

COVER SHEET

1 2 3 9 7

S.E.C. Registration Number

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

(Company's Full Name)

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

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

L I N A A N D R A D A

Contact Person

8 7 0 0 1 0 0

Company Telephone Number

1 2 3 1

Month Day
Calendar Year

June 2017
S E C 1 7 - Q

FORM TYPE

0 8 1 4 1 7

Month Day Year

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

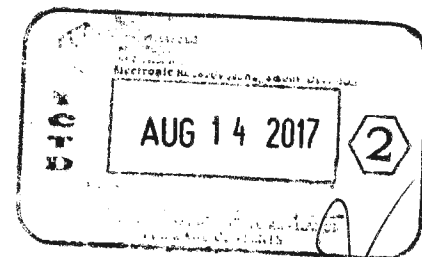
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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17 - Q

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE (SRC) AND SRC RULE 17 (2)(b) THEREUNDER**

1. For the quarterly period ended June 30, 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 - 284,929,565 shares issued and outstanding (net of treasury shares)
11. Are any or all of the securities listed on the Philippine Stock Exchange ?

Yes () No ()



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

Philippine Stock Exchange, Inc.

Common Shares

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

Yes [] No []

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

Yes [] No []

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PHINMA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited June 30, 2017	Audited Dec. 31, 2016
<i>(In Thousands)</i>		
ASSETS		
Current Assets		
Cash and cash equivalents (Note 9)	₱971,735	₱724,632
Investments held for trading (Note 10)	1,918,720	258,099
Trade and other receivables (Note 11)	2,161,330	1,666,806
Inventories (Note 12)	911,748	902,274
Input value-added taxes	13,068	13,370
Derivative asset and other current assets	160,107	119,555
Total Current Assets	6,136,708	3,684,736
Noncurrent Assets		
Investments in associates - at equity (Note 13)	3,333,408	3,395,128
AFS investments (Note 14)	66,679	67,929
Property, plant and equipment (Note 15)	4,467,152	4,291,043
Investment properties (Note 16)	788,998	864,001
Intangible assets (Note 17)	1,808,296	1,901,517
Deferred tax assets – net (Note 24)	121,570	136,311
Other noncurrent assets (Note 18)	53,001	45,555
Total Noncurrent Assets	10,639,104	10,701,484
	₱16,775,812	₱14,386,220

LIABILITIES AND EQUITY

Current Liabilities		
Notes payable (Note 19)	₱47,388	₱274,346
Trade and other payables (Note 20)	1,327,930	903,799
Unearned revenues	770,797	497,529
Trust receipts payable	415,545	10,570
Income and other taxes payable	88,743	103,484
Due to related parties (Note 23)	73,837	228,807
Current portion of long-term debt (Note 21)	272,933	114,040
Other current liabilities	10,623	-
Total Current Liabilities	3,007,797	2,132,575

	Unaudited	Audited
	June 30, 2017	Dec. 31, 2016
<i>(In Thousands)</i>		
Noncurrent Liabilities		
Long-term debt – net of current portion (Note 21)	₱4,977,089	₱3,218,487
Deferred tax liabilities – net	398,841	406,082
Pension and other post-employment benefits	294,561	299,709
Deferred rent revenue - net of current portion	41,397	41,397
Other noncurrent liabilities	20,197	19,267
Total Noncurrent Liabilities	5,732,085	3,984,942
Total Liabilities	8,739,881	6,117,517
Equity attributable to equity holders of the parent		
Capital stock (Note 22)	2,863,311	2,604,284
Additional paid-in capital	259,248	259,248
Share in other comprehensive income of associates	28,204	21,322
Exchange differences on translation of foreign operations	-	54,293
Other reserves	203,332	200,576
Other comprehensive income	11,776	11,776
Retained earnings (Note 22)	3,786,369	4,147,707
Treasury shares (Note 22)	(16,395)	(16,337)
Equity attributable to equity holders of the parent	7,135,845	7,282,869
Non-controlling Interests	900,086	985,834
Total Equity	8,035,931	8,268,703
	₱16,775,812	₱14,386,220

PHINMA CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF INCOME

	For the Three (3) Months Ended June 30		For the Six (6) Months Ended June 30	
	2017	2016	2017	2016
	<i>(Amounts in Thousands)</i>			
REVENUES				
Sale of goods	₱1,074,407	₱1,045,206	₱2,074,240	₱2,026,614
Tuition, school fees and other services	409,495	434,477	953,433	898,053
Consultancy services	11,642	4,112	23,210	4,997
Rental income	12,495	2,146	25,240	8,031
Investment income	3,922	4,006	7,461	5,850
	1,511,961	1,489,947	3,083,584	2,943,545
COSTS AND EXPENSES				
Cost of sales	(890,561)	(838,442)	(1,697,441)	(1,612,160)
Cost of educational, hospital and consultancy service	(268,119)	(196,477)	(505,984)	(406,847)
Operating expenses	(344,007)	(340,796)	(709,876)	(668,571)
	(1,502,687)	(1,375,715)	(2,913,301)	(2,687,578)
OTHER INCOME (CHARGES)				
Equity in net earnings of associates (Note 13)	22,105	38,103	1,687	65,929
Interest expense and other financial charges	(62,525)	(42,703)	(113,830)	(90,204)
Gain (loss) on sale of asset	(5,733)	(9,643)	(5,858)	(9,333)
Foreign exchange gains (losses) - net	5,509	2,010	6,011	325
Gain (loss) on derivatives	(401)	-	(401)	-
Others - net	23,702	23,840	21,504	27,002
	(17,343)	11,607	(90,887)	(6,281)
INCOME BEFORE INCOME TAX	(8,069)	125,839	79,396	249,686
PROVISION FOR INCOME TAX (Notes 24)	14,497	36,022	53,499	71,548
INCOME FROM CONTINUING OPERATIONS	(₱22,566)	₱89,817	₱25,897	₱178,138
INCOME FROM DISCONTINUED OPERATIONS	(₱433)	₱20,680	(₱433)	₱23,321
NET INCOME	(₱22,999)	₱110,497	₱25,464	₱201,459
Net Income Attributable To				
Equity holders of the Parent	(₱23,246)	₱101,161	₱1,299	₱168,414
Non-controlling interest	247	9,336	24,165	33,045
	(₱22,999)	₱110,497	₱25,464	₱201,459
Basic/Diluted Earnings Per Common Share - Attributable to Equity Holders of the Parent (Notes 26)	₱0.08	₱0.36	₱0.005	₱0.59

