



108152016002377



SECURITIES AND EXCHANGE COMMISSION

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S.E.C. Registration Number

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(Company's Full Name)

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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)

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Contact Person

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Company Telephone Number

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Month Day Year

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings	
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Domestic	Foreign

Domestic

Foreign

To be accomplished by SEC Personnel concerned

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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, 2016
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 - **259,112,608** shares issued and outstanding (net of treasury shares)
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
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited	Audited
	June 30, 2016	Dec. 31, 2015
		<i>(As restated)</i>
		<i>(In Thousands)</i>
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 8)	₱508,016	₱470,119
Investments held for trading (Notes 9)	420,239	503,088
Trade and other receivables (Notes 10)	1,649,563	1,446,521
Inventories (Note 11)	979,954	787,355
Input value-added taxes	31,066	10,314
Derivative asset and other current assets	113,782	104,886
Total Current Assets	3,702,620	3,322,283
Noncurrent Assets		
Investments in associates - at equity (Note 12)	3,287,229	3,268,338
AFS investments (Notes 13)	62,529	71,529
Property, plant and equipment (Notes 14)	4,421,322	4,184,089
Investment properties (Notes 15)	1,054,573	1,126,294
Intangible assets (Notes 16)	2,080,638	2,087,102
Deferred tax assets – net (Note 23)	133,743	128,395
Other noncurrent assets (Note 17)	65,866	35,234
Total Noncurrent Assets	11,105,900	10,900,981
	₱14,808,520	₱14,223,264

LIABILITIES AND EQUITY

Current Liabilities		
Notes payable (Notes 18)	₱84,467	₱280,724
Trade and other payables (Notes 19)	945,556	878,184
Unearned revenues	632,702	500,268
Trust receipts payable	456,134	-
Income and other taxes payable	192,207	67,320
Due to related parties (Notes 22)	220,835	244,901
Current portion of long-term debt (Notes 20)	121,714	136,676
Total Current Liabilities	2,653,615	2,108,073

	Unaudited	Audited
	June 30, 2016	Dec. 31, 2015
<i>(In Thousands)</i>		
Noncurrent Liabilities		
Long-term debt – net of current portion (Notes 20)	P3,265,573	P3,323,968
Deferred tax liabilities – net	433,031	361,447
Pension and other post-employment benefits	291,815	294,033
Deferred rent revenue - net of current portion	42,563	42,563
Other noncurrent liabilities	15,104	23,680
Total Noncurrent Liabilities	4,048,086	4,045,691
Total Liabilities	6,701,701	6,153,764
Equity attributable to equity holders of the parent		
Capital stock (Note 21)	2,604,284	2,604,284
Additional paid-in capital	259,248	259,248
Share in other comprehensive income of associates	29,885	25,680
Exchange differences on translation of foreign operations	33,009	33,378
Other reserves	(12,033)	(12,033)
Retained earnings (Note 21)	4,022,196	3,966,003
Treasury shares (Note 21)	(15,397)	(13,593)
Equity attributable to equity holders of the parent	6,921,192	6,862,967
Equity Attributable to Non-controlling Interest	1,185,627	1,206,533
Total Equity	8,106,819	8,069,500
	P14,808,520	P14,223,264

PHINMA CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF INCOME

	For the Three (3) Months Ended June 30		For the Six (6) Months Ended June 30	
	2016	2015	2016	2015
	<i>(Amounts in Thousands)</i>			
REVENUES				
Sale of goods	₱1,045,206	₱983,393	₱2,026,614	₱1,902,028
Tuition and school fees	434,477	271,294	898,053	566,753
Consultancy services	98,173	97,858	184,357	214,765
Investment income	4,006	2,507	5,850	6,958
Rental income	2,146	2,672	8,031	6,880
	1,584,008	1,357,724	3,122,905	2,688,996
COSTS AND EXPENSES				
Cost of sales, educational and animation services	(977,415)	(969,532)	(2,027,751)	(1,885,700)
Operating expenses	(471,076)	(305,737)	(814,393)	(618,465)
	(1,448,491)	(1,275,269)	(2,842,144)	(2,504,165)
OTHER INCOME (CHARGES)				
Equity in net earnings of associates (Note 11)	38,103	93,177	65,929	120,146
Interest expense and other financial charges	(42,703)	(29,360)	(90,204)	(47,993)
Gain on sale of a subsidiary	-	1,294	-	1,294
Gain (loss) on sale of asset	(9,643)	(18,063)	(9,333)	(25,771)
Foreign exchange gains (losses) - net	1,351	1,347	(334)	695
Others - net	23,894	(23,308)	26,188	(21,837)
	11,002	25,087	(7,754)	26,534
INCOME BEFORE INCOME TAX	146,519	107,542	273,007	211,365
PROVISION FOR INCOME TAX (Notes 22)	36,022	20,697	71,548	42,227
NET INCOME	₱110,497	₱86,845	₱201,459	₱169,138
Net Income Attributable To				
Equity holders of the Parent	₱101,161	₱80,944	₱168,414	₱144,553
Non-controlling interest	9,336	5,901	33,045	24,585
	₱110,497	₱86,845	₱201,459	₱169,138
Basic/Diluted Earnings Per Common Share - Attributable to Equity Holders of the Parent (Notes 24)	₱0.39	₱0.31	₱0.65	₱0.56

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	
	2016	2015	2016	2015
	<i>(Amounts in Thousands)</i>			
NET INCOME	₱110,497	₱86,845	₱201,459	₱169,138
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)	2,697	(2,200)	4,205	6,906
Cumulative translation adjustments	(2,168)	3,069	-	1,441
Other comprehensive income	2,987	-	(369)	-
	3,516	869	3,836	8,347
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	₱114,013	₱87,714	₱205,295	₱177,485
Total Comprehensive Attributable To				
Equity holders of the Parent	₱102,113	₱81,813	₱169,203	₱152,900
Non-controlling interest	11,900	5,901	36,092	24,585
	₱114,013	₱87,714	₱205,295	₱177,485

PHINMA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Equity Attributable to Equity Holders of the Parent

	Capital Stock (Note 21)	Additional Paid-in Capital	Unrealized Gain (Loss) on Change in Fair Value of AFS Investments (Note 13)	Exchange Differences on Translation of Foreign Operations	Other Reserves	Share in Unrealized Share in Other Comprehensive Income of Associates (Note 12)	Retained Earnings (Note 21)		Treasury shares	Subtotal	Non- controlling Interests	Total Equity
							Appropriated	Unappropriated				
<i>(Amounts in Thousands)</i>												
Balance, January 1, 2016	P2,604,284	P259,248	P-	P33,378	(P12,033)	P25,680	P1,000,000	P2,957,447	(P13,593)	P6,854,411	P1,157,340	P8,011,751
Net income	-	-	-	-	-	-	-	168,414	-	168,414	33,044	201,458
Other comprehensive income (loss)	-	-	-	(369)	-	4,205	-	-	-	3,836	-	3,836
Total comprehensive income (loss)	-	-	-	(369)	-	4,205	-	168,414	-	172,250	33,044	205,294
Cash dividends	-	-	-	-	-	-	-	(103,665)	-	(103,665)	(4,757)	(108,422)
Buyback of shares	-	-	-	-	-	-	-	-	(1,804)	(1,804)	-	(1,804)
Balance, June 30, 2016	P2,604,284	P259,248	P-	P33,009	(P12,033)	P29,885	P1,000,000	P3,022,196	(P15,397)	P6,921,192	P1,185,627	P8,106,819
Balance, January 1, 2015	P2,604,284	P259,248	P-	P5,983	(P4,315)	P18,372	P1,000,000	P2,688,989	P-	P6,572,561	P616,153	P7,188,714
Net income	-	-	-	-	-	-	-	144,553	-	144,553	24,585	169,138
Other comprehensive income (loss)	-	-	-	1,441	2,418	6,906	-	-	-	10,765	-	10,765
Total comprehensive income (loss)	-	-	-	1,441	2,418	6,906	-	144,553	-	155,318	24,585	179,903
Acquisitions	-	-	-	-	-	-	-	-	(7,062)	(7,062)	225,785	218,723
Cash dividends	-	-	-	-	-	-	-	(104,176)	-	(104,176)	(39,601)	(143,777)
Sale of shares	-	-	-	-	-	-	-	-	-	-	(13,310)	(13,310)
Dilution of Parent's interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	(3,810)	(3,810)
Balance, June 30, 2015	P2,604,284	P259,248	P-	P7,424	(P1,897)	P25,278	P1,000,000	P2,729,366	(P7,062)	P6,616,641	P809,802	P7,426,443

PHINMA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	January – June 30,	
	2016	2015
	<i>(In Thousands)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	₱273,007	₱211,365
Adjustments for:		
Depreciation and amortization	121,064	97,735
Equity in net earnings of associates (Note 11)	(65,929)	(120,147)
Unrealized foreign exchange loss (gain) - net	-	(655)
Other non-cash expenses	(2,217)	37,455
Others	8,519	281
Operating income before working capital changes	334,444	226,034
Changes in working capital and others	67,547	462,926
Net cash provided by operating activities	401,991	688,960
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Available for sale investment	9,000	-
Property and equipment	(256,783)	(243,220)
Other noncurrent assets	(29,516)	(8,441)
Investments in subsidiaries	4,603	(2,110,649)
Proceeds from sale of PPE and investment properties	70,654	35,028
Dividends received	213,031	53,058
Net cash provided by (used in) investing activities	(10,989)	(2,274,224)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payments of) :		
Short-term borrowing	(196,257)	1,587,582
Long-term borrowing	(73,357)	50,260
Payment of cash dividends	(103,665)	(102,734)
Buy back of shares	(1,804)	(7,062)
Net cash used in financing activities	(375,083)	1,528,046
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	37,897	(57,218)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	-	418
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	470,119	559,611
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱508,016	₱502,811

