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S.E.C. Registration Number

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(Company's Full Name)

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

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FORM TYPE

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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

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, 2014
2. Commission identification no. 12397 3. BIR Tax Identification No. 000-107-026
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) 870-01-00
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 - 259,677,745 shares issued and outstanding
11. Are any or all of the securities listed on the Philippine Stock Exchange ?

Yes () 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 [] No []
 - (b) Has been subject to such filing requirements for the past 90 days.

Yes [] No []

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PHINMA CORPORATION AND SUBSIDIARIES**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****June 30, 2014****(With Comparative Audited Figures as at December 31, 2013)**

	Unaudited	Audited
	June 30, 2014	December 31, 2013
	<i>(In Thousands)</i>	
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7)	₱514,942	₱472,708
Investments held for trading (Notes 8)	721,158	894,591
Trade and other receivables (Notes 9, and 21)	1,236,186	887,720
Inventories (Note 10)	954,304	803,568
Input value-added taxes	11,613	2,247
Available-for-sale (AFS) investments	-	103,656
Derivative asset and other current assets	124,406	95,138
Total Current Assets	3,562,609	3,259,628
Noncurrent Assets		
Investments in associates - at equity (Note 11)	2,283,848	2,290,844
AFS investments (Notes 12)	121,765	121,765
Property, plant and equipment (Notes 13 and 19)	2,495,454	2,517,626
Investment properties (Notes 14 and 19)	434,731	437,849
Intangibles (Notes 5 and 15)	1,091,033	1,091,033
Deferred tax assets (Note 22)	55,761	36,968
Other noncurrent assets (Note 16)	174,151	174,567
Total Noncurrent Assets	6,656,743	6,670,652
	₱10,219,352	₱9,930,280

LIABILITIES AND EQUITY**Current Liabilities**

Notes payable (Notes 17)	₱211,404	₱144,025
Trade and other payables (Notes 18)	582,922	649,318
Unearned revenues	450,612	234,413
Trust receipts payable (Notes 10)	190,436	44,153
Income and other taxes payable	68,063	34,787
Due to related parties (Notes 21)	15,729	54,381
Current portion of long-term loan payable (Notes 5)	25,142	25,572
Current portion of long-term debt (Notes 19 and 21)	108,077	94,586
Total Current Liabilities	1,652,385	1,281,235

	Unaudited	Audited
	June 30, 2014	Dec. 31, 2013
	<i>(In Thousands)</i>	
Noncurrent Liabilities		
Long-term debt ó net of current portion (Notes 19, and 21)	₱990,369	₱1,056,839
Long-term loan payable ó net of current portion (Notes 5)	-	25,572
Deferred tax liabilities (Note 22)	282,178	281,433
Deferred rent revenue (Note 21)	44,896	44,896
Pension and other post-employment benefits	218,051	202,521
Other noncurrent liabilities (Note 21)	3,205	5,803
Total Noncurrent Liabilities	1,538,699	1,617,064
Total Liabilities	3,191,094	2,898,299
Equity attributable to equity holders of the parent		
Capital stock (Note 20)	2,596,654	2,596,654
Additional paid-in capital	258,958	258,958
Share in unrealized gain on change in fair value of AFS		
Investments of associates	21,388	26,786
Unrealized gain on change in FV of AFS	3,790	-
Exchange differences on translation of foreign operations	(7,901)	(5,850)
Other reserves	8,682	8,682
Retained earnings (Note 20)	3,554,729	3,552,193
Equity attributable to equity holders of the parent	6,436,300	6,437,423
Equity Attributable to Non-controlling Interest (Note 6)	591,968	594,558
Total Equity	7,028,268	7,031,981
	₱10,219,352	₱9,930,280

PHINMA CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF INCOME

	Unaudited			
	For the Three (3) Months Ended June 30		For the Six (6) Months Ended June 30	
	2014	2013	2014	2013
	<i>(Amounts in Thousands)</i>			
REVENUES (Note 1)				
Sale of goods	₱969,447	₱900,782	₱1,859,029	₱1,687,670
Tuition and school fees	259,249	193,342	513,254	463,725
Consultancy services	155,060	141,954	264,922	250,324
Animation services	-	13,982	-	31,860
Investment income (Notes 8 and 21)	8,868	12,775	16,027	36,762
Rental income	4,290	1,715	8,514	8,446
	1,396,914	1,264,550	2,661,746	2,478,787
COSTS AND EXPENSES				
Cost of sales, educational and animation services	(983,794)	(882,040)	(1,860,888)	(1,718,094)
Operating expenses	(316,936)	(295,931)	(647,009)	(579,198)
	(1,300,730)	(1,177,971)	(2,507,897)	(2,297,292)
OTHER INCOME (CHARGES)				
Equity in net earnings of associates (Note 11)	11,905	35,848	43,941	82,568
Interest expense and other financial charges	(18,001)	(17,937)	(35,992)	(35,447)
Net gains (losses) on derivatives	-	(7,287)	-	(6,230)
Foreign exchange gains (losses) - net	(1,466)	3,929	(801)	3,147
Others - net	3,183	(52,527)	2,446	(5,120)
	(4,379)	(37,974)	9,594	38,918
INCOME BEFORE INCOME TAX	91,805	48,605	163,443	220,413
PROVISION FOR INCOME TAX (Notes 22)	18,502	22,475	36,555	35,156
NET INCOME	₱73,303	₱26,130	₱126,888	₱185,257
Net Income Attributable To				
Equity holders of the Parent	₱64,315	₱27,000	₱106,406	₱171,287
Non-controlling interest	8,988	(870)	20,482	13,970
	₱73,303	₱26,130	₱126,888	₱185,257
Basic/Diluted Earnings Per Common Share - Attributable to Equity Holders of the Parent (Notes 24)	₱0.25	₱0.10	₱0.41	₱0.66

PHINMA CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
	<i>(Amounts in Thousands)</i>			
NET INCOME	₱73,303	₱26,130	₱126,888	₱185,257
OTHER COMPREHENSIVE INCOME				
Items that will be reclassified to profit or loss in subsequent periods:				
Share in unrealized gain (loss) on change in fair value of AFS investments of associates (Note 12)	(6,004)	(23,602)	(5,398)	(16,564)
Unrealized gain (loss) on change in fair value of AFS investments (Note 11)	3,790	(96)	3,790	(350)
Cumulative translation adjustments	(1,349)	10,817	(2,051)	17,374
	(3,563)	(12,881)	(3,659)	460
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	₱69,740	₱13,249	₱123,229	₱185,717
Total Comprehensive Attributable To				
Equity holders of the Parent	₱60,752	₱14,119	₱102,747	₱171,747
Non-controlling interest	8,988	(870)	20,482	13,970
	₱69,740	₱13,249	₱123,229	₱185,717

PHINMA CORPORATION AND SUBSIDIARIES

**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013
(UNAUDITED)**

	Equity Attributable to Equity Holders of the Parent Company											
	Capital Stock (Note 20)	Additional Paid-in Capital	Actuarial Gains (losses) (Note 3)	Share in Unrealized Gain (Loss) on Change in Fair Value of AFS Investments of Associates (Notes 11 and 20)	Unrealized Gain (Loss) on Change in Fair Value of AFS Investments (Notes 12 and 20)	Cumulative Translation Adjustments (Note 20)	Other Reserves (Note 20)	Retained Earnings		Total	Non- controlling Interest	Total Equity
								Appropriated (Note 20)	Unappropriated (Note 20)			
Balance, January 1, 2014	₱2,596,654	₱258,598	₱-	₱26,786	₱-	(₱5,850)	₱8,682	₱1,000,000	₱2,552,193	₱6,437,423	₱594,558	₱7,031,981
Net income	-	-	-	-	-	-	-	-	106,407	106,407	20,487	126,894
Other comprehensive income	-	-	-	(5,398)	3,790	(2,051)	-	-	-	(3,659)	-	(3,659)
Total comprehensive income (loss)	-	-	-	(5,398)	3,790	(2,051)	-	-	106,407	102,748	20,487	123,235
Cash dividends (Note 20)	-	-	-	-	-	-	-	-	(103,871)	(103,871)	(23,077)	(126,948)
At June 30, 2014	₱2,596,654	₱258,598	₱-	₱21,388	₱3,790	(₱7,901)	₱8,682	₱1,000,000	₱2,554,729	₱6,436,300	₱591,968	₱7,028,268
Balance, January 1, 2013	₱2,588,946	₱256,495	₱-	₱23,764	₱350	(₱868)	₱12,786	₱1,000,000	₱2,423,662	₱6,305,135	₱586,031	₱6,891,166
Net income	-	-	-	-	-	-	-	-	224,040	224,040	37,649	261,689
Other comprehensive income (loss)	-	-	-	3,022	(350)	(4,982)	-	-	8,053	5,743	(487)	5,256
Total comprehensive income (loss)	-	-	-	3,022	(350)	(4,982)	-	-	232,093	229,783	37,162	266,945
Cash dividends	-	-	-	-	-	-	-	-	(103,562)	(103,562)	(28,635)	(132,197)
Issuances	7,708	2,463	-	-	-	-	(10,171)	-	-	-	-	-
Stock purchase plan	-	-	-	-	-	-	6,067	-	-	6,067	-	6,067
At December 31, 2013	₱2,596,654	₱258,598	₱-	₱26,786	₱-	(₱5,850)	₱8,682	₱1,000,000	₱2,552,193	₱6,437,423	₱594,558	₱7,031,981
Balance, January 1, 2013	₱2,588,946	₱256,495	₱-	₱23,764	₱350	(₱868)	₱12,786	₱1,000,000	₱2,510,855	₱6,392,328	₱593,506	₱6,985,834
Effect of Adoption of PAS 19 (revised)	-	-	-	-	-	-	-	-	(106,213)	(106,213)	-	(106,213)
At January 1, 2013, as restated	₱2,588,946	₱256,495	₱-	₱23,764	₱350	(₱868)	₱12,786	₱1,000,000	₱2,404,642	₱6,286,115	₱593,506	₱6,879,621
Net income	-	-	-	-	-	-	-	-	171,287	171,287	13,970	185,257
Other comprehensive income (loss)	-	-	21,106	(16,564)	(350)	17,375	-	-	-	21,567	-	21,567
Total comprehensive income (loss)	-	-	21,106	(16,564)	(350)	17,375	-	-	171,287	192,854	13,970	206,824
Cash dividends	-	-	-	-	-	-	-	-	(103,562)	(103,562)	(19,089)	(122,651)
At June 30, 2013	₱2,588,946	₱256,495	₱21,106	(₱16,564)	₱-	₱17,375	₱12,786	₱1,000,000	₱2,472,367	₱6,375,407	₱588,387	₱6,963,794