PHINMA CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
	<i>(Amounts in Thousands)</i>			
NET INCOME	(P22,999)	P110,497	P25,464	P201,459
OTHER COMPREHENSIVE INCOME				
Items that will be reclassified to profit or loss in subsequent periods:				
Share in unrealized gain (loss) on change in fair value of AFS investments of associates (Note 13)	555	2,697	6,882	4,205
Cumulative translation adjustments	(5,305)	(2,168)	-	-
Other comprehensive income	-	2,987	-	(369)
	(4,750)	3,516	6,882	3,836
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	P(27,749)	P114,013	P32,346	P205,295
Total Comprehensive Attributable To				
Equity holders of the Parent	(P27,399)	P102,113	P3,105	P169,203
Non-controlling interest	(350)	11,900	29,241	36,902
	(P27,749)	P114,013	P32,346	P205,295

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			Non-controlling Interests	Total Equity
								Appropriated	Unappropriated	Subtotal		
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	-	-	-	-	-	-	-	-	1,299	1,299	27,471	28,770
Other comprehensive income (loss)	-	-	-	-	-	-	6,882	-	-	6,882	-	6,882
Total comprehensive income	-	-	-	-	-	-	6,882	-	1,299	8,181	27,471	35,652
Dilution of non-controlling interest	-	-	-	-	1,375	-	-	-	-	1,375	(27,080)	(25,705)
Cash dividends	-	-	-	-	-	-	-	-	(103,610)	(103,610)	(75,210)	(178,820)
Stock dividends	259,027	-	-	-	-	-	-	-	(259,027)	-	-	-
Disposal of assets	-	-	-	(54,293)	1,381	-	-	-	-	(52,912)	(10,929)	(63,841)
Buyback of shares	-	-	(58)	-	-	-	-	-	-	(58)	-	(58)
Reversal of appropriation for investments	-	-	-	-	-	-	-	(1,200,000)	1,200,000	-	-	-
Balance, June 30, 2017	₱2,863,311	₱259,248	(₱16,395)	₱-	₱203,332	₱11,776	₱28,204	₱300,000	₱3,486,369	₱7,135,845	₱900,086	₱8,035,931
Balance, January 1, 2016	₱2,604,284	₱259,248	(₱13,593)	₱33,378	(₱23,444)	₱11,411	₱25,680	₱1,000,000	₱2,957,447	₱6,854,411	₱1,157,340	₱8,011,751
Net income	-	-	-	-	-	-	-	-	168,414	168,414	33,044	201,458
Other comprehensive income (loss)	-	-	-	(369)	-	-	4,205	-	-	3,836	-	3,836
Total comprehensive income	-	-	-	(369)	-	-	4,205	-	168,414	172,250	33,044	205,294
Cash dividends	-	-	-	-	-	-	-	-	(103,665)	(103,665)	(4,757)	(108,422)
Buyback of shares	-	-	(1,804)	-	-	-	-	-	-	(1,804)	-	(1,804)
Balance, June 30, 2016	₱2,604,284	₱259,248	(₱15,397)	₱33,009	(₱23,444)	₱11,411	₱29,885	₱1,000,000	₱3,022,196	₱6,921,192	₱1,185,627	₱8,106,819

PHINMA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	January – June 30,	
	2017	2016
	<i>(In Thousands)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	₱78,963	₱273,007
Adjustments for:		
Depreciation and amortization	150,708	121,064
Equity in net earnings of associates (Note 11)	1,687	(65,929)
Unrealized foreign exchange loss (gain) - net	(6,011)	-
Other non-cash expenses	(6,716)	37,960
Others	(6,485)	8,519
Operating income before working capital changes	212,146	374,621
Changes in working capital and others	174,889	302,055
Net cash provided by operating activities	387,035	676,676
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Investments held for trading	(1,660,621)	82,849
Available for sale investment	1,250	9,000
Property and equipment	(246,818)	(404,031)
Other noncurrent assets	100,520	20,475
Investments in subsidiaries	(106,753)	(160,974)
Installment receivable	-	(600)
Proceeds from sale of investment in a subsidiary	176,858	-
Proceeds from sale of PPE and investment properties	862	(21,209)
Dividends received	194	213,031
Net cash provided by (used in) investing activities	(1,734,508)	(261,459)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payments of) :		
Short-term borrowing	(226,958)	(196,257)
Long-term borrowing	1,917,495	(73,357)
Payment of cash dividends	(101,914)	(103,665)
Buy back of shares	(58)	(1,804)
Net cash provided by (used in) financing activities	1,588,565	(375,083)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	241,092	40,134
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	6,011	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	724,632	467,882
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱971,735	₱508,016

PHINMA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

PHINMA Corporation (PHN or the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on March 12, 1957. On August 2, 2006, the Philippine SEC approved the extension of the Parent Company's corporate life for another 50 years. On May 27, 2010, the Philippine SEC approved the change in the Parent Company's corporate name from Bacnotan Consolidated Industries, Inc. to PHINMA Corporation. Its principal activity is investment holdings of shares in various subsidiaries, associates and affiliates and other financial instruments.

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

Name of Subsidiaries	Nature of Business	Calendar/ Fiscal Yearend	June 30, 2017			December 31, 2016		
			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	97.84	–	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	–	77.85	78.64	–	78.64	78.64
Cagayan de Oro College, Inc. (COC) ^(b)	Educational institution	March 31	–	73.18	74.21	–	74.21	74.21
University of Iloilo (UI) ^(b)	Educational institution	March 31	–	69.23	69.79	–	69.79	69.79
University of Pangasinan (UPANG) and Subsidiary ^(b and c)	Educational institution	March 31	–	69.33	69.75	–	69.75	69.75
Southwestern University (SWU) ^(b and d)	Educational Institution	May 31	–	84.34	84.05	–	84.05	84.05
Fuld & Company, Inc. (Fuld U.S.) and Subsidiary	Business research	December 31	–	–	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	89.00	–	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..

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 six (6) months ended June 30, 2017 and 2016 were reviewed and recommended for approval by the Audit Committee on August 2, 2017. The same consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on August 3, 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.

Judgment

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

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

6. Business Combination and Goodwill

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

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

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

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

The Company accounted 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
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Less cash of acquired subsidiary	(81,126)
<u>Net cash outflow</u>	<u>₱2,426,950</u>

Transaction costs of ₱33.8 million were expensed and are included in “General and administrative expenses” in the consolidated statement of income and are part of operating cash flows for the year ended 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 June 30, 2017, Phinma Education Holdings, Inc. has fully paid the 1,682 common shares.

