COVER SHEET

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S.E.C. Registration Number

P H I N M A C O R P O R A T I O N

(Company's Full Name)

L E V E L 1 2 - P H I N M A P L A Z A 3 9 P L A Z A
D R I V E , R O C K W E L L C E N T E R M A K A T I

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

L I N A A N D R A D A	8 7 0 0 1 0 0
Contact Person	Company Telephone Number

1 2	3 1	**S E C 1 7 - Q**	**0 5**	**1 5**	**1 7**
Month	Day	FORM TYPE	Month	Day	Year

Calendar Year

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

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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 ***March 31, 2017***

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 - **259,026,829** shares issued and outstanding

11. Are any or all of the securities listed on the Philippine Stock Exchange ?

    Yes (x) No ( )

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    Philippine Stock Exchange, Inc. **Common Shares**

12. Indicate by check mark whether the registrant :

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

    Yes [x] No [ ]

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

Yes [x] No [ ]

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PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited	Audited
	March 31, 2017	December 31, 2016
	(In Thousands)	
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 9)	**₱510,778**	₱724,632
Investments held for trading (Notes 10)	**563,480**	258,099
Trade and other receivables (Notes 11)	**1,364,994**	1,666,806
Inventories (Note 12)	**1,088,744**	902,274
Input value-added taxes	**23,900**	13,370
Derivative asset and other current assets	**79,247**	119,555
Total Current Assets	**3,631,143**	3,684,736
Noncurrent Assets		
Investments in associates - at equity (Note 13)	**3,315,073**	3,395,128
AFS investments (Notes 14)	**67,929**	67,929
Property, plant and equipment (Notes 15)	**4,304,654**	4,291,043
Investment properties (Notes 16)	**862,465**	864,001
Intangible assets (Notes 17)	**1,900,968**	1,901,517
Deferred tax assets – net (Note 23)	**128,188**	136,311
Other noncurrent assets (Note 18)	**42,514**	45,555
Total Noncurrent Assets	**10,621,791**	10,701,484
	₱14,252,934	₱14,386,220

LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Notes 19)	**₱245,182**	₱274,346
Trade and other payables (Notes 20)	**990,972**	903,799
Unearned revenues	**14,679**	497,529
Trust receipts payable	**344,350**	10,570
Income and other taxes payable	**128,822**	103,484
Current portion of long-term debt (Notes 21)	**279,165**	114,040
Due to related parties (Notes 22)	**281,496**	228,807
Total Current Liabilities	**2,284,666**	2,132,575

	Unaudited	Audited
	March 31, 2017	Dec. 31, 2016
	(In Thousands)	
Noncurrent Liabilities		
Long-term debt – net of current portion (Notes 21)	**₱3,014,811**	₱3,218,487
Deferred tax liabilities – net	**402,004**	406,082
Pension and other post-employment benefits	**289,949**	299,709
Deferred rent revenue - net of current portion	**41,397**	41,397
Other noncurrent liabilities	**19,173**	19,267
Total Noncurrent Liabilities	**3,767,334**	3,984,942
Total Liabilities	**6,052,000**	6,117,517
Equity attributable to equity holders of the parent		
Capital stock (Note 22)	**2,604,284**	2,604,284
Additional paid-in capital	**259,248**	259,248
Treasury shares	**(16,395)**	(16,337)
Exchange differences on translation of foreign operations	**59,598**	54,293
Other reserves	**198,706**	200,576
Other comprehensive income	**11,776**	11,776
Share in other comprehensive income of associates	**27,659**	21,322
Retained earnings (Note 22)	**4,068,640**	4,147,707
Equity attributable to equity holders of the parent	**7,213,506**	7,282,869
Non-controlling Interest	**987,428**	985,834
Total Equity	**8,200,934**	8,268,703
	₱14,252,934	₱14,386,220

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Unaudited	
	January – March	
	2017	2016
	(In Thousands)	
REVENUE		
Sale of goods	**₱999,833**	₱981,408
Tuition and school fees	**543,938**	463,576
Consultancy services	**11,568**	86,184
Rental income	**12,745**	5,885
Investment income (Notes 7 and 8)	**3,539**	1,844
	1,571,623	1,538,897
COST AND EXPENSES		
Cost of sales	**806,880**	773,718
Cost of educational, animation and consultancy services	**237,865**	276,618
Operating expenses	**365,869**	343,317
	1,410,614	1,393,653
OTHER INCOME (CHARGES)		
Equity in net earnings of associates (Note 11)	**(20,418)**	27,826
Interest expense and other financial charges	**(51,305)**	(47,501)
Foreign exchange gains (losses) - net	**502**	(1,685)
Gain (loss) on sale of asset	**(125)**	310
Others - net	**(2,198)**	2,294
	(73,544)	(18,756)
INCOME BEFORE INCOME TAX	**87,465**	126,488
PROVISION FOR (BENEFIT FROM) INCOME TAX	**39,002**	35,526
NET INCOME	**₱48,463**	₱90,962
Attributable To		
Equity holders of the parent	**₱24,545**	₱67,253
Non-controlling interest	**23,918**	23,709
Net income	**₱48,463**	₱90,962
Basic/Diluted Earnings Per Common Share - Attributable to Equity Holders of the Parent (Note 24)	**₱0.09**	₱0.26

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited	
	January – March	
	2017	2016
	(In Thousands)	
NET INCOME	**₱48,463**	₱90,922
OTHER COMPREHENSIVE INCOME (LOSS)		
Share in unrealized gain (loss) on change in fair value of AFS investments of associates (Note 11)	**6,327**	1,508
Cumulative translation adjustments	**5,305**	1,799
Other comprehensive income	**-**	(2,987)
	11,632	320
TOTAL COMPREHENSIVE INCOME	**₱60,095**	₱91,282
Attributable To		
Equity holders of the parent	**₱30,504**	₱67,090
Non-controlling interest	**29,591**	24,192
Total Comprehensive Income	**₱60,095**	₱91,282

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Exchange Differences on Translation of Foreign Operations	Other Reserves	Other Comprehensive Income	Share in Other Comprehensive Income of Associates	Retained Earnings Appropriated	Retained Earnings Unappropriated	Subtotal	Non-controlling Interests	Total Equity
Balance, January 1, 2017	**₱2,604,284**	**₱259,248**	**(₱16,337)**	**₱54,293**	**₱200,576**	**₱11,776**	**₱21,322**	**₱1,500,000**	**₱2,647,707**	**₱7,282,869**	**₱985,834**	**₱8,268,703**
Net income	–	–	–	–	–	–	–	–	**24,545**	**24,545**	**23,918**	**48,463**
Other comprehensive income (loss)	–	–	–	**5,305**	–	–	**6,327**	–	–	**11,632**	**(3,566)**	**8,066**
Total comprehensive income	–	–	–	**5,305**	–	–	**6,327**	–	**24,545**	**36,177**	**20,352**	**56,529**
Cash dividends	–	–	–	–	–	–	–	–	**(103,612)**	**(103,612)**	**(3,239)**	**(106,851)**
Dilution of non-controlling interest	–	–	–	–	**(1,870)**	–	–	–	–	**(1,870)**	**(15,519)**	**(17,389)**
Buyback of shares	–	–	**(58)**	–	–	–	–	–	–	**(58)**	–	**(58)**
Reversal of appropriation for investments	–	–	–	–	–	–	–	**(1,200,000)**	**1,200,000**	–	–	–
Balance, March 31, 2017	**₱2,604,284**	**₱259,248**	**(₱16,395)**	**₱59,598**	**₱198,706**	**₱11,776**	**₱27,649**	**₱300,000**	**₱3,768,640**	**₱7,213,506**	**₱987,428**	**₱8,200,934**
Balance, January 1, 2016	₱2,604,284	₱259,248	(₱13,593)	₱33,378		(₱12,033)	₱25,680	₱1,000,000	₱2,688,989	₱6,572,561	₱616,153	₱7,188,714
Net income	–	–	–	–			–	–	63,609	63,609	18,685	82,285
Other comprehensive income (loss)	–	–	–	1,799		(2,987)	1,508	–	–	7,209	–	7,209
Total comprehensive income (loss)	–	–	–	1,799		(2,987)	1,508	–	63,609	70,818	18,685	89,503
Cash dividends	–	–	–	–		–	–	–	(104,176)	(104,176)	(19,439)	(123,615)
Buyback of shares	–	–	(1,186)	–		–	–	–	–	(3,804)	–	(3,804)
Balance, March 31, 2016	₱2,604,284	₱259,248	(₱14,779)	₱35,177		(₱15,020)	₱27,188	₱1,000,000	₱2,648,422	₱6,535,399	₱615,399	₱7,150,798