PHINMA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	January – June 30,	
	2014	2013
	<i>(In Thousands)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱163,443	₱220,413
Adjustments for:		
Depreciation and amortization	99,122	86,811
Equity in net earnings of associates (Note 11)	(43,941)	(82,568)
Net loss on derivatives	-	6,230
Unrealized foreign exchange loss (gain) - net	1,222	(3,147)
Other non-cash expenses	13,677	75,841
Dividend income	(120)	(1,010)
Operating income before working capital changes	233,403	302,570
Changes in working capital and others	(126,764)	(727,336)
Net cash from (used in) operating activities	106,639	(424,766)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Available for sale investment	103,656	9,750
Installment receivable	600	-
Property and equipment	(78,554)	(172,275)
Other noncurrent assets	(18,934)	(1,634)
Investments at equity	(5,499)	46,227
Proceeds received from settlement of derivative asset	-	1,919
Net settlement of derivative liability	-	(5,761)
Dividends received	51,158	65,808
Net cash from (used in) investing activities	52,427	(55,966)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payments of) :		
Short-term borrowing	67,379	(132,401)
Long-term borrowing	(78,552)	567,872
Payment of cash dividends	(102,303)	(102,461)
Net cash from (used in) financing activities	(113,476)	333,010
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	45,590	(147,722)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(196)	(533)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	472,708	465,179
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱518,102	₱316,924

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. 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 investment holdings of shares in various subsidiaries, associates and affiliates and other financial instruments.

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

Name of Subsidiaries	Nature of Business	Calendar/Fiscal Yearend	Percentage of Ownership	
			2013	2012
Union Galvasteel Corporation (UGC)	Manufacturing and distribution of steel products	December 31	98.08	98.08
One Animate Limited (OAL) and Subsidiary ^(a)	Business Process Outsourcing - Animation services	December 31	80.00	80.00
Pamantasan ng Araullo (Araullo University), Inc. (AU) ^(b)	Educational institution	March 31	78.64	78.64
Cagayan de Oro College, Inc. (COC) ^(b)	Educational institution	March 31	74.21	74.21
University of Iloilo (UI) ^(b)	Educational institution	March 31	69.79	69.79
University of Pangasinan (UPANG) and Subsidiary ^(b)	Educational institution	March 31	69.75	69.75
P & S Holdings Corporation (PSHC)	Investment and real estate holdings	December 31	60.00	60.00
Asian Plaza, Inc. (API)	Lease of real property	December 31	57.62	57.62
Fuld & Company, Inc. (Fuld U.S.) and Subsidiary	Business research	December 31	85.00	85.00
Fuld & Company (Philippines), Inc. (Fuld Philippines)	Business research	December 31	85.00	85.00

^(a) OAL owns 100% interest in Toon City Animation, Inc. (Toon City). OAL and Toon City ceased operations in April 2013.

^(b) Balances as at and for the year ended December 31 of these subsidiaries were used for consolidation purposes.

The Parent Company and its subsidiaries (collectively referred to as "the Group") are all incorporated in the Philippines, except for OAL and Fuld U.S. OAL is incorporated in Hong Kong while Fuld U.S. is incorporated in the United States of America (USA). 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 25.

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

The accompanying interim consolidated financial statements of the Group for the six months ended June 30, 2014 were approved and authorized for issuance by the Board of Directors on July 31, 2014.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation and Compliance

The Group's financial statements have been prepared on a historical cost basis, except for investments held for trading, derivative financial instruments and Available-for-sale (AFS) investments that have been measured at fair value. The Group 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.

The accompanying interim consolidated financial statements have been prepared in compliance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Accordingly, the financial statements do not include all of the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Group's annual financial statements as of December 31, 2013.

3. Changes in Accounting Policies and Disclosures

Current Changes in Accounting Policies

The accounting policies adopted in preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2013, except for the adoption of new standards and interpretations effective as of January 1, 2014.

Several other amendments apply for the first time in 2014. However, these did not have impact to the annual consolidated financial statements of the Company.

The nature and the impact of each new standard and amendment are described below:

- Investment Entities (Amendments to PFRS 10, 12 and 27)

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

The amendments have no impact on the Company's financial position, performance or disclosures.

- PAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Company has no derivatives designated as hedging instrument and derivatives novated as of the financial reporting period.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*(Amendments)

These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- Philippine Interpretation IFRIC 21, *Levies*

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that

4. **Summary of Significant Accounting and Financial Reporting Policies**

The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and all of its subsidiaries as at June 30, 2014.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represents the portion of profit or loss, other comprehensive income and net assets not held by the Group and are presented separately in the consolidated statements of income, consolidated statements of comprehensive income and within equity section the consolidated balance sheets, separately from equity attributable to owners of the Parent.

5. Significant Accounting Judgments, Estimates and Assumptions

The accompanying interim condensed consolidated financial statements prepared in conformity with PFRS require management to make judgments, estimates and assumptions that affect the amounts reported in the interim condensed consolidated financial statements and related notes. In preparing the Company's interim condensed 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 interim condensed consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the interim condensed 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 interim condensed consolidated financial statements.

Judgment

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

Loss of Significant Influence Over AB Capital. Pursuant to an agreement between PHN and Vicsal Investment Inc. (Vicsal), PHN agreed to sell its shares in AB Capital subject to certain conditions, including the following:

- (a) Approval of the Bangko Sentral ng Pilipinas (BSP)
- (b) Removal of assets other than those identified and agreed to be retained by Vicsal in AB Capital, by transfer to a New Company in exchange for shares in New Company and/or by sale or assignment of assets to the New Company
- (c) Return of capital to PHN pertaining to shares in New Company
- (d) Selling Shareholders shall secure all Government Authorizations, including approvals and clearances, required for the return of capital of AB Capital to PHN and other sellers
- (e) On Closing Date, PHN shall transmit to the Buyer the Deed of Absolute Sale

On January 16, 2014, after having secured approval of the SEC and having complied with the other conditions under the Share Purchase Agreement, PHN sold 406,361 shares in AB Capital to Vicsal for P97.5 million and on the same date signed the Deed of Absolute Sale.

6. Cash and Cash Equivalents

This account consists of:

	Unaudited	Audited
	June 30, 2014	Dec. 31, 2013
	<i>(In Thousands)</i>	
Cash on hand and in banks	₱127,092	₱178,643
Short-term deposits	387,850	294,065
	₱514,942	₱472,708

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.

7. Investments Held for Trading

This account consists of investments in:

	Unaudited	Audited
	June 30, 2014	Dec. 31, 2013
	<i>(In Thousands)</i>	
Unit Investment Trust Funds (UITFs)	₱713,403	₱887,755
Short-term deposits	7,755	6,836
	₱721,158	₱894,591

8. Trade and Other Receivables

This account consists of:

	Unaudited	Audited
	June 30, 2014	Dec. 31, 2013
	<i>(In Thousands)</i>	
Trade	₱1,307,652	₱948,893
Due from related parties	67,245	52,298
Dividends receivable	-	16,559
Advances to suppliers and contractors	23,429	15,157
Receivable from PHN Retirement/Gratuity Plan (PHN Retirement)	8,939	8,939
Advances to officers and employees	9,929	7,553
Installment contract receivables	600	3,359
Accrued interest	557	634
Others	37,479	34,358
	1,455,830	1,087,750
Less allowance for doubtful accounts	219,644	200,030
	₱1,236,186	₱887,720

9. Inventories

This account consists of:

	Unaudited	Audited
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	June 30, 2014	Dec. 31, 2013
	<i>(In Thousands)</i>	
At cost:		
Finished goods	P860,353	P729,309
Raw materials	28,139	13,769
Other inventories	36,280	27,267
At net realizable value -		
Spare parts and others	29,532	33,223
	P954,304	P803,568

10. Investments in Associates

This account consists of the Company's investments in the following entities:

	Percentage of Ownership	
	June 2014	Dec. 2013
PHINMA Property Holdings Corporation (PPHC)	35.35	35.35
Trans-Asia Oil and Energy Development Corporation (TA Oil)	26.23	26.22
ABCIC Property Holdings, Inc. (APHI) ^(a)	26.51	26.51
Asia Coal Corporation (Asia Coal) ^(b)	12.08	12.08

^(a) This represents the right to receive the shares in APHI from AB Capital.

^(b) Ceased commercial operations and in the process of dissolution.

