**	1,948
Graduation expenses	**17,289**	2,670
School affiliations and other expenses	**14,318**	911
Accreditation expenses	**1,008**	1,196
Sports development and school activities	**1,275**	138
Others	**230,111**	149,036
	₱6,724,673	₱5,689,272

22. **General and Administrative Expenses**

This account consists of:

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Personnel costs	**₱407,149**	₱339,732
Professional fees and outside services	**170,228**	90,988
Security and janitorial	**32,560**	30,592
Provision for ECLs (see Note 7)	**(2,785)**	54,562
Depreciation and amortization	**40,915**	36,311
Taxes and licenses	**38,791**	27,906
Utilities	**29,490**	21,328
Rent	**10,796**	10,736
Repairs and maintenance	**4,441**	4,246
Insurance	**5,195**	7,479
Office supplies	**8,115**	9,958
Communications	**6,060**	5,629
Transportation and travel	**15,484**	3,299
Advertising and promotions	**373**	1,424
Donations	**21,675**	7,564
Meetings and conferences	**2,248**	303
Others	**47,776**	40,612
	₱838,511	₱692,669

23. Selling Expenses

This account consists of:

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Personnel costs	**₱113,479**	₱122,353
Freight, handling and hauling	**47,022**	42,229
Advertising	**20,952**	24,735
Installation cost	**12,017**	11,409
Taxes and licenses	**14,834**	20,845
Commission	**14,686**	14,817
Provision for ECLs (see Note 7)	**21,673**	17,020
Supplies	**3,096**	8,077
Outside services	**9,607**	8,978
Postage, telephone and telegraph	**12,957**	8,621
Transportation and travel	**13,626**	9,093
Depreciation and amortization	**6,998**	7,096
Insurance	**7,288**	14,704
Entertainment, amusement and recreation	**594**	2,737
Repairs and maintenance	**2,444**	2,537
Rent and utilities	**1,289**	1,334
Others	**2,019**	4,099
	₱304,581	₱320,684

24. 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.

Outstanding balances at period-end are unsecured and settlement occurs in cash throughout the period. There have been no guarantees provided or received for any related party receivables or payables.

The significant related party transactions entered into by the Company with its associates and entities under common control and the amounts included in the consolidated financial statements with respect to such transactions follow:

June 30, 2022 (Unaudited)

Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 7)	Terms	Conditions
Ultimate Parent						
PHINMA Inc.	Share in expenses, management fees and bonus	**₱83,601**	**₱81,653**	**₱2,281**	Noninterest-bearing	Unsecured, no impairment
Associates						
PPHC	Share in expenses	**344**	**–**	**3,483**	Noninterest-bearing	Unsecured, no impairment
APHI	Share in expenses	**–**	–	**6**	Noninterest-bearing	Unsecured, no impairment

June 30, 2022 (Unaudited)							
Company	**Nature**	**Amount/ Volume**	**Amount Due to Related Parties**	**Amount Due from Related Parties** (see Note 7)	**Terms**	**Conditions**
Entities Under Common Control						
T-O Insurance Brokers, Inc., MDC, PHINMA Foundation, Inc. PHINMA Prism Property Development Corporation, PHINMA Plaza Condominium Corporation	Share in expenses	**₱5,254**	**₱53,285**	**₱7,601**	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy fee	**2,216**	**–**	**–**	Noninterest-bearing	Unsecured, no impairment
PTC Myanmar, PHINMA Saytanar, IPM	Share in expenses	**3,223**	**61**	**5,072**	Noninterest-bearing	Unsecured, no impairment
			₱134,999	**₱18,443**		

December 31, 2021 (Audited)						
Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 7)	Terms	Conditions
Ultimate Parent						
PHINMA Inc.	Share in expenses, management fees and bonus	₱280,141	₱130,456	₱686	Noninterest-bearing	Unsecured, no impairment
Associates						
PPHC	Share in expenses	1,575	–	3,139	Noninterest-bearing	Unsecured, no impairment
APHI	Share in expenses	6	–	6	Noninterest-bearing	Unsecured, no impairment
Entities Under Common Control						
T-O Insurance Brokers, Inc., PHINMA Hospitality, Inc, PHINMA Foundation, Inc. PHINMA	Share in expenses	19,259	52,363	7,575	Noninterest-bearing	Unsecured, no impairment
Aznar Enterprises, Inc. (Aznar), Community Developers and Construction Corporation (CDCC), PTC Myanmar	Grant of noninterest-bearing advances	17	59	1,523	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy fee	3,152	–	800	Noninterest-bearing	Unsecured, no impairment
			₱182,878	₱13,729		

PHINMA, Inc. The Parent Company has a 5-year management contract with PHINMA, Inc. up to June 30, 2024, renewable thereafter mutual agreement. Under this contract, PHINMA, Inc. has a general management authority with corresponding responsibility over all operations and personnel of the Parent Company including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance and other business activities of the Parent Company. Under the existing management agreement, the Parent Company pays PHINMA, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of the Parent Company's net income.

Management and Directors' Compensation

PHN, UGC, COC, AU, UPANG and UI are under common management of PHINMA, Inc. and pay PHINMA, Inc. a fixed annual management fee plus an annual bonus based on a certain percentage of the respective companies' adjusted net income, as defined in the management contract between PHINMA, Inc. and the respective companies, pursuant to the provisions of the same contract.

Management fees and bonuses, presented as "Professional fees and outside services" under "General and administrative expenses" account, amounted to ₱72.3 million and ₱74.3 million for the six- month periods ended June 30, 2022 and 2021, respectively. The related unpaid amount, presented as "Accruals for professional fees and others" under "Trade and other payables" account in the unaudited interim consolidated statement of financial position, amounted to ₱84.7 million and ₱38.5 million as at June 30, 2022 and December 31, 2021, 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, amounted to ₱45.1 million and ₱34.6 million for the six-month periods ended June 30, 2022 and 2021, respectively. The related unpaid amount, presented in "Accruals for personnel costs" under "Trade and other payables" account in the unaudited interim consolidated statement of financial position, amounted to ₱52.4 million and ₱58.5 million as at June 30, 2022 and December 31, 2021, respectively.

25. **Income Taxes**

The deferred tax assets and liabilities are presented in the consolidated statements of financial position as follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Deferred tax assets – net	**₱113,977**	₱101,013
Deferred tax liabilities – net	**(417,391)**	(425,250)
	(₱303,414)	(₱324,237)

The deferred tax assets consist of the tax effects of lease liabilities, net operating loss carryover (NOLCO), pension liability, allowance for ECLs, accrued expenses, management bonus and allowance for inventory write-down.

The deferred tax liabilities consist of excess of fair value over cost, right-of use assets, fair value adjustments on property, plant and equipment of subsidiaries, unrealized gains on change in fair value, unamortized debt issuance costs, unrealized foreign exchange gain and unamortized capitalized borrowing cost.

The disproportionate relationship between income before income tax and the provision for income tax is due to various factors such as income of schools subjected to lower income tax rate, interest income subjected to lower final tax rate and equity in net losses of associates and joint ventures.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (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%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Proprietary educational institutions and hospitals which are nonprofit previously subject to a tax of 10% on their taxable income, shall be imposed a tax rate of 1% beginning July 1, 2020 until June 30, 2023.

Applying the provisions of the CREATE Act, the Company, except the schools, has been subjected to the lower RCIT rate of 25% of taxable income or the reduced MCIT rate of 1% of gross income, effective July 1, 2020. Likewise, the impact on the December 31, 2020 consolidated balances had the CREATE Act been substantially enacted as of then, that were adjusted in March 2021, are as follows:

Unaudited Interim Consolidated Statement of Financial Position

	Increase (Decrease)
Deferred tax assets	(₱23,018)
Deferred tax liabilities	(1,681)
Income tax payable	(21,056)
Other current assets	991

Unaudited Interim Consolidated Statement of Income

	Increase (Decrease)
Provision for current income tax	(₱22,047)
Provision for deferred income tax	21,337

26. **Pension and Other Post-employment Benefits**

Pension and other post-employment benefits consist of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Net pension liability	**₱192,083**	₱194,312
Vacation and sick leave	**67,903**	65,008
Defined contribution plan	**(101)**	(101)
	₱259,885	₱259,219

27. **Financial Risk Management Objectives and Policies**

The main risks arising from the Company's treasury transactions are credit risk, liquidity risk, market risk, foreign currency risk, interest rate risk and equity price risk. Careful study, skill, prudence and due diligence are exercised at all times in the handling of the funds of the Company.

Credit Risk

Credit risk is the risk that the Company will incur a loss arising from customers, clients or counter-parties that fail to discharge their contractual obligations. Due to the Company's investing and operating activities, the Company is exposed to the potential credit-related losses that may occur as a result of an individual, counterparty or issuer being unable or unwilling to honor its contractual obligations.

In managing credit risk on these financial instruments, the Company transacts only with the Company's duly accredited domestic and foreign banks. Investments per financial institution are subject to a maximum of 20% of the Company's investible funds. It is the Company's policy that investments cannot exceed 10% of the trust or mutual fund's total assets.

A comprehensive credit and business review in coordination with dealers or underwriters is performed whenever the Company invests in non-rated securities. Furthermore, the Company monitors the credit quality of corporate and sovereign bonds with reference to credit rating studies and updates from the major rating agencies. The Company's exposure to credit risk on its cash and cash equivalents and trade and other receivables arises from default of the counterparties with maximum exposures equal to the carrying amounts of the instruments.

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Financial assets at amortized cost:		
Cash and cash equivalents	**₱3,356,354**	₱3,695,914
Trade and other receivables	**4,504,772**	4,935,304
Deposit*	**11,619**	38,773
	₱7,872,745	₱8,669,991

**Presented under "Other noncurrent assets" account in the unaudited interim consolidated statement of financial position.*

Credit Quality of Receivables from Customers

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure of the Company's receivables from customers using provision matrix:

June 30, 2022	**Receivables from customers**					
			Days past			
	Current	**<30 Days**	**30-60 Days**	**61-90 Days**	**>91 Days**	**Total**
Expected credit loss rate	**6.42%**	**8.64%**	**5.38%**	**46.17%**	**85.51%**	**30.38%**
Estimated total gross carrying amount default	**₱1,708,615**	**₱586,824**	**₱104,831**	**₱144,113**	**₱980,011**	**₱3,524,394**
Expected credit loss	**109,675**	**50,709**	**5,637**	**66,532**	**838,013**	**1,070,566**

December 31, 2021	Receivables from customers					
	Days past due					
	Current	<30 Days	30-60 Days	61-90 Days	>91 Days	Total
Expected credit loss rate	5%	10%	10%	59%	72%	24%
Estimated total gross carrying amount default	₱2,427,509	₱506,153	₱115,519	₱277,157	₱993,267	₱4,319,605
Expected credit loss	110,180	49,673	11,862	163,345	716,619	1,051,679

Impaired financial instruments comprise of receivables from customers and other receivables. The past due but not impaired trade and other receivables are expected to be collected the following year.

Liquidity Risk

Liquidity risk is the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. The Company manages liquidity risks by restricting investments and continuously monitoring weekly and monthly cash flows as well as updates of annual plans.

The maturities of the financial liabilities are determined based on the Company's projected payments and contractual maturities. The average duration adheres to guidelines provided by the Investment Committee. It is the Company's policy to restrict investment principally to publicly traded securities with a history of marketability and by dealing with only large reputable domestic and international institutions.

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, investment in bonds and investments in UITFs.

Foreign exchange risks on the U.S. dollar and other foreign currencies are managed through constant monitoring of the political and economic environment. Returns are also calibrated on a per currency basis to account for the perceived risks with higher returns expected from weaker currencies.

The following table shows the foreign currency-denominated financial assets and financial liabilities and their peso equivalents as of June 30, 2022 and December 31, 2021:

	June 30, 2022 (Unaudited)		December 31, 2021 (Audited)	
	Foreign Currency	**Peso Equivalent**	Foreign Currency	Peso Equivalent
Financial assets:				

Cash and cash equivalents	**US$16,019**	**₱880,665**	US$18,682	₱952,771
Cash and cash equivalents	**VND35,610**	**75**	VND35,703	80
Receivables	**US$5,135**	**282,302**	US$491	25,034
Derivative assets	**US$112**	**6,164**	US$57	2,931
Investment in UITF	**US$12**	**655**	US$12	608
		₱1,169,861		₱981,424
Financial liabilities:				
Trust receipts payables	**US$11,771**	**₱647,135**	US$5,450	₱277,969
Trade and other payables	**US$6**	**₱340**	US$98	₱4,974
		₱647,475		₱282,943

In translating foreign currency-denominated financial assets into peso amounts, the exchange rates used were ₱54.975 and ₱51.00 to US$1.00 as at June 30, 2022 and December 31, 2021, respectively.

Interest Rate Risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The following tables set out the carrying amounts, by maturity, of the Company's financial assets and liabilities that are exposed to interest rate risk as at June 30, 2022 and December 31, 2021:

June 30, 2022 (Unaudited)

	Interest Rates	**Within 1 Year**	**1 to < 2 Years**	**2 to < 3 Years**	**3 to 5 Years**	**More than 5**	**Total**
Financial Assets							
Placements (PHP)	**0.45%-1.25%**	**₱1,110,310**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,110,310**
Financial Liabilities							
PHN	**2.75%-6.00%**	**20,000**	**20,000**	**20,000**	**40,000**	**1,859,362**	**1,959,362**
PHINMA Solar	**4.875%-6.3371%**	**6,666**	**11,110**	**11,110**	**22,221**	**48,744**	**99,851**

December 31, 2021 (Audited)

	Interest Rates	Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	Total
Financial Assets							
Placements (PHP)	0.45%-1.25%	₱890,496	₱–	₱–	₱–	₱–	₱890,496
Financial Liabilities							
PHN	6.00%	20,000	20,000	20,000	40,000	1,859,362	1,959,362
UGC	5.50%-6.72%	79,252	173,977	66,604	117,210	88,244	525,287
PHINMA Solar	4.875%-4.924%	556	2,222	2,222	4,444	10,556	20,000

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

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.

Capital Management

The primary objective of the Company's capital management is to ensure that the Company maintains a healthy capital structure to maintain strong credit rating and maximize shareholder value.

The Company closely monitors and manages its debt-to-equity ratio, which it defines as total liabilities divided by total equity. Capital includes all the accounts appearing in the "Equity attributable to equity holders of the parent" and "Equity attributable to non-controlling interests" in the unaudited interim condensed consolidated statement of financial position.

To ensure that there are sufficient funds to settle its liabilities, the Company's policy is to keep debt-to-equity ratio below 1:1. The Company's consolidated debt-to-equity ratio as at June 30, 2022 and December 31, 2021 are as follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Total liabilities	**₱20,366,783**	₱20,148,234
Total equity	**10,111,381**	9,933,061
Debt-to-equity ratio	**2.01:1**	2.03:1

The Company expects to improve the debt-to-equity ratio mainly through improvement in the Company's business operations.

28. **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:

	June 30, 2022 (Unaudited)				
	Carrying Value	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Investments held for trading:					
Investments in UITFs	**₱1,768,403**	**₱1,768,403**	**₱–**	**₱1,768,403**	**₱–**
Investments in marketable equity securities	**6,879**	**6,879**	**6,879**	**–**	**–**
Investment in club shares designated at FVOCI	**32,300**	**32,300**	**–**	**32,300**	**–**
Non-listed equity instruments designated at FVOCI	**76,560**	**76,560**	**–**	**–**	**76,560**
Non-listed equity instruments designated at FVPL	**2,200,457**	**2,200,457**	**–**	**–**	**2,200,457**
Derivative assets	**526,801**	**526,801**	–	–	**526,801**
	₱4,611,401	**₱4,611,400**	**₱6,879**	**₱1,800,703**	**₱2,803,818**
Liabilities					
Derivative liability	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Non-controlling interest put liability	**2,025,597**	**2,025,597**	**–**	**–**	**2,025,597**
Long-term debt	**10,996,145**	**8,864,459**	**–**	**–**	**8,864,459**
	₱13,021,742	**₱10,890,056**	**₱–**	**₱–**	**₱10,890,056**

	December 31, 2021 (Audited)				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets					
Investments held for trading:					
Investments in UITFs	₱1,302,457	₱1,302,457	₱–	₱1,302,457	₱–
Investments in marketable equity securities	8,271	8,271	8,271	–	–
Investment in club shares designated at FVOCI	32,350	32,350	–	32,350	–
Non-listed equity instruments designated at FVOCI	76,310	76,310	–	–	76,310
Non-listed equity instruments designated at FVPL	2,105,243	2,105,243	–	–	2,105,243
Derivative assets	513,429	513,429	2,931	–	510,498

	₱4,038,060	₱4,038,060	₱11,202	₱1,334,807	₱2,692,051
Liabilities					
Non-controlling interest put liability	₱1,862,875	₱1,862,875	₱–	₱–	₱1,862,875
Long-term debt	9,313,655	9,313,655	–	–	9,313,655
	₱11,176,530	₱11,176,530	₱–	₱–	₱11,176,530

During the periods ended June 30, 2022 and December 31, 2021, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The following methods and assumptions are used to estimate the fair value of the following financial instruments.

Investments Held for Trading and Financial Assets at FVOCI. Quoted market prices have been used to determine the fair value of financial assets at FVPL and quoted equity at FVOCI investments. The fair values of unquoted equity investments at FVOCI have been estimated using a discounted cashflow model. The valuation requires management to make certain assumptions about the model inputs including forecast cashflows, the discount rate, credit risk and volatility. 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 equity 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 8.0% to 11.8% as at June 30, 2022 and December 31, 2021. An increase (decrease) in the discount rate will decrease (increase) the fair value of the nonlisted shares of stock.

Cash and Cash Equivalents, Trade and Other Receivables, Notes Payable, Trade and Other Payables, Trust Receipts Payable and Due to Related Parties. Due to the short-term nature of these transactions, the carrying value approximate the fair values as at the reporting date.

Derivative Liability. Estimated fair value is based on the average rate of the forward bid rates and forward ask rates computed in Bloomberg.

Long-term Debt. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable rates for similar types of loans. Discount rates used ranged from 3% to 7% and 1% to 4% in 2022 and 2021, respectively.

Derivative Instruments

Freestanding Derivatives. The Company's derivative financial instruments are accounted for as financial instruments at FVPL.

UGC and PhilCement entered into a buy US$-sell PH₱ deliverable foreign currency forward contracts to manage the foreign currency risk arising from its US$-denominated trust receipts payable.

29. **Leases**

Company as Lessee

The rollforward analysis of right-of-use assets follows:

	Right-of-use: Land	Right-of-use: Buildings &	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	**–**	**–**	**1,790**	**–**	**1,790**
Retirement	**–**	**–**	**(3,500)**	**–**	**(3,500)**
At June 30, 2022	**106,037**	**147,507**	**267,696**	**2,470**	**523,710**
Accumulated Depreciation and Amortization					
At January 1, 2022	**12,398**	**65,767**	**109,867**	**2,143**	**190,175**
Depreciation	**2,973**	**9,496**	**29,936**	**327**	**42,732**
Retirement	**–**	**–**	**(2,066)**	**–**	**(2,066)**
At June 30, 2022	**15,371**	**75,263**	**137,737**	**2,470**	**230,841**
Net Book Value	**₱90,666**	**₱72,244**	**₱129,959**	**₱–**	**₱292,869**

	December 31, 2021 (Audited)				
	Right-of-use: Land	Right-of-use: Buildings & Warehouses	Right-of-use: Vehicles	Right-of-use: Others	Right-of-use: Total
Cost					
At January 1, 2021	₱107,241	₱151,998	₱234,008	₱1,906	₱495,153
Additions	6,175	11,855	35,398	564	53,992
Pre-termination	(7,379)	(16,346)	–	–	(23,725)
At December 31, 2021	106,037	147,507	269,406	2,470	525,420
Accumulated Depreciation and Amortization					
At January 1, 2021	8,132	45,856	40,756	1,906	96,650
Depreciation	5,598	24,066	69,111	237	99,012
Pre-termination	(1,332)	(4,155)	–	–	(5,487)
At December 31, 2021	12,398	65,767	109,867	2,143	190,175
Net Book Value	₱93,639	₱81,740	₱159,539	₱327	₱335,245

The roll-forward analysis of lease liabilities follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
As at beginning of period	**₱355,901**	₱419,671
Payments	**(60,299)**	22,523
Accretion of interest	**9,744**	53,810
Additions	**1,869**	(15,486)
Pre-termination	**(1,561)**	(124,617)
As at end of period	**305,654**	355,901
Less current portion of lease liabilities	**108,376**	108,266
As at end of period	**₱197,278**	₱247,635

30. **Contingencies**

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.

31. **Earnings per Share (EPS) Computation**

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
(a) Net income attributable to equity holders of the parent	**₱406,833**	₱439,340
(b) Weighted average number of common shares outstanding	**271,893**	272,280
Basic/diluted EPS attributable to equity holders of the parent (a/b)	**₱1.50**	P1.61

32. **Segment Information**

For management purposes, the Company is organized into business units based on its products and services and has five reportable operating segments as follows:

- Investment holdings - PHN and PSHC are engaged in investment holding activities of shares of stocks and other financial instruments.
- Property development - API, APHI, and Coral Way lease out its real and personal properties. PPHC is engaged in real estate development.
- Construction materials - PhilCement encompasses the operations of the cement trading. UGC handles the manufacturing and trading of iron and steel products. PHINMA Solar provides solar rooftop system to customers. The Company has assessed that the nature of the products and services and the type or class of customers for these products and services are related.
- Educational services - PEHI holds interest in AU, COC, UPANG, UI, SWU, RCI and RCL which offer graduate, tertiary, secondary and elementary education services. CAA conducts a non- sectarian institution of learning and operates schools for all levels below tertiary level, whether preschool, primary, secondary, technical and vocational, specialized programs and for all and any form of educational activities.
- BPO - ICI Asia (formerly Fuld Philippines) is engaged in strategic consulting while OAL was engaged in animation services. In 2020, the Parent Company sold its ownership interest in ICI Asia.

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 unaudited interim condensed 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 non-controlling interests. 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 unaudited interim condensed 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:

	Six-Month Period Ended June 30, 2022 (Unaudited)						
	Investment Holdings	**Property Development**	**Construction Materials**	**Educational Services**	**BPO**	**Eliminations**	**Total Operations**
Revenues	**₱163,800**	**₱36,072**	**₱7,068,652**	**₱1,374,184**	**₱–**	**(₱10,856)**	**₱8,631,852**
Segment results	**59,080**	**30,352**	**594,462**	**160,014**	**(437)**	**489**	**843,960**
Investment income	**121,345**	**(383)**	**5,146**	**2,216**	**–**	**(10,856)**	**117,468**
Equity in net earnings (losses) of associates and joint ventures	**–**	**16,446**	**–**	**(168)**	**–**	**–**	**16,278**
Interest expense and financing charges	**(122,657)**	**–**	**(149,658)**	**(79,134)**	**–**	**12,688**	**338.761**
Provision for income tax	**(2,007)**	**(5,018)**	**(6,664)**	**13,816**	**–**	**–**	**127**
Share of non-controlling interest	**–**	**–**	**–**	**(38,341)**	**–**	**(193,898)**	**(232,239)**
Net income attributable to equity holders of parent	**₱55,761**	**(₱41,397)**	**₱443,286**	**₱58,403**	**(₱437)**	**(₱191,577)**	**₱406,833**
Total assets	**₱12,078,284**	**₱372,314**	**₱12,075,746**	**₱12,046,040**	**₱997**	**(₱6,095,216)**	**₱30,478,165**
Total liabilities	**₱5,358,117**	**₱52,514**	**₱8,093,903**	**₱5,558,498**	**₱308,497**	**₱995,254**	**₱20,366,783**

	Six-Month Period Ended June 30, 2021 (Unaudited)						
	Investment Holdings	Property Development	Construction Materials	Educational Services	BPO	Eliminations	Total Operations
Revenues	₱20,758	₱7,490	₱6,307,715	₱1,474,696	₱–	(₱1,710)	₱7,808,949
Segment results	(53,581)	278	733,441	471,765	(417)	2,113	1,153,599
Investment income	4,056	6,541	2,833	3,967	–	(1,710)	15,687
Equity in net earnings (losses) of associates and joint ventures	–	(35,259)	–	2,580	–	–	(32,679)
Interest expense and financing charges	(67,273)	–	(148,686)	(83,666)	–	1,710	(297.915)
Provision for income tax	(1,162)	(98)	(35,695)	(39,519)	–	–	(76,474)
Share of non-controlling interest	–	–	–	(65,485)	–	(278,737)	(344,222)
Net income attributable to equity holders of parent	(₱117,960)	(₱28,538)	₱551,893	₱289,642	(₱417)	(₱276,624)	₱417,996
Total assets	₱9,020,540	₱323,321	₱10,854.833	₱11,632,239	₱1,200	(₱5,638,324)	₱26,193,809
Total liabilities	₱2,592,028	₱52,510	₱7,383,458	₱5,555,000	₱307,309	₱1,225,837	₱17,116,142

Seasonality of Operations

Like any company in the construction industry, the operations of UGC and PhilCement are affected by seasonality demand. Demand for construction materials is greater during the dry months from December to May than during the rainy months of June to November. Hence, the demand for the first semester of the calendar year is normally higher than that of the second semester.