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	June 30, 2016			December 31, 2015		
			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	98.08	–	98.08	98.08	–	98.08
PHINMA Education Holdings, Inc. (PEHI) ^(a and b)	Holding Company	March 31	100.00	–	100.00	100.00	–	100.00
Pamantasan ng Araullo (Araullo University), Inc. (AU) ^(b)	Educational institution	March 31	–	78.64	78.64	–	78.64	78.64
Cagayan de Oro College, Inc. (COC) ^(b)	Educational institution	March 31	–	74.21	74.21	–	74.21	74.21
University of Iloilo (UI) ^(b)	Educational institution	March 31	–	69.79	69.79	–	69.79	69.79
University of Pangasinan (UPANG) and Subsidiaries ^(b and c)	Educational institution	March 31	–	69.75	69.75	–	69.75	69.75
Southwestern University (SWU) ^(b and d)	Educational Institution	May 31	–	73.74	73.74	–	73.74	73.74
Fuld & Company, Inc. (Fuld U.S.) and Subsidiary	Business research	December 31	85.00	–	85.00	85.00	–	85.00
Fuld & Company (Philippines), Inc. (Fuld Philippines)	Business research	December 31	100.00	–	100.00	100.00	–	100.00
Career Academy Asia, Inc. (CAA) ^(e)	Educational Institution	March 31	100.00	–	100.00	100.00	–	100.00
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 ^(f)	Business Process Outsourcing - Animation services	December 31	80.00	–	80.00	80.00	–	80.00

^(a) On August 28, 2015, PEHI was incorporated and duly registered with the Philippine SEC as a wholly owned subsidiary of PHN and acts as a holding company for PHN's investment in educational institutions. In December 2015, PHN sold to PEHI its ownership interest in AU, COC, UI, UPANG and SWU.

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

In December 2015, PHN sold to PEHI its ownership interest in AU, COC, UI, UPANG and SWU.

^(c) On November 11, 2014, UPANG established a new educational institution – PHINMA-UPANG College Urdaneta, Inc. which was incorporated and duly registered with the Philippine SEC as a wholly owned subsidiary of UPANG.

In 2015, UPANG disposed its subsidiary, University of Pangasinan Medical Center, Inc. (UPMCI).

^(d) In April to May 2015, PHN acquired a 62.52% controlling interest in SWU. Additional interests were subsequently acquired until August 2015 increasing the total interest of PHN to 73.74%.

^(e) On November 28, 2014, CAA was incorporated and duly registered with the Philippine SEC. It will engage in providing technical vocational education and training programs. As at December 31, 2015, the Company has not yet started its commercial operation.

^(f) OAL owns 100% 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”) 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. 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 26.

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 (6) months ended June 30, 2016 and 2015 were reviewed and recommended for approval by the Audit Committee on July 28, 2016. The same interim consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on July 29, 2016.

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, 2015.

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, 2015, except for the adoption of new standards and interpretations effective as of January 1, 2016.

Standards Issued but not yet Effective

Except as otherwise indicated, the Company does not expect the adoption of these new and revised standards and amendments to PFRS and Philippine Interpretations of the IFRIC to have a significant impact on the Company’s financial statements.

Deferred

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

Effective 2016

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investment in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*

- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*
- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests*
- Amendments to PAS 1, *Presentation of Financial Statements - Disclosure Initiative*

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

- that entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
- that specific line items in the statement of income OCI and the statement of financial position may be disaggregated
- that entities have flexibility as to the order in which they present the notes to financial statements
- that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates.

- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants*
- Amendments to PAS 16, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*

Annual Improvements to PFRS (2012-2014 Cycle)

- PFRS 5, *Noncurrent Assets Held-for-Sale and Discontinued Operations - Changes in Methods of Disposal*
- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*
- PAS 34, *Interim Financial Reporting - Disclosure of Information "Elsewhere in the Interim Financial Report"*

Effective in 2018

- PFRS 9, *Financial Instruments (2014 version)*

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and

measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Company is currently evaluating the impact of this amendment in the consolidated financial statements.

The following new standards issued by the IASB have not yet been adopted by the FRSC:

- International Financial Reporting Standard (IFRS) 15, *Revenue from Contract with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently evaluating the impact of this amendment in the consolidated financial statements.

- IFRS 16, *Leases*

On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases*, which will replace International Accounting Standard (IAS) 17, the current leases standard, and the related Interpretations. Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of twelve (12) months or less or for which the underlying asset is of low value are exempted from these requirements. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Company is currently evaluating the impact of this amendment in the consolidated financial statements.

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, 2016.

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.

Acquisition of SWU shares as a single-linked transaction. The Company obtained control of SWU by acquiring shares in several tranches (see Note 6). The Company determined that the acquisition at different dates consist of a single-linked transaction by virtue of the Company's intent to obtain at least a controlling interest in the school.

6. Business Combination and Goodwill

Acquisition of Southwestern University. SWU is a private educational institution incorporated in the Philippines with campuses located in Cebu City.

PHN offered to acquire shares of SWU from its various shareholders. In April to May 2015, certain shareholders accepted PHN's offer. As a result, PHN and the shareholders of SWU entered into Share Purchase Agreements for the sale and transfer of 18,084 common shares representing 62.52% of the total issued and outstanding capital stock of SWU for a consideration of ₱2.1 billion.

Subsequently in August 2015, other shareholders of SWU also accepted PHN's offer. As a result, PHN and the shareholders of SWU entered into Share Purchase Agreements for the sale and transfer of additional 3,247 common shares representing 11.22% of the total issued and outstanding capital stock of SWU for a consideration of ₱0.4 billion.

These resulted in PHN acquiring a total of 21,331 common shares representing 73.74% ownership interest of the issued and outstanding capital stock of SWU for a total purchase price of ₱2.5 billion.

The Company accounted the acquisitions as a single linked transaction based on the following:

- a. The Company's objective was to acquire at least 67% of SWU which is the Company's minimum ownership interest on existing investments in educational institutions. In addition, the Parent Company granted certain selling shareholders the option to repurchase shares sold over the excess of 2/3 of the issued and outstanding shares owned by the Company;
- b. The offers were sent to all the sellers upfront and that there were no significant differences in the purchase price between shares acquired in April and May 2015 and shares acquired subsequently in August 2015; and
- c. All purchases of shares transpired within relatively short period of time.

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

	Fair Values Recognized at Acquisition Date
Total assets:	
Cash and cash equivalents	P81,126
Trade and other current receivable - net	110,104
Inventories and supplies	20,837
Prepayments and other current assets	4,348
Property and equipment	1,472,808
Investment properties	725,964
Intangibles - students lists	34,518
Total assets	2,449,705
Total liabilities:	
Trade and other current payables	157,741
Deferred revenues	36,959
Income tax payable	21,757
Retirement liability - net	58,083
Deferred tax liability - net	116,187
Other noncurrent liabilities	9,177
Total liabilities	399,904
Total identifiable net assets acquired	2,049,801
Proportionate share of NCI in net assets acquired	(538,209)
Goodwill arising from acquisition (see Note 16)	996,484
Purchase consideration transferred	P2,508,076

The Company sought an independent valuation for the land, buildings, and investment properties owned by SWU which is done by an independent appraiser accredited by the SEC.

The trade and other current receivable amounted to P110.1 million. The gross amount of trade receivables is P189.2 million. The difference between the fair value and the gross amount of trade receivables represents the portion expected to be uncollectible.

The deferred tax liability mainly comprises the tax effect of the fair value adjustments on certain property and equipment and investment property amounting to P119.2 million and P14.4 million, respectively. Deferred tax liability recognized on students list amounted to P3.5 million.

Goodwill arising from the acquisition amounted to P996.5 million. Goodwill is allocated entirely to the education segment. Student lists amounting to P34.5 million was separately recognized and

meets the criteria for recognition as an intangible asset under PAS 38. None of the goodwill recognized is expected to be deductible for income tax purposes.

Contingent liabilities totaling ₱100.0 million was recognized at acquisition date arising from probable claim and contingencies. No further disclosures regarding the contingent liability arising from probable claims are made by SWU at this time as SWU believes that such further disclosures might be prejudicial to its position.

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.

Certain selling shareholders were granted the option to repurchase the shares sold at a price equal to the consideration given by the Parent Company. There are 3,997 options granted which can be exercised over the excess of 2/3 of the issued and outstanding shares owned by the Parent Company. The option may be exercised after the lapse of 6 months from closing date and within 5 years from the said closing date. As at March 31, 2016, the value of the option is not material.

From the date of acquisition, SWU contributed ₱417.9 million of revenue and ₱110.7 million to profit before tax from continuing operations of the Company. If the acquisition had taken place at January 1, 2015, revenue from continuing operation would have been ₱591.9 million and profit before tax from continuing operation for the Company would have been ₱173.6 million

The cash outflow related to the acquisition is as follows:

Cash paid on acquisition dates	₱2,508,076
Less cash of acquired subsidiary	(81,126)
<u>Net cash outflow</u>	<u>₱2,426,950</u>

Transaction costs of ₱33.8 million were expensed and are included in "General and Administrative Expenses" in the consolidated statement of income and are part of operating cash flows for the year ended March 31, 2016.

In addition to the acquired shares mentioned above, PHN has partially paid 1,682 common shares representing 5.81% ownership interest pending a court ruling to facilitate completion of the purchase. As at June 30, 2016, the Company classified the partial payment of ₱60.7 million as advances.