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	January – March 31,	
	2017	2016
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	**₱87,464**	₱126,487
Adjustments for:		
Depreciation and amortization	**71,843**	70,276
Equity in net earnings of associates (Note 11)	**20,418**	(27,826)
Loss (gain) on derivatives		
Pension and other non-cash expense	**(4,172)**	8,982
Unrealized foreign exchange loss (gain) - net	**(502)**	1,685
Net loss on sale of Property, Plant and Equipment and Investment properties	**125**	(310)
Others	**(2,195)**	(2)
Operating income before working capital changes	**172,981**	179,292
Changes in working capital and others	**(310,300)**	186,085
Net cash provided by operating activities	**(137,319)**	365,377
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Available for sale investment	**-**	825
Property and equipment	**(84,044)**	(91,979)
Other noncurrent assets	**11,711**	(111,188)
Investments at equity/Investments	**63,348**	(1,873)
Proceeds from sale of PPE and investment property	**-**	1,024
Dividends received	**83**	138,659
Net cash provided by (used in) investing activities	**(8,902)**	(64,532)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payments of) :		
Short-term borrowing	**(29,164)**	(92,421)
Long-term borrowing	**(38,551)**	(30,339)
Payment of cash dividends	**-**	(95,745)
Buy back of shares	**(58)**	(1,186)
Net cash used in financing activities	**(67,773)**	(219,691)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(213,994)**	81,154
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**140**	(480)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**724,632**	467,882
CASH AND CASH EQUIVALENTS AT END OF YEAR	**510,778**	548,556

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:

			March 31, 2017			December 31, 2016		
Name of Subsidiaries	Nature of Business	Calendar/ Fiscal Yearend	**PHN Direct Interest**	**Direct Interest of Subsidiary**	**PHN Effective Interest**	PHN Direct Interest	Direct Interest of Subsidiary	PHN Effective Interest
Union Galvasteel Corporation (UGC)	Manufacturing and distribution of steel products	December 31	**98.08**	**–**	**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 Subsidiary [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	**–**	**84.05**	**84.05**	–	84.05	84.05
Fuld & Company, Inc. (Fuld U.S.) and Subsidiary	Business research	December 31	**81.23**	**–**	**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%. In 2016, PEHI subscribed to additional shares of SWU which increased PEHI's total interest to 84.05% (see Note 7).*

(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. In August 2016, the Company has 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 to the consolidated financial statements.

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

The interim consolidated financial statements for the three (3) months ended March 31, 2017 and 2016 were reviewed and recommended for approval by the Audit Committee on May 12, 2017. The same consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on May 15, 2017.

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, 2016.

3. Changes in Accounting Policies and Disclosures

Current Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2016. Adoption of these pronouncements did not have any significant impact on the consolidated financial statements unless otherwise indicated.

- PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures* – Investment Entities: Applying the Consolidation Exception (Amendments)

- PFRS 11, *Joint Arrangements* – Accounting for Acquisitions of Interests in Joint Operations (Amendments)

- PFRS 14, *Regulatory Deferral Accounts*

- PAS 1, *Presentation of Financial Statements* – Disclosure Initiative (Amendments)

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets* – Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture* – Bearer Plants (Amendments)

- PAS 27, *Separate Financial Statements* – Equity Method in Separate Financial Statements (Amendments)

Annual Improvements to PFRSs 2012 - 2014 Cycle

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* – Changes in Methods of Disposal (Amendments)

- PFRS 7, *Financial Instruments: Disclosures* – Servicing Contracts (Amendments)

- PFRS 7, *Financial Instruments: Disclosures* – Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements

- PAS 19, *Employee Benefits* – Discount Rate: Regional Market Issue (Amendments)

- PAS 34, *Interim Financial Reporting* – Disclosure of Information 'Elsewhere in the Interim Financial Report' (Amendment)

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

Effective 2017

- PFRS 12, *Disclosure of Interests in Other Entities* – Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle) (Amendments)

- PAS 7, *Statement of Cash Flows* – Disclosure Initiative (Amendments)

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  Application of amendments will result in additional disclosures in the 2017 financial statements of the Company.

- PAS 12, *Income Taxes* – Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)

Effective 2018

- PFRS 2, *Share-based Payment* – Classification and Measurement of Share-based Payment Transactions (Amendments)

- PFRS 4, *Insurance Contracts* – Applying PFRS 9, *Financial Instruments*, with PFRS 4 (Amendments)

- PFRS 9, *Financial Instruments*

  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.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities. The adoption will also have an effect on the Company's application of hedge accounting and on the amount of its credit losses. The Company is currently assessing the impact of adopting this standard.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 PFRS 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 PFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of adopting this standard.

- PAS 28, *Investments in Associates and Joint Ventures* – Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle) (Amendments)

- PAS 40, *Investment Property* – Transfers of Investment Property (Amendments)

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective 2019

- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. 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 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 PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 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 assessing the impact of adopting this standard.

Deferred Effectivity

- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

The Company continues to assess the impact of the above new, amended and improved accounting standards and interpretations effective subsequent to December 31, 2016 on the consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

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 March 31, 2017.

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.

<u>Judgment</u>
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 for 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 acquisition were:

	Fair Values Recognized at Acquisition Date
Total assets:	
Cash and cash equivalents	₱81,126
Trade and other current receivable	110,104
Inventories and supplies	20,837
Prepayments and other current assets	4,348
Property and equipment	1,472,808
Investment properties	725,964
Intangible asset - student 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	58,083
Deferred tax liability	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	₱2,508,076

The trade and other current receivable amounted to ₱110.1 million. The gross amount of trade receivables is ₱189.2 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 ₱119.2 million and ₱14.4 million, respectively. Deferred tax liability recognized on students list amounted to ₱3.5 million.

Goodwill arising from the acquisition amounted to ₱996.5 million. Goodwill is allocated entirely to the education segment. Student lists amounting to ₱34.5 million was separately recognized and meets the criteria for recognition as an intangible asset under PAS 38, *Intangible Assets*. 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 December 31, 2016, the value of the option is nil.

The net assets recognized in the December 31, 2015 financial statements were based on a provisional assessment of their fair value while 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 fair values of the land and investment properties were based on sales comparison approach while the fair values of the buildings were based on cost approach. The significant assumption for the fair value of land and investment properties pertain to the sales price per square meter while the significant assumption for the fair value of the building pertain to the replacement cost of the building, less depreciation. The valuation had not been completed by the date the 2015 financial statements were approved for issue by the BOD.

In March 2016, the valuation was completed and the acquisition date fair value was determined to be ₱2,049.8 million, an increase of ₱175.8 million over the provisional value of ₱1,874.0 million. The 2015 comparative information was restated to reflect the adjustment to the provisional amounts. As a result, there was an increase in the non-controlling interest of ₱46.1 million and a corresponding reduction in goodwill of ₱129.6 million, resulting in ₱996.5 million of total goodwill arising on the acquisition. The 2016 comparative income statements were also restated to reflect the increase in depreciation charges and movement in unearned income, with a net effect of ₱11.6 million increase in consolidated net income, out of which ₱8.6 million is the share of equity holders of the Parent.

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 on 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)
Net cash outflow	₱2,426,950

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 December 31, 2015.

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 December 31, 2016, the Company classified the partial payment of ₱78.0 million as advances.

7. **Transactions with Non-controlling Interests and Others**

Adjustments to Cost of Business Combinations of UPANG (acquired in 2009) and AU (acquired in 2006)

In 2014, the Parent Company adjusted its consideration transferred for the acquisition of UPANG by ₱39.4 million due to receipt of cash deposits in escrow which pertains to consideration waived by the sellers. The adjustment was recorded as reduction of goodwill in 2014. The cash received also included interest of ₱5.4 million which is recorded as part of "Investment income" account (see Note 23).