The revenues of the schools under the PHINMA Education network decline during summer months. Hence, net income during the first half of the calendar year is lower than the second half.

For other subsidiaries, there is no significant seasonality that would materially affect their operations.

33. Other Matters

COVID-19 Pandemic

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country starting March 16, 2020 have caused disruptions in the Company's business activities. There are increased market activities with the easing of the quarantine measures in key areas in the Philippines. Easing of the quarantine restrictions and rollout of the national vaccination program will further improve market activities.

The COVID-19 pandemic has resulted in disruptions in operations of the various business units. Its impact is reflected in the unaudited interim condensed consolidated financial statements. The Company continues to monitor developments and to adapt accordingly.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the six-month period ended June 30, 2022, PHINMA Corporation's (PHN) consolidated revenues grew to ₱8.63 billion, marking a 10.14% increase over the same period last year. On the other hand, consolidated net income declined to ₱639.07 million as compared to ₱783.56 million in the first half of 2021, primarily due to an 18.20% increase in costs amounting to ₱1.04 billion in the midst of continued abnormal supply conditions. The increase in cost was offset by the improvement in performance of PHINMA Property Holdings Corporation (PHINMA Properties) as well as ₱95.21 million in gains from PHN's investment in Song Lam Cement Joint Stock Corporation (Song Lam).

Consolidated revenue of PHINMA Education Holdings, Inc. (PHINMA Education) for the six-month period amounted to ₱1.37 billion. This is lower by 6.82% than the first half of 2021 since it reflects four months of regular semester compared to five months regular semester for the 1st half of 2021. PHINMA Education's net income for the period declined to ₱96.9 million due to higher variable costs related to higher enrolment and other one-time charges.

The Construction Materials Group (CMG), composed of Union Galvasteel Corporation (UGC), Philcement Corporation (Philcement), and PHINMA Solar Corporation (PHINMA Solar), posted consolidated revenues of ₱7.07 billion for the first half of 2022, up by 13.0% from the same period last year. Net income of CMG for the period was lower at ₱443.28 million due to temporarily higher costs amidst global supply chain issues.

During the period, PHN's subsidiary, Asian Plaza Inc., posted net income of ₱28.21 million mainly due to a gain on sale of real property.

In its affiliate, PHINMA Properties, PHN equitized net income of ₱18.24 million during the period compared to an equitized net loss of ₱20.06 million during the same period last year. This was primarily attributable to higher booked units as well as improvements in gross margins.

Equitized net loss in Coral Way City Hotel Corporation (Coral Way) amounted to ₱5.35 million, as the company continued to shift its focus to business and leisure markets given the reduced demand for quarantine bookings. Cash from operations nevertheless remained positive on the back of increased contributions from leisure and corporate bookings.

Consolidated net income attributable to equity holders of the parent amounted to ₱406.83 million for the first six months of 2022, lower by 7.99% compared to ₱439.34M in the first six months of 2021.

PHINMA Corporation ended the period with cash and cash equivalents of ₱3.36 billion. As of June 30, 2022, consolidated total assets and total stockholders' equity amounted to ₱30.48 billion and ₱10.11 billion, respectively.

STRATEGIC BUSINESS UNITS (SBU)

The following discussion describes the performance of PHINMA's SBUs for the 1st half of 2022:

Education Group

Consolidated revenue of PHINMA Education Holdings, Inc. (PHINMA Education) for the six-month period amounted to ₱1.37 billion. This is lower by 6.82% than the first half of 2021 since it reflects four months of regular semester compared to five months regular semester for the 1st half of 2021. PHINMA Education's net income for the period declined to ₱96.9 million due to higher variable costs related to higher enrolment and other one-time charges.

Construction Materials Group

The Construction Materials Group, composed of UGC, Philcement, and PHINMA Solar, posted consolidated revenues of ₱7.07 billion for the first half of 2022, up from ₱6.26 billion during the same period last year. This improvement was driven by higher volume sold and selling prices.

CMG had a challenging first half, as it faced rising costs of raw materials, fuel, and freight driven by a volatile global supply chain brought about by geopolitical issues, particularly the war between Russia and Ukraine, as well as the lingering effect of the pandemic on global trade. As a result, net income of CMG for the period declined by 17.4% to ₱443.28 million.

Properties Group

In its affiliate, PHINMA Properties, PHN equitized net income of ₱18.24 million during the period compared to an equitized net loss of ₱20.06 million during the same period last year. PHINMA Properties successfully generated higher booked units during the period as well as improvements in gross margins driven by increases in selling prices and effective construction cost management.

During the first half of 2022, Asian Plaza Inc. posted net income of ₱28.21 million mainly arising from a gain on sale of real property.

Hospitality Group

Coral Way began to also accept business and leisure travelers following the removal of facility-based quarantine requirements for incoming travelers starting mid-February 2022 and as domestic travel began to recover. As the company continues to undergo this transition, PHN equitized a net loss of ₱5.35 million in Coral Way during the period. Nevertheless, EBITDA and cash flow from operations remained positive on the back of stronger bookings from the business and leisure segments, which have allowed for improved room rates.

Key Performance Indicators (KPI)

The top five (5) KPI's used to measure the financial performance of PHINMA and its subsidiaries as of the six (6) month period ended June 30, 2022 compared to the same period in the previous year are shown in the following table:

Financial KPI	Definition	June 2022	June 2021
Profitability			
Return on Equity	Net income attributable to equity holders of the parent / Average equity attributable to equity holders of the parent[i]	**5.40%**	6.56%
Gross Profit Margin	Gross profit[ii] / Total Revenues	**22.09%**	27.43%
Efficiency			
Cash Flow Margin	Cash flows from operating activities / Total Revenues	**(14.13%)**	0.86%
Liquidity			
Current Ratio	Total Current Assets / Total Current Liabilities	**1.74 : 1:00**	1.28 : 1.00
Debt-to Equity Ratio	Total Liabilities / Total Equity	**2.01 : 1:00**	1.88 : 1.00

[i] Average Equity Attributable to Equity Holders of the Parent is derived by dividing in two (2) the sum of beginning Equity Attributable to Equity Holders of the Parent and ending Equity Attributable to Equity Holders of the Parent.

[ii] Gross Profit is calculated by deducting cost of sales and cost of educational, installation, hospital and consultancy service from total revenues.

Profitability

The return on equity for the period of 5.40% is lower than 6.56% return for the same period the previous year due to decrease in net income. Gross profit margin decreased from 27.43% in 2021 to 22.09% in 2022 due to increased costs, given the abnormal supply conditions.

Efficiency

Net cash outflow from operations amounted to ₱1.2 billion for the six months ended June 30, 2022 compared to net cash inflow of ₱67.2 million over the same period last year, mainly due to payment of trade payable and trust receipts payable by CMG and payment by parent of the interest on corporate bond, which was obtained in the third quarter of previous year.

Liquidity

Current ratio as of end June 2022 increased from 1.28:1.00 in 2021 to 1.74:1.00 in 2022 mainly due to increase in inventory and prepaid expenses from CMG.

Debt-equity ratio of PHINMA and its subsidiaries as of end June 2022 was 2.01:1.00.

The accompanying interim condensed consolidated financial statements of PHINMA for the six (6) months ended June 30, 2022 have been prepared in accordance with PAS 34, Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of December 31, 2021.

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit and loss and derivative investments that have been measured at fair value.

The consolidated financial statements are prepared in Philippine pesos, the company's functional and presentation currency.

Interim Disclosures on Financial Statements

Below are additional disclosures on the Company's operations:

a. On any known trend, demand, commitment, event and uncertainty that will result in or likely to decrease its liquidity in any material way :

   PHN does not anticipate having any cash flow or liquidity problems nor does it anticipate any default or breach of any of its existing loans.

b. On any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

   None

c. On material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other person created during the reporting period:

   None

d. On material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures:

   None

e. On any known trend, event or uncertainty that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations:

   The COVID-19 surge in January-February and continuing abnormal supply situation have resulted in disruptions and challenges in operations of the various business units. Its impact is reflected in the financial statements as of June 30, 2022. PHINMA Corporation and its subsidiaries continue to monitor developments and to adapt accordingly.

f. Any significant elements of income or loss that did not arise from the Issuer's continuing operations.

   None.

g. On the causes for any material change from period to period which shall include vertical and horizontal analyses of any material item:

   Increase or decrease of 5% or more in the financial statements are discussed below.

h. On any seasonal aspect that had a material effect on the financial condition or results of operations.

   Like any company in the construction industry, the operations of UGC and Philcement are affected by seasonal demand. Demand for construction materials is greater during the dry months than during the rainy months. Hence, the demand for the first semester of the calendar year is normally higher than that of the second semester. The rainy months this year, however, started early, thus CMG experienced soft demand as early as mid- Q2 2022.

   School year 2021/22 for PHINMA Education's schools was from August to April; summer classes started in June. Thus cashflow outside these periods may be relatively lower.

   For other subsidiaries, there is no significant seasonality that would materially affect their operations.

Material Changes in Statement of Financial Position Accounts

Cash and cash equivalents

The movement in cash and cash equivalents are shown in the cash flow statement

Investments held for trading

The net increase in the account is mainly attributable to new investments in UITFs of the parent company.

Trade and other receivables

The net decrease in trade and other receivables is attributable to collection of tuition in the schools, as the second semester in SY2021-22 ended. This offset the increase in receivables from CMG resulting from higher revenues.

Inventory

The net increase in inventory is attributable to CMG, in part due to temporarily higher input costs.

Input value-added taxes

The decrease in the account is mainly due to utilization of CMG’s input tax which was offset against its output tax from increased sales in Q2 2022.

Derivative asset

The increase in this account is mainly attributable to lower forward rate compared to closing rate for the period for CMG's deliverable forward contracts.

Other current assets

The net increase in other current assets is mainly due to increase in prepaid expenses and prepaid taxes from CMG

Financial asset at FV through P&L

The increase of P95.2 million is due to the increase in the fair value of the investment in Song Lam preferred shares.

Right-of-use of assets

The P42.4 million decrease represents the depreciation of the right of use of asset of CMG.

Deferred tax assets

The increase in this account pertains mainly to an increase in deferred tax assets of CMG and SWU.

LIABILITIES

Notes payable

The P1.7 billion increase in this account is attributable to the short-term notes that CMG availed of in Q2 2022

Contract liabilities

Tuition fees for the semester are accrued as receivable at the start of the semester and the corresponding liability is booked under Contract Liabilities. The latter decreases as the revenue is earned over the semester. This account decreased by P997.9 million during the first half of the year 2022 due to the completion of the second semester for SY2021-22.

Trust receipts payable

The decrease of ₱878.9 million in the account is attributable to settlement of CMG's trust receipts payable using the proceeds from the short-term loans.

Income and other taxes payable

The decrease in this account is attributable to payment of taxes by CMG, partially offset by increase in tax payable from the schools.

Current portion – long-term debt

The increase in this account resulted mainly from re-classification of a portion of long-term debt of CMG, becoming current in Q2.

Due to related parties

The drop in due to related parties is mainly attributable to payment of amounts due to the parent holding company.

Non-controlling interest put liability

The movement represents the increase in present value of the contingent amount payable by PHINMA Corporation to non-controlling shareholders of PHINMA Education.

Lease liabilities

The decrease in the account amounting to ₱50.4 million represents periodic lease payments by CMG and UPang.

EQUITY

Share in other comprehensive income of associates

The change is due to a decrease in fair value of financial assets held by ABCIC Property Holdings Corporation

Exchange differences on translation of foreign operations

The movement in the account represents the cumulative adjustments mainly arising from the translation of the financial statements of One Animate Limited (OAL) to Philippine Pesos.

Equity reserves

The movement in the account is due to the increase in the contingent liability arising from the put option on shares in PHINMA Education.

Retained earnings

The increase in the account represents increase in net income for the 2nd quarter of 2022, partially offset by dividends declared during the period.

Material Changes in Income Statement Accounts

Revenues

The P794.7 million increase in revenues is mainly due to 13% increase in CMG revenues, partially offset by lower tuition revenue as the latter included four months of regular semester compared to five months regular semester during the same period last year.

Cost of sales

The increase in cost of sales is attributable to abnormal supply conditions faced by the CMG companies.

General and administrative expenses

General and administrative expenses also increased from previous year due to higher costs resulting from volatile supply situation as well as higher personnel cost to support increased enrollment in SY2122

Selling expenses

The decrease in the account can be attributed to the manpower rationalization in CMG.

Interest expense and other financing charges

The increase in interest expense and other financing charges resulted from the P3 billion corporate bond issued third quarter of last year as well as the additional long-term debt obtained by Philcement during the last quarter of 2021.

Equity in net earnings (losses) of associates and joint ventures

Equity in net earnings of investees increased in Q2 2022 due to share in higher net earnings in Phinma Property Holdings Corp.

Foreign exchange gains (losses) – net

In March 2021, a foreign exchange gain arose from the dollar-denominated assets of the parent company, earmarked for the investment in Songlam. For Q2 2022, the forex gain is attributable to PEHI's USD holdings restated at the forex rate of P54.975 : $1 compared to P50.99 : $1 as of December 31, 2021.

Gain (loss) on change in fair value of financial assets at FVPL

Increase in this account is attributable to the increase in fair value of the investment in Song Lam preferred shares.

Gain (loss) on derivatives

The gain on derivatives for the year arises from the put option on the Song Lam preferred shares.

Others – net

Increase in other income is attributable to increase in other income of PHINMA Education and CMG.

Provision for (benefit from) income tax

The provision includes deferred tax adjustments of PHINMA Education.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHINMA CORPORATION

REGINA B. ALVAREZ
Senior Vice President and Group Controller

ANNABELLE S. GUZMAN
Vice President - Controller

August 10, 2022

PHINMA CORPORATION
Consolidated Aging of A/R-Trade
As of June 30, 2022
in thousands

	Amount
Current	1,708,615
1 - 30 days	586,824
31 - 60 days	104,831
61 - 90 days	144,113
Over 90 days	980,011
TOTAL	**3,524,394**
Less : Allowance for doubtful accounts	1,070,566
Net Trade Receivable	**2,453,828**

PHINMA CORPORATION
Consolidated Aging of A/R-Nontrade
As of June 30, 2022
in thousands

	Amount
Current	P1,684,716
1 - 30 days	34,943
31 - 60 days	14,033
61 - 90 days	15,313
Over 90 days	448,874
TOTAL	**P2,197,879**
Less : Allowance for doubtful accounts	146,935
Net AR - Non Trade	**P2,050,944**

Gmail

Flora Tolarba <fdtolarba@phinma.com.ph>

PHINMA Corporation_SEC Form 17-Q_Quarterly Report for the period ended September 30, 2022

3 messages

rdsoliven <rdsoliven@phinma.com.ph> Fri, Nov 11, 2022 at 8:22 PM
To: ictdsubmission@sec.gov.ph
Cc: msrd_covid19@sec.gov.ph, Flora Tolarba <fdtolarba@phinma.com.ph>, Gina Baclig <gbbaclig@phinma.com.ph>, Annabelle Guzman <asguzman@phinma.com.ph>

Gentlemen,

We hereby submit the **SEC Form 17 - Q (Quarterly Report) for the period ended September 30, 2022**, filed on behalf of **PHINMA Corporation** in compliance with SEC Notice on Options in the Submission of Reports, Applications and Other Documents during the Effectivity of All Community Quarantine Imposed due to COVID-19, dated June 24, 2020.

We hope you find our submission in order and acknowledge receipt.

Thank you.

ROLANDO D. SOLIVEN
Vice President - Group Corporate Governance and Compliance Officer

PHINMA Corp_SEC 17 - Q_Q3 2022.pdf
1003K

Flora Tolarba <fdtolarba@phinma.com.ph> Wed, Mar 29, 2023 at 3:50 PM
To: ictdsubmission@sec.gov.ph

Kindly acknowledge receipt of this email.

Flora D. Tolarba
Senior Compliance Manager
Corporate Governance

PHINMA
Making Lives Better

PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City, Philippines, 1200

Tel: +632 8870 0632
Mobile: +63 9178658565
+63 9178536251

Email: fdtolarba@phinma.com.ph

www.phinma.com.ph

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[Quoted text hidden]

PHINMA Corp_SEC 17 - Q_Q3 2022.pdf
1003K

ICTD Submission <ictdsubmission+canned.response@sec.gov.ph> Wed, Mar 29, 2023 at 3:51 PM

To: fdtolarba@phinma.com.ph

Thank you for reaching out to ictdsubmission@sec.gov.ph. Your submission is subject for Verification and Review of the Quality of the Attached Document only for **Secondary Reports**. Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 7 working days via order from receipt through the SEC Express System at https://secexpress.ph/. Or you may call 8737-8888 for further clarifications.

NOTICE

Please be informed that selected reports should be filed through ***ELECTRONIC FILING AND SUBMISSION TOOL* (EFAST)**. **https://cifss-ost.sec.gov.ph/user/login**

such as: **AFS, GIS, GFFS, LCFS, LCIF, FCFS. FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT, FS-CONSOLIDATED, OPC_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS**)

Further, pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in **PORTABLE DOCUMENT FORMAT (PDF)** Secondary Reports such as:

17-A, 17-C, 17-L, 17-Q, ICASR, ICA-QR, ICA-AR, 23-A, 23-B, I-ACGR, ACGR, Monthly Reports, Quarterly Reports, Letters, OPC(ALTERNATE NOMINEE),GIS-G, 52-AR, IHAR,AMLA-CF,NPM,NPAM, BP-FCLC, CHINESEWALL, 39-AR,36-AR, PNFS, MCG, S10/SEC-NTCE-EXEMPT, through email at

ictdsubmission@sec.gov.ph

FOR **MC28**, please go to SEC website:

https://apps010.sec.gov.ph

For your information and guidance.

Thank you and keep safe.

COVER SHEET

1 2 3 9 7

S.E.C. Registration Number

P H I N M A   C O R P O R A T I O N

(Company's Full Name)

L E V E L   1 2 - P H I N M A   P L A Z A   3 9   P L A Z A
D R I V E ,   R O C K W E L L   C E N T E R   M A K A T I

(Business Address: No. Street City/Town/Province)

A N N A B E L L E   G U Z M A N

Contact Person

8 8 7 0 0 1 0 0

Company Telephone Number

1 2	3 1
Month	Day

Calendar Year

S E C   1 7 - Q

FORM TYPE

1 1	**1 1**	**2 2**
Month	Day	Year

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

PHINMA
Making Lives Better

PHINMA Corporation

Certification

I, **ANNABELLE S. GUZMAN, Vice President - Controller** of **PHINMA CORPORATION** with SEC registration number **12397** with principal office at **Level 12, PHINMA Plaza, 39 Plaza Drive, Rockwell Center Makati City**, on oath state:

1) That on behalf of **PHINMA Corporation**, I have caused this **SEC Form 17 – Q (Quarterly Report) as of September 30, 2022** to be prepared;

2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;

3) That **PHINMA Corporation** will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and

4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

NOV 04 2022

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of November, 2022.

ANNABELLE S. GUZMAN
Vice President - Controller

NOV 04 2022

SUBSCRIBED AND SWORN to before me this ____ day of November, 2022 in Makati City, affiant exhibited her Driver's License No. N01-01-266669 with expiration date April 15, 2024.

ATTY. GEORGE DAVID D. SITON
NOTARY PUBLIC

Doc. No. 304
Page No. 62
Book No. 383
Series No. 2022

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17 – Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE (SRC) AND SRC RULE 17 (2)(b) THEREUNDER

1. For the quarterly period ended ***September 30, 2022***

2. Commission identification no. ***12397***

3. BIR Tax Identification No. ***000-107-026-000***

4. ***PHINMA Corporation***
   Exact name of registrant as specified in its charter

5. ***Manila, Philippines***
   Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code : __

7. ***12/F, Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City 1210***
   Address of registrant's principal office

8. ***(632) 8870-01-00***
   Registrant's telephone number, including area code

9. Former name, former address, and former fiscal year, if changed since last report : **N/A**
10. Common Shares – **286,325,265** shares issued and outstanding

11. Are any or all of the securities listed on the Philippine Stock Exchange ?

    Yes (x) No ( )

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    Philippine Stock Exchange, Inc. **Common Shares**

12. Indicate by check mark whether the registrant :

(a) Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11 (a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period the registrant was required to file such reports)

Yes [x] No [ ]

(b) Has been subject to such filing requirements for the past 90 days.