7. Transactions with Non-controlling Interests and Others

Acquisition of NCI in Fuld U.S. and Fuld Philippines

The Parent Company invested additional ₱9.2 million in Fuld U.S. and ₱25.4 million in Fuld Philippines without corresponding increase in its economic interests. The transaction resulted in an increase of NCI by ₱5.2 million and decrease of "Other reserves" account for the same amount in 2014. In addition, a key officer of Fuld U.S. exercised stock options in 2014 resulting to a further increase in the NCI by ₱4.7 million.

In May 2015, the Parent Company acquired the remaining 300 shares representing the remaining 15% NCI in Fuld PH for a cash consideration ₱3.0 million.

Sale of UPMCI

On May 15, 2015, UPANG and PSI Healthcare Development Services (PSI) entered into share and asset purchase agreement whereas UPANG had agreed to sell its 138,407 shares in UPMCI, a subsidiary of UPANG, and certain parcel of land to PSI.

Proceeds from the sale of shares and land amounted to ₱61.7 million and ₱26.5 million, respectively. Gain on sale of subsidiary amounted to ₱1.3 million included in “Others – net” in the consolidated statement of income while loss on sale of land amounted to ₱5.6 million included in “Gain on sale of property, plant and equipment – net” in the consolidated statement of income .

As at December 31, 2015, UPANG has retained 6,872 shares in UPMCI recognized as AFS investment amounting to ₱3.3 million.

8. Cash and Cash Equivalents

This account consists of:

	Unaudited	Audited
	June 30, 2015	Dec. 31, 2015
	<i>(In Thousands)</i>	
Cash on hand and in banks	₱316,039	₱269,665
Short-term deposits	191,977	200,454
	₱508,016	₱470,119

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.

9. Investments Held for Trading

This account consists of investments in:

	Unaudited	Audited
	June 30, 2016	Dec. 31, 2015
	<i>(In Thousands)</i>	
Unit Investment Trust Funds (UITFs)	₱412,471	₱495,522
Marketable equity securities	7,768	7,566
	₱420,239	₱503,088

10. Trade and Other Receivables

This account consists of:

	Unaudited	Audited
	June 30, 2016	Dec. 31, 2015
	<i>(In Thousands)</i>	
Trade	₱1,807,095	₱1,509,646
Due from related parties	15,533	3,574
Advances to suppliers and contractors	49,736	51,391
Receivable from PHN Retirement/Gratuity Plan (PHN Retirement)	8,939	8,939
Advances to officers and employees	32,147	8,857

Installment contract receivables	600	600
Others	124,998	169,166
	2,097,517	1,752,173
Less allowance for doubtful accounts	389,485	305,652
	₱1,649,563	₱1,446,521

11. Inventories

This account consists of:

	Unaudited	Audited
	June 30, 2016	Dec. 31, 2015
	<i>(In Thousands)</i>	
At cost:		
Finished goods	₱852,810	₱659,317
Raw materials	50,370	39,719
Other inventories	29,975	48,284
At net realizable value -		
Spare parts and others	46,799	40,035
	₱979,954	₱787,355

12. Investments in Associates

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

	Percentage of Ownership	
	June 2016	Dec. 2015
PHINMA Property Holdings Corporation (PPHC)	35.42	35.42
Trans-Asia Oil and Energy Development Corporation (TA Oil)	26.22	26.41
ABCIC Property Holdings, Inc. (APHI)	26.51	26.51
Microtel Development Corporation (MDC)	36.23	36.23
Coral Way City Hotel Corporation (Coral Way)	23.75	23.75
Trans-Asia Petroleum Corporation (TA Pet) (**)	12.99	12.99
Academy of Competitive Intelligence	47.50	47.50
Asia Coal Corporation (Asia Coal) (*)	12.08	12.08

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

(**) *TA Pet is a subsidiary of TA Oil, which is an associate of PHN. Thus, TA Pet is also considered an associate of PHN even if PHN's ownership interest is less than 20%.*

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

	Unaudited June 30, 2016	Audited Dec. 31, 2015
<i>(In Thousands)</i>		
Acquisition costs:		
Balance at beginning of year	P3,062,459	P2,548,494
Additions	4,603	513,965
Balance at end of year	3,067,062	3,062,459
Accumulated equity in net income (losses):		
Balance at beginning of year	181,199	(33,003)
Equity in net earnings	65,929	269,617
Dividends	(54,673)	(55,415)
Balance at end of year	192,455	181,199
Share in net unrealized gain on change in fair value of AFS investments of associates:		
Balance at beginning of year	24,680	17,710
Change in fair value	3,032	6,970
Balance at end of year	27,712	24,680
	P3,287,229	P3,268,338

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

	Unaudited June 30, 2016	Audited Dec. 31, 2015
<i>(In Thousands)</i>		
TA Oil*	P2,060,498	P1,964,703
PPHC	759,086	839,302
TA Pet**	143,477	143,963
Microtel Development Corporation	127,409	125,000
APHI	103,687	99,948
Coral Way	91,724	94,074
Academy of Competitive Intelligence***	1,080	1,080
Asia Coal	268	268
	P3,287,229	P3,268,338

*The fair value based on quoted share price amounted to P3.1 billion and P2.8 billion as at June 30, 2016 and December 31, 2015 respectively.

**The fair value based on quoted share price amounted to P126 million and P74.1 million as at June 30, 2016 and December 31, 2015, 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, 2016 and December 31, 2015 follow:

	June 30, 2016			December 31, 2015		
	TA Oil	PPHC	TA Pet	TA Oil	PPHC	TA Pet
<i>(Amounts in Thousands)</i>						
Current assets*	P6,462,315	P4,652,770	P115,312	P6,127,490	P4,403,063	P120,406
Noncurrent assets	12,508,357	416,507	90,586	12,498,783	439,062	89,350
Current liabilities**	(3,396,090)	(1,995,083)	(482)	(3,420,078)	(2,036,258)	(597)
Noncurrent liabilities	(7,241,525)	(1,459,345)	-	(7,425,798)	(1,012,115)	-
Non-controlling interests	(102,575)	-	(2,414)	(104,872)	-	(2,416)

	June 30, 2016			December 31, 2015		
	TA Oil	PPHC	TA Pet	TA Oil	PPHC	TA Pet
	(Amounts in Thousands)					
Proportion of the Parent Company's ownership	8,230,482	1,614,849	203,002	7,855,525	1,793,752	206,743
	26.22%	35.42%	12.99%	26.41%	35.42%	12.99%
Equity attributable to Equity Holders of the Parent	2,158,032	571,980	26,370	2,074,644	635,347	26,856
Valuation differences	(97,534)	187,106	117,107	(109,941)	203,955	117,107
Carrying amount of the investments	₱2,060,498	₱759,086	₱143,477	₱1,964,703	₱839,302	₱143,963

* Includes cash and cash equivalents of TA Oil amounting to ₱433.8 million and ₱355.7 million in June 2016 and December 2015, respectively and cash and cash equivalents of PPHC amounting to ₱95.1 million and ₱93.5 million in June 2016 and December 2015, respectively, and cash and cash equivalents of TA Pet amounting to ₱3.4 million and ₱4.5 million in June 2016 and December 2015, respectively,

**Includes other current liabilities of TA Oil amounting to ₱1,214.6 million and ₱1,290.2 million in June 2016 and December 2015, respectively, other current liabilities of PPHC amounting to ₱608.4 million and ₱584.4 million in June 2016 and December 2015, respectively.

Summarized statements of comprehensive income follow:

	June 30, 2016			December 31, 2015		
	TA Oil	PPHC	TA Pet	TA Oil	PPHC	TA Pet
Revenues	₱7,110,288	₱572,850	₱-	₱13,470,170	₱1,427,066	₱-
Cost of sales	(6,400,086)	(635,090)	-	(11,440,717)	(925,481)	-
Depreciation and amortization	(207,847)	(6,768)	-	(397,116)	(14,095)	-
Interest income	10,200	-	6	16,257	14,965	69
Interest expense	(235,668)	(66,119)	-	(449,480)	38,587	-
Other income (expenses) - net	310,690	12,469	(3,745)	(84,295)	(392,746)	(10,698)
Net income before tax	587,577	(122,658)	(3,739)	1,114,819	71,123	(10,629)
Income tax	(46,075)	-	3	(208,967)	(10,987)	(65)
Net income	541,502	(122,658)	(3,742)	905,852	60,136	(10,694)
Other comprehensive income	-	-	-	25,110	722	-
Total comprehensive income	₱541,502	(₱122,658)	(₱3,742)	₱930,962	₱60,858	(₱10,694)
Company's share of total comprehensive income (loss)	₱141,480	(₱43,445)	(₱486)	₱240,604	₱22,304	(₱1,373)
Dividends received	₱51,109	₱-	₱-	₱51,039	₱-	₱-

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

- a. TA Oil /TA Pet
- b. TA Oil/TA Pet

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 February 23, 2015, 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 March 9, 2015 and was paid on March 25, 2015.

The Parent Company acquired additional shares in TA Oil amounting to ₱1.8 million and ₱2.3 million in 2015 and 2014, respectively. This resulted in increase in ownership interest in TA Oil from 26.24% in 2014 to 26.41% in 2015.

On February 23, 2016, the BOD of TA Oil declared cash dividend amounting to ₱195.1 million, equivalent to ₱0.04 a share, to all common stockholders of record as of March 9, 2016 and was paid on March 23, 2016.

Dividends received by the Parent Company from TA Oil amounted to ₱51.0 million during the 1st quarter of CY 2016 and for the year 2015 respectively.

c. 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.