The Parent Company also reversed retention payable of ₱9.5 million related to the acquisition of AU due to settlement in 2014 of open cases at the time of acquisition. This resulted in reduction of goodwill in AU by the same amount.

<u>Acquisition of NCI in Fuld U.S. and Fuld Philippines</u>
In 2014, 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 increase of NCI by ₱5.2 million and decrease of "Other reserves" account for the same amount. 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.

<u>Sale of UPMCI</u>
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 (see Note 15).

As at December 31, 2016, UPANG has retained 6,872 shares in UPMCI recognized as AFS investment amounting to ₱3.3 million (see Note 14).

<u>Dilution of ownership interest of NCI in SWU</u>
On April 8, 2016, PEHI paid SWU a total amount of ₱46.5 million for its subscription of common shares at par value, which were classified as deposits for future subscription.

On December 23, 2016, the SEC approved SWU's application for the increase in its authorized capital stock from ₱5.0 million (50,000 common shares at ₱100 par value per share) to ₱225.0 million (2,250,000 common shares at ₱100 par value per share), effectively increasing PEHI's ownership interest from 73.74% to 84.05% as at December 31, 2016. This transaction resulted to the reduction of NCI by ₱224.02 million and increase in "Other reserves" account by the same amount in 2016.

8. Cash and Cash Equivalents

	Unaudited	Audited
	March 31, 2017	Dec. 31, 2016
	(In Thousands)	
Cash on hand and in banks	**₱271,936**	₱244,923
Short-term deposits	**238,842**	479,709
	₱510,778	₱724,632

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 March 31, 2017	Audited Dec. 31, 2016
	(In Thousands)	
Unit Investment Trust Funds (UITFs)	**₱556,049**	₱251,095
Marketable equity securities	**7,431**	7,004
	₱563,480	₱258,099

10. Trade and Other Receivables

This account consists of:

	Unaudited March 31, 2017	Audited Dec. 31, 2016
	(In Thousands)	
Trade	**₱1,286,310**	₱1,640,286
Due from related parties	**72,245**	95,753
Advances to suppliers and contractors	**239,255**	78,842
Receivable from PHN Retirement/Gratuity Plan (PHN Retirement)	**8,939**	8,939
Advances to officers and employees	**179,677**	13,529
Installment contract receivables	**-**	600
Others	**223,662**	437,061
	2,010,088	2,275,010
Less allowance for doubtful accounts	**645,094**	608,204
	₱1,364,994	₱1,666,806

11. Inventories

This account consists of:

	Unaudited March 31, 2017	Audited Dec. 31, 2016
	(In Thousands)	
At cost:		
Finished goods	**₱957,019**	₱734,777
Raw materials	**39,479**	44,899
Other inventories	**52,542**	70,476
At net realizable value -		
Spare parts and others	**39,704**	52,122
	₱1,088,744	₱902,274

12. **Investments in Associates**

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

	Percentage of Ownership	
	March 2017	Dec.2016
PHINMA Property Holdings Corporation (PPHC)	**35.42**	35.42
PHINMA Energy Corporation (PHEN, formerly Trans-Asia Oil and Energy Development Corporation)	**26.24**	26.24
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

(*)TA Pet is a subsidiary of PHEN, 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%.
(**)Ceased commercial operations and in the process of dissolution.

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

	Unaudited	Audited
	March 31, 2017	Dec. 31, 2016
	(In Thousands)	
Acquisition costs:		
Balance at beginning of year	**₱3,073,857**	₱3,062,459
Additions	**32**	11,398
Balance at end of year	**3,073,889**	3,073,857
Accumulated equity in net income (losses):		
Balance at beginning of year	**300,949**	181,199
Equity in net earnings	**(25,133)**	230,021
Dividends	**(53,660)**	(110,271)
Balance at end of year	**222,156**	300,949
Share in net unrealized gain on change in fair value of AFS investments of associates:		
Balance at beginning of year	**20,322**	24,680
Change in fair value	**(1,294)**	(4,358)
Balance at end of year	**19,028**	20,322
	₱3,315,073	**₱3,395,128**

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

	Unaudited	Audited
	March 31, 2017	Dec. 31, 2016
	(In Thousands)	
PHEN*	**₱2,207,425**	₱2,239,394
PPHC	**649,179**	695,578
TA Pet **	**138,405**	138,727
Microtel Development Corporation	**127,898**	126,806
APHI	**99,508**	99,844
Coral Way	**90,315**	92,436
Academy of Competitive Intelligence***	**2,075**	2,075
Asia Coal	**268**	268
	₱3,315,073	₱3,395,128

**The fair value based on quoted share price amounted to ₱2.8 billion and ₱2.7 billion as at March 31, 2017 and December 31, 2016 respectively.*
***The fair value based on quoted share price amounted to ₱84.4 million and ₱92.9 million as at March 31, 2017 and December 31, 2016, respectively.*
****Associate of Fuld U.S.*

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

Summarized statements of financial position as at March 31, 2017 and December 31, 2016 follow:

	March 31, 2017			December 31, 2016		
	PHEN	**PPHC**	**TA Pet**	PHEN	PPHC	TA Pet
	(Amounts in Thousands)					
Current assets	**₱8,051,440**	**₱4,196,719**	**₱86,631**	₱8,672,504	₱4,254,154	₱89,716
Noncurrent assets	**12,091,326**	**502,964**	**80,342**	11,955,391	496,320	80,139
Current liabilities	**(4,153,013)**	**(1,866,283)**	**(373)**	(4,510,058)	(1,819,903)	(773)
Noncurrent liabilities	**(7,129,178)**	**(1,448,716)**	**(239)**	(7,116,293)	(1,449,383)	(239)
Non-controlling interests	**(83,496)**	–	**(2,403)**	(84,706)	–	(2,409)
	8,777,078	**1,384,685**	**163,958**	8,916,838	1,481,188	166,434
Proportion of the Parent Company's ownership	**26.24%**	**35.42%**	**12.99%**	26.24%	35.42%	12.99%
Equity attributable to Equity Holders of the Parent	**2,303,105**	**490,455**	**21,298**	2,339,778	524,637	21,620
Valuation differences	**(95,680)**	**158,724**	**117,107**	(100,834)	170,941	117,107
Carrying amount of the investments	**₱2,207,425**	**₱649,179**	**₱138,405**	₱2,239,394	₱695,578	₱138,727

Summarized statements of comprehensive income follow:

	March 31, 2017			December 31, 2016		
	PHEN	**PPHC**	**TA Pet**	PHEN	PPHC	TA Pet
Revenues	**₱3,778,770**	**₱295,733**	**₱–**	₱15,477,873	₱1,672,830	₱-
Cost of sales	**(3,574,750)**	**(273,277)**	–	(14,105,874)	(1,532,444)	–
Depreciation and amortization	**(101,530)**	**(3,752)**	**(28)**	(413,091)	(17,935)	(50)
Interest income	**15,223**	**5,805**	**2**	46,077	21,286	11
Interest expense	**(158,152)**	**(29,189)**	–	(468,485)	(87,731)	–
Other income (expenses) - net	**45,156**	**(88,464)**	**(2,456)**	906,482	(272,884)	(40,030)

	March 31, 2017			December 31, 2016		
	PHEN	**PPHC**	**TA Pet**	PHEN	PPHC	TA Pet
Net income (loss) before tax	**4,717**	**(93,144)**	**(2,482)**	1,442,982	(328,890)	(40,069)
Income tax	**72,493**	**(3,359)**	**-**	(60,451)	74,567	(247)
Net income (loss)	**77,210**	**(96,503)**	**(2,482)**	1,382,531	(254,323)	(40,316)
Other comprehensive income (loss)	**-**	**-**	**-**	2,141	(2,397)	–
Total comprehensive income	**₱77,210**	**(₱96,503)**	**(₱2,482)**	₱1,384,672	(₱256,720)	(₱40,316)
Company's share of total comprehensive income (loss)	**₱20,260**	**(₱34,181)**	**(₱**	₱363,338	(₱90,930)	(₱5,237)
Dividends received	**₱51,285**	**₱–**	**₱–**	₱102,394	₱–	₱–

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

a. PHEN / TA Pet

PHINMA Energy Corporation (formerly Trans-Asia Oil and Energy Development Corporation) was incorporated in the Philippines and is involved in power generation and oil and mineral exploration activities. The registered office address of PHEN is 11th floor, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

On February 23, 2016, the BOD of PHEN declared cash dividend amounting to ₱194.6 million, equivalent to ₱0.04 per share, to all common stockholders of record as of March 9, 2016 and was paid on March 23, 2016.