Yes [x] No [ ]

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1 Financial Statement

PHINMA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2022

(With Comparative Audited Figures as at December 31, 2021)

(Amounts in Thousands)

	September 30, 2022 (Unaudited)	December 31, 2021 (Restated)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 27 and 28)	**₱ 3,715,593**	₱3,699,080
Investments held for trading (Notes 6, 27 and 28)	**668,485**	1,310,728
Trade and other receivables (Notes 7, 27 and 28)	**5,412,668**	4,941,152
Inventories (Note 8)	**2,645,895**	1,974,054
Input value-added taxes	**62,096**	67,157
Derivative assets – current (Note 27 and 28)	**-**	2,931
Other current assets	**576,413**	265,153
Total Current Assets	**13,081,150**	12,260,255
Noncurrent Assets		
Investment in associates and joint ventures (Note 9)	**1,364,182**	1,247,086
Financial assets at fair value through profit and loss (Note 10)	**2,346,554**	2,105,243
Financial assets at fair value through other comprehensive income (Notes 11, 27 and 28)	**111,060**	108,660
Property, plant and equipment (Note 12)	**11,155,820**	10,663,905
Investment properties (Note 13)	**637,439**	627,438
Intangible assets (Note 14)	**1,845,280**	1,852,579
Right-of-use assets (Note 29)	**282,118**	335,245
Deferred tax assets - net (Note 25)	**128,115**	101,013
Derivative assets – noncurrent (Note 10)	**555,205**	510,498
Other noncurrent assets (Note 15)	**341,780**	341,224
Total Noncurrent Assets	**18,767,553**	17,892,891
	₱31,848,703	₱30,153,146
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Notes 16, 27 and 28)	**₱ 2,778,977**	₱930,174
Trade and other payables (Notes 17, 27 and 28)	**2,289,013**	2,309,321
Trust receipts payable (Notes 27 and 28)	**243,508**	1,711,433
Contract liabilities (Note 18)	**1,380,834**	1,338,861
Derivative liability (Notes 27 and 28)	**61**	–
Income and other taxes payable	**65,481**	47,651
Current portion of:		
Long-term debt (Notes 19, 27 and 28)	**622,747**	544,032
Lease liabilities (Notes 29)	**108,376**	108,266
Due to related parties (Notes 24, 27 and 28)	**102,419**	182,878
Total Current Liabilities	**7,591,416**	7,172,616
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 19, 27 and 28)	**10,243,318**	10,139,083
Non-controlling interest put liability (Notes 27 and 28)	**2,106,959**	1,862,875
Deferred tax liabilities - net (Note 25)	**426,086**	443,064
Pension and other post-employment benefits (Note 26)	**261,435**	259,219
Lease liabilities - net of current portion (Notes 29)	**177,607**	247,635
Other noncurrent liabilities	**47,635**	47,937
Total Noncurrent Liabilities	**13,263,040**	12,999,813
Total Liabilities	**20,854,456**	20,172,429

(Forward)

(Forward)

	September 30, 2022 (Unaudited)	December 31, 2021 (Restated)
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 20)	**₱2,863,312**	₱2,863,312
Additional paid-in capital	**396,845**	259,248
Treasury shares (Note 20)	**(182)**	(143,574)
Exchange differences on translation of foreign operations	**(1,156)**	(581)
Equity reserves	**(253,751)**	(80,192)
Other comprehensive income	**40,989**	38,167
Share in other comprehensive income (loss) of associates	**10,734**	11,538
Retained earnings (Note 20)	**5,236,500**	4,547,639
Equity Attributable to Equity Holders of the Parent	**8,293,291**	7,495,557
Non-controlling Interests	**2,700,956**	2,485,160
Total Equity	**10,994,247**	9,980,717
	₱ 31,848,703	₱30,153,146

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Data)

	Three-Month Periods Ended September 30		Nine -Month Periods Ended September 30	
	2022 (Unaudited)	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)
REVENUES				
Revenue from contracts with customers				
Sale of goods	**₱3,481,906**	₱3,127,506	**₱10,645,182**	₱9,505,796
Tuition, school fees and other services	**1,146,041**	936,237	**2,330,479**	2,186,246
Installation services	**8,974**	(3,175)	**35,614**	46,176
Hospital routine services	**55,254**	59,641	**134,673**	143,232
Consultancy services	**11,075**	10,908	**34,727**	17,514
Rental income	**18,635**	17,081	**55,594**	49,101
Investment income	**75,613**	59,674	**193,081**	96,920
	4,797,498	4,207,872	**13,429,350**	12,044,985
COSTS AND EXPENSES				
Cost of sales (Note 21)	**3,113,541**	2,570,137	**9,130,428**	7,652,083
Cost of educational, installation, hospital and consultancy services (Note 21)	**434,934**	371,824	**1,142,720**	979,150
General and administrative expenses (Note 22)	**597,878**	474,604	**1,436,389**	1,167,273
Selling expenses (Note 23)	**53,027**	162,478	**357,608**	483,162
	4,199,380	3,579,043	**12,067,145**	10,281,668
OTHER INCOME (EXPENSES)				
Interest expense and other financing charges	**(193,626)**	(168,442)	**(532,386)**	(466,357)
Foreign exchange gains - net (Note 27)	**48,271**	2,164	**111,752**	50,065
Equity in net earnings (losses) of associates and joint ventures (Note 11)	**(7,643)**	36,636	**8,635**	3,957
Gain on derivatives – net (Note 10)	**28,914**	90,259	**44,842**	87,881
Gain on pre-termination of long-term lease	**-**	-	**-**	653
Gain on change in fair value of financial assets at FVPL (Note 10)	**146,097**	75,919	**241,311**	75,919
Gain on sale of property, plant and equipment – net (Note 12)	**54**	169	**179**	585
Others – net	**7,020**	8,281	**29,611**	18,046
	29,087	44,896	**(96,056)**	(229,251)
INCOME BEFORE INCOME TAX	**627,205**	673,815	**1,266,149**	1,534,066
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)				
Current	**10,341**	13,522	**34,960**	58,421
Deferred	**(13,449)**	(2,523)	**(38,196)**	29,267
	(3,108)	10,999	**(3,236)**	87,688
NET INCOME	**₱ 630,313**	₱662,816	**₱ 1,269,385**	₱1,446,378
Attributable to:				
Equity holders of the Parent	**₱ 414,846**	₱448,994	**₱ 821,679**	₱888,334
Non-controlling interests	**215,467**	213,822	**447,706**	558,044
Net income	**₱ 630,313**	₱662,816	**₱ 1,269,385**	₱1,446,378
Basic/Diluted Earnings Per Common Share - Attributable to Equity Holders of the Parent (Note 31)	**₱1.52**	₱1.65	**₱3.00**	₱3.26

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Three-Month Periods Ended September 30		Nine-Month Periods Ended September 30	
	2022 (Unaudited)	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)
NET INCOME	**₱630,313**	₱662,816	**₱ 1,269,385**	₱1,446,378
OTHER COMPREHENSIVE INCOME (LOSS)				
Items not to be reclassified to profit or loss in subsequent periods				
Re-measurement loss on defined benefit obligation	**(1,509)**	-	**5,237**	(12,078)
Unrealized gain (loss) on change in fair value of financial assets at fair value through other comprehensive income (Note 11)	**2,064**	(71)	**3,464**	(1,525)
Share in unrealized gain (loss) on change in fair value of financial assets at fair value through other comprehensive income and defined benefit obligation of associates and joint ventures (Note 9)	**816**	968	**(804)**	6,187
Income tax effect	**(326)**	12	**(521)**	1,417
	1,045	909	**7,376**	(5,999)
Items to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations	**(361)**	(178)	**(719)**	(224)
Total other comprehensive income (loss)	**684**	731	**6,657**	(6,223)
TOTAL COMPREHENSIVE INCOME	**₱630,997**	₱663,547	**₱ 1,276,042**	₱1,440,155
Attributable to:				
Equity holders of the Parent	**₱ 416,108**	₱449,759	**₱826,197**	₱886,690
Non-controlling interests	**214,889**	213,788	**449,845**	553,465
Total comprehensive income	**₱630,997**	₱663,547	**₱1,276,042**	₱1,440,155

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent											
								Retained Earnings				
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Exchange Differences on Translation of Foreign Operations	Equity Reserves	Other Comprehensive Income	Share in Other Comprehensive Income (Loss) of Associates and Joint Ventures	Appropriated	Unappropriated	Subtotal	Non-controlling Interests	Total Equity
Balance, December 31, 2021 (Audited)	**₱2,863,312**	**₱259,248**	**(₱143,574)**	**(₱581)**	**(₱95,484)**	**₱38,167**	**₱11,538**	**₱1,765,500**	**₱2,769,021**	**₱7,467,147**	**₱2,465,914**	**₱9,993,061**
Adjustment as a result of the finalization of the purchase price allocation					**15,292**				**13,118**	**28,410**	**19,246**	**47,656**
Balance, January 1, 2022 (as restated)	**₱2,863,312**	**₱259,248**	**(₱143,574)**	**(₱581)**	**(₱80,192)**	**₱38,167**	**₱11,538**	**₱1,765,500**	**₱2,782,139**	**₱7,495,557**	**₱2,485,160**	**₱9,980,717**
Net income	–	–	–	–	–	–	–	–	**821,679**	**821,679**	**447,706**	**1,269,385**
Other comprehensive income (loss)	–	–	–	**(575)**	–	**2,822**	**(804)**	–	**3,012**	**4,455**	**2,202**	**6,657**
Total comprehensive income (loss)	–	–	–	**(575)**	–	**2,882**	**(804)**	–	**824,691**	**826,134**	**449,908**	**1,276,042**
Cash dividends (Note 20)	–	–	–	–	–	–	–	–	**(135,930)**	**(135,930)**	**(163,588)**	**(299,518)**
Realized gain on sale of financial assets at fair value through other comprehensive income									**100**	**100**	–	**100**
Put option over non-controlling interests (Note 20)	–	–	–	–	**(173,559)**	–	–	–	–	**(173,559)**	**(70,524)**	**(244,083)**
Business Combination	–	–	–	–	–	–	–	–	–	–	–	–
Reversal of appropriation (Note 20)	–	–	–	–	–	–	–	–	–	–	–	–
Sale of Treasury shares	–	**137,597**	**143,851**	–	–	–	–	–	–	**281,448**	–	**281,448**
Buyback of shares	–	–	**(459)**	–	–	–	–	–	–	**(459)**	–	**(459)**
Balance, September 30, 2022 (Unaudited)	**₱2,863,312**	**₱396,845**	**(₱182)**	**(₱1,156)**	**(₱253,751)**	**₱40,989**	**₱10,734**	**₱1,765,500**	**₱3,471,000**	**₱8,293,291**	**₱2,700,956**	**₱10,994,247**

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Exchange Differences on Translation of Foreign Operations	Equity Reserves	Other Comprehensive Income	Share in Other Comprehensive Income (Loss) of Associates and Joint Ventures	Retained Earnings Appropriated	Retained Earnings Unappropriated	Subtotal	Non-controlling Interests	Total Equity
Balance, December 31, 2020 (Audited)	**₱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**
Adjustment as a result of the finalization of the purchase price allocation									**(1,017)**	**(1,017)**		**(1,017)**
Balance, January 1, 2021 (as restated)	**₱2,863,312**	**₱259,248**	**(₱136,347)**	**₱297**	**₱34,694**	**₱38,922**	**(₱2,137)**	**₱2,415,500**	**₱1,105,486**	**₱6,578,975**	**₱1,973,422**	**₱8,552,397**
Net income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**888,334**	**888,334**	**558,044**	**1,446,378**
Other comprehensive income (loss)	**–**	**–**	**–**	**(181)**	**–**	**(1,260)**	**6,186**	**–**	**(6,389)**	**(1,644)**	**(4,579)**	**(6,223)**
Total comprehensive income (loss)	**–**	**–**	**–**	**(181)**	**–**	**(1,260)**	**6,186**	**–**	**881,945**	**886,690**	**553,465**	**1,440,155**
Cash dividends (Note 20)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(108,927)**	**(108,927)**	**(51,595)**	**(160,522)**
Put option over non-controlling interests (Note 20)	**–**	**–**	**–**	**–**	**(89,214)**	**–**	**–**	**–**	**–**	**(89,214)**	**(118,547)**	**(207,761)**
Business Combination	**–**	**–**	**–**	**–**	**3,251**	**–**	**–**	**–**	**–**	**3,251**	**19,258**	**22,509**
Reversal of appropriation (Note 20)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,250,000)**	**2,250,000**	**–**	**–**	**–**
Buyback of shares	**–**	**–**	**(1,371)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,371)**	**–**	**(1,371)**
Balance, September 30, 2021 (Unaudited)	**₱2,863,312**	**₱259,248**	**(₱137,718)**	**₱116**	**(₱51,269)**	**₱37,662**	**₱4,049**	**₱165,500**	**₱4,128,504**	**₱7,269,404**	**₱2,376,003**	**₱9,645,407**

See accompanying Notes to Interim Condensed Consolidated Financial Statements

PHINMA CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Nine-Month Periods Ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱1,266,149**	₱1,534,066
Adjustments to reconcile income before income tax to net cash flows:		
Depreciation and amortization (Notes 21, 22 and 23)	**455,485**	442,379
Interest expense and other financing charges	**532,386**	466,357
Unrealized foreign exchange gain – net	**(111,752)**	(50,065)
Pension and other employee benefits expense	**43,402**	33,137
Equity in net earnings of associates and joint ventures (Note 9)	**(8,635))**	(3,957)
Gain on investments held for trading – net	**(5,405)**	(15,265)
Unrealized gain on change in fair value of investment (Note 10)	**(241,311)**	(75,919)
Interest income	**(187,561)**	(81,435)
Loss on derivatives – net (Notes 10)	**(44,842)**	(87,881)
Dividend income	**(115)**	(220)
Gain on pre-termination of long-term lease	**-**	(653)
Gain on sale of property, plant and equipment – net (Note 12)	**(179)**	(585)
Operating income before working capital changes	**1,697,622**	2,159,959
Decrease (increase) in:		
Trade and other receivables	**(326,098)**	(1,196,792)
Inventories	**(671,841)**	(580,075)
Input value-added taxes and other current assets	**(284,182)**	(53,838)
Increase (decrease) in:		
Trade and other payables	**49,923**	240,940
Trust receipts payables	**(1,467,925)**	132,544
Contract liabilities	**41,973**	447,110
Net cash provided by (used in) operations	**(960,528)**	1,149,848
Interest paid	**(565,531)**	(521,307)
Income tax paid	**(45,031)**	(94,783)
Contributions to the pension fund and benefits paid from operating fund	**(35,951)**	(35,799)
Interest received	**9,552**	12,618
Net cash provided by (used in) operating activities	**(1,597,489)**	510,577
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investment held for trading	**(1,418,169)**	(2,762,620)
Investment properties	**(13,683)**	-
Financial assets at fair value through profit and loss	–	(2,135,150)
Property, plant and equipment (Note 10)	**(876,002)**	(1,459,026)
Investment in associates & joint ventures	**(109,265)**	
Intangible assets	**(72)**	(491)
Proceeds from sale of:		
Investment held for trading	**2,065,817**	3,098,708
Investment properties	**35,759**	-
Property, plant and equipment (Note 10)	**1,048**	3,577
Financial assets at FVOCI	**1,200**	-
Acquisition of subsidiary – net of cash acquired	**-**	(81,844)
Increase in other noncurrent assets	**(557)**	(155,131)
Dividends received	**115**	220

Net cash provided by (used in) investing activities	**(313,809)**	(3,491,757)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Notes payable	**(1,056,718)**	(1,908,203)
Cash dividends	**(299,518)**	(144,378)
Treasury shares	**(460)**	(1,371)
Lease liability	**(91,777)**	(91,930)
Long-term debt	**(910,850)**	(320,458)
Proceeds from availments of:		
Notes payable	**2,905,521**	1,832,335
Long-term debt	**1,069,173**	4,163,354
Proceeds from sale of treasury shares	**281,449**	–
Increase (decrease) in due to related parties	**(80,459)**	(34,263)
Increase in other noncurrent liabilities	**(302)**	(2,962)
Net cash provided by financing activities	**1,816,059**	3,492,124
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**111,752**	50,066
NET INCREASE IN CASH AND CASH EQUIVALENTS	**16,513**	561,010
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**3,699,080**	2,888,863
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	**₱3,715,593**	₱3,449,873

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED 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 has been 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:

			September 30, 2022			December 31, 2021		
Subsidiaries	Nature of Business	Calendar/ Fiscal Yearend	**PHN Direct Interest**	**Direct Interest of Subsidiary**	**PHN Effective Interest**	PHN Direct Interest	Direct Interest of Subsidiary	PHN Effective Interest
Union Galvasteel Corporation (UGC)	Manufacturing and distribution of steel products	December 31	**98.01**	**–**	**98.01**	98.01	–	98.01
PHINMA Education Holdings, Inc. (PEHI) [a and b]	Holding company	March 31	**67.18**	**–**	**67.18**	67.18	–	67.18
Pamantasan ng Araullo (Araullo University), Inc. (AU)	Educational institution	March 31	**–**	**97.57**	**65.55**	–	97.57	65.55
Cagayan de Oro College, Inc. (COC)	Educational institution	March 31	**–**	**91.27**	**61.32**	–	91.27	61.32
University of Iloilo (UI)	Educational institution	March 31	**–**	**69.23**	**46.51**	–	69.23	46.51
University of Pangasinan, Inc. (UPANG) and Subsidiary	Educational institution	March 31	**–**	**69.33**	**46.58**	–	69.33	46.58
Southwestern University, Inc. (SWU)	Educational institution	March 31	**–**	**84.34**	**56.66**	–	84.34	56.66
St. Jude College, Inc. (SJCI)	Educational institution	December 31	**–**	**98.30**	**66.04**	–	98.30	66.04
Republican College, Inc. (RCI) [c]	Educational institution	December 31	**–**	**98.41**	**66.11**	–	98.41	66.11
Rizal College of Laguna (RCL) [d]	Educational institution	December 31	**–**	**90.00**	**60.46**	–	90.00	60.46
Union College of Laguna [e]	Educational institution	May 31	**–**	**80.91**	**54.36**	–	80.91	54.36
Career Academy Asia, Inc. (CAA) [a and f]	Educational Institution	March 31	**90.00**	**–**	**90.00**	90.00	–	90.00
PhilCement Corporation (PhilCement)	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
PHINMA Solar Energy Corporation (PHINMA Solar) [g]	Solar rooftop	December 31	**–**	**100.00**	**98.01**	–	100.00	98.01
Asian Plaza, Inc. (API)	Lease of real property	December 31	**57.62**	**–**	**57.62**	57.62	–	57.62
One Animate Limited (OAL) and Subsidiary [h]	Business process outsourcing - animation services	December 31	**80.00**	**–**	**80.00**	80.00	–	80.00

(a) *Balances as at and for the year ended December 31 of these subsidiaries were used for consolidation purposes.*
(b) *On January 9, 2020, Asian Development Bank (ADB) subscribed in PEHI shares resulting to change in ownership interest of PHN to 67.18%.*
(c) *On March 12, 2020 and September 8, 2020, PEHI acquired additional 505 shares and 1,010 shares of RCI resulting to an increase in ownership interest to 98.41%.*
(d) *On July 31, 2020, PEHI acquired 100.00% interest in RCL. Subsequently, on December 5, 2020, PEHI sold 10.00% of its ownership interest in RCL reducing its ownership from 100.00% to 90.00%.*
(e) *On May 21, 2021, PEHI acquired 65.76% interest in UCLI. In September 2021, PEHI subscribed to an additional 450,000 shares, increasing its ownership interest to 80.91%*
(f) *CAA ceased its operations on March 31, 2019.*
(g) On December 22, 2020, PHN sold its 225.0 million shares in PHINMA Solar to UGC representing 50.00% ownership in PHINMA Solar.
(h) *OAL owns 100.00% interest in Toon City Animation, Inc. (Toon City). OAL and Toon City ceased operations in April 2013.*

The Parent Company and its subsidiaries (collectively referred to as "the Company") were all incorporated in the Philippines, except for OAL which was incorporated in Hong Kong. The Company's ultimate parent company is Philippine Investment-Management (PHINMA), Inc., which is also incorporated in the Philippines.

The information on the segments of the Company is presented in Note 32 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 accompanying unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors (BOD), as approved and recommended for approval by the Audit Committee on November 11, 2022.

2. Basis of Preparation and Consolidation and Statement of Compliance

Basis of Preparation

The interim condensed consolidated financial statements of the Company have been prepared on a historical cost basis, except for investments held for trading classified as 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 interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. The Company has prepared the financial statements on the basis that it will continue to operate as a going concern. The BOD considers that there are no material uncertainties that may cast significant doubt over this assumption. The BOD has formed a judgment that there is reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period. The interim condensed consolidated financial statements are presented in Philippine peso (₱), which is the Parent Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest thousand peso, except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's audited consolidated financial statements as at December 31, 2021.

Basis of Consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. As at September 30, 2022, there were no significant changes in the Parent Company's ownership interest in its subsidiaries.

3. Changes in Accounting Polices and Disclosures

Current Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021.

Unless otherwise indicated, adoption of these new standards did not have any significant impact on the consolidated financial statements of the Company.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

  The amendment provides relief to lessees from applying the PFRS 16, *Leases* requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30,
  - 2022; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted. The Company adopted the amendment beginning January 1, 2021. There are no rent concessions received by the Company from its lessors.

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Company shall also disclose information about:

  - About the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The Company adopted the amendments beginning January 1, 2021.

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, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to Philippine Accounting Standards (PAS) 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Annual Improvements to PFRSs 2018-2020 Cycle

- Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a First-time Adopter*

  The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to PAS 41, *Agriculture, Taxation in Fair Value Measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or noncurrent. The amendments clarify:

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the Financial Reporting Standards Council (FRSC) amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the FRSC deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the interim condensed consolidated financial statements and accompanying notes. Changes in these estimates and assumptions could result in outcomes that may require material adjustments to the carrying amounts of the affected assets or liabilities in the future.

The impact of COVID-19 has been considered in the significant judgments, estimates and assumptions in the Company's audited consolidated financial statements as at December 31, 2021. Thus, there were no significant changes in accounting judgments, estimates, and assumptions that affect the amounts reported in the interim condensed consolidated financial statements and accompanying notes.

5. **Cash and Cash Equivalents**

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Restated)	September 30, 2021 (Unaudited)
Cash on hand and in banks	**₱3,014,857**	₱2,187,808	₱1,689,788
Short-term deposits	**700,736**	1,539,766	1,760,085
	₱3,715,593	₱3,699,080	₱3,449,873

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.

6. **Investments Held for Trading**

This account consists of investments in:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Unit Investment Trust Funds (UITFs)	**₱ 661,975**	₱1,302,457
Marketable equity securities	**6,510**	8,271
	₱ 668,485	₱1,310,728

7. **Trade and Other Receivables**

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Restated)
Receivables from customers	**₱4,457,344**	₱4,319,605
Advances to suppliers and contractors	**1,662,988**	1,195,954
Advances to officers and employees	**42,689**	53,958
Rent receivables	**91,596**	92,521
Due from related parties (see Note 24)	**25,345**	13,729
Loans receivable	**4,634**	4,634
Accrued interest receivables	**317,147**	139,137
Others	**139,315**	320,228
	6,741,058	6,139,766
Less allowance for expected credit losses (ECLs)	**1,328,390**	1,198,614
	₱5,412,668	₱4,941,152

Movements in the allowance for ECLs are as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning balance	**₱1,198,614**	₱1,013,115
Provisions (see Notes 22 and 23)	**166,974**	185,897
Reversal	**(37,198)**	(398)
Write-offs	**–**	–
Deconsolidation of a subsidiary	**–**	–
	₱1,328,390	₱1,198,614

The changes in the gross carrying amount of receivables during the period and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

8. Inventories

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
At cost:		
Finished goods	**₱2,283,037**	₱1,554,506
Raw materials	**155,446**	252,501
Other inventories	**75,751**	89,784
At net realizable value -		
Spare parts and others	**59,200**	69,980
Other inventories	**72,460**	7,283
	₱ 2,645,895	₱1,974,054

9. Investment in Associates and Joint Ventures

The Company's associates and joint ventures consist of the following:

	Percentage of Ownership			
	September 30, 2022		December 31, 2021	
	Direct	**Effective**	Direct	Effective
Investment in associates:				
PHINMA Property Holdings Corporation (PPHC) [a]	**35.42**	**42.71**	35.42	42.71
ABCIC Property Holdings, Inc. (APHI) [b]	**26.51**	**28.15**	26.51	28.15
Coral Way City Hotel Corporation (Coral Way) [c]	**23.75**	**29.27**	23.75	29.27
PHINMA Hospitality, Inc (PHI) [d]	**–**	**20.88**	–	20.88
Interests in joint ventures:				
PHINMA Saytanar Education Company Limited (PHINMA Saytanar) [e]	**–**	**35.92**	–	35.92
PT Ind Phil Management (IPM) [e]	**–**	**46.17**	–	44.34

(a) *Indirect ownership through API.*
(b) *Indirect ownership through UGC.*
(c) *Indirect ownership through PHI.*
(d) *Formerly Microtel Development Corporation (MDC). Indirect ownership through API.*
(e) *Indirect ownership through PEHI.*

Investment in Associates
The detailed carrying values of investments in associates (accounted for under the equity method) are as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
PPHC	**₱649,642**	₱632,669
APHI	**174,289**	174,586
PHI	**130,302**	133,827
Coral Way	**60,973**	66,326
	₱1,015,206	₱1,007,408

The movements and details of the investments in associates are as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Acquisition costs, balance at beginning and end of period	**₱1,863,322**	₱1,863,322
Accumulated equity in net losses:		
Balance at beginning of period	**(883,407)**	(912,021)
Equity in net losses	**8,602**	28,614
Balance at end of period	**(874,805)**	(883,407)
Share in other comprehensive income (loss) of associates:		
Balance at beginning of period	**27,493**	13,818
Share in other comprehensive income	**(804)**	13,675
Balance at end of period	**26,689**	27,493
	₱1,015,206	₱1,007,408

Interests in Joint Ventures
The detailed carrying values of interests in joint ventures (accounted for under the equity method) are as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
IPM	**₱348,976**	₱239,678
PHINMA Saytanar	**–**	–
	₱348,976	₱239,678

The movements and details of the investments in joint ventures are as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Acquisition costs:		
Balance at beginning and end of period	**₱235,503**	₱235,503
Acquisitions during the year	**109,265**	–
Balance at end of period	**344768**	235,503
Accumulated equity in net earnings (losses):		
Balance at beginning of period	**4,175**	(151)
Equity in net earnings	**33**	4,326
Balance at end of period	**4,208**	4,175
	₱348,976	₱239,678

In September 2022, PEHI infused additional capital to IPM, amounting to P109.2 million.

10. **Financial Assets at FVPL**

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Investment in preferred shares	**₱2,346,554**	₱2,105,243

On September 18, 2019, the Parent Company executed a Term Sheet with Song Lam Cement Joint Stock Company (Song Lam), Vissai Ninh Binh Joint Stock Company (Vissai) and Hoang Manh Truong (Sponsor) for the investment of US$50.0 million via preferred shares in Song Lam. Song Lam Joint Stock Company manufactures, markets, distributes and exports clinker, cement and cement products and is a supplier of Philcement, a 60%-owned subsidiary of PHN. Vissai is the parent company of Song Lam which owns and manages five cement plants in Vietnam.