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

	Unaudited	Audited
	June 30, 2014	Dec. 31, 2013
	<i>(In Thousands)</i>	
Acquisition costs:		
Balance at beginning of period	P2,311,375	P2,305,179
Additions	1,769	6,197
Balance at end of period	2,313,144	2,311,375
Accumulated equity in net income (losses):		
Balance at beginning of period	(43,606)	15,122
Equity in net earnings	43,942	161,691
Dividends	(51,037)	(220,419)
Balance at end of period	(50,700)	(43,606)
Share in net unrealized gain on change in fair value of AFS investments of associates:		
Balance at beginning of period	26,786	23,764
Change in fair value	(5,398)	3,022
Balance at end of period	21,388	26,786
Share in re-measurement gain (loss) on defined Benefit obligation of associates :		
Balance at beginning of period	(3,711)	(2,515)
Re-measurement gain (loss)	3,727	(1,196)
Balance at end of period	16	(3,711)
	P2,283,848	P2,290,844

The detailed carrying values of investments in associates which are accounted for under the equity method are as follows:

	Unaudited	Audited
	June 30, 2014	Dec. 31, 2013
<i>(In Thousands)</i>		
TA Oil*	₱1,765,053	₱1,768,080
PPHC	411,730	417,520
APHI	101,727	99,906
Academy of Competitive Intelligence**	5,070	5,070
Asia Coal	268	268
	₱2,283,848	₱2,290,844

*The fair value based on quoted share price amounted to ₱3,138.9 million and ₱1,785.7 million as of June 30, 2014 and December 31, 2013, respectively.

**Associate of Fuld U.S.

The summarized financial information of the material associates are provided below.

Summarized statements of financial position as at June 30, 2014 and December 31, 2013 follow:

	June 30, 2014		December 31, 2013	
	TA Oil	PPHC	TA Oil	PPHC
<i>(Amounts in Thousands)</i>				
Current assets*	₱4,800,096	₱2,693,738	₱4,870,801	₱2,841,772
Noncurrent assets	8,861,463	503,104	6,115,466	504,998
Current liabilities**	(1,684,247)	(851,064)	(3,657,968)	(972,595)
Noncurrent liabilities	(4,874,076)	(1,183,647)	(200,941)	(1,195,867)
Equity attributable to Equity Holders of the Parent	7,103,236	1,162,131	7,127,358	1,178,308
Proportion of the Company's ownership	26.23%	35.34%	26.22%	35.34%
	1,863,450	410,697	1,868,793	416,414
Valuation differences	(98,126)	1,033	(100,713)	1,106
Carrying amount of the investments	₱1,765,324	₱411,730	₱1,768,080	₱417,520

* Includes cash and cash equivalents of TA Oil amounting to ₱448.9 million and ₱688.0 million as at June 30, 2014 and December 31, 2013, respectively and cash and cash equivalents of PPHC amounting to ₱46.8 million and ₱48.6 million as at June 30, 2014 and December 31, 2013, respectively.

**Includes other current liabilities of TA Oil amounting to ₱213.7 million and ₱1,149.0 million as at June 30, 2014 and December 31, 2013, respectively and other current liabilities of PPHC amounting to ₱296.6 million and ₱316.5 million as at June 30, 2014 and December 31, 2013, respectively.

Summarized statements of comprehensive income follow:

	Jan – June 2014		Jan- Dec. 31, 2013	
	TA Oil	PPHC	TA Oil	PPHC
Revenues	₱588,445	₱367,760	₱1,990,797	₱1,042,175
Cost of sales	(193,608)	(348,317)	(1,083,239)	(703,894)
Depreciation and amortization	(52,383)	(10,478)	(99,136)	(21,111)
Interest income	800		40,600	22,034
Interest expense	(68,814)	(41,606)	(13,936)	(18,145)
Other income (expenses) ó net	9,304	16,246	(102,629)	(298,064)

	Jan – June 2014		Jan- Dec. 31, 2013	
	TA Oil	PPHC	TA Oil	PPHC
Net income (loss) before tax	283,744	(16,395)	732,457	22,995
Income tax	(94,726)	-	(159,662)	(7,582)
Net income	189,018	(16,395)	572,795	15,413
Other comprehensive income	(20,577)	-	(2,366)	6,371
Total comprehensive income	₱168,441	(₱16,395)	₱570,429	₱21,784
Company's share of total comprehensive income (loss)	₱28,797	₱2,940	₱150,461	₱7,669
Dividends received	₱51,035	₱-	₱213,449	₱6

a. TA Oil

TA Oil was incorporated in the Philippines and is involved in power generation and oil and mineral exploration activities. The registered office address of TA Oil is 11th floor, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

On July 22, 2013, the BOD of TA Oil declared special cash dividend amounting to ₱64.1 million equivalent to ₱0.013 per share to all common stockholders of record as of August 5, 2013 subject to the approval by the Philippine SEC and other regulatory agencies. Also, on the same day, the BOD also approved a dividend declaration which resulted in the distribution to TA Oil shareholders of 2.55 shares in Trans-Asia Petroleum Corporation for every 100 shares in TA Oil provided that no fractional shares shall result and any resulting dividend with fractional shares shall be rounded down to the nearest whole number. The shares subject of the Registration Statement are covered by the application for the approval of the Property Dividend, which was filed by TA Oil on September 17, 2013 and approved by the SEC on October 7, 2013.

On March 24, 2014, the BOD of TA Oil declared cash dividend amounting to ₱194.6 million equivalent to ₱0.04 a share to all common stockholders of record as of April 7, 2014. This was paid on May 7, 2014.

Dividends recognized by the Parent Company from TA Oil amounted to ₱51.0 million and ₱213.4 million in June 2014 and December 2013, respectively. Dividends receivable amounted to ₱213.5 million and ₱162.5 million as at June 30, 2014 and December 31, 2013 respectively. (see Note 10).

The Parent Company acquired additional shares in TA Oil amounting to ₱2.3 million and ₱6.2 million in June 2014 and December 2013, respectively.

As at June 30, 2014, the property dividends have not been distributed as the Company is still awaiting SEC approval of the registration of TA Petroleum shares.

On August 1, 2014, the Philippine Stock Exchange, Inc. notified Trans-Asia Petroleum Corporation (TAPET), a 100% subsidiary of Trans-Asia Oil and Energy Development Corporation, of the PSE Board's approval of TAPET's application for initial listing by way of introduction of 250,000,000 common shares, with a par value of P1.00 per share, under the Main Board of the Exchange, at an initial price of P4.60 per share, subject to certain conditions.

b. 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.

c. AB Capital

AB Capital is an investment house that engages in corporate finance, fixed-income securities dealership, stock brokerage and fund management.

Pursuant to an agreement between PHN and Vicsal Investment Inc. (Vicsal), PHN agreed to sell its shares in AB Capital subject to certain conditions, including the following:

- (a) Approval of BSP
- (b) Removal of assets other than those identified and agreed to be retained by Vicsal in AB Capital, by transfer to a New Company (APHI) in exchange for shares in A PHI and/or by sale or assignment of assets to the A PHI;
- (c) Return of capital to PHN pertaining to shares in A PHI;
- (d) Selling Shareholders shall secure all Government Authorizations, including approvals and clearances, required for the return of capital of AB Capital to PHN and other sellers; and
- (e) On Closing Date, PHN shall transmit to the Buyer the Deed of Absolute Sale.

On June 29, 2012, in accordance with PAS 28, PHN discontinued the use of the equity method on the AB Capital shares to be sold to Vicsal due to the change in relationship of PHN with AB Capital. The investment in AB Capital to be sold to Vicsal is accounted for in accordance with PAS 39 from that date.

The AB Capital shares to be sold to Vicsal are presented at its fair value as an available-for-sale financial asset in accordance with PAS 39 amounted to ₱101.8 million. The difference between the fair value and carrying amount of the AB Capital shares to be sold to Vicsal amounting to ₱6.7 million is recorded as "Unrealized fair value adjustment on AFS investment previously held as associate" and included under "Others-net" in the consolidated statements of comprehensive income.

Investment in AB Capital presented as part of "Investments in Associates" account in the consolidated statements of financial position represents the New Company shares to be received by PHN from AB Capital upon return of capital.

On December 9, 2013, the SEC approved the return of capital of A PHI to PHN and other selling shareholders .

On January 16, 2014, after having complied with the other conditions under the Share Purchase Agreement, PHN sold 406,361 shares in AB Capital to Vicsal for P97.5 million and on the same date signed the Deed of Absolute Sale.

d. Luzon Bag Corporation

On February 1, 2012, the Parent Company received a parcel of land with fair value of ₱25.2 million from Luzon Bag Corporation as payment for ₱3.6 million advances and ₱21.6 million as liquidating dividend. The liquidating dividend was recorded as part of dividend income (see Note 22).