On December 16, 2016, the BOD of PHEN declared cash dividend amounting to ₱195.4 million, equivalent to ₱0.04 per share, to all common stockholders of record as of January 4, 2017 and was paid on January 16, 2017.

On March 3, 2017, the BOD of PHEN declared cash dividend amounting to ₱195.4 million, equivalent to ₱0.04 per share, to all common stockholders of record as of March 17, 2017 and was paid on March 31, 2017.

Dividends received by the Parent Company from PHEN amounted to ₱51.2 million and ₱102.4 million in 2017 and 2016 respectively.

In 2016, Trans-Asia Oil and Energy Development Corporation changed its corporate name to PHINMA Energy Corporation (PHEN) and extended its corporate life for another 50 years. The SEC issued the Certificate of Amended Articles of Incorporation dated August 15, 2016 while the Bureau of Internal Revenue (BIR) issued an amended Certificate of Registration dated August 25, 2016 for the change in name.

The Parent Company acquired additional shares in PHEN amounting to ₱.3 million and ₱11.4 million during the 1st quarter 2017 and 2016 , respectively.

b. PPHC

PPHC was incorporated in the Philippines and is engaged in real estate development, particularly in the development of affordable medium and high-rise condominium units. The registered office address of the PPHC is PHINMA Properties Center, No. 29 EDSA, Mandaluyong City.

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.

c. 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.

d. 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.

On April 28, 2016, the BOD of Coral Way declared cash dividend amounting to ₱15.0 million, equivalent to ₱0.40 per share, to all common stockholders of record as of December 31, 2015 and was paid on May 13, 2016.

On February 24, 2017, the BOD of Coral Way declared cash dividend amounting to ₱10.0 million, equivalent to ₱0.26 per share, to all common stockholders of record as of December 31, 2016 and was paid on April 10, 2017.

e. 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.

13. AFS Investments

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

	Unaudited	Audited
	March 31, 2017	Dec. 31, 2016
	(In Thousands)	
Unquoted equity securities	**₱99,885**	₱99,885
Quoted equity securities	**13,561**	13,561
Accumulated impairment losses	**(45,517)**	(45,517)
	₱67,929	₱67,929

14. Property, Plant and Equipment

This account consists of:

	January 1, 2017	**Additions**	**Disposals**	**Reclassifi-cation**	**March 31, 2017**
			(In Thousands)		
Cost					
Land	**₱1,973,333**	**₱–**	**₱–**	**₱–**	**₱1,973,333**
Plant site improvements	**101,942**	**–**	**(256)**	**–**	**101,686**
Buildings and improvements	**2,262,730**	**–**	**(1,078)**	**(5,793)**	**2,255,859**
Machinery and equipment	**1,282,882**	**32,248**	**(9,651)**	**–**	**1,305,479**
Transportation and other equipment	**397,170**	**4,398**	**(75)**	**–**	**401,493**
	6,018,057	**36,646**	**(11,060)**	**(5,793)**	**6,037,850**
Less Accumulated Depreciation					
Plant site improvements	**₱40,190**	**₱1,029**	**(₱463)**	**₱–**	**₱40,756**
Buildings and improvements	**784,233**	**36,357**	**–**	**(6,637)**	**813,953**
Machinery and equipment	**822,382**	**23,009**	**(10,003)**	**8,916**	**844,304**
Transportation and other equipment	**274,789**	**5,930**	**(36)**	**–**	**280,683**
	1,921,594	**66,325**	**(10,502)**	**2,279**	**1,979,696**
	4,096,463	**(29,679)**	**(558)**	**(8,072)**	**4,058,154**
Construction in progress	**194,580**	**52,259**	**–**	**(339)**	**246,500**
Net Book Value	**₱4,291,043**	**₱22,580**	**(₱558)**	**(₱8,411)**	**₱4,304,654**

	January 1, 2016	Additions	Disposals	Reclassifications	December 31, 2016
Cost					
Land	₱1,967,869	₱32,619	(₱27,014)	(₱141)	₱1,973,333
Plant site improvements	100,100	1,072	–	770	101,942
Buildings and improvements	2,116,692	115,950	–	30,088	2,262,730
Machinery and equipment	1,123,253	92,027	(2,728)	70,330	1,282,882
Transportation and other equipment	380,112	32,871	(15,813)	–	397,170
	5,688,026	274,539	(45,555)	101,047	6,018,057
Less Accumulated Depreciation					
Plant site improvements	34,293	5,897	–	–	40,190
Buildings and improvements	666,921	113,818	–	3,494	784,233
Machinery and equipment	732,437	90,036	(2,728)	2,637	822,382
Transportation and other equipment	263,230	26,955	(12,997)	(2,399)	274,789
	1,696,881	236,706	(15,725)	3,732	1,921,594
	3,991,145	37,833	(29,830)	97,315	4,096,463
Construction in progress	192,944	112,973	–	(111,337)	194,580
Net Book Value	₱4,184,089	₱150,806	(₱29,830)	(₱14,022)	₱4,291,043

15. Investment Properties

This account consists of:

	January 1, 2017	Additions	Disposals (see Note 10)	March 31, 2017
		(In Thousands)		
Cost:				
Land	**₱813,334**	**₱-**	**₱-**	**₱813,334**
Buildings for lease	**94,579**	**-**	**-**	**94,579**
	907,913	**-**	**-**	**907,913**
Less accumulated depreciation -				
Buildings for lease	**43,912**	**1,536**	**-**	**45,448**
	₱864,001	**₱1,536**	**₱**	**₱862,465**

	January 1, 2016	Additions	Disposals	December 31, 2016
Cost:				
Land	**₱1,069,480**	**₱850**	**(₱256,996)**	**₱813,334**
Buildings for lease	**94,579**	**–**	**–**	**94,579**
	1,164,059	**850**	**(256,996)**	**907,913**
Less accumulated depreciation -				
Buildings for lease	**37,765**	**6,147**	**–**	**43,912**
	₱1,126,294	**(₱5,297)**	**(₱256,996)**	**₱864,001**

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, 2016	**₱165,638**	**₱22,088**	**₱22,080**	**₱50,435**	**₱2,385,580**	**₱2,645,821**
Translation Adjustment	**–**	**–**	**–**	**2,851**	**18,671**	**21,522**
At December 31, 2016	**₱165,638**	**₱22,088**	**₱22,080**	**₱53,286**	**₱2,404,251**	**₱2,667,343**
Translation Adjustment	**–**	**–**	**–**	**472**	**2,960**	**3,432**
At March 31, 2017	**₱165,638**	**₱22,088**	**₱22,080**	**₱53,758**	**₱2,407,211**	**₱2,670,775**
Amortization and Impairment						
At January 1, 2016	**₱138,791**	**₱8,836**	**₱22,080**	**₱–**	**₱389,012**	**₱558,719**
Amortization	**11,505**	**4,418**	**–**	**–**	**–**	**15,923**
Impairment	**–**	**–**	**–**	**–**	**191,184**	**191,184**
At December 31, 2016	**₱150,296**	**₱13,254**	**₱22,080**	**₱–**	**₱580,196**	**₱765,826**
Amortization	**2,877**	**1,104**	**–**	**–**	**–**	**3,981**
At March 31, 2017	**₱153,173**	**₱14,358**	**₱22,080**	**₱–**	**₱580,196**	**₱769,807**
Net Book Value						
At March 31, 2017	**₱12,465**	**₱7,730**	**₱–**	**₱53,758**	**₱1,827,015**	**₱1,900,968**
At December 31, 2016	₱15,341	₱8,835	₱–	₱50,435	₱1,996,568	₱2,087,102

17. Other Noncurrent Assets

This account consists of:

	Unaudited	Audited
	March 31, 2017	Dec. 31, 2016
	(In Thousands)	
Refundable deposits	**₱20,188**	₱20,414
Installment contract receivable	**-**	600
Long-term receivable	**-**	11,937
Others - net of allowance for doubtful advances of ₱51.5 million in March 2017 and December 2016	**22,326**	12,604
	₱42,514	₱45,555

18. Notes Payable

This account consists of notes payable of :

	Unaudited	Audited
	March 31, 2017	Dec. 31, 2016
	(In Thousands)	
UGC	**₱242,682**	₱271,846
AU	**2,500**	2,500
	₱245,182	₱274,346

19. **Trade and Other Payables**

This account consists of:

	Unaudited	Audited
	March 31, 2017	Dec. 31, 2016
	(In Thousands)	
Trade	**₱185,445**	₱162,370
Accruals for :		
Professional fees and others	**80,308**	42,298
Personnel costs	**99,037**	57,084
Interest	**7,463**	7,610
Freight, hauling and handling	**12,546**	13,769
Customers' deposits	**123,583**	121,995
Dividends	**155,848**	111,114
Others	**523,452**	387,559
	₱1,187,682	₱903,799

20. **Long-term Debts**

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

	Unaudited	Audited
	March 31, 2017	Dec. 31, 2016
	(In Thousands)	
PEHI	**₱2,300,000**	₱2,300,000
UGC	**541,250**	555,626
UPANG	**206,875**	216,186
PSHC	**128,628**	128,628
AU	**84,375**	87,500
COC	**50,641**	63,219
	3,311,769	3,351,159
Less debt issuance cost	**17,793**	18,632
	3,293,976	3,332,527
Less current portion - net of debt issuance cost	**279,165**	114,040
	₱3,014,811	₱3,218,487

The balance of unamortized debt issuance cost follows:

	Unaudited	Audited
	March 31, 2017	Dec. 31, 2016
	(Amounts in Thousands)	
Beginning of year	**₱18,632**	₱6,516
Amortization	**(839)**	(1,807)
Additions	**-**	13,923
End of year	**₱17,793**	₱18,632

PEHI

On December 7 and December 8, 2015, PEHI obtained a ten-year term loan from Rizal Commercial Banking Corporation (RCBC) and China Banking Corporation (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 7th 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 5th 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 5th 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 intial 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 7th year: interest rate then current (6.1257%) or applicable 3-year benchmark rate + 1.40% spread, or 5.00% floor rate, whichever is higher.

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

- Debtor shall maintain its debt service coverage ratio, computed in accordance with generally accepted accounting principles, to be equal to or more than 1.20x starting fiscal year 2017;

- Debtor shall maintain its current ratio, computed in accordance with generally accepted accounting principles, to be equal to or more than 1.00x starting fiscal year 2017; and

- Debtor shall maintain its debt to equity ratio, computed in accordance with generally accepted accounting principles, to be less than or equal to 1.75x starting fiscal year 2017.

PEHI's investments in AU, COC, UI, UPANG and SWU are mortgaged as collaterals for its long-term debt.

As at December 31, 2016 , PEHI was in compliance with the terms of the loan agreements.

UGC
On July 19, 2016, UGC obtained a seven-year term loan from Banco de Oro Unibank, Inc. (BDO) in the amount of ₱218.8 million.

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

Bank	BDO
Amount drawn	₱218.8 million
Tenure	Seven (7) - year term loan
Repayment	Payable on 28 equal quarterly payments of ₱4.4 million with the remaining balance to be paid on maturity date
Prepayment	Allowed after third year without penalty

Drawdown date	March 25, 2013
End of term loan	July 20, 2023
Interest rate	Interest rate is based on the 7-year PDST-R2 plus a 1.40% spread or 5.5%, whichever is higher. No repricing of interest rate from borrowing date to maturity date.
Use of proceeds	Extend maturity date of the original loan to July 20, 2023

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 pernalty 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 1st 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 payment	December 31, 2015
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.

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 20, 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

As at March 31, 2017 and December 31, 2016 , 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 ₱511.1 million and ₱476.5 million, respectively. In addition, UGC is required to maintain maximum debt to equity ratio of 2:1 under its loan covenants. As at December 31, 2016 and 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 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 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.

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 December 31, 2016, 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 (7th) 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.

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

- Debtor shall not allow its total debt-to-equity ratio, computed in accordance with generally accepted accounting principles consistently applied, for fiscal years 2016,2017, 2018 to exceed 3.00x and for fiscal years 2019 to 2025 to exceed 1.75x.

- Debtor shall not allow its current ratio, computed in accordance with generally accepted accounting principles consistently applied, to be less than 1.00x.

- Debtor shall not allow its debt service coverage ratio to fall below 1.0x for fiscal years 2016 and 2017, 1.2x for 2018 to 2025.

As at December 31, 2016 , UPANG URDANETA is in compliance with the terms of the loan agreement.

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 seven (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 December 31, 2016 , COC is in compliance with all of its 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 December 31, 2016 , the University is in compliance with the debt covenants.

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 9.33% was made to reflect the change in the payment terms in the liability. On July 1, 2015 and January 1, 2016, another Memorandum of

Agreement was executed amending the interest rate to 7.6% and 6.8% per annum, respectively. The effective interest rate after the change in interest rates are 7.82% to 7.0%, respectively.

Additional interest expense resulting from the accretion of loan payable amounted to ₱0.27 million in 2016 and ₱0.16 million 2015 (see Note 29). The details of the loan are as follows:

	2016	2015
Loan payable to UPPC	**₱129,000**	₱129,000
Less: unamortized discount	**372**	642
	₱128,628	₱128,358

To secure the payment of the loan, PSHC constituted a mortgage over its land amounting to ₱220.0 million in favor of certain creditors of UPPC (see Note 15).

The payable of PSHC to UPPC incurs an annual interest at a rate subject to mutual agreement by UPPC and PSHC on each anniversary date. Interest expense on the amount payable to UPPC amounted to ₱8.8 million and ₱10.8 million in 2016 and 2015, respectively (see Note 29).

21. Equity

a. Capital Stock

The composition of the Parent Company's capital stock as of March 31, 2017 and December 31, 2016 is as follows:

	Number of Shares	
	Unaudited	Audited
	March 31, 2017	Dec. 31, 2016
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	**1,413,979**	1,408,979

The issued and outstanding shares as at March 31, 2017 and December 31, 2016 are held by 1,233 and 1,236 equity holders, respectively.

Capital stock presented in the consolidated statements of financial position is net of subscription receivables amounting to ₱124 thousand as at March 31, 2017 December 31, 2016 .

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

Date of SEC Approval	Authorized Shares	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 on March 4, 2016, the increase of appropriated retained earnings from ₱1.0 billion to ₱1.5 billion shall be allocated as follows:

i. Investment in existing business of energy, education and property for ₱1.2 billion; and
ii. Buyback of PHINMA Corporation shares in the amount of up to ₱300.0 million from 2015 to 2017

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

On March 22, 2017, the Parent Company's BOD approved the reversion of appropriated retained earnings amounting to ₱1.20 billion to the Corporation's unrestricted retained earnings.

Unappropriated

On March 4, 2014, the BOD of Phinma Corporation declared a cash dividend of ₱0.40 per share or an equivalent of ₱103.9 million, to all common shareholders of record as at March 20, 2014. The cash dividends were paid on April 15, 2014.

On March 4, 2015, the BOD of Phinma Corporation declared a cash dividend of ₱0.40 per share or an equivalent of ₱104.1 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 per 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.

On March 22, 2017, the Parent Company's BOD declared a cash dividend amounting to ₱103.6 million, or equivalent to ₱0.40 per share, to all common shareholders of record as of April 5, 2017 and payable on April 21, 2017.

The retained earnings is restricted for the payment of dividends to the extent of ₱693.9 million and ₱646.0 million as at December 31, 2016 and 2015, respectively, representing the accumulated equity in net earnings of the subsidiaries and associates and to the extent of treasury shares amouting to ₱16.3 million and ₱13.6 million as at December 31, 2016 and 2015, 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 respective 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	One-third of the shares shall not be sold or transferred to a 3rd party for at least one year from the date of each purchase or until retirement whichever comes first. Another one-third of the shares shall not be sold or transferred to a 3rd party for at least two years from the date of each purchase or until retirement whichever comes first. The last one-third of the shares shall not be sold or transferred to a 3rd party for at least three years from the date of each purchase or until retirement whichever comes first. Any such sale or transfer shall be considered null and void.

