PHINMA

Making Lives Better

Creating Better Value, Building Better Lives

2022 Annual and Sustainability Report

Contents

Interactive User Guide

The PHINMA Corporation 2022 Annual Report is created in interactive PDF. This allows the viewer to navigate the publication.

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Making Lives Better

The PHINMA Group is a conglomerate that has reached into several aspects of Filipinos' lives. Yet, while business may be what we do, it is not all that we are. We profit for a purpose: to lift and to better the lives of those who have allowed us into their day-to-day.

Our Businesses

PHINMA Corporation is a public company listed with the Philippine Stock Exchange (PSE) under the trading symbol PHN.

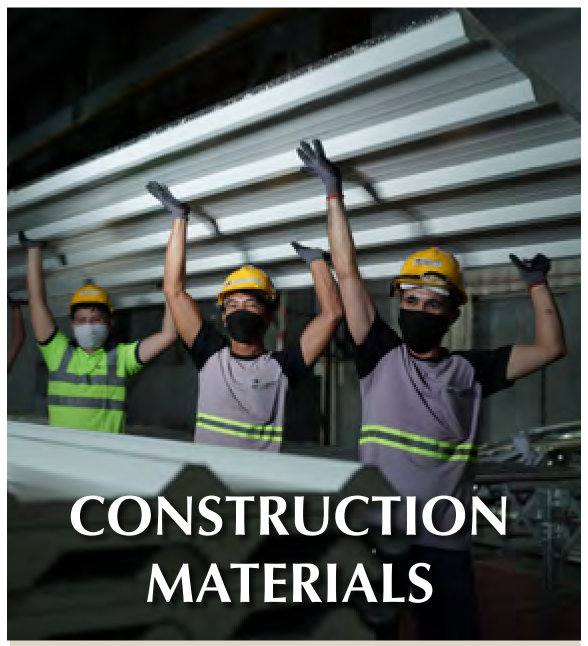
We have outlined the businesses we will focus on: Education, Construction Materials, Property Development and Hospitality. These businesses support a growing and younger demographic in different ways: from the facilities that meet the needs of travelers and home buyers, to quality education within the financial reach of the bottom quintiles.

Mission, Vision, and Values

The PHINMA Group's Mission is to help build our Nation through competitive and well-managed business enterprises that enable FIlipinos to attain a better quality of life. With professional and effective management as our distinctive edge, we aim to give communities, not only in the Philippines but wherever else we might find the need, improved access to the essentials of a dignified life.

In the pursuit of our Mission, we look to our tradition, our experience, our reputation, and above all, our people, as the principal factors that will enable us to achieve our lofty goals. The PHINMA Group will demonstrate that private business can mutually serve the needs of society and the aspirations of shareholders.

Making lives better by educating underserved youth



Making lives better by boosting construction and infrastructure

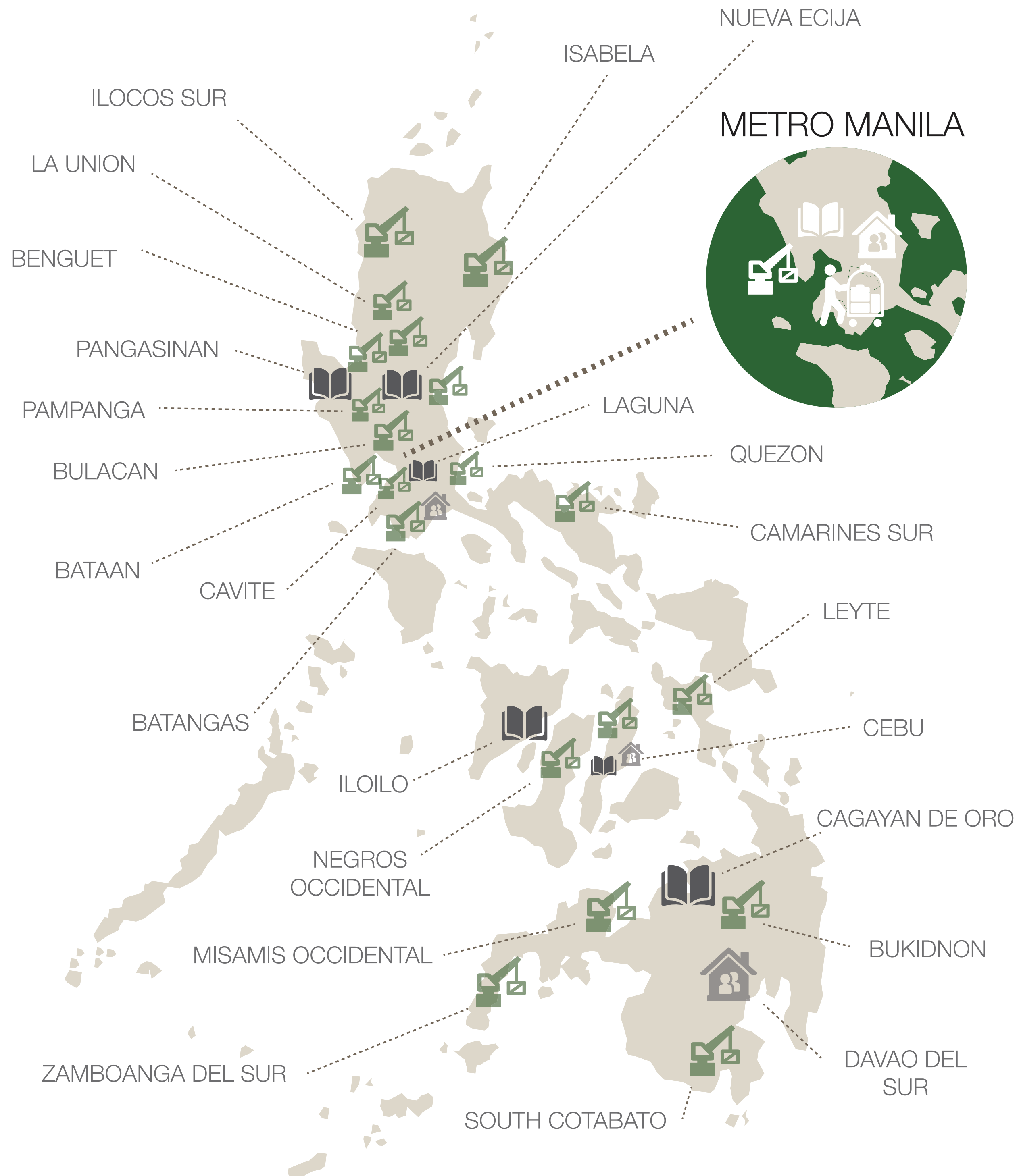
Making lives better by creating sustainable communities

Making lives better by providing safe and comfortable stays

Financial Highlights

PHINMA CORPORATION AND SUBSIDIARIES	2022	2021 (as restated)	2020
INCOME AND DIVIDENDS (In Thousand Pesos)			
Revenues	**17,664,582**	16,038,186	12,301,751
Net Income Attributable to PHN Equity Holders	**947,677**	1,128,965	172,637
Consolidated Net Income	**1,529,181**	1,880,196	521,940
Cash Dividend	**135,930**	108,927	109,004
FINANCIAL POSITION (In Thousand Pesos)			
Current Assets	**12,712,875**	12,251,241	10,326,060
Total Assets	**32,011,025**	30,146,092	24,472,415
Current Liabilities	**7,434,531**	7,173,141	6,753,050
Non-current Liabilities	**13,433,825**	13,000,383	9,165,951
Equity Attributable to PHN Equity Holders	**8,380,879**	7,488,944	6,579,992
Total Equity	**11,142,669**	9,972,568	8,553,414
PER SHARE (In Pesos)			
Earnings	**3.42**	4.15	0.63
Cash Dividend Per Share	**0.60**	0.50	0.40
Book Value of Common Shares	**29.27**	27.54	24.16
FINANCIAL RATIOS			
Current Ratio	**1.71**	1.71	1.53
Debt to Equity Ratio	**1.87**	2.02	1.86

Geographic Reach



INDONESIA

Education

Philippines:
Metro Manila
Pangasinan
Nueva Ecija
Laguna
Cebu
Iloilo
Cagayan de Oro

Southeast Asia:
Indonesia

Construction Materials

Bataan
Isabela
Ilocos Sur
Baguio
Urdaneta
Lucena
Butuan
Ozamis
General Santos
La Union
Pangasinan
Nueva Ecija
Pampanga
Cainta
Naga
Batangas
Tacloban
Cebu
Bacolod
Iloilo
Zamboanga
Davao
Cagayan de Oro
Calamba
Laoag
Bukidnon

Property Development

Metro Manila
Cebu City
Davao City
Laguna
Batangas
Bulacan
Cavite

Hospitality

Metro Manila

Message to Stockholders

Building Better Value for All

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

CHITO B. SALAZAR
President and Chief Operating Officer

Dear Shareholders,

PHINMA demonstrated strong top line growth in 2022 exhibiting resilience as it implemented strategies to adjust its businesses to continue to deliver essential goods and services to make lives better for our stakeholders. This is despite the disruption of global supply chains, high inflation and high interest rate regimes following the Russia-Ukraine war which significantly affected world economies. A strong US Dollar in response to US Fed rate hikes posed additional challenges to local producers importing raw materials. Despite the volatile global environment, we continue to invest to make a difference, harnessing our businesses for the better so that we can further our mission of providing families and communities with the essentials of a dignified life.

In 2022, your Company posted consolidated revenues of ₱17.7 billion, a 10% increase over the previous year. Consolidated net income declined to ₱1.5 billion as our strategic business units adjusted to the challenges posed by the volatile global environment. PHINMA Education Holdings, Inc. (PHINMA Education) had record enrollment while the continued revision in school opening schedules as well as increased costs from the return of face to face classes in 2022 resulted in a decline in net income. Our Construction Materials Group achieved its highest revenue levels last year but it posted lower combined profits due to input cost increases arising from the global volatility. PHINMA Property Holdings Corporation (PHINMA Properties) conducted value engineering to address increased costs while Coral Way City Hotel Corporation (Coral Way) transitioned back to normal leisure and business travel bookings following the lifting of pandemic restrictions. The two affiliates of your Company, PHINMA Properties and Coral Way, registered improved operating results in 2022.

2022 Highlights

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

To address inflation and its effect on affordability of its programs, PHINMA Education partnered with education financing platforms to intensify flexible tuition payment plans for students. In addition, six out of ten students in the Philippines benefit from scholarships which effectively reduce tuition fees. This resulted in high retention rates in both the Philippines and Indonesia. PHINMA Education continued to achieve strong results in key indicators like board exams and graduate employment. PHINMA Education's board exam passing rates in the Philippines averaged 76% in 2022, well above the national average. The PHINMA Education schools also produced two board topnotchers last year, producing 137 topnotchers since 2004. In its first ever tracer study, PHINMA Education found that over half of its 2020 graduates were employed within six months after graduation, perhaps the best testament to how the company makes lives better.

PHINMA Education posted consolidated revenues of ₱4.1 billion in 2022, an 11% increase over the previous year. Net income attributable to shareholders of the parent, on the other hand, decreased to ₱633.5 million due to revisions in the school opening schedules effectively shortening the 2022 school year with nine months of regular classes in CY 2022 as compared to 11 months of regular classes in the previous year.

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

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

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

The Construction Materials Group combined posted revenues of ₱13.2 billion for 2022, a 9% increase over the previous year. Net income for the group of ₱494.9 million was lower than the previous year due to the abnormal global supply chain issues and the strong US Dollar.

PHINMA Properties seeks to make lives better through creating sustainable communities and townships for middle-income Filipino families. In 2022, PHINMA Properties closed the year with record high net reservations and revenue recognition leading to improved financial results. In our hospitality business, the two hotels operating under Coral Way City Hotel Corporation began recovering leisure and corporate bookings as pandemic restrictions were removed. Your Company correspondingly recognized higher earnings contributions from these two associates amounting to ₱58.0 million in 2022.

In 2022, your Company continued its value building plan by enhancing its visibility in the capital markets, managing its funding costs and focusing on cash generation. PHINMA launched the PHINMA Credential of Readiness (PHINMA CORE) Program to continue to develop its bench and to prepare for the future growth of its businesses.

PHINMA Corporation's strong business performance has allowed it to maintain a healthy balance sheet in 2022 with total assets of ₱32.0 billion, and a current ratio and debt-to-equity ratio of 1.71:1.00 and 1.87:1.00, respectively.

We are happy to report that the Board has declared a regular cash dividend of ₱0.60 per share, which is payable on 5 April 2023.

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

Last year, 47 deserving students were inducted into the PHINMA National Scholarship (PNS) program. With this addition, the program nurtured in 2022 a total of 150 scholars from Philippine Normal University, University of the Philippines, Polytechnic University of the Philippines, and PHINMA University of Pangasinan. As these scholars complete their tertiary education, they will add to PNS' growing list of alumni which currently numbers 252. More significant to note that the PHINMA Education network supports the schooling of about 60% of its student population with the Hawak Kamay scholarship, which reduces tuition by up to 75%, based on the student's capacity to pay. Hawak Kamay boasts of at least 74,000 beneficiaries, making it the single largest private sector-driven scholarship program in the country today.

2023 Outlook

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

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

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

For 2023, PHINMA Properties will continue existing vertical projects in Cebu City and Las Piñas City, and an ongoing horizontal project in Batangas, while also developing its first mixed-use township project in Western Visayas as it pursues a new direction to shape urban centers. PHINMA Corporation has also announced plans of an equity investment of up to ₱420 million in PHINMA Properties by 2024 to provide funding for this new initiative. Finally, following the lifting of pandemic and travel restrictions, we expect a recovery in the hotel industry and the return of Coral Way's pre-pandemic market for international and domestic leisure and corporate accommodations.

Despite global volatility, the past several years has been a period of remarkable growth for your Company driven primarily by our strategic business units. We would like to extend our gratitude to our management teams who share our passion to make lives better, strategically adapting their businesses to soldier on despite the challenging and unpredictable global environment. We also extend our thanks to our creditors, suppliers, and partners who continue to support us during these volatile times. To our shareholders, we reaffirm a long-term plan of mission orientation, succession planning, talent development, and investor relations, with the objective of returning value to our loyal investors and growing sustainably for many more years to come.

A Common Vision

At PHINMA, we believe successful enterprises are those composed of like minded individuals sharing a common vision that goes beyond profits. We believe business should be intentional and harnessed for the better – as an agent for nation building and to improve lives. To do good while doing well and to make lives better – this is not just our mission, but a vision common to everyone in the company. We invite everyone to share in this vision in whatever capacity, to whatever extent, big or small, as we can all make a difference and make lives better.

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

CHITO B. SALAZAR
President and Chief Operating Officer

We believe business should be intentional and harnessed for the better – as an agent for nation building and to improve lives. To do good while doing well and to make lives better – this is not just our mission but a vision common to everyone in the company.

PHINMA Education is poised to expand even further as it continues to provide quality education in the country and throughout Southeast Asia.

BUSINESS REVIEW: EDUCATION

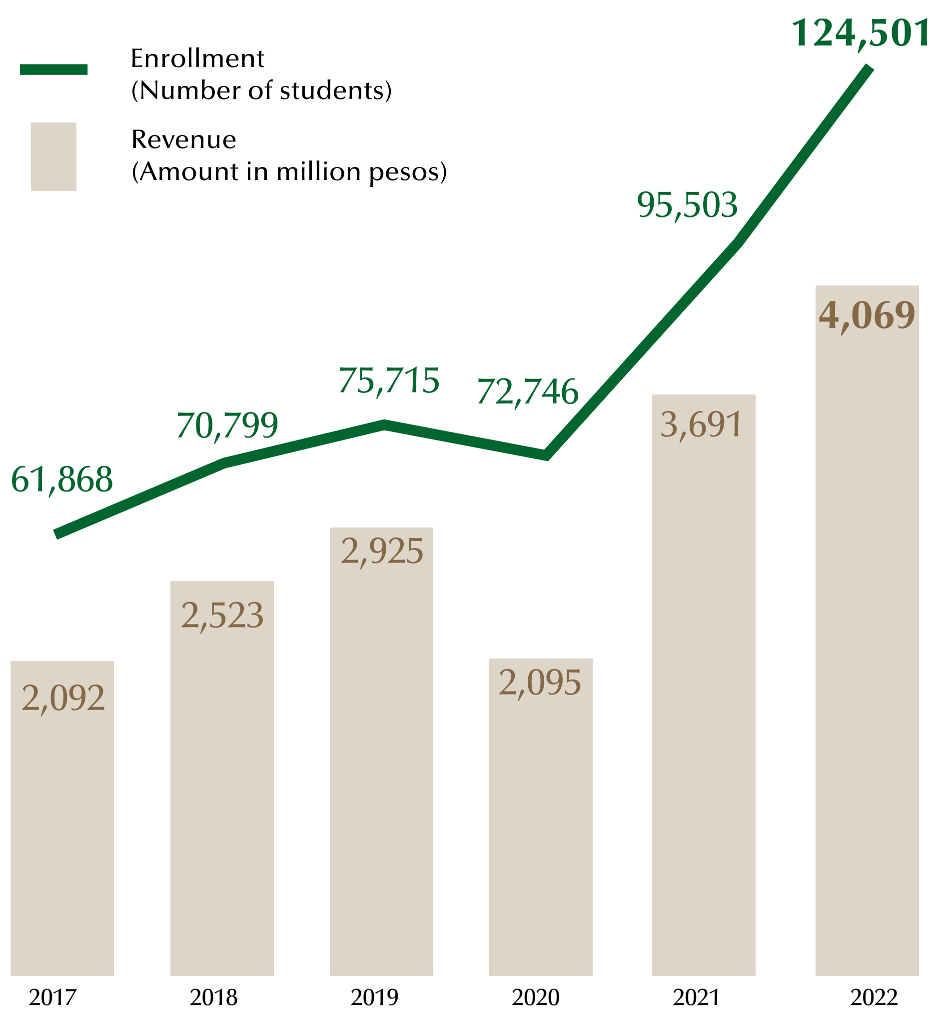
Making Lives Better by Educating Underserved Youth

₱4.1B

Consolidated Revenues for 2022, an 11% increase from previous year

124,501

Highest enrollment with a 30% increase from previous year



PHINMA Education Holdings, Inc. (PHINMA Education) makes lives better by providing quality education to underserved youth in Southeast Asia. Through learning strategies designed for low-income, first generation students, PHINMA Education brings students closer to a dignified life. Beyond making lives better for students, it also empowers them to make lives better for others.

PHINMA Education owns and operates nine schools in key cities in the Philippines:

- PHINMA Araullo University (PHINMA AU)
- PHINMA Cagayan de Oro College (PHINMA COC)
- PHINMA University of Pangasinan (PHINMA UPang)
- Southwestern University PHINMA (SWU PHINMA)
- PHINMA University of Iloilo (PHINMA UI)
- PHINMA St. Jude College (PHINMA SJC)
- PHINMA Republican College (PHINMA RC)
- PHINMA Rizal College of Laguna (PHINMA RCL)
- PHINMA Union College of Laguna (PHINMA UCL)

In Indonesia, PHINMA Education, together with Tripersada Global Management, established PT IndPhil Management to oversee tertiary institutions for Yayasan Triputra Persada Horizon Education. The first school is located in Karawang, West Java, and caters to underserved markets not just in Karawang but Bekasi, Subang, and Purwakarta as well.

In SY 2022-2023, PHINMA Education became the largest tertiary education network in the Philippines. It posted its highest enrollment ever by welcoming 124,501 students in the Philippines and Indonesia, a 30% network-wide increase over the previous year. This resulted in Consolidated Revenues of ₱4.1 billion in 2022, marking an 11% increase over the previous year. Net income attributable to shareholders of the parent decreased to ₱633.5 million from ₱838.6 million in the previous year due to a revision in the school opening schedules reflecting a nine-month school year for 2022 compared to an 11-month school year in 2021. Costs also increased during the period due to the return of face to face classes.

In anticipation of continued enrolment growth, the schools improved facilities and expanded to serve more students. Recent and upcoming expansions include the new San Jose campus of PHINMA AU, plans to build a seven-storey building with a roof deck in PHINMA UPang, a ten-storey classroom building in PHINMA UI, a ten-storey school building in SWU PHINMA, a seven-storey school building in PHINMA COC, a five-storey school building in PHINMA RCL, and a four-storey building in Iligan. In Indonesia, Horizon Hall was recently inaugurated, and there are upcoming renovations in the nursing and computer laboratories, campus library, and classrooms.

PHINMA Education brings students closer to a dignified life. Beyond making lives better for students, it also empowers them to make lives better for others.

In service to its mission, PHINMA Education places an emphasis on student retention and it tailors its offerings in consideration of the limited resources of its market. Six out of 10 students in the Philippines benefit from scholarships which reduce tuition fees by up to 75%, while similar programs are available in Indonesia as well. PHINMA Education has also partnered with Bukas, an education financing platform, to enhance access to flexible tuition installment payment plans for students. Through these efforts, PHINMA Education's student retention rate was 86% in the Philippines and 92% in Indonesia by the end of SY 2021-2022.

PHINMA Education's first-time licensure exam passing rates in the Philippines in 2022 averaged 75.63%, well above the national passing rate of 61.30%. In the most recent Nursing Licensure Examinations, six of the PHINMA Education's participating schools averaged a 97.32% first-time board passing rate, with two topnotchers ranking eighth and ninth. Since 2004, PHINMA Education has produced 137 board topnotchers.

The quality of education is reflected even internationally, as graduates of SWU PHINMA go on to perform at the top of their respective home board examinations, with all graduates passing the Dentist Licensure Examination in Nigeria and Pakistan, the Nursing Licensure Examination in Nepal, and the Pharmacist Licensure Exam in Nigeria.

Last September, PHINMA Education published a tracer study which found that 71% of its 2020 cohort was employed, with half getting their first job within six months after graduation. This percentage is expected to increase as the economy continues to bounce back from the COVID-19 pandemic. To supplement employability efforts, PHINMA Education's Alumni and Corporate Engagement (ACE) office has more than 250 active companies in various industries that provide hiring, internship, and training for the students. Aside from online career fairs, graduating students go through mock interviews and feedback sessions to prepare them for actual job interviews. Students also attend webinars and career talks with industry partners.