In January 2020, the Parent Company, Song Lam, Vissai and Hoang Minh Truong entered into share subscription agreement related to the Parent Company's subscription of the new preferred shares of Song Lam. An advance payment of 10% equivalent to US$5.0 million was made on November 26, 2019 and the 90% balance or US$45.0 million was paid on May 18, 2021. The total US$50.0 million investment has an equivalent peso amount of ₱2.39 billion on May 18, 2021.

The preferred shares are entitled to receive 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.

11. **Financial Assets at FVOCI**

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Investment in club shares	**₱34,500**	₱32,350
Non-listed equity securities	**76,560**	76,310
	₱111,060	₱108,660

Investment in equity investments pertain to shares of stock and club shares which are not held for trading. The Company has irrevocably designated the equity instruments at FVOCI, as the Company considers these investments to be strategic in nature.

12. **Property, Plant and Equipment**

This account consists of:

	January 1, 2022	**Acquisition through business Combination**	**Additions**	**Disposals**	**Reclassifications**	**September 30, 2022 (Unaudited)**
Cost						
Land	**₱3,181,012**	₱–	**₱118,530**	**₱–**	**₱–**	**₱3,299,542**
Plant site improvements	**3,473,015**	**–**	**10,467**	**–**	**10,467**	**3,493,949**
Buildings and improvements	**4,104,774**	–	**105,536**	**–**	**–**	**4,210,310**
Machinery and equipment	**2,271,102**	–	**174,156**	–	**–**	**2,445,258**
Transportation and other equipment	**560,501**	–	**28,810**	**(2,820)**	**–**	**586,491**
	13,590,404	**–**	**437,499**	**(2,820)**	**10,467**	**14,035,550**
Less Accumulated Depreciation						
Plant site improvements	**246,493**	**–**	**202,283**	–	**–**	**448,776**
Buildings and improvements	**1,459,679**	–	**100,234**	**–**	–	**1,559,913**
Machinery and equipment	**1,633,050**	–	**63,479**	**–**	–	**1,696,529**
Transportation and other equipment	**366,988**	–	**17,222**	**(1,951)**	–	**382,259**
	3,706,210	–	**383,218**	**(1,951)**	–	**4,087,477**
	9,884,194	–	**54,281**	**(869)**	**10,467**	**9,948,073**
Construction in progress (see Note 14)	**779,711**	–	**438,503**	–	**(10,467)**	**1,207,747**
Net Book Value	**₱10,663,905**	**₱–**	**₱492,784**	**(₱869)**	**–**	**₱11,155,820**

	January 1, 2021	Acquisition through business combination (see Note 6)	Additions	Disposals	Reclassifications	December 31, 2021 (Restated)
Cost						
Land	₱2,967,593	₱181,722	₱31,697	₱–	₱–	₱3,181,012
Plant site improvements	2,206,926	–	–	–	1,266,089	3,473,015
Buildings and improvements	3,703,129	15,777	269,908	–	115,960	4,104,774
Machinery and equipment	2,150,869	3,325	115,075	–	1,833	2,271,102
Transportation and other equipment	525,105	402	60,769	(15,191)	(10,584)	560,501
	11,553,622	201,226	477,449	(15,191)	1,373,298	13,590,404
Less Accumulated Depreciation						
Plant site improvements	122,365	–	124,128	–	–	246,493
Buildings and improvements	1,310,860	–	148,819	–	–	1,459,679
Machinery and equipment	1,444,702	–	188,348	–	–	1,633,050
Transportation and other equipment	348,238	–	30,632	(11,882)	–	366,988
	3,226,165	–	491,927	(11,882)	–	3,706,210
	8,327,457	201,226	(14,478)	(3,309)	1,373,298	9,884,194
Construction in progress	1,063,297	–	1,119,893	–	(1,403,479)	779,711
Net Book Value	₱9,390,754	₱201,226	₱1,105,415	(₱3,309)	(₱30,181)	₱10,663,905

Interest capitalized as part of "Construction in progress" account amounted to ₱24.1 million at capitalization rate ranging from 5.2% to 7.0% in 2021.

Certain property and equipment of AU, COC, UI, UPANG, PhilCement and UGC with aggregate amount of ₱4,985.1 million and ₱5,141.9 million as at September 30, 2022 and December 31, 2021, respectively, are used as collateral for their respective long-term debts obtained from local banks (see Note 18).

The COVID-19 pandemic did not materially affect the recoverability of property, plant and equipment.

13. Investment Properties

This account consists of:

	January 1, 2022	Additions	Disposal	September 30, 2022 (Unaudited)
Cost:				
Land	**₱610,724**	**₱13,683**		**₱624,407**
Buildings for lease	**95,625**	**–**	**(₱10,000)**	**85,625**
	706,349	**13,683**	**(10,000)**	**710,032**
Less accumulated depreciation -				
Buildings for lease	**78.911**	**515**	**(6,833)**	**72,593**
	₱627,438	**₱13,168**	**(3,167)**	**₱637,439**

	January 1, 2021	Additions	Disposal	December 31, 2021 (Audited)
Cost:				
Land	₱610,724	₱–	₱–	₱610,724
Buildings for lease	95,625	–	–	95,625
	706,349	–	–	706,349
Less accumulated depreciation -				
Buildings for lease	77,680	1,231	–	78,911
	₱628,669	₱1,231	₱–	₱627,438

As at September 30, 2022 and December 31, 2021, the fair values of the investment properties amounted to ₱2,458.0 and ₱2,861.8 million, respectively, based on valuations performed by accredited independent appraisers on various dates from 2018 to 2021. The description of the valuation techniques used and key inputs to fair valuation are as follows:

	Valuation Technique	Significant Unobservable Inputs	Range
Land	Market comparable assets	Price per square metre	₱250–₱100,000
Buildings for lease	Market comparable assets	Price per square metre	₱160,700–₱229,167

The fair value disclosure is categorized under Level 3, except for the investment property of COC which is categorized under Level 2.

PSHC's land amounting to ₱220.0 million and ₱220.0 million as at September 30, 2022 and December 31, 2021, respectively, is used as a security for its long-term debt (see Note 19). 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 COVID-19 pandemic did not materially affect the recoverability of investment properties.

14. **Intangible Assets**

Following are the details and movements in this account:

	Student List	Software Costs	Goodwill	Total
Cost				
At January 1, 2021	₱165,638	₱37,200	₱2,221,068	₱2,423,906
Additions	–	7,048	–	7,048
Acquisitions through business combination	–	–	–	–
Reclassification	–	30,278	–	30,278
At December 31, 2021 (Restated)	165,638	74,526	2,221,068	2,461,232
Reclassifications (see Note 11)	–	–	–	–
Additions	–	72	–	72
At September 30, 2022 (Unaudited)	**₱165,638**	**₱74,598**	**₱2,221,068**	**₱2,461,304**
Amortization and Impairment				
At January 1, 2021	₱165,638	₱29,463	₱403,132	₱598,233
Amortization	–	10,420	–	10,420
At December 31, 2021 (Audited)	165,638	39,883	403,132	608,653
Amortization	–	4,965	–	4,965
At September 30, 2022 (Unaudited)	**₱165,638**	**₱44,847**	**₱403,132**	**₱613,618**
Net Book Value				
At September 30, 2022 (Unaudited)	**₱–**	**₱27,344**	**₱1,817,936**	**₱1,845,280**
At December 31, 2021 (Restated)	–	34,643	1,817,936	1,852,579

15. **Other Noncurrent Assets**

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Deposit	**₱-**	₱–
Advances to suppliers and contractors	**287,768**	278,001
Indemnification assets	**38,115**	38,114
Refundable deposits	**4,356**	10,161
Creditable withholding taxes	**7,812**	7,812
Others	**3,729**	7,135
	₱341,780	₱341,223

16. **Notes Payable**

This account consists of notes payable of the Parent Company and subsidiaries:

	September 30, 2022 (Unaudited)	December 31, 2022 (Audited)
PhilCement	**₱1,775,000**	₱450,000
UGC	**1,003,977**	460,174
SWU	**–**	20,000
	₱2,778,977	₱930,174

The notes payable are unsecured short-term peso-denominated loans obtained from financial institutions with an annual interest rate ranging between 2.60% to 4.05% and 2.60% to 4.75% in 2022 and 2021, respectively.

17. **Trade and Other Payables**

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021
Trade	**₱1,091,495**	₱1,147,227
Accruals for:		
Professional fees and others	**559,457**	516,92
Personnel costs	**138,344**	152,67
Interest	**66,703**	
Freight, hauling and handling	**10,006**	42,186
Dividends	**304,469**	228,25
Deposit liabilities	**4,821**	7,613
Others	**113,718**	149,04
	₱2,289,013	₱2,309,321

18. **Contract Liabilities**

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Restated)
Unearned revenues	**₱1,220,525**	₱1,211,891
Customers' deposits	**160,309**	126,970
	₱1,380,834	₱1,338,861

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.

Customers' deposits pertain to cash advance received to which the Company has an obligation to deliver roofing and other steel products and installation services within the financial year.

19. **Long-term Debt**

This account consists of long-term liabilities of the Parent Company and subsidiaries:

PHN Fixed Rate Bonds due 2024

	September 30, 2022 (Unaudited)	December 31, 2020 (Audited)
Principal	**₱3,000,000**	₱3,000,000
Less debt issuance cost	**31,224**	42,984
	₱2,968,776	₱2,957,016

On May 6, 2021, the Parent Company filed with the SEC a Registration Statement for the proposed offering of three-year fixed rate bonds due 2024 with an aggregate principal amount of up to 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:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning of period	**₱42,984**	₱–
Additions	**-**	48,559
Amortization	**(11,760)**	(5,575)
End of period	**₱31,224**	₱42,984

Long- Term Loans

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
PEHI	**₱2,042,060**	₱2,093,000
PHN	**1,955,000**	1,970,000
PhilCement	**1,372,139**	1,621,223
SWU	**590,542**	595,000
UGC	**975,000**	524,375
UPANG	**234,100**	253,025
AU	**224,165**	232,220
UI	**187,500**	192,000
COC	**151,830**	162,342
PHINMA SOLAR	**100,000**	20,000
PSHC	**124,957**	124,957
	7,957,293	7,788,142
Less debt issuance cost	**60,004**	62,043
	7,897,289	7,726,099
Less current portion - net of debt issuance cost	**622,747**	544,032
	₱ 7,274,542	₱7,182,067

The debt agreements presented in the succeeding pages include, among others, certain restrictions and requirements. The loan agreements with Security Bank Corporation (SBC), Rizal Commercial Banking Corporation (RCBC) and China Banking Corporation (CBC) stipulate, among others, positive and negative covenants which must be complied with by PHN, UGC, PhilCement, PEHI, AU, COC, UPANG, UI and SWU for as long as the loans remain outstanding. Negative covenants include certain restrictions and requirements, such as maintenance of certain current, debt-to-equity and debt service coverage ratios.

As at September 30, 2022, the Company is in compliance with the required financial ratios and other loan covenants.

Certain assets amounting to ₱5,205.1 million and ₱5,361.9 million as at September 30, 2022 and December 31, 2021, respectively are mortgaged as collaterals for the respective long-term debts as follows (see Notes 11 and 12):

Entity	Collateral
AU	Land and land improvements in the main campus
COC	Land in the main campus
UPANG	Land and land improvements
UI	Land and land improvements
PhilCement	Assignment of leasehold rights on the land where the cement terminal is constructed, registration of real estate or chattel mortgage on cement terminal building, equipment and other assets, and assignment of port ownership, right to land lease and rights to foreshore lease.
UGC	Land, plant site improvements, buildings and installations and machinery and equipment
PSHC	Land

PEHI's loan agreement with CBC is covered by a negative pledge on the shares of stocks held by PEHI with AU, COC, UPANG, UI and SWU.

The balance of unamortized debt issuance cost follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning of period	**₱62,043**	₱43,830
Additions	**10,828**	30,964
Amortization	**(12,867)**	(12,751)
End of period	**₱60,004**	₱62,043

The details of long-term debts are summarized below:

				Terms					Outstanding Amounts[9]	
Debtor	**Loan Amount**	**Date of Loan Agreement**	**Lender**	**Installments**	**Final Installment**	**Interest Rate**	**Dates Drawn**	**Amount Drawn**	**September 30, 2022 (Unaudited)**	December 31, 2021 (Audited)
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	**₱435,049**	₱446,372
PEHI		December 7, 2015	RCBC	28 equal quarterly payments of ₱6.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 7, 2019.	December 7, 2025	First seven years is based on the three-day average of seven-year PDST-R2 plus a 1.40% spread or 5.00%, whichever is higher, and to be repriced at the end of the seventh year for the remaining three years at an interest rate based on the interest rate then current or the applicable three-year benchmark rate plus 1.40% spread or 5.00%, whichever is higher.	December 7, 2015	900,000	**772,923**	791,251
PEHI	1,000,000[1]	December 1, 2015	CBC	28 equal quarterly payments of ₱3.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 8, 2019.	December 8, 2025	First five years is based on the three-day average of five-year PDST-R2 plus a 1.35% spread or 5.00%, whichever is higher, and to be repriced at the end of the fifth year for the remaining five years at an interest rate based on the interest rate then current or the applicable five-year benchmark rate plus 1.35% spread or 5.00%, whichever is higher.	December 8, 2015	500,000	**444,603**	456,048
PEHI	364,000[21]	December 27, 2015	RCBC	16 equal quarterly payments of ₱2.73 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 27, 2022.	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 27, 2015	364,000	**358,206**	361,277

(Forward)

COC 2013	₱100,000[2]	March 27,	CBC	40 equal quarterly payments of ₱1.3 million. First	March 27, 2023	Nominal interest rate of 5.81% from March 27, 2013 to March 27, 2018,	March 27, 2013	₱50,000	**₱2,504**	₱6,268

				Terms					Outstanding	Amounts[9]
Debtor	**Loan Amount**	**Date of Loan Agreement**	**Lender**	**Installments**	**Final Installment**	**Interest Rate**	**Dates Drawn**	**Amount Drawn**	**September 30, 2022 (Unaudited)**	December 31, 2021 (Audited)
				principal payment commenced on June 27, 2013.		6.05% from March 27, 2018 to March 27, 2020 and 6.30% from March 27, 2020 to March 27, 2023 with the effective interest rate (EIR) of 6.12% over 365 days.				
COC		July 18, 2013	CBC	39 equal quarterly payments of ₱1.3 million. First principal payment commenced on June 27, 2013.	March 27, 2023	Nominal interest rate of 5.81% from July 18, 2013 to June 27, 2018, 6.05% from June 27, 2018 to June 27, 2020 and 7.38% from June 27, 2020 to March 27, 2023 with the EIR of 6.07% over 365 days.	July 18, 2013	50,000	**2,569**	6,434
COC	125,000[3]	June 24, 2018	CBC	28 unequal quarterly payments as follows: 8 quarterly installments of ₱0.3 million from October 9, 2021 to July 9, 2023; 8 quarterly installments of ₱1.6 million from October 9, 2023 to July 9, 2025; 8 quarterly installment of ₱3.1 million from October 9, 2025 to July 9, 2027 and 4 quarterly installments of ₱21.3 million from October 9, 2027 to July 9, 2028. First principal payment will commence on July 9, 2021.	July 9, 2028	Fixed rate of 6.25% p.a. for the first five years; for remaining five years, higher of applicable five-year PDST-R2 plus a spread of up to 100 bps or 6.25% p.a.	July 9, 2018	125,000	**121,441**	124,224
COC	25,000[4]	April 13, 2018	Private funder	One-time payment at maturity date of April 13, 2023.	April 13, 2023	Interest rate at 6.25% per annum payable until fully paid.	April 13, 2018	25,000	**25,000**	25,000
UI	200,000[5]	December 12, 2017	CBC	Quarterly principal payments as follows: ₱1.0 million per quarter for the 3rd and 4th year from initial drawdown; ₱1.5 million per quarter for the 5th and 6th year; ₱2.5 million per quarter for the 7th until 9th year; and, ₱37.5 million per quarter for the 10th year.	December 20, 2027	Fixed for the first seven years. Applicable seven- year PDST-R2 a spread up to 1.25%, and for the remaining three years, the applicable three-year PDST-R2 plus a spread up to 1.25%. or, ii. Fixed for ten years, applicable PDST-R2 plus a spread up to 1.35%.	December 20, 2017	100,000	**92,742**	94,903
(Forward)										
UI	₱200,000[5]	December 12, 2017	CBC	Principal payments will be the same with the first drawdown. As per	December 20, 2027	Fixed for the first seven years. Applicable seven- year PDST-R2 a spread up to 1.25%, and for the	April 24, 2018	₱100,000	**₱93,197**	₱95,467

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[9] September 30, 2022 (Unaudited)	Outstanding Amounts[9] December 31, 2021 (Audited)
				agreement both the first and second drawdown will be repaid at the same dates and terms.		remaining three years, the applicable three-year PDST-R2 plus a spread up to 1.25%.				
AU	57,000[6]	November 29, 2019	CBC	20 equal quarterly payments of ₱2.7 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	**23,915**	31,939
AU	100,000[6]	November 29, 2019	CBC	27 equal quarterly payments of ₱1.5 million starting from February 28, 2023 to August 29, 2029 with the remaining balance of ₱60.6 million to be paid on maturity date. First principal payment will commence on February 28, 2023.	November 29, 2029	Fixed rate for the first five years based on the five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT. Interest rate is subject for repricing for the remaining five years based on: i. Initial interest rate; or ii. Then prevailing five-year Benchmark rate plus interest spread, whichever is higher.	November 29, 2019	100,000	**99,332**	99,059
AU	100,000[6]	November 29, 2019	CBC	28 unequal quarterly payments as follows: 8 quarterly installments of 2.5 million from February 28, 2023 to November 29, 2024; 16 quarterly installments of 3.8 million from February 28, 20205 to November 29, 2028 and 4 quarterly installment of 5.0 million from February 28, 2029 to November 29, 2029. First principal payment will commence on February 28, 2023.	November 29, 2029	Fixed rate for the first five years based on the five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT. Interest rate is subject for repricing for the remaining five years based on: i. Initial interest rate or ii. Then prevailing five-year Benchmark rate plus interest spread, whichever is higher.	November 29, 2019	100,000	**99,292**	99,086

First principal payment

(Forward)

				Terms					Outstanding	Amounts[9]
Debtor	**Loan Amount**	**Date of Loan Agreement**	**Lender**	**Installments**	**Final Installment**	**Interest Rate**	**Dates Drawn**	**Amount Drawn**	**September 30, 2022 (Unaudited)**	December 31, 2021 (Audited)
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	**₱168,364**	₱175,844
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	**64,889**	76,045
SWU	400,000[8]	December 6, 2017	RCBC	28 quarterly payments of ₱1.0 million. First principal payment commenced on March 7, 2021.	December 6, 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 6, 2017; December 20, 2017; March 29, 2018	100,000 200,000 100,000	**98,221** **197,229** **98,205**	99,887 198,193 98,822
SWU	200,000[8]	April 18, 2018	CBC	28 equal quarterly payments of ₱0.5 million with the remaining balance to be paid on maturity date. First principal payment will commence on July 18, 2021.	April 18, 2028	Fixed for the first five years, applicable five-year PDST-R2 plus a spread of up to 125 bps. For the remaining five years, applicable five-year PDST-R2 plus a spread of up to 125 bps.	April 18, 2018	200,000	**196,279**	197,773

(Forward)

				Terms					Outstanding Amounts[9]	
Debtor	**Loan Amount**	**Date of Loan Agreement**	**Lender**	**Installments**	**Final Installment**	**Interest Rate**	**Dates Drawn**	**Amount Drawn**	**September 30, 2022 (Unaudited)**	December 31, 2021 (Audited)
PHN	₱2,000,000[10]	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	**₱1,946,953**	₱1,960,818
UGC	1,000,000[22]	February 18, 2022	BDO	Principal amortization commence 3 months after drawdown date and every quarter thereafter and shall be paid based on 1.25% every quarter for 4 years and the remaining 80% paid in balloon upon maturity date	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	**966,016**	-
UGC	400,000[11]	July 12, 2018	BDO	40 quarterly payments of ₱10.0 million	July 13, 2028	First 5 years is based on the 5 year interest rate basis prevailing on the relevant interest setting date plus a margin of 1.00% per annum ("initial interest rate") divided by 0.99 or 5.50% per annum divided by 0.99, whichever is higher, and to be repriced at the end of 5th year for the remaining 5 years at an interest rate based on 5 year interest rate basis prevailing on the relevant interest setting date plus a margin of 1.00% per annum divided by 0.95 or the initial interest rate divided by 0.95, whichever is higher.	July 13, 2018	400,000	**-**	272,187
UGC	100,000	July 12, 2018	SBC	40 quarterly payments of ₱2.5 million	July 13, 2028	First 5 years based on the 5-year Peso Benchmark Rate plus 1% spread, subject to the following floor rates of 6.40% for drawdowns made on or before June 7, 2018 or 6.45% for drawdowns made after June 7, 2018 and to be repriced at the end of the fifth year at an interest rate equivalent to the higher of the 5- year Peso Benchmark Rate on repricing date plus 1% spread and interest rate for the first 5 years.	July 13, 2018	100,000	**-**	66,978

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	mount Drawn	Outstanding Amounts[9]: September 30, 2022 (Unaudited)	Outstanding Amounts[9]: December 31, 2021 (Audited)
UGC	₱218,750[12]	July 19, 2016	BDO	28 equal quarterly payments of ₱4.4 million with the remaining balance to be paid on maturity date	July 20, 2023	Interest rate is based on the 7-year PDST-R2 plus a 1.40% spread or 5.5%, whichever is higher. No repricing of interest rate from amendment date to maturity date.	March 25, 2013	₱218,750	**₱–**	₱126,486
UGC	75,000[13]	November 3, 2015	BDO	40 equal quarterly payments	November 3, 2025	First 5 years is based on the 5-year PDST-R2 plus a 1.4% spread or 5.5%, whichever is higher, and on year 5 based on a rate to be negotiated by the Parties within 30 banking days prior to the interest repricing date.	November 3, 2015	75,000	**–**	29,844
UGC	75,000[13]	November 12, 2015	SBC	40 equal quarterly payments	November 5, 2025	First 5 years is based on the 3-day average of the 5-year PDST-R2 plus a 1.35% spread or 5.5%, whichever is higher, and to be repriced at the end of the fifth year for the remaining 5 years at an interest rate based on the 3-day average of the 5-year PDST-R2 plus a 1.35% spread or the interest rate set for the first 5 years, whichever is higher.	November 12, 2015	75,000	**–**	29,844
PhilCement	875,000[14]	June 1, 2018	SBC	14 equal quarterly payments [15]	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 3, 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	**56,908** **56,964** **21,033** **23,178** **6,594** **29,031** **89,824** **18,326**	90,822 90,966 33,616 37,049 10,517 46,395 143,551 29,285

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Installments	Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[9] September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
PhilCement	₱720,000[16]	February 26, 2021	SBC	8 quarterly principal payments of ₱10.3 million, 9 quarterly principal payments of ₱20.5 million and remaining balance to be paid at maturity date	June 13, 2025	Interest rate of 6.73% GRT inclusive, fixed rate up to maturity	February 26, 2021	₱369,363	**₱296,073**	₱326.261
				8 quarterly principal payments of ₱9.7 million, 9 quarterly principal payments of ₱19.5 million and remaining balance to be paid at maturity date		Interest rate of 6.84% GRT inclusive, fixed rate up to maturity		350,637	**281,062**	309,720
PhilCement	500,000[17]	March 19, 2021	SBC	20 unequal quarterly payments as follows: ₱1.0 million from June 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	**487,159**	493,961
PSEC	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%). Intrerest to be paid on quarterly basis	August 13, 2021	20,000	**19,851**	20,000
PSEC	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	**79,400**	-
PSHC	154,000[18]	July 15, 2006	United Pulp and Paper Co., Inc. (UPPC)	2 installment payments	July 15, 2023	The effective interest rate after the change in interest rate is 7.00%.	July 15, 2006	154,000	**124,957**	124,957
	Total								**₱ 7,897,289**	₱7,726,099

[1] The purpose of this debt is to finance the acquisition of majority ownership in AU, COC, UPANG, UI and SWU by PEHI.
[2] The purpose of this debt is to finance various capital expenditures of COC.
[3] The purpose of this debt is to finance the expansion and development plans of COC.
[4] The purpose of this debt is for general funding requirements of COC.
[5] The purpose of this debt is to finance the expansion and development plans including school building upgrades and improvement of existing facilities of UI.
[6] The purpose of this debt is to finance various capital expenditures and to refinance existing obligations of AU.
[7] The purpose of this debt is to finance various capital expenditures and to refinance existing obligations of UPANG and subsidiary.
[8] The purpose of this debt is to finance the building development, expansion and purchase of equipment for SWU's Hospital and building developments of SWU.
[9] Amounts are net of unamortized debt discount and/or debt issue cost.
[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 Company 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 the Company.
[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 for 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.