11. AFS Investments

This account consists of investments in quoted and unquoted equity securities:

	Unaudited	Audited
	June 30, 2014	Dec. 31, 2013
<i>(In Thousands)</i>		
Unquoted (Note 11)	₱167,282	₱270,938
	167,282	270,938
Less accumulated impairment losses	45,517	45,517
	121,765	225,421
Less current portion	-	103,656
	₱121,765	₱121,765

12. Property, Plant and Equipment

This account consists of:

	January 1, 2014	Additions	Disposals	Reclassifi- cation	June 30, 2014
<i>(In Thousands)</i>					
Cost					
Land	₱1,154,287	₱4,050	(₱3,982)	₱0	₱1,154,355
Plant site improvements	51,204	3,722	0	0	54,926
Buildings and improvements	1,399,714	17,318	-	26,966	1,443,998
Machinery and equipment	780,323	9,843	(341)	-	789,825
Transportation and other equipment	477,142	6,861	(274)	(466)	483,263
	3,862,670	41,794	(4,597)	26,500	3,926,367
Less Accumulated Depreciation					
Plant site improvements	₱27,043	₱2,946	₱-	₱-	₱29,989
Buildings and improvements	594,233	31,152	-	-	625,385
Machinery and equipment	625,350	42,606	(61)	-	667,895
Transportation and other equipment	332,951	19,342	(273)	(50)	351,970
	1,579,577	96,046	(334)	(50)	1,675,239
	2,283,093	(54,252)	(4,263)	26,550	2,251,128
Construction in progress	234,533	36,759	-	(26,966)	244,326
Net Book Value	₱2,517,626	(₱17,493)	(₱4,263)	(₱416)	₱2,495,454

	January 1, 2013	Additions	Disposals	Reclassifi- cation	December 31,
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2013

<i>(In Thousands)</i>					
Cost					
Land	₱1,098,305	₱55,982	₱6	₱6	₱1,154,287
Plant site improvements	28,656	1,439	(481)	21,590	51,204
Buildings and improvements	1,302,539	60,636	(2,367)	38,906	1,399,714
Machinery and equipment	730,327	67,671	(19,728)	2,053	780,323
Transportation and other equipment	473,915	52,342	(48,982)	(133)	477,142
	<u>3,633,742</u>	<u>238,070</u>	<u>(71,558)</u>	<u>62,416</u>	<u>3,862,670</u>
Less Accumulated Depreciation					
Plant site improvements	23,784	3,740	(481)	6	27,043
Buildings and improvements	534,588	62,012	(2,367)	6	594,233
Machinery and equipment	567,105	78,323	(19,728)	(350)	625,350
Transportation and other equipment	343,377	34,503	(44,549)	(380)	332,951
	<u>1,468,854</u>	<u>178,578</u>	<u>(67,125)</u>	<u>(730)</u>	<u>1,579,577</u>
	2,164,888	59,492	(4,433)	63,146	2,283,093
Construction in progress	93,737	203,942	6	(63,146)	234,533
Net Book Value	₱2,258,625	₱263,434	(₱4,433)	₱6	₱2,517,626

13. Investment Properties

This account consists of:

	January 1, 2014	Additions	Disposals (see Note 10)	June 30, 2014
<i>(In Thousands)</i>				
Cost:				
Land	₱368,741	₱-	-	₱368,741
Buildings for lease	94,579	-	-	94,579
	<u>463,320</u>	-	-	<u>463,320</u>
Less accumulated depreciation -				
Buildings for lease	25,471	3,118	-	28,589
	<u>₱437,849</u>	<u>(₱3,118)</u>	-	<u>₱434,731</u>

	January 1, 2013	Additions	Reclassification (see Note 10)	December 31, 2013
<i>(In Thousands)</i>				
Cost:				
Land	₱347,279	₱20,000	₱1,462	₱368,741
Buildings for lease	93,316	6	1,263	94,579
	<u>440,595</u>	20,000	2,725	<u>463,320</u>
Less accumulated depreciation -				
Buildings for lease	18,888	6,148	435	25,471
	<u>₱421,707</u>	<u>₱13,852</u>	<u>₱2,290</u>	<u>₱437,849</u>

14. Intangibles

Following are the details of this account:

	Student List	Customer Contracts	Trademarks with Indefinite Useful Life	Goodwill	Total
<i>(Amounts in Thousands)</i>					
Cost					
At December 31, 2012	131,120	22,080	47,156	1,422,546	1,622,902
Additions	ó	ó	ó	ó	ó
Adjustment	ó	ó	ó	ó	ó
At December 31, 2013	₱131,120	₱22,080	₱47,156	₱1,422,546	₱1,622,902
Additions	ó	ó	ó	ó	ó
Adjustment	ó	ó	ó	ó	ó
At June 30, 2014	₱131,120	₱22,080	₱47,156	₱1,422,546	₱1,622,902

Amortization and Impairment					
At December 31, 2012	131,120	22,080	ó	378,669	531,869
Amortization	ó	ó	ó	ó	ó
Impairment	ó	ó	ó	ó	ó
At December 31, 2013	₱131,120	₱22,080	₱0	₱378,669	₱531,869
Amortization	ó	ó	ó	ó	ó
Impairment	ó	ó	ó	ó	ó
At June 30, 2014	₱131,120	₱22,080	₱0	₱378,669	₱531,869

Net Book Value					
At June 30, 2014	₱-	₱-	₱47,156	₱1,043,877	₱1,091,033
At December 31, 2013	₱-	₱-	₱47,156	₱1,043,877	₱1,091,033

15. Other Noncurrent Assets

This account consists of:

	Unaudited June 30, 2014	Audited Dec. 31, 2013
<i>(In Thousands)</i>		
Dividends receivable (see Notes 12 and 29)	₱145,939	₱145,939
Refundable deposits	8,640	13,383
Installment contract receivable	1,800	2,400
Input VAT - net of allowance for impairment of unrecoverable amount of ₱116.8 million in 2013	1,946	731
Others - net of allowance for doubtful advances of ₱51.5 million in 2013.	15,826	12,114
	₱174,151	₱174,567

16. Notes Payable

This account consists of notes payable of the following subsidiaries:

	Unaudited	Audited
	June 30, 2014	Dec. 31, 2013
	<i>(In Thousands)</i>	
UGC	₱200,809	₱126,875
UI	10,595	17,150
	₱211,404	₱144,025

17. Trade and Other Payables

This account consists of:

	Unaudited	Audited
	June 30, 2014	Dec. 31, 2013
	<i>(In Thousands)</i>	
Trade	₱146,697	₱163,571
Payable to third parties	37,288	134,662
Accruals for :		
Professional fees and others	97,160	100,669
Personnel costs	70,972	51,948
Interest	6,141	10,434
Freight, hauling and handling	8,045	8,226
Customers' deposits	126,144	104,711
Dividends	42,541	35,412
Others	47,934	39,685
	₱582,922	₱649,318

18. Long-term Debts

This account consists of long-term liabilities of the following subsidiaries:

	Unaudited	Audited
	June 30, 2014	Dec. 31, 2013
	<i>(In Thousands)</i>	
UGC	₱537,500	₱563,815
UPANG	204,919	223,214
AU	118,192	125,000
COC	88,622	94,442
	949,233	1,006,471
Less debt issuance cost	5,297	9,607
	943,936	996,864
PSHC	153,037	153,037
Fuld Philippines	742	793
Fuld U.S.	731	731
	1,098,446	1,151,425
Less current portion - net of debt issuance cost	108,077	94,586
	₱990,369	₱1,056,839

UGC

On March 31, 2013, UGC obtained a five-year term loan from Security Bank Corporation (SBC) and Banco de Oro Unibank, Inc. (BDO) in the amount of ₱300 million each. The said loan is secured by a real estate mortgage on UGC's land, plant site improvements, buildings and installation, and machinery and equipment in Calamba City and Davao City.

Below is a summary of the terms of the said loans:

Bank	BDO
Amount drawn	₱300.0 million
Tenure	Five (5) - year term loan
Repayment	Principal shall be payable in 19 equal quarterly repayment of ₱6.25 million and final quarter payment of ₱181.3 million
Prepayment	Allowed after third year without penalty
Drawdown date	March 31, 2013
Start of amortization payment	June 21, 2013
End of term loan	March 21, 2018
Interest rate	Interest shall be fixed at 4.5% for the first 5 years. Repricing on year 4 at lender's option at 2 year PDST-F +1.375% or 4.5% whichever is higher or repriced on year 5 at lender's option to 1 year PDST-F + 1.375% or 4.5% whichever is higher
Collateral	50% real estate mortgage on land, building and machinery in Calamba and Davao plants
Use of proceeds	Working capital requirements

Bank	SBC
Amount drawn	₱300.0 million
Tenure	Five (5) - year term loan
Repayment	Principal shall be payable in 19 equal quarterly repayment of ₱6.25 million and final quarter payment of ₱181.3 million
Drawdown date	March 25, 2013
Start of amortization payment	June 21, 2013
End of term loan	March 25, 2018
Interest rate	Interest shall be fixed at 5.0%
Collateral	50% real estate mortgage on land, building and machinery in Calamba and Davao plants
Use of proceeds	Working capital requirements

UPANG

On December 21, 2012, a 7-year Term Loan Agreement was signed by the UPANG and China Banking Corporation (CBC) for a maximum principal amount of ₱275.0 million. The proceeds were used to refinance existing obligations and to fund the capital expenditures for the school year 2012-2013. The loan proceeds were drawn on February 1, 2013 and February 15, 2013 for ₱156.0 million and ₱94.0 million, respectively. The terms of the loan are as follows:

Amount drawn	₱156.0 million
Tenure	Seven (7) - year term loan
Repayment	Principal shall be payable in 28 equal quarterly repayment of ₱5.6 million
Funding/Interest rate	Interest shall be payable quarterly in arrears. Interest from (2/01/13-05/01/13) 89 days shall be at 5.7766% p.a. computed as 7-year PDSTF of 3.9688 plus spread of 175bps plus GRT of 1%. Starting May 2015, rate shall be at 6.0198%.
Security	The facility is secured by Real Estate Mortgage amounting to ₱300.0 million on the school assets covering land and land improvements.