PHINMA Education goes beyond academic achievement and employability. To empower students to become informed and participative citizens, it launched the Making Lives of Others Better (MLOB) program so that students can give back, build a better nation, and create a more sustainable future for all. The network launched the initial MLOB Fellowship Program for selected students in September 2022. This pioneer batch will continue on as mentors and co-facilitators for future MLOB Fellowship Programs.

For nearly two decades, PHINMA Education has proven that quality private education does not need to be expensive to be effective. Serving underserved students by tailoring its strategies to their needs, resources, and aspirations has made quality, private education accessible to more individuals. Through the diligent pursuit of this mission, PHINMA will continue to make lives better through education in years to come.

PHINMA CMG continues to deliver on its commitment to improve lives by providing materials to build a better future.

BUSINESS REVIEW: CONSTRUCTION MATERIALS

Making Lives Better by Boosting Construction and Infrastructure

₱13.3B

Combined revenues of CMG

9%

Year-on-year revenue growth

PHINMA Construction Materials Group (PHINMA CMG)—composed of Union Galvasteel Corporation (UGC), Philcement Corporation (Philcement), and PHINMA Solar Energy Corporation (PHINMA Solar)—makes lives better by boosting infrastructure development in both the public and private sectors.

Economic activity in the country further accelerated in 2022 as nationwide vaccination programs proved successful in reducing the health hazards posed by the COVID-19 virus. However, the Russia-Ukraine War dampened hopes for a full pandemic recovery, as global supply chains were disrupted, resulting in a sharp increase in the landed costs of inputs for the domestic construction industry. This was exacerbated by the weak Peso relative to the US Dollar, a result of aggressive rate hikes in the US in an effort to combat high inflation. The impact of these external conditions on the Philippines was more pronounced during the second half of the year, as high costs were combined with a slowdown in construction demand that is typical in the months following national elections. In spite of this, the industry managed to achieve double-digit growth in 2022, largely driven by the commercial sector.

As the high-cost environment persisted for most of the year, the PHINMA Construction Materials Group was challenged in maintaining margins and focused on sustainably improving its top line. With various operations adjustments quickly implemented by a highly resilient and competent management team, PHINMA CMG still managed to deliver respectable results.

Throughout the year, UGC continued its cost optimization and margin improvement measures. Most notably, UGC established distinct divisions for two promising businesses, Light Steel Frames and Insulated Panels, to accord them greater attention and increase their top line contributions to the company. The Light Steel Frames division provides an economic and versatile substitute to wooden frames, which are prone to exposure to the elements. Meanwhile, the Insulated Panels division provides solutions to the cold chain needs and food security woes of the country. The two divisions, along with its core roofing products, complete the portfolio of PHINMA CMG's flat steel business, positioning it to capture stronger growth as the global economy normalizes while also driving PHINMA's sustainability agenda.

The PHINMA Construction Materials Group makes lives better by boosting infrastructure development in both the public and private sectors.

Philcement successfully improved its sales performance in 2022 through the introduction of superior product offerings and optimized logistical efficiency. To address the substantial increase in costs, Philcement recalibrated its strategies to focus on geographical, market, and product segments with higher margins, and continued to strengthen its relationships with customers.

PHINMA Solar, throughout the year, continued to vigorously expand its position in the residential market while also effectively reducing its build cost. Leveraging on its synergies with UGC, PHINMA Solar strengthened its joint selling efforts. The company also improved market coverage and operational efficiencies by streamlining internal processes. PHINMA Solar also explored new product lines to expand its current portfolio.

PHINMA CMG finished 2022 with the three companies generating combined revenues of ₱13.3 billion, an increase of 9% over the previous year. The group posted net income attributable to shareholders of parent of ₱494.9 million, lower than the previous year, due to higher input costs faced resulting from global supply disruptions and foreign exchange volatility.

With the worst of the pandemic hopefully behind us and as the impact of the Russia-Ukraine War on the global economy stabilizes, PHINMA CMG is cautiously optimistic for the future. UGC, celebrating its 60th year in 2023, has a pipeline of new products with strong potential to cater to current market needs. Its Insulated Panels division is in the final stages of setting up a separate business unit to address the cold chain infrastructure gaps and food security needs of the country as well. Meanwhile, the cement business continues to invest as a testament to its key role in infrastructure development in the country. Likewise, PHINMA Solar is gearing up to provide more Filipinos with energy security in a more sustainable manner. The group commits to continued success and growth through commercial and operational excellence, aided by technology and innovation. With a highly capable organization at its helm, PHINMA and PHINMA CMG endeavors to stay ahead of the curve and continue to make lives better.

PHINMA Properties remains committed to its mission to provide homes inspired by Filipino traditions to families in key areas across the country.

BUSINESS REVIEW: PROPERTY DEVELOPMENT

Making Lives Better by Creating Sustainable Communities

17,166

Cumulative total of residential units sold

25

Projects across the country

₱2.1B

Revenue in 2022

PHINMA Properties' vision is to be the preferred property developer in providing Filipinos the essentials for dignified living, developing communities inspired by the traditional Filipino Bayanihan spirit.

PHINMA Property Holdings Corporation (PHINMA Properties or PPHC) makes lives better by building sustainable communities that incorporate ergonomic features and green architecture. The company's vision is to be the preferred property developer in providing Filipinos the essentials for dignified living, developing communities inspired by the traditional Filipino Bayanihan spirit. Since its inception in 1987, PHINMA Properties has sold 17,166 units across 25 projects located in Metro Manila, CALABARZON, Central Visayas, and Davao Region.

In 2022, the property sector was affected by the continued impact of COVID-19 as well as events like the Russia-Ukraine war and the local and national elections. PHINMA Properties responded by energizing its sales force, incentivizing homebuyers, and implementing value engineering initiatives, which enabled the company to close the year with record-high net reservations and revenues. For the year, PHINMA Properties posted Revenue of ₱2.1 billion.

In recent years, PHINMA Properties has focused on developing projects outside of Metro Manila in areas in which it sees increased demand amidst lower supply. One area that PHINMA Properties is bullish on is in Mindanao where it completed the construction of its first project, Arezzo Place Davao, and is currently constructing PHINMA Maayo Tugbok. PPHC is also actively building Uniplace @ SWU Village in Cebu City, Metrotowne in Las Piñas City, and PHINMA Maayo San Jose in Batangas. Uniplace @ SWU is notable because it features synergy between PHINMA Education and PHINMA Properties. PHINMA Properties is actively exploring other synergistic developments with other members of the PHINMA Group.

PHINMA Properties' efforts were recognized through various awards and accolades in 2022. PPHC was consistently ranked among Pag-IBIG's top developers in the National Capital Region and in Mindanao. PPHC projects PHINMA Maayo San Jose and Metrotowne also received several recognitions, including Best Housing Development (Philippines and Luzon) and Best Lifestyle Development, respectively, in the PropertyGuru Philippines Property Awards.

PPHC's subsidiaries yielded a modest contribution to its performance in 2022 as well. Community Developers and Construction Corporation (CDCC) completed its first full year as an independent construction company. Whereas, Community Property Managers Group, Inc. (CPMGI) successfully secured more property management contracts with third-party developers, doubling the number of units under management. CPMGI now provides property management services spanning all three major island groups of the Philippines.

As the desires of our customers continue to evolve, PHINMA Properties has adapted its mission in order to better provide the essentials to live dignified lives: PPHC intends to make the live-work-play concept more affordable. The new direction involves shaping the urban landscape with township projects that cater to mid-income Filipinos starting with its first project in the Western Visayas. PHINMA Properties is also focused on building its project bank through identifying growth centers and emerging cities with the goal of building new urban centers and Filipino communities across the country. In August 2022, PHINMA Corporation approved an equity investment of up to ₱420 million in PHINMA Properties by 2024 to support its entry to townships.

Inspired by PHINMA's mission of making lives better, PHINMA Properties also implemented several initiatives geared towards sustainable development and integrating green features into its projects.

- PPHC has partnered with the International Finance Corporation (IFC), paving the way for the company to secure Excellence in Design for Greater Efficiencies (EDGE) Certification.
- PPHC and IFC are also working on an initiative that will enhance the safety of PPHC's projects against stronger weather hazards.

PHINMA Properties has also made it a priority to explore how to return to the socialized housing market, a segment that it considers to be underserved. The Department of Human Settlements and Urban Development (DHSUD) laid its plan to build one million housing units a year to address the country's growing housing backlog which could potentially reach 10.9 million by the end of 2028. PHINMA Properties believes that its experience and expertise in property development can make a meaningful difference in addressing the housing backlog. The company is actively working with DHSUD, leaders of various local government units, as well as financing institutions, on providing decent and affordable housing products for low-income Filipinos.

As PHINMA Properties continues to weave Filipino traditions into homes, PHINMA supports the company on its transformation into a brand that makes lives better by bridging families to dignified living, by building communities to thrive in, and ultimately, by contributing to making the Philippines a great place to live in.

PHINMA Hospitality is optimistic that the hospitality industry is bound to bounce back as the economy continues to recover.

BUSINESS REVIEW: HOSPITALITY

Making Lives Better by Providing Safe and Comfortable Stays

15

Hotels in key destinations in the Philippines

₱315M

Consolidated gross revenue

PHINMA Corporation makes lives better by providing consistently clean, comfortable and secure lodging to leisure and business travelers in the country. Combining the warm Filipino hospitality with efficiency, guests can always expect a safe and seamless stay.

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

Microtel by Wyndham, an international chain of limited service hotels under Wyndham Hotel Group, pioneered the no-frills hotel concept in the country that targets the mid-market travelers. It focuses on providing consistently clean, comfortable and secure accommodations at value rates. It has over 300 properties worldwide including 14 in the country. These are located in key business and tourist destinations, such as:

- Baguio
- Sto. Tomas, Batangas
- Boracay
- Cabanatuan, Nueva Ecija
- Eagle Ridge, Cavite
- Davao
- General Santos
- Mall of Asia, Pasay City
- San Fernando, Pampanga
- Puerto Princesa, Palawan
- Acropolis, Quezon City
- UP Technohub, Quezon City
- South Forbes, Cavite
- Luisita, Tarlac

TRYP by Wyndham is an urban, lifestyle boutique brand with presence in exciting locations like New York, São Paulo, Dubai, and Manila. This select service hotel targets today's modern travelers with its hip, young and energetic interiors and amenities. TRYP Mall of Asia - Manila features specialty rooms such as the Family Room with bunk beds, Loft with spacious living area and bunk beds in the upper level, and Fitness Room complete with exercise equipment. It also has a rooftop pool and bar with an amazing view of Manila Bay.

As quarantine requirements eased in the first quarter of 2022, Microtel and TRYP Mall of Asia transitioned to operating as multiple-use hotels to accommodate both quarantine and non-quarantine (business and leisure) guests. Both hotels saw a gradual resurgence in leisure and corporate bookings, and successfully increased room rates, through capitalizing on tourism recovery, revenge spending, and the return of meetings, incentives, conferences, and exhibitions (MICE) activities. For instance, both hotels took advantage of their strategic locations in the Mall of Asia Complex by ramping up sales efforts and establishing partnerships with corporate clients in the area. As a result, the two hotels achieved an increase in consolidated Gross Revenue to ₱314.8 million and continued to maintain positive EBITDA and operating cash flows for the year.

International and domestic travel continues to pick up as the world exits from the pandemic. PHINMA Hospitality is confident in this outlook and is optimistic that occupancy at Microtel and TRYP by Wyndham Mall of Asia will return to pre-pandemic levels. Together with government efforts to revive tourism in the Philippines, PHINMA Hospitality believes in a strong domestic leisure market, significant demand build-up from key source countries, and increased MICE activities. Moving forward, PHINMA Hospitality is also looking to explore new business models and leveraging synergies within the PHINMA Group.

PHINMA Hospitality believes in a strong domestic leisure market, significant build-up from key source countries, and increased meetings, incentives, conferences, and exhibitions activities.

SUSTAINABILITY HIGHLIGHTS

Making Lives Better by Being Good Corporate Citizens

Our Sustainability Framework

PHINMA Corporation focuses on a three-tier bottom line, assessing our impact from the perspective of People, Planet, and Profit. PHINMA's sustainability strategy recognizes the Company as a good corporate citizen must focus on and measure its impact not just in terms of profits, but in other areas including the economy, society, and the environment, in order to sustainably continue its mission of making lives better today and for future generations. Guided by our triple bottom line commitment to a sustainable future, PHINMA hopes to prosper and pursue its mission for many more generations to come.

Making Lives Better for our PEOPLE. Our business operations directly impact our employees, stakeholders and adjacent communities, and also trickle down to society where we hope to promote inclusive growth to maximize the potential of our people.

Making Lives Better for the PLANET. We recognize in order to sustainably continue our mission to benefit future generations we must minimize any adverse environmental impact of our business operations.

Making Lives Better for PROGRESS. We recognize that integrity, empathy and good corporate governance are essential elements in employing business as an avenue for inclusive development and we allocate financial resources for appropriate sustainable investments, to support the progress of our nation.

Our Materiality

PHINMA Corporation follows the process recommended by the Global Reporting Initiative (GRI) to identify areas affecting the economy, society and environment, which are relevant to our business and our stakeholders. In 2021, the Company conducted a materiality assessment through questionnaires and focus group discussions resulting in the identification of the following areas used in presenting the sustainability report, and establishing environmental, social, and governance (ESG) metrics for both the parent company and its subsidiaries. The materiality assessment is updated periodically when merited by changes in business scope or operations.

Identifying Material Aspects →	Assessing Level of Criticality →	Determining Current Performance →	Recognizing Stakeholder Needs →	Setting Up Targets and Objectives
Determining key material aspects critical to PHINMA's operations using GRI guidelines	The level of criticality was assessed based on the operational, regulatory and legal, environmental and social impact.	Monitoring of our current performance based on GRI-recommended measures for analysis.	Assessing our stakeholder needs and identifying priorities that address their real needs and interests.	Realigning and setting up plans as needed and clearly articulating and cascading the targets and measurable objectives.

ECONOMIC	SOCIAL	ENVIRONMENT
Economic Performance	Employment and Labor Relations	Water
Anti-Corruption	Occupational Health and Safety	Energy
Indirect Economic Performance	Local Communities	Environmental Compliance
Procurement Practices	Training and Education	Materials
	Diversity and Equal Opportunity	Effluents and Waste
	Customer Health and Safety	Biodiversity

Our Sustainability Performance

ENVIRONMENT PERFORMANCE

PHINMA recognizes the impact of its operations on the environment and has programs in place to mitigate this impact which are aligned with national and local regulatory environmental laws. PHINMA and its subsidiaries implement measures on the responsible use of resources like water, energy and raw inputs, and on proper disposal of effluents and waste generated.

A full discussion on our management's approach with regard to the environment can be found on pages 10 to 11 of our Sustainability Report 2022.

	SDG Target	Our Contribution
7 AFFORDABLE AND CLEAN ENERGY	**Universal access to modern energy** **Increase global percentage of renewable energy**	Total new installed capacity by PHINMA Solar in 2022: 2.307 MWp Incremental Renewable energy generated for clients: 2,990,183 kWh Renewable Energy used by PHINMA in 2022: 853,809 kWh
11 SUSTAINABLE CITIES AND COMMUNITIES	**Safe and affordable housing** **Reduce environmental impact to communities**	Cumulative Residential homes and units sold by PPHC in 2022: 17,166 PHINMA Foundation Donations for rehabilitation of communities affected by typhoons in Visayas and Mindanao areas in 2022: ₱1,119,073 PHINMA Group consolidated donations in 2022: ₱29,604,000
13 CLIMATE ACTION	**GHG Emissions**	Incremental GHG reduction for PHINMA Solar clients in 2022: 1,516 MTCO2 (34,985 trees) Annual GHG avoided from PHINMA's own renewable energy sources in 2022: 433 MTCO2 (9,990 Trees)

	2022	2021
Communities		
Cumulative Residential Units sold by PPHC	**17,166**	16,624
PHINMA Foundation Donations for community rehabilitation	**₱1,119,073**	₱1,055,000
PHINMA Group consolidated donations	**₱29,604,000**	₱16,183,000
Water		
Total Water Consumption	**1,261,270 cu. meter**	1,343,150 cu. meter
Total volume of water discharges	**690,144 cu. meter**	1,108,470 cu. meter
Energy		
Direct by PHINMA Group		
Total Energy Consumption	**17,417,672 Kwh**	16,953,668 Kwh
Total Energy Used from Renewable Resources	**853,809 Kwh**	781,783 Kwh
Total Energy Used from Fuels	**74,564 Liters**	37,967 Liters
Indirect for PHINMA Solar Clients		
New Solar capacity Installed	**2.307 MWp**	2.122 MWp
Incremental Renewable Energy Generated	**2,990,183 kWh**	2,652,500 kWh
Incremental CO_2 Avoided	**1,516,023 kg.**	1,344,818 kg.
Equivalent Trees Planted	**34,985 trees**	31,034 trees
Effluents and Waste		
Solid Waste Generated	**3,297.0 MT**	**4,409.2 MT**
Solid Waste Reused/Recycled	**1,168.0 MT**	**2,437.6 MT**
Hazardous Waste Generated	**57.4 MT**	**23.0 MT**
Hazardous Waste Transported	**60.6 MT**	**41.9 MT**
Hazardous Waste Stored	**0.6 MT**	**8.6 MT**

SOCIAL PERFORMANCE

PHINMA recognizes the need to protect and safeguard its organization amid a challenging economic and business environment. PHINMA also values the well-being of its workforce and provides avenues for personal development. Likewise, we also affirm our moral and social obligation to promote equitable growth to our stakeholders and to our local communities.

A full discussion on our management's approach with regard to our people can be found on pages 8 to 10 of our Sustainability Report 2022.

	SDG Target	Our Contribution
4 QUALITY EDUCATION	**Literacy and numeracy**	Number of students served for SY 2021-22: 124,501 students No. of scholars supported by the PHINMA Foundation: 150
5 GENDER EQUALITY	**Proportion of seats held by women**	Percentage of PHINMA female managers and officers across the PHINMA Group: 44%
8 DECENT WORK AND ECONOMIC GROWTH	**Safe and secure working environments**	COVID-19 Vaccination Rate: 98.78% (as of January 2022) Safety training done: 48 online trainings and safety drills

Social Indicators	2022	2021
Total Enrollment, PHINMA Education (students)	**124,501**	95,503
HK Scholars, PHINMA Education	**93,787**	71,959
Number of Scholars, PHINMA Foundation	**150**	186
Cumulative number of graduates, PHINMA Foundation	**252**	227
Employee Data[GRI 401-1]		
Total Number of Employees	**4,261**	3,719
Male	**2,003**	1,790
Female	**2,258**	1,929
Occupational Health and Safety[GRI 403-9 to 10]		
Work-related injuries	**16**	45
Work-related fatalities	**0**	0
Work-related ill-health	**65**	23
Safety drills and trainings done	**48**	40
Diversity and Equal Opportunity[GRI 405-1]		
Employee Gender Rate	**47% male, 53% female**	48% male, 52% female
Gender Ratio of Managers and Officers	**56% male, 44% female**	56% male, 43% female
Reported Incidents of Discrimination	**0**	0
Training and Empowerment[GRI 404-1]		
Average training hours per employee	**54.5 hours**	6.7 hours

Benefits Provided

- SSS
- PhilHealth
- Pagibig
- Parental leaves (maternity, paternity, solo parent)
- Vacation leaves
- Sick leaves
- Emergency/Calamity leaves
- Medical benefits
- Retirement fund
- Telecommuting
- Flexible working hours
- Rice, laundry and clothing allowance

Training Highlights

Capability-building Programs
- Critical problem solving and decision-making
- Goal-setting
- Customer service training
- Employee development talks
- Skills training specific to job function
- Data privacy trainings
- IT security trainings
- Social media ethics

Integrity Programs
- PHINMA Core Values
- Integrity workshops

Culture of Safety
- Safety orientations
- BOSH training
- COVID-19 protocols
- First-aid training
- Mental health and resilience

ECONOMIC PERFORMANCE

PHINMA contributes to nation-building through our diversified portfolio in education, construction materials, property development, and hospitality. In 2022, PHINMA Corporation generated a direct economic value of ₱17.7 billion, distributing 96% or ₱17.0 billion to our stakeholders and communities, while retaining ₱622.8 million to promote future growth.

SDG Target	Our Contribution
Full employment and decent work **Sustainable economic growth**	Direct Jobs Generated: 4,261 Economic Value Distribution: 96% Economic Value Retention: 4%
Reduce corruption and bribery **Develop effective, accountable and transparent institutions**	Incidents of Corruption: 0 Anti-competitive behavior, antitrust, and monopoly practices: 0

HIGHLIGHTS

	2022	2021
Economic Value Generated	**₱17,664,582**	₱16,038,186
Economic Value Distributed	**17,041,792**	14,689,211
Operating Costs	**13,465,281**	11,609,155
Employee Wages and Benefits	**2,287,662**	2,086,726
Dividends given to stockholders and interest payment to loan providers	**1,065,522**	837,296
Taxes given to government	**193,723**	139,851
Investment to community	**29,604**	16,183
Economic Value Retained	**₱622,790**	₱1,348,975

**amounts in thousand pesos*

OUR COMMITMENT TO SUSTAINABILITY

PHINMA is deeply aware that every aspect of our operations creates ripples and becomes a part of a shared global environment.

We affirm that our people are our greatest asset and that they are fundamental in ensuring the sustainability of our Company. We take pride in the passion, innovation and commitment to our core values of our employees, and we will continue to provide opportunities for growth and career development while ensuring their safety and well-being. PHINMA will also continue to look into promoting inclusive growth for our partners through our business and our corporate social responsibility programs.

PHINMA and its subsidiaries have also established programs and protocols to reduce the impact of the operations of its businesses on the environment. Your Company will continue to pursue new avenues to go beyond compliance and advance circular economy business solutions as well.

Moreover, PHINMA understands that our sustainability strategy is crucial in ensuring that we are able to protect key resource systems and continue providing for future generations.