7. Assets related to disposal group and Liabilities related to disposal group

On October 11, 2016, Phronesis submitted a preliminary non-binding proposal to PHN to acquire the fully diluted issued shares of Fuld U.S. The parties agreed that Phronesis will be the exclusive potential buyer for a period of 90 days from October 11, 2016, extendable for additional 30 days upon mutual agreement. The proposal includes conditions prior to acquisition such as completion of due diligence, and execution and delivery of definitive transaction agreement and other related documents by each party including acquisition of NCI by PHN.

On March 27, 2017, PHN acquired 10.5 shares or 10.03% ownership interest from NCI of Fuld U.S. for US\$377,981 or ₱18.8 million.

Subsequently, on April 7, 2017, PHN acquired the 4.5 shares or 4.28% ownership interest from NCI of Fuld U.S. for a consideration of US\$308,162 or ₱ 15.4 million.

On June 7, 2017, PHN sold its 100 shares of stock in Fuld and Co., Inc. constituting 95.09% of the outstanding shares of Fuld, to Accretio Investments Pte., Ltd. Proceeds from the sale amounted to US\$3,619,830.00

As of June 30, 2017, assets and related liabilities as well as the result of operations of Fuld U.S. were classified as disposal group and as discontinued operations

The major classes of assets and liabilities of Fuld U.S classified as disposal group as at June 30, 2017 are as follows:

Assets:	
Cash and cash equivalents	₱35,409
Trade and other receivables - net	12,309
Investment in associates - at equity	2,074
Other current assets	12,334
Property, plant and equipment (see Note 14)	6,741
Deferred tax assets - net	26,686
Other noncurrent assets	9,451
Intangible assets - net (see Note 16)	156,020
	<u>261,024</u>
Liabilities:	
Trade and other payables	15,254

Unearned revenues	9,329
Income and other taxes payable	1,924
Deferred tax liabilities - net	27,754
Other noncurrent liabilities	9,681
	<u>63,942</u>
	<u><u>₱197,082</u></u>

The net cash flows incurred by Fuld U.S for the year are as follows:

Cash flows from operating activities:	
Loss before tax	(₱143,810)
Adjustment for:	
Impairment loss	191,184
Equity in net earnings of associates	(5,309)
Depreciation and amortization	2,203
Interest expense	1,733
Loss in disposal of property and equipment	262
Others	(7,932)
Operating income before working capital changes	<u>38,331</u>
Decrease in trade and other receivables	6,067
Decrease in:	
Trade and other payables	(8,450)
Unearned revenue	(11,437)
Net cash generated from operation	<u>24,511</u>
Interest paid	(1,733)
Income taxes paid	(258)
Net cash provided by operating activities	<u><u>22,520</u></u>
 Cash flow from an investing activity:	
Dividends received	<u>4,417</u>
Net cash provided by investing activities	<u><u>4,417</u></u>

Cash flow from a financing activity:	
Decrease in due to related parties	(P12,327)
Net cash used in financing activities	(12,327)
<hr/>	
Net increase in cash and cash equivalents	14,610
Effect of exchange rate changes on cash and cash equivalents	1,619
Cash and cash equivalents at the beginning of year	19,180
Cash and cash equivalents at end of the year	P35,409

The results of operations of Fuld U.S. classified as discontinued operations are presented below:

	2017	2016
Revenues:		
Consultancy services	P371,834	P365,504
Investment income	470	481
Total revenue	372,304	365,985
Cost of consultancy services	(20,908)	(4,671)
Gross profit	351,396	361,314
Operating Expenses:		
General and administrative expenses	194,978	214,170
Selling expenses	110,695	145,929
Total operating expenses	305,673	360,099
Other income (expense):		
Impairment loss	(191,184)	(10,343)
Equity in net earnings of associates	5,309	5,218
Interest expense and financing charges	(1,733)	(1,882)
Foreign exchange losses - net	(687)	(3,481)
Others	(1,239)	(5,127)
Total	(189,534)	(15,615)
Loss before income tax from discontinued operations	(143,811)	(14,400)
Provision for income tax:		
Current	2,438	1,511
Deferred	10,687	5,816
Net loss from discontinued operation	(P156,936)	(P21,727)

8. 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.

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

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.

Sale of UPMCI

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

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

Dilution of ownership interest of NCI in SWU

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.

9. Cash and Cash Equivalents

This account consists of:

	Unaudited	Audited
	June 30, 2017	Dec. 31, 2016
	<i>(In Thousands)</i>	
Cash on hand and in banks	₱288,732	₱244,923
Short-term deposits	683,003	479,709
	₱971,735	₱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.

10. Investments Held for Trading

This account consists of investments in:

	Unaudited	Audited
	June 30, 2017	Dec. 31, 2016
	<i>(In Thousands)</i>	
Unit Investment Trust Funds (UITFs)	₱1,911,836	₱251,095
Marketable equity securities	6,884	7,004
	₱1,918,720	₱258,099

11. Trade and Other Receivables

This account consists of:

	Unaudited	Audited
	June 30, 2017	Dec. 31, 2016
	<i>(In Thousands)</i>	
Trade	₱2,266,504	₱1,640,286
Due from related parties	22,397	95,753
Advances to suppliers and contractors	73,099	78,842
Receivable from PHN Retirement/Gratuity Plan (PHN Retirement)	8,939	8,939
Advances to officers and employees	19,489	13,529

Installment contract receivables	-	600
Others	413,142	437,061
	2,803,572	2,275,010
Less allowance for doubtful accounts	642,242	608,204
	₱2,161,330	₱1,666,806

12. Inventories

This account consists of:

	Unaudited	Audited
	June 30, 2017	Dec. 31, 2016
	<i>(In Thousands)</i>	
At cost:		
Finished goods	₱781,141	₱734,777
Raw materials	49,065	44,899
Other inventories	45,752	70,476
At net realizable value -		
Spare parts and others	35,790	52,122
	₱911,748	₱902,274

13. Investments in Associates

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

	Percentage of Ownership	
	June 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
Phinma Petroleum and Geothermal, Inc. (PPG, formerly Trans-asia Petroleum Corporation) (*)	12.99	12.99
Academy of Competitive Intelligence	-	47.50
Asia Coal Corporation (Asia Coal) **	12.08	12.08

(*) PPG is a subsidiary of PHEN, which is an associate of PHN. Thus, PPG 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
	June 30, 2017	Dec. 31, 2016
<i>(In Thousands)</i>		
Acquisition costs:		
Balance at beginning of year	₱3,073,857	₱3,062,459
Additions (disposal)	(205)	11,398
Balance at end of year	3,073,684	3,073,857
Accumulated equity in net income (losses):		
Balance at beginning of year	300,949	181,199
Equity in net earnings (losses)	(9,191)	230,021
Dividends	(53,660)	(110,271)
Balance at end of year	238,098	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	1,304	(4,358)
Balance at end of year	21,626	20,322
	₱3,333,408	₱3,395,128

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

	Unaudited	Audited
	June 30, 2017	Dec. 31, 2016
<i>(In Thousands)</i>		
PHEN*	₱2,266,200	₱2,239,394
PPHC	609,279	695,578
PPG**	138,163	138,727
Microtel Development Corporation	128,742	126,806
APHI	100,394	99,844
Coral Way	90,362	92,436
Academy of Competitive Intelligence***	-	2,075
Asia Coal	268	268
	₱3,333,408	₱3,395,128

*The fair value based on quoted share price amounted to ₱2.5 billion and ₱2.7 billion as at June 30, 2017 and December 31, 2016 respectively.