20. **Equity**

a. Capital Stock

The composition of the Parent Company's capital stock as at September 30, 2022 and December 31, 2021 is as follows:

	Number of Shares	
	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Preferred - cumulative, nonparticipating, ₱10 par value		
Class AA – Authorized	**50,000,000**	50,000,000
Class BB – Authorized	**50,000,000**	50,000,000
Issued and subscribed	**–**	–
Common - ₱10 par value		
Authorized	**420,000,000**	420,000,000
Issued	**286,303,550**	286,303,550
Subscribed	**39,994**	39,994
Issued and subscribed	**286,343,544**	286,343,544
Treasury shares	**18,279**	14,427,179

The issued and outstanding shares as at September 30, 2022 and December 31, 2021 are held by 1,220 and 1,223 equity holders respectively.

Capital stock presented in the consolidated statements of financial position is net of subscription receivable amounting to ₱0.1 million as at September 30, 2022 and December 31, 2021.

b. Retained Earnings

Appropriated

On February 28, 2020, the BOD reversed the appropriation of retained earnings made in 2018 in the amount of ₱1.3 billion for the investment in the Education and Construction Materials business, and buyback of shares. In addition, an appropriation was made for the investment in the Construction Materials business until December 31, 2020 amounting to ₱2.25 billion. Another ₱165.5 million of the retained earnings was appropriated for the buyback of PHN shares until February 28, 2022.

On March 2, 2021, the BOD reversed the appropriation of retained earnings made in 2020 in the amount of ₱2.25 billion for the investment in the Construction Materials business.

On November 10, 2021, an appropriation was made for the investment in Construction Materials business until December 31, 2022 amounting to ₱1.1 billion. Another ₱500.0 million of the retained earnings was appropriated for the Education business until December 31, 2022.

Unappropriated

On February 28, 2020, the Parent Company's BOD declared a cash dividend of ₱0.40 per share or an equivalent of ₱109.0 million, to all common shareholders of record as at March 17, 2020. The cash dividends were paid on March 27, 2020.

On March 2, 2021, the Parent Company's BOD declared a cash dividend of ₱0.40 per share or an equivalent of ₱108.9 million, to all common shareholders of record as at April 14, 2021. The cash dividends were paid on May 5, 2021.

On March 1, 2022, the Parent Company's BOD declared a 4% regular cash dividend amounting to ₱108.8 million or equivalent to ₱0.40 per share and a 1% special cash dividend amounting to ₱27.2 million or equivalent to ₱0.10 per share payable on April 6, 2022 to shareholders of record as at March 22, 2022.

The balance of retained earnings includes Parent Company's accumulated equity in net earnings of subsidiaries and associates which are not currently available for dividend declaration until declared by the respective subsidiaries and associates amounting to ₱1,527.9 million and ₱943.7 million as at September 30, 2022 and December 31, 2021, respectively.

c. Buyback of Shares

On February 28, 2020, the BOD approved the appropriation of ₱165.5 million for the buyback of shares of the Parent Company until February 28, 2022.

As at September 30, 2022 and December 31, 2021, there are 18,279 and 14,427,179 Treasury shares, amounting to ₱ 0.2 million and ₱143.6 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 ₱244.1 million and ₱277.0 million as at September 30, 2022 and December 31, 2021, respectively.

21. Cost of Sales

This account consists of:

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Cost of sales	**₱9,130,428**	₱7,652,083
Cost of educational, installation, hospital, and consultancy services	**1,142,720**	979,150
	₱10,273,148	₱8,631,233

The details of cost of sales, educational, installation, hospital and consultancy services are as follows:

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Inventories used	**₱8,138,214**	₱6,601,359
Personnel costs	**838,013**	693,639
Depreciation	**381,824**	375,452
Installation cost	**29,840**	39,615
Cost of sales – bookstore	**210,244**	131,969
Subscription	**35,869**	56,892
Rent expense	**65,245**	58,590
Repairs and maintenance	**65,024**	70,998
Laboratory and school supplies	**58,953**	65,857
Power and fuel	**91,393**	94,487
Review expenses	**24,968**	15,652
School materials, publication and supplies	**8,822**	5,759
Graduation expenses	**25,199**	22,909
School affiliations and other expenses	**17,616**	3,293
Accreditation expenses	**1,653**	1,877
Sports development and school activities	**1,836**	438
Education tour expenses	**–**	–
Others	**278,435**	392,447
	₱10,273,148	₱8,631,233

22. **General and Administrative Expenses**

This account consists of:

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Personnel costs	**₱659,387**	₱507,693
Professional fees and outside services	**272,126**	228,753
Security and janitorial	**53,842**	46,984
Provision for ECLs (see Note 7)	**105,373**	122,090
Depreciation and amortization	**63,280**	56,786
Taxes and licenses	**62,188**	34,178
Utilities	**52,737**	30,633
Rent	**17,371**	17,683
Repairs and maintenance	**7,568**	4,366
Insurance	**10,179**	12,788
Office supplies	**14,424**	11,546
Communications	**4,292**	8,446
Transportation and travel	**22,864**	5,997
Advertising and promotions	**518**	959
Donations	**25,260**	15,851
Meetings and conferences	**9,588**	1,937
Others	**55,392**	60,583
	₱1,436,389	₱1,167,273

23. **Selling Expenses**

This account consists of:

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Personnel costs	**₱183,611**	₱201,826
Freight, handling and hauling	**-**	66,334
Advertising	**36,405**	47,511
Installation cost	**-**	13,782
Taxes and licenses	**22,950**	28,587
Commission	**21,415**	-
Provision for ECLs (see Note 7)	**24,404**	28,042
Supplies	**4,377**	10,029
Outside services	**7,231**	13,954
Postage, telephone and telegraph	**1,430**	13,617
Transportation and travel	**22,451**	14,583
Depreciation and amortization	**10,477**	10,141
Insurance	**11,625**	19,616
Entertainment, amusement and recreation	**2,498**	3,858
Repairs and maintenance	**5,328**	4,259
Rent and utilities	**1,932**	2,006
Others	**1,474**	5,017
	₱357,608	₱483,162

24. **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.

Outstanding balances at period-end are unsecured and settlement occurs in cash throughout the period. There have been no guarantees provided or received for any related party receivables or payables.

The significant related party transactions entered into by the Company with its associates and entities under common control and the amounts included in the consolidated financial statements with respect to such transactions follow:

September 30, 2022 (Unaudited)

Company	**Nature**	**Amount/ Volume**	**Amount Due to Related Parties**	**Amount Due from Related Parties (see Note 7)**	**Terms**	**Conditions**
Ultimate Parent						
PHINMA Inc.	Share in expenses, management fees and bonus	**₱172,902**	**₱50,272**	**₱2,866**	Noninterest-bearing	Unsecured, no impairment
Associates						
PPHC	Share in expenses	**744**	**–**	**3,257**	Noninterest-bearing	Unsecured, no impairment
APHI	Share in expenses	**–**		**6**	Noninterest-bearing	Unsecured, no impairment

September 30, 2022 (Unaudited)

Company	**Nature**	**Amount/ Volume**	**Amount Due to Related Parties**	**Amount Due from Related Parties (see Note 7)**	**Terms**	**Conditions**
Entities Under Common Control						
T-O Insurance Brokers, Inc., PHINMA Hospitality, Inc., PHINMA Foundation, Inc. PHINMA Prism Property Development Corporation, PHINMA Plaza Condominium Corporation	Share in expenses	**₱6,602**	**₱52,086**	**₱7,729**	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy fee	**4,624**	**–**	**112**	Noninterest-bearing	Unsecured, no impairment
PTC Myanmar, PHINMA Saytanar, IPM, PSEd	Share in expenses	**2,600**	**61**	**4,123**	Noninterest-bearing	Unsecured, no impairment
			₱102,419	**₱18,093**		

December 31, 2021 (Audited)

Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 7)	Terms	Conditions
Ultimate Parent						
PHINMA Inc.	Share in expenses, management fees and bonus	₱280,141	₱130,456	₱686	Noninterest-bearing	Unsecured, no impairment
Associates						
PPHC	Share in expenses	1,575	–	3,139	Noninterest-bearing	Unsecured, no impairment
APHI	Share in expenses	6	–	6	Noninterest-bearing	Unsecured, no impairment
Entities Under Common Control						
T-O Insurance Brokers, Inc., PHINMA Hospitality, Inc, PHINMA Foundation, Inc. PHINMA	Share in expenses	19,259	52,363	7,575	Noninterest-bearing	Unsecured, no impairment
Aznar Enterprises, Inc. (Aznar), Community Developers and Construction Corporation (CDCC), PTC Myanmar	Grant of noninterest-bearing advances	17	59	1,523	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy fee	3,152	–	800	Noninterest-bearing	Unsecured, no impairment
			₱182,878	₱13,729		

PHINMA, Inc. The Parent Company has a 5-year management contract with PHINMA, Inc. up to September 30, 2024, renewable thereafter mutual agreement. Under this contract, PHINMA, Inc. has a general management authority with corresponding responsibility over all operations and personnel of the Parent Company including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance and other business activities of the Parent Company. Under the existing management agreement, the Parent Company pays PHINMA, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of the Parent Company's net income.

Management and Directors' Compensation

PHN, UGC, COC, AU, UPANG and UI are under common management of PHINMA, Inc. and pay PHINMA, Inc. a fixed annual management fee plus an annual bonus based on a certain percentage of the respective companies' adjusted net income, as defined in the management contract between PHINMA, Inc. and the respective companies, pursuant to the provisions of the same contract.

Management fees and bonuses, presented as "Professional fees and outside services" under "General and administrative expenses" account, amounted to ₱145.6 million and ₱135.8 million for the nine-month periods ended September 30, 2022 and 2021, respectively. The related unpaid amount, presented as "Accruals for professional fees and others" under "Trade and other payables" account in the unaudited interim consolidated statement of financial position, amounted to ₱29.2 million and ₱38.5 million as at September 30, 2022 and December 31, 2021, respectively.

PHN, UGC, Philcement, UI and AU recognized bonus to directors computed based on net income with pre-agreed adjustments. Directors' bonus, presented in "Personnel costs" under "General and administrative expenses" account, amounted to ₱59.1 million and ₱69.4 million for the nine-month periods ended September 30, 2022 and 2021, respectively. The related unpaid amount, presented in "Accruals for personnel costs" under "Trade and other payables" account in the unaudited interim consolidated statement of financial position, amounted to ₱53.1 million and ₱58.5 million as at September 30, 2022 and December 31, 2021, respectively.

25. **Income Taxes**

The deferred tax assets and liabilities are presented in the consolidated statements of financial position as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Restated)
Deferred tax assets – net	**₱128,115**	₱101,013
Deferred tax liabilities – net	**(426,086)**	(443,064)
	(₱297,971)	(₱342,051)

The deferred tax assets consist of the tax effects of lease liabilities, net operating loss carryover (NOLCO), pension liability, allowance for ECLs, accrued expenses, management bonus and allowance for inventory write-down.

The deferred tax liabilities consist of excess of fair value over cost, right-of use assets, fair value adjustments on property, plant and equipment of subsidiaries, unrealized gains on change in fair value, unamortized debt issuance costs, unrealized foreign exchange gain and unamortized capitalized borrowing cost.

The disproportionate relationship between income before income tax and the provision for income tax is due to various factors such as income of schools subjected to lower income tax rate, interest income subjected to lower final tax rate and equity in net losses of associates and joint ventures.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (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%.
- Minimum corporate income tax (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 September 30, 2023.

Applying the provisions of the CREATE Act, the Company, except the schools, has been subjected to the lower RCIT rate of 25% of taxable income or the reduced MCIT rate of 1% of gross income, effective July 1, 2020. Likewise, the impact on the December 31, 2020 consolidated balances had the CREATE Act been substantially enacted as of then, that were adjusted in March 2021, are as follows:

Unaudited Interim Consolidated Statement of Financial Position

	Increase (Decrease)
Deferred tax assets	(₱23,018)
Deferred tax liabilities	(1,681)
Income tax payable	(21,056)
Other current assets	991

Unaudited Interim Consolidated Statement of Income

	Increase (Decrease)
Provision for current income tax	(₱22,047)
Provision for deferred income tax	21,337

26. **Pension and Other Post-employment Benefits**

Pension and other post-employment benefits consist of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Net pension liability	**₱192,227**	₱194,312
Vacation and sick leave	**69,335**	65,008
Defined contribution plan	**(127)**	(101)

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
	₱ 261,435	₱259,219

27. **Financial Risk Management Objectives and Policies**

The main risks arising from the Company's treasury transactions are credit risk, liquidity risk, market risk, foreign currency risk, interest rate risk and equity price risk. Careful study, skill, prudence and due diligence are exercised at all times in the handling of the funds of the Company.

Credit Risk
Credit risk is the risk that the Company will incur a loss arising from customers, clients or counter-parties that fail to discharge their contractual obligations. Due to the Company's investing and operating activities, the Company is exposed to the potential credit-related losses that may occur as a result of an individual, counterparty or issuer being unable or unwilling to honor its contractual obligations.

In managing credit risk on these financial instruments, the Company transacts only with the Company's duly accredited domestic and foreign banks. Investments per financial institution are subject to a maximum of 20% of the Company's investible funds. It is the Company's policy that investments cannot exceed 10% of the trust or mutual fund's total assets.

A comprehensive credit and business review in coordination with dealers or underwriters is performed whenever the Company invests in non-rated securities. Furthermore, the Company monitors the credit quality of corporate and sovereign bonds with reference to credit rating studies and updates from the major rating agencies. The Company's exposure to credit risk on its cash and cash equivalents and trade and other receivables arises from default of the counterparties with maximum exposures equal to the carrying amounts of the instruments.

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Financial assets at amortized cost:		
Cash and cash equivalents	**₱3,715,593**	₱3,695,914
Trade and other receivables	**5,412,668**	4,935,304
Refundable deposits*	**55,980**	38,773
Deposit**	**–**	–
	₱9,184,241	₱8,669,991

**Presented under "Other current assets" and "Other noncurrent assets" account in the consolidated statements of financial position.*
***Presented under "Other noncurrent assets" account in the unaudited interim consolidated statement of financial position.*

Credit Quality of Receivables from Customers

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure of the Company's receivables from customers using provision matrix:

September 30, 2022	**Receivables from customers**					
	Days past due					
	Current	**<30 Days**	**30-60 Days**	**61-90 Days**	**>91 Days**	**Total**
Expected credit loss rate	3.09%	1.70%	26.29%	54.06%	73.78%	26.51%
Estimated total gross carrying amount default	**₱2,368,937**	**₱390,041**	**₱221,998**	**₱233,831**	**₱1,242,537**	**₱4,457,344**
Expected credit loss	**73,311**	**6,618**	**58,370**	**126,408**	**916,748**	**1,181,455**

December 31, 2021	Receivables from customers					
	Days past due					
	Current	<30 Days	30-60 Days	61-90 Days	>91 Days	Total
Expected credit loss rate	5%	10%	10%	59%	72%	24%
Estimated total gross carrying amount default	₱2,427,509	₱506,153	₱115,5193	₱277,157	₱993,267	₱4,319,605
Expected credit loss	110,180	49,673	11,862	163,345	716,619	1,051,679

Impaired financial instruments comprise of receivables from customers and other receivables. The past due but not impaired trade and other receivables are expected to be collected the following year.

Liquidity Risk

Liquidity risk is the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. The Company manages liquidity risks by restricting investments and continuously monitoring weekly and monthly cash flows as well as updates of annual plans.

The maturities of the financial liabilities are determined based on the Company's projected payments and contractual maturities. The average duration adheres to guidelines provided by the Investment Committee. It is the Company's policy to restrict investment principally to publicly traded securities with a history of marketability and by dealing with only large reputable domestic and international institutions.

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, investment in bonds and investments in UITFs.

Foreign exchange risks on the U.S. dollar and other foreign currencies are managed through constant monitoring of the political and economic environment. Returns are also calibrated on a per currency basis to account for the perceived risks with higher returns expected from weaker currencies.

The following table shows the foreign currency-denominated financial assets and financial liabilities and their peso equivalents as of September 30, 2022 and December 31, 2021:

	September 30, 2022 (Unaudited)		December 31, 2021 (Audited)	
	Foreign Currency	**Peso Equivalent**	Foreign Currency	Peso Equivalent
Financial assets:				
Cash and cash equivalents	**US$15,084**	**₱884,316**	US$18,682	₱952,771
Cash and cash equivalents	**VND33,671**	**71**	VND35,703	80
Receivables	**US$1,141**	**66,910**	US$491	25,034

	September 30, 2022 (Unaudited)		December 31, 2021 (Audited)	
	Foreign Currency	**Peso Equivalent**	Foreign Currency	Peso Equivalent
Derivative assets	–	–	US$57	₱2,931
Investment in UITF	**US$1,201**	**70,394**	US$12	608
		₱1,021,691		₱981,424
Financial liabilities:				
Trust receipts payables	**US$–**	**₱–**	US$5,450	₱277,969
Trade and other payables	**US$10**	**599**	US$98	₱4,974
Derivative liability	**US$1**	**61**	–	–
		₱660		₱282,943

In translating foreign currency-denominated financial assets into peso amounts, the exchange rates used were ₱58.625 and ₱51.00 to US$1.00 as at September 30, 2022 and December 31, 2021, respectively.

Interest Rate Risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The following tables set out the carrying amounts, by maturity, of the Company's financial assets and liabilities that are exposed to interest rate risk as at September 30, 2022 and December 31, 2021:

September 30, 2022(Unaudited)

	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)	**3.625%-4.400%**	**₱700,736**	**₱–**	**₱–**	**₱–**	**₱–**	**₱700,736**
Financial Liabilities							
PHN	**2.75%-6%**	**20,000**	**20,000**	**20,000**	**40,000**	**1,855,000**	**1,955,000**
PHINMA Solar	**4.875%-6.3371%**	**11,110**	**11,110**	**11,110**	**22,221**	**44,449**	**100,000**

December 31, 2021 (Audited)

	Interest Rates	Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	Total
Financial Assets							
Placements (PHP)	0.45%-1.25%	₱890,496	₱–	₱–	₱–	₱–	₱890,496
Financial Liabilities							
PHN	6.00%	20,000	20,000	20,000	40,000	1,859,362	1,959,362
UGC	5.50%-6.72%	79,252	173,977	66,604	117,210	88,244	525,287
PHINMA Solar	4.875%-4.924%	556	2,222	2,222	4,444	10,556	20,000

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

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.

Capital Management

The primary objective of the Company's capital management is to ensure that the Company maintains a healthy capital structure to maintain strong credit rating and maximize shareholder value.

The Company closely monitors and manages its debt-to-equity ratio, which it defines as total liabilities divided by total equity. Capital includes all the accounts appearing in the "Equity attributable to equity holders of the parent" and "Equity attributable to non-controlling interests" in the unaudited interim condensed consolidated statement of financial position.

To ensure that there are sufficient funds to settle its liabilities, the Company's policy is to keep debt-to-equity ratio below 1:1. The Company's consolidated debt-to-equity ratio as at September 30, 2021 and December 31, 2020 are as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Total liabilities	**₱20,854,456**	₱20,148,234
Total equity	**10,994,247**	9,933,061
Debt-to-equity ratio	**1.90:1**	2.02:1

The Company expects to improve the debt-to-equity ratio mainly through improvement in the Company's business operations.

28. 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:

	September 30, 2022 (Unaudited)				
	Carrying Value	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Investments held for trading:					
Investments in UITFs	**₱661,975**	**₱661,975**	**₱–**	**₱661,975**	**₱–**
Investments in marketable equity securities	**6,510**	**6,510**	**6,510**	**–**	**–**
Investment in preferred shares designated at FVPL	**–**	**–**	**–**	**–**	**–**
Investment in club shares designated at FVOCI	**34,500**	**34,500**	**–**	**34,500**	**–**
Non-listed equity instruments designated at FVOCI	**76,560**	**76,560**	**–**	**–**	**76,560**
Non-listed equity instruments designated at P&L	**2,346,554**	**2,346,554**	**–**	**–**	**2,346,554**
Derivative assets	**555,205**	**555,205**	**–**	**–**	**555,205**
	₱3,681,304	**₱3,681,304**	**₱6,510**	**₱696,475**	**₱2,978,319**
Liabilities					
Derivative liability	**₱61**	**₱ 61**	**₱–**	**₱ 61**	**₱–**
Non-controlling interest put liability	**2,106,959**	**2,106,959**	**–**	**–**	**2,106,959**
Long-term debt	**10,866,064**	**8,920,876**	**–**	**–**	**–**
	₱12,973,084	**₱11,027,896**	**₱**	**₱61**	**₱2,106,959**

	December 31, 2021 (Audited)				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets					
Investments held for trading:					
Investments in UITFs	₱1,302,457	₱1,302,457	₱–	₱1,302,457	₱–
Investments in marketable equity securities	8,271	8,271	8,271	–	–
Investment in club shares designated at FVOCI	32,350	32,350	–	32,350	–
Non-listed equity instruments designated at FVOCI	76,310	76,310	–	–	76,310

Non-listed equity instruments designated at FVPL	2,105,243	2,105,243	–	–	2,105,243
Derivative assets	513,429	513,429	2,931	–	510,498
	₱4,038,060	₱4,038,060	₱11,202	₱1,334,807	₱2,692,051
Liabilities					
Non-controlling interest put liability	₱1,862,875	₱1,862,875	₱–	₱–	₱1,862,875
Long-term debt	10,683,115	9,313,655	–	–	9,313,655
	₱12,545,980	₱11,176,530	₱–	₱–	₱11,176,530

During the periods ended September 30, 2022 and December 31, 2021, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The following methods and assumptions are used to estimate the fair value of the following financial instruments.

Investments Held for Trading and Financial Assets at FVOCI. Quoted market prices have been used to determine the fair value of financial assets at FVPL and quoted equity at FVOCI investments. The fair values of unquoted equity investments at FVOCI have been estimated using a discounted cashflow model. The valuation requires management to make certain assumptions about the model inputs including forecast cashflows, the discount rate, credit risk and volatility. 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 equity investments.

The fair values of non-listed shares of stock were determined through the following valuation approach: income approach and asset-based approach. Income approach is predicated upon the concept that the value of any asset can be estimated by ascertaining the amount and timing of future cash flows or earnings that are generated by that asset. Asset-based approach is based on the value of all the tangible and intangible assets and liabilities of the company. The discount rates, a significant unobservable input used in the valuation of the non-listed shares of stock using the income approach, were 17.20% and 8.0% to 11.8% as at September 30, 2022 and December 31, 2021. An increase (decrease) in the discount rate will decrease (increase) the fair value of the nonlisted shares of stock.

Cash and Cash Equivalents, Trade and Other Receivables, Notes Payable, Trade and Other Payables, Trust Receipts Payable and Due to Related Parties. Due to the short-term nature of these transactions, the carrying value approximate the fair values as at the reporting date.

Derivative Liability. Estimated fair value is based on the average rate of the forward bid rates and forward ask rates computed in Bloomberg.

Long-term Debt. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable rates for similar types of loans. Discount rates used ranged from 3.90% to 6.99% and 2% to 5% in 2022 and 2021, respectively.

Derivative Instruments

Freestanding Derivatives. The Company's derivative financial instruments are accounted for as financial instruments at FVPL.

UGC and PhilCement entered into a buy US$-sell PH₱ deliverable foreign currency forward contracts to manage the foreign currency risk arising from its US$-denominated trust receipts payable.