PHINMA upholds its commitment to build the nation through its businesses while remaining steadfast in finding new solutions to improve its sustainability practices for its people, for the planet and for economic development. The Sustainability Report also serves as a motivation to explore new opportunities, and to move forward in improving our policies and internal business practices as we continue to make lives better.

Our Social Impact

Gone are the days when businesses' only goal is to make profit. Companies are now called to be a force for good by moving private capital towards social impact. The PHINMA Group answers this call and makes lives better through its businesses and efforts outside these primary units.

Helping hands when disaster struck

Throughout the year, PHINMA Education, in line with the holistic formation of its students, responded to the various natural disasters that impacted the schools' respective communities by activating Helping Hands. This program tied together efforts from the PHINMA Education schools, the PHINMA business units, and the local government and non-government organizations to deliver urgent and necessary help to the students, staff, and other residents in nearby areas.

After checking on the safety and wellbeing of constituents in disaster-stricken areas, relief efforts were launched. This included distribution of food packs, drinking water, and hygiene kits; provision of financial assistance for housing rehabilitation; and opening of schools as temporary shelter.

Notably, after Typhoon Karding (Noru) lashed the Central Luzon region with torrential rain and fierce winds, the PHINMA Foundation, in partnership with Union Galvasteel, donated galvanized iron (GI) sheets to students, employees, and families whose homes were devastated. Both PHINMA Araullo University and PHINMA Education Laguna Network distributed the GI sheets with assistance from the General Services Department. Helping Hands was also extended to the Dumagat families in Dupinga Watershed, Gabaldon with the help of PHINMA AU Central Student Council.

In Indonesia, Horizon Karawang, through HorizonEd Cares, sent volunteers to provide assistance to the victims of the Cianjur earthquake last November. As many as 50 relief packages were filled with five kilograms of rice, baby diapers, sanitary napkins, mineral water, instant noodles, wind repellant, bath soap, and other essential items.

Helping hands for greater outreach impact

For 16 consecutive years, the PHINMA Group has been part of the nationwide Brigada Eskwela, the Department of Education's annual school improvement project. This year, the PHINMA Group mobilized close to 1,000 volunteers to help clean, repaint, repair, and prepare 40 public schools for the reopening of classes. Employees, family, friends, and relatives came together last September to spruce up some 80 classrooms. Their collective effort benefited 10,907 students and more than 250 teachers.

The bayanihan spirit once again fueled the PHINMA family as they teamed up to celebrate the Group's 66th anniversary with various outreach activities under the 1PHINMA Reaches Out program. The goal of the program was to demonstrate that PHINMA's businesses can be a catalyst for positive community transformation and promote nation-building through various volunteer activities. The program was able to mobilize 1,300 volunteers to spend time volunteering in PHINMA's partner communities. These were done in seven geographic regions in over 24 sites nationwide. The activities ranged from mass blood drives, coastal and river cleanup, and mangrove and tree planting. The volunteers planted 12,500 trees (bakawan, mahogany, narra, marang), and collected 924 blood bags, and 120 sacks of waste.

Recognizing the importance of volunteerism, PHINMA Foundation sponsored iVolunteer's Volunteer Engagement Workshop held at the Asian Institute of Management last November 26, 2022. This workshop aimed to equip participating NGO partners with the skills and knowledge necessary to engage both new and long-time volunteers. It featured speakers from various fields, including community development, volunteerism, and leadership, who shared their expertise and experiences to inspire and motivate the participants.

PHINMA Foundation is also working with Union Galvasteel to help build the Aeta Learning Center in Capaz, Tarlac. This is an ongoing project in partnership with PNS scholar-graduate Yana Rubio and her organization, Eco Humans, Inc., and Project Tunong at Dunong, to augment the Aeta youth's eagerness to study.

With the society gradually transitioning from the pandemic, PHINMA Foundation donated 180 boxes of surgical masks and 120 gallons of alcohol to the Philippine Normal University Manila, one of its longtime partners in its scholarship program, to help prevent the spread of COVID-19 and enable students to safely resume face-to-face classes.

The Foundation also oversaw the distribution of financial assistance to the no-work-no-pay staff of the different PHINMA business units who were affected by the pandemic-induced economic slowdown, which totalled ₱220,500.

Other beneficiaries of PHINMA Foundation include:

- Redemptoris Mater Missionary Seminary, Archdiocese of Manila
- Rotary Club of Makati Premier District - We Are One Concert
- Our Lady of Victory Training Center
- Philippine Tennis Association
- Carmel of Our Lady of Mediatrix of All Grace
- Community Pantry/Kitchen
- Water for GreenEarth 2.0
- Pasig Catholic College

Helping hands to offer better opportunities

The PHINMA National Scholarship Program (PNS), the PHINMA Foundation's flagship program, is a comprehensive scholarship initiative that aims to provide financial assistance to deserving and qualified students from low-income families in the Philippines. It is open to students who are enrolled or plan to enroll in any of the four partner universities, which include Philippine Normal University - Manila (Education), University of the Philippines - Diliman (Engineering), Polytechnic University of the Philippines - Sta. Mesa (Accountancy), and PHINMA-University of Pangasinan (Education, Engineering, and Accountancy).

The program provides full tuition and fees coverage, as well as monthly allowance for the scholar's other education-related expenses. PNS provides mentorship and leadership development opportunities to the scholars as well. Under the program, scholars are paired with mentors who are successful professionals in their respective fields. These mentors provide guidance and support to the scholars throughout their academic journey and help them develop the skills and knowledge needed to succeed in their chosen career paths.

Moreover, the program also offers various leadership development activities, such as workshops and seminars, to help scholars develop their leadership skills and abilities. These activities aim to equip scholars with the necessary knowledge and skills to become effective leaders in their respective communities and contribute to the country's development.

Through the mentorship and leadership development opportunities provided by the program, scholars are not only able to pursue their academic goals but also develop important life skills that will serve them well beyond their college years. The program's emphasis on holistic development ensures that scholars are not only successful academically but also as individuals who can positively impact their communities.

PHINMA's scholarship program has produced 252 alumni who have excelled in their academic pursuits and have made remarkable achievements in their respective fields. They have passed their board exams, achieving a 100% passing rate. In addition, 93 of the graduates received Latin honors and seven alumni ranked among the topnotchers in their respective board exams - a testament to their hard work, dedication, and academic excellence.

In November, 47 new scholars joined PNS, rounding up its total number of scholars for the fiscal year to 150. These bright and talented individuals were selected from a highly competitive pool of applicants from the different parts of the country.

Despite the challenges brought about by the pandemic, PNS scholars still thrived academically. In fact, 12 out of 25 graduates this year completed their programs with latin honors – five cum laude and seven magna cum laude. They also maintained an active participation in the different leadership and mentorship activities of the program.

PHINMA demonstrates that business can and should be a force for good. These programs and those of the different strategic business units are consistent with the company's mission of making lives better. More than a slogan, this is the underlying goal of everything PHINMA does. Creating a society where no one is left behind can only be done with the help of everyone. PHINMA knows it cannot do this alone, and it enjoins the rest of the business community to come together and do good while doing well.

GOVERNANCE

Making Lives Better with Good Governance and Sound Business Management

Governance Report

PHINMA Corporation (the "Corporation") believes that good governance is an integral component of sound business management and exerts every effort necessary to ensure compliance within the organization.

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

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

SEC AND PSE INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT (IACGR)

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

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

As of December 31, 2022, PHINMA Corporation has substantially complied with the principles and best practices contained in the Manual on Good Corporate Governance.

There were no sanctions imposed on any director, officer or employee for non-compliance with the Manual.

COMPLIANCE MONITORING AND IMPROVING CORPORATE GOVERNANCE

The Compliance Officer and the Internal Auditor monitor the Corporation's compliance with the Manual and the timely submission of reports and disclosures to both SEC, PSE and PDEx. In addition, the SEC, PSE and PDEx websites are constantly monitored for relevant circulars or memorandums affecting, improving, and updating the corporate governance of the Corporation. As appropriate, the Manual and relevant policies are promptly amended and circulated for implementation.

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

In July 2021, the Corporation appointed Mr. Juan B. Santos as Lead Independent Director who facilitated the separate meeting of non-executive directors with the Risk, Internal Audit, External Audit and Compliance teams held last November 29, 2022.

As duly-endorsed by the Corporate Governance Committee and approved by the Board in August 2022, the company engaged Good Governance Advocates & Practitioners of the Philippines (GGAPP) as the Third-Party Board Evaluation Facilitator. SEC Code of Corporate Governance for PLCs recommends that a third-party facilitates the board evaluation after three years.

Directors and key management officers of the Corporation attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices on September 30, 2022. The training focused on providing relevant SEC updates and discussed Sustainability Risk.

BOARD OF DIRECTORS

Key Roles and Responsibilities

As mandated by its Charter, the Board's roles and responsibilities include fostering the long-term success of the Corporation and securing its sustained competitiveness and profitability in a manner consistent with its corporate objectives and fiduciary responsibility. The Board always takes into consideration the best interest of the Corporation, its shareholders, and other stakeholders when it exercises its powers and duties. The Board conducts itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities and acts on a fully informed basis, in good faith, with due diligence and care in directing the Corporation towards sustained progress.

Composition

As of December 31, 2022, the Board of Directors consists of 11 members, nominated in accordance with the By-Laws of the Corporation. In compliance with the legal requirement of SEC for publicly listed corporations, PHINMA's Board of Directors includes four (4) independent directors. The independent directors hold no interest or have no relationship with the corporation that may hinder their independence from the corporation or management or would interfere with the exercise of independent judgment in carrying out their responsibilities. During the year, the Board of Directors held a total of five (5) meetings, four (4) regular board and one (1) organizational meeting. The details of the matters taken up during the Board meetings are detailed in the Definitive Information Statement sent to shareholders.

The attendance of the directors in the Board meetings is as follows:

2022 Board Meetings

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

P : Present A : Absent

Board Committees

To assist it in discharging its duties and responsibilities, the Board constitutes committees which directly report to the Board in accordance with duly approved procedures.

As of December 31, 2022 the board committees and its members were as follows:

2022 Board Committees

Directors	Executive	Corporate Governance	Compensation	Risk Oversight	Audit and RPT	Nominations
OSCAR J. HILADO	Chairman		Member			Member
RAMON R. DEL ROSARIO, JR.	Member		Member			Member
MAGDALENO B. ALBARRACIN, JR.	Member			Member		
JOSE L. CUISIA, JR.	Member		Member		Member	Member
VICTOR J. DEL ROSARIO						
CHITO B. SALAZAR	Member					
EDUARDO A. SAHAGUN						
EDGAR O. CHUA		Member	Chairman	Member	Member	Chairman
JUAN B. SANTOS	Member				Chairman	
LILIA B. DE LIMA		Chairman		Member		
RIZALINA G. MANTARING		Member		Chairman	Member	

Executive Committee

The Executive Committee is composed of six (6) directors, one of whom is an independent director. The Committee is tasked to assist the Board in matters concerning its interests and the management of its business and may exercise all the powers and perform the duties of the Board within the authority granted to it. It acts by majority vote of all its members during the interim period between scheduled Board meetings.

Corporate Governance Committee

The Corporate Governance Committee is composed of three (3) directors, all of whom are independent directors. The Committee was first formed at the Organizational Meeting on April 10, 2017 tasked to assist the Board in the performance of its corporate governance responsibilities which include the implementation and periodic review of the Corporate Governance Manual, policies and framework, annual board self-assessment and continuing training program for directors.

The Committee performed the function of a Nominations Committee until April 2022. The Committee reviewed the qualifications of the candidates and submitted to the Board of Directors the list of qualified nominees for director in March 2022. The Committee reviewed the results of the board self-assessments, proposed third party board evaluation facilitators, training providers' proposals and approved the revised Manual on Corporate Governance and Committee Charter during its meetings in 2022.

Attendance

Corporate Governance Committee	YEAR 2022 Mar. 25	Jul. 26	Nov. 10
LILIA B. DE LIMA	P	P	P
RIZALINA G. MANTARING	P	P	P
EDGAR O. CHUA	P	P	P

P : Present I A : Absent

Nominations Committee
The Nominations Committee is composed of four (4) directors, one of whom is an independent director who is also the Chairman. The Committee was first formed at the Organizational Meeting on April 12, 2022. The Committee oversees the nomination and election process for the company's Board of Directors. The Committee reviews the qualifications of candidates and submits a list of qualified nominees.

Executive Compensation Committee
The Compensation Committee is composed of four (4) directors, one (1) of whom is an independent director who is also the Chairman. The duties and responsibilities of this committee include establishing policies on executive remuneration, ensuring that the compensation is consistent with the Corporation's culture, strategy and control environment, and strengthening policies on conflict of interest, salaries and benefits and compliance with statutory requirements.

Risk Oversight Committee
The Risk Oversight Committee is composed of four (4) members, three (3) of whom are independent directors, including the Chairman. The Committee assists the Board of the Corporation in fulfilling its corporate governance responsibility with respect to its oversight of the Corporation's risk management framework. While the Committee has responsibilities and powers set forth in the Charter, the Corporation's management is ultimately responsible for designing, implementing, and maintaining an effective risk management program. In 2022, the Risk Oversight Committee held one (1) meeting on December 6, 2022 where all committee members were present. The Committee reviewed the Corporation's Risk Management Framework and its Top Business Risks, including strategic risks, business risk assessments and corresponding mitigation plans. In doing so, the Committee also reviewed the Top Business Risks and corresponding mitigation plans of its subsidiary companies. The Risk Oversight Committee members for 2022 include RIZALINA G. MANTARING (Chair), MAGDALENO B. ALBARRACIN, JR. LILIA B. DE LIMA, and EDGAR O. CHUA

Audit and Related Party Transactions Committee

The Audit and Related Party Transactions Committee is composed of four (4) members of the Board, three (3) of whom are independent directors, including the Chairman. The Committee assists the board of directors of PHINMA Corporation in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls, the audit process, and the Corporation's process for monitoring compliance with laws and regulations. In 2022, the Committee held six (6) meetings and overall attendance was 100%. The Committee reviewed the audited financial statements for 2021 and the interim statements for the quarters ending March 31, June 30, and September 30 for the year 2022. The Committee also endorsed to the Board the nomination of SGV and Co. as the Corporation's external auditor for 2022. The Committee approved the Internal Audit plan for 2022, reviewed the audit reports, and evaluated Internal Audit's performance. The Committee reviewed the material related party transactions for 2022 and activities related to the Integrity Assurance programs. The Committee also performed a self-assessment of the Committee's performance against the approved Charter, in line with the guidelines issued by the SEC.

Attendance

	YEAR 2022					
Audit and RPT Committee	**Feb 28**	**Apr 6**	**Apr 11**	**May 10**	**Aug 9**	**Nov 10**
JUAN B. SANTOS	P	P	P	P	P	P
RIZALINA G. MANTARING	P	P	P	P	P	P
JOSE L. CUISA, JR.	P	P	P	P	P	P
EDGAR O. CHUA	P	P	P	P	P	P

P : Present

INTERNAL AUDIT

PHINMA Corporation has an independent Internal Audit organization that reports directly to the Board of Directors, through the Audit and Related Party Transactions Committee, and administratively to Senior Management. The Internal Audit (IA) team provides the Corporation with professional assurance and consulting services that are designed to add value and improve operations. Consistent with its thrust to become better business partners, Internal Audit helps the Corporation accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of PHINMA's risk management, control, and governance processes. Additionally, IA provides the Board, senior management and stockholders with reasonable assurance that the Corporation's key organizational and procedural controls are effective, appropriate and faithfully complied with.

To ensure the independence of Internal Audit, the Audit and Related Party Transactions Committee reviewed and approved the IA Charter which outlines internal audit's purpose, reporting relationships, authorities and responsibilities. Through this Charter, the internal auditors are kept free from interference by any element in the organization in matters of audit selection, scope, procedures, frequency, timing, or report content. Likewise, members of Internal Audit do not have any direct operational responsibility or authority over any of the activities audited and, as such, are further prohibited from implementing internal controls or engaging in any other activity that may impair the internal auditor's judgment.

Under the IA Charter, IA performed various internal control reviews of the Corporation and its subsidiaries and affiliates. Based on the results of these reviews, Internal Audit reported that overall controls are adequate and effective as contained in the Audit and Related Party Transactions Committee Report for 2022.

EXTERNAL AUDITOR

The external auditor contributes to the enforcement of good governance through independent examination of the financial records and reports of the Corporation.

The Audit and Related Party Transactions Committee oversees the work of the external auditors and ensures that they have unrestricted access to records, properties, and personnel to enable performance of the required audit.

On April 12, 2022, the stockholders upon recommendation of the Audit and RPT Committee and the endorsement by the Board of Directors, approved the appointment of SGV & Co. as the Corporation's external auditor. Ms. Belinda T. Beng Hui is the partner in-charge for 2022. On March 3, 2023, SGV & Co. issued its report on the financial statements for the year ended December 31, 2022, stating that the financial statements present fairly, in all material respects, the financial position of the Corporation and that the same are in accordance with Philippine Financial Reporting Standards.

There were no disagreements with the Corporation's external auditor on any matter pertaining to accounting principles or practices, financial statement disclosures, or auditing scope or procedures.

The Corporation is in compliance with SRC Rule 68, paragraph 3(b) (iv) requiring rotation of external auditors or engagement partners who have been engaged by the Corporation for a period of five (5) consecutive years or more. This is the fifth year of Ms. Beng Hui as audit partner of the company.

The Corporation accrued the following fees for professional services rendered by SGV and Co. for the past two years:

Year	Audit Fees	Other Fees
2022	₱3,400,000	₱-
2021	₱3,285,000	₱3,400,000

The above audit fees are for the audit of the Corporation's annual financial statements or services normally provided in connection with statutory and regulatory filings or engagements for calendar year 2022 and 2021. Other Fees represent various SGV engagements like valuation of options, organizational optimization study, transfer pricing and bond offering reporting requirements. The Audit and Related Party Transactions Committee reviewed the nature of non-audit services rendered by SGV & Co. and the corresponding fees.

BOARD EVALUATION REPORT AND BOARD ASSESSMENT POLICY

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

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

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

DISCLOSURE AND TRANSPARENCY

PHINMA commits itself to high standards of disclosure and transparency. In addition to submitting annual and quarterly financial information and other statutory requirements, the corporation promptly discloses to the SEC, PSE and PDEx material information such as declaration of dividends, investments and divestments and other items. The disclosures are also uploaded to the Corporation's website for the benefit of the public.

CODE OF CONDUCT

We believe that our commitment to ethical business practices, good corporate governance, and social responsibility is vital and integral to the pursuit of our Mission to help build our Nation through competitive and well-managed business enterprises. As a matter of policy, every employee and officer of PHINMA is directed to avoid any situation that could interfere or appear to interfere with his or her independent judgement in performing his or her duties. The policy also prohibits employees from using their official position to secure a contract of employment for a related party, soliciting gifts or any property for personal gain from any individual or organization that deals with the company and using company information for personal gain. No employee may engage in any business or undertaking that is indirectly or directly in competition with or prejudicial to the interests of the Corporation.

The PHINMA Code of Business Conduct (the "PHINMA Code") is founded on the PHINMA core values of integrity, patriotism, competence and professionalism. It embodies this unwavering commitment, and sets forth policies and guidelines on the following:
- Conflict of Interest
- Insider Trading
- Gifts and Gratuities
- Sexual Harassment
- Anti-Fraud
- Whistleblowing and Non-retaliation
- Related Party Transactions
- Health, Safety and Welfare

For more discussion and relevant information on the PHINMA Code you may refer to the Corporation's website at www.phinma.com.ph

OSCAR J. HILADO
Director and Chairman Emeritus

Oscar J. Hilado is the Chairman Emeritus of PHINMA Corporation and was the Chairman of the Board from 2003 to 2021. He is the Chairman of the Board of PHINMA, Inc., and Vice-Chairman of PHINMA Properties Holding Corp., and UnionGalvasteel Corporation. Mr. Hilado is an Independent Director and Chairman of the Audit Committee of A. Soriano Corporation, Philex Mining Corporation, Smart Communications, Inc., Rockwell Land Corporation and Roxas Holdings Inc. He is also a Director of Seven Seas Resort and Leisure, Inc. PHINMA Solar Corporation, Digital Telecommunications Philippines, Inc., Manila Cordage Company, Beacon Property Ventures, Inc., Pueblo de Oro Development Corporation, UPPC, Philcement, PHINMA Hospitality, PHINMA Education and the PHINMA Education schools and Cebu Light Industries Phils., Inc.

Mr. Hilado is a Certified Public Accountant with a Bachelor of Science Degree in Commerce from the De La Salle College in Bacolod and a Master's Degree in Business Administration from the Harvard Graduate School of Business. He has been a Director of the Company since 1969 and is also the Chairman of the Executive Committee and Retirement Committee and member of the Nominations Committee and Executive Compensation Committee of the Company. He attended the MVP Group Annual Corporate Governance Enhancement Session on September 22, 2022.

Board of Directors

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

Ramon R. del Rosario, Jr. is the Chairman and Chief Executive Officer of PHINMA Corporation. He is also Chairman of the educational institutions under the PHINMA Education Network: Araullo University, Cagayan de Oro College, University of Iloilo, University of Pangasinan, Southwestern University, St. Jude College, Republican College, Rizal College of Laguna and Union College of Laguna and a number of other PHINMA companies. He is President of the Board of Commissioners of PT Ind Phil Management.

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

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

DR. MAGDALENO B. ALBARRACIN, JR.
Director and Vice Chairman

Magdaleno B. Albarracin, Jr. is the Vice-Chairman of PHINMA Corporation and PHINMA, Inc. and the Chairman of PHINMA, Inc.'s Executive Committee. He is a Member of the Board of all the companies in the PHINMA Group. He has been with PHINMA, Inc. since June 23, 1971 and has been a Director of PHINMA Corporation since 1980.