Amount drawn	₱94.0 million
Tenure	Seven (7) - year term loan
Repayment	Principal shall be payable in 28 equal quarterly repayment of ₱3.4 million
Funding/Interest rate	Interest shall be payable quarterly in arrears. Interest from (2/15/13-05/15/13) 89 days shall be at 5.5787% p.a. computed as 7-year PDSTF of 3.7729 plus spread of 175bps plus GRT of 1%. Starting May 2015, rate shall be at 5.8136%.
Security	The facility is secured by Real Estate Mortgage amounting to ₱300.0 million on the school assets covering land and land improvements.

The foregoing loan agreements include, among others, certain restrictions and requirements with respect to the following:

- No payment of dividends will be allowed in the first three (3) years of the loan. Dividends may be paid starting in the 4th year, provided the Current Ratio (defined as current assets over current liabilities) shall not be less than 1.25:1.00 and Debt-Service Coverage ratio (defined as EBITDA over principal and interest payment) shall be at least 1.50:1.00.
- Make or permit material change in the character of business; permit any material change in ownership or control of its stocks; participate in or enter into merger or consolidation which would result in a material change in control; voluntarily suspend its business operations or dissolve its affairs; amend its Articles of Incorporation and By-laws that would cause a material adverse change in financial ability and capacity of UPANG and; re-organize, undertake a quasi-reorganization, reduce its capital, change in its fiscal year,

which would cause a material adverse change in the financial ability or capacity of the University.

As at December 31, 2013, the UPANG is in compliance with the terms of the loan agreement.

In February 2013, UPANG pre-terminated its old Term Loan agreement. The pre-termination of the loan qualified as an extinguishment of debt. The old loan (drawn on July 31, 2009 and December 14, 2009) amounted to ₱180.0 million and ₱120.0 million, respectively.

COC

COC entered into a Ten (10)-year Term Loan Agreement with a local financial institution for ₱100.0 million of which ₱50.0 million had been drawn on March 27, 2013 and the other ₱50.0 million had been drawn on July 18, 2013. The loan is payable quarterly at ₱2.5 million with fixed interest rates for the first 7 years and subject to quarterly repricing afterwards.

The maturities of the long-term debt follows:

Year	10-Year Loan
	<i>(Amounts in Thousands)</i>
2014	₱8,846
2015	10,128
2016	10,128
2017	10,128
2018-2023	60,770
	₱100,000

COC's land and building improvements in the main campus are mortgaged as collateral for its long-term debt.

AU

AU's long-term debt consists of:

	2013	2012
	<i>(Amounts in Thousands)</i>	
Loan payable	₱124,380	₱30,000
Less current portion	ó	12,251
	₱124,380	₱17,749

On December 11, 2013, a 10-year Term Loan Agreement was signed by the AU and Rizal Commercial Banking Corporation for a principal amount of ₱125.0 million. The proceeds will be used to refinance the short-term loans which was availed to finance the construction of the new campus and to refinance the existing term loan. The loan is payable quarterly at ₱3.1 million.

Interest is fixed rate for the first 7 years of the term based on 7-year PDSTF + 1.75% or a floor rate of 5.75%, whichever is higher, subject to repricing at the end of the 7th year.

PSHC

This represents interest-bearing loan obtained from United Pulp and Paper Co., Inc. (UPPC) amounting to ₱154.0 million arising from the acquisition of land from UPPC. UPPC was a former associate of the Company.

This loan is presented at amortized cost as of the end of the reporting period. The present value of the loan at initial recognition in 2006 was calculated using an effective interest rate of 11.0%. The effective interest rate used in computing for the present value of the loan payable was derived based on the rate inherent to the loan after considering the carrying value and the future value of the loan payable at the coupon rate of 9.1%.

Initially, the said loan is payable in two installments amounting to ₱44.0 million on July 15, 2008 and ₱110.0 million on July 15, 2013. On July 8, 2008, a Memorandum of Agreement was executed by UPPC and PSHC amending the maturity date of ₱44.0 million from July 15, 2008 to July 15, 2013. A recomputation of the effective interest rate of 10.52% was made in 2008 to reflect the change in the payment terms of the liability in 2013. On December 20, 2012, another Memorandum of Agreement was executed by UPPC and PSHC amending the payment term of the ₱154.0 million from July 15, 2013 to July 15, 2018. A recomputation of the effective interest rate of 9.28% was made to reflect the change in the payment terms in the liability. Additional interest expense resulting from the accretion of loan payable amounted to ₱1.82 million, ₱1.70 million and ₱1.5 million in 2013, 2012 and 2011, respectively (see Note 28). The details of the loan are as follows:

	2013	2012
	<i>(Amounts in Thousands)</i>	
Loan payable to UPPC	₱154,000	₱154,000
Less unamortized discount	963	1,127
	₱153,037	₱152,873

To secure the payment of the loan, PSHC constituted a mortgage over its land amounting to ₱220.0 million in favor of certain creditors of UPPC (see Note 15). The payable of PSHC to UPPC incurs an annual interest at a rate subject to mutual agreement by UPPC and PSHC on each anniversary date. Interest expense on the amount payable to UPPC amounted to ₱14.0 million in 2013, 2012 and 2011 (see Note 28).

19. Equity

a. Capital Stock

The composition of the Parent Company's capital stock as of June 30, 2014 and December 31, 2013 is as follows:

	Number of Shares	
	Unaudited	Audited
	June 30, 2014	Dec. 31, 2013
Preferred - cumulative, nonparticipating, ₱10 par value		
Class AA		
Authorized	50,000,000	50,000,000
Class BB		
Authorized	50,000,000	50,000,000
Common - ₱10 par value		
Authorized	420,000,000	420,000,000

	Number of Shares	
	Unaudited	Audited
	June 30, 2014	Dec. 31, 2013
Common shares :		
Issued	259,637,751	259,637,751
Subscribed	39,994	39,994
Issued and subscribed (see Note 24)	259,677,745	259,677,745

The issued and outstanding shares as of June 30, 2014 and December 31, 2013 are held by 1,258 and 1,264 equity holders, respectively.

Capital stock presented in the statements of financial position is net of subscription receivables amounting to ₱124 thousand as at June 30, 2014 and December 31, 2013.

The following summarizes the information on the Parent Company's track record of registration of securities under the Securities Regulation Code:

Date of SEC Approval	Authorized Shares	No. of Shares Issued	Issue/Offer Price
March 12, 1957	1,200,000	172,298	₱10
June 30, 1959	6	47,868	10

b. Retained Earnings

Appropriated

On October 5, 2005, the BOD of PHN appropriated ₱1.0 billion of retained earnings for future investments. As approved by the BOD of PHN last March 6, 2013, the said appropriation shall remain in effect and shall be used for the following, subject to specific terms and conditions as the Board shall fix:

- i. Investments in PPHC of up to ₱300 million by year 2014;
- ii. Investments in Microtel Development Corporation of up to ₱200 million by year 2015;
and
- iii. Investments in Trans-Asia Oil and Energy Development Corporation of up to ₱500 million by year 2016.

Unappropriated

On March 4, 2014, the BOD of PHN declared a cash dividend of ₱0.40 a share, or an equivalent of ₱103.2 million, to all common shareholders of record as at March 20, 2014. The cash dividend were paid on April 15, 2014.

On March 6, 2013, the BOD of PHN declared a cash dividend of ₱0.40 a share, or an equivalent of ₱103.2 million, to all common shareholders of record as at March 22, 2013. The cash dividend were paid on April 17, 2013

The retained earnings is restricted for the payment of dividends to the extent of ₱702.2 million as at December 31, 2013, representing the accumulated equity in net earnings of the subsidiaries and associates and unrealized asset revaluation reserve. The asset revaluation reserve amounted to ₱160.1 million as at December 31, 2013. The accumulated equity in net earnings of the subsidiaries and associates is not available for dividend distribution until such time that the Parent Company receives the dividends from the

subsidiaries and associates. The unrealized asset revaluation reserve will become available for dividend distribution upon sale or through depreciation of the related assets.

c. Stock Purchase Plan

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	<p>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.</p> <p>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.</p> <p>Any such sale or transfer shall be considered null and void.</p>

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 Corporation'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 Company's Stock Purchase Plan while the PSE approved for listing the 8.4 million shares last May 23, 2012.

Under its 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 June 30, 2014 and December 31, 2013, total shares issued under the stock purchase plan was 1,940,438 .

Total cumulative expense recognized in relation to the stock purchase plan amounted to ₱30.4 million as at December 31, 2013. There were no unexercised vested shares as at June 30, 2014 and December 31, 2013.

20. 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. Related parties may be individual or corporate entities.