29. Leases

Company as Lessee

The rollforward analysis of right-of-use assets follows:

	September 30, 2022 (Unaudited)				
	Right-of-use:	**Right-of-use:**	**Right-of-use:**	**Right-of-use:**	**Right-of-use:**

	Land	Buildings & Warehouses	Vehicles	Others	Total
Cost					
At January 1, 2022	**₱106,037**	**₱147,507**	**₱269,406**	**₱2,470**	**₱ 525,420**
Additions	**15,942**	**10,071**	**1,869**	**–**	**27,882**
Retirement	**–**	**(15,195)**	**(3,499)**	**–**	**(18,694)**
At September 30, 2022	**121,979**	**142,383**	**267,776**	**2,470**	**534,608**
Accumulated Depreciation and Amortization					
At January 1, 2022	**12,398**	**65,767**	**109,867**	**2,143**	**190,175**
Depreciation	**4,803**	**14,648**	**44,067**	**863**	**64,381**
Retirement	**–**	**–**	**(2,066)**	**–**	**(2,066)**
At September 30, 2022	**17,201**	**80,415**	**151,868**	**3,006**	**252,490**
Net Book Value	**₱104,778**	**₱61,968**	**₱115,908**	**(₱536)**	**₱282,118**

	December 31, 2021 (Audited)				
	Right-of-use: Land	Right-of-use: Buildings & Warehouses	Right-of-use: Vehicles	Right-of-use: Others	Right-of-use: Total
Cost					
At January 1, 2020	₱107,241	₱151,998	₱234,008	₱1,906	₱495,153
Additions	6,175	11,855	35,398	564	53,992
Pre-termination	(7,379)	(16,346)	–	–	(23,725)
At December 31, 2020	106,037	147,507	269,406	2,470	525,420
Accumulated Depreciation and Amortization					
At January 1, 2020	8,132	45,856	40,756	1,906	96,650
Depreciation	5,598	24,066	69,111	237	99,012
Pre-termination	(1,332)	(4,155)	–	–	(5,487)
At December 31, 2020	12,398	65,767	109,867	2,143	190,175
Net Book Value	₱93,639	₱81,740	₱159,539	₱327	₱335,245

The rollforward analysis of lease liabilities follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
As at beginning of period	**₱355,901**	₱419,671
Payments	**(91,777)**	22,523
Accretion of interest	**16,009**	53,810
Additions	**27,882**	(15,486)
Pre-termination	**(22,032)**	(124,617)
As at end of period	**₱285,983**	₱355,901
Less current portion of lease liabilities	**108,376**	108,266
As at end of period	**₱177,607**	₱247,635

30. **Contingencies**

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.

31. **Earnings per Share (EPS) Computation**

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
(a) Net income attributable to equity holders of the parent	**₱821,679**	**₱888,344**

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
(b) Weighted average number of common shares outstanding	**273,520**	272,260
Basic/diluted EPS attributable to equity holders of the parent (a/b)	**₱3.00**	₱3.26

32. **Segment Information**

For management purposes, the Company is organized into business units based on its products and services and has five reportable operating segments as follows:

- Investment holdings - PHN and PSHC are engaged in investment holding activities of shares of stocks and other financial instruments.
- Property development - API, APHI, and Coral Way lease out its real and personal properties. PPHC is engaged in real estate development.
- Construction materials - PhilCement encompasses the operations of the cement trading. UGC handles the manufacturing and trading of iron and steel products. PHINMA Solar provides solar rooftop system to customers. The Company has assessed that the nature of the products and services and the type or class of customers for these products and services are related.
- Educational services - PEHI holds interest in AU, COC, UPANG, UI, SWU, RCI and RCL which offer graduate, tertiary, secondary and elementary education services. CAA conducts a non- sectarian institution of learning and operates schools for all levels below tertiary level, whether preschool, primary, secondary, technical and vocational, specialized programs and for all and any form of educational activities.
- BPO - ICI Asia (formerly Fuld Philippines) is engaged in strategic consulting while OAL was engaged in animation services. In 2020, the Parent Company sold its ownership interest in ICI Asia.

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 unaudited interim condensed 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 non-controlling interests. 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 unaudited interim condensed 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:

	Nine-Month Period Ended September 30, 2022 (Unaudited)						
	Investment Holdings	**Property Development**	**Construction Materials**	**Educational Services**	**BPO**	**Eliminations**	**Total Operations**
Revenues	**₱314,085**	**₱36,131**	**₱10,293,013**	**₱2,857,165**	**₱2**	**(₱71,046)**	**₱13,429,350**
Segment results	**196,995**	**30,301**	**701,202**	**676,096**	**(763)**	**(7,012)**	**1,596,819**
Investment income	**251,151**	**(325)**	**8,248**	**5,050**	**2**	**(71,045)**	**193,081**
Equity in net earnings (losses) of associates and joint ventures	**–**	**8,602**	**–**	**33**	**–**	**–**	**8,635**
Interest expense and financing charges	**(186,028)**	**–**	**(245,365)**	**(122,044)**	**–**	**21,051**	**(532,386)**
Provision for income tax	**(3,685)**	**(5,014)**	**3,190**	**8,745**	**–**	**–**	**3,236**
Share of non-controlling interest	**–**	**–**	**–**	**(124,148)**	**–**	**(323,558)**	**(447,706)**
Net income attributable to equity holders of parent	**₱258,433**	**₱33,564**	**₱467,275**	**₱443,732**	**(₱761)**	**(₱380,564)**	**₱821,679**
Total assets	**₱12,530,886**	**₱369,911**	**₱12,523,536**	**₱13,473,489**	**₱ 959**	**(₱7,049,728)**	**₱31,849,053**
Total liabilities	**₱5,324,730**	**₱52,174**	**₱8,517,354**	**₱6,517,984**	**₱309,140**	**₱133,074**	**₱20,854,456**

	Nine-Month Period Ended September 30, 2021 (Unaudited)						
	Investment Holdings	Property Development	Construction Materials	Educational Services	BPO	Eliminations	Total Operations
Revenues	₱105,692	₱10,416	₱9,280,777	₱2,636,438	₱–	(₱2,538)	₱12,030,785
Results							
Segment results	21,249	266	986,687	886,534	(618)	2,114	1,896,232
Investment income	80,653	8,992	5,236	7,891	–	(2,538)	100,234
Equity in net earnings (losses) of associates and joint ventures	–	1,377	–	2,580	–	–	3,957
Interest expense and financing charges	(114,128)	–	(230,792)	(123,975)	–	2,538	(466,357)
Provision for income tax	(2,645)	(131)	(45,934)	(38,978)	–	–	(87,688)
Share of non-controlling interest	–	–	–	(125,301)	–	(432,743)	(558,044)
Net income attributable to equity holders of parent	(₱14,871)	₱10,504	₱715,197	₱ 608,751	(₱618)	(₱430,629)	₱888,334
Total assets	₱11,852,834	₱335,626	₱10,975,775	₱ 12,612,248	₱720	(₱5,608,772)	₱30,168,431
Total liabilities	₱5,321,571	₱52,446	₱7,341,095	₱ 6,201,592	₱307,206	₱ 1,299,114	₱20,523,024

Seasonality of Operations

Like any company in the construction industry, the operations of UGC and PhilCement are affected by seasonality demand. Demand for construction materials is greater during the dry months from December to May than during the rainy months of June to November. Hence, the demand for the first semester of the calendar year is normally higher than that of the second semester.

The revenues of the schools under the PHINMA Education network decline during summer months. Hence, net income during the first half of the calendar year is lower than the second half.

For other subsidiaries, there is no significant seasonality that would materially affect their operations.

33. **Other Matters**

COVID-19 Pandemic

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country starting March 16, 2020 have caused disruptions in the Company's business activities. There are increased market activities with the easing of the quarantine measures in key areas in the Philippines. Easing of the quarantine restrictions and rollout of the national vaccination program will further improve market activities.

The COVID-19 pandemic has resulted in disruptions in operations of the various business units. Its impact is reflected in the unaudited interim condensed consolidated financial statements. The Company continues to monitor developments and to adapt accordingly.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the nine-month period ended September 30, 2022, PHINMA Corporation's (PHN) continued its strong top line growth as consolidated revenues grew to ₱13.43 billion, marking an 11.49% increase over the same period last year. Despite this, consolidated net income declined to ₱1.27 billion from ₱1.45 billion in the first three quarters of 2021, primarily due to higher costs driven by continued abnormal supply conditions as well as the return of face-to-face classes. The increase in costs was partially offset by mark to market and other gains of the parent company in the amount of ₱286.02 million on PHN's investment in Song Lam Cement Joint Stock Corporation (Song Lam).

PHINMA Education Holdings, Inc. (PHINMA Education) posted a 30% increase in total enrollment for the 1st semester SY 22-23, making PHINMA Education the country's largest education network. This contributed to an increase in consolidated revenue for the nine-month period to ₱2.86 billion, higher by 8.37% compared to the same period in 2021. The increase in enrollment offset the impact of the change in the school opening schedule, necessitated by delays in the academic calendars of public high schools. The current period only had six months regular term and three months summer classes compared to eight months regular term and one month of summer class during the same period in 2021. Costs increased during the period due to the return of face-to-face classes and the resumption of regular operations. As a result, net income declined to ₱ 568.1 million.

The Construction Materials Group (CMG), composed of Union Galvasteel Corporation (UGC), Philcement Corporation (Philcement), and PHINMA Solar Corporation (PHINMA Solar), posted consolidated revenues of ₱10.29 billion for the nine months ended September 2022, up by 10.9% from the same period last year. Net income of CMG for the period was lower at ₱467.30 million due to soft construction demand, higher input costs amidst global supply chain issues, and a weak peso.

In its affiliate, PHINMA Property Holdings Corp. (PHINMA Properties), PHN equitized net income of ₱12.27 million during the period compared to an equitized net income of ₱7.80 million during the same period last year.

Equitized net loss in Coral Way City Hotel Corporation (Coral Way) amounted to ₱5.35 million, as the company continued to maximize bookings from the leisure and corporate market segments given the gradual resumption of leisure and business travel. Cash from operations nevertheless remained positive.

Consolidated net income attributable to equity holders of the parent amounted to ₱821.68 million for the first nine months of 2022, which represented a 7.50% decline from the same period last year.

PHINMA Corporation ended the period with cash and cash equivalents of ₱3.72 billion. As of September 30, 2022, consolidated total assets and total stockholders' equity amounted to ₱31.85 billion and ₱10.99 billion, respectively.

STRATEGIC BUSINESS UNITS (SBU)

The following discussion describes the performance of PHINMA's SBUs for the three quarters of 2022:

Education Group

PHINMA Education Holdings, Inc. (PHINMA Education) posted a 30% increase in total enrollment for the 1st semester SY 22-23, making PHINMA Education the country's largest education network. This contributed to an increase in consolidated revenue for the nine-month period to ₱2.86 billion, higher by 8.37% compared to the same period in 2021. The increase in enrollment offset the impact of the change in the school opening schedule, necessitated by delays in the academic calendars of public high schools. The current period only had six months regular term and three months summer classes compared to eight months regular term and one month of summer class during the same period in 2021. Costs increased during the

period due to the return of face-to-face classes and the resumption of regular operations. As a result, net income declined to ₱ 568.1 million.

Construction Materials Group

The Construction Materials Group, composed of UGC, Philcement, and PHINMA Solar, posted consolidated revenues of ₱10.29 billion for the first nine months of 2022, up from ₱9.28 billion during the same period last year. This improvement was driven by higher selling prices, which reflected input cost inflation.

CMG had a challenging nine months, as it faced rising costs of raw materials, fuel, and freight resulting from global supply chain disruptions, as well as soft construction demand particularly in the third quarter. This resulted in a net income of ₱467.30 million for the period.

Properties Group

In its affiliate, PHINMA Properties, PHN equitized a net income of ₱12.27 million during the period compared to an equitized net income of ₱7.80 million during the same period last year.

During the first three quarters of 2022, Asian Plaza Inc. posted net income of ₱26.14 million mainly arising from a gain on sale of real property.

Hospitality Group

Coral Way has continued to grow its leisure, corporate, and meetings market segments following the decrease in its quarantine market since the first quarter of 2022. As the company continues to undergo this transition, PHN equitized a net loss of ₱5.35 million in Coral Way during the period. Nevertheless, EBITDA and cash flow from operations have remained positive on the back of stronger bookings from the business and leisure segments which have resulted in higher room rates.

Key Performance Indicators (KPI)

The top five (5) KPI's used to measure the financial performance of PHINMA and its subsidiaries as of the nine (9) month period ended September 30, 2022 compared to the same period in the previous year are shown in the following table:

Financial KPI	**Definition**	**Sep 2022**	**Sep 2021**
Profitability			
Return on Equity	Net income attributable to equity holders of the parent / Average equity attributable to equity holders of the parent[1]	**10.41%**	12.83%
Gross Profit Margin	Gross profit[ii] / Total Revenues	**23.50%**	28.34%
Efficiency			
Cash Flow Margin	Cash flows from operating activities / Total Revenues	**(11.90%)**	4.24%
Liquidity			
Current Ratio	Total Current Assets / Total Current Liabilities	**1.72 : 1:00**	1.67 : 1.00
Debt-to Equity Ratio	Total Liabilities / Total Equity	**1.90 : 1:00**	2.13 : 1.00

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i

Average Equity Attributable to Equity Holders of the Parent is derived by dividing in two (2) the sum of beginning Equity Attributable to Equity Holders of the Parent and ending Equity Attributable to Equity Holders of the Parent.

ii Gross Profit is calculated by deducting cost of sales and cost of educational, installation, hospital and consultancy service from total revenues.

Profitability

The return on equity for the period of 10.41% is lower than 12.83% return for the same period the previous year due to lower net income in 2022 coupled with additional paid in capital resulting from the sale of treasury shares in September 2022. Gross profit margin decreased from 28.34% in 2021 to 23.50% in 2022 due to increased input costs, given the abnormal supply conditions and weakening of the peso.

Efficiency

Net cash outflow from operations amounted to ₱1.6 billion for the nine months ended September 30, 2022 compared to net cash inflow of ₱510.6 million over the same period last year, mainly due to payment of trust receipts payable by CMG.

Liquidity

Current ratio as of end September 2022 increased from 1.67:1.00 in 2021 to 1.72:1.00 in 2022 mainly due to increase in receivables, inventories and other current assets of CMG and the schools.

Debt-equity ratio of PHINMA and its subsidiaries as of end September 2022 was 1.90:1.00.

The accompanying interim condensed consolidated financial statements of PHINMA for the nine (9) months ended September 30, 2022 have been prepared in accordance with PAS 34, Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of December 31, 2021.

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit and loss and derivative investments that have been measured at fair value.

The consolidated financial statements are prepared in Philippine pesos, the company's functional and presentation currency.

<u>Interim Disclosures on Financial Statements</u>

Below are additional disclosures on the Company's operations:

a. On any known trend, demand, commitment, event and uncertainty that will result in or likely to decrease its liquidity in any material way :

   PHN does not anticipate having any cash flow or liquidity problems nor does it anticipate any default or breach of any of its existing loans.

b. On any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

   None

c. On material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other person created during the reporting period:

None

d. On material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures:

None

e. On any known trend, event or uncertainty that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations:

The COVID-19 surge in January-February and continuing abnormal supply situation have resulted in disruptions and challenges in operations of the various business units. Its impact is reflected in the financial statements as of September 30, 2022. PHINMA Corporation and its subsidiaries continue to monitor developments and to adapt accordingly.

f. Any significant elements of income or loss that did not arise from the Issuer's continuing operations.

None.

g. On the causes for any material change from period to period which shall include vertical and horizontal analyses of any material item:

Increase or decrease of 5% or more in the financial statements are discussed below.

h. On any seasonal aspect that had a material effect on the financial condition or results of operations.

Like any company in the construction industry, the operations of UGC and Philcement are affected by seasonal demand. Demand for construction materials is greater during the dry months than during the rainy months. Hence, the demand for the first semester of the calendar year is normally higher than that of the second semester. The rainy months this year, however, started early, thus CMG experienced soft demand as early as mid- Q2 2022.

School year 2021/22 for PHINMA Education's schools was from August to April; summer classes started in June. Thus cashflow outside these periods may be relatively lower.

For other subsidiaries, there is no significant seasonality that would materially affect their operations.

Material Changes in Statement of Financial Position Accounts

Cash and cash equivalents

The movement in cash and cash equivalents are shown in the cash flow statement

Investments held for trading

The drop in the account is mainly attributable to maturity of investments in UITFs of the parent company.

Trade and other receivables

The net increase in trade and other receivables is attributable to higher trade receivables from CMG on the back of improved selling prices and higher volume.

Inventory

The net increase in inventory of P671.8 million is attributable in part due to higher input costs in 2022.

Input value-added taxes

The decrease in the account is mainly due to utilization of CMG's input tax which was offset against its output tax from increased sales for the nine-month period in 2022.

Derivative asset - current

Higher forward rates on CMG's deliverable forward contracts compared to closing rate resulted in a derivative liability, hence the decrease in this asset account.

Other current assets

The net increase in other current assets is mainly due on increase in prepaid expenses and prepaid taxes from the schools and CMG

Investment in associates and joint venture

The increase of P117.1 million is due to additional investment of Phinma Education in IPM

Financial asset at FV through P&L

The increase of P241.3 million is due to the mark-to-market gain on investment in preferred shares of Songlam as of September 2022.

Property, plant and equipment

The P491.9 million increase is due to the purchase of land in COC, continuing construction activities in various school buildings and CMG plant site, hospital renovation and purchase of transportation and machinery equipment.

Right-of-use of assets

The P53.1 million decrease represents the depreciation of the right of use asset of CMG.

Deferred tax assets

The 27% increase in this account pertains mainly to an increase in deferred tax assets of CMG, SWU and UPang.

Derivative assets – non-current

The increase of P44.7 million is due to unrealized gain on the put option on the investment in Songlam preferred shares.

LIABILITIES

Notes payable

The P1.8 billion increase in this account is attributable to the short-term notes that CMG availed of in Q2 and Q3 2022

Trust receipts payable

The decrease of ₱1.5 billion in the account is attributable to settlement of CMG's trust receipts payable using the proceeds from the short-term loans.

Income and other taxes payable

The increase in this account is attributable to increase in tax payable from the schools.

Derivative liability

The increase in this account is mainly attributable to higher forward rate on CMG's deliverable forward contracts compared to closing rate for the period, resulting in a derivative liability.

Current portion – long-term debt

The increase in this account resulted mainly from re-classification of a portion of long-term debt of CMG which became current in Q3.

Due to related parties

The drop in due to related parties is mainly attributable to payment of amounts due to the parent holding company.

Non-controlling interest put liability

The movement represents the increase in present value of the contingent amount payable by PHINMA Corporation to non-controlling shareholders of PHINMA Education.

Lease liabilities

The decrease in the account amounting to ₱70.0 million represents periodic lease payments by CMG and UPang.

EQUITY

Share in other comprehensive income of associates

The change is due to a decrease in fair value of financial assets held by ABCIC Property Holdings Corporation

Exchange differences on translation of foreign operations

The movement in the account represents the cumulative adjustments mainly arising from the translation of the financial statements of One Animate Limited (OAL) to Philippine Pesos.

Equity reserves

The movement in the account is due to the increase in the contingent liability arising from the put option on shares in PHINMA Education.

Retained earnings

The increase in the account represents increase in net income for the three quarters of 2022, partially offset by dividends declared during the period amounting to ₱135.9 million.

Material Changes in Income Statement Accounts

Revenues

The P1.4 billion increase in revenues is mainly due to higher CMG revenues and higher enrollment in schools.

Cost of sales

The P1.6 billion increase in cost of sales is attributable to higher costs of raw materials, fuel and freight faced by CMG, and higher cost of learning materials and other direct costs as students returned to face to face classes.

General and administrative expenses

General and administrative expenses also increased from previous year due to higher costs resulting from volatile supply situation as well as higher personnel cost to support increased enrollment in SY2223.

Selling expenses

The decrease in the account can be attributed to the manpower rationalization in CMG.

Interest expense and other financing charges

The increase in interest expense and other financing charges resulted from the P3 billion corporate bond issued during third quarter of last year as well as the additional long-term debt obtained by Philcement during the last quarter of 2021.

Equity in net earnings (losses) of associates and joint ventures

Equity in net earnings of investees increased in the nine-month period in 2022 due to higher equitized earnings in Phinma Property Holdings Corp.

Foreign exchange gains (losses) – net

In March 2021, a foreign exchange gain arose from the dollar-denominated assets of the parent company, earmarked for the investment in Songlam. For 2022, the forex gain is attributable to PEHI's USD holdings restated at the forex rate of P58.625: $1 compared to P50.99: $1 as of December 31, 2021.

Gain (loss) on change in fair value of financial assets at FVPL

Increase in this account is attributable to the increase in fair value of the investment in Song Lam preferred shares.

Gain (loss) on derivatives

The gain on derivatives mainly resulted from the increase in value of the put option on the Song Lam preferred shares.

Others – net

The increase in this account is mainly due to the increase in other income of CMG and Phinma Education

Provision for (benefit from) income tax

The provision resulted mainly from the deferred tax adjustments of PHINMA Education.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHINMA CORPORATION

REGINA B. ALVAREZ
Senior Vice President and Group Controller

ANNABELLE S. GUZMAN
Vice President - Controller

November 11, 2022

PHINMA CORPORATION

Consolidated Aging of AR-Trade

As of September 30, 2022

in thousands

	Amount
Current	2,368,937
1-30 days	390,041
31-60 days	221,998
61-90 days	233,831
0ver 90 days	1,242,537
TOTAL	4,457,344
Less: Allowance for doubtful accounts	1,181,455
Net Trade Receivable	**3,275,889**

PHINMA CORPORATION
Consolidated Aging of AR-Nontrade
As of September 30, 2022
in thousands

	Amount
Current	1,750,510
1-30 days	36,308
31-60 days	14,581
61-90 days	15,911
0ver 90 days	466,404
TOTAL	2,283,714
Less: Allowance for doubtful accounts	146,935
Net Nontrade Receivable	**2,136,779**

ANNEX E

Sustainability Report


PHINMA
Making Lives Better
Creating
Better Value,
Buiding
Better Lives
2022 Sustainability Report

Contents

Interactive User Guide

The PHINMA Corporation 2022 Sustainability Report is created in interactive PDF. This allows the viewer to navigate the publication.

Click on the text hyperlinks on the navigation bar at the top of each page to go directly to subsections.

Go to the table of contents in the report.

Go to previous page in the report

Go to next page in the report

About this Report

This Sustainability Report presents the sustainability performance of PHINMA Corporation (PHINMA) measuring our material issues under the triple bottom line of economic, social and environmental impacts in its areas of operation.

The report covers the Company's operation for the calendar period January 1 to December 31, 2022 and was prepared in accordance with the Global Reporting Initiative (GRI Standards: Core option). This is the Company's 4th Sustainability Report.

A copy of this Report may be downloaded at https://www.phinma.com.ph/sustainability/. Inquiries and concerns related to this report may be sent to the following:

PHINMA Investors Relations
investorrelations@phinma.com.ph
(+632) 8 870 0100

Message to Stakeholders

Building Better Value for All

RAMON R. DEL ROSARIO, JR.
Chairman of the Board and Chief Executive Officer

CHITO B. SALAZAR
President and Chief Operating Officer

Dear Shareholders,

PHINMA was able to demonstrate strong top line growth in 2022 exhibiting resilience as it implemented strategies to adjust its businesses to continue to deliver essential goods and services to make lives better for our stakeholders. This is despite the disruption of global supply chains, high inflation and high interest rate regimes following the Russia-Ukraine war which significantly affected world economies. A strong US Dollar in response to US Fed rate hikes posed also additional challenges to local producers importing raw materials. Despite the volatile global environment, we continue to invest to make a difference, harnessing our businesses for the better so that we can further our mission of providing families and communities with the essentials of a dignified life.

In 2022, your Company posted consolidated revenues of ₱17.7 billion, a 10% increase over the previous year. Consolidated net income however declined ₱1.5 billion as our strategic business units adjusted to the challenges posed by the volatile global environment. PHINMA Education Holdings, Inc. (PHINMA Education) had record enrolment however the continued revision in school opening schedules as well as increased costs from the return of face to face classes in 2022 resulted in a decline in net income. Our Construction Materials Group achieved its highest revenue levels last year but it posted lower combined profits due to input cost increases arising from the global volatility. PHINMA Property Holdings Corporation (PHINMA Properties) conducted value engineering to address increased costs while Coral Way City Hotel Corporation (Coral Way) transitioned back to normal leisure and business travel bookings following the lifting of pandemic restrictions. The two affiliates of your Company, PHINMA Properties and Coral Way, registered improved operating results in 2022.