**The fair value based on quoted share price amounted to ₱88.7 million and ₱92.9 million as at June 30, 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 June 30, 2017 and December 31, 2016 follow:

	June 30, 2017			December 31, 2016		
	PHEN	PPHC	PPG	PHEN	PPHC	PPG
	(Amounts in Thousands)					
Current assets	₱9,363,284	₱4,333,935	₱84,379	₱8,672,504	₱4,254,154	₱89,716
Noncurrent assets	12,175,324	536,964	80,381	11,955,391	496,320	80,139
Current liabilities	(4,668,399)	(2,121,324)	(216)	(4,510,058)	(1,819,903)	(773)
Noncurrent liabilities	(7,785,566)	(1,452,189)	(54)	(7,116,293)	(1,449,383)	(239)
Non-controlling interests	(82,584)	–	(2,400)	(84,706)	–	(2,409)
	9,002,059	1,297,385	162,090	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	2,362,140	459,534	21,056	2,339,778	524,637	21,620
Valuation differences	(95,940)	149,745	117,107	(100,834)	170,941	117,107
Carrying amount of the investments	₱2,266,200	₱609,279	₱138,163	₱2,239,394	₱695,578	₱138,727

Summarized statements of comprehensive income follow:

	June 30, 2017			December 31, 2016		
	PHEN	PPHC	PPG	PHEN	PPHC	PPG
Revenues	₱8,323,983	₱612,233	₱–	₱15,477,873	₱1,672,830	₱–
Cost of sales	(7,955,829)	(546,108)	–	(14,105,874)	(1,532,444)	–
Depreciation and amortization	(207,900)	(7,593)	(41)	(413,091)	(17,935)	(50)
Interest income	32,870	12,142	7	46,077	21,286	11
Interest expense	(268,875)	(60,913)	–	(468,485)	(87,731)	–
Other income (expenses) - net	286,020	(187,361)	(4,504)	906,482	(272,884)	(40,030)
Net income (loss) before tax	210,269	(177,600)	(4,538)	1,442,982	(328,890)	(40,069)
Income tax	87,902	(6,204)	185	(60,451)	74,567	(247)
Net income (loss)	298,171	(183,804)	(4,353)	1,382,531	(254,323)	(40,316)
Other comprehensive income (loss)	(2,819)	–	–	2,141	(2,397)	–
Total comprehensive income	₱295,352	(₱183,804)	(₱4,353)	₱1,384,672	(₱256,720)	(₱40,316)
Company's share of total comprehensive income (loss)	₱77,500	(₱65,103)	(₱565)	₱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 / PPG

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.

On May 31, 2017, the Securities and Exchange Commission approved the change in name of Trans-Asia Petroleum Corporation to PHINMA Petroleum and Geothermal, Inc. .

The Parent Company acquired additional shares in PHEN amounting to ₱.3 million and ₱11.4 million during the 1st semester 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 was paid in June 2017.

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.

14. AFS Investments

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

	Unaudited	Audited
	June 30, 2017	Dec. 31, 2016
	<i>(In Thousands)</i>	
Unquoted equity securities	₱98,635	₱99,885
Quoted equity securities	13,561	13,561
Accumulated impairment losses	(45,517)	(45,517)
	₱66,679	₱67,929

15. Property, Plant and Equipment

This account consists of:

	January 1,			Reclassifi-	Discontinued	June 30,
	2017	Additions	Disposals	cation	Operation	2017
	<i>(In Thousands)</i>					
Cost						
Land	₱1,973,333	₱38,904	₱-	₱-	₱-	₱2,012,237
Plant site improvements	101,942	1,683	(2,481)	(256)	-	100,888
Buildings and improvements	2,262,730	48,278	(11,108)	31,292	(2,811)	2,328,381
Machinery and equipment	1,282,882	17,631	(247)	(2,113)	(1,625)	1,296,528

Transportation and other equipment	397,170	18,748	(10,139)	–	(6,778)	399,001
	6,018,057	125,244	(23,975)	28,923	(11,214)	6,137,035
Less Accumulated Depreciation						
Plant site improvements	P40,190	P2,248	(P2,481)	(P256)	-	P39,701
Buildings and improvements	784,233	66,671	(9,675)	(651)	(522)	840,056
Machinery and equipment	822,382	59,236	(230)	(5,227)	(2,561)	873,600
Transportation and other equipment	274,789	11,518	(10,103)	89	(1,390)	274,903
	1,921,594	139,673	(22,489)	(6,045)	(4,473)	2,028,260
	4,096,463	(14,429)	(1,486)	34,968	(6,741)	4,108,775
Construction in progress	194,580	198,899	-	(35,102)	-	358,377
Net Book Value	P4,291,043	P184,470	(P1,486)	(P134)	(6,741)	P4,467,152

	January 1, 2016	Additions	Disposals	Reclassifications	December 31, 2016
Cost					
Land	P1,967,869	P32,619	(P27,014)	(P141)	P1,973,333
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	P4,184,089	P150,806	(P29,830)	(P14,022)	P4,291,043

16. Investment Properties

This account consists of:

	January 1, 2017	Additions	Disposals (see Note 10)	June 30, 2017
Cost:				
Land	P813,334	P-	(P71,930)	P741,404
Buildings for lease	94,579	-	-	94,579
	907,913	-	(71,930)	835,983
Less accumulated depreciation -				
Buildings for lease	43,912	3,073	-	46,985
	P864,001	(P3,073)	(P71,930)	P788,998

	January 1, 2016	Additions	Disposals	December 31, 2016
Cost:				
Land	P1,069,480	P850	(P256,996)	P813,334
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
	P1,126,294	(P5,297)	(P256,996)	P864,001