The Parent Company and API, a subsidiary, subscribed to additional shares in PPHC amounting to ₱183.4 million and ₱203.2 million, respectively, in July 2015. This resulted in increase in ownership interest in PPHC from 35.34% in 2014 to 35.42% in 2015. Subscription payables amounting to ₱154.7 million is included in “Due to related parties” account in the consolidated statement of financial position.

d. AB Capital/APHI

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 in March 2011, 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 APhi and/or by sale or assignment of assets to the APhi;
- (c) Return of capital to PHN pertaining to shares in APhi;
- (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 December 9, 2013, the SEC approved the return of capital of APhi 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 ₱97.5 million and on the same date signed the Deed of Absolute Sale.

e. Coral Way City Hotel Corporation (Coral Way)

Coral Way was incorporated in the Philippines and registered with the SEC on December 10, 2007. It owns and operates Microtel Mall of Asia (the Hotel) which started commercial operations on September 1, 2010.

In March 2014, PHN entered into a Memorandum of Agreement (MOA) with Coral Way wherein PHN converted its investment in preferred shares to common shares. The conversion

resulted in a gain of ₱23.2 million, representing mainly of accumulated dividends on the preferred shares.

f. Microtel Development Corporation (MDC)

In 2015, API, a subsidiary of PHN, subscribed to 12,500,000 shares of MDC representing 36.23% of MDC's outstanding shares for ₱125 million. Subscription payable amounting to ₱52.0 million is included in "Due to related parties" in the consolidated statement of financial position.

g. Luzon Bag Corporation

On January 8, 2015, PHN sold its 21.052% ownership share in a parcel of land in Meycauayan Bulacan for P19.6 million. The Parent Company recorded a net gain of P14.2 million from the said sale.

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).

13. AFS Investments

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

	Unaudited	Audited
	June 30, 2016	Dec. 31, 2015
	<i>(In Thousands)</i>	
Unquoted equity securities	₱94,885	₱103,885
Quoted equity securities	13,161	13,161
Less accumulated impairment losses	(45,517)	(45,517)
	₱62,529	₱71,529

14. Property, Plant and Equipment

This account consists of:

	January 1, 2016	Additions through business combination	Additions	Disposals	Reclassifi- cation	June 30, 2016
	<i>(In Thousands)</i>					
Cost						
Land	₱1,893,561	₱-	₱273	₱-	₱-	₱1,893,834
Plant site improvements	100,100	-	51	-	-	100,151
Buildings and improvements	2,111,847	-	64,039	-	26,835	2,202,721
Machinery and equipment	1,158,561	-	75,611	-	148,790	1,382,962
Transportation and other equipment	429,148	-	28,163	(9,253)	(100,026)	348,032
	5,693,217	-	168,137	(9,253)	75,599	5,927,700

Less Accumulated Depreciation						
Plant site improvements	₱34,293	₱-	₱2,371	₱-	₱-	₱36,664
Buildings and improvements	666,921	-	48,575	-	(20,814)	694,682
Machinery and equipment	732,437	-	35,706	-	107,827	875,970
Transportation and other equipment	263,230	-	19,470	(9,041)	(102,955)	170,704
	1,696,881	-	106,122	(9,041)	(15,942)	1,778,020
	3,996,336	-	62,015	(212)	91,541	4,149,680
Construction in progress	187,753	-	86,401	(815)	(1,697)	271,642
Net Book Value	₱4,184,089	₱-	₱148,416	(₱1,027)	₱89,844	₱4,421,322

	January 1, 2015	Acquisition through business combination (see Note 6)	Additions	Disposals	Reclassificati ons	December 31, 2015
	<i>(Amounts in Thousands)</i>					
Cost						
Land	₱784,969	₱1,058,711	₱71,928	(₱22,922)	₱875	₱1,893,561
Plant site improvements	111,570	-	3,285	(18,518)	3,763	100,100
Buildings and improvements	1,678,972	275,853	194,957	(78,917)	40,982	2,111,847
Machinery and equipment	1,081,601	56,652	77,627	(95,334)	38,015	1,158,561
Transportation and other equipment	343,774	83,271	44,779	(40,972)	(1,704)	429,148
	4,000,886	1,474,487	392,576	(256,663)	81,931	5,693,217
Less Accumulated Depreciation						
Plant site improvements	49,580	-	3,100	(18,518)	131	34,293
Buildings and improvements	610,294	-	74,058	(24,804)	7,373	666,921
Machinery and equipment	725,749	-	75,430	(73,178)	4,436	732,437
Transportation and other equipment	265,892	-	38,322	(41,194)	210	263,230
	1,651,515	-	190,910	(157,694)	12,150	1,696,881
	2,349,371	1,474,487	201,666	(98,969)	69,781	3,996,336
Construction in progress	119,966	-	139,888	(2,320)	(69,781)	187,753
Net Book Value	₱2,469,337	₱1,474,487	₱341,554	(₱101,289)	₱-	₱4,184,089

15. Investment Properties

This account consists of:

	January 1, 2016	Additions	Disposals (see Note 10)	June 30, 2016
	<i>(In Thousands)</i>			
Cost:				
Land	₱1,069,480	₱6,548	(77,441)	₱998,587
Buildings for lease	94,579	2,245	-	96,824
	1,164,059	8,793	(77,441)	1,095,411
Less accumulated depreciation -				
Buildings for lease	37,765	3,073	-	40,838
	₱1,126,294	₱5,720	-	₱1,054,573

	January 1, 2015	Acquisition through business combination (see Note 6)	Additions	Disposals	December 31, 2015
Cost:					
Land	₱368,741	₱725,964	-	(₱25,225)	₱1,069,480
Buildings for lease	94,579	-	-	-	94,579
	463,320	725,964	-	(25,225)	1,164,059
Less accumulated depreciation -					
Buildings for lease	31,618	-	6,147	-	37,765
	₱431,702	₱725,964	(₱6,147)	(₱25,225)	₱1,126,294

16. Intangibles

Following are the details and movements of this account:

	Student List	Software Costs	Customer Contracts	Trademarks with Indefinite Useful Life	Goodwill	Total
Cost						
At January 1, 2015	₱131,120	₱22,088	₱22,080	₱47,928	₱1,385,628	₱1,608,844
Additions	34,518	–	–	–	996,484	1,031,002
Adjustment	–	–	–	2,507	3,468	5,975
At December 31, 2015	₱165,638	₱22,088	₱22,080	₱50,435	₱2,385,580	₱2,645,821
Additions	–	5,405	–	–	–	5,405
Adjustment	–	–	–	–	–	–
At June 30, 2016	₱165,638	₱27,493	₱22,080	₱50,435	₱2,385,580	₱2,651,226

	Student List	Software Costs	Customer Contracts	Trademarks with Indefinite Useful Life	Goodwill	Total
Amortization and Impairment						
At January 1, 2015	₱131,120	₱4,418	₱22,080	–	₱378,669	₱536,287
Amortization	7,671	4,418	–	–	–	12,089
Impairment	–	–	–	–	10,343	10,343
At December 31, 2015	₱138,791	₱8,836	₱22,080	–	₱389,012	₱558,719
Amortization	5,754	6,115	–	–	–	11,869
Impairment	–	–	–	–	–	–
At June 30, 2016	₱144,545	₱14,951	₱22,080	–	₱389,012	₱570,588

Net Book Value						
At June 30, 2016	₱21,093	₱12,542	–	₱50,435	₱1,996,568	₱2,080,638
At December 31, 2015	₱26,847	₱13,252	–	₱50,435	₱1,996,568	₱2,087,102

17. Other Noncurrent Assets

This account consists of:

	Unaudited June 30, 2016	Audited Dec. 31, 2015
		(In Thousands)
Refundable deposits	₱20,578	₱20,463
Installment contract receivable	–	1,200
Others - net of allowance for doubtful advances of 51.5 million in June 2016 and December 2015	45,288	13,571
	₱65,866	₱35,234

18. Notes Payable

This account consists of notes payable of :

	Unaudited	Audited
	June 30, 2016	Dec. 31, 2015
	<i>(In Thousands)</i>	
UGC	₱81,967	₱265,724
AU	2,500	15,000
	₱84,467	₱280,724

19. Trade and Other Payables

This account consists of:

	Unaudited	Audited
	June 30, 2016	Dec. 31, 2015
	<i>(In Thousands)</i>	
Trade	₱431,650	₱471,678
Accruals for :		
Professional fees and others	75,788	115,479
Personnel costs	34,667	53,139
Interest	5,898	14,196
Freight, hauling and handling	7,920	17,615
Customers' deposits	121,701	107,736
Dividends	53,691	46,099
Others	214,241	52,242
	₱945,556	₱878,184

20. Long-term Debts

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

	Unaudited	Audited
	June 30, 2016	Dec. 31, 2015
	<i>(In Thousands)</i>	
PEHI	₱2,288,078	₱2,300,000
UGC	580,000	612,500
UPANG	233,335	251,785
PSHC	128,358	128,358
AU	93,750	100,000
COC	68,359	73,985
Fuld Philippines	453	532
	3,392,333	3,467,160
Less debt issuance cost	5,046	6,516
	3,387,287	3,460,644
Less current portion - net of debt issuance cost	121,714	136,676
	₱3,265,573	₱3,323,968

The balance of unamortized debt issuance cost follows:

	Unaudited	Audited
	June 30, 2016	Dec. 31, 2015
	<i>(Amounts in Thousands)</i>	
Beginning of year	₱6,516	₱6,564
Amortization	(1,069)	(1,969)
Additions (Disposals)	(401)	1,921
End of year	₱5,046	₱6,516

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.

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

In 2015, UGC obtained a ten year term loan from SBC and BDO in the amount of ₱75 million each. UGC paid ₱50.0 million of the loan in 2015. Below is the summary of the said loans.