He was President and a former Director of Holcim Philippines, Inc. Dr. Albarracin was a member of the Board of Regents of the University of the Philippines (UP) as well as Board of Trustees of UP Engineering Research and Development Foundation, Inc. (UPERDF). He was the Chairman of the Board of Trustees of the University of San Carlos, Cebu City. He served as Dean of the UP College of Business Administration and was President of the ASEAN Federation of Cement Manufacturers.

Dr. Albarracin has a Bachelor of Science degree in Electrical Engineering from the University of the Philippines and a Master of Science degree in Electrical Engineering from the University of Michigan. He obtained his Master in Business Administration degree from the University of the Philippines and his Doctorate in Business Administration from Harvard University. He attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global best Practices in September 2022.

DR. CHITO B. SALAZAR
Director, President and Chief Operating Officer, Head of Education

Chito B. Salazar is the President and Chief Operating Officer, Head of Education of PHINMA Corporation. Concurrently, he is the President and Chief Executive Officer of PHINMA Education and a Senior Vice President of PHINMA, Inc. from 2003 to present. Dr. Salazar was first elected as Director of the Company at the Annual Stockholders' Meeting held on April 14, 2021.

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

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

Prior to joining PHINMA, he was a part-time Associate Professor at the School of Management and at the School of Social Sciences from 2007 to 2010 and Part-Time Lecturer at the Department of Economics, Department of English and Department of Math at the Ateneo de Manila University (ADMU) from 1988 to 1992. He was also a part-time Lecturer at the Economics Department of Assumption College and an Associate Professor at the Asian Institute of Management (AIM). From 1997 to 1998 he served as a Consultant at the Institute of Environmental Studies and United National Environmental Programme Project. He became a Research Assistant to both Dr. James Mittelman, Chair of the Department of Regional and Comparative Studies and Dr. Steven Arnold, Director of the International Development Program at the American University from 1993 to 1995. In 1991, he was an Assistant to Dr. Henry Schwalbenberg, Director of the Program in International Political Economy and Development of Fordham University.

VICTOR J. DEL ROSARIO
Director

Victor J. del Rosario is a director and member of the Executive Committee of PHINMA Inc. and PHINMA Corporation. He is Chairman of the Board of Union Galvasteel Corporation and has also been Chairman of the Board of Philcement Corporation since its inception in 2017. He is a member of the Board of Directors of other PHINMA-managed companies as well, including PHINMA Solar Corporation, PHINMA Education Holdings, Inc., PHINMA Hospitality Inc., PHINMA Microtel Hotels, Inc., and Coral Way City Hotel Corporation. He previously served as the Executive Vice President & Chief Strategic Officer of PHINMA Inc., and Executive Vice President & Chief Finance Officer of PHINMA Corporation, prior to his retirement in 2021. Mr. del Rosario is also Vice Chairman of the Board of The Table Group, Inc. and Seventy 7 Seeds, Inc. He has been a director of CBTL Holdings, Inc. since 2005 as well.

He has a Bachelor of Science degree in Economics and Accounting from De La Salle University, and obtained his Master's degree in Business Administration from Columbia University. He also attended the Senior Management Program and Managing Change Program at the Institute for Management Development, based in Lausanne, Switzerland. Mr. del Rosario has been a director of the Company since 2008. He attended the Annual Corporate Governance seminar conducted by SEC-accredited training provider CGBP on September 30, 2022.

He is the brother of Mr. Ramon R. del Rosario, Jr. and Mr. Jose Mari del Rosario.

EDUARDO A. SAHAGUN
Director and Executive Vice President, Construction Materials

Eduardo A. Sahagun is the President and Chief Executive Officer of UGC, PHINMA Solar, and Philcement. He has held the roles for these companies since 2017. He is also a director of UGC, Philcement, PHINMA Solar, PPHC, T-O Insurance Brokers, Inc., PHINMA Corporation, Song Lam Joint Stock Company, First Batangas Hotel Corporation, and Cagayan de Oro College, Inc., as well as a member of the PHINMA Foundation, Inc.'s Board of Trustees. He is also the Chairman of Edcommerce Corporation and an Independent Director of Philippine Savings Bank. Mr. Sahagun was first elected as a Director of the Company at the Annual Stockholders' Meeting held on April 14, 2021.

He formerly served as President and Country Chief Executive Officer of Holcim Philippines Inc., as a Director of Holcim Philippines Manufacturing Corporation, and as a Director of Holcim Mining and Development Corporation.

He attended the Senior Management Program, Senior Leadership Program, and Managing Change Program at the Institute for Management Development, based in Lausanne, Switzerland. He obtained his graduate degree in Management Science from the Arthur D. Little Management Education Institute (now known as Hult International Business School) in Cambridge, MA, USA, in 1994. Prior to that, he obtained a Master's in Business Administration from the Ateneo Graduate School of Business in the Philippines and is a Certified Public Accountant. In 1978, he obtained his Bachelor of Science in Commerce degree, with a major in Accounting, from Holy Angel University. He attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices on September 30, 2022.

JOSE L. CUISIA, JR
Director

Jose L. Cuisia, Jr. was the Philippine Ambassador Extraordinary and Plenipotentiary to the United States of America and non-resident Ambassador to Trinidad & Tobago, the US Virgin Islands, Grenada, Puerto Rico, the Commonwealth of Jamaica and the Republic of Haiti, Antigua & Barbuda, Barbados, the Commonwealth of Dominica, The Federation of St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines. Ambassador Cuisia previously served the Philippine Government as Governor of the Philippine Central Bank and Chairman of its Monetary Board from 1990-1993, was Governor for the Philippines to the International Monetary Fund and Alternate Governor to the World Bank. He was also Administrator and CEO of the Philippine Social Security System from 1986-1990. He was also appointed Commissioner, representative of the Employer's Group, for the Social Security System (SSS) from September-December 2010. He was President and CEO of Philam Life for 16 years.

He is the Chairman of the Board of The Covenant Car Company, Inc. and FWD Life Insurance Company, Adlemi Properties Inc., Five J's Diversified Inc. and JVC Holdings Corporation. He was Vice-Chairman of the Board and Lead Independent Director of SM Prime Holdings and former director of Manila Water Company, Inc. He holds directorates in Century Properties Group, Inc., PHINMA, Inc., and Asian Breast Center, Inc. He previously held the Chairmanship of the Board of Far East Bank and Trust Company, Union Bank of the Philippines, Asian Institute of Management, BPI-Philam Life Assurance Co., Philam Foundation, Tower Club, Inc., and De La Salle University. Ambassador Cuisia was elected as Chairman of the Board of Trustees of the University of Asia & the Pacific in 2019; elected to the Board of Trustees of the De La Salle Medical & Health Sciences Institute and De La Salle University -Dasmarinas in December 12, 2019 and the former Chairman, Current Trustee and Treasurer of the Ramon Magsaysay Awards Foundation. He is a Convenor-Trustee of the PBED and a Trustee of the Makati Business Club.

Ambassador Cuisia is a recipient of numerous awards including 2016 Ten Outstanding Filipino, 2016 Order of the Sikatuna, and Management Man of the Year Award for 2007 from the MAP, among others. He obtained his BSC-Accounting and AB-Social Sciences degrees (Magna cum Laude) from De La Salle University and Master's degree in Business Administration from University of Pennsylvania. He has been a Director of the Company since 1994. He attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices on September 30, 2022.

JUAN B. SANTOS
Lead Independent Director

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

His past executive positions and directorships include: Chairman of Social Security System; Secretary of Trade and Industry, Philippines; Chairman and CEO of Nestle Philippines, Singapore and Thailand; Director of Philex Mining Corporation, Philippine Long Distance Telephone Company and San Miguel Corporation.

He completed his studies of: Advanced Management at International Institute of Management Development (IMD), Lausanne, Switzerland; Postgraduate studies on Foreign Trade at Thunderbird School of Global Management, Arizona, USA; and Bachelor of Science in Business Administration at Ateneo De Manila University, Philippines. He attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices on September 30, 2022 and the Advanced Corporate Governance Training by Institute of Corporate Directors held on November 11, 2022.

ATTY. LILIA DE LIMA
Independent Director

Lilia B. De Lima received the 2017 Ramon Magsaysay Award for her sustained leadership as Director General of the Philippine Economic Zone Authority, in building a credible and efficient ("PEZA") during her 21 years of service from its creation in 1995 to 2016. She is the first woman honored as "Management Man of the Year" by the Management Association of the Philippines in 2010. In 2014 The Philippine-Japan Society recognized her Outstanding Achievement in the Promotion of Philippine-Japan Relation, the first woman to receive the award in 36 years. The Joint Foreign Chambers of Commerce of the Philippines awarded her The Arangkada Lifetime Achievement Award in 2014. She was awarded the Robert Storey International Award for Leadership by The Center for American and International Law in Dallas, Texas in 2013. She was awarded the ASEAN CEO Award in 2011 and in 2010 the Government of Japan bestowed on her the highest award given to a non-head of State, the Order of the Rising Sun, Gold and Silver Star. She is twice a recipient of the Presidential Medal of Merit from the Philippine government. Miss de Lima was also recognized as Outstanding Women in the Nation's Service Award in the field of law in 1983. She was elected Delegate to the 1971 Constitutional Convention, served as Director of the Bureau of Domestic Trade, Executive Director of the Price Stabilization Council, Department of Trade and Industry, Chief Operating Officer of World Trade Center Manila and Commissioner of the National Amnesty Commission.

She earned her Associate in Arts from the Centro Escolar University and her Bachelor of Laws from the Manuel L. Quezon University and subsequently passed the Philippine BAR. She was conferred a Doctor of Laws Honoris Causa by Manuel L. Quezon University and is a fellow of the Center for American and International Law in Dallas, Texas, USA.

She is Independent Director of IONICS, Inc., IONICS EMS, FWD Life Insurance Corporation and Megawide Construction Corporation. She is a Director of RCBC, Dusit Thani Philippines, Science Park of the Philippines, RFM Science Park of the Philippines, Pueblo de Oro Development Corporation, Regatta Properties Inc. She is an Executive-in-Residence in the Asian Institute of Management, Trustee of Fatima Center for Human Development and a Board Advisor of AC Industries. She was elected as Independent Director of the Company on April 19, 2018. She attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices on September 30, 2022.

RIZALINA G. MANTARING
Independent Director

Rizalina G. Mantaring was the CEO of Sun Life Financial Philippines until her retirement in June 2018, after which she assumed the chairmanship of Sun Life Financial Philippine Holding Co. until she stepped down in August 2019. She started her career in Information Technology, joining Sun Life in 1992 as Senior Manager for Asia Pacific of its Information Systems Department and progressively took on a variety of roles until she was appointed Chief Operations Officer for Asia in 2008.

She is an Independent Director of Ayala Corporation Inc., Ayala Land, Inc., First Philippine Holdings Corporation Inc., Universal Robina Corp. Inc., GoTYME Bank, Maxicare Healthcare Corporation Inc. and East Asia Computer Center Inc. She is also a Director of Sun Life Grepa Financial Inc. Among her other affiliations are as a member of the Board of Trustees of Makati Business Club and Philippine Business for Education. She was also President of the Management Association of the Philippines and the Philippine Life Insurance Association. A recipient of the Asia Talent Management Award in the Asia Business Leaders Award organized by the global business news network Consumer News and Business Channel (CNBC), she has also been recognized by the International Association of Business Communicators (Philippines) with the CEO Excel award, and was named by Moneysense Magazine as one of the 12 Most Influential in Personal Finance. She was selected as one of the 100 Most Outstanding Alumni of the past century in 2010 by the University of the Philippines College of Engineering and received the PAX award, the highest award given to outstanding alumnae, in 2019 from St. Scholastica's College Manila.

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

EDGAR O. CHUA
Independent Director

Edgar O. Chua is currently the President and Chief Executive Officer of Cavitex Holdings, Inc. and Amber Kinetics Inc. He has been an Independent Director of Metropolitan Bank and Trust Company since 2017, Philcement since 2021, JG Summit Olefins Corp since 2022, Integrated Micro-Electronics, Inc. since 2014 and First Gen since 2021. He currently holds the position of Chairman of the Philippine Eagle Foundation since 2017, Philippine Business for the Environment, De La Salle Science Foundation since 2017 and Makati Business Club since 2016. He is currently the Chairman for the College of Saint Benilde, University of La Salle Bacolod and CEO of De La Salle Philippines. He is a Trustee/Treasurer of PBED and Trustee for the De La Salle Greenhills since 2019, The English-Speaking Union of the Philippines, Inc. since 2009, Gawad Kalinga Community Development Foundation Inc. since 2005, and Pilipinas Shell Foundation Inc. since 2003. He is also a Member of the Advisory Board of Mitsubishi Motors Phil. Corp. and Coca Cola Bottlers Phils. Mr. Chua is affiliated with the Integrity Initiative, National Resilience Council, and the Phil. Disaster and Resilience Foundation.

He held senior positions within various Shell Group of Companies, both locally and outside of the Philippines, including but not limited to being the Chairman and President of Pilipinas Shell Petroleum from September 2003 to May 2017 and being the Country Chairman of Shell companies in the Philippines from September 2003 to October 2016.

He earned his Bachelor of Science degree in Chemical Engineering from De La Salle University in 1978 and attended various international seminars and courses including the senior management course in INSEAD in Fontainebleau, France. Mr. Chua was first elected as Director of the Company at the Annual Stockholders' Meeting held on April 14, 2021. He attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices on September 30, 2022.

Executive Officers

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

Ramon R. del Rosario, Jr. is the Chairman and Chief Executive Officer of PHINMA Corporation. He is also Chairman of the educational institutions under the PHINMA Education Network: Araullo University, Cagayan de Oro College, University of Iloilo, University of Pangasinan, Southwestern University, St. Jude College, Republican College, Rizal College of Laguna and Union College of Laguna and a number of other PHINMA companies. He is President of the Board of Commissioners of PT Ind Phil Management.

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

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

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

Chito B. Salazar is the President and Chief Operating Officer, Head of Education of PHINMA Corporation. Concurrently, he is the President and Chief Executive Officer of PHINMA Education and a Senior Vice President of PHINMA, Inc. from 2003 to present. Dr. Salazar was first elected as Director of the Company at the Annual Stockholders' Meeting held on April 14, 2021.

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

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

Prior to joining PHINMA, he was a part-time Associate Professor at the School of Management and at the School of Social Sciences from 2007 to 2010 and Part-Time Lecturer at the Department of Economics, Department of English and Department of Math at the Ateneo de Manila University (ADMU) from 1988 to 1992. He was also a part-time Lecturer at the Economics Department of Assumption College and an Associate Professor at the Asian Institute of Management (AIM). From 1997 to 1998 he served as a Consultant at the Institute of Environmental Studies and United National Environmental Programme Project. He became a Research Assistant to both Dr. James Mittelman, Chair of the Department of Regional and Comparative Studies and Dr. Steven Arnold, Director of the International Development Program at the American University from 1993 to 1995. In 1991, he was an Assistant to Dr. Henry Schwalbenberg, Director of the Program in International Political Economy and Development of Fordham University.

PYTHAGORAS L. BRION, JR.
Executive Vice President, Group Chief Financial Officer

Pythagoras L. Brion, Jr. was appointed as Executive Vice President and Group Chief Financial Officer on November 10, 2021. He concurrently serves as Executive Vice President and Group Chief Financial Officer of PHINMA, Inc. He serves in the Board of Directors of SJCI, RCI, PHINMA Solar Corporation, CDCC, API and PHINMA PRISM Property Development Inc.

He received his Bachelor of Science in Management Engineering degree from Ateneo de Manila University and holds a Master in Business Administration degree from the University of the Philippines.

JOSE MARI R. DEL ROSARIO
Senior Vice President, Hospitality

Jose Mari del Rosario, Senior Vice President – Hospitality of PHINMA Corporation (PHN), is concurrently the President and CEO of PHINMA Microtel Hotels Inc. and PHINMA Hospitality, Inc. Mr. del Rosario is also the President and CEO of Paramount Hotels & Facilities Management Co. Inc. Presently, he sits on the Board of Directors of the Philippine Hotel Owners Association and Philippine Franchise Association. In 2015, he was honored with the Ernst & Young Entrepreneur of the Year – Industry Entrepreneur award for his game-changing role in the hospitality industry. In 2007, he was recognized by GoNegosyo as Most Inspiring Tourism Entrepreneur.

He earned his Diploma in Hotel & Restaurant Management in Hotelconsult Schulhotels (now César Ritz Colleges) Valais, Switzerland. He is also an alumnus of Cornell University's General Managers Program. He took up his MBA at Arthur D. Little School of Management (now Hult International Business School) in Cambridge, Massachusetts. He is the brother of Mr. Ramon R. del Rosario, Jr. and Mr. Victor J. del Rosario. He attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices in September 2022.

RAPHAEL B. FELIX
Senior Vice President, Properties

Raphael B. Felix, Senior Vice President - Properties, is concurrently the President and Chief Executive Officer of PHINMA Property Holdings Corporation (PPHC), the real estate subsidiary of PHN. He also serves as the President of PHINMA Prism Development Corporation since 2019, involved in upscale housing developments. He also serves as chairman of Community Developers and Construction Corporation, PPHC's construction arm.

Mr. Felix is a graduate of AB Economics from the Ateneo de Manila University and has attended business planning and strategy courses from Asian Institute of Management, Ateneo Graduate School and Harvard Business Review.

REGINA B. ALVAREZ
Senior Vice President and Group Controller

Regina B. Alvarez is the Senior Vice President and Group Controller. She was previously appointed as Senior Vice President – Finance of the company in April 2005. Ms. Alvarez is concurrently Senior Vice President and Group Controller of PHINMA, Inc. and holds various executive posts in PHINMA-managed companies. She is also a director of AU and SWU.

Ms. Alvarez is a Certified Public Accountant and holds a Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines and a Master's degree in Business Administration from the Wharton School of Business.

NANETTE P. VILLALOBOS
Vice President and Treasurer

Nanette P. Villalobos was appointed Vice President and Treasurer in January 2019. She was previously the Treasurer for PHEN from 2018 to 2019 and Treasurer for South Luzon Thermal Energy Corporation from 2015-2019. Currently, she also holds the following positions: Vice President and Treasurer for PHINMA, Inc., Assistant Treasurer for PPHC, Treasurer for PHINMA Education Holdings, Inc., Treasurer and Compliance Officer for TO Insurance Brokers, Inc. and Treasurer for PHINMA Hospitality.

She obtained her degree in Bachelor of Science in Accountancy from University of the East. She completed the Ateneo-BAP Treasury Certification Program in 2004. She attended the Basic Management Program at the Asian Institute of Management in 2008. She attended and completed a Certification study for Macro Economics at University of Asia and the Pacific in 2014. She took up the Diploma Program in Corporate Finance of the Ateneo Graduate School of Business-Center for Continuing Education in 2022. She is a member of Fund Managers Association of the Philippines (FMAP) and Financial Executives Institute of the Philippines (FINEX).

EDMUND ALAN A. QUA HIANSEN
Vice President, Deputy Group Chief Financial Officer

Edmund Alan A. Qua Hiansen is Vice President - Deputy Group Chief Financial Officer. He was appointed on March 3, 2023. Concurrent positions held include: Chief Financial Officer of Song Lam Cement Joint Stock Company and Deputy Chief Finance Officer of PHINMA Prism Development Corporation.

He holds a Bachelor of Science degree in Finance from Butler University in Indianapolis, Indiana, USA where he was recognized as one of the Top 100 Outstanding Students in 2005 and a Master's degree in Global Finance from HKUST-NYU Stern. He is the Chairman of the FINEX Research and Development Foundation Junior FINEX Committee and a Vice Chairman of the Financial Executive Institute of the Philippines Ethics Committee.

ANNABELLE S. GUZMAN
Vice President, Controller

Annabelle S. Guzman is Vice President, Controller. She joined the company in September 2020 and was appointed Vice President and Controller on April 14, 2021.

She is a Certified Public Accountant and holds a Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines. Prior to joining the Company, she worked in the financial services industry, as VP – Fund Administration Manager with JP Morgan Chase & Co and as Finance Head with Pepper Financial Services.

ROLANDO D. SOLIVEN
Vice President, Corporate Governance

Rolando D. Soliven was appointed Compliance Officer on April 14, 2021 and has served concurrently as Vice President – Group Corporate Governance since April 2019 and Data Protection Officer since May 2022. He has been an officer of the company since March 2012.

He holds a Bachelor of Science degree in Accountancy from San Beda College. He has also completed the Enterprise Wide Risk Management Program and the Business Analytics Program of the Asian Institute of Management. He is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified in Risk Management Assurance (CRMA), ISO 31000 Certified Risk Manager (CRM), and Certified Fraud Examiner (CFE). He is a Fellow of the Institute of Corporate Directors (ICD) and a member of both the Institute of Internal Auditors (IIA) and the Association of Certified Fraud Examiners (ACFE).

PETER V. PERFECTO
Vice President, Public Affairs

Peter Angelo V. Perfecto was appointed Vice President, Public Affairs in April 2019. He concurrently serves as the PHINMA Foundation Vice President, chairman of the Oxfam Pilipinas Board as well as its Country Governance Group, and private sector representative of the People's Survival Fund.

As former Executive Director of the Makati Business Club from 2011 to 2018, he also took on leadership and secretariat roles in the Integrity Initiative, Bishops-Businessmen's Conference for Human Development, National Competitiveness Council and the APEC Business Advisory Council. He also helped establish Philippine Business for Education and became its first Executive Director, driving business-led advocacies for education reform and mobilizing resources from corporates as well as international agencies. His other past positions include Director V for Media and Public Affairs of the Office of the Presidential Adviser on the Peace Process and Executive Director of Amnesty International Philippines where he had the opportunity to join various international meetings and working groups on human rights. An alumnus of the Ateneo de Manila University, he completed his Bachelor of Science in Management Engineering in 1987.

GILES R. KATIGBAK
Assistant Vice President, Chief Risk Officer

Giles R. Katigbak was appointed as Assistant Vice President, Chief Risk Officer effective April 12, 2022. He received his bachelor's degree in Management Economics from the Ateneo de Manila University and an MBA with concentration in Finance and Corporate Accounting from the University of Rochester in New York.