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

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

As at March 31, 2017 and December 31, 2016, 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 March 31, 2017 and December 31, 2016.

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, 2016 and 2015, 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:

March 31, 2017						
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	**₱157,914**	**₱60,008**	**₱1,643**	Noninterest-bearing	Unsecured, no impairment
Associates (PPHC)	Sale of assets	**-**	**-**	**18,900**	Noninterest-bearing	Unsecured, no impairment
	Subscription payable	**-**	**154,661**	**-**		
(PPHC & PHEN)	Share in expenses	**1,575**	**-**	**906**	Noninterest-bearing	Unsecured, no impairment
(PHEN)	Dividend income	**51,285**	**-**	**33,312**	Noninterest-bearing	Unsecured, no impairment
Other related parties (PE Myanmar)	Advances	**-**	**-**	**14,922**	Noninterest-bearing	Unsecured, no impairment
MDC	Subscription payable	**-**	**52,000**	**-**		
	Share in expenses	**14,720**	**14,827**	**2,562**	Noninterest-bearing	Unsecured, no impairment
			₱281,496	**₱72,245**		

December 31, 2016						
Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 11)	Terms	Conditions
Ultimate Parent						
PHINMA Inc.	Share in expenses, management fees and bonus	**₱134,011**	**₱21,784**	**₱1,448**	Noninterest-bearing	Unsecured, no impairment
	Grant of interest bearing advances	**6,300**	**–**	**6,300**	2.465% 10-29 days	Unsecured, no impairment
Associates						
PPHC	Subscriptions payable	**–**	**154,660**	**–**	Noninterest-bearing	Unsecured, no impairment
	Grant of interest bearing advances	**11,000**	**–**	**–**	3.00%-5.56% 90 days	Unsecured, no impairment
	Sale of assets	**28,224**	**–**	**18,900**	3.00%-5.56% 90 days	Unsecured, no impairment
PPHC & PHEN	Share in expenses	**3,209**	**–**	**821**	Noninterest-bearing	Unsecured, no impairment
PHEN	Dividend income	**72,821**	**–**	**51,525**	Noninterest-bearing	Unsecured, no impairment
Other related parties						
MDC, T-O Insurance,	Subscriptions payable	**–**	**52,086** **–**	**–**	Noninterest-bearing	Unsecured, no impairment
CIP II, PFI	Consultancy Fee	**2,377**	**–**	**793**	Noninterest-bearing	Unsecured, no impairment
	Sale of US $	**474**	**–**	**–**		
	Share in expenses	**4,563**	**277**	**84**	Noninterest-bearing	Unsecured, no impairment
	Grant of non-interest bearing advances	**15,882**	**–**	**15,882**	Noninterest-bearing	Unsecured, no impairment
			₱228,807	**₱95,753**		

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.

PHEN and TA Power. PHEN and TA Power are likewise controlled by PHINMA, Inc. through a management agreement. PHN bills PHEN 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 March 31, 2017 and December 31, 2016.

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 ₱45.3 million and ₱102.5 million in March 31, 2017 and December 31, 2016 , 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 ₱36.2 million and ₱68.2 million as of March 31, 2017 and December 31, 2016 , 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 ₱29.8 million and ₱54.4 million in March 31, 2017 and December 31, 2016 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 ₱36.0 million and ₱36.2 million as of March 31, 2017 and December 31, 2016 respectively .

23. **Income Tax**

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

	Unaudited	Audited
	March 31, 2017	Dec. 31, 2016
	(In Thousands)	
Deferred tax assets – net	**₱128,188**	₱185,597
Deferred tax liabilities - net	**(443,401)**	(455,368)
	(₱315,213)	(₱269,771)

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 ₱2.6 million can be deducted against RCIT due while NOLCO totaling ₱401.1 million can be claimed as deduction against taxable income, as follows:

		Amount		
			NOLCO	
Date Paid/Incurred	Expiry Date	MCIT	Fuld US*	Others
December 31, 2012	December 31, 2032	₱–	₱33,154	₱–
December 31, 2013	December 31, 2033	–	22,232	–
December 31, 2014	December 31, 2017/December 31, 2034	616	–	133,213
December 31, 2015	December 31, 2018/December 31, 2035	653	–	118,751
December 31, 2016	December 31, 2019/December 31, 2036	1337	–	93,704
		₱2,606	₱55,386	₱365,668

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

MCIT amounting to ₱1.8 million and ₱1.9 million, respectively expired in 2016 and 2015. Expired NOLCO amounted ₱110.3 million and ₱171.2 million in 2016 and 2015. No MCIT and NOLCO were claimed as deduction against regular taxable income in 2016 and 2015.

24. Pension and Other Post-employment Benefits

Pension and other post-employment benefits consist of:

	March 2017	**December 2016**
	In thousands	
Net pension liability	**₱250,935**	**₱260,695**
Vacation and sick leave	**39,014**	**39,014**
	₱289,949	**₱299,709**

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

	March 2017	**December 2016**
	In thousands	
Net pension expense	**₱7,249**	**₱56,480**
Vacation and sick leave	**-**	**12,558**
	₱7,249	**₱69,038**

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:

	March 2017	**December 2016**
	In thousands	
Current service cost	**₱7,249**	**₱44,290**
Net interest cost	**-**	**12,190**
Net pension expense	**₱7,249**	**₱56,480**

Details of net pension liability are as follows:

	March 2017	**December 2016**
	In thousands	
Present value of defined benefit obligation	**₱530,225**	**₱539,985**

	March 2017	December 2016
	In thousands	
Fair value of plan assets	**(279,290)**	**(279,290)**
Pension liability	**₱250,935**	**₱260,695**

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

	March 2017	December 2016
	In thousands	
Balance at beginning of year	**₱539,985**	**₱441,871**
Current service cost	**7,249**	**44,290**
Interest cost on defined benefit obligation	**-**	**21,870**
Benefits paid from plan assets	**-**	**(6,436)**
Benefits paid from operating funds	**-**	**(34,217)**
Acquisition and disposal of subsidiaries	**(17,009)**	**58,045**
Actuarial (gains) losses :		
Experience adjustments	**-**	**31,396**
Changes in demographic assumptions	**-**	**(299)**
Changes in financial assumptions	**-**	**(16,035)**
Balance at end of year	**₱530,225**	**₱539,985**

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

	March 2017	December 2016
	In thousands	
Balance at beginning of year	**₱279,290**	₱188,010
Acquisition and disposal of subsidiaries	**-**	18,036
Actual return excluding amount included in net interest cost	**-**	26,683
Actual contributions	**-**	43,818
Interest income included in net interest cost	**-**	9,179
Benefits paid	**-**	(6,436)
Balance at end of year	**₱279,290**	₱279,290
Actual return on plan assets	**₱-**	₱15,891

Change in net pension liability are as follows:

	March 2017	December 2016
	(Amounts in Thousands)	
Balance at beginning of year	**₱260,695**	₱253,861
Pension expense	**7,249**	56,480
Contributions	–	(43,818)
Remeasurements in OCI	–	(11,621)

	March 2017	December 2016
Acquisition and disposal of subsidiaries	**(17,009)**	40,010
Benefits paid from operating fund	**–**	(34,217)
Pension liability	**₱250,935**	₱260,695

The Company expects to contribute ₱50.0 million to its defined benefit pension plans in 2017.

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

	March 2017	December 2016
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 ₱279 million as at March 31, 2017 and 2016, respectively. The major assets are as follows:

	March 2017	December 2016
Cash and short-term investments	**₱167,767**	₱167,767
Marketable equity securities	**111,327**	111,327
Others	**196**	196
	₱279,290	₱279,290

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 March 31, 2017 and December 31, 2016 . Cumulative unrealized fair value gains on the shares amounted to ₱0.7 million.