Bank	BDO
Amount drawn	₱75.0 million
Tenure	Ten (10) - year term loan
Repayment	Principal shall be payable in 39 equal quarterly repayment of ₱1.9 million
Prepayment	Allowed without penalty provided there is at least Thirty (30) days prior written notice and prepayment shall be done on Interest Repricing Date
Drawdown date	November 5, 2015
Start of amortization payment	December 31, 2015
End of term loan	November 5, 2025
Interest rate	The interest rate on the BDO loan commencing from the borrowing date up to the last day immediately preceding the interest repricing date is based on a 5-year PDST-R2 plus a 1.4% spread or 5.5%, whichever is higher, and for the interest period commencing from the interest repricing date and each succeeding interest periods until the maturity date, the interest rate is the rate to be negotiated by the parties within 30 banking days prior to interest repricing date.
Collateral	A parcel of land with improvements thereon located along Davao-Agusan Highway, Brgy. Ilang, Davao City Four (4) parcel of land with improvements thereon located along Chipeco Avenue extension corner Villa de Calamba Road, Barangay Real, Calamba City.
Use of proceeds	Working capital requirements

Bank	SBC
Amount drawn	₱75.0 million
Tenure	Ten (10) years from initial drawdown date
Repayment	Payable in forty (40) equal quarterly installments commencing at the end of the 1 st quarter following the initial drawdown date.
Prepayment	Allowed subject to the following conditions: -30 days prior notice and said notice shall be irrevocable -Allowed in whole or in part on any interest payment date -Prepayments shall be applied in reverse order -Break funding cost based on the difference between the contracted interest rate and the comparable benchmark, if any, for fixed rate portion shall be for the account of the borrower.
Drawdown date	November 5, 2015
Start of amortization	December 31, 2015

payment	
End of term loan	November 5, 2025
Interest rate	The interest rate on the SBC loan for the first 5 years is based on 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.
Collateral	-A parcel of land with improvements thereon located along Davao-Agusan Highway, Brgy. Ilang, Davao City -Four (4) parcel of land with improvements thereon located along Chipeco Avenue extension corner Villa de Calamba Road, Barangay Real, Calamba City.
Use of proceeds	Working capital requirements and capital expenditures

As at December 31, 2015 and 2014, the loans from the lenders are collateralized by a mortgage agreement on the UGC's land, plantsite improvements, buildings and installations and machinery and equipment of Calamba and Davao plants with carrying value amounting to ₱476.4 million and ₱399.2 million, respectively. In addition, UGC is required to maintain maximum debt to equity ratio of 2:1 under its loan covenants. As at June 30, 2016 and December 31, 2015, UGC is in compliance with all of its loan covenants.

UPANG

On December 21, 2012, a 7-year Term Loan Agreement was signed by UPANG and China Banking Corporation (CBC) for a maximum principal amount of ₱250.0 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 loans are collateralized with land costing ₱121.8 million and with a revalued amount of ₱447.6 million. 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 (February 1, 2013 – May 1, 2013) 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 (February 15, 2013 - May 15, 2013) 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.
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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 of 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 June 30, 2016 and December 31, 2015 , UPANG was in compliance with the terms of the loan agreement.

UPANG URDANETA

On September 29, 2015, a 10-year Term Loan Agreement was signed by PHINMA-UPANG College Urdaneta, Inc., a subsidiary of UPANG, and RCBC for a maximum principal amount of ₱100.0 million. The proceed was used to refinance existing obligations and the improvement of Phinma-Upang College Urdaneta building located at 587 Mac Arthur Highway, Brgy. Nancayasan, Urdaneta City, Pangasinan. The loan proceed was drawn on September 29, 2015 for ₱100.0 million. The loans were collateralized with land costing ₱121.8 million. The terms of the loan are as follows:

Amount drawn	₱100.0 million
Tenure	Ten (10) - year term loan with three (3) years grace period
Repayment	Principal shall be paid in the amounts of Php 625,000 quarterly in year 4, Php1,700,000 quarterly in year 5, Php2,650,000 quarterly in year 6, Php3,775,000 quarterly in year 7, Php4,400,000 quarterly in year 8, Php4,375,000 quarterly in year 9, Php7,475,000 in year 10
Funding/Interest rate	Interest shall be fixed rate at 5.5926% (5.6485% with GRT) for the first seven (7) years of the term based on 3 day average of 7-year PDST-R2 +1.42% spread, subject to repricing at the end of the seventh (7 th) year based on the interest rate then current or the 3 day average of 3-year PDST R-2 plus 1.42% whichever is higher.

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.

COC's land and building improvements in the main campus amounting to ₱157.9 million are mortgaged as collateral for its long-term debt.

COC's debt instruments contain a number of positive covenants that requires COC to comply with specified legal and statutory obligations, including: (a) payment and discharge of all taxes, assessments, and governmental charges levied on the College or the College's properties; (b) conducting its operations in accordance with sound business practice;(c) continuing all governmental and other approvals obtained relating to the agreement with the lender and obtaining new or additional actions necessary for the performance or enforceability of loan documents; (d) permitting the authorized representatives and agents of the lender to inspect COC's sites at any reasonable time; and (e) maintaining reasonable collateral business with the lender.

COC's debt instruments also contain a number of negative covenants that, subject to certain exceptions and qualifications, restrict the COC's ability to take certain actions. This includes: (a) making or permitting any material change in the character of its business; (b) permitting any material change in ownership or control of its capital stock; (c) participating in or entering into any merger or consolidation which would result in a material change in the control of COC; (d) amending its Articles of Incorporation or By-Laws; and (e) re-organizing, undertaking a quasi-reorganization, reducing its capital, or changing its fiscal year.

As at June 30, 2016 and December 31, 2015 , COC is in compliance with all of their debt covenants.

AU

On December 11, 2013, a 10-year Term Loan Agreement was signed by the AU and RCBC 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. The University's land and buildings and improvements amounting to ₱138.2 are mortgaged as collateral for its long-term debt. Interest is fixed 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. The University's debt instruments contain a number of positive covenants that requires the University to comply with specified legal and statutory obligations, including: (a) conducting its operations in accordance with sound business practice; (b) payment and discharge of all taxes, assessments, and governmental charges levied on the University or the University's properties and assets; (c) payment and discharge of all lawful claims which might, if unpaid, become a lien upon the properties or assets of the University; (d) maintain adequate insurance on insurable properties and assets with an accredited insurance company; (e) obtaining and maintaining all governmental permits, approvals and consents necessary for the performance of the University's obligations; and (f) permitting any representatives of the lender to inspect any of the University's properties and examine its books of accounts.

University's debt instruments also contain a number of negative covenants that, subject to certain exceptions and qualifications, restrict the University's ability to take certain actions. This includes: (a) sell, alienate, incur, assume, cause or allow to exist any other mortgage, lien, pledge or other encumbrance with respect to the University's present or future fixed assets except in the ordinary course of business; (b) assume, guaranty, endorse or become liable in connection with any obligation except in the ordinary course of business; (c) allow its debt-to-equity ratio to exceed 1.75x; (d) allow its current ratio to be less than 1.00x; (e) enter into any merger or consolidation, sell, lease, transfer of substantially or all of its assets or voluntarily suspend its business operation or dissolves its affairs and/ or corporate personality; (f) make any investment of the University's funds in any enterprise or undertaking not related to the University's business or allow its investment in any related enterprise or undertaking to exceed 25% of the University's total assets; (g) undertake any capital expenditure outside the ordinary course of business; (h) enter into management contracts or make any major policy change; (i) enter into any long-term contract; (j) incur any additional obligation with maturity of more than one year; (k) purchase or redeem any of the University's subscribed and outstanding capital stock; (l) grant loans/ advances

to the University's officers, employees and affiliated companies outside the ordinary course of business; and (m) permitting any substantial change in stock ownership.

As at June 30, 2016 and December 31, 2015, the University is in compliance with the debt covenants.

PEHI

On December 7 and December 8, 2015, PEHI obtained a ten-year term loan from RCBC and CBC in the amount of ₱1.4 billion and ₱900 million respectively. Below is a summary of the terms of the said loans:

Bank	RCBC
Amount drawn	₱900.0 million
Tenure	Ten (10) years term loan
Repayment	Principal shall be payable in 27 equal quarterly repayment of ₱6.75 million and final quarter payment of ₱717.8 million
Prepayment	Allowed after fifth year without penalty
Drawdown date	December 7, 2015
Start of amortization payment	March 7, 2019
End of term loan	December 7, 2025
Interest rate	Repricing after 7 th year: interest rate then current (6.0762%) or applicable 3-year benchmark rate + 1.40% spread, or 5.00% floor rate, whichever is higher

Bank	RCBC
Amount drawn	₱500.0 million
Tenure	Ten (10) years term loan
Repayment	Principal shall be payable in 27 equal quarterly repayment of ₱3.75 million and final quarter payment of ₱398.8 million
Drawdown date	December 7, 2015
Start of amortization payment	March 7, 2019
End of term loan	December 7, 2025
Interest rate	Repricing after 5 th year: interest rate then current (5.3179%) or applicable 5-year benchmark rate + 1.35% spread, or 5.00% floor rate, whichever is higher.

Bank	CBC
Amount drawn	₱500.0 million

Tenure	Ten (10) years term loan.
Repayment	Principal shall be payable in 27 equal quarterly repayment of ₱3.75 million and final quarter payment of ₱398.8 million
Drawdown date	December 8, 2015
Start of amortization payment	March 8, 2019
End of term loan	December 8, 2025
Interest rate	Repricing after 5 th year: interest rate then current (5.3227%) or applicable 5-year benchmark rate + 1.35% spread, or 5.00% floor rate, whichever is higher.

Bank	CBC
Amount drawn	₱400.0 million
Tenure	Ten (10) years term loan with 3 years grace period on principal repayment from date of initial drawdown.
Repayment	Principal shall be payable in 28 equal quarterly repayment of ₱3.0 million and final quarter payment of ₱319.0 million
Drawdown date	December 8, 2015
Start of amortization payment	March 8, 2019
End of term loan	December 8, 2025
Interest rate	Repricing after 7 th year: interest rate then current (6.1257%) or applicable 3-year benchmark rate + 1.40% spread, or 5.00% floor rate, whichever is higher.