Prior to joining PHINMA Corporation he was employed in a financial advisory capacity at various Philippine firms including Investment & Capital Corporation of the Philippines, Jardine Fleming Exchange Capital Group, Inc., and SyCip, Gorres, Velayo and Company.

GRACE M. PURISIMA
Assistant Treasurer

Grace M. Purisima joined the company in 2011 and was appointed Assistant Treasurer in April 2019. She is also the Assistant Treasurer of PHINMA, Inc.

She completed the Treasury Certification Program from the Ateneo de Manila University Graduate School of Business and Bankers Association of the Philippines (Ateneo-BAP) in 2012. She holds a Bachelor of Arts degree in Management Economics from Ateneo de Manila University.

TROY A. LUNA
Corporate Secretary

Troy A. Luna was appointed as the Corporate Secretary in March 2017. He also acts as Corporate Secretary of PHINMA, Inc., and other PHINMA-related corporations such as the AU, COC, UPang, UI, SWU, SJCI, RC, RCL, UCL, PHINMA Education, Asian Plaza, Inc., UGC, Philcement, ABCIC Property Holdings, Toon City Animation, Inc. and other unrelated companies such as TCL Sun, Inc., Newminco Pacific Mining Corporation and Philippine Business for Education, Inc., a Trustee of the Licensing Executives Society of the Philippines and a Trustee and President of the Intellectual Property Alumni Association. He was elected as Director of the Company on November 5, 2020 until April 2021.

He holds a Liberal Arts in Economics degree from the De La Salle University. He is a lawyer by profession, having earned his Bachelor of Laws degree from the Ateneo de Manila University School of Law in 1986 and was admitted to the Philippine Bar in 1987. He is a Senior and named Partner of the Migallos & Luna Law Offices.

MA. CONCEPCION Z. SANDOVAL
Assistant Corporate Secretary

Ma. Concepcion Z. Sandoval was appointed Assistant Corporate Secretary in March 2017. She also acts as Assistant Corporate Secretary of PHINMA, Inc. and other PHINMA-related companies such as UI, PHIINMA Education, ABCIC, Asian Plaza, Inc., Toon City Animation, Inc. and unrelated companies such as TCL Sun, Inc. and Philippine Business for Education, Inc.

She earned her Bachelor of Laws degree from San Beda College of Law in 2006 and was admitted to the Philippine Bar in 2007. She holds a Bachelor of Arts major in Legal Management degree from the University of Sto. Tomas. She is a Junior Partner of the Migallos & Luna Law Offices.

Financial Statements

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Making Lives Better

PHINMA Corporation

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Signed this 10th day of March 2023.

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

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

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

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Building a better working world

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
PHINMA Corporation

Opinion

We have audited the consolidated financial statements of PHINMA Corporation and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

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Recoverability of Goodwill

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

The Company's disclosures about goodwill are included in Notes 6 and 18 to the consolidated financial statements.

Audit Response

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

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

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

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

Audit Response

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

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Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

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

March 3, 2023

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Data)

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

See accompanying Notes to Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

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

See accompanying Notes to Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

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

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Note 24)	Additional Paid-in Capital	Treasury Shares (Note 24)	Exchange Differences on Translation of Foreign Operations	Equity Reserves (Note 7)	Other Comprehensive Income (Note 15)	Share in Other Comprehensive Income of Associates and Joint Ventures (Note 13)	Retained Earnings (Note 24) Appropriated	Retained Earnings (Note 24) Unappropriated	Subtotal	Non-controlling Interests	Total Equity
Balance, January 1, 2020	₱2,863,312	₱259,248	(₱134,460)	₱205	₱153,976	₱40,284	(₱20,965)	₱1,300,000	₱2,195,554	₱6,657,154	₱1,685,521	₱8,342,675
Net income	–	–	–	–	–	–	–	–	172,637	172,637	349,303	521,940
Other comprehensive income (loss)	–	–	–	92	–	(1,362)	18,828	–	(9,176)	8,382	1,129	9,511
Total comprehensive income	–	–	–	92	–	(1,362)	18,828	–	163,461	181,019	350,432	531,451
Cash dividends (Note 24)	–	–	–	–	–	–	–	–	(109,004)	(109,004)	(183,615)	(292,619)
Changes in ownership interests of the Parent Company without loss of control (Note 7)	–	–	–	–	194,793	–	–	–	–	194,793	475,891	670,684
Issuance of shares from stock purchase plan (Note 7)	–	–	–	–	1,341	–	–	–	–	1,341	3,376	4,717
Deconsolidation of subsidiary (Note 7)	–	–	–	–	12,243	–	–	–	(28,008)	(15,765)	–	(15,765)
Reversal of appropriation (Note 24)	–	–	–	–	–	–	–	(1,300,000)	1,300,000	–	–	–
Appropriation of retained earnings (Note 24)	–	–	–	–	–	–	–	2,415,500	(2,415,500)	–	–	–
Put option over NCI (Note 7)	–	–	–	–	(327,659)	–	–	–	–	(327,659)	(358,183)	(685,842)
Buyback of shares (Note 24)	–	–	(1,887)	–	–	–	–	–	–	(1,887)	–	(1,887)
Balance, December 31, 2020	₱2,863,312	₱259,248	(₱136,347)	₱297	₱34,694	₱38,922	(₱2,137)	₱2,415,500	₱1,106,503	₱6,579,992	₱1,973,422	₱8,553,414

See accompanying Notes to Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

PHINMA Corporation (PHN or the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on March 12, 1957.

The Parent Company is listed in the Philippine Stock Exchange (PSE) since August 15, 1958.

On August 2, 2006, the Philippine SEC approved the extension of the Parent Company's corporate life for another 50 years. On May 27, 2010, the Philippine SEC approved the change in the Parent Company's corporate name from Bacnotan Consolidated Industries, Inc. to PHINMA Corporation. Its principal activity is holding investments in shares in various subsidiaries, associates and investees and other financial instruments.

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

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

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

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

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

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

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

2. Basis of Preparation and Consolidation and Statement of Compliance

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

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

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

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

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

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

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

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

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

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

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

3. Changes in Accounting Polices and Disclosures

Current Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2022.

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

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

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

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

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

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

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

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

- *Annual Improvements to PFRSs* 2018-2020 Cycle

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2023

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

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

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

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

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

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1*, Classification of Liabilities as Current or Noncurrent*

  The amendments clarify:

  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively with early adoption permitted.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  On December 15, 2021, the Financial Reporting Standards Council (FRSC) amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the FRSC deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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

<u>Financial Instruments - Initial Recognition and Subsequent Measurement</u>
A financial instrument is any contract that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

<u>Financial assets</u>

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- financial assets at amortized cost (debt instruments)
- financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- financial assets at FVPL

Financial Assets at Amortized Cost (Debt Instruments). Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in consolidated statement of income when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash and cash equivalents, trade and other receivables, refundable deposits (presented under "Input value-added taxes and other current assets" and "Other noncurrent assets") and deposits (presented under "Other noncurrent assets") as at December 31, 2022 and 2021.

Financial Assets at FVOCI (Debt Instruments). For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company does not have debt instruments at FVOCI as at December 31, 2022 and 2021.

Financial Assets Designated FVOCI (Equity Instruments). Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as "Investment income" in the consolidated statement of income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Company elected to classify irrevocably under this category its investment in club shares and non-listed equity investments.

Financial Assets at FVPL. Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.

This category includes investments held for trading and non-listed equity investment which the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as "Investment income" in the consolidated statement of income when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVPL.

Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as either at amortized cost or at fair value depending on whether the cash flows of the hybrid contract are solely payments of principal and interest and the assessment of the business model within which the financial asset is held.

Modification of Financial Assets. The Company derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded. The Company considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the consolidated statement of income.

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of Financial Assets. The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected Credit Losses (ECLs) are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents, other receivables and deposits (presented under "Other noncurrent assets" account in the consolidated statement of financial position), the Company applies a general approach which measures ECL on either a 12-month or lifetime basis depending on whether a significant increase in credit risks has occurred once initial recognition on whether an asset is considered to be credit-impaired, adjusted for the effects of collateral, forward-looking factors and time value of money.

For receivables from customers, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience for trade receivables, and external-credit mapping for other debt instruments at amortized cost to calculate ECLs, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company, in general, considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off, in whole or in part, when the asset is considered uncollectible, the Company has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

The receivables of PEHI, PCC and UGC that were subjected to specific identification were not included in the credit loss computation. Specifically impaired receivables are receivables that have high non-collectibility risk and fully provided for ECL

Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, financial liabilities at amortized cost (loans and borrowings and payables), or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include notes payable, trade and other payables, trust receipts payable, due to related parties, lease liabilities, long-term debt, derivative liability and non-controlling interest put liability.

Subsequent Measurement. The measurement of financial liabilities depends on their classification, as described below:

Financial Liabilities at FVPL. Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. This category includes the Company's derivative liability as at December 31, 2022 and 2021.

Loans and Borrowings and Payables. After initial recognition, interest-bearing loans and borrowings and other payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as "Interest expense and other financing charges" in the consolidated statement of income.

This category generally applies to notes payable, trade and other payables, trust receipts payable, due to related parties, lease liabilities, long-term debt and non-controlling interest put liability of the Company as at December 31, 2022 and 2021.

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Derivative Financial Instruments

Initial Recognition and Subsequent Measurement. The Company uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Consequently, gains or losses from changes in fair value of these derivatives that do not qualify for hedge accounting are recognized immediately in the consolidated statement of income as part of "Other income (expenses)". The Company has opted not to designate its derivative transactions under hedge accounting. The fair values of freestanding forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Non-controlling Interest Put Liability

While the NCI put remains unexercised, the Company accounts for it at the end of each reporting period as follows:

(a) The Company determines the amount that would have been recognized for the NCI including an update to reflect allocations of profit or loss, allocations of changes in OCI and dividends declared for the reporting period, as required by PFRS 10, *Consolidated Financial Statements*;
(b) The Company derecognizes the NCI as if it was acquired at that date;
(c) The Company recognizes a financial liability at the present value of the amount payable on exercise of the NCI put in accordance with PFRS 9. There is no separate accounting for the unwinding of the discount due to the passage of time; and
(d) The Company accounts for the difference between (b) and (c) as an equity transaction.

If the NCI put is exercised, the same treatment is applied up to the date of exercise. The amount recognized as the financial liability at that date is extinguished by the payment of the exercise price.

If the NCI put expires unexercised, the position is unwound so that the NCI is recognized at the amount it would have been, as if the put option had never been granted. The financial liability is derecognized, with a corresponding credit to the same component of equity.

Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Debt Issuance Cost

Debt issuance costs are deducted against long-term debt and are amortized over the term of the related borrowings using the Effective Interest Rate (EIR) method.

Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. Securities defined in these account as 'listed' are traded in an active market. When the Company has financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, it has elected to use the measurement exception to measure the fair value of its net risk exposure by applying the bid or ask price to the net open position as appropriate. For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and with reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

For the purpose of the fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of change in value.

Inventories

Inventories are valued at the lower of cost or net realizable value. Costs incurred in bringing each inventory to its present location and conditions are accounted for as follows:

Finished goods	-	determined using the moving average method; cost includes direct materials, labor and a proportion of manufacturing overhead costs based on normal operating capacity but excludes borrowing costs.
Raw materials, spare parts and others	-	determined using the moving average method.

The net realizable value of inventories, except spare parts, is the selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The net realizable value of spare parts is the current replacement cost.

Other Current Assets

Deferred charges. Deferred charges refer to scholarship and discounts unamortized as of the end of financial reporting period.

Prepaid taxes. This consists of creditable withholding taxes which are withheld from purchases to suppliers that will be used within the normal operating cycle of the Company.

Prepayments. Prepayments are expenses paid in advance and recorded as assets before they are utilized. Prepayments expected to be realized for no more than twelve months after the reporting period, are classified as current assets. Otherwise, they are classified as other noncurrent assets.

Investment in Associates and Joint Ventures

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Company's investments in associates and joint ventures are accounted for using the equity method. The investments in associates and joint ventures are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associates, less any impairment in value.

The consolidated statement of income reflects the Company's share of the results of operations of the associates and joint ventures. In addition, when there has been a change recognized directly in the equity of the associates and joint ventures, the Company recognizes its share of any changes, when applicable, in equity. Unrealized gains and losses resulting from transactions between the Company and the associates and joint ventures and are eliminated to the extent of the interest in the associate or joint ventures.

The Company's share of profits or losses of its associates and joint ventures is shown on the face of the consolidated statement of income outside operating profit and represents profit. This is the profit or loss attributable to equity holders of the associates and joint ventures and therefore is profit or loss after tax and net of controlling interest in the subsidiaries of the associates and joint venture.

The accounting policies of the associates and joint ventures are consistent to those used by the Company for like transactions and events in similar circumstances. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

When the Company's share of losses exceeds its interest in an equity-accounted associate and joint venture, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or have made payments on behalf of the associates or joint ventures.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on the Company's investments in associates and joint ventures. The Company determines at the end of each reporting period whether there is any objective evidence that the Company's investment in associates and joint ventures is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of its investment in the associates and joint ventures and its carrying amount and recognizes the amount in the Company's consolidated statement of income.

Upon loss of significant influence or joint control over the associates or joint venture, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amounts of the Company's investment in the associates and joint ventures upon loss of significant influence or joint control and the fair value of the remaining investment and proceeds from disposal is recognized in consolidated statement of income.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation, amortization and any impairment loss. Land is carried at cost (initial purchase price and other cost directly attributable to the acquisition) less any impairment loss. The cost of property, plant and equipment, comprises its purchase price, including any import duties, capitalized borrowing costs and other costs directly attributable in bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to operations in the year such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.

Land, plant site improvements, buildings, plant and installations, machinery and equipment of UGC are stated at revalued amount before UGC adopted PFRS 1 in 2005. Upon adoption of PFRS, UGC elected to change its basis for measuring land, plant site improvements, buildings and installations, machinery and equipment from revalued amounts to the cost basis. Consequently, such assets are stated at "deemed cost" as allowed by the transitional provisions of the standard. There are no further increases in the asset revaluation reserve and the account is reduced by the amount of depreciation except for land, on appraisal increase charged to operations, net of tax effect, until the item of land, plant site improvements, buildings and installations, machinery and equipment is fully depreciated or upon its disposal. Such asset revaluation reserve has been closed to retained earnings.

Depreciation commences once the property, plant and equipment are available for use and is computed using the straight-line method over the following estimated useful lives of the assets:

Plant site improvements	10–20 years
Buildings and improvements	10–50 years
Machinery and equipment	5–20 years
Transportation and other equipment	2–10 years

In 2020, the Company changed the useful life of its buildings and improvements from 10-25 years to 10-50 years. The revised useful life is based on the 2020 valuation made by an independent firm of appraiser accredited by SEC, considering the extent, character and utility of the properties as evidenced by observed condition. The nature and amount of the effect of the change in useful life of buildings and improvements are disclosed in the Note 5 to the consolidated financial statements.

The assets' estimated useful lives, residual values and depreciation method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from the items of property, plant and equipment. Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is credited or charged to operations.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is presented under "Other income (expenses)" in the consolidated statement of income.

Construction in progress represents cost of plant and properties under construction or development and is stated at cost less any impairment in value. This includes cost of construction, plant and equipment, capitalizable borrowing costs and other costs directly attributable to such asset during the construction period and other direct costs. Construction in progress is not depreciated until such time when the relevant assets are completed and becomes available for operational use.

Investment Properties

Investment properties are measured initially at cost, including direct transaction costs.

The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties (except land) are stated at cost less accumulated depreciation and any impairment in value.

Land is carried at cost less any impairment in value. Depreciation is calculated on a straight-line basis over 50 years, the estimated useful life of the depreciable investment property which refers to a building unit.

In 2020, the Company changed the useful life of its buildings from 20 years to 50 years. The revised useful life is based on the 2020 valuation made by an independent firm of appraiser accredited by SEC, considering the extent, character and utility of the properties as evidenced by observed condition. The nature and amount of the effect of the change in useful life of buildings are disclosed in the Note 5 to the consolidated financial statements.

Investment properties are derecognized when either these have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to date change in use.

Business Combinations, Goodwill and Impairment of Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the Company measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, is measured at fair value with the changes in fair value recognized in the consolidated statement of income in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

When goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Impairment of Goodwill. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Under PAS 36, *Impairment of Assets*, the Company is required to perform annual impairment tests on the amount of goodwill acquired in a business combination. Moreover, if the Company did not finalize the goodwill allocation to cash-generating units (CGUs), as required by PAS 36, and there are indicators that the provisional goodwill may be impaired, an impairment test of the provisional goodwill is performed. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible Assets (Except for Goodwill)
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Intangible assets with finite lives are amortized over the useful economic life using the straight-line method and assessed for impairment whenever there is an indication that the intangible assets may be impaired. At the minimum, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Company's consolidated statement of income.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually either individually or at the Cash-Generating Units (CGU) level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The useful lives of intangible assets are as follows:

Software costs	5 years
Student lists	3 years

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the student lists and software costs are accounted for by changing the appropriate amortization period or method, as appropriate, and treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in consolidated statement of income.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that a nonfinancial asset, excluding goodwill and other intangible assets with indefinite useful lives, may be impaired. If any indication exists, or when annual impairment testing for a nonfinancial asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use (VIU). The recoverable amount determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGU to which the individual assets are allocated. These budgets and forecast generally cover a period of five years. For longer period, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses are recognized in the consolidated statement of income in expense categories consistent with the function of impaired asset.

For nonfinancial assets excluding goodwill and other intangible asset with indefinite useful life, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount of the asset or CGU is estimated. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in consolidated statement of income. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Current versus Noncurrent Classification
The Company presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent asset and liabilities, respectively.

Capital Stock and Additional Paid-in Capital
Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account in the consolidated statement of financial position. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to the "Additional paid-in capital" account in the consolidated statement of financial position.

Treasury Shares
Treasury shares are recorded at cost and deducted from the Company's equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments. On subsequent issuance, any difference between the carrying amount and the consideration received is recognized under "Additional paid-in capital" account in the consolidated statement of financial position.

Equity Reserves
Other reserves consist of equity transactions other than capital contributions, such as equity transactions arising from transactions with NCI and share-based payment transactions.

Retained Earnings
Retained earnings represent accumulated net profits, net of dividend distributions and other capital adjustments. Retained earnings also include effect of changes in accounting policy as may be required by the PFRS' transitional provision.

Other Comprehensive Income
Other comprehensive income (loss) comprises of items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRS.

Revenue Recognition
Revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the Company expects to be entitled to in exchange for those goods or services. PFRS 15 prescribes a five-step model to be followed in the recognition of revenue, wherein the Company takes into consideration the performance obligations which the Company needs to perform in the agreements the Company has entered into with its customers. Revenue is measured by allocating the transaction price, which includes variable considerations, to each performance obligation on a relative stand-alone selling price basis, taking into account contractually defined terms of payment and excluding value-added tax (VAT), where applicable. Transaction prices are adjusted for the effects of a significant financing component if the Company expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be more than one year.

When determining the Company's performance obligations, the Company assesses its revenue arrangements against specific criteria to determine if the Company is acting as principal or agent. The Company considers both the legal form and the substance of the agreement to determine each party's respective roles in the agreement. The Company is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Company's role is only to arrange for another entity to provide the goods or services, then the Company is an agent and will need to record revenue at the net amount that it retains for its agency services. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 5.

The specific recognition criteria before revenue is recognized are as follows:

Sale of Goods. Revenue from sale of goods is principally derived from sale of roofing and other steel products, books, uniforms and incidentals, and pharmacy sales and payment is normally due upon delivery to customers or up to 60 days for sale of roofing and other steel products. Revenue from stand-alone sale of roofing and other steel products, sale of books, uniforms and incidentals in bookstores and sale of medicines and supplies in pharmacy are considered as single performance obligations and recognized at a point in time when control of the asset is transferred to the customer, generally on delivery of the promised goods.

There are no other promises in these types of arrangements that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). There are no variable consideration, significant financing components, noncash consideration, and consideration payable to the customer that could affect the determination of the transaction price.

Certain books, uniforms and incidentals are included already in the total amount of fees to be paid by the students upon enrolment. The consideration for these goods are assessed separately from tuition and other fees. The Company determined that these goods are distinct promises from the educational services since the students can benefit from the books, uniforms and incidentals either on their own or together with other resources that are readily available to the student, and the Company's promise to transfer the said goods to the students is separately identifiable from the educational services in the contract.

Installation Services. The Company provides installation services for roofing and other steel products that are bundled together with the sale of the roofing and other steel products and payment is normally due within 60 days from progress billing. The Company assessed that while the installation services can be obtained by the customers from other providers, the installation and the goods are not distinct within the context of the contract since the Company provides a significant service of integrating the goods or services with other goods or services promised in the contract into a bundle of goods or services that represent the combined output for which the customer has contracted. In other words, the Company is using the goods or services as inputs to produce or deliver the combined output specified by the customer.

Hence, the transaction price which corresponds to the contract price net of discount is allocated entirely to the installation service. The Company recognizes revenue from installation services over time, using an output method based on the percentage of completion to measure progress towards complete satisfaction of the service, because the customer controls an asset as it is created or enhanced by the Company in the customer's premises.

Tuition, School Fees and Other Services. Revenue is recognized over time when the related educational services are rendered using the output method (i.e., time lapsed over the service period such as semester or school year, depending on the curriculum registered). Total assessments of tuition and other school fees, net of monthly amortization to revenue, are recorded as part of "Contract liabilities" account in the consolidated statement of financial position and are normally due upon enrollment up to 5 months which corresponds to one semester.

Hospital Routine Services. Revenue is recognized over time upon rendering of medical services and administration of medicines and other pharmaceutical products to in-patient customers to be used in their medical operations and payment is due normally upon performance of the service up to one year. The Company elects to use the right to invoice practical expedient in recognizing revenue because the Company has a right to the consideration from the patient in an amount that corresponds directly with the value to the patient of the Company's performance to date. The Company assessed that the medical services and products used by in-patients are not distinct within the context of the contract since the Company provides a significant service of integrating the promises within the contract. The total consideration, net of discount, for the medical services and the medicines used by in-patients comprises the transaction price which is allocated entirely to hospital routine services.