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, 2013, 2012 and 2011, the Company has not recorded any impairment of receivables from related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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

June 30, 2014						
Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 10)	Terms	Conditions
<i>(Amounts in Thousands)</i>						
Ultimate Parent	Share in expenses, management fees and bonus	₱59,235	₱34,726	₱3,302	Noninterest-bearing	Unsecured, no impairment
Associates	Share in expenses	156,527	-	18,872	Noninterest-bearing	Unsecured, no impairment
	Dividend income	51,035	-	-	Noninterest-bearing	Unsecured, no impairment
	Grant of interest bearing advances	154,480	-	-	1-5 dd, 1.975%-2.95%	Unsecured, no impairment
Other related parties	Grant of non-interest bearing advances	10,000	-	-	Noninterest-bearing	Unsecured, no impairment
	Share in expenses	6,411	5,197	71	Noninterest-bearing	Unsecured, no impairment
			₱39,923	₱67,245		

December 31, 2013						
Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 10)	Terms	Conditions
<i>(Amounts in Thousands)</i>						

December 31, 2013

Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 10)	Terms	Conditions
Ultimate Parent	Share in expenses, management fees and bonus	₱77,274	₱49,687	₱592	Noninterest- bearing	Unsecured, no impairment
Associates	Grant of interest bearing advances	400,312	–	58	3.00% to 5.56% 90 days	Unsecured, no impairment
	Share in expenses	7,469	–	4,567	Noninterest- bearing	Unsecured, no impairment
	Dividend income	213,449	–	162,498	Noninterest- bearing	Unsecured, no impairment
Other related parties	Grant of non-interest bearing advances	45,000	–	45,000	Noninterest- bearing	Unsecured, no impairment
	Share in expenses	7,039	4,694	2,081	Noninterest- bearing	Unsecured, no impairment
		₱54,381		₱214,796		

PHINMA, Inc. The Parent Company had a management contract with PHINMA, Inc. up to June 30, 2013, renewable thereafter mutual agreement. On March 6, 2013, the management contract was renewed for a period of one year effective July 1, 2013 to June 30, 2014. On April 11, 2014 at the Company's annual meeting of stockholders, the management contract with Phinma, Inc. was renewed for five years effective July 1, 2014 with a monthly management fee of P700,000.00 for the first year subject to an escalation of P70,000 per month every anniversary date. All other terms of the contract remain the same. Under this contract, PHINMA, Inc. has a general management authority with corresponding responsibility over all operations and personnel of the Company including planning, direction, and supervision of all the operations, sales, marketing, distribution, 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.

TA Oil and TA Power. TA Oil and TA Power are likewise controlled by PHINMA, Inc. through a management agreement. PHN bills TA Oil and TA Power for their share in expenses.

PPHC. The Parent Company grants interest-bearing advances to PPHC for a period of 30-60 days. The Parent Company also bills PPHC for their share in expenses.

PSHC. PSHC has outstanding long-term debt to UPPC arising from the acquisition of land from UPPC, then an associate of the Company (see Note 20). PSHC leases the land to UPPC for a period of 50 years, renewable for another 25 years upon the approval of the Philippine Department of Trade and Industry. Annual lease income during the entire lease term is initially fixed at ₱14.6 million. In connection with the lease, UPPC was required to make a lease deposit with PSHC of ₱55.5 million in July 2003 and an additional ₱2.9 million in April 2005, aggregated and reflected as part of "Other noncurrent liabilities" at amortized cost at the end of the reporting period, and refundable to UPPC upon the expiration of the lease. The lease deposit's present value was calculated using an effective interest rate of 12.0% per annum. On August 2, 2006, PSHC and UPPC amended the lease agreement increasing the annual rent revenue from ₱14.6 million to ₱19.2 million effective January 1, 2006.

The difference between the face value of the lease deposit and its corresponding present value at inception was aggregated and reflected as unearned revenue that is being amortized as rent income simultaneous with the accretion of the lease deposit.

Retirement Fund. The Parent Company has established a retirement fund that is managed by a trustee. The Parent Company has a receivable from PHN Retirement amounting to ₱8.9 million as at June 30, 2014 and December 31, 2013.

Management and Directors' Compensation

PHN, UGC, COC, AU, UPANG and UI are under common management by 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 ₱43.6 million and ₱73.4 million in June 30, 2014 and December 31, 2013, respectively. The related unpaid amount, presented as consolidated statements of financial position, amounted to ₱30.1 million and ₱43.4 million as of June 30, 2014 and December 31, 2013, respectively.

PHN, UGC, AHC, 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 ₱18.3 million and ₱29.5 million in June 30, 2014 and December 31, 2013, respectively. 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 ₱14.3 million and ₱22.9 million as of June 30, 2014 and December 31, 2013, respectively.

21. Income Tax

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

	Unaudited	Audited
	June 30, 2014	Dec. 31, 2013
	<i>(In Thousands)</i>	
Deferred tax assets	₱55,761	₱36,968
Deferred tax liabilities	(282,178)	(281,433)
	(₱226,417)	(₱244,465)

Deferred tax assets amounting to ₱55.8 million and ₱214.9 million as at June 30, 2014 and December 31, 2013, respectively, were not recognized since management believes that it is not probable that sufficient future taxable profit will be available to allow said deferred tax assets to be utilized.

AU, UPANG, UI and COC, as private educational institutions, are taxed based on the provisions of Republic Act (R.A.) No. 8424, which was passed into law effective January 1, 1998. Section 27(B) of R.A. No. 8424 defines and provides that: "A Proprietary Educational Institution is any private school maintained and administered by private individuals or groups with an issued

permit to operate from the Department of Education, Culture and Sports, or Commission on Higher Education, or Technical Education and Skills Development Authority, as the case may be, in accordance with the existing laws and regulations - shall pay a tax of ten percent (10%) on their taxable income.ö

MCIT totaling ₱3.8 million can be deducted against RCIT due while NOLCO totaling ₱579.3 million can be claimed as deduction against taxable income, as follows:

Date Paid/Incurred	Expiry Date	Amount	
		MCIT	NOLCO
<i>(Amounts in Thousands)</i>			
December 31, 2009	December 31, 2029*	₱6	₱13,056
December 31, 2010	December 31, 2013/December 31, 2030*	6	6,507
December 31, 2011	December 31, 2014/December 31, 2031*	1,189	254,883
December 31, 2012	December 31, 2015/December 31, 2032*	1,865	155,873
December 31, 2013	December 31, 2016/December 31, 2033*	783	148,999
		₱3,837	₱579,318

*Pertains to NOLCO of Fuld U.S. which has 20 carry forward period under U.S. Federal tax law.

MCIT amounting to ₱4.8 million expired in 2013 respectively. No MCIT and NOLCO were claimed as deduction against regular taxable income in 2013 .

22. Pension and Other Post-employment Benefits

Pension and other post-employment benefits consist of:

	June 2014	December 2013
<i>In thousands</i>		
Net pension liability	₱185,465	₱169,935
Vacation and sick leave	32,586	32,586
	₱218,051	₱202,521

Pension and other employee benefits expenses under öCost of salesö, öGeneral and administrative expensesö and öSelling expensesö, consist of:

	June 2014	December 2013
<i>In thousands</i>		
Net pension expense	₱15,530	₱34,825
Vacation and sick leave	-	3,805
	₱15,530	₱38,630

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:

	June 2014	December 2013
<i>In thousands</i>		
Current service cost	₱15,530	₱27,969
Net interest cost	-	6,035
Past service cost	-	821
Net pension expense	₱15,530	₱34,825

Details of net pension liability are as follows:

	June 2014	December 2013
<i>In thousands</i>		
Present value of defined benefit obligation	₱350,235	₱334,705
Fair value of plan assets	(164,770)	(164,770)
Pension liability	₱185,465	₱169,935

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

	June 2014	December 2013
<i>In thousands</i>		
Balance at beginning of year	₱334,705	₱306,972
Current service cost	15,530	27,969
Interest cost on defined benefit obligation	-	14,941
Benefits paid	-	(4,455)
Actuarial (gains) losses :		
Experience adjustments	-	(9,933)
Changes in demographic assumptions	-	(5,470)
Changes in financial assumptions	-	3,860
Past service cost	-	821
Effect of curtailment	-	-
Balance at end of year	₱350,235	₱334,705

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

	June 2014	December 2013
<i>In thousands</i>		
Balance at beginning of year	₱164,770	₱141,223
Interest income included in net interest cost	-	8,906
Actual return excluding amount included in net interest cost	-	(94)
Actual contributions	-	18,808
Benefits paid	-	(4,073)
Balance at end of year	₱164,770	₱164,770
Actual return on plan assets	₱8,812	₱8,812

Change in net pension liability are as follows:

	June 2014	December 2013
	<i>(Amounts in Thousands)</i>	
Balance at beginning of year	₱169,935	₱165,749
Pension expense	15,530	34,825
Contributions	–	(18,808)
Remeasurements in OCI	–	(11,449)
Benefits paid	–	(382)
Effect of curtailment	–	6
Pension liability	₱185,465	₱169,935

Annual contribution to the retirement plans consists of a payment to cover the current service costs for the year plus a payment toward funding the actuarial accrued liability.

The Company expects to contribute ₱36.8 million to its defined benefit pension plans in 2014.

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

	June 2014	December 2013
Discount rates	4–5%	465%
Rates of salary increase	5–6%	566%
Turnover rate	0–2%	062%

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 amounts to ₱164.8 million as at December 31, 2013. The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	June 2014	December 2013
Cash and short-term investments	87%	87%
Property	9%	9%
Marketable equity securities	4%	4%
	100%	100%

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 Philippine Stock Exchange. The plan assets include shares of stock of the Parent Company with a fair value of ₱2.7 million as at December 31, 2013. Cumulative unrealized fair value gains on the shares amount to ₱0.5 million. The plan assets also include an investment in a unit in Island Palm Garden Condominium located in Quezon City.

The voting rights over the shares are exercised through the trustee by 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:

	2013
	Increase (Decrease)
	<i>(Amounts in Thousands)</i>
Discount rate:	
Increase by 1%	(P28,509)
Decrease by 1%	33,890
Salary increase rate:	
Increase by 1%	P31,846
Decrease by 1%	(27,729)
Turnover rate:	
Increase by 2%	(13,735)
Decrease by 2%	15,902

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2013:

Year	Amount
	<i>(Amounts in Thousands)</i>
Within the next 12 months	P62,771
Between 2 and 5 years	129,256
Between 5 and 10 years	156,966
Beyond 10 years	1,710,585

The average duration of the defined benefit obligation at the end of the year is between 14 to 22 years.