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 Parent 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 the ₱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. On September 19, 2014, the Company paid ₱25 million as partial payment of outstanding balance of land. A recomputation of the effective interest rate of 7.82% was made to reflect the change in the payment terms in the liability. On July 1, 2015, another Memorandum of Agreement was executed amending the interest rate from 9.1% to 7.6% per annum. A recomputation of the

effective interest rate of 7.82% 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 ₱ 0.16 million in 2015 and 2014 .

The details of the loan are as follows:

	2015	2014
	(Amounts in Thousands)	
Loan payable to UPPC	₱129,000	₱129,000
Less: unamortized discount	642	802
	₱128,358	₱128,198

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 .

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 ₱10.8 million and ₱13.4 million in 2015 and 2014, respectively .

21. Equity

a. Capital Stock

The composition of the Parent Company's capital stock as of June 30, 2016 and December 31, 2015 is as follows:

	Number of Shares	
	Unaudited	Audited
	June 30, 2015	Dec. 31, 2015
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
Common shares:		
Issued	260,400,814	260,400,814
Subscribed	39,994	39,994
Issued and subscribed	260,440,808	260,440,808
Treasury shares	1,328,200	1,171,500

The issued and outstanding shares as of June 30, 2016 and December 31, 2015 are held by 1,238 and 1,241 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, 2016 and December 31, 2015.

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	–	47,868	10

b. Retained Earnings

Appropriated

As approved by the BOD of PHN last March 4, 2015, the ₱1 billion appropriation of retained earnings shall be allocated as follows:

- i. ₱700 million for investment in existing businesses of energy, education and property by 2016 ; and
- ii. Buyback of Phinma Corporation shares in the amount of up to ₱300 million from 2015 to 2017.

The above shall be subject to specific terms and conditions as the BOD shall fix.

Unappropriated

On March 4, 2015, the BOD of Phinma Corporation declared a cash dividend of ₱0.40 a share or an equivalent of ₱103.5 million, to all common shareholders of record as at March 18, 2015. The cash dividends were paid on March 31, 2015.

On March 4, 2016, the BOD of Phinma Corporation declared a cash dividend of ₱0.40 a share or an equivalent of ₱103.7 million, to all common shareholders of record as at March 18, 2016. The cash dividends were paid on March 31, 2016.

The retained earnings is restricted for the payment of dividends to the extent of ₱646.0 million and ₱435.5 million as at December 31, 2015 and 2014, respectively, representing the accumulated equity in net earnings of the subsidiaries and associates and to the extent of treasury shares amounting to ₱13.6 million and nil as at December 31, 2015 and 2014, respectively. 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.

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 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, 2015 and 2014, total shares issued under the stock purchase plan was 2,703,501.

Total cumulative expense recognized in relation to the stock purchase plan amounted to ₱44.8 million charged to expense from January 1, 2011 to December 31, 2014. There are no outstanding vested options as at December 31, 2015.

d. Buyback of Shares

On March 4, 2015, the BOD approved the buyback of up to 10% of the issued shares of the Company from March 2015 to 2017 in the open market through the means of the trading facilities of the Philippine Stock Exchange (PSE).

22. 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, 2016						
Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 10)	Terms	Conditions
(Amounts in Thousands)						
Ultimate Parent (PHINMA Inc.)	Share in expenses, management fees and bonus	₱28,099	₱14,174	₱878	Noninterest- bearing	Unsecured, no impairment
Associates (PPHC)	Subscription payable	-	154,661	671	Noninterest- bearing	Unsecured, no impairment
(PPHC & TA Oil)	Share in expenses	1,909	-	149	Noninterest- bearing	Unsecured, no impairment
(TA Oil)	Dividend income	51,109	-	-	Noninterest- bearing	Unsecured, no impairment
Other related parties (MDC)	Subscription payable	-	52,000	211	Noninterest- bearing	Unsecured, no impairment
	Share in expenses	12,914	-	13,624	Noninterest- bearing	Unsecured, no impairment
			₱220,835	₱15,533		

December 31, 2015						
Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 11)	Terms	Conditions
(Amounts in Thousands)						
Ultimate Parent (PHINMA Inc.)	Share in expenses, management fees and bonus	₱74,536	₱38,241	₱1,559	Noninterest- bearing	Unsecured, no impairment
Associates (PPHC)	Subscriptions payable	386,651	154,660	-	Noninterest- bearing	Unsecured, no impairment
(PPHC)	Grant of interest bearing advances	57,271	-	-	3.00%-5.56% 90 days	Unsecured, no impairment
	Interest income	1,964	-	-	3.00%-5.56% 90 days	Unsecured, no impairment
(PPHC & TA Oil)	Share in expenses	3,561	-	1,800	Noninterest- bearing	Unsecured, no impairment
(TA Oil)	Dividend income	51,039	-	-	Noninterest- bearing	Unsecured, no impairment
Other related parties (MDC)	Subscriptions payable	125,000	52,000	-	Noninterest- bearing	Unsecured, no impairment
	Share in expenses	5,909	-	215	Noninterest- bearing	Unsecured, no impairment
			₱244,901	₱3,574		

PHINMA, Inc. The Parent Company has a 5-year management contract with PHINMA, Inc. up to June 30, 2019, 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.

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.

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, 2016 and December 31, 2015.

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 ₱51.4 million and ₱93.0 million in June 2016 and December 2015, respectively. 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 ₱44.6 million and ₱47.8 million as of June 30, 2016 and December 31, 2015, 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 ₱20.3 million and ₱43.4 million in June 2016 and December 2015, 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 ₱21.6 million and ₱27.1 million as of June 30, 2016 and December 31, 2015 respectively .

23. Income Tax

	Unaudited	Audited
	June 30, 2016	Dec. 31, 2015
	<i>(In Thousands)</i>	
Deferred tax assets – net	₱133,743	₱118,079
Deferred tax liabilities - net	(433,031)	(360,988)
	(₱299,288)	(₱242,909)

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

AU, UPANG, UI, COC and SWU, as private educational institutions, are taxed based on Republic Act (R.A.) No. 8424 which was effective January 1, 1998. Section 27(B) of R.A. No. 8424 defines and provides that: “A Proprietary Educational Institution is any private school maintained and administered by private individuals or groups with an issued permit to operate from the Department of Education, Culture and Sports, or Commission on Higher Education, or Technical Education and Skills Development Authority, as the case may be, in accordance with the existing laws and regulations - shall pay a tax of ten percent (10%) on their taxable income.”

MCIT totaling ₱2.0 million can be deducted against RCIT due while NOLCO totaling ₱454.1 million can be claimed as deduction against taxable income, as follows:

Date Paid/Incurred	Expiry Date	Amount		
		MCIT	NOLCO	
			Fuld US*	Others
<i>(Amounts in Thousands)</i>				
December 31, 2011	December 31, 2031	₱-	₱24,164	₱-
December 31, 2012	December 31, 2032	-	44,611	-
December 31, 2013	December 31, 2016/December 31, 2033	784	20,997	110,331
December 31, 2014	December 31, 2017/December 31, 2034	606	-	132,771
December 31, 2015	December 31, 2018/December 31, 2035	632	-	121,239
		₱2,022	₱89,772	₱364,341

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

MCIT amounting to ₱1.9 million expired in 2015 and 2014. Expired NOLCO amounted ₱171.2 million and ₱253.5 million in 2015 and 2014. No MCIT and NOLCO were claimed as deduction against regular taxable income in 2015 and 2014.

24. Pension and Other Post-employment Benefits

Pension and other post-employment benefits consist of:

	June	December
	2016	2015
	<i>In thousands</i>	
Net pension liability	₱305,902	₱275,774
Vacation and sick leave	40,055	40,172
	₱345,957	₱315,946

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

	June 2016	December 2015
<i>In thousands</i>		
Net pension expense	₱30,128	₱46,030
Vacation and sick leave	17	8,955
	₱30,145	₱54,985

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 2016	December 2015
<i>In thousands</i>		
Current service cost	₱30,128	₱41,442
Net interest cost	-	4,588
Net pension expense	₱30,128	₱46,030

Details of net pension liability are as follows:

	June 2016	December 2015
<i>In thousands</i>		
Present value of defined benefit obligation	₱493,912	₱463,784
Fair value of plan assets	(188,010)	(188,010)
Pension liability	₱305,902	₱275,774

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

	June 2016	December 2015
<i>In thousands</i>		
Balance at beginning of year	₱463,784	₱371,046
Current service cost	30,128	41,442
Interest cost on defined benefit obligation	-	13,859
Benefits paid from plan assets	-	(12,041)
Benefits paid from operating funds	-	(12,837)
Acquisition and disposal of subsidiaries	-	58,083
Actuarial (gains) losses :		
Experience adjustments	-	(1,760)
Changes in demographic assumptions	-	(8,458)
Changes in financial assumptions	-	14,450
Balance at end of year	₱493,912	₱463,784

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

	June 2016	December 2015
	<i>In thousands</i>	
Balance at beginning of year	₱188,010	₱189,323
Actual return excluding amount included in net interest cost	-	(11,876)
Actual contributions	-	13,333
Interest income included in net interest cost	-	9,271
Benefits paid	-	(12,041)
Balance at end of year	₱188,010	₱188,010
Actual return on plan assets	₱2,606	₱2,606

Change in net pension liability are as follows:

	June 2016	December 2015
	<i>(Amounts in Thousands)</i>	
Balance at beginning of year	₱275,774	₱181,723
Pension expense	30,128	46,030
Contributions	-	(13,333)
Remeasurements in OCI	-	16,108
Acquisition and disposal of subsidiaries	-	58,083
Benefits paid from operating fund	-	(12,837)
Pension liability	₱305,902	₱275,774

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 ₱53.7 million to its defined benefit pension plans in 2016.