Consultancy Services. Revenue from consultancy services are recognized over time using an output-based measure of progress based on milestones achieved assessed by project managers since based on the terms and conditions of the Company's contract with its customers, the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date. Payment for consultancy services is normally due within 60 days from progress billing. Revenue from consultancy services also include the revenue on services provided by the Parent Company as a consultant in establishing and facilitating cement sale deals between its subsidiary and a cement seller.

Contract Balances

Receivables. A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Assets. A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. The Company currently does not have right to consideration that is conditional.

Contract Liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract. These pertain to unearned revenue from tuition, school and other service fees and deposits from customers for future goods and services.

Costs to Obtain Contract. The Company pays sales commission to its employees for each contract that they obtain for sale of roofing and other steel products and installation services. The Company has elected to apply the optional practical expedient for costs to obtain a contract which allows the Company to immediately expense sales commissions included under "Selling expenses" account because the amortization period of the asset that the Company otherwise would have used is one year or less.

Other Revenues

Investment Income. Investment income includes net gains and losses on investments held for trading and interest income. Interest income is recognized as the interest accrues, taking into account the effective yield on the asset. Dividend income is recognized when the shareholder's right to receive the payment is established.

Rental Income. Revenue is recognized on a straight-line basis over the lease term or based on the terms of the lease as applicable.

Costs and Expenses

Costs and expenses are generally recognized as incurred. Costs and expenses constitute the following:

Cost of Sales and Cost of Educational, Installation, Hospital and Consultancy Services. Cost of sales includes direct materials used, personnel costs, as well as repair and power and fuel used to run production of steel products. Cost of sales also includes cost of books, uniforms and incidentals and cost of medicines and pharmaceutical products sold. Cost of educational services constitutes costs incurred to administer academic instruction. Cost of hospital services includes professional fees paid to medical personnel, utilities and other medical supplies used to render medical services. Cost of consultancy services includes labor cost and other direct costs related to the performance of consultancy services. These expenses are expensed as incurred.

General and Administrative Expenses. General and administrative expenses constitute costs of administering the business and are expensed as incurred.

Selling Expenses. Selling expenses include costs of distribution of steel products, books, incidentals, personnel costs, freight expenses, commission and advertising. Selling expenses are expensed as incurred.

Pension and Other Employee Benefits

Defined Benefit Plan. The Parent Company, PCC, UGC, PEHI, UPANG, AU, COC, UI, SJCI, RC, RCL, UCLI and SWU have distinct funded, noncontributory defined benefit retirement plans covering all permanent employees, each administered by their respective Retirement Committees. The rest of the subsidiaries have no retirement plan either because the subsidiaries ceased commercial operations or accounting or administrative functions are handled by an employee of another company within the group. Retirement costs on these defined benefit retirement plans are actuarially determined using the projected unit credit method.

The net pension liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Net pension cost comprises the following:

- service cost;
- net interest on the net defined benefit liability or asset; and
- remeasurement of defined benefit liability or asset in OCI

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods but rather these are closed to retained earnings every end of the period.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or if they have no maturity, the expected period until the settlement of the related obligations).

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Defined Contribution Plan. The Parent Company also provides a defined contribution plans that cover all regular full-time employees under which the Company pays fixed contributions based on the percentage contributed by the employees from their monthly salaries. The retirement funds for the defined benefit and defined contribution plans cannot be used to meet the funding requirements of each other. While the Company is covered under Republic Act (R.A.) 7641, otherwise known as *"The Philippine Retirement Law"*, which provides for qualified employees to receive a defined minimum guarantee, the existing defined benefit plan is sufficient to cover the required minimum retirement obligation under the law. Accordingly, the Company accounts for its monthly defined contribution as expense when incurred.

Termination Benefits. Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee Leave Entitlement. Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees.

Stock Purchase Plan
The Company has a stock purchase plan offered to senior officers which gives them the right to purchase shares of the Company set aside by the plan.

The cost of equity-settled transactions with employees is measured by reference to their fair value at the date they are granted, determined using the acceptable valuation techniques. The amount is fixed at grant date.

The cost of equity-settled transactions, together with a corresponding increase in equity, is recognized over the period in which the performance and/or service conditions are fulfilled ending on the date on which the employees become fully entitled to the award ("vesting date").

The cumulative expense recognized for equity-settled transactions at each reporting date up to and until the vesting date reflects the extent to which the vesting period has expired, as well as the Company's best estimate of the number of equity instruments that will ultimately vest. The consolidated statement of income charge or credit for the period represents the movement in cumulative expense recognized at the beginning and end of that period. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which awards are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

When the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. An additional expense is likewise recognized for any modification which increases the total fair value of the share-based payment arrangement or which is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. If a new award, however, is substituted for the cancelled awards and designated as a replacement award, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Leases
The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as Lessee. The Company applies a single recognition and measurement approach for all leases, except for short-term leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- *Right-of-use Assets*. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follow:

Land	5–25 years
Buildings	3.5–5 years
Warehouses	2–20 years
Vehicles	3–3.5 years
Others	3–5 years

  Right-of-use assets are subject to impairment.

- *Lease Liabilities*. At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

  In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- *Short-term Leases*. The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date or initial application of PFRS 16 and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Company as Lessor. Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated income to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase due to the passage of time is recognized as interest expense in the consolidated statement of income. When the Company expects a provision to be reimbursed, the reimbursement is recorded as a separate asset but only when the receipt of the reimbursement is virtually certain.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing cost consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign Currency-denominated Transactions and Translation

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. The subsidiaries determine their own functional currency and items included in the financial statements of each subsidiary are measured using that functional currency.

Transactions in foreign currencies are recorded using their functional currency exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange at the end of the reporting period. Exchange gains or losses arising from foreign currency translations are credited or charged to current operations. Nonmonetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Other than OAL, the functional and presentation currency of the subsidiaries within the Company is Philippine peso. The functional currency of OAL is U.S. dollar. The assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in the consolidated statement of income.

Taxes

Current Income Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date.

Deferred Income Tax. Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) and unused tax losses from net operating loss carry over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of unused MCIT and NOLCO can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates and interest in joint venture. Deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred income tax relating to items recognized outside the consolidated statement of income is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-Added Tax (VAT). Revenue, expenses and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as part of "Income and other taxes payable" account in the consolidated statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as part of "Input value-added taxes" account in the consolidated balance sheet to the extent of the recoverable amount.

Earnings per Common Share (EPS) Attributable to the Equity Holders of the Parent
Basic EPS is computed by dividing net income attributable to the common equity holders of the Parent Company by the weighted average number of outstanding common shares during the year after giving retroactive effect to any stock dividend declared during the year.

The Company does not have potential common share or other instruments that may entitle the holder to common shares. Hence, diluted EPS is the same as basic EPS.

Segment Reporting
The Company is organized into five major business segments namely, investment holdings, property development, construction materials, educational services and business process outsourcing (BPO). In 2020, the Parent Company sold its ownership interest in ICI Asia which is under the BPO segment (see Note 7). Financial information about the Company's business segments is presented in Note 41 to the consolidated financial statements.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events After Financial Reporting Date
Post year-end events up to the date of approval of the consolidated financial statements by the BOD that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The accompanying consolidated financial statements prepared in conformity with PFRS require management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. In preparing the Company's consolidated financial statements, management has made its best judgments, estimates and assumptions of certain amounts, giving due consideration to materiality. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

The Company believes the following represents a summary of these significant judgments, estimates and assumptions and related impact and associated risks in its consolidated financial statements.

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

Material Partly-owned Subsidiaries. The consolidated financial statements include additional information about subsidiaries that have NCI that are material to the Company (see Note 8). Management determined material partly-owned subsidiaries as those with carrying value of NCI greater than 5% of total NCI as at end of the year.

Material Associates and Joint Ventures. Management determined material associates and joint ventures as those associates and joint ventures where the carrying amount of the Company's investment is greater than 5% of the total investments in associates and joint ventures as at end of the year and the associate or joint venture contributes more than 5% of the consolidated net income based on the equity in net earnings/losses. As at December 31, 2022 and 2021, the Company has no material associates and joint ventures (see Note 13)

Determining the Lease Term of Contracts with Renewal and Termination Options – Company as a Lessee. The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Rent expense for short-term leases amounted to ₱113.5 million, ₱103.5 million and ₱112.5 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Notes 27, 28 and 38).

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the succeeding paragraphs.

Business Combination. The Company's consolidated financial statements and financial performance reflect acquired businesses after the completion of the respective acquisition. The Company accounts for the acquired businesses using the acquisition method, which require extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any excess in the purchase price over the estimated fair market values of the net assets acquired is recorded as goodwill in the Company's consolidated statement of financial position. Thus, the numerous judgments made in estimating the fair market value to be assigned to the acquiree's assets and liabilities can materially affect the Company's financial performance.

On May 21, 2021, PEHI and the shareholders of UCLI entered into a Share and Asset Purchase Agreement to acquire 65.76% of the total issued and outstanding capital stock of UCLI for a consideration of ₱86.8 million which resulted in allocation of the purchase consideration to the identifiable assets acquired and liabilities assumed. The fair values of the identifiable assets and liabilities of UCLI as at the date of the acquisition were finalized in 2022 and are disclosed in Note 6.

Leases - Estimating the Incremental Borrowing Rate. The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Company's lease liabilities amounted to ₱314.1 million and ₱355.9 million as at December 31, 2022 and 2021, respectively (see Note 38).

Estimating Allowance for ECLs

The following information explains the inputs, assumptions and techniques used by the Company in estimating ECL:

- General approach for cash and cash equivalents, other receivables and deposits

  The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The Company considers the probability of its counterparty to default in its obligation and the expected loss at default after considering the effects of collateral, any potential value when realized, forward-looking estimates and time value of money.

- Simplified approach for receivables from customers

  The Company uses a simplified approach for calculating ECL on receivables from customers through the use of provision matrix to calculate ECLs. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography and customer type and rating).

  The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the Company's operating segments, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking rates are analyzed.

- Incorporation of forward-looking information

  The Company considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. A broad range of forward-looking information are considered as economic inputs such as the gross domestic product, inflation rate, unemployment rates, industry growth rates and other economic indicators.

  The macroeconomic factors are aligned with information used by the Company for other purposes such as strategic planning and budgeting.

  The Company identifies and documents key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

  Predicted relationship between the key macro-economic indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3 to 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

- Grouping of instruments for losses measured on collective basis

  For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a segmentation are homogeneous. The Company segmentized its receivable from students on the basis of the geographical location of each school (e.g., Pangasinan, Cebu, Iloilo, Nueva Ecija, Manila, Quezon City, Cagayan de Oro) while receivable from customers of construction materials are segmentized based on the type of customer (e.g., contractors, hardwares, developers, roofing specialists, fabricators and end users). Receivable from patients, consultancy services, and others are assessed as separate segments.

  The following credit exposures are assessed individually:
  a. All stage 3 assets, which are considered to be specifically impaired, regardless of the class of financial assets; and
  b. Cash and cash equivalents, other receivables and deposits

There have been no significant changes in estimation techniques or significant assumptions. The receivables of the Company that were subjected to specific identification were not included in the credit loss computation. Specifically impaired receivables are receivables that have high non-collectibility risk and fully provided for ECL.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The changes in the gross carrying amount of receivables during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

Provision for ECL amounted to ₱178.8 million, ₱185.9 million and ₱168.5 million in 2022, 2021 and 2020, respectively. The allowance for ECL amounted to ₱1,377.4 and ₱1,198.6 million as at December 31, 2022 and 2021. The carrying amounts of trade and other receivables amounted to ₱5,631.5 and ₱4,935.3 million as at December 31, 2022 and 2021 (see Note 11).

Estimating Net Realizable Value of Inventories. The Company carries inventories at net realizable value when this becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

The Company recognize provision for inventory obsolescence of ₱4.0 million and nil in 2022 and 2021, respectively. Write-off of inventory amounted to nil in 2022 and 2021. The allowance for inventory obsolescence amounted to ₱14.1 million and ₱10.1 million as at December 31, 2022 and 2021, respectively. The carrying amounts of inventories amounted to ₱2,376.0 million and ₱1,974.1 million as at December 31, 2022 and 2021, respectively (see Note 12).

Impairment of Investments in Associates. The Company assesses impairment of investments in associates whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. This requires an estimation of the VIU of the CGUs. Estimating the VIU requires the Company to make an estimate of the expected future cash flows from the CGU and to choose a suitable discount rate to calculate the present value of those cash flows. In cases wherein VIU cannot be reliably estimated, the recoverable amount is based on the fair value less costs to sell.

Fair value less costs to sell is determined to be the amount obtainable from the sale of the underlying net assets of the associate.

No impairment loss on investment in associates was recognized in 2022, 2021 and 2020.

The carrying values of investments in associates amounted to ₱1,063.2 million and ₱1,007.1 million as at December 31, 2022 and 2021, respectively (see Note 13).

Impairment of Goodwill. The Company performs impairment testing of goodwill on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the VIU of the CGU to which the goodwill is allocated. VIU is determined by making an estimate of the expected future cash flows from the CGU and applies a discount rate to calculate the present value of these cash flows. Goodwill acquired through business combination has been allocated to one CGU which is also the operating entity acquired through business combination and to which the goodwill relates. The recoverable amount of goodwill has been determined based on VIU calculation using cash flow projections covering a five-year period. The calculation of VIU for the Company's goodwill is sensitive to revenue growth rates and discount rates. Revenue growth rates estimates are based on values acquired in previous years and also takes into account anticipated increase from various market initiatives. Discount rate reflects the current market assessment of the risk specific to each CGU. The discount rate is based on the average percentage of the weighted average cost of capital for the industry. This rate is further adjusted to reflect the market assessment of any risk specific to the CGU for which future estimates of cash flows have not been adjusted.

The carrying amount of goodwill, pre-tax discount rates and growth rates applied to cash flow projections for impairment testing are as follows:

	Goodwill		Pre-tax Discount		Growth Rates	
	2022	2021	**2022**	2021	**2022**	2021
SWU	**₱996,484**	₱996,484	**14.9%**	10.8%	**5%**	5%
UPANG	**385,817**	385,817	**14.6%**	10.8%	**5%**	5%
UI	**213,995**	213,995	**14.6%**	10.8%	**5%**	5%
SJCI	**103,992**	103,992	**14.7%**	10.8%	**5%**	5%
RCI	**61,286**	61,286	**15.4%**	10.8%	**5%**	5%
AU	**35,917**	35,917	**14.6%**	10.8%	**5%**	5%
COC	**20,445**	20,445	**14.6%**	10.8%	**5%**	5%
	₱1,817,936	₱ 1,817,936				

Management believes that no reasonably possible change in these key assumptions would cause the carrying values of goodwill to materially exceed its recoverable amount. The Company performs its annual testing of goodwill every December 31.

There was no impairment loss on goodwill in 2022 and 2021. The carrying amount of goodwill amounting to ₱1,817.9 million and ₱1,817.9 million as at December 31, 2022 and 2021, respectively, was presented under "Intangible assets" account in the consolidated statements of financial position (see Note 18).

Impairment of Property, Plant and Equipment, Investment Properties and Intangible Asset with Finite Useful Lives. The Company assesses impairment on property, plant and equipment, investment properties and intangible assets with finite useful lives whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance related to the expected or projected operating results;
- significant changes in the manner of use of the assets; and
- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

The Company did not recognize impairment loss on property, plant and equipment, investment properties and intangible asset with finite useful lives in 2022, 2021 and 2020. The COVID-19 pandemic did not materially affect the recoverability of property, plant and equipment, investment properties and intangible asset with finite useful lives.

Realizability of Deferred Tax Assets. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The assessment in the recognition of deferred tax assets on temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. This forecast is based on past results and future expectations on revenues and expenses. However, there is no assurance that sufficient taxable profit will be generated to allow all or part of the deferred tax assets to be utilized.

Carrying values of deferred tax assets amounted to ₱421.4 million and ₱286.3 million as at December 31, 2022 and 2021, respectively (see Note 34). The Company's deductible temporary differences, unused NOLCO and MCIT, for which no deferred tax assets are recognized in the consolidated statements of financial position are disclosed in Note 34.

Estimating Useful Lives of Property, Plant and Equipment, Investment Properties and Intangible Assets with Finite Useful Lives. The Company estimates the useful lives of depreciable property, plant and equipment, depreciable investment properties and intangible assets with finite useful lives based on the period over which the property, plant and equipment, investment properties and intangible assets with finite useful lives are expected to be available for use and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets and in the case of intangible assets, useful lives are also based on the contracts covering such intangible assets. The estimated useful lives of property, plant and equipment, investment properties and intangible assets with finite useful lives are reviewed at each financial year-end and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property, plant and equipment, investment properties and intangible assets with finite useful lives. However, it is possible that future results of operations could be materially affected by changes in the estimates brought about by changes in factors. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances.

The carrying amounts of depreciable property, plant and equipment, investment properties and intangible assets with finite useful lives are as follows:

	2022	2021
Property, plant and equipment (see Note 16)	**₱6,904,842**	₱6,744,833
Investment properties (see Note 17)	**12,787**	16,714
Intangible assets with finite useful lives (see Note 18)	**35,789**	34,643

In 2020, the Company changed the useful lives of certain property and equipment from 10-20 years to 10-50 years. The change in useful lives were accounted for prospectively.

In 2020, the Company changed the useful lives of certain investment properties from 20 years to 50 years. The change in useful lives were accounted for prospectively.

There were no changes in useful lives of intangible assets with finite useful lives in 2022 and 2021.

Pension Benefits. The cost of pension plans is determined using projected unit credit method. Actuarial valuation includes making various assumptions which consists, among other things, discount rates, rates of compensation increases and mortality rates. Due to complexity of valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in assumptions. While the Company believes that its assumptions are reasonable and appropriate, significant differences in its actual experience or significant changes in its assumptions may materially affect its cost for pension and other retirement obligations.

All assumptions are reviewed every year-end (see Note 35).

Pension costs amounted to ₱103.4 million, ₱79.7 million and ₱55.9 million in 2022, 2021 and 2020, respectively (see Note 30). Pension and other-employment benefits liability amounted to ₱275.6 and ₱259.2 million as at December 31, 2022 and 2021, respectively (see Note 35).

Fair Value of Financial Instruments. When the fair values of financial instruments recorded on the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility. The Company's investments held for trading, financial assets at FVPL, financial assets at FVOCI and derivatives instruments are recorded at fair value.

The methods and assumptions used to estimate the fair value of financial assets and liabilities are discussed in Note 37.

Contingencies and Tax Assessments. The Company is currently involved in various legal proceedings and assessments for local and national taxes

The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on the Company's consolidated financial statements. Based on management's assessment, appropriate provisions were made in the consolidated statements of financial position.

6. Business Combination

Acquisition of Union College of Laguna (UCLI). On May 21, 2021, PEHI signed and closed the Share and Asset Purchase Agreement and acquired 65.76% controlling shares of stock of UCLI for a consideration of ₱86.8 million. UCLI offers Junior High School and the Academic Track (Accountancy & Business Management Strand, General Academic Strand, and Humanities and Social Sciences Strand), Technical Vocational Track (Home Economics) and ICT Track (Computer Hardware Servicing Strand) for Senior High School. UCLI also offers undergraduate courses in Psychology, Criminology, Education, Business Administration, Accountancy, Hospitality Management, and Information Technology, and graduate programs in Education and Public Administration. UCLI is a school that operates secondary, tertiary and graduate programs.

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

	Fair Values Recognized at Acquisition Date
Total assets:	
Cash and cash equivalents	₱2,377
Tuition fee and other receivables	9,419
Prepaid expenses and other current assets	1,711
Land	142,032
Building and improvements	59,633
Furniture and fixtures	2,494
Indemnification assets	13,747
Total assets	231,413
Total liabilities:	
Trade and other payables	34,105
Deferred tax liabilities	18,578
Long-term payable	32,494
Pension liability	1,503
Total liabilities	86,680
Total identifiable net assets acquired	144,733
Proportionate share of NCI in net assets acquired	(49,557)
Gain arising from acquisition	(8,334)
Purchase consideration transferred	₱86,842

The net assets recognized in the December 31, 2021 financial statements were based on a provisional assessment of the fair value while PEHI sought an independent valuation for the fixed assets of the acquired business.

In 2022, the valuation was completed, and on the acquisition date fair value of land and buildings were increased by ₱116.5 million over the provisional value. Fair value of other net assets acquired were decreased by ₱22.9 million. The 2021 comparative information was restated to reflect the adjustment to the provisional amounts. As a result, there was an increase in the non-controlling interest of ₱32.0 million and recognition of gain from bargain purchase of ₱8.3 million from provisional goodwill in 2021 amounting to ₱53.2 million. The gain on bargain purchase has been presented as a separate line item in the 2022 consolidated statement of comprehensive income.

The description of the valuation technique used and key inputs to fair valuation are as follows:

	Valuation Technique	Inputs	Value
Land	Cost approach	Price per square meter	₱22,000
Buildings and improvements	Cost approach	Reproduction or replacement cost of the property	Buildings - ₱94.0 million

The net cash inflow related to the acquisition is as follows:

Cash payments relating to acquisition	₱86,842
Less cash of acquired subsidiary	2,377
Net cash inflow	₱84,465

From the date of acquisition to December 31, 2021, the net revenue included in the consolidated statement of comprehensive income contributed by UCL was ₱38.0 million. UCL also contributed net loss of ₱0.4 million over the same period. If the acquisition had taken place at the beginning of the year 2021, the consolidated statement of comprehensive income would have included net revenue of ₱44.9 million and net income of ₱0.9 million. Total transaction costs for the acquisition, amounting to ₱1.0 million, have been expensed and included in the "General and administrative expenses" in the consolidated statement of comprehensive income and is part of operating cash flows for the year ended December 31, 2021.