17. 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	P165,638	P22,088	P22,080	P50,435	P2,385,580	P2,645,821
Translation Adjustment	-	-	-	2,851	18,671	21,522
At December 31, 2016	P165,638	P22,088	P22,080	P53,286	P2,404,251	P2,667,343
Adjustment	-	-	-	-	125,304	125,304
Disposal	-	-	-	(53,286)	(157,277)	(210,563)
At June 30, 2017	P165,638	P22,088	P22,080	P-	P2,372,278	P2,585,084
Amortization and Impairment						
At January 1, 2016	P138,791	P8,836	P22,080	P-	P389,012	P558,719
Amortization	11,505	4,418	-	-	-	15,923
Impairment	-	-	-	-	191,184	191,184
At December 31, 2016	P150,296	P13,254	P22,080	P-	P580,196	P765,826
Amortization	5,753	2,209	-	-	-	7,962
At June 30, 2017	P156,049	P15,463	P22,080	P-	P580,196	P773,788
Net Book Value						
At June 30, 2017	P9,589	P6,625	P-	P-	P1,792,082	P1,808,296
At December 31, 2016	P15,341	P8,835	P-	P50,435	P1,996,568	P2,087,102

18. Other Noncurrent Assets

This account consists of:

	Unaudited June 30, 2017	Audited Dec. 31, 2016
	<i>(In Thousands)</i>	
Refundable deposits	P9,871	P20,414
Installment contract receivable	-	600
Long-term receivable	-	11,937
Others - net	43,130	12,604
	P53,001	P45,555

19. Notes Payable

This account consists of notes payable of :

	Unaudited	Audited
	June 30, 2017	Dec. 31, 2016
	<i>(In Thousands)</i>	
UGC	P44,888	P271,846
AU	2,500	2,500
	P47,388	P274,346

20. Trade and Other Payables

This account consists of:

	Unaudited	Audited
	June 30, 2017	Dec. 31, 2016
	<i>(In Thousands)</i>	
Trade	P349,065	P162,370
Accruals for :		
Professional fees and others	95,870	42,298
Personnel costs	63,876	57,084
Interest	25,640	7,610
Freight, hauling and handling	16,160	13,769
Customers' deposits	129,506	121,995
Dividends	71,013	111,114
Others	576,800	387,559
	P1,327,930	P903,799

21. Long-term Debt

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

	Unaudited	Audited
	June 30, 2017	Dec. 31, 2016
	<i>(In Thousands)</i>	
PEHI	P2,300,000	P2,300,000
PHN	2,000,000	-
UGC	526,876	555,626
UPANG	198,196	216,186
PSHC	128,628	128,628
AU	81,250	87,500
COC	48,109	63,219
	5,283,059	3,351,159
Less debt issuance cost	33,037	18,632
	5,250,022	3,332,527
Less current portion - net of debt issuance cost	272,933	114,040
	P4,977,089	P3,218,487

The balance of unamortized debt issuance cost follows:

	Unaudited	Audited
	June 30, 2017	Dec. 31, 2016
	(Amounts in Thousands)	
Beginning of year	₱18,632	₱6,516
Additions	15,155	13,923
Amortization	(750)	(1,807)
End of year	₱33,037	₱18,632

PHN

On May 23 and 30, 2017 PHN obtained a ten-year term loan from Security Bank Corporation (SBC) in the amount of ₱1.0 billion and ₱1.0 billion, respectively. Below is a summary of the terms of the said loans:

Bank	SBC
Amount drawn	₱2.0 billion
Tenure	Ten (10) years term loan inclusive of three (3) years grace period
Repayment	Principal repayment shall commence at the end of the 3 rd year from initial drawdown date ; balloon payment on maturity date.
Prepayment	Allowed starting at the end of the 12 th quarter from the 1 st drawdown date subject to certain conditions
Drawdown date	May 23 and 30, 2017
Start of amortization payment	August 24, 2020
End of term loan	May 21, 2027
Interest rate	6.0%

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	March 7, 2019

payment	
End of term loan	December 7, 2025
Interest rate	Repricing after 7 th year: interest rate then current (6.0762%) or applicable 3-year benchmark rate + 1.40% spread, or 5.00% floor rate, whichever is higher

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

Bank	CBC
Amount drawn	₱500.0 million
Tenure	Ten (10) years term loan.
Repayment	Principal shall be payable in 27 equal quarterly repayment of ₱3.75 million and final quarter payment of ₱398.8 million
Drawdown date	December 8, 2015
Start of amortization payment	March 8, 2019
End of term loan	December 8, 2025
Interest rate	Repricing after 5 th year: interest rate then current (5.3227%) or applicable 5-year benchmark rate + 1.35% spread, or 5.00% floor rate, whichever is higher.

Bank	CBC
Amount drawn	₱400.0 million
Tenure	Ten (10) years term loan with 3 years grace period on principal repayment from date of initial drawdown.
Repayment	Principal shall be payable in 28 equal quarterly repayment of ₱3.0 million and final quarter payment of ₱319.0 million
Drawdown date	December 8, 2015

Start of amortization payment	March 8, 2019
End of term loan	December 8, 2025
Interest rate	Repricing after 7 th year: interest rate then current (6.1257%) or applicable 3-year benchmark rate + 1.40% spread, or 5.00% floor rate, whichever is higher.

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 penalty provided there is at least Thirty (30) days prior written notice and prepayment shall be done on Interest Repricing Date
Drawdown date	November 5, 2015
Start of amortization payment	December 31, 2015
End of term loan	November 5, 2025
Interest rate	The interest rate on the BDO loan commencing from the borrowing date up to the last day immediately preceding the interest repricing date is based on a 5-year PDST-R2 plus a 1.4% spread or 5.5%, whichever is higher, and for the interest period commencing from the interest repricing date and each succeeding interest periods until the maturity date, the interest rate is the rate to be negotiated by the parties within 30 banking days prior to interest repricing date.
Collateral	A parcel of land with improvements thereon located along Davao-Agusan Highway, Brgy. Ilang, Davao City Four (4) parcel of land with improvements thereon located along Chipeco Avenue extension corner Villa de Calamba Road, Barangay Real, Calamba City.
Use of proceeds	Working capital requirements

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

Start of amortization 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 June 30, 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 (7 th) year based on the interest rate then current or the 3 day average of 3-year PDST R-2 plus 1.42%, whichever is higher.

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).

22. Equity

a. Capital Stock

The composition of the Parent Company's capital stock as of June 30, 2017 and December 31, 2016 is as follows:

	Number of Shares	
	Unaudited	Audited
	June 30, 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	286,303,550	260,400,814
Subscribed	39,994	39,994
Issued and subscribed	286,343,544	260,440,808
Treasury shares	1,413,979	1,408,979

The issued and outstanding shares as at June 30, 2017 and December 31, 2016 are held by 1,232 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 June 30, 2017 and December 31, 2016 .