PHINMA was able to demonstrate strong top line growth in 2022 exhibiting resilience as it implemented strategies to adjust its businesses to continue to deliver essential goods and services to make lives better for our stakeholders.

2022 Highlights

PHINMA Education, the country's largest private education network, holds the group's investment in nine tertiary education schools in the Philippines and also oversees the Horizon Education tertiary institution brand in Indonesia. Despite the suspension of face-to-face classes in the country for most of 2022, PHINMA Education achieved record breaking enrollment for SY 2022 to 2023 of 124,501 students in the Philippines and Indonesia, an increase of over 30%.

To address inflation and its effect on affordability of its programs, PHINMA Education partnered with education financing platforms to intensify flexible tuition payment plans for students. In addition, six out of ten students in the Philippines benefit from scholarships which effectively reduce tuition fees. This resulted in high retention rates in both the Philippines and Indonesia. PHINMA Education continued to achieve strong results in key indicators like board exams and graduate employment. PHINMA Education's board exam passing rates in the Philippines averaged 76% in 2022, well above the national average. The PHINMA Education schools also produced two board topnotchers last year, producing 137 topnotchers since 2004. In its first ever tracer study, PHINMA Education found that over half of its 2020 graduates were employed within 6 months after graduation, perhaps the best testament to how the company makes lives better.

PHINMA Education posted consolidated revenues of P4.1 billion in 2022, an 11% increase over the previous year. Consolidated net income, on the other hand, decreased to ₱633 million due to revisions in the school opening schedules effectively shortening the 2022 school year with nine months of regular classes in CY2022 as compared to 11 months of regular classes in the previous year.

The PHINMA Construction Materials Group (PHINMA CMG), composed of Union Galvasteel Corporation (UGC), Philcement Corporation (Philcement), and PHINMA Solar Energy Corporation (PHINMA Solar), supply galvanized iron and steel building products, cement, and solar rooftop generation solutions, respectively, in support of our nation's infrastructure and construction sectors.

In 2022, even as the local construction industry began to recover following the easing of pandemic constraints, further disruptions in global supply chains as well as a strong US dollar following the Russia-Ukraine war resulted in a sharp increase in landed cost of inputs for the domestic construction industry. In response, the PHINMA CMG implemented cost management and margin optimization initiatives to continue its revenue growth while also positioning itself for improved operating results in the future.

UGC managed costs and improved margins to address the global volatility. More importantly, the company expanded two new distinct divisions to focus on promising businesses with potentially higher margins. The Light Steel Frames and Insulated Panels divisions position UGC to capture more growth as the global economy stabilizes. Philcement strengthened relationships with customers, maintained sales volumes, and recalibrated strategies to focus on higher margin products and markets in 2022. Meanwhile, PHINMA Solar continued to expand in the residential market, reduced build costs, and leveraged group synergies through joint selling efforts with UGC.

The Construction Materials Group combined posted revenues of ₱13.2 billion for 2022, a 9% increase over the previous year. Net income for the group of ₱494.9 million was lower than the previous year due to the abnormal global supply chain issues and the strong US Dollar.

PHINMA Property Holdings Corporation (PHINMA Properties) seeks to make lives better through creating sustainable communities and townships for middle-income Filipino families. In 2022, PHINMA Properties closed the year with record high net reservations and revenue recognition leading to improved financial results. In our hospitality business, the two hotels operating under Coral Way City Hotel Corporation began recovering leisure and corporate bookings as pandemic restrictions were removed. Your Company correspondingly recognized higher earnings contributions from these two associates amounting to ₱58 million in 2022.

In 2022, your Company, in coordination with financial advisors, facilitated several online corporate access events to enhance our visibility in the capital markets in support of our overall plan to improve shareholder values. PHINMA launched the PHINMA Certificate of Readiness (PHINMA CORE) Program to continue to develop its bench and to prepare for the future growth of its businesses.

PHINMA Corporation's strong business performance has allowed it to maintain a healthy balance sheet in 2022 with total assets of ₱32.0 billion, and a current ratio and debt-to-equity ratio of 1.71:1.00 and 1.87:1.00, respectively.

We are happy to report that the Board has declared a regular cash dividend of ₱0.60 per share, which is payable on 5 April 2023.

We are also delighted to share how we have made lives better outside our business, through our volunteer and scholarship programs. Last September, our PHINMA Group mobilized over 800 employees, scholars, and their families to help with Brigada Eskwela, the Department of Education's annual school improvement initiative. Our efforts benefitted 40 public schools across the country. In November, as part of PHINMA's 66th anniversary, some 1,300 volunteers once again gave their time and talent in various 1PHINMA Reaches Out activities, which ranged from bloodletting, tree-planting, and coastal and river clean-up drives.

Last year, 47 deserving students were inducted into the PHINMA National Scholarship (PNS) program. With this recent addition, the program now nurtures 99 scholars from Philippine Normal University, University of the Philippines, Polytechnic University of the Philippines, and PHINMA University of Pangasinan. As these scholars complete their tertiary education, they will add to PNS' growing list of alumni which currently numbers 252. More significant to note is the fact that the PHINMA Education network supports the schooling of about 60% of its student population with the Hawak Kamay scholarship, which reduces tuition by up to 75%, based on the student's capacity to pay. Hawak Kamay boasts of at least 74,000 beneficiaries, making it the single largest private sector-driven scholarship program in the country today.

2023 Outlook

This year the country looks forward to a recovery from the pandemic and a strong rebound in affected sectors including property, travel, and hospitality. A hybrid system will likely prevail under the new normal as schools and workplaces have realized the benefits of remote work and learning. The Russia-Ukraine War unfortunately has no resolution in sight and though we expect supply chain distortions to moderate, inflation will likely remain elevated in the year. The government has mentioned it intends to continue to control inflation through higher interest rates and, to compensate, spur economic recovery through infrastructure spending and development.

With the full resumption of face-to-face classes, the education industry hopes to begin to recover from the learning crisis caused by the pandemic. Moving forward, PHINMA Education intends to maintain alternative learning systems as a fundamental change in the way it delivers education and as an additional channel to reach distant students. PHINMA Education continues to invest in its schools to improve learning facilities and increase capacity and looks forward to further overseas expansion to capture more of the underserved education market in Indonesia and eventually other Southeast Asian countries. In the Philippines, PHINMA Education is always on the lookout to acquire more schools situated in growing urban communities which complement its network, to offer its brand of accessible quality education to more underserved youth.

For our Construction Materials Group, UGC with its emphasis on two new distinct divisions is well positioned to capture growth from a further recovery of the construction sector. Philcement looks forward to improved margins as efficiency and optimization measures continue, supplier relationships are maintained, and costs normalize. Meanwhile, PHINMA Solar hopes to leverage the previous volatility in energy prices to push more clean and renewable energy to a target residential and commercial market, with the support of its parent, UGC.

For 2023, PHINMA Properties will continue existing horizontal projects in Cebu, Las Pinas City, and Batangas while also developing its first mixed-use township project in Bacolod City as it pursues a new direction to shape urban centers. PHINMA Corporation has also announced plans of an equity investment of up to P420 million in PHINMA Properties by 2024 to provide funding for this new initiative. Finally, following the lifting of pandemic and travel restrictions, we expect a recovery in the hotel industry and the return of Coral Way's pre-pandemic market for international and domestic leisure and corporate accommodations.

Despite global volatility, the past several years has been a period of remarkable growth for Your Company driven primarily by our strategic business units. We would like to extend our gratitude to our management teams who share our passion to make lives better, strategically adapting their businesses to soldier on despite the challenging and unpredictable global environment. We also extend our thanks to our creditors, suppliers, and partners who continue to support us during these volatile times. To our shareholders, we reaffirm a long-term plan of mission orientation, succession planning, talent development, and investor relations, with the objective of returning value to our loyal investors and growing sustainably for many more years to come.

A Common Vision

At PHINMA, we believe successful enterprises are those composed of like minded individuals sharing a common vision that goes beyond profits. We believe business should be intentional and harnessed for the better – as an agent for nation building and to improve lives. To do good while doing well and to make lives better – this is not just our mission, but a vision common to everyone in the company. We invite everyone to share in this vision in whatever capacity, to whatever extent, big or small, as we can all make a difference and make lives better.

RAMON R. DEL ROSARIO, JR.
Chairman of the Board and Chief Executive Officer

CHITO B. SALAZAR
President and Chief Operating Officer

We believe business should be intentional and harnessed for the better – as an agent for nation building and to improve lives. To do good while doing well and to make lives better – this is not just our mission but a vision common to everyone in the company.

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.

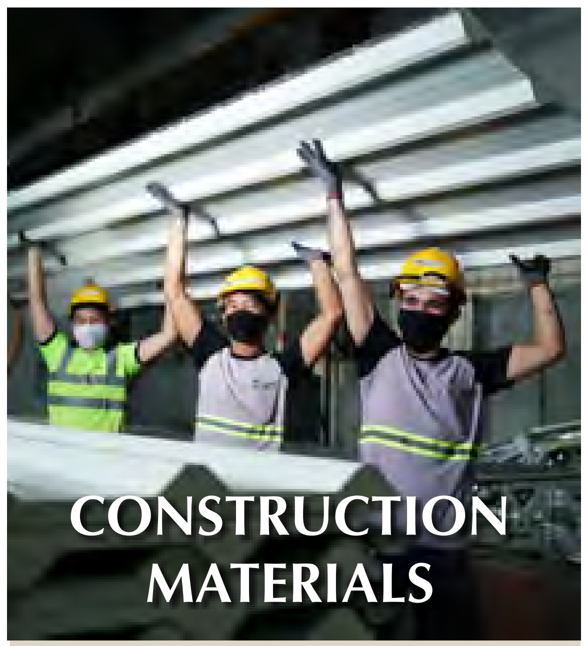
We have outlined the businesses we will focus on: Education, Construction Materials, Property Development and Hospitality. These businesses support a growing and younger demographic in different ways: from the facilities that meet the needs of travelers and home buyers, to quality education within the 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.

Making lives better
by educating
underserved youth



Making lives better
by boosting construction
and infrastructure

Making lives better
by creating
sustainable communities

Making lives better
by providing safe
and comfortable stays

Our 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 Global Reporting Initiative (GRI) to identify areas affecting the economy, society and environment, which are relevant to our business and our stakeholders. In 2021, the Company 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.

Identifying Material Aspects →	Assessing Level of Criticality →	Determining Current Performance →	Recognizing Stakeholder Needs →	Setting Up Targets and Objectives
Determining key material aspects critical to PHINMA's operations using GRI guidelines	The level of criticality was assessed based on the operational, regulatory and legal, environmental and social impact.	Monitoring of our current performance based on GRI-recommended measures for analysis.	Assessing our stakeholder needs and identifying priorities that address their real needs and interests.	Realigning and setting up plans as needed and clearly articulating and cascading the targets and measurable objectives.

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

Management approach disclosures for our material topics are discussed on pages 8 to 11. Actual sustainability performance and data relevant to ESG are presented on pages 12 to 16.

Our Management Approach

Our mission of Making Lives Better has guided us in providing products and services that are important to nation-building, and delivering long-term value to our stakeholders. Through inclusive growth, we ensure that our strategy is consistent with our core values of integrity, patriotism, competence and professionalism.

PHINMA Corporation is well-positioned for growth through our diverse portfolio as our strategic business units play an important part in creating sustainable economic growth in the country. Here are the management approaches on how we embed sustainability at the core of our business processes.

SOCIAL

Employment and Labor Relations
PHINMA is committed to taking care of our own employees through competitive compensation and benefits, talent development programs and ensuring a deep management bench. The ability to attract and retain talent is essential in maintaining and further improving the performance and service standards that the Company has set for itself. The ability to retain quality employees has a direct impact on operations, and consequently on the bottom line. Among the top drivers of employee retention is the quality of relationship between the Company and its employees.

Occupational Health and Safety
The safety and health of our own employees are a priority of the Company. PHINMA manages the impacts of the company's operation by integrating safety and operational policies for all of its employees. Safety training sessions are done online and on-site, especially in areas where employees have to report physically to the operation site. It is our responsibility to provide a safe and healthy workplace as part of our commitment to our employees PHINMA also ensures that our employees have good medical benefits and access to support.

Mental Health. PHINMA continues to provide access to unlimited, safe, preventive therapy sessions with licensed psychologists for employees and stakeholders in need. Continuous educational resources about mental health are published weekly. There are also monthly webinars on mental well-being. More importantly, an employee mental health survey was done in 2022, and the result indicated that there is a generally good working environment within the organization as reflected by a large percentage of employees having high work health.

Enhanced Benefits. Some benefits were enhanced to ensure that the employees' needs are taken care of. There was an increase in medical allowance and a provision for internet subsidy.
Benefit limits of medical coverage for employees were also upgraded.

Employee Engagement. With the easing of COVID-19 restrictions, the Company relaunched its groupwide townhall meetings into a hybrid event which is now called PHINMA Ugnayan.

Aside from this, regional Ugnayans were held in Cebu, Laguna, and Davao. These face-to-face events were held to promote meaningful interaction among the local business units while promoting PHINMA's mission of making lives better.

COVID Measures

The following programs were continued in 2022 to address the pandemic.

PHINMAVax. The Company continued its vaccination program until the first quarter 2022, which gave access to boosters doses for employees, dependents and other stakeholders.

Guidelines for the New Normal. For employees reporting to the office and operation sites, strict guidelines and protocols were cascaded to ensure safety of our employees. Personal protective equipment was provided to all employees and its mandatory use was enforced. Remote work arrangement continued for units which do not require face to face interactions to perform their business operations. On the other hand, shifting work schedules such as the 4-10 (4 consecutive days on site, 10 days offsite) and the 3-2, 2-3 (3 days onsite, 2 days offsite, and reverse) schemes were also implemented for teams which need to report to the office.

Health and Travel Declaration. Employees and support staff were required to provide weekly health and travel declarations to monitor their conditions and detect early signs of COVID-19 up to the third quarter of 2022. As the restrictions eased toward the last quarter of the year, the weekly declarations were discontinued, but employees were encouraged to inform their Human Resources Team when they are ill.

COVID Care. Fruit baskets or cooked meals were sent to employees who got sick with the COVID-19 virus.

Local Communities

In 2022 PHINMA continued its efforts to support the vulnerable and challenged sectors. Last September, the PHINMA Group mobilized over 800 employees, scholars, and their families to help with Brigada Eskwela, the Department of Education's annual school improvement initiative, benefitting 40 public schools across the country. In November, as part of the company's 66th anniversary, some 1,300 volunteers once again gave their time and talent in various 1PHINMA Reaches Out activities, which ranged from bloodletting, tree-planting, and coastal and river clean-up drives.

The PHINMA National Scholarship (PNS) program welcomed 47 deserving students from Philippine Normal University, University of the Philippines, Polytechnic University of the Philippines, and PHINMA University of Pangasinan. As these scholars complete their tertiary education, they will add to PNS' growing list of alumni which currently numbers 252.

PHINMA also continued to provide meaningful assistance to the messengers and helpers of the business units and its subsidiaries, as well as disadvantaged communities in 2022. The company also responded to the call for emergency response brought by different natural disasters during the year. In 2022, the PHINMA Group acting through the PHINMA Foundation was able to donate ₱1,119,073 for the rehabilitation of communities affected by an earthquake that impacted the province of Abra in July 2022 and a series of typhoons in the provinces of Nueva Ecija and Laguna in late 2022. Employee participation was mobilized through the PHINMA HERO Program which provided a venue for volunteerism and life-sharing.

Training and Education

PHINMA believes in developing talents within the organization to deepen our pool of leaders and to prepare the business in anticipation of future growth. Our Company and its subsidiaries focus on the continuous learning program of its employees through leadership and competency-based training. With the Company's commitment to development of employees' potential, measures are continuously undertaken to provide our workforce with training programs and meaningful job interactions.

PHINMA Credential of Readiness (CORE), a strategic leadership development program, was launched in the first quarter of 2022. The program aims to accelerate the growth of the PHINMA Group's talented employees in order to make them ready to take on increasing leadership roles.

Diversity and Equal Opportunity

We provide equal opportunities to all stakeholders regardless of gender, cultural background, religion, political affiliation and ethnicity. We value the diversity of our workforce and there is no preferential treatment on wages and benefits.

Customer Health and Safety

PHINMA continues to maintain a safe environment for its community and other stakeholders.

PHINMA Hospitality implemented strict precautionary measures to prevent the spread of COVID-19. Our Microtel and TRYP by Wyndham hotels received Safety Seal certification from the Department of Tourism as proof of its compliance to the public health standards. Our hotels continue to follow the guidelines established by the World Health Organization, Department of Health, Department of Tourism and local government units.

Remote and Distance (RAD) Learning. PHINMA Education continues to implement RAD Learning for students who can not attend school because of public health and safety restrictions as well as due to distance. Through the constant guidance of teachers through regular phone calls, students can continue with the coursework even at home.

ENVIRONMENT

Water

PHINMA ensures that the Company together with our subsidiaries are aligned with the Philippine Clean Water Act of 2004, and ensures that it shall pass all requirements set by the Department of Environment and Natural Resources with its water effluent standards.

In 2022, water consumption of 1,261,270 cubic meters was in general the same magnitude as the previous year. The significant consumption came from domestic use of water in the common area of PHINMA Properties and from use in operation for UGC's color-coating line. Water consumption for Philcement increased in 2022 as the company acquired a cistern tank to store water used for the building and port facilities.

Each subsidiary also continues to improve their internal business practices to aid reduction in water consumption. Below are our water conservation measures with significant contribution:

- Daily water monitoring, leak detection and repair and systems monitoring to ensure efficient operations of water systems within our operation sites
- Rainwater catchment facility installed in some properties and schools intended for back-up water supply
- Installation of Recuperative Thermal Oxidizer at UGC Calamba plant, greatly reducing the water consumption of Color Coating Line by up to 40%

Energy
In 2022, the total electricity consumption of PHINMA and its subsidiaries was 17,417,672 Kwh. The consumption is higher than previous year due to increased energy consumption of the manufacturing operations of the Construction Materials group as well as the residential communities of PHINMA Properties. The PHINMA Group in addition generated 853,809 Kwh from renewable sources, an increase over the previous year. Renewable energy was generated from solar panels installed at UGC facilities and at various PHINMA Education schools.

PHINMA aims to promote the efficient use of electricity through its energy conservation programs. PHINMA and its subsidiaries established processes to improve their energy efficiency to contribute to sustainability. Here are some of the program highlights:

- Efficient use of lights in common areas especially during daytime and implementing the use of electronic equipment that are more energy efficient such as inverter-type appliances and LED lights.
- Monitoring of utility consumption and regular preventive maintenance.
- Optimization of the usage of Solar PV systems in several properties of PHINMA Education and UGC

Environmental Compliance
As part of environmental compliance, PHINMA and its subsidiaries abide by the regulations from existing laws such as Clean Water Act of 2004 and Clean Air Act of 1999. Continuous coordination and dialogues with local government agencies such as the Department of Environment and Natural Resources and Laguna Lake Development Authority ensure environmental compliance.

Effluents and Waste
Operation sites of PHINMA are well equipped to handle solid and hazardous wastes generated from the operations. Solid wastes are being collected by local government agencies while hazardous wastes are hauled off-site by DENR-accredited transporters and treaters. A material recovery facility is also being maintained to manage its solid wastes and identify wastes that can still be recycled.

PHINMA subsidiaries also maintain their water quality effluent standards aligned with the Philippine Clean Water Act of 2004, and ensure that it shall pass all requirements set by the Department of Environment and Natural Resources.

Here are the highlights of the PHINMA operation particularly on the circular economy:

- MRF is utilized for segregating of wastes in all of our properties. For Philcement, all wood pallets were being re-used by production and recycled as shelves for storage. Tonner bags as packaging materials were also recycled and reused.
- While distance learning is still in effect, the PHINMA schools still continued their advocacy against the use of single-use plastics. The school promotes proper solid waste disposal and promotes a zero-plastic policy.

Biodiversity
While environmental programs, particularly our volunteer-driven programs on reforestation, took a pause during the pandemic, we believe that our biggest contribution in ensuring that the protection of biodiversity within our areas of operation is through the responsible operation of our business. We continue to assess risk operations critical to the environment and create proper measures to improve our environmental performance. PHINMA will look to continue our environment programs and explore new opportunities to contribute to biodiversity protection.

ECONOMIC

Economic Performance
PHINMA contributes to nation-building through our diversified portfolio in education, construction materials, housing and hospitality. In 2022, PHINMA Corporation generated a direct economic value of P7.7 billion, an increase of 10% over the previous year. The Company distributed 96% or P17.0 billion to our stakeholders and communities, while retaining P623 million to promote future growth.

Integrity and Good Governance
Integrity and good governance are integral to PHINMA's way of doing business. We are committed to uphold the law and we conduct our business in an ethical manner.

Launched in 2014, the PHINMA Group's Integrity Assurance Program institutionalizes the adoption of policies, programs and practices that foster and sustain an ethical business environment, and affirm PHINMA's steadfast commitment to integrity by going beyond compliance to regulatory requirements and adopting best practices on transparency, good governance and ethical business practices.

Indirect Economic Impact
Through our business portfolio, PHINMA is committed to invest in infrastructure and services that will trickle down to our local communities through local hiring and spending on local suppliers and service providers.

Aside from our core business operations, PHINMA also has advocacies in place to uplift the economic status of our immediate stakeholders. All graduates of the PHINMA National Scholarship program of PHINMA Foundation have passed their relevant professional board examination.

Procurement Practices
Vendor integrity This program aims at raising compliance standards and creating awareness among all vendors about the Integrity Assurance Program and the Code of Business Conduct. It sets out to guide employees and vendors in creating an ethical and sustainable business partnership with the organization.