The voting rights over the shares are exercised by the trustee through the retirement committee, the members of which are directors or officers of the Parent Company.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	December 2016
	Increase (Decrease)
	(Amounts in Thousands)
Discount rate:	
Increase by 1%	(₱52,751)
Decrease by 1%	65,035
Salary increase rate:	
Increase by 1%	63,730
Decrease by 1%	(52,312)

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

	December 2016
Year	Amount
	(In Thousands)
Within the next 12 months	₱122,721
Between 2 and 5 years	106,780
Beyond 5 years	1,975,045

The average duration of the defined benefit obligation at the end of the year is between 10 to 23 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:

	March 2017
	(Amounts in Thousands)
Current service cost	₱-
Interest cost	-
Vacation and sick leave expense	₱-

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

	March 2017	December 2016
	(Amounts in Thousands)	
Balance at beginning of year	**₱39,014**	₱40,172
Current service cost	**-**	10,611
Interest cost	**-**	1,947
Benefits paid	**-**	(13,716)
Balance at end of year	**₱39,014**	₱39,014

25. EPS Computation

	Unaudited	
	March 31, 2017	March 31, 2016
(a) Net income attributable to equity holders of the parent	**₱24,545**	₱67,253
(b) Number of shares outstanding at beginning of year	**259,027**	259,166
Basic/Diluted EPS attributable to equity holders of the parent (a/e)	**₱.09**	₱.26

26. **Segment Information**

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 – PHEN 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, provison 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.

Segment Information

Financial information on the operating segments are summarized as follows:

	Investment Holdings	Property Development	Steel	Energy	Educational Services	BPO	Eliminations	Total Operations
					(In Thousands)			
For the Period January – March 31, 2017								
Revenues								
Segment revenue	**₱204,314**	**₱470**	**₱998,404**	–	**₱553,832**	**₱11,568**	**(₱200,421)**	**₱1,568,167**
Investment income	**1,693**	**837**	–	–	**925**	**1**	–	**3,456**
Total revenues	**₱206,007**	**₱1,307**	**₱998,404**	–	**₱554,757**	**₱11,569**	**(₱200,421)**	**₱1,571,623**
Results								
Segment results	**₱156,759**	**(₱4,591)**	**₱90,104**	–	**₱112,225**	**₱1,656**	**(₱200,421)**	**₱155,732**
Investment income	**1,693**	**837**	–	–	**925**	**1**	–	**3,456**
Equity in net earnings of an associate	–	**(40,592)**	–	**20,577**	–	–	**(404)**	**(20,419)**
Interest expense and financing charges	**(595)**	–	**(12,207)**	–	**(38,503)**	–	–	**(51,305)**
Benefit from (provision for) income tax	**(168)**	**(5)**	**(23,306)**	–	**(14,986)**	**(537)**	–	**(39,002)**
Share of non-controlling interest	–	–	–	–	**(28,190)**	–	**4,273**	**(23,917)**
Net income attributable to equity holders of parent	**₱157,689**	**(₱44,351)**	**₱55,591**	**₱20,577**	**₱31,471**	**₱1,120**	**(₱196,552))**	**₱24,545**

	Investment Holdings	Property Development	Steel	Energy	Educational Services	BPO	Eliminations	Total Operations
					(In Thousands)			
For the Period January – March 31, 2016								
Revenues								
Segment revenue	**₱201,914**	**₱372**	**₱981,408**	-	**₱463,576**	**₱88,096**	**(₱200,145)**	**₱1,535,221**
Investment income	**1,840**	**1,836**	-	-	-	-	-	**3,676**
Total revenues	**₱203,754**	**₱2,208**	**₱981,408**	-	**₱463,576**	**₱88,096**	**(₱200,145)**	**₱1,538,897**
Results				-				
Segment results	**₱154,641**	**₱35**	**₱93,437**	-	**₱97,702**	**(₱4,289)**	**(₱198,841)**	**₱142,685**
Investment income	**1,841**	**1,836**	-	-	-	-	-	**3,677**
Equity in net earnings of an associate	-	**(43,220)**	-	**69,885**	-	-	**1,161**	**27,826**
Interest expense and financing charges	**(553)**	-	**(11,601)**	-	**(35,331)**	**(16)**	-	**(47,501)**
Benefit from (provision for) income tax	**(88)**	**(47)**	**(24,455)**	-	**(10,936)**	-	-	**(35,526)**
Share of non-controlling interest	-	-	-	-	**(24,908)**	-	**1,200**	**(23,708)**
Net income attributable to equity holders of parent	**₱155,841**	**(₱41,396)**	**₱57,381**	**69,885**	**₱26,527**	**(₱4,305)**	**(₱196,480)**	**₱67,453**

	Investment Holdings	Property Development	Energy	Steel	Educational Services	BPO	Eliminations	Total Operations
Year Ended December 31, 2016								
Revenue	**₱427,774**	**₱3,799**	**₱–**	**₱3,888,807**	**₱1,986,405**	**₱388,743**	**(₱393,387)**	**₱6,302,141**
Segment results	**100,892**	**(12,757)**	**–**	**360,815**	**365,508**	**15,495**	**(335,883)**	**494,070**
Investment income	**9,212**	**2,206**	**–**	**152**	**5,920**	**482**	**–**	**17,972**
Equity in net earnings of an associates	**–**	**(127,361)**	**367,945**	**–**	**–**	**5,308**	**(15,871)**	**230,021**
Interest expense and financing charges	**(11,611)**	**–**	**–**	**(45,716)**	**(145,123)**	**(1,786)**	**–**	**(204,236)**
Provision for income tax	**(3,889)**	**(40)**	**–**	**(94,408)**	**(58,956)**	**(13,328)**	**–**	**(170,621)**
Share of non-controlling interests	**–**	**–**	**–**	–	**(95,870)**	**–**	**5,842**	**(90,028)**
Net income attributable to equity holders of the parent	**₱94,604**	**(₱137,952)**	**₱367,945**	**₱220,843**	**₱71,479**	**₱6,171**	**(₱345,912)**	**₱277,178**

27. **Events after the Reporting Period**

On April 26, 2017, the Phinma Corporation Executive Committee approved the sale for cash of 100 shares of stock owned by Phinma Corporation of Fuld and Co., Inc. ("Fuld"), a corporation established in Massachusetts, U.S.A., constituting 95.09% of the outstanding shares of Fuld, to Accretio Investments Pte., Ltd., a limited liability company in Singapore, with Closing Date set on 30 April 2017 or such other date as the parties may agree upon. Total selling price is US$3,619,830.00 to be paid on Closing Date upon satisfaction of certain condition precedent.

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

For the three months ended March 31 2017, consolidated revenues of Phinma Corporation (PHN) grew modestly by 2% to P1.6 billion. Revenues of subsidiary Union Galvasteel Corporation (UGC) increased 2% to P998 million on higher sales of steel products. UGC posted net income of P55 million for the first quarter. Consolidated revenues of Phinma Education Holdings, Inc. (Phinma Education), the Corporation's education holding company, increased 20% to P554 million in the first quarter of 2017 mainly due to higher revenue from Southwestern University. Net income of Phinma Education for the first quarter was P70 million, an increase of 12% over the first quarter of the previous year.

Consolidated costs and expenses of PHN for the period is slightly higher by 1.2% to P1.4 billion mainly due to increased costs and expenses of UGC and Phinma Education. Income from operations increased 11% to P 161 million over the period.

During the period, PHN equitized a net loss of P 34 million from Phinma Property Holdings Corporation. This was partially offset by equitized income from Phinma Energy Corporation amounting to P 21 million.

Consolidated net income of the company for the period decreased from P91 million in 2016 to P48 million in 2017 while net income attributable to equity holders of the parent amounted to P25 million for the first quarter of 2017.

The results of operations of PHN subsidiaries for the three months ended March 31 2017 are as follows:

Union Galvasteel Corporation (UGC)

I. Marketing

For the three months ended March 31 2017, the company sold 1.906 million sheets, slightly less than the 2.090 million sheets sold over the same period of 2016.

II. Production

For the three months ended March 31 2017, the Color Line produced 12,607 metric tons which is an increase over the 11,339 metric tons produced over the same period in the previous year.