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

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 was paid on April 21, 2017.

On April 18, 2017, the Parent Company's BOD declared a 10% stock dividend payable on June 30, 2017 to shareholders of record as of June 6, 2017 and was approved by the stockholders last May 15, 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 amounting 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	<p>One-third of the shares shall not be sold or transferred to a 3rd party for at least one year from the date of each purchase or until retirement whichever comes first. Another one-third of the shares shall not be sold or transferred to a 3rd party for at least two years from the date of each purchase or until retirement whichever comes first.</p> <p>The last one-third of the shares shall not be sold or transferred to a 3rd party for at least three years from the date of each purchase or until retirement whichever comes first.</p> <p>Any such sale or transfer shall be considered null and void.</p>

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

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

As at June 30, 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 June 30, 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).

23. 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:

		June 30, 2017				
Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 11)	Terms	Conditions

(Amounts in Thousands)

June 30, 2017

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	₱32,911	₱72,399	₱1,433	Noninterest- bearing	Unsecured, no impairment
	Grant of interest bearing advances	49,968	-	-	2.50%, 46 days	Unsecured no impairment
Associates (PPHC)	Sale of assets	-	-	18,900	Noninterest- bearing	Unsecured, no impairment
(PPHC & PHEN)	Share in expenses	1,992	-	819	Noninterest- bearing	Unsecured, no impairment
Other related parties (PPGC PFI, MDC)	Share in expenses	1,491	1,438	1,245	Noninterest- bearing	Unsecured, no impairment
		₱73,837		₱22,397		

December 31, 2016

Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 11)	Terms	Conditions
<u>Ultimate Parent</u> 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
<u>Associates</u> 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
<u>Other related parties</u> MDC, T-O Insurance, CIP II, PFI	Subscriptions payable	-	52,086	-	Noninterest-bearing	Unsecured, no impairment
	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 June 30, 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 ₱60.4 million and ₱102.5 million in June 30, 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 ₱52.3 million and ₱68.2 million as of June 30, 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 ₱28.4 million and ₱54.4 million in June 30, 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 ₱24.3 million and ₱36.2 million as of June 30, 2017 and December 31, 2016 respectively.

24. **Income Tax**

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

	Unaudited	Audited
	June 30, 2017	Dec. 31, 2016
<i>(In Thousands)</i>		
Deferred tax assets – net	₱121,570	₱185,597
Deferred tax liabilities - net	398,841	(455,368)
	(₱277,271)	(₱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:

Date Paid/Incurred	Expiry Date	MCIT	Amount	
			Fuld US*	NOLCO 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.

25. Pension and Other Post-employment Benefits

Pension and other post-employment benefits consist of:

	June 2017	December 2016
<i>In thousands</i>		
Net pension liability	₱251,976	₱260,695
Vacation and sick leave	42,586	39,014
	₱294,562	₱299,709

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

	June 2017	December 2016
<i>In thousands</i>		
Net pension expense	₱22,350	₱56,480
Vacation and sick leave	3,572	12,558
	₱25,922	₱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:

	June 2017	December 2016
<i>In thousands</i>		
Current service cost	₱22,350	₱44,290
Net interest cost	-	12,190
Net pension expense	₱22,350	₱56,480

Details of net pension liability are as follows:

	June 2017	December 2016
<i>In thousands</i>		
Present value of defined benefit obligation	₱541,766	₱539,985
Fair value of plan assets	(289,790)	(279,290)
Pension liability	₱251,976	₱260,695

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

	June 2017	December 2016
<i>In thousands</i>		
Balance at beginning of year	₱539,985	₱441,871
Current service cost	22,350	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	(20,569)	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	₱541,766	₱539,985

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

	June 2017	December 2016
	<i>In thousands</i>	
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	10,500	43,818
Interest income included in net interest cost	-	9,179
Benefits paid	-	(6,436)
Balance at end of year	₱289,790	₱279,290
Actual return on plan assets	₱-	₱15,891

Change in net pension liability are as follows:

	June 2017	December 2016
	<i>(Amounts in Thousands)</i>	
Balance at beginning of year	₱260,695	₱253,861
Pension expense	22,350	56,480
Contributions	(10,500)	(43,818)
Remeasurements in OCI	-	(11,621)
Acquisition and disposal of subsidiaries	(20,569)	40,010
Benefits paid from operating fund	-	(34,217)
Pension liability	₱251,976	₱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:

	June 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 June 30, 2017 and 2016, respectively. The major assets are as follows:

	June 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 June 30, 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:

	<u>December 2016</u>
	<u>Increase (Decrease)</u>
	<i>(Amounts in Thousands)</i>
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:

<u>Year</u>	<u>December 2016</u>
	<u>Amount</u>
	<i>(In Thousands)</i>
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:

	<u>June</u>
	<u>2017</u>
	<i>(Amounts in Thousands)</i>
Current service cost	₱3,572
Interest cost	-
<u>Vacation and sick leave expense</u>	<u>₱3,572</u>

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

	June 2017	December 2016
	<i>(Amounts in Thousands)</i>	
Balance at beginning of year	₱39,014	₱40,172
Current service cost	3,572	10,611
Interest cost	-	1,947
Benefits paid	-	(13,716)
Balance at end of year	₱42,586	₱39,014

26. EPS Computation

	Unaudited	
	June 30, 2017	June 30, 2016
(a) Net income attributable to equity holders of the parent	₱1,299	₱168,414
(b) Number of shares outstanding at beginning of year	284,930	284,930
Basic/Diluted EPS attributable to equity holders of the parent (a/e)	₱.005	₱.59

27. 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 – ICI Asia, Inc. (formerly Fuld Philippines, Inc.) is engaged in strategic consulting.

The Company has no geographical segment for segment reporting format as the Company's risks and rates of return are substantially in the same economic and political environment, with the companies incorporated and operated in the Philippines.