Our Sustainability Performance

ENVIRONMENT PERFORMANCE

SDG Target	Our Contribution
Universal access to modern energy **Increase global percentage of renewable energy**	Total new installed capacity by PHINMA Solar in 2022: 2.307 MWp Incremental Renewable energy generated for clients: 2,990,183 kWh Renewable Energy used by PHINMA in 2022: 853,809 kWh
Safe and affordable housing **Reduce environmental impact to communities**	Cumulative Residential homes and units sold by PPHC in 2022: 17,166 PHINMA Foundation Donations for rehabilitation of communities affected by typhoons in Visayas and Mindanao areas in 2022: ₱1,119,073 PHINMA Group consolidated donations in 2022: ₱29,604,000
GHG Emissions	Incremental GHG reduction for PHINMA Solar clients in 2022: 1,516 MTCO2 (34,985 trees) Annual GHG avoided from PHINMA's own renewable energy sources in 2022: 433 $MTCO_2$ (9,990 Trees)

	2022	2021
Communities		
Cumulative Residential Units sold by PPHC	**17,166**	16,624
PHINMA Foundation Donations for community rehabilitation	**₱1,119,073**	₱1,055,000
PHINMA Group consolidated donations	**₱29,604,000**	₱16,183,000
Water		
Total Water Consumption	**1,261,270 cu. meter**	1,343,150 cu. meter
Total volume of water discharges	**690,144 cu. meter**	1,108,470 cu. meter
Energy		
Direct by PHINMA Group		
Total Energy Consumption	**17,417,672 Kwh**	16,953,668 Kwh
Total Energy Used from Renewable Resources	**853,809 Kwh**	781,783 Kwh
Total Energy Used from Fuels	**74,564 Liters**	37,967 Liters
Indirect for PHINMA Solar Clients		
New Solar capacity Installed	**2.307 MWp**	2.122 MWp
Incremental Renewable Energy Generated	**2,990,183 kWh**	2,652,500 kWh
Incremental CO_2 Avoided	**1,516,023 kg.**	1,344,818 kg.
Equivalent Trees Planted	**34,985 trees**	31,034 trees
Effluents and Waste		
Solid Waste Generated	**3,297.0 MT**	**4,409.2 MT**
Solid Waste Reused/Recycled	**1,168.0 MT**	**2,437.6 MT**
Hazardous Waste Generated	**57.4 MT**	**23.0 MT**
Hazardous Waste Transported	**60.6 MT**	**41.9 MT**
Hazardous Waste Stored	**0.6 MT**	**8.6 MT**

SOCIAL PERFORMANCE

SDG Target	Our Contribution
Literacy and numeracy	Number of students served for SY 2021-22: 124,501 students No. of scholars supported by the PHINMA Foundation: 150
Proportion of seats held by women	Percentage of PHINMA female managers and officers across the PHINMA Group: 44%
Safe and secure working environments	COVID-19 Vaccination Rate: 98.78% (as of January 2022) Safety training done: 48 online trainings and safety drills

Social Indicators	2022	2021
Total Enrollment, PHINMA Education (students)	**124,501**	95,503
HK Scholars, PHINMA Education	**93,787**	71,959
Number of Scholars, PHINMA Foundation	**150**	186
Cumulative number of graduates, PHINMA Foundation	**252**	227
Employee Data GRI 401-1		
Total Number of Employees	**4,261**	3,719
Male	**2,003**	1,790
Female	**2,258**	1,929

Benefits Provided

SSS	Vacation leaves	Retirement fund
PhilHealth	Sick leaves	Telecommuting
Pagibig	Emergency/Calamity leaves	Flexible working hours
Parental leaves (maternity, paternity, solo parent)	Medical benefits	Rice, laundry and clothing allowance

	2022	2021
Occupational Health and Safety GRI 403-9 to 10		
Work-related injuries	**16**	45
Work-related fatalities	**0**	0
Work-related ill-health	**65**	23
Safety drills and trainings done	**48**	40
Diversity and Equal Opportunity GRI 405-1		
Employee Gender Rate	**47% male, 53% female**	48% male, 52% female
Gender Ratio of Managers and Officers	**56% male, 44% female**	56% male, 43% female
Reported Incidents of Discrimination	**0**	0
Training and Empowerment GRI 404-1		
Average training hours per employee	**54.5 hours**	6.7 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

	SDG Target	Our Contribution
8 DECENT WORK AND ECONOMIC GROWTH	**Full employment and decent work** **Sustainable economic growth**	Direct Jobs Generated: 4,261 Economic Value Distribution: 96% Economic Value Retention: 4%
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	**Reduce corruption and bribery** **Develop effective, accountable and transparent institutions**	Incidents of Corruption: 0 Anti-competitive behavior, antitrust, and monopoly practices: 0

HIGHLIGHTS

	2022	2021
Economic Value Generated	**₱17,664,582**	₱16,038,186
Economic Value Distributed	**17,041,792**	14,689,211
Operating Costs	**13,465,281**	11,609,155
Employee Wages and Benefits	**2,287,662**	2,086,726
Dividends given to stockholders and interest payment to loan providers	**1,065,522**	837,296
Taxes given to government	**193,723**	139,851
Investment to community	**29,604**	16,183
Economic Value Retained	**₱622,790**	₱1,348,975

**amounts in thousand pesos*

OUR COMMITMENT TO SUSTAINABILITY

PHINMA is deeply aware that every aspect of our operations creates ripples and becomes a part of a shared global environment.

We affirm that our people are our greatest asset and that they are fundamental in ensuring the sustainability of our Company. We take pride in the passion, innovation and commitment to our core values of our employees, and we will continue to provide opportunities for growth and career development while ensuring their safety and well-being. PHINMA will also continue to look into promoting inclusive growth for our partners through our business and our corporate social responsibility programs.

PHINMA and its subsidiaries have also established programs and protocols to reduce the impact of the operations of its businesses on the environment. Your Company will continue to pursue new avenues to go beyond compliance and advance circular economy business solutions as well.

Moreover, PHINMA understands that our sustainability strategy is crucial in ensuring that we are able to protect key resource systems and continue providing for future generations.

PHINMA upholds its commitment to build the nation through its businesses while remaining steadfast in finding new solutions to improve its sustainability practices for its people, for the planet and for economic development. The Sustainability Report also serves as a motivation to explore new opportunities, and to move forward in improving our policies and internal business practices as we continue to make lives better.

ANNEX

Table 1 PHINMA Group Sustainability Metrics

	2022	2021
Direct by PHINMA Group		
Total Student Enrollment, PHINMA Education	**124,501**	95,503
Number of Scholars, PHINMA Foundation	**150**	186
Cumulative graduates, PHINMA Foundation	**252**	227
Cumulative Homes and Residential Units Sold, PPHC	**17,166**	16,624
Donations for community rehabilitation, PHINMA Foundation	**₱1,119,073**	₱1,055,000
PHINMA Group consolidated Donations	**₱29,604,000**	₱16,183,000
Energy Used from Renewable Sources	**853,809 Kwh**	781,783 Kwh
Annual CO_2 Avoided	**432,881 kg.**	396,364 kg.
Equivalent Trees Planted	**9,990 trees**	9,146 trees
Indirect for PHINMA Solar Clients		
New Solar Installed Capacity	**2.307 MWp**	2.122 MWp
Annual Incremental Renewable Energy Generated	**2,990,183 kWh**	2,652,500 kWh
Annual Incremental CO_2 Avoided	**1,516,023 kg.**	1,344,818 kg.
Equivalent Trees Planted	**34,985 trees**	31,034 trees

Table 2 and 3. Social Indicators per Company

			CMG					
CY 2022	PHINMA Corp.	PCC	UGC	PHINMA Solar	PEHI	PPHC	Hospitality	Total
Employee Data								
Total Number of Employees	**17**	**117**	**695**	**36**	**3,025**	**320**	**51**	**4,261**
Male	**8**	**90**	**488**	**28**	**1,248**	**116**	**25**	**2,003**
Female	**9**	**27**	**207**	**8**	**1,777**	**204**	**26**	**2,258**
Male Managers and Officers	**3**	**19**	**58**	**12**	**61**	**20**	**12**	**185**
Female Managers and Officers	**3**	**4**	**30**	**3**	**82**	**21**	**5**	**148**
Occupational Health and Safety								
Work-related injuries	**0**	**1**	**11**	**0**	**4**	**0**	**0**	**16**
Work-related fatalities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Work-related ill-health	**na**	**0**	**0**	**0**	**65**	**0**	**0**	**65**
Safety drills and trainings done	**0**	**0**	**4**	**2**	**16**	**20**	**6**	**48**
Diversity and Equal Opportunity								
Employee Gender Ratio - male	**47%**	**77%**	**70%**	**78%**	**41%**	**36%**	**49%**	**47%**
- female	**53%**	**23%**	**30%**	**22%**	**59%**	**64%**	**51%**	**53%**
Gender Ratio of Managers - male	**50%**	**83%**	**66%**	**80%**	**43%**	**49%**	**71%**	**56%**
and Officers - female	**50%**	**17%**	**34%**	**20%**	**57%**	**51%**	**29%**	**44%**
Reported Incidents of Discrimination	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Training and Empowerment								
Accounted Training Hours	**118**	**167**	**9,083**	**140**	**218,856**	**1,300**	**2,584**	**232,248**
Average Hours per Employee								**54.5**

Employees of PHINMA Corporation and its subsidiaries are not subject to a Collective Bargaining Agreement (CBA) except for the following direct or indirect subsidiaries:

a. UPANG – 430 employees. CBA will expire in June 10, 2027
b. UGC – 19 employees. CBA will expire on June 30, 2025.

			CMG					
CY 2021	PHINMA Corp.	PCC	UGC	PHINMA Solar	PEHI	PPHC	Hospitality	Total
Employee Data								
Total Number of Employees	20	115	789	10	2,432	231	62	3,659
Male	6	97	558	7	1,008	75	23	1,774
Female	14	18	231	3	1,424	156	39	1,885
Male Managers and Officers	4	21	54	4	55	13	14	165
Female Managers and Officers	3	3	15	3	65	14	14	117
Occupational Health and Safety								
Work-related injuries	0	0	45	0	0	0	0	45
Work-related fatalities	0	0	0	0	0	0	0	0
Work-related ill-health	2	0	4	0	0	1	16	23
Safety drills and trainings done	3	16	3	4	5	1	8	40
Diversity and Equal Opportunity								
Employee Gender Ratio - male	30%	84%	71%	70%	41%	32%	37%	48%
- female	70%	16%	29%	30%	59%	68%	36%	52%
Gender Ratio of Managers - male	57%	86%	78%	57%	46%	48%	50%	57%
and Officers - female	43%	14%	22%	43%	54%	52%	50%	43%
Reported Incidents of Discrimination	0	0	0	0	0	0	0	0
Training and Empowerment								
Accounted Training Hours	4	2,675	17,540	248	Na	3,116	700	24,433
Average Hours per Employee								6.7

Table 4 and 5. Environmental Indicators per Company

		CMG					
CY 2022	PHINMA Corp.	PCC	UGC	PEHI	PPHC	Hospitality	Total
Water							
Total Water Consumption (in cubic meter)	**4,888**	**13,943**	**63,588[1]**	**41,193[2]**	**1,102,085**	**35,573**	**1,261,270**
Total volume of water discharges	**-**	**-**	**57,440[3]**	**10,553**	**607,867[4]**	**14,284**	**690,144**
Energy							
Total Energy Consumption (in Kwh)	**1,178,097**	**6,723,080**	**1,567,549**	**3,536,193[5]**	**1,608,355**	**2,804,398**	**17,417,672**
Total Energy Used from Renewable resources	**-**	**2,401**	**434,168**	**417,240**	**-**	**-**	**853,809**
Total Energy Used from Fuels (Liter)	**6,396**	**21,600**	**15,646**	**19,117[6]**	**3,990**	**7,815**	**74,564**
Effluents and Waste							
Solid Waste Generated (MT)	**1.498**	**247.0**	**168.8**	**165.9[7]**	**2,708**	**5.8[8]**	**3,297**
Solid Waste Reused/Recycled	**-**	**215.0**	**57.0**	**106.0[9]**	**788**	**2.1**	**1,168**
Hazardous Waste Generated	**0.0189**	**2.0**	**13.1**	**0.05**	**35.4**	**6.8**	**57.4**
Hazardous Waste Transported	**-**	**2.0**	**16.4**	**0.05**	**35.3**	**6.8**	**60.6**
Hazardous Waste Stored	**0.6244**	**-**	**-**	**-**	**-**	**-**	**0.6**
GHG Emissions							
Direct (Fuels) $MTCO_2$							**177.1**
Indirect (Energy) $MTCO_2$							**8,832.5**

1 Data not available for Davao plant
2 Data not available for University of Iloilo and Rizal College of Laguna
3 Data not available for Davao plant
4 Data not available for some PPHC properties
5 Data not available for Rizal College of Laguna
6 Data not available for Republican College, Rizal College of Laguna, Union College of Laguna
7 Data not available for University of Pangasinan, Rizal College of Laguna, and Union College of Laguna
8 Data not available for TRYP Mall of Asia
9 Data not available for University of Pangasinan, Rizal College of Laguna, Union College of Laguna

CY 2021	PHINMA Corp.	CMG PCC	CMG UGC	PEHI	PPHC	Hospitality	Total
Water							
Total Water Consumption (in cubic meter)	5,145	2,540	92,317	24,995[10]	1,185,140	35,962	1,346,099
Total volume of water discharges	-	-	91,237	1,734	1,014,774	14,595	1,122,340
Energy							
Total Energy Consumption (in Kwh)	1,047,200	5,814,760	1,836,691	4,228,930	1,210,821	2,815,266	16,953,668
Total Energy Used from Renewable resources	-	-	467,401	314,382	-	-	781,783
Total Energy Used from Fuels (Liter)	6,397	na	13,394	9,621[11]	740	7,815	37,967
Effluents and Waste							
Solid Waste Generated (MT)	1.316	103.1	79.6	30.8[12]	4,185.0	9.4	4,409.2
Solid Waste Reused/Recycled	-	97.9	11.6	17.8	2,305.6	4.7	2,437.6
Hazardous Waste Generated	0.0147	.6	13.5	.6	.47	7.8	23.0
Hazardous Waste Transported	-	0	40.9[13]	.6	.36	-	41.9
Hazardous Waste Stored	0.1946	.6	-	-	-	7.8	8.6
GHG Emissions							
Direct (Fuels) $MTCO_2$							90.172
Indirect (Energy) $MTCO_2$							8,597.2

10 Data not available for University of Pangasinan and University of Iloilo
11 Data not available for University of Pangasinan and University of Iloilo,
12 Data not available for University of Pangasinan, University of Iloilo, Rizal College of Laguna, and Union College of Laguna
13 UGC transported inventory of hazardous waste over the year

GRI CONTENT INDEX GRI 102-55

(In Accordance – Core Option)

		Page	Omission
GRI 101: Foundation 2016 **General Disclosures** **GRI 102: General Disclosures 2016**			
	ORGANIZATIONAL PROFILE		
102-1	Name of the organization		PHINMA Corporation
102-2	Activities, brands, products and services	AR pages 9 to 16	
102-3	Location of headquarters		12F PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City 1200
102-4	Location of operations	AR page 2	
102-5	Ownership and legal form		PHINMA Corp. is registered with the Philippine Securities and Exchange Commission. As of December 31, 2021, PHINMA Corp. is 68.592% owned by PHINMA, Inc., directors and officers.
102-6	Markets served	AR page 2	
102-7	Scale of the organization	AR page 21	
102-8	Information on employees and other workers	p. 13	
102-9	Supply chain	AR page 75, 78	
102-10	Significant changes to the organization and its supply chain	AR p. 2-4, 10-11	
102-11	Precautionary Principle or approach	p. 7-11	
102-12	External initiatives		ASEAN Corporate Governance Scorecard
102-13	Membership of associations		Philippine Stock Exchange
	STRATEGY		
102-14	Statement from senior decision-maker	p. 2-4	
	ETHICS AND INTEGRITY		
102-16	Values, principles, standards, and norms of behavior	AR p. 1	
	GOVERNANCE		
102-18	Governance structure	AR p. 27-30	
	STAKEHOLDER ENGAGEMENT		
102-40	List of stakeholder groups	AR p. 4	
102-41	Collective bargaining agreements	p. 15	
102-42	Identifying and selecting stakeholders	p. 7	
102-43	Approach to stakeholder engagement	p. 8-11	
102-44	Key topics and concerns raised	p. 7	
	REPORTING PRACTICE		
102-45	Entities included in the consolidated financial statements	AR p. 54	
102-46	Defining report content and topic boundaries	p.1	
102-47	List of material topics	p.7	
102-48	Restatements of information		This is the 4th Sustainability Report of PHINMA Corp.
102-49	Changes in reporting		There were no significant changes in the reporting framework from Sustainability Report CY 2021
102-50	Reporting period		January 2022 to December 2022
102-51	Date of most recent report		April 2023
102-52	Reporting cycle		Annual
102-53	Contact point for questions regarding the report		PHINMA Investors Relations investorrelations@phinma.com.ph (+632) 8 870 0100
102-54	Claims of reporting in accordance with the GRI Standards	p.1	This report is in accordance with GRI Standards: Core Option
102-55	GRI content index	p. 16-18	
102-56	External assurance		This report has not been externally assured

ECONOMIC DISCLOSURES

GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 7	
	103-2	The management approach and its components	p. 11	
	103-3	Evaluation of the management approach	p. 11	
GRI 201: Economic Performance	201-1	Direct economic value generated and distributed	p. 11	
	201-3	Defined benefit plan obligations and other retirement plans	p. 13	
	201-4	Financial assistance received from government		None in 2022
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 7	
	103-2	The management approach and its components	p.11	
	103-3	Evaluation of the management approach	p.11	
GRI 203: Indirect Economic Impact	203-1	Infrastructure investments and services supported	p. 5, 11 AR p. 10-11	
	203-2	Significant indirect economic impacts	p.11-12	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p.7	
	103-2	The management approach and its components	p.11	
	103-3	Evaluation of the management approach	p.11	
GRI 205: Anti-Corruption	205-1	Operations assessed for risks related to corruption	p.14	
	205-2	Communication and training about anti-corruption policies and procedures	p. 11	
	205-3	Confirmed incidents of corruption and actions taken	p. 14	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 7	
	103-2	The management approach and its components	p.11	
	103-3	Evaluation of the management approach	p.11	
GRI 206: Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		No substantiated incidents of anti-competitive behavior, anti-trust, or monopoly practices

ENVIRONMENTAL DISCLOSURES

GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 7	
	103-2	The management approach and its components	p. 10-11	
	103-3	Evaluation of the management approach	p. 10-11	
GRI 301: Materials	301-2	Recycled input materials used	p. 11	
	301-3	Reclaimed products and their packaging materials	p. 11	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p.7	
	103-2	The management approach and its components	p.10-11	
	103-3	Evaluation of the management approach	p.10-11	
GRI 302: Energy	302-1	Energy consumption within the organization	p. 11	
	302-2	Energy consumption outside of the organization	p.11	
	302-4	Reduction of energy consumption	p.11	
	302-5	Reductions in energy requirements of products and services	p.11	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p.7	
	103-2	The management approach and its components	p.10-11	
	103-3	Evaluation of the management approach	p.10-11	
GRI 303: Water and Effluents	303-1	Interactions with water as a shared resource	p.10	
	303-2	Management of water discharge-related impacts	p.11	
	303-4	Water discharge	p.12	
	303-5	Water consumption	p.12	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p.9	
	103-2	The management approach and its components	p.10-11	
	103-3	Evaluation of the management approach	p.10-11	
GRI 304: Biodiversity	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		Operation sites are outside high biodiversity and critically-protected areas
	304-2	Significant impacts of activities, products, and services on biodiversity	p.11	
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations		No national conservation and IUCN red list species affected by operations
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 7	
	103-2	The management approach and its components	p.10-11	
	103-3	Evaluation of the management approach	p.10-11	
GRI 305: Emissions	305-1	Direct (Scope 1) GHG emissions	p.15	
	305-2	Energy indirect (Scope 2) GHG emissions	p. 15	
	305-3	Other indirect (Scope 3) GHG emissions		Not monitored during reporting period
	305-5	Reduction of GHG emissions	p.12	
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions		Air emission results done by DENR accredited laboratories are way below Philippine Clean Air Act of 1999 limits and pose insignificant risks
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 7	
	103-2	The management approach and its components	p.10-11	
	103-3	Evaluation of the management approach	p.10-11	
GRI 306: Waste	306-1	Waste generation and significant-waste related impact	p. 11-12	
	306-2	Management of significant waste-related impact	p.11-12	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 7	
	103-2	The management approach and its components	p.10-11	
	103-3	Evaluation of the management approach	p.10-11	
GRI 307: Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	p.11	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p.7	
	103-2	The management approach and its components	p.10-11	
	103-3	Evaluation of the management approach	p.10-11	
GRI 308: Supplier Environmental Assessment	308-2	Negative environmental impacts in the supply chain and actions taken		No suppliers and service providers within the value chain that pose severe negative environmental impact were engaged.

SOCIAL DISCLOSURES

GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 7	
	103-2	The management approach and its components	p. 8-10	
	103-3	Evaluation of the management approach	p. 8-10	
GRI 401: Employment	401-1	New employee hires and employee turnover	p.13	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	p.13	
	401-3	Parental leave	p.13	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p.7	
	103-2	The management approach and its components	p.8-10	
	103-3	Evaluation of the management approach	p.8-10	
GRI 403: Occupational Health and Safety	403-1	Workers' representation in formal joint management–worker health and safety committees	p. 8, 13	
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	p.13	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p.7	
	103-2	The management approach and its components	p.8-10	
	103-3	Evaluation of the management approach	p.8-10	
GRI 404: Training and Education	404-1	Average hours of training per year per employee	p.13	
	404-2	Programs for upgrading employee skills and transition assistance programs	p.13	
	404-3	Percentage of employees receiving regular performance and career development reviews		All employees are receiving regular performance reviews (mid-year and year-end performance evaluation)
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 7	
	103-2	The management approach and its components	p.8-10	
	103-3	Evaluation of the management approach	p.8-10	
GRI 405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	p.13	
	405-2	Ratio of basic salary and remuneration of women to men		Salary is based on competency and performance, irregardless of gender
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p.7	
	103-2	The management approach and its components	p. 8-10	
	103-3	Evaluation of the management approach	p.8-10	
GRI 406: Non-discrimination	406-1	Incidents of discrimination and corrective actions taken		No reported incidents of discrimination
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p.7	
	103-2	The management approach and its components	p.8-10	
	103-3	Evaluation of the management approach	p.8-10	
GRI 408: Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor		No reported incidents of child labor
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p.7	
	103-2	The management approach and its components	p.8-10	
	103-3	Evaluation of the management approach	p.8-10	
GRI 409: Forced and Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor		No reported incidents of forced or compulsory labor
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p.7	
	103-2	The management approach and its components	p.8-10	
	103-3	Evaluation of the management approach	p.8-10	

GRI 411: Rights of Indigenous Peoples	411-1	Incidents of violations involving rights of indigenous peoples		No reported violations involving indigenous peoples' right
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p.10	
	103-2	The management approach and its components	p.10-12	
	103-3	Evaluation of the management approach	p.10-12	
GRI 413: Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	p.9	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p.7	
	103-2	The management approach and its components	p.8-10	
	103-3	Evaluation of the management approach	p.8-10	
GRI 414: Supplier Social Assessment	414-2	Negative social impacts in the supply chain and actions taken		No suppliers and service providers within the value chain were assessed were identified to pose negative social impact.
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p.7	
	103-2	The management approach and its components	p.8-10	
	103-3	Evaluation of the management approach	p.8-10	
GRI 416: Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	p.10	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		No reported incidents of non-compliance.
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p.7	
	103-2	The management approach and its components	p.8-10	
	103-3	Evaluation of the management approach	p.8-10	
GRI 418: Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		No reported complaints on customer privacy and customer data breach.
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p.7	
	103-2	The management approach and its components	p.8-10	
	103-3	Evaluation of the management approach	p.8-10	
GRI 419: Socio-economic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area		No reported incidents of non-compliance.

Corporate Information

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
phi@phinmaintegrity.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 Directory

Education

PHINMA EDUCATION HOLDINGS, INC.
2nd Floor, PHINMA Plaza, 39 Plaza Drive,
Rockwell Center, Makati City 1210
Tel. (632) 8896-9537
www.phinma.edu.ph

PAMANTASAN NG ARAULLO
(ARAULLO UNIVERSITY), INC.
Barangay Bitas, Maharlika Highway
Cabanatuan City, Nueva Ejica
Tel. (6344) 464-3300
www.au.phinma.edu.ph

CAGAYAN DE ORO COLLEGE, INC.
Max Suniel St., Carmen
Cagayan de Oro City, Misamis
Oriental
Tel. (6388) 858-5867
www.coc.phinma.edu.ph

UNIVERSITY OF PANGASINAN, INC.
Avelino Street, Dagupan City
Pangasinan
Tel. (6375) 522-5635
up.phinma.edu.ph

UNIVERSITY OF ILOILO
Rizal Street
Iloilo City
Tel. (6333) 338-1071
ui.phinma.edu.ph

SOUTHWESTERN UNIVERSITY, INC.
Urgello Street
Cebu City
Tel. (6332) 416-4680
swu.phinma.edu.ph

ST. JUDE COLLEGE , INC.
1338 Don Quijote Street corner Dimasalang,
Sampaloc,Manila
Tel. (632) 5338-5833
ncr.phinma.edu.ph

REPUBLICAN COLLEGE, INC.
42 18th Avenue, Cubao,
Quezon City, Metro Manila
Tel. (632) 8912-1286 , 8912-5579

RIZAL COLLEGE OF LAGUNA
National Highway, Brgy. Parian
Calamba City, Laguna
Tel. (6349) 557-1879

UNION COLLEGE OF LAGUNA
A. Mabini St, Santa Cruz, Laguna
Tel. (63915) 4081-733

STIKES and STMIK Horizon Karawang
Jl Pangkal Perjuangan KM 1, Tanjungpura,
Kec, Karawang Barat, Kabupaten Karawang.
Provinsi Jawa Barat, Indonesia
Tel. (62811) 845-4800

Consruction 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.phinmasolar.ph

Property Development

PHINMA PROPERTY HOLDINGS
CORPORATION
29 Epifanio Delos Santos Avenue
Mandaluyong City
Tel. (632) 8533-7777
www.phinmaproperties.com

PPHC Davao
Unit 7, Carriedo Bldg., J.P. Laurel Avenue,
Bajada, Davao City, Davao del Sur, 8000
Tel. (6383) 295-7742

Hospitality

MICROTEL MALL OF ASIA
Coral Way Avenue cor. Seaside
Boulevard
Tel. (632) 8403 -3333
www.microtel-manila.com

PHINMA HOSPITALITY, INC.
(formerly Microtel Development
Corporation)
2nd Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center,
Makati City
Tel. (632) 8870-0302