Acquisition of Rizal College of Laguna. On July 31, 2020, PEHI signed and closed the Share and Asset Purchase Agreement and acquired 100.00% controlling shares of stock of RCL. Gain on bargain purchase of ₱11.4 million has been recognized as the value of the identifiable assets exceeded the value of the purchase consideration of ₱448.8 million. The gain on bargain purchase has been presented in the 2020 consolidated statement of income as part of "Other income (expenses)". RCL offers Junior High School and the Academic Track (Accountancy & Business Management Strand and the General Academic Strand), Technical Vocational Track (Industrial Arts, Electrical installation III and Maintenance Strands) and ICT Track (Computer Hardware Servicing Strand) for Senior High School. It also offers undergraduate courses in Education, Business Administration, Office Administration and Industrial Technology. It is a school that operates secondary, tertiary and graduate programs.

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

	Fair Values Recognized at Acquisition Date
Total assets:	
Cash and cash equivalents	₱309
Tuition fee and other receivables	666
Land	488,450
Building and improvements	25,956
Indemnification assets	4,281
Total assets	519,662
Total liabilities:	
Trade and other payables	4,504
Deferred tax liabilities	51,269
Pension liability	3,777
Total liabilities	59,550
Total identifiable net assets acquired	460,112
Gain on bargain purchase	(11,351)
Purchase consideration transferred	₱448,761

The net assets recognized in the December 31, 2020 financial statements were based on a provisional assessment of the fair value. The valuation of the net assets was completed and finalized in 2021.

On December 5, 2020, PEHI entered into a Sale and Purchase Agreement with CARD Mutual Benefit Association, Inc., CARD MRI Development Institute, Inc. and CARD MRI Property Management Inc. and sold 10.00% of RCL's issued and outstanding capital stock for a total consideration of ₱46.5 million, reducing the ownership of PEHI from 100.00% to 90.00%. The sale resulted to equity adjustment due to changes in ownership interest of the Parent without loss of control (see Note 7).

The Company has elected to measure the NCI based on the NCI's proportionate share in the fair value of the net identifiable assets at acquisition date.

The description of the valuation technique used and key inputs to fair valuation are as follows:

	Valuation Technique	Inputs	Value
Land	Market approach	Price per square meter	₱25,000
Buildings and improvements	Cost approach	Reproduction or replacement cost of the property	Building 1 - ₱25.9 million

The net cash inflow related to the acquisition is as follows:

Cash payments relating to acquisition	₱448,761
Less cash of acquired subsidiary	309
Net cash inflow	₱448,452

Contingent liabilities totaling ₱4.3 million was recognized at acquisition date arising from probable claim and contingencies included under trade and other current liabilities. No further disclosures regarding the contingent liability arising from probable claims are made by RCL at this time as RCL believes that such further disclosures may be prejudicial to its position. A related indemnification asset amounting to ₱4.3 million was also recognized at acquisition date representing the amount reimbursable by PEHI from the previous owners of RCL when the claims and contingencies have been finally settled (see Note 19).

From the date of acquisition to December 31, 2020, the net revenue included in the consolidated statement of comprehensive income contributed by RCL was ₱3.2 million. RCL also contributed net loss of ₱0.4 million over the same period. If the acquisition had taken place at the beginning of the year 2020, the consolidated statement of comprehensive income would have included net revenue of ₱5.3 million and net loss of ₱4.6 million. Total transaction costs for the acquisition, amounting to ₱16.8 million, have been expensed and included in the "General and administrative expenses" in the consolidated statement of comprehensive income and is part of operating cash flows for the year ended December 31, 2020.

7. Transactions with Non-controlling Interests and Others Changes in Ownership

Dilution of Ownership Interest in PEHI

On October 7, 2019, PEHI including Kaizen Private Equity II PTE. LTD. (Kaizen), Nederlandse Financierings-Maatschappijvoor Ontwikkelingslanden N.V. (FMO) and Asian Development Bank (ADB) (collectively "the Investors") have amended and restated the First Investment Agreement (made and entered by PEHI, Kaizen and ADB on April 12, 2019) to reflect the terms and conditions of FMO's investment in PEHI and to reflect other agreed changes to the original terms of the First Investment Agreement. Other local investors including PHINMA, Inc. have also contributed in the capital of PEHI in 2019.

On January 9, 2020, ADB invested ₱625.0 million for 1.1 million shares of PEHI. As a result, ownership interest of Parent Company to PEHI decreased from 71.83% to 67.18%.

These transactions in 2020 and 2019 resulted to equity adjustments presented under changes in ownership interests of the Parent Company without loss of control.

Call and Put Option over the NCI in PEHI
As part of the signed investment agreement of PEHI and the Investors, in the event that an initial public offering (IPO) of PEHI is not completed on the fifth anniversary of the agreement, the Investors have an irrevocable right and option to sell to and obligate the Parent Company to purchase all or portion of their shares (put option). On the other hand, the Parent Company has an irrevocable right and option to purchase and obligate all of the Investors to sell all of its shares under certain conditions.

The exercise price of the options is based at a price that generates 10% internal rate of return, based on the investor US dollar subscription price per share, which is calculated at the agreed exchange rate for the period beginning on the closing date and ending on the date of the relevant notice.

This transaction resulted to recognition of "Non-controlling interest put liability" amounting to ₱2,188.3 million and ₱1,862.9 million as at December 31, 2022 and 2021, respectively, and derecognition of "Non-controlling interests" amounting to ₱107.4 million and ₱143.2 million in 2022 and 2021, with the difference recorded as "Equity reserves" amounting to ₱218.1 million and ₱133.8 million in 2022 and 2021, respectively. As at December 31, 2022, the Company fully expects to complete the IPO within a certain period as agreed in the signed investment agreement and will at that point derecognize the put liability with a corresponding credit to the same component of equity.

Dilution of Ownership Interest of NCI in UGC
In 2016, UGC issued a stock purchase plan in which a bonus will be paid out in five (5) equal annual amortizations from 2016 to 2020 to eligible officers/grantees approved by the Executive Committee.

In 2020, UGC have issued 58,521 shares to its officers as part of the stock purchase plan which resulted in an increase in "Equity reserve" and "Non-controlling interests" accounts by ₱1.3 million and ₱3.4 million, respectively.

Divestment of Ownership Interest in ICI Asia
On September 18, 2020, the Parent Company executed a deed of absolute sale with the President of Integrative Competitive Intelligence Asia, Inc. (ICI Asia) for its entire ownership interest in ICI Asia for ₱0.5 million resulting to a loss of control to the latter by the Parent Company. As a result, the Company recognized a loss from deconsolidation amounting to ₱11.2 million and derecognized the net assets of ICI Asia.

8. **Material Partly-owned Subsidiaries**

Financial information of subsidiaries that have material NCI are provided below:

Proportion of equity interest held by NCI in 2022 and 2021 are as follows:

	Percentage of Ownership	
Name	**2022**	2021
API	**42.38**	42.38
PCC	**40.00**	40.00
PEHI and subsidiaries	**32.82**	32.82

Accumulated balances of material NCI as at December 31 are as follow:

Name	**2022**	2021
PEHI and subsidiaries	**₱1,788,535**	₱1,660,856
PCC	**791,331**	643,561
API	**182,374**	165,133

Profit allocated to material NCI for the years ended December 31 follows:

Name	**2022**	2021
PEHI and subsidiaries	**₱392,637**	₱455,551
API	**17,240**	7,280
PCC	**167,327**	281,818

The summarized financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

Summarized total assets and liabilities as at December 31, 2022 are as follows:

	PEHI and subsidiaries	**API**	**PCC**
Current assets	**₱4,369,960**	**₱115,966**	**₱3,847,322**
Noncurrent assets	**9,575,462**	**268,596**	**3,819,641**
Total assets	**₱13,945,422**	**₱384,562**	**₱7,666,963**
Current liabilities	**₱2,848,810**	**₱52,174**	**₱3,215,710**
Noncurrent liabilities	**3,915,240**	**23**	**2,144,925**
Total liabilities	**₱6,764,050**	**₱52,197**	**₱5,360,635**

Summarized total assets and liabilities as at December 31, 2021 are as follows:

	PEHI and subsidiaries	API	PCC
Current assets	₱4,369,960	₱115,966	₱3,858,077
Noncurrent assets	9,575,462	268,596	3,808,566
Total assets	₱13,945,422	₱384,562	₱7,666,643
Current liabilities	₱2,848,810	₱52,174	₱3,209,848
Noncurrent liabilities	3,915,240	23	2,150,778
Total liabilities	₱6,764,050	₱52,197	₱5,360,626

Summarized statements of comprehensive income for the year ended December 31, 2022:

	PEHI and subsidiaries	API	PCC
Revenues	₱4,068,537	₱37,040	₱8,764,769
Cost of sales	(1,842,370)	(3,333)	(7,924,976)
Administrative and selling expenses	(1,339,092)	(3,200)	(252,009)
Finance costs	(175,166)	-	(200,046)
Other income - net	100,044	15,291	18,668
Income before income tax	811,953	45,798	406,406
Income tax	6,396	(5,026)	11,422
Net income	818,349	40,772	417,828
Other comprehensive income (loss)	6,176	-	1,107
Total comprehensive income	₱824,525	₱40,772	₱418,935

Summarized statements of comprehensive income for the year ended December 31, 2021:

	PEHI and subsidiaries	API	PCC
Revenues	₱3,690,805	₱11,837	₱7,646,635
Cost of sales	(1,517,216)	–	(6,527,758)
Administrative and selling expenses	(1,029,043)	(1,418)	(273,619)
Finance costs	(168,022)	–	(196,177)
Other expense - net	83,944	6,837	34,220
Income before income tax	1,060,468	17,256	683,301
Income tax	(41,409)	(2)	19,054
Net income	1,019,059	17,254	702,355
Other comprehensive income	(12,539)	–	501
Total comprehensive income	₱1,006,520	₱17,254	₱702,856

Summarized statements of cash flows for the year ended December 31, 2022:

	PEHI and subsidiaries	**API**	**PCC**
Operating	**₱1,363,613**	**₱10,567**	**(₱1,303,942)**
Investing	**(1,072,565)**	**3,238**	**(530,144)**
Financing	**(213,455)**	**–**	**1,625,094**
Net increase (decrease) in cash and cash equivalents	**₱77,593**	**₱13,805**	**(₱208,992)**
Dividends paid to non-controlling interests	**₱115,285**	**₱–**	**₱40,000**

Summarized statements of cash flows for the year ended December 31, 2021:

	PEHI and subsidiaries	API	PCC
Operating	(₱79,343)	₱845	(₱303,070)
Investing	(270,003)	16,742	(1,017,498)
Financing	(105,518)	–	1,404,688
Net increase (decrease) in cash and cash equivalents	(₱454,864)	₱17,857	₱84,120
Dividends paid to non-controlling interests	₱53,245	₱–	₱–

9. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand and in banks	**₱1,727,119**	₱2,156,148
Short-term deposits	**1,694,459**	1,539,766
	₱3,421,578	₱3,695,914

Cash in banks earn interest at the prevailing bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Interest income from cash and cash equivalents amounted to ₱29.6 million, ₱7.8 million and ₱17.2 million in 2022, 2021 and 2020, respectively (see Note 26).

10. Investments Held for Trading

This account consists of investments in:

	2022	2021
Unit Investment Trust Funds (UITFs)	**₱647,383**	₱1,302,457
Marketable equity securities	**6,933**	8,271
	₱654,316	₱1,310,728

Investments held for trading have yields ranging from 1.25% to 1.84% in 2022, 0.04% to 1.25% in 2021 and 0.55% to 4.76% in 2020. Net gains from investments held for trading amounted to ₱11.7 million, ₱16.0 million and ₱27.9 million in 2022, 2021 and 2020, respectively (see Note 26).

Interest income from investments held for trading amounted to nil in 2022 and 2021 and ₱6.9 million in 2020, respectively (see Note 26).

11. Trade and Other Receivables

This account consists of:

	2022	2021
Receivables from customers	**₱4,384,912**	₱4,319,605
Advances to suppliers and contractors	**1,759,992**	1,195,954
Accrued interest receivables	**338,546**	139,137
Rent receivable	**95,761**	92,521
Advances to officers and employees	**56,148**	53,958
Due from related parties (see Note 33)	**28,918**	13,729
Loan receivables	**4,417**	4,634
Others	**340,181**	314,380
	7,008,875	6,133,918
Less allowance for ECLs	**1,377,419**	1,198,614
	₱5,631,456	₱4,935,304

Receivables from customers include receivables from sale of roofing and other steel products to customers which are normally on a 30-60 day term. Receivables from customers also include tuition and other school fees receivables which are normally collected within the current school semester. Other trade receivables are noninterest-bearing and are normally collected within the next financial year.

Advances to suppliers and contractors are noninterest-bearing and normally received within the next financial year. This account mainly consists of safeguard duties paid to Bureau of Customs in relation to the PCC's importation of cement. In October 2019, PCC filed a petition with the Court of Tax Appeals (CTA) to reverse and nullify the imposition by the Department of Trade and Industry (DTI) of safeguard duties on its importation of cement during the year. As at December 31, 2022 and 2021, safeguard duties paid amounted to ₱1,242.6 million and ₱944.1 million, respectively.

The terms and conditions of the amounts due from related parties are discussed in Note 33.

Rent receivables are noninterest-bearing and are collectible within the next financial year.

Advances to officers and employees pertain to advances made to officers and employees for business transactions they enter on behalf of the Company. These are normally liquidated within a year.

Accrued interest receivables are normally collected within the next financial year.

Loan receivables pertain to sums of money lent to third parties to be paid either in lump sum or in installment over the specified period of time. The loan receivables are due and demandable.

Other receivables include receivables from Social Security System (SSS) and Philippine Health Insurance Corporation (Philhealth), which are noninterest-bearing and are normally collected within the next financial year.

Movements in the allowance for ECLs are as follows:

		2022	
	Customer	**Others**	**Total**
Balance at January 1, 2022	**₱1,051,679**	**₱146,935**	**₱1,198,614**
Provisions (see Note 28)	**178,805**	**–**	**178,805**
Balance at December 31, 2022	**₱1,230,484**	**₱146,935**	**₱1,377,419**

		2021	
	Customer	Others	Total
Balance at January 1, 2021	₱866,180	₱146,935	₱1,013,115
Provisions (see Note 28)	185,897	–	185,897
Reversals	(398)	–	(398)
Balance at December 31, 2021	₱1,051,679	₱146,935	₱1,198,614

12. Inventories

This account consists of:

	2022	2021
At cost:		
Finished goods	**₱1,942,001**	₱1,554,506
Raw materials	**186,259**	252,501
Other inventories	**149,607**	89,784
At net realizable value:		
Spare parts and others	**90,345**	69,980
Other inventories	**7,796**	7,283
	₱2,376,008	₱1,974,054

Under the terms of the agreements covering liabilities under trust receipts, certain inventories amounting to ₱128.2 million and ₱1,711.4 million as at December 31, 2022 and 2021, respectively, have been released to UGC and PCC in trust for the banks. UGC and PCC are accountable to the banks for the inventories under trust or its sales proceeds.

Finished goods mainly represent roofing and other steel products of UGC.

The cost of spare parts and other inventories carried at net realizable value amounted to ₱112.3 million and ₱85.8 million as at December 31, 2022 and 2021, respectively. The Company has allowance for inventory write-down amounting to ₱14.1 million and ₱10.1 million as at December 31, 2022 and 2021, respectively.

Cost of inventories sold, presented as "Inventories used" under "Cost of sales", amounted to ₱10,466.1 million, ₱8,868.4 million and ₱7,187.4 million in 2022, 2021 and 2020, respectively (see Note 27).

13. Investment in Associates and Joint Ventures

The Company's associates and joint ventures consist of the following:

	Percentage of Ownership			
	2022		2021	
	Direct	**Effective**	Direct	Effective
Investment in associates:				
PHINMA Property Holdings Corporation (PPHC) [a]	**35.42**	**42.71**	35.42	42.71
ABCIC Property Holdings, Inc. (APHI) [b]	**26.51**	**28.15**	26.51	28.15
Coral Way City Hotel Corporation (Coral Way) [c]	**23.75**	**29.27**	23.75	29.27
PHINMA Hospitality, Inc (PHI) [d]	–	**20.88**	–	20.88
Interests in joint ventures:				
PHINMA Saytanar Education Company Limited (PHINMA Saytanar) [e]	–	**35.92**	–	35.92
PT Ind-Phil Management (IPM) [e]	–	**46.17**	–	44.34

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

Investment in Associates

The Company's associates are all incorporated in the Philippines. The reporting period of the associates ends at December 31 as the end of reporting period. The detailed carrying values of investments in associates (accounted for under the equity method) are as follows:

	2022	2021
PPHC	**₱694,647**	₱632,669
APHI	**173,191**	174,586
PHI	**132,476**	133,827
Coral Way	**62,913**	66,326
	₱1,063,227	₱1,007,408

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

	2022	2021
Acquisition costs, balance at beginning and end of year	**₱1,863,322**	₱1,863,322
Accumulated equity in net losses:		
Balance at beginning of year	**(883,407)**	(912,021)
Equity in net earnings	**57,548**	28,614
Balance at end of year	**(825,859)**	(883,407)
Share in other comprehensive income (loss) of associates:		
Balance at beginning of year	**27,493**	13,818
Share in other comprehensive income (loss)	**(1,729)**	13,675
Balance at end of year	**25,764**	27,493
	₱1,063,227	₱1,007,408

The Company has no material associate as at December 31, 2022 and 2021.

The aggregate comprehensive income of associates that are not individually material follows:

	2022	2021	2020
Share in net income (loss)	**₱57,548**	₱28,614	(₱3,733)
Share in other comprehensive income	**(1,729)**	13,675	18,828
Share in total comprehensive income	**₱55,819**	₱42,289	₱15,095

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

a. PPHC

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

Pursuant to the deeds of assignment dated December 28, 2018, the Company and APHI transferred real properties in exchange for PPHC shares. PPHC will issue 65,622 shares to the Company at par value of ₱5,000.00 per share in exchange for the real property with appraised value of ₱328.1 million, costing ₱20.0 million. In 2018, the Company and APHI applied for a tax-free exchange pursuant to Section 40(C) of the Tax Code, as amended. In addition, the Company recorded a gain on sale of ₱164.2 million from the tax-free exchange.

As at December 31, 2022, the Transfer of Certificate of Title over the property has yet to be transferred in the name of PPHC. PPHC is yet to issue the shares to the Company and APHI, pending approval of the request for increase in capital stock of PPHC by SEC as at March 3, 2023.

b. APHI

APHI is primarily engaged in selling real and personal properties.

c. Coral Way

Coral Way owns and operates Microtel Mall of Asia (the Hotel) which started commercial operations on September 1, 2010.

d. PHI

In 2015, API, a subsidiary of PHN, subscribed to 12.5 million shares of PHI representing 36.23% of PHI's outstanding shares for ₱125 million. Subscription payable amounting to ₱52.0 million is included in "Due to related parties" in the consolidated statements of financial position as at December 31, 2022 and 2021.

Interests in Joint Ventures

PHINMA Saytanar and IPM were incorporated in Myanmar and Indonesia, respectively. The reporting period of the joint ventures end at December 31. The detailed carrying values of interests in joint ventures (accounted for under the equity method) are as follows:

	2022	2021
IPM	**₱349,410**	₱239,678
PHINMA Saytanar	–	–
	₱349,410	₱239,678

The movements and details of the investments in joint venture are as follows:

	2022	2021
Acquisition costs:		
Balance at beginning of year	**₱235,503**	₱235,503
Additions	**109,266**	–
Balance at end of year	**344,769**	235,503
Accumulated equity in net earnings (losses):		
Balance at beginning of year	**4,175**	(151)
Equity in net earnings	**466**	4,326
Balance at end of year	**4,641**	4,175
	₱349,410	₱239,678

The Company has no material joint venture as at December 31, 2022 and 2021.

The aggregate comprehensive income of joint ventures that are not individually material follows:

	2022	2021	2020
Share in net income	**₱466**	₱4,326	₱5,701
Share in other comprehensive income	–	–	–
Share in total comprehensive income	**₱466**	₱4,326	₱5,701

Following are the status of operations and significant transactions of the interests in joint ventures:

(a) PHINMA Saytanar

In February 2018, PEHI entered into a Joint Venture Agreement (JVA) with T K A H Company Ltd. (TKAH) to establish PHINMA Saytanar in Yangon, Myanmar to provide training in vocational courses in caregiving, particularly in the care of children, the elderly, persons with disabilities, and other cases requiring specialized care. Through the joint venture, the parties aim to provide various technical vocational education and training (TVET) programs and upon the issuance and clarification of rules and regulations in Myanmar, open a higher educational institution or college that will offer various undergraduate courses including courses in Business, Information Technology, Hospitality, Nursing, Healthcare and other disciplines.

PHINMA Saytanar have an initial capital stock of US$50,000, consisting of 100 shares at US$500 per share. Fifty percent shall be owned by PEHI, while the remaining fifty percent shall be owned by TKAH.

In May 2020, PHINMA Saytanar has ceased its operations pending formal filing with regulators.

(b) IPM

On February 11, 2019, PEHI signed a Joint Venture Agreement with Tripersada Global Manajemen to form IPM for a 66.00% ownership of PEHI and 34.00% owned by Tripersada. In February 2019, PEHI invested US$2.6 million (equivalent to ₱133.2 million) into the joint venture. IPM has commenced its operations in June 2019.

In September 19, 2022, PEHI infused additional capital to IPM amounting to ₱109.2 million. This resulted to change in ownership interest from 66% to 68.72%.

14. Financial Assets at FVPL

This account consists of:

	2022	2021
Investment in preferred shares	**₱2,209,088**	₱2,105,243

On September 18, 2019, the Parent Company executed a Term Sheet with Song Lam Cement Joint Stock Company (Song Lam), Vissai Ninh Binh Joint Stock Company (Vissai) and Hoang Manh Truong (Sponsor) for the investment of US$50.0 million via preferred shares in Song Lam. Song Lam manufactures, markets, distributes and exports clinker, cement and cement products and is a supplier of PCC, a 60%-owned subsidiary of PHN. Vissai is the parent company of Song Lam which owns and manages five cement plants in Vietnam.