The Calamba Polyurethane line produced 48,616 sheets in 2017, while the Davao polyurethane line produced of 19,197 sheets. Combined production volume of 67,813 sheets is better than the previous year's output of 66,034 sheets by 3%.

III. Financials

During the period, gross income of P190 million was generated on revenues of P998 million, or a gross margin of 19%. Net income amounted to P55 million compared to the previous year's net income of P57 million, a decrease of 4%.

Phinma Education Holdings, Inc. (Phinma Education)

On December 1 2015, PHN transferred its shares in Araullo University (AU), Cagayan de Oro College, Inc. (COC), University of Pangasinan (UPang), University of Iloilo (UI), and Southwestern University (SWU) to Phinma Education Holdings, Inc. , the holding company for PHN's investment in education.

For the three months ended March 31 2017, Phinma Education registered consolidated revenues of P554 million, an increase of 20% over consolidated revenue of P 463 million registered in the comparable period of the previous year. Systemwide student enrollment increased 7% to 54,691 students for School Year (SY) 2016/17 compared to the previous year. PHN's share in net income of Phinma Education increased from P37.5 million for the first quarter of 2016 to P42 million for the first quarter of 2017.

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 offering specialized programs such as hospitality, multimedia, graphic, and fashion design.

CAA accepted its first batch of students in August 2016. For the three month period ending March 31 2017, CAA posted revenue of P 1 million, costs and operating expenses of P10 million, and a net loss of P 10 million.

Fuld & Company, Inc. (Fuld) and

Integrative Competitive Intelligence Asia, Inc. (formerly 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.

In April 2017, PHN entered into an agreement to sell its shareholdings in Fuld & Company to Accretio Investments Pte. Ltd. The sale will allow PHN to focus its efforts on Fuld Philippines as it develops new markets and opportunities in SouthEast Asia. As required under the terms of the agreement with Accretio, Fuld Philippines has been renamed Integrative Competitive Intelligence Asia, Inc. (ICI-Asia).

For the three months ended March 31 2017, ICI-Asia posted revenues of P12 million and net income of P1.3 million, compared to a net loss of P7 million posted over the same period in 2016.

Asian Plaza, Inc. (API)

API is a 57.6% subsidiary of PHN.

For the three month period ending March 31 2017, API posted a net loss of P10 million.

Key Performance Indicators (KPI)

The top five (5) KPI's used to measure the financial performance of PHN and its subsidiaries as of the three month period ended March, 2017 compared to the same period in the previous year are shown in the following table:

Financial KPI	Definition	2017	2016
Profitability			
Return on Equity (ROE)	Net income (loss) / Ave. total equity attributable to PHN equity holders	0.3%	1. 0%
Gross Profit Margin	Gross profit / Net sales	33.5%	31.7%
Efficiency			
Cash Flow Margin	Cash flow from operating Activities / Net sales	(8.74%)	23.7%
Liquidity			
Current Ratio	Current assets / Current liabilities	1.59 : 1.00	1.73 : 1.00
Debt-to Equity Ratio	Total liabilities / Total equity	0.74 : 1.00	0.74 : 1.00

Profitability

The return on equity for the period of 0.3% is lower than the 1.0% return for the same period in the previous year. The decrease was due to the decrease in net income for the period. Gross profit margin increased from 31.7% in 2016 to 33.5% in 2017 due to an increase in gross profit margins of subsidiary PEHI.

Efficiency

Net cash outflow from operations was P137 million for the three months ended March 31 2017 compared to net cash inflow of P 365 million over the same period of the previous year due to increase in inventories from P902 million to P1.1 billion.

Liquidity

Current ratio as of end March decreased from 1.73:1.00 in 2016 to 1.59:1.00 in 2017 due to an increase in current liabilities.

Debt-equity ratio of PHN and its subsidiaries as of end March 2017 was 0.74:1.

The accompanying interim condensed consolidated financial statements of Phinma Corporation for the three (3) months ended March 31, 2017 have been prepared in accordance with PAS 34, Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of December 31, 2016.

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.

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 increase in the account is attributable to dividend income received by the parent company.

Trade and other receivables - net

The decrease in the account is due to collection of tuition receivables of Phinma Education schools as the school year ended in March.

Inventories

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

Input tax

The increase in the account of P11 million represents an increase in input tax of UGC for the three months ended March 31, 2017.

Other current assets

The P40 million decrease in the account is mainly due to AU, COC, UPANG, UI and SWU.

Deferred tax assets

The decrease in the account represents a decrease in deferred tax assets of UPANG and UI in the total amount of P8 million.

Other noncurrent assets

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

LIABILITIES

Notes payable

The increase in the account amounting to P29 million represents additional short-term borrowings of UGC.

Trade and other payables

The increase in trade and other payables represents dividends payable of the parent company in the amount of P104 million and income related expenses in the amount of P14 million.

Trust receipts payable

The increase of P334 million in the account is attributable to an increase in UGC's trust receipts payable from P 11 million as of December 31, 2016 to P344 million as of end March 2017.

Unearned revenues

This account decreased during the first quarter. 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 P25 million represents an increase in various tax payable of COC in the amount of P27 million.

<u>Current portion of long-term debt</u>

The P 165 million increase in the account represents the current portion of long-term debt of UGC which will fall due within the year.

<u>Long-term debt – net of current portion</u>

The decrease in the amount of P204 million represents the reclasification to current portion of long-term loans of UGC in the amount of P165 million as well as payment of long-term loans of AU, COC and UPang.

<u>Deferred tax liabilities</u>

The increase in the account represents increase in deferred tax liabilities of AU, COC and SWU amounting to P41 million

<u>EQUITY</u>

<u>Share in other comprehensive income of associates</u>

The change is due to an increase in fair value of financial assets held by Phinma Energy Corporation.

<u>Exchange differences on translation of foreign operations</u>

The P5 million movement in the account represents cumulative adjustments arising from the translation of the financial statements of Fuld & Company, Inc. from US dollars to Philippine pesos.

<u>Material Changes in Income Statement Accounts</u>

<u>Operating expenses</u>

The P23 million increase in the account represents an increase in operating expenses of Phinma Education amounting to P15 million, mainly due to business development expenses. AU's and UGC's operating expenses also increased by P5 million and P3 million, respectively.

<u>Financial charges</u>

The increase in financial charges in the amount of P4 million represents the interest on the loans of PEHI, proceeds of which were used to purchase shares in SWU.

Equity in net earnings (losses) of associates

During the period, PHN equitized a net loss of P 34 million from Phinma Property Holdings Corporation. This was partially offset by equitized income from Phinma Energy Corporation amounting to P 21 million.

Foreign exchange gain (loss)

Foreign exchange gain as of March 31, 2017 arose from the restatement of dollar placements and advances of the parent company from an average rate of P49.76 to P50.16 as of March 31, 2017.

Gain (Loss) on sale of asset

The loss on sale of P 0.13 million is mainly attributable to the disposal of property of CAA.

Other income (charges)

The decrease in the account represents other charges of COC and CAA in the amount of P3 million and P1 million respectively.

Provision for income tax

The increase in provision for income tax from P36 million to P39 million is attributable to the increase in income of SWU from P14 million last year to P47 million this year, as well as provision for income tax of UPANG.

Comprehensive Income

Comprehensive income decreased from P91 million for the three-month period ended March 31, 2016 to P60 million this year due to decrease in net income from P91 million last year to P48 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	**RIZALINA P. ANDRADA**
Senior Vice President - Finance	Vice President - Finance

May 15, 2017

PHINMA CORPORATION

Consolidated Aging of A/R-Trade

As of March 31, 2017

in thousands

	Amount
Current	807,803
1 - 30 days	13,398
31 - 60 days	44,147
61 - 90 days	4,404
Over 90 days	416,558
TOTAL	**1,286,310**
Less : Allowance for doubtful accounts	469,792
Net Trade Receivable	**816,518**

PHINMA CORPORATION
Consolidated Aging of A/R-Nontrade
As of March 31, 2017
in thousands

	Amount
Current	P548,475
1 - 30 days	-
31 - 60 days	-
61 - 90 days	-
Over 90 days	175,302
TOTAL	**P723,777**
Less : Allowance for doubtful accounts	175,302
Net AR - Non Trade	**P548,475**