The BOD (Chief Operating Decision Maker) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Segment result is defined as the segment's income generated from its own operations, net of its share in the equity in net earnings of

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

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

Segment Information

Financial information on the operating segments are summarized as follows:

	Investment Holdings	Property Development	Steel	Energy	Educational Services	BPO	Eliminations	Total Operations	Discontinued Operations	Total Operations
<i>(In Thousands)</i>										
For the Period January – June 30, 2017										
Revenues										
Segment revenue	P347,218	P954	P2,074,258	-	P970,147	P23,210	(P339,470)	P3,076,317	-	P3,076,317
Investment income	5,502	766	443	-	556	-	-	7,267	-	7,267
Total revenues	P352,720	P1,720	P2,074,701	-	P970,703	P23,210	(P339,470)	P3,083,584	-	3,083,584
Results										
Segment results	P269,621	(P8,839)	P171,639	-	P91,246	P3,536	(P342,931)	P184,272	(P433)	P183,839
Investment income	5,502	766	433	-	556	-	-	7,267	-	7,267
Equity in net earnings of an associate	-	(77,396)	-	78,797	-	-	286	1,687	-	1,687
Interest expense and financing charges	(12,954)	-	(27,024)	-	(73,856)	4	-	(113,830)	-	(113,830)
Benefit from (provision for) income tax	(362)	(10)	(43,312)	-	(8,812)	(1,003)	-	(53,499)	-	(53,499)
Share of non-controlling interest	-	-	-	-	(33,089)	-	8,923	(24,165)	-	(24,165)
Net income attributable to equity holders of parent	P261,807	(P85,479)	P101,746	P78,797	(P23,955)	P2,537	(P333,721)	P1,732	(P433)	P1,299

	Investment Holdings	Property Development	Steel	Energy	Educational Services	BPO	Eliminations	Total Operations	Discontinued Operations	Total Operations
<i>(In Thousands)</i>										
For the Period January – June 30, 2016										
Revenues										
Segment revenue	P209,109	P841	P2,026,614	-	P897,696	P9,626	(P206,425)	P2,937,461	P179,360	P3,076,317
Investment income	3,952	1,775	-	-	357	-	-	6,084	-	6,084
Total revenues	P213,061	P2,616	P2,026,614	-	P898,053	P9,626	(P206,425)	P2,943,545	P179,360	P3,122,905
Results										
Segment results	P154,641	P63	P211,612	-	P129,738	(P7,742)	(P202,405)	P267,877	P23,321	P291,198
Investment income	3,952	1,775	-	-	357	-	-	6,084	-	6,084
Equity in net earnings of an associate	-	(57,616)	-	142,461	-	-	(18,917)	65,929	-	65,929
Interest expense and financing charges	(1,106)	-	(22,571)	-	(66,494)	(133)	-	(90,204)	-	(90,204)
Benefit from (provision for) income tax	(267)	(21)	(56,552)	-	(14,642)	(66)	-	(71,548)	-	(71,548)
Share of non-controlling interest	-	-	-	-	(34,052)	-	1,006	(33,045)	-	(33,045)
Net income attributable to equity holders of parent	P139,190	(P55,799)	P132,489	P142,461	P14,908	(P7,841)	(P220,315)	P145,093	P23,321	P168,414

	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

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

For the six months ended June 30, 2017, consolidated revenues of Phinma Corporation (PHN) amounted to P3.1 billion, a 5% increase over revenues of P2.9 billion for the same period in the previous year. Revenues of subsidiary Union Galvasteel Corporation increased 2% to P2.1 billion.

Phinma Education Holdings, Inc. (Phinma Education), the Corporation’s education holding company, posted an increase in total network enrollment to 58,845 students for the first semester school year 2017/18, an increase of 8% from the previous year. Total revenue increased 8% to P970 million in the first half of 2017. Phinma Education’s consolidated net income, however, decreased from P73 million to P32 million during the period primarily due to financial charges related to the acquisition of Southwestern University and one-off business development expenses for local expansion and for setting up of operations abroad.

Consolidated costs and expenses of PHN for the period increased by 8% to P2.9 billion mainly due to increased costs and expenses of UGC and Phinma Education. Income from operations decreased 33% to P 170 million over the period.

During the period, PHN equitized a net income of P 79 million from Phinma Energy Corporation. This was partially offset by equitized loss from Phinma Property Holdings Corporation amounting to P 65 million.

Consolidated net income of the company for the period decreased from P201 million in 2016 to P25 million in 2017 while net income attributable to equity holders of the parent amounted to P1 million for the first half of 2017.

The results of operations of PHN subsidiaries for the six months ended June 30, 2017 are as follows:

Union Galvasteel Corporation (UGC)

I. Marketing

For the six months ended June 30, 2017, the company sold 3.969 million sheets, 4% less than the 4.142 million sheets sold over the same period of 2016.

II. Production

For the six months ended June 30, 2017, the Color Line produced 24,620 metric tons, a 2% decrease over the 25,276 metric tons produced over the same period in the previous year.

The Calamba Polyurethane line produced 96,637 sheets in 2017, while the Davao polyurethane line produced of 32,516 sheets. Combined production volume of 129,153 sheets is lower than the previous year's output of 138,826 sheets.

III. Financials

With revenues of P2.1 billion for the six months ended June 30, 2017, gross income of P410 million was generated for a gross margin of 20% while net income amounted to P102 million compared to the previous year's net income of P132 million, a decrease of 23%.

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. (Phinma Education), the holding company for PHN's investment in education.

For the six months ended June 30, 2017, Phinma Education registered consolidated revenues of P970 million, an increase of 8% over consolidated revenue of P898 million registered in the comparable period of the previous year. Systemwide student enrollment increased 8% to 58,845 students for School Year (SY) 2017/18 compared to the previous year. Net income contribution to PHN however decreased to a net loss of P1 million for the first half of 2017 from P39 million in the previous year due to increased expenses from newly established international operations as well as increased financial charges.

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 six month period ending June 30, 2017, CAA posted revenue of P 1 million, costs and operating expenses of P20 million, and a net loss of P 23 million.

Fuld & Company, Inc. (Fuld US) and

Integrative Competitive Intelligence Asia, Inc. (formerly Fuld & Company Philippines, Inc.)

In June 2011, the Company acquired a majority interest in a US company, Fuld & Company, Inc. (Fuld US). Fuld US is a business research and consulting firm focusing on business and competitive intelligence.

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

On June 7, 2017, Phinma Corporation sold its shares in Fuld US to Accretio Investments Pte. Ltd. The sale of Fuld US will allow PHN to focus its efforts on Fuld Philippines, Inc., now renamed Integrative Competitive Intelligence Asia, Inc. (ICI Asia), as it develops new markets and opportunities in South East Asia.

For the six months ended June 30, 2017, ICI Asia posted revenues of P23 million and net income of P2.3 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 six month period ending June 30, 2017, API posted a net loss of P20 million due to equitized losses of affiliates.