In January 2020, the Parent Company, Song Lam, Vissai and Hoang Minh Truong entered into share subscription agreement related to the Parent Company's subscription of the new preferred shares of Song Lam. An advance payment of 10% equivalent to US$5.0 million was made on November 26, 2019 and the 90% balance or US$45.0 million was paid on May 18, 2021. The total US$50.0 million investment has an equivalent peso amount of ₱2.39 billion on May 18, 2021.

The preferred shares are entitled to receive an annual fixed cumulative dividends of 7.5%, independent of Song Lam's business outcome and regardless of operating business results of Song Lam and the existence of retained earnings. The preferred shares shall be convertible to common shares after two (2) years from issuance thereof. The Parent Company may convert the preferred shares between the last day of the second (2nd) year after issuance thereof until the end of the seventh (7th) year following said issuance.

The Parent Company has the option to sell the preferred shares or converted shares to Vissai, the Sponsor or Song Lam at a price equivalent to seventy-five million US Dollars (US$75,000,000.00), less the amount of preferred dividends received by the Parent Company. The put option may be exercised by the Parent Company after five (5) years from closing and until the end of the seventh (7th) year from said closing.

The Parent Company performs valuation of embedded derivatives and financial assets at FVPL at every reporting date using Cox-Ross-Rubenstein Binomial Lattice Model (Binomial Model). This requires an estimation of the expected future cash flows from the investee and applying a discount rate to calculate the present value of these cash flows. The discount rate uses the weighted average cost of capital (WACC) which incorporates the median debt-to-equity ratios and median beta of comparable companies as well as applying an alpha based on small-risk premium. The cash flow projections cover a five-year period.

The significant assumptions used in the fair value computation as at 2022 and 2021 are as follows:
a. The pre-tax discount rate applied to cash flow projection is 16.20% and 17.20%, respectively.
b. The explicit forecast period used in discounting cash flows in 2022 and 2021 is 5 years.
c. The terminal value in the discounted cash flow uses 6.20% and 5.5% long-term growth rate based on expected Vietnam Gross Domestic Product (GDP) growth rate in 2022 and 2021, respectively.
d. The binomial model uses 44.23% and 28.94% average volatility of comparable companies' quarterly historical prices and used interquartile range to consider outliers in 2022 and 2021, respectively.
e. The option-adjusted spread computed at inception from the binomial model is 9.93% in 2022 and 2021.
f. The risk-free rate used in the binomial model is 3.82% and 1.27% in 2022 and 2021, respectively.

The unrealized gain on change in fair value of financial assets at FVPL amounted to ₱103.8 million and ₱172.4 million in 2022 and 2021, respectively.

The derivative asset arising from the put option amounted to ₱648.1 million from ₱510.5 million as at December 31, 2022 and December 31, 2021, respectively. The unrealized gain on change in fair value of the derivative asset amounted to ₱137.6 million and ₱53.1 million in 2022 and 2021, respectively.

15. Financial Assets at FVOCI

This account consists of:

	2022	2021
Investment in club shares	**₱41,000**	₱32,350
Non-listed equity securities	**81,959**	76,310
	₱122,959	₱108,660

Investment in equity investments pertain to shares of stock and club shares which are not held for trading. The Company has irrevocably designated the equity instruments at FVOCI, as the Company considers these investments to be strategic in nature.

No dividends were received in 2022 and 2021 from financial assets at FVOCI.

The movements in net unrealized gain on financial assets at FVOCI, net of tax in 2022 and 2021 are as follows:

	2022	2021
Balance at beginning of year	**₱38,167**	₱38,922
Gain (loss) due to changes in fair value of investment in equity instruments	**13,153**	(755)
Sale of equity instruments	**(400)**	–
Balance at end of year	**₱50,920**	₱38,167

16. Property, Plant and Equipment

This account consists of:

	January 1, 2022	**Acquisition through business combination** (see Note 6)	**Additions**	**Disposals**	**Reclassifications**	**December 31, 2022**
Cost						
Land	**₱3,141,322**	**₱–**	**₱130,072**	**₱–**	**₱–**	**₱3,271,394**
Plant site improvements	**3,473,015**	–	–	**(10,884)**	**10,741**	**3,472,872**
Buildings and improvements	**4,147,397**	–	**408,070**	**(5,930)**	–	**4,549,537**
Machinery and equipment	**2,271,102**	–	**224,610**	–	–	**2,495,712**
Transportation and other equipment	**560,501**	–	**46,622**	**(4,739)**	–	**602,384**
	13,593,337	–	**809,374**	**(21,553)**	**10,741**	**14,391,899**
Less Accumulated Depreciation						
Plant site improvements	**246,493**	–	**140,222**	**(10,884)**	–	**375,831**
Buildings and improvements	**1,460,651**	–	**138,051**	**(5,930)**	–	**1,592,772**
Machinery and equipment	**1,633,050**	–	**209,114**	–	–	**1,842,164**
Transportation and other equipment	**366,988**	–	**41,082**	**(3,174)**	–	**404,896**
	3,707,182	–	**528,469**	**(19,988)**	–	**4,215,663**
	9,886,155	–	**280,905**	**(1,565)**	**10,741**	**10,176,236**
Construction in progress	**779,711**	–	**637,181**	–	**(10,741)**	**1,406,151**
Net Book Value	**₱10,665,866**	**₱–**	**₱918,086**	**(₱1,565)**	**₱–**	**₱11,582,387**

	January 1, 2021	Acquisition through business combination (see Note 6)	Additions	Disposals	Reclassifications	December 31, 2021
Cost						
Land	₱2,967,593	₱142,032	₱31,697	₱–	₱–	₱3,141,322
Plant site improvements	2,206,926	–	–	–	1,266,089	3,473,015
Buildings and improvements	3,703,129	58,400	269,908	–	115,960	4,147,397
Machinery and equipment	2,150,869	3,325	115,075	–	1,833	2,271,102
Transportation and other equipment	525,105	402	60,769	(15,191)	(10,584)	560,501
	11,553,622	204,159	477,449	(15,191)	1,373,298	13,593,337
Less Accumulated Depreciation						
Plant site improvements	122,365	–	124,128	–	–	246,493
Buildings and improvements	1,310,860	972	148,819	–	–	1,460,651
Machinery and equipment	1,444,702	–	188,348	–	–	1,633,050
Transportation and other equipment	348,238	–	30,632	(11,882)	–	366,988
	3,226,165	972	491,927	(11,882)	–	3,707,182
	8,327,457	203,187	(14,478)	(3,309)	1,373,298	9,886,155
Construction in progress	1,063,297	–	1,119,893	–	(1,403,479)	779,711
Net Book Value	₱9,390,754	₱203,187	₱1,105,415	(₱3,309)	(₱30,181)	₱10,665,866

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

Interest capitalized as part of "Construction in progress" account amounted to ₱42.6 million and ₱24.1 million at a capitalization rate ranging from 3.0% to 7.1% and 5.2% to 7.0% in 2022 and 2021, respectively.

Unpaid portion of the acquired property and equipment included under "Accounts payable and other current liabilities" in the consolidated statements of financial position amounted to ₱14.5 million as at December 31, 2022.

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

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

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

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

17. Investment Properties

This account consists of:

	January 1, 2022	**Additions**	**Disposals**	**December 31, 2022**
Cost:				
Land	**₱610,724**	**₱3,780**	**₱–**	**₱614,504**
Buildings for lease	**95,625**	**–**	**(10,000)**	**85,625**
	706,349	**3,780**	**(10,000)**	**700,129**
Less accumulated depreciation - Buildings for lease	**78,911**	**760**	**(6,833)**	**72,838**
	₱627,438	**₱3,020**	**(₱3,167)**	**₱627,291**

	January 1, 2021	Additions	Disposals	December 31, 2021
Cost:				
Land	₱610,724	₱–	₱–	₱610,724
Buildings for lease	95,625	–	–	95,625
	706,349	–	–	706,349
Less accumulated depreciation - Buildings for lease	77,680	1,231	–	78,911
	₱628,669	(₱1,231)	₱–	₱627,438

The profits from the investment properties for the years ended December 31 are as follows:

	2022	2021	2020
Rental income	**₱69,648**	₱69,673	₱74,025
Depreciation and amortization (included under "General and administrative expenses" account) (see Notes 28 and 31)	**(760)**	(1,231)	(1,265)
	₱68,888	₱68,442	₱72,760

The fair values of the investment properties amounted to ₱2,919.4 million and ₱2,861.8 million as at December 31, 2022 and 2021, respectively, based on valuations performed by accredited independent appraisers on various dates from 2018 to 2022. The description of the valuation techniques used and key inputs to fair valuation are as follows:

	Valuation Technique	Significant Unobservable Inputs	Range
Land	Market comparable assets	Price per square metre	₱250–₱100,000
Buildings for lease	Market comparable assets	Price per square metre	₱165,000–₱255,000

The fair value disclosure is categorized under Level 3, except for the investment property of COC which is categorized under Level 2.

While fair value of some investment properties was not determined as at December 31, 2022, the Company's management believes that cost of these investment properties approximate their fair values as at December 31, 2022.

PSHC's land amounting to ₱220.0 as at December 31, 2022 and 2021 is used as a security for its long-term debt (see Note 23). Other than this, the Company has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties.

The Company sold certain investment properties and recognized a net gain of ₱34.2 million in 2022, and nil in 2021 and 2020.

The COVID-19 pandemic did not materially affect the recoverability of investment properties.

18. Intangible Assets

Following are the details and movements in this account:

	Student List	Software Costs	Goodwill	Total
Cost				
At January 1, 2021	₱165,638	₱37,200	₱2,221,068	₱2,423,906
Additions	–	7,048	–	7,048
Reclassification	–	30,278	–	30,278
At December 31, 2021 (As restated - Note 6)	165,638	74,526	2,221,068	2,461,232
Additions	–	11,124	–	11,124
At December 31, 2022	**₱165,638**	**₱85,650**	**₱2,221,068**	**₱2,472,356**
Amortization and Impairment				
At January 1, 2021	₱165,638	₱29,463	₱403,132	₱598,233
Amortization (see Note 31)	–	10,420	–	10,420
At December 31, 2021	165,638	39,883	403,132	608,653
Amortization (see Note 31)	–	9,978	–	9,978
At December 31, 2022	**₱165,638**	**₱49,861**	**₱403,132**	**₱618,631**
Net Book Value				
At December 31, 2022	**₱–**	**₱35,789**	**₱1,817,936**	**₱1,853,725**
At December 31, 2021 (As restated - Note 6)	–	34,643	1,817,936	1,852,579

The Company performs its annual impairment test close to year-end, after finalizing the annual financial budgets and forecasts. The impairment test of goodwill is based on VIU calculations that uses the discounted cash flow model. Cash flow projections are based on the most recent financial budgets and forecast. Discount rates applied are based on market weighted average cost of capital with estimated premium over cost of equity. The carrying amount of goodwill allocated to each of the CGUs and key assumptions used to determine the recoverable amount for the different CGUs are discussed in Note 5.

Based on the impairment test performed for each of the CGUs, there was no impairment loss in 2022 and 2021. The Company did not recognize impairment loss in 2020.

19. Other Noncurrent Assets

This account consists of:

	2022	2021
Advances to suppliers and contractors	**₱336,203**	₱278,001
Indemnification assets (see Note 6)	**38,114**	38,114
Refundable deposits (see Note 36)	**10,193**	10,161
Creditable withholding taxes	**7,812**	7,812
Others	**6,857**	7,135
	₱399,179	₱341,223

20. Notes Payable

This account consists of notes payable of the following subsidiaries:

	2022	2021
PCC	**₱1,775,000**	₱450,000
UGC	**1,004,103**	460,174
SWU	**–**	20,000
	₱2,779,103	₱930,174

The notes payable are unsecured short-term peso-denominated loans obtained from financial institutions with an annual interest rate ranging between 2.60% to 4.05% and 2.60% to 4.75% in 2022 and 2021, respectively.

Interest expense incurred from notes payable amounted to ₱92.3 million, ₱122.5 million and ₱163.5 million in 2022, 2021 and 2020, respectively (See Note 32).

21. Trade and Other Payables

This account consists of:

	2022	2021
Trade	**₱1,107,394**	₱1,155,666
Accruals for:		
Professional fees and others (see Note 33)	**591,946**	516,924
Personnel costs (see Notes 30 and 33)	**113,109**	152,670
Interest (see Notes 23 and 32)	**73,551**	65,403
Freight, hauling and handling	**45,797**	42,186
Dividends	**185,687**	228,251
Deposit liabilities	**4,874**	7,613
Others	**27,992**	154,422
As at December 31 (as restated)	**₱2,150,350**	₱2,323,135

Trade payables are noninterest-bearing and are normally settled on 30 to 90-day terms.

Accrued expenses and dividends are normally settled within the next financial year.

Dividends payable pertains to dividends not yet claimed by various stockholders. These are expected to be claimed by various stockholders within the next financial year.

Deposit liabilities mainly comprises laboratory deposits, student development fund and alumni fees which are refundable to students. These represent collections from (i) graduating students for their alumni membership fees and alumni identification cards; (ii) Commission on Higher Education (CHED) for their scholars; and (iii) students for their student organizations and club fees. Organizational and club fees are used to defray costs of their activities, printing and other related expenses.

Other liabilities pertain to other unpaid general and administrative expenses which are normally settled throughout the financial year.

22. Contract Liabilities

This account consists of:

	2022	2021
Unearned revenues	**₱1,327,343**	₱1,200,172
Customers' deposits	**89,294**	126,970
	₱1,416,637	₱1,327,142

Unearned revenues pertain to portion of tuition fees received or due from students to which the Company still has an obligation to transfer services to the students within the next financial year. The amount of unearned revenues for a term shall be divided equally by the number of months covered by the term (five months each for the 1st and 2nd semesters and two months for summer). The resulting amount shall be recorded as the amount of tuition and school fees for the month, net of amortization of deferred scholarship and discounts. Total deferred scholarships and discounts amounted to ₱225,368 million and ₱43.8 million as at December 31, 2022 and 2021 presented under the "Input value-added taxes and other current assets" accounts in the statements of financial position.

Customers' deposits pertains to cash advance received to which the Company has an obligation to deliver roofing and other steel products and installation services within the next financial year.

23. Long-term Debt

This account consists of the Parent Company's fixed rate bonds and the Company's long-term loans.

PHN Fixed Rate Bonds due 2024

	2022	2021
Principal	**₱3,000,000**	₱3,000,000
Less debt issuance cost	**27,223**	42,984
	₱2,972,777	₱2,957,016

On May 6, 2021, the Parent Company filed with the SEC a Registration Statement for the proposed offering of three-year fixed rate bonds due 2024 with an aggregate principal amount of up to wo Billion Pesos (₱2,000,000,000.00), with an oversubscription option of up to One Billion Pesos (₱1,000,000,000.00) at an offer price of 100% of face value. This bond offering was authorized by resolutions of the BOD of the Parent Company on March 2, 2021 and the Executive Committee of the Parent Company on April 30, 2021. The Certificate of Permit to offer securities for sale was issued by SEC on August 10, 2021. The interest rate was set at 3.5335% and the offer period commenced at 9:00 a.m. on August 10, 2021 and ended at 5:00 p.m. on August 16, 2021. The Parent Company appointed China Bank Capital Corporation and SB Capital Investment Corporation as Joint Issue Managers and Joint Lead Underwriters; Rizal Commercial Banking Corporation –Trust and Investments Group as the Trustee; and Philippine Depository & Trust Corp. as the Registrar and Paying Agent.

The bonds were listed in the Philippine Dealing & Exchange Corp. on August 20, 2021.

The balance of unamortized debt issuance cost follows:

	2022	2021
Beginning of year	**₱42,984**	₱–
Additions	–	48,559
Amortization	**(15,761)**	(5,575)
End of year	**₱27,223**	₱42,984

Long- Term Loans

	2022	2021
PEHI	**₱2,025,080**	₱2,093,000
PHN	**1,950,000**	1,970,000
PCC	**1,288,365**	1,621,223
UGC	**962,500**	524,375
SWU	**589,000**	595,000
UI	**386,000**	192,000
UPANG	**226,933**	253,025
AU	**221,497**	232,220

(Forward)

	2022	2021
COC	**₱150,965**	₱162,342
PSHC	**120,982**	124,957
Phinma Solar	**97,222**	20,000
	8,018,544	7,788,142
Less debt issuance cost	**56,575**	62,043
	7,961,969	7,726,099
Less current portion - net of debt issuance cost	**652,399**	544,032
	₱7,309,570	₱7,182,067

The debt agreements presented in the succeeding pages include, among others, certain restrictions and requirements. The loan agreements with Security Bank Corporation (SBC), Rizal Commercial Banking Corporation (RCBC) and China Banking Corporation (CBC) stipulate, among others, positive and negative covenants which must be complied with by PHN, UGC, PCC, PEHI, AU, COC, UPANG, UI and SWU for as long as the loans remain outstanding. Negative covenants include certain restrictions and requirements, such as maintenance of certain current, debt-to-equity and debt service coverage ratios.

As at December 31, 2022 and December 31, 2021, the Company is in compliance with the required financial ratios and other loan covenants, respectively.

Certain assets amounting ₱4,922 million and ₱5,361.9 million as at December 31, 2022 and 2021, respectively, are mortgaged as collaterals for the respective long-term debts as follows (see Notes 16 and 17):

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

PEHI's loan agreement with CBC is covered by a negative pledge on the shares of stocks held by PEHI with AU, COC, UPANG, UI and SWU.

The balance of unamortized debt issuance cost follows:

	2022	2021
Beginning of year	**₱62,043**	₱43,830
Additions	**12,440**	30,964
Amortization	**(17,908)**	(12,751)
End of year	**₱56,575**	₱62,043

Interest expense (including amortization of debt issuance costs) pertaining to the long-term debt was presented as part of “Interest expense and other financing charges” account in the consolidated statements of income amounting to ₱556.2 million, ₱502.3 million and ₱434.4 million in 2022, 2021 and 2020, respectively (see Note 32).

The details of long-term loans are summarized below:

				Terms					Outstanding Amounts[10]	
.Debtor	**Loan Amount**	**Date of Loan Agreement**	**Lender**	**Installments**	**Final Installment**	**Interest Rate**	**Dates Drawn**	**Amount Drawn**	**December 31, 2022**	December 31, 2021
PEHI	₱1,500,000[1]	December 7, 2015	RCBC	28 equal quarterly payments of ₱3.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 7, 2019.	December 7, 2025	First five years is based on the three-day average of five-year Philippine Dealing System Treasury Reference Rate (PDST-R2) plus a 1.35% spread or 5.00%, whichever is higher, and to be repriced at the end of the fifth year for the remaining five years at an interest rate based on the interest rate then current or the applicable five-year benchmark rate plus 1.35% spread or 5.00%, whichever is higher.	December 7, 2015	₱500,000	**₱433,375**	₱446,372
PEHI		December 7, 2015	RCBC	28 equal quarterly payments of ₱6.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 7, 2019.	December 7, 2025	First seven years is based on the three-day average of seven-year PDST-R2 plus a 1.40% spread or 5.00%, whichever is higher, and to be repriced at the end of the seventh year for the remaining three years at an interest rate based on the interest rate then current or the applicable three-year benchmark rate plus 1.40% spread or 5.00%, whichever is higher.	December 7, 2015	900,000	**769,255**	791,251
PEHI	1,000,000[1]	December 1, 2015	CBC	28 equal quarterly payments of ₱3.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 8, 2019.	December 8, 2025	First five years is based on the three-day average of five-year PDST-R2 plus a 1.35% spread or 5.00%, whichever is higher, and to be repriced at the end of the fifth year for the remaining five years at an interest rate based on the interest rate then current or the applicable five-year benchmark rate plus 1.35% spread or 5.00%, whichever is higher.	December 8, 2015	500,000	**441,901**	456,048
PEHI	₱364,000[21]	December 27, 2021	RCBC	16 equal quarterly payments of ₱2.73 million with the remaining balance to be paid on maturity date. First principal payment will commence on March 27, 2022.	December 7, 2025	Nominal interest rate of 4.85%	December 27, 2021	364,000	**351,016**	361,277
(Forward)										
COC	100,000[2]	March 27, 2013	CBC	40 equal quarterly payments of ₱1.3 million. First principal	March 27, 2023	Nominal interest rate of 5.81% from March 27, 2013 to March 27, 2018, 6.05% from March 27, 2018 to March	March 27, 2013	₱50,000	**₱1,251**	₱6,268

.Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10] December 31, 2022	Outstanding Amounts[10] December 31, 2021
				payment commenced on June 27, 2013.		27, 2020 and 6.30% from March 27, 2020 to March 27, 2023 with the EIR of 6.12% over 365 days.				
COC		July 18, 2013	CBC	39 equal quarterly payments of ₱1.3 million. First principal payment commenced on June 27, 2013.	March 27, 2023	Nominal interest rate of 5.81% from July 18, 2013 to June 27, 2018, 6.05% from June 27, 2018 to June 27, 2020 and 7.38% from June 27, 2020 to March 27, 2023 with the EIR of 6.07% over 365 days.	July 18, 2013	50,000	**1,284**	6,434
COC	125,000[3]	June 24, 2018	CBC	28 unequal quarterly payments as follows: 8 quarterly installments of ₱0.3 million from October 9, 2021 to July 9, 2023; 8 quarterly installments of ₱1.6 million from October 9, 2023 to July 9, 2025; 8 quarterly installment of ₱3.1 million from October 9, 2025 to July 9, 2027 and 4 quarterly installments of ₱21.3 million from October 9, 2027 to July 9, 2028. First principal payment will commence on July 9, 2021.	July 9, 2028	Fixed rate of 6.25% p.a. for the first five years; for remaining five years, higher of applicable five-year PDST-R2 plus a spread of up to 100 bps or 6.25% p.a.	July 9, 2018	125,000	**123,003**	124,224
COC	25,000[4]	April 13, 2018	Private funder	One-time payment at maturity date of April 13, 2023.	April 13, 2023	Interest rate at 6.25% per annum payable until fully paid.	April 13, 2018	25,000	**25,000**	25,000
UI	200,000[5]	December 12, 2017	CBC	Principal payments will be the same with the first drawdown. As per agreement both the first