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

	June 2016	December 2015
Discount rates	4–5%	4–5%
Rates of salary increase	5–6%	5–6%

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 amounts to ₱188 million as at June 30, 2016 and December 31, 2015. The major assets are as follows:

	June 2016	December 2015
Cash and short-term investments	₱183,947	₱183,947
Marketable equity securities	4,063	4,063
	₱188,010	₱188,010

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 ₱2.3 million as at December 31, 2015. Cumulative unrealized fair value gains on the shares amount to ₱0.7 million.

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:

	December 2015
	Increase (Decrease)
	<i>(Amounts in Thousands)</i>
Discount rate:	
Increase by 1%	(₱39,431)
Decrease by 1%	48,881
Salary increase rate:	
Increase by 1%	45,649
Decrease by 1%	(37,762)

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

Year	December 2015
	Amount
	<i>(In Thousands)</i>
Within the next 12 months	₱112,166
Between 2 and 5 years	143,839
Between 5 and 10 years	197,383
Beyond 10 years	1,719,945

The average duration of the defined benefit obligation at the end of the year is between 10 to 22 years.

B) 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:

	June
	2016
	<i>(Amounts in Thousands)</i>
Current service cost	₱17
Interest cost	-
<u>Vacation and sick leave expense</u>	<u>₱17</u>

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

	June 2016	December 2015
	<i>(Amounts in Thousands)</i>	
Balance at beginning of year	₱40,172	₱40,917
Current service cost	17	7,549
Interest cost	-	1,406
Benefits paid	(134)	(9,700)
Balance at end of year	₱40,055	₱40,172

25. EPS Computation

	Unaudited	
	June 30, 2016	June 30, 2015
(a) Net income attributable to equity holders of the parent	₱168,414	₱144,553
(b) Number of shares outstanding at beginning of year	259,113	259,834
Basic/Diluted EPS attributable to equity holders of the parent (a/e)	₱.65	₱.56

26. Segment Information *(see page 43 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 – The Parent Company and PSHC are engaged in investment holding activities of shares of stocks and other financial instruments.
- Property development – API and MDC leases its real and personal properties. PPHC is engaged in real estate development.
- Energy – TA Oil is involved in power generation and trading, oil and mineral exploration, exploitation and production.
- Steel – UGC manufactures and trades iron and steel products.
- Educational services – PEHI holds interest in AU, COC, UPANG, UI and SWU which offer graduate, tertiary, secondary and elementary education services.
- BPO – Fuld U.S. and Fuld Philippines are engaged in strategic consulting.

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. 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 investment income, before deducting interest and financing charges, provision for income tax and share of NCI.

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

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-
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Segment Information

Financial information on the operating segments are summarized as follows:

	Investment Holdings	Property Development	Energy	Steel	Educational Services	BPO	Eliminations	Total Operations
<i>(In Thousands)</i>								
For the Period January – June 30, 2016								
Revenues								
Segment revenue	P209,109	P841	-	P2,026,614	P897,696	P188,986	(P206,425)	P3,116,821
Investment income	3,952	1,775	-	-	357	-	-	6,084
Total revenues	P213,061	P2,616	-	P2,026,614	P898,053	P188,986	(P206,425)	P3,122,905
Results								
Segment results	P136,611	P63	-	P211,612	P129,738	P15,579	(P202,405)	P291,198
Investment income	3,952	1,775	-	-	357	-	-	6,084
Equity in net earnings of an associate	-	(57,616)	142,461	-	-	-	(18,916)	65,929
Interest expense and financing charges	(1,106)	-	-	(22,571)	(66,494)	(33)	-	(90,204)
Benefit from (provision for) income tax	(267)	(21)	-	(56,552)	(14,642)	(54)	-	(71,548)
Share of non-controlling interest	-	-	-	-	(34,052)	-	1,007	(33,045)
Net income attributable to equity holders of parent	P139,190	(P55,799)	P142,161	P132,489	P14,907	P15,480	(P220,314)	P168,414

	Investment Holdings	Property Development	Steel	Educational Services	BPO	Eliminations	Total Operations
<i>(In Thousands)</i>							
January – June 2015							
Revenues							
Segment revenue	P220,503	P714	P1,902,028	P566,202	P214,765	(P222,608)	P2,681,604
Investment income	4,640	2,201	-	551	-	-	7,392
Total revenues	P225,143	P2,915	P1,902,028	P566,753	P214,765	(P222,608)	P2,688,996
Results							
Segment results	P136,848	(P141)	P146,404	P102,279	(P4,161)	(P249,410)	P131,819
Investment income	4,640	2,201	-	551	-	-	7,392
Equity in net earnings of an associate	-	-	-	-	-	120,147	120,147
Interest expense and financing charges	(9,921)	-	(25,937)	(11,957)	(178)	-	(47,993)
Benefit from (provision for) income tax	(213)	(6)	(36,078)	(9,798)	(165)	4,033	(42,227)
Share of non-controlling interest	-	-	-	(61)	-	(24,524)	(24,585)
Net income attributable to equity holders of parent	P131,354	P2,054	P84,389	P81,014	(P4,504)	(P149,754)	P144,553

	Investment Holdings	Property Development	Steel	Educational Services	BPO	Eliminations	Total Operations
As at December 31, 2015							
Results							
Segment results	(P116,271)	(P750)	P246,816	P238,533	(P4,204)	(P12,034)	P352,090
Equity in net earnings of an associate	-	-	-	-	3,108	60,279	63,387
Interest expense and financing charges	22,961	-	(41,963)	(22,958)	(7,882)	(2,455)	(52,297)
Benefit from (provision for) income tax	(1,483)	(10)	(60,353)	(24,803)	(7,334)	3,610	(90,373)
Share of non-controlling interest	-	-	-	(870)	-	(54,589)	(55,459)
Net income attributable to equity holders of parent	P227,773	P5,369	P145,163	P191,884	(P15,231)	(P308,814)	P246,144
Share of non-controlling interest	-	-	-	(870)	-	(54,589)	(55,459)
Net income attributable to equity holders of parent	P227,773	P5,369	P145,163	P191,884	(P15,231)	(P308,814)	P246,144

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

For the six (6) months ended June 30, 2016, consolidated revenues of Phinma Corporation (PHN) amounted to P3.1 billion, 16% higher than revenues of P2.7 billion for the same period last year.

Consolidated revenues included tuition fees of Southwestern University (SWU) amounting to P 247 million for the first half of this year. During the same period last year, SWU revenue and income were not yet consolidated into PHN’s financial statements. Revenues also increased on higher sales of steel products by Union Galvasteel Corporation (UGC) and higher tuition fees from Araullo University (AU), Cagayan de Oro College (COC) and University of Iloilo (UI).

Consolidated costs and expenses of PHN for the period increased 13% to P2.8 billion. Income from operations increased 52% to P 281 million, mainly attributable to UGC and SWU operations.

Equity in net earnings of associates amounted to P66 million. PHN equitized income from Trans Asia Oil and Energy Development Corporation (TA Oil) in the amount of P 142 million, an increase of 43% over the same period last year. This was, however, offset by the equitized loss in Phinma Property Holdings Corporation in the amount of P63 million.

Consolidated net income for the period amounted to P201 million, a 19% increase over net income of P169 million in 2015. Net income attributable to equity holders of the parent amounted to P168 million.

Total assets of the company amounted to P15 billion and a current ratio and debt-to-equity ratio of 1.39: 1 and 0.83 : 1 respectively.

The results of operations of PHN subsidiaries for the first half of 2016 are as follows:

Union Galvasteel Corporation (UGC)

I. Marketing

For the six months ended June 2016, the company sold 4.143 million sheets or 0.6% less than the 4.168 million sheets sold over the same period in 2015.

II. Production

For the six months ended June 2016, the Color Line produced 25,276 metric tons, an increase over the 19,248 metric tons produced over the same period the previous year.

The Calamba Polyurethane line produced 91,582 sheets in 2016, while the Davao polyurethane line produced of 47,246 sheets. Combined production volume of 138,828 sheets is better than last year's output of 85,229 sheets by 63%.

III. Financials

Gross income and gross margin of P581 million and 29% respectively were generated on revenues of P2,027 million. Net income amounted to P132 million, an increase of 57% over the net income of P84 million for the same period in 2015.

Araullo University (AU)

For the six months ended June 2016, Araullo University registered revenues amounting to P139 million while direct costs amounted to P55 million. General and administrative expenses for the same period amounted to P57 million, an increase of 54% over the same period last year. Net income for the period amounted to P17.5 million. Student enrollment increased from 6,707 students in the second semester of School Year (SY) 2014/15 to 7,745 students in the second semester of SY 2015/16.

Cagayan de Oro College, Inc. (COC)

For the six months ended June 30, 2016, COC registered revenues amounting to P165 million. Direct cost and operating expenses were P60 million and P62 million respectively. COC net income increased from P21 million in 2015 to P24 million in 2016 due to an increase in student enrollment. Student enrollment increased 19% from 8,791 students in the second semester of SY 2014/15 to 10,446 students in the second semester of SY 2015/16.

University of Pangasinan (UPANG)

On February 2, 2009, the Company acquired a 70% stake in University of Pangasinan in Dagupan City. UPang is the leading educational institution in Pangasinan offering elementary, secondary and tertiary education. UPang offers courses in Nursing, Engineering and Accountancy, among others. UPang also owns 69.75% of Pangasinan Medical Center, also located in Dagupan City.