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 June, 2017 compared to the same period in the previous year are shown in the following table:

Financial KPI	Definition	2017	2016
<u>Profitability</u>			
Return on Equity (ROE)	<u>Net income (loss)</u> Ave. total equity attributable to PHN equity holders	0.02%	2.44%
Gross Profit Margin	<u>Gross profit</u> Net sales	28.54%	31.41%
<u>Efficiency</u>			
Cash Flow Margin	<u>Cash flow from operating</u> <u>Activities</u>	12.55%	22.99%

	Net sales		
<u>Liquidity</u>			
Current Ratio	<u>Current assets</u> Current liabilities	2.04 : 1.00	1.73 : 1.00
Debt-to Equity Ratio	<u>Total liabilities</u> Total equity	1.09 : 1.00	0.74 : 1.00

Profitability

The return on equity for the period of 0.02% is lower than the 2.4% return for the same period in the previous year due to the decline in net income. Gross profit margin likewise decreased from 31.4% in 2016 to 28.5% in 2017 due to decrease in gross profit margins of UGC and Phinma Education.

Efficiency

Net cash inflow from operations was P387 million for the first half of 2017 compared to P677 million for the same period last year due to lower net income and increase in trade and other receivables from P1.7 billion last year to P2.2 billion this year.

Liquidity

Current ratio as of end June increased from 1.73:1.00 in 2016 to 2.04:1.00 in 2017 due to increase in Investments held for trading as a result of the availment of the P 2.0 billion term loan.

Debt-equity ratio of PHN and its subsidiaries as of end June 2017 was 1.09 : 1 .

The accompanying interim condensed consolidated financial statements of Phinma Corporation for the six (6) months ended June 30, 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. On any known trend, demand, commitment, event and uncertainty that will result in or likely to decrease its liquidity in any material way :

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

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

None

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

None

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

None

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

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

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

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

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

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

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

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 the P 2.0 B proceeds of the long-term loan of the parent company.

Trade and other receivables - net

The increase in the account is due to an increase in trade and other receivables of AU, COC, UPang and UI in the total amount of P267 million, as the schools accrued in June tuition fee receivables for the first semester.

Other current assets

The P40 million increase in the account is mainly due to AU, COC, and UPang.

Investment properties

The decrease in the account in the amount of P75 million represents the sale of land of SWU classified as investment property.

Intangibles

The decrease in the account in the amount of P93 million represents derecognition of the goodwill and trademark arising from the investment in Fuld US. The shares in the said company were sold in June 2017.

Deferred tax assets

The decrease in the account represents a decrease in deferred tax assets of SWU in the total amount of P15 million.

Other noncurrent assets

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

LIABILITIES

Notes payable

The decrease in the account amounting to P227 million represents payment of short-term borrowings of UGC.

Trade and other payables

The increase in trade and other payables represents an increase in trade and other payables of the schools.

Trust receipts payable

The increase of P405 million in the account is attributable to an increase in UGC's trust receipts payable from P11 million as of December 31, 2016 to P416 million as of end June 2017.

Unearned revenues

This account increased during the start of the semester in June. Tuition fees for the semester are accrued as receivable at the start of the semester and the corresponding liability is booked under Unearned Revenues. The latter decreases as the revenue is earned over the semester.

Income and other taxes payable

The decrease in the account of P15 million represents a decrease in various tax payable of AU, COC and SWU in the amount of P15 million.

Due to related parties

The P155 million decrease in the account represents payment of accounts to the ultimate parent company.

Current portion of long-term debt

The P 159 million increase in the account represents the current portion of long-term debt of UGC which will fall due within the year.

Other current liabilities

The account represents other current liabilities of COC.

Long-term debt – net of current portion

The increase in the account represents the long-term loan avancement of the parent company in May 2017 amounting to P2 billion.

EQUITY

Capital stock

The increase in the account represents the 10% stock dividend which was distributed in June 2017.

Share in other comprehensive income of associates

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

Exchange differences on translation of foreign operations

The P54 million movement in the account represents the derecognition of the cumulative adjustments arising from the translation of the financial statements of Fuld & Company, Inc. from US dollars to Philippine pesos. The sale of shares of Fuld & Company, Inc. was completed on June 7, 2017.

Retained earnings

The decrease in the account represents the 10% stock dividend amounting to P259 million which was distributed last June 30, 2017 to stockholders of record as of June 6, 2017.

Material Changes in Income Statement Accounts

Revenues

The P140 million increase in the account is mainly due to an increase in revenues of UGC (P48 million), Phinma Education (P55 million) and ICI Asia (P 18 million).

Cost of Sales

The P184 million increase in cost of sales represents increase in cost of sales of UGC and the schools in the amount of P85 million and P94 million, respectively.

Operating expenses

The P41 million increase in the account represents an increase in operating expenses of Phinma Education amounting to P16 million, mainly due to business development expenses. PHN parent and SWU's operating expenses also increased by P20 million and P28 million, respectively.

Financial charges

The increase in financial charges in the amount of P24 million represents the interest on the loans of Phinma Education and PHN.

Equity in net earnings (losses) of associates

The P64 million decrease in the account is due to lower equitized income from Phinma Energy during the period.

Foreign exchange gain (loss)

Foreign exchange gain as of June 30, 2017 arose from the restatement of dollar placements and advances of the parent company from an average rate of P49.72 to P50.47 as of June 30, 2017.

Gain (Loss) on sale of asset

The movement in the account is due to the loss on sale of assets of SWU in the amount of P8 million.

Gain (Loss) on derivatives

As of June 30, 2017, UGC booked a net derivative loss on settled contracts amounting to P401k.

Other income (charges)

The decrease in the account represents other charges of AU in the amount of P4 million.

Provision for income tax

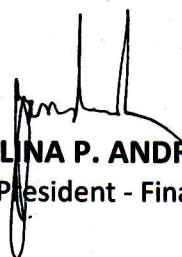
The decrease in provision for income tax from P72 million to P53 million is attributable to the decrease in income of UGC and SWU.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHINMA CORPORATION


REGINA B. ALVAREZ
Senior Vice President - Finance


RIZALINA P. ANDRADA
Vice President - Finance

August 14, 2017

PHINMA CORPORATION
Consolidated Aging of A/R-Trade
As of June 30, 2017

in thousands

	<u>Amount</u>
Current	1,135,527
1 - 30 days	112,692
31 - 60 days	112,293
61 - 90 days	110,788
Over 90 days	<u>795,204</u>
TOTAL	2,266,504
Less : Allowance for doubtful accounts	<u>475,362</u>
Net Trade Receivable	<u>1,791,142</u>

PHINMA CORPORATION
Consolidated Aging of A/R-Nontrade
As of June 30, 2017

in thousands

	<u>Amount</u>
Current	P316,486
1 - 30 days	118,848
31 - 60 days	20,133
61 - 90 days	8,178
Over 90 days	<u>73,423</u>
TOTAL	P537,068
Less : Allowance for doubtful accounts	<u>166,880</u>
Net AR - Non Trade	<u><u>P370,188</u></u>