23. EPS Computation

	Unaudited	
	June 30, 2014	June 30, 2013
(a) Net income attributable to equity holders of the parent	P106,406	P171,287
(b) Number of shares outstanding at beginning of year	259,678	258,907
Basic/Diluted EPS attributable to equity holders of the parent (a/e)	P..41	P.66

24. Segment Information *(see page 46 for table presentation)*

For management purposes, the Company's operating businesses are organized and managed separately according to business activities and have five reportable operating segments as follows:

- Investment holdings ó The Parent Company and PSHC are engaged in investment holding activities of shares of stocks and other financial instruments.
- Property development ó API leases its real and personal properties.
- Steel ó UGC manufactures and trades iron and steel products.
- Educational services ó AU, COC, UPANG and UI offer graduate, tertiary, secondary and elementary education services.
- BPO ó OAL and Toon City are engaged in film, video, television and animation services. Fuld U.S. and Fuld Philippines are engaged in intelligence research.

The Company has no geographical segment for segment reporting format as 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.

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. However, Company financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

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

Segment Information

Financial information on the operating segments are summarized as follows:

	Investment Holdings	Property Development	Steel	Educational Services	BPO	Eliminations	Total Operations
<i>(In Thousands)</i>							
For the Period January – June 30, 2014							
Revenues							
Segment revenue	₱255,611	₱580	₱1,859,029	₱513,229	₱264,920	(₱247,642)	₱2,645,727
Investment income	7,454	8,538	-	25	2	-	16,019
Total revenues	₱263,065	₱9,118	₱1,859,029	₱513,254	₱264,922	(₱247,642)	₱2,661,746
Results							
Segment results	₱177,475	(₱342)	₱133,121	₱73,137	₱10,363	(₱254,279)	₱139,475
Investment income	7,454	8,538	-	25	2	-	16,019
Equity in net earnings of an associate	49,733	(5,792)	-	-	-	-	43,941
Interest expense and financing charges	(991)	-	(22,775)	(11,744)	(482)	-	(35,991)
Benefit from (provision for) income tax	(286)	(5)	(33,104)	(5,048)	(103)	1,991	(36,554)
Share of non-controlling interest	-	-	-	43	-	(20,525)	(20,482)
Net income attributable to equity holders of parent	₱233,386	₱2,399	₱77,242	₱56,413	₱9,780	(₱272,813)	₱106,406
As at June 30, 2014							
Assets and Liabilities							
Segment assets	₱1,673,356	₱355,148	₱2,134,384	₱2,892,741	₱261,765	₱562,348	₱7,879,742
Investment in associates	4,797,560	-	8,357	-	5,069	(2,527,138)	2,283,848
Deferred tax assets	-	-	4,775	14,135	45,047	(8,196)	55,761
Total assets	₱6,470,916	₱355,148	₱2,147,516	₱2,906,876	₱311,881	(₱1,972,986)	₱10,219,351
Segment liabilities	₱351,931	₱883	₱1,313,966	₱1,228,061	₱548,530	(₱602,532)	₱2,840,839
Income and other taxes payable	-	17	42,175	20,961	4,910	-	68,063
Deferred tax liabilities	-	-	-	132,466	3,201	146,511	282,178
Total liabilities	₱351,931	₱900	₱1,356,141	₱1,381,488	₱556,641	(₱456,021)	₱3,191,080
Other Segment Information							
Capital expenditures	₱1,314	₱-	₱50,372	₱26,697	₱171	₱-	₱78,554
Depreciation and amortization	6,855	333	38,089	45,333	1,874	6,638	99,122

	Continuing Operations						Total Operations
	Investment Holdings	Property Development	Steel	Educational Services	BPO	Eliminations	
<i>(In Thousands)</i>							
January – June 2013							
Revenues							
Segment revenue	₱190,974	₱325	₱1,687,670	₱463,725	₱282,178	(₱182,853)	₱2,442,019
Investment income	27,098	9,664	-	-	6	-	36,768
Total revenues	₱218,072	₱9,989	₱1,687,670	₱463,725	₱282,184	(₱182,853)	₱2,478,787
Results							
Segment results	₱140,994	(₱502)	₱124,871	₱62,733	₱6,453	(₱198,026)	₱136,523
Investment income	27,098	9,664	-	-	6	-	36,768
Equity in net earnings of an associate	-	3,643	-	-	-	78,925	82,568
Interest expense and financing charges	(1,667)	-	(20,290)	(9,190)	(4,300)	-	(35,477)
Benefit from (provision for) income tax	(295)	(80)	(31,285)	(5,188)	-	1,692	(35,156)
Share of non-controlling interest	-	-	-	10	-	(13,979)	(13,969)
Net income attributable to equity holders of parent	₱166,130	₱12,725	₱73,296	₱48,365	₱2,159	(₱131,388)	₱171,287
As at December 31, 2013							
Results							
Segment results	₱14,644	(₱5,059)	₱184,105	₱202,861	(₱40,373)	₱-	₱356,178
Investment income	272,685	6,781	1,838	2,755	20	(398,537)	(114,458)
Equity in net earnings of an associate	149,897	5,418	-	-	6,376	-	161,691
Interest expense and financing charges	(17,471)	-	(38,384)	(25,434)	(3,128)	-	(84,417)
Benefit from (provision for) income tax	(1,358)	(237)	(43,730)	(18,137)	2,774	3,383	(57,305)
Share of non-controlling interest	-	-	-	(1,215)	-	(36,434)	(37,649)
Net income attributable to equity holders of parent	₱418,397	₱6,903	₱103,829	₱160,830	(₱34,331)	(₱431,588)	₱224,040

Item 2 – Management’s Discussion and Analysis of Financial Condition and Results Of Operations

For the first half of 2014, consolidated revenue of Phinma Corporation (PHN) increased 7% to P2.7 billion compared to the first half of 2013. Consolidated revenue increased across the board for all subsidiaries including Union Galvasteel Corporation, the four schools of the Phinma Education Network (PEN, Fuld US and Fuld Philippines).

Consolidated Costs and Expenses of PHN for the six months increased 9% to P 2.5 billion due to higher costs of the subsidiaries and increased expenses, including increased depreciation costs from school building improvements. Despite higher income from the subsidiaries, consolidated income from operations decreased from P 181 million to P 154 million in the first half of 2014 mainly due to a decline in investment income and an increase in expenses of the parent company.

Equity in net earnings from associates decreased from P83 million in the first half of 2013 to P44 million in the first half of 2014 due to a decline in income contribution of affiliates Trans Asia Oil & Energy Development Corporation (TA Oil) and Phinma Properties Holdings Corporation (PPHC).

Consolidated net income of the company for the first half decreased from P185 million in 2013 to P127 million in 2014 while net income attributable to equity holders of the parent amounted to P 106 million in 2014.

The results of operations of PHN subsidiaries for the period January to June 2014 are as follows:

Union Galvasteel Corporation (UGC)

I. Marketing

For the six months ended June 30, 2014, the company sold 4.046 million sheets or 11% above the 3.653 million sheets sold over the same period in 2013.

II. Production

For the first half of 2014, the old Color Line produced 6,835 metric tons at 68% capacity while the new Color Line, which started operations only in mid-March, produced 13,970 metric tons at 47% capacity.

The Calamba polyurethane line operated at 94% utilization and produced 33,947 sheets in the first half of 2014, while the Davao polyurethane line operated at a utilization of 83% with production of 24,870 sheets. The combined production volume of 58,817 sheets is 38% better than last year's output of 42,756 sheets.

III. Financials

With revenues of P1.859 billion for the first half of 2014, gross income of P331 million was generated, or a gross margin of 18%. Net income amounted to P77 million compared to the previous year's net income of P73 million, an increase of 5%.

Araullo University (AU)

For the six months ended June 30, 2014, revenues of Araullo University increased 16% to P117 million. Direct costs and general and administrative expenses for the same period amounted to P 59 million and P32 million, respectively. Net income of P12.4 million is higher than net income of P7.5 million for the same period last year. Enrollment increased 22% to 8,105 students for the first semester of the School Year which started June 2014.

Cagayan de Oro College, Inc. (COC)

For the six months ended June 30, 2014, COC registered revenues amounting to P106 million. Direct cost and operating expenses were P44 million and P36 million respectively. COC net income increased from P7.9 million in the first half of 2013 to P10.8 million in the first half of 2014 due to increase in student enrollment. Student enrollment increased 23% from 6,791 students in School Year (SY) 2012/13 to 8,327 students in SY 2013/14.

University of Pangasinan (UPANG)

For the six months ended June 30, 2014, UPANG registered revenues amounting to P164 million, a slight increase over revenue of P162 million in 2013. Total student enrollment increased 7% from 8,691 for SY 2012/13 to 9,277 for SY 2013/14.

Net income however decreased from P24.6 million in the first half of 2013 to P20.6 million for the same period this year due to increased depreciation costs from new building improvements and increased teacher training expenses .

University of Iloilo (UI)

For the six months ended June 30, 2014, UI registered revenue of P128 million, an increase of 15% over the P111 million revenue posted over the same period in 2013. UI posted net income of P12.6 million in the first half of 2014 compared to P8.4 million over the same period in 2013. Total student enrollment increased 30% from 5,836 students for SY 2012/13 to 7,561 students for SY 2013/14.

Fuld & Company, Inc. (Fuld)

Fuld & Company (Philippines), Inc.

In June 2011, the Company acquired an 85% interest in Fuld & Company, Inc. (Fuld). Fuld is a business research and consulting firm focusing on business and competitive intelligence. Fuld is incorporated in the United States with offices in the US, UK and China.