For the six months ended June 2016, UPang registered revenues amounting to P187 million. Total student enrollment increased 3% from 9,242 for second semester SY 2014/15 to 9,475 for second semester SY 2015/16. Direct costs and operating expenses decreased from P143 million in 2015 to P131 million in 2016. Net income correspondingly increased from P14.6 million in 2015 to P34.3 million in 2016.

University of Iloilo (UI)

On February 25, 2009, PHN acquired a 70% interest in University of Iloilo (UI), located in Iloilo City. UI offers elementary, secondary and tertiary education. UI offers courses in nursing, criminology, hotel and restaurant management and accountancy.

For the six months ended June 2016, UI registered revenue of P160 million. UI posted net income of P37 million in 2016 compared to P26 million in 2015. Total student enrollment increased 20% from 7,928 students for the second semester SY 2014/15 to 9,487 students for the second semester SY 2015/16.

Southwestern University (SWU)

On April 23 2015 and on August 2 2015, PHN acquired a 56.8% and 10.6% respectively in South Western University (SWU), located in Cebu City. SWU is a strong education brand in the Visayas and Mindanao with a long tradition in excellence particularly in medicine and allied health sciences.

In the six months ended June 2016, SWU registered revenue of P247 million and net income of P96 million. Total student enrollment of SWU was 8,021 students in the second semester of SY 2015/16.

Career Academy Asia Corporation (CAA)

On October 1, 2014, PHN invested in Career Academy Asia Corporation (CAA), a new company incorporated to operate senior high schools in Metro Manila, Cebu, and Davao, offering specialized programs such as hospitality, multimedia, graphic, and fashion design.

CAA is in the process of setting up operations and is scheduled to formally accept students in August 2016. For the six month period ended June 2016, CAA posted a pre-operating loss of P23.8 million.

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 2016, the Fuld group posted revenues of P189 million, a decrease from revenue of P215 million over the same period in the previous year. The two companies

combined posted a net income of P16.5 million in 2016, compared to a net loss of P4 million posted over the same period in 2015.

Asian Plaza, Inc. (API)

API is a 57.6% subsidiary of PHN.

For the six month period ending June 2016, API posted a net loss of P12.4 million mainly due to equitized losses in Phinma Property Holdings Corporation.

Key Performance Indicators (KPI)

The top five (5) KPI's used to measure the financial performance of PHN and its subsidiaries for the six (6) months ended June 30, 2016 compared to the same period the previous year are shown in the following table:

Financial KPI	Definition	2016	2015
<u>Profitability</u>			
Return on Equity (ROE)	$\frac{\text{Net income (loss)}}{\text{Ave. total equity attributable to PHN equity holders}}$	2.44%	2.19%
Gross Profit Margin	$\frac{\text{Gross profit}}{\text{Net sales}}$	35.07%	29.87%
<u>Efficiency</u>			
Cash Flow Margin	$\frac{\text{Cash flow from operating Activities}}{\text{Net sales}}$	12.87 %	25.62%
<u>Liquidity</u>			
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.40 : 1.00	1.58 : 1.00
Debt-to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	0.83 : 1.00	0.76 : 1.00

Profitability

The return on equity for the period of 2.44% is higher than the 2.19% return for the same period in 2015 due to the increase in net income. Gross profit margin likewise increased from 29.87% in 2015 to 35.07% in 2016 due to increase in gross profit margins of subsidiaries UGC, UPANG and UI and due to gross margin of SWU for the first half of 2016.

Efficiency

Net cash inflow from operations was P402 million for the first half of 2016 compared to P689 million for the same period last year due to increase in inventories.

Liquidity

Current ratio decreased slightly from 1.58:1.00 as of December 31, 2015 to 1.40:1.00 as of June 30, 2016 mainly due to an increase in trust receipts payable of UGC. Debt-to-equity ratio of PHN and its subsidiaries as of end June 2016 increased to 0.83:1 from 0.76:1 as of year-end 2015.

The accompanying interim condensed consolidated financial statements of Phinma Corporation for the six (6) months ended June 30, 2016 have been prepared in accordance with PS34, 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, 2015.

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 due to redemption of unit investment trust funds mainly by PHN parent and UGC.

Trade and other receivables - net

The increase in the account is due to an increase in trade and other receivables of AU, COC, UPANG and UI in the total amount of P227 million, as the schools accrued in June tuition fee receivables for the first semester.

Inventories

The increase in the account represents an increase in UGC's finished goods inventory.

Input tax

The increase in the account of P21 million represents an increase in input tax of UGC during the 1st half of the year.

Other current assets

The increase in the account is mainly due to a P 9 million increase in other current assets of CAA and AU.

Available –for- sale investments

The decrease in the account represents the return of capital made by Beacon Property Holdings, Inc.

Investment properties

The decrease in the account represents the sale of land not use in business of SWU.

Other noncurrent assets

The increase in other noncurrent assets is due to the increase of other noncurrent assets of UPANG.

LIABILITIES

Notes payable

The decrease in the account amounting to P196 million represents payment of short-term loans of UGC .

Trade and other payables

The P126 million increase in trade and other payables represents an increase in trade and other payables of COC, UPANG and UI.

Trust receipts payable

The increase of P456 million in the account is attributable to the increase in UGC's trust receipts payable from nil as of December 31, 2015 to P 456 million as of June 30, 2016.

Unearned revenues

This account increased during the period, as tuition fees accrued at the start of the semester in June are booked under Unearned Revenues. The account decreases as the revenue is earned over the semester.

Income and other taxes payable

The increase in the account of P125 million represents an increase in taxes payable of UGC and SWU in the amount of P22 million and P109 million, respectively. This was offset by a decrease in taxes payable of AU in the amount of P5 million.

Due to related parties

The decrease in the account represents payments of accounts to the ultimate parent company.

Current portion of long-term debt

The P 15 million decrease in the account represents loan repayment by COC .

Long-term debt – net of current portion

The decrease in the amount of P58 million represents payment of long-term loans of UGC, AU, COC and UPANG.

Deferred tax liabilities

The increase in the account represents increase in deferred tax liabilities of AU, COC and SWU amounting to P72 million

Other non-current liabilities

The decrease in the account of P8 million represents decrease in other non-current liabilities of Fuld US.

EQUITY

Share in other comprehensive income of associates

The change is due to an increase in fair value of financial assets held by Trans-Asia Oil and Energy Development Corporation.

Treasury shares

For the period ended June 30, 2016, PHN bought back 1,328,200 shares at an average price of P11.59 per share.

Material Changes in Income Statement Accounts

Revenues

The increase in revenues represents an increase in UGC's revenue in the amount of P125 million as well as revenues of SWU amounting to P247 million. SWU was consolidated in PHN's financial statements in the third quarter of 2015.

Cost of Sales

The P142 million increase in cost of sales represents cost of sales of SWU in the amount of P106 million and increase in cost of sales of UGC in the amount of P33 million. SWU's cost of and expenses were consolidated by PHN only in the third quarter of 2015.

Operating expenses

The P196 million increase in the account represents operating expenses of SWU amounting to P109 million. UGC's operating expenses increased by P26 million while operating expenses of AU, COC , UPANG, UI and Career Academy increased by P 72 million.

Financial charges

The increase in financial charges in the amount of P42 million represents the interest on the loans of the parent company, Phinma Education Holdings, Inc., proceeds of which were used to purchase shares in SWU.

Equity in net earnings (losses) of associates

The P54 million decrease in the account is due to the equitized losses of Phinma Property Holdings Corporation in the amount of P63 million.

Foreign exchange gain (loss)

Foreign exchange loss as of June 30, 2016 is mainly attributable to foreign exchange gain of the parent company and Fuld US.

Gain (Loss) on sale of asset

The movement in the account is due to the loss on sale of assets of SWU in the amount of P10 million.

Gain (Loss) on sale of a subsidiary

On May 15, 2015, the University of Pangasinan sold 138,407 of its 145,906 shares of stock in University of Pangasinan Medical Center, Inc. to PSI Healthcare Development Services Corporation for P 61.7 million and recognized a gain of P 1.3 million.

Other income (charges)

The increase in the account represents other income of AU, SWU, Fuld US, and Phinma Education Holdings, Inc.

Provision for income tax

The increase in provision for income tax from P42 million to P72 million is attributable to the increase in income of UGC from P84 million last year to P132 million this year, as well as provision for income tax of SWU.

Comprehensive Income

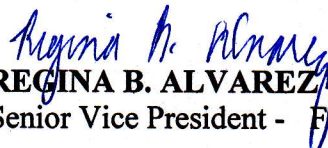
Comprehensive income increased from P177 million for the six-month period ended June 30, 2015 to P205 million this year due to increase in net income from P169 million last year to P201 million this year.

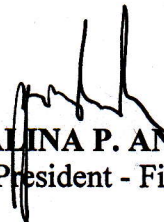
For other comprehensive income / (charges), kindly refer to the comments on equity accounts.

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 15, 2016

PHINMA CORPORATION
Consolidated Aging of A/R-Trade
As of June 30, 2016

in thousands

	<u>Amount</u>
Current	1,300,567
1 - 30 days	17,842
31 - 60 days	18,808
61 - 90 days	14,612
Over 90 days	<u>455,266</u>
TOTAL	1,807,095
Less : Allowance for doubtful accounts	<u>386,035</u>
Net Trade Receivable	<u>1,421,060</u>

PHINMA CORPORATION
Consolidated Aging of A/R-Nontrade
As of June 30, 2016

in thousands

	<u>Amount</u>
Current	P219,453
1 - 30 days	-
31 - 60 days	-
61 - 90 days	9,050
Over 90 days	<u>3,450</u>
TOTAL	P231,953
Less : Allowance for doubtful accounts	<u>3,450</u>
Net AR - Non Trade	<u><u>P228,503</u></u>