In July 2011, PHN acquired an 85% interest in Fuld & Company (Philippines), Inc. (formerly Business Back Office, Inc. (BBI). Fuld Philippines is a knowledge process outsourcing provider based in Manila.

For the six months ended June 2014, Fuld US and Fuld Philippines posted combined revenues of P265 million, up from P250 million over the same period in the previous year. After costs and expenses, the companies posted a combined net income of P10 million in the first half of 2014, an increase over the P3 million net income posted over the same period in 2013, mainly due to increased profitability of Fuld US.

Asian Plaza, Inc. (API)

API is a 57.6% subsidiary of PHN.

For the six months ended June 2014, API posted net income of P8.2 million mainly due to mark to market gains on investments.

Key Performance Indicators (KPI)

The top five (5) KPIs used to measure the financial performance of PHN and its subsidiaries as of the quarter ended June 30, 2014 are shown in the following table:

Financial KPI	Definition	2014	2013
<u>Profitability</u>			
Return on Equity (ROE)	$\frac{\text{Net income}}{\text{Ave. total equity attributable to PHN equity holders}}$	1.7%	2.7%
Gross Profit Margin	$\frac{\text{Gross profit}}{\text{Net sales}}$	30.1%	30.7%
<u>Efficiency</u>			
Cash Flow Margin	$\frac{\text{Cash flow from operating Activities}}{\text{Net sales}}$	4.0%	(17.1%)
<u>Liquidity</u>			
Current Ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	2.16 : 1.00	2.54 : 1.00
Debt-to Equity Ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	0.45 : 1.00	0.41 : 1.00

Profitability

The return on equity of 1.7% for the period is lower than the 2.7% return for the same period the previous year. This is due to the decline in net income during the first half of 2014. Gross profit margin likewise declined, from 30.7% in 2013 to 30.1% in 2014 due to a decrease in gross profit margin of UGC.

Efficiency

Net cash inflow from operations was P 102 million for the first semester of 2014 compared to net cash outflow of P425 million over the same period last year. The latter included significant payment of UGC's trust receipts amounting to P555 million during the first half of 2013.

Liquidity

Current ratio as of end-June decreased from 2.54:1.00 in 2013 to 2.16:1.00 in 2014 due to increase in current liabilities particularly trust receipts payable.

Debt-equity ratio of PHN and its subsidiaries as of end June 2014 was 0.45 which was higher than the ratio of 0.41 the previous year due to increase in unearned revenue and trust receipts payable.

Other Financial Ratios are as follows :

Financial Ratio	Definition	June 2014	June 2013
Asset to Equity	<u>Total Assets</u> Total Equity	1.45	1.41
Interest rate coverage ratio	<u>EBITDA</u> Interest expense	8.30	9.67

Asset to Equity ratio of PHN and subsidiaries as of end June 2014 increased slightly from 1.41 to 1.45, as a result of an increase in assets to P 10.2 billion. Interest rate coverage ratio as of June 30, 2014 decreased to 8.30 due to lower EBITDA.

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.

Interim Disclosures on Financial Statements

Below are additional disclosures on the Company's operations :

- a. Any known trends, demands, commitments, events and uncertainties 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. Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

None

- c. All 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. Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.

None

- e. Any known trends, events or uncertainties 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 operations of Phinma Corporation and its subsidiaries continue to be affected by the economic performance of the Philippines and in the countries in which they operate.

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

None.

- g. 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. Any seasonal aspects that had a material effect on the financial condition or results of operations.

The parent company is a holding company and has no seasonal aspects that will have any material effect on its financial condition.

Like any other company in the construction industry, the operations of UGC is affected by seasonality demand. During the summer months starting December to May, demand for roofing materials are greater than during the rainy months of June to November. 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.

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 movements in cash and cash equivalents are shown in the cash flow statement.

Investments held for trading

The decrease in the account is mainly due to redemption of unit investment trust funds from P888 million in December 2013 to P713 million as of end June 2014.

Trade and other receivables - net

The increase in the account in the amount of P348 million mainly represents increase in accounts receivable of UGC in the amount of P98 million as well as increase in receivables of AU, COC, UPANG and UI in the total amount of P223 million.

Inventories

The increase in inventories amounting to P151 million comes mainly from the increase in UGC's finished goods inventories.

Available for sale (AFS) investments

The P104 million decrease in the account is due to the sale of shares in AB Capital and Investment Corporation during the 1st quarter of 2014.

Input value-added taxes

The increase in the account of P9 million represents an increase in input tax of UGC during the 1st half of the year.

Other current assets

The increase in the account of P29 million represents deferred assets of Araullo University and Cagayan de Oro College, Inc.

Deferred tax assets

The increase in the account of P19 million represents increase in deferred tax assets of UGC amounting to P5 million as well as AU and COC in the amount of P4 million and P10 million, respectively.

LIABILITIES

Notes payable

The increase of P67 million is due to the increase in UGC's notes payable from P127 million in December 2013 to P201 million as of end June 2014.

Trade and other current liabilities

The decrease of P50 million in the account from P649 million to P599 million represents payment of the parent company of various expenses.

Trust receipts payable

The increase of P146 million in the account is attributable to the increase in UGC's trust receipts payable from P 44 million in December 2013 to P190 million as of June 2014.

Unearned revenues

The account increased from P234 million in December 2013 to P451 million in June 2014. Tuition fees for the entire semester are booked under Unearned Revenues at the start of the semester; the account decreases as the income is earned over the semester.

Income and other taxes payable

The increase in the account of P33 million represents an increase in higher VAT and income taxes payable of UGC as a result of higher volumes and net income.

Due to related parties

The decrease in the account represents payments on various amounts due to the ultimate parent company.

Current portion of long-term debt

The increase in the account of P13 million represents reclassification of loans which will fall due within one year, from long-term portion to current portion.

Long-term loan payable

The decrease in the account represents reclassification, from long-term portion to current portion, of loans which will fall due within one year..

Long-term debt – net of current portion

The decrease in the account of P66 million represents loan payments made by UGC, UPANG, AU and COC.

Pension and other post employment

The increase amounting to P15 million represents increase in accrual for post employment benefits of UGC, UPANG and COC.

Other non-current liabilities

The decrease in the account of P3 million represents decrease in other non-current liabilities of AU.

EQUITY

Share in unrealized gains on financial assets of associates

The change is due to a decrease in fair values of financial assets held by Trans-Asia Oil and Energy Development Corporation.

Exchange differences on translation of foreign operations

The P 2 million movement in the account represents cumulative adjustments arising from the translation of the financial statements of OAL and Fuld & Company, Inc. from US dollars to Philippine pesos.

Material Changes in Income Statement Accounts

Revenues

The increase in revenues in the amount of P183 million is mainly due to the increase in revenues of UGC, AU, COC, UPANG, UI and Fuld and Company, Inc.

Cost of sales

The increase in cost of sales amounting to P143 million is mainly due to an increase in cost of sales of UGC as a result of higher sales volumes.

Operating expenses

The increase amounting to P68 million represents an increase in operating expenses of the parent company, as well as increases in expenses of UGC and Upang.

Equity in net earnings of associates

The P39 million decrease in the account is largely due PHN's share in income of Trans Asia Oil which declined from P78 million in 2013 to P50 million this year. Income contribution from Phinma Properties likewise decreased from P4 million equitized income in 2013 to an equitized net loss of P6 million this year.

Net gain (loss) on derivatives

As of March 31, 2013, the company had outstanding non-deliverable contracts with an aggregate notional amount of US\$3.75 million, which resulted in an unrealized gain of P.02 million. The company also booked a net derivative gain on settled contracts amounting to P1.04 million.

For the period January to June 2014, there were no outstanding non-deliverable forward contracts.

Foreign exchange gain (loss)

Foreign exchange loss as of June 30, 2014 was P0.8 million due to the movement in foreign exchange rate from P44.39 as of Dec. 31, 2013 to P43.65 as of June 30, 2014.

Other income (charges)

The increase in the account is due to a decline in expenses of Asian Plaza, Inc. during the period.

Comprehensive Income

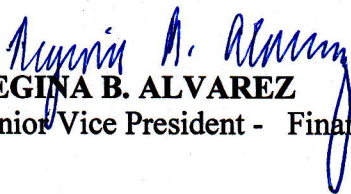
Comprehensive income decreased from P186 million for the six-month period ended June 30, 2013 to P119 million this year due to the decrease in net income from P185 million last year to P127 million this year.

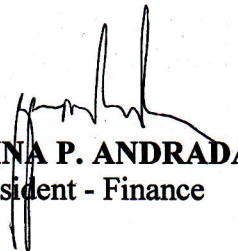
For other comprehensive income / (charges), kindly refer to the comments on equity accounts.

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 - Finance


RIZALINA P. ANDRADA
Vice President - Finance

August 14, 2014

PHINMA CORPORATION
Consolidated Aging of A/R-Trade
As of June 30, 2014

in thousands

	<u>Amount</u>
Current	1,005,878
1 - 30 days	59,237
31 - 60 days	29,651
61 - 90 days	24,731
Over 90 days	<u>188,155</u>
TOTAL	1,307,652
Less : Allowance for doubtful accounts	<u>216,674</u>
Net Trade Receivable	<u>1,090,978</u>

PHINMA CORPORATION
Consolidated Aging of A/R-Nontrade
As of June 30, 2014

in thousands

	<u>Amount</u>
Current	P134,471
1 - 30 days	-
31 - 60 days	-
61 - 90 days	-
Over 90 days	<u>13,707</u>
TOTAL	P148,178
Less : Allowance for doubtful accounts	<u>2,970</u>
Net AR - Non Trade	<u><u>P145,208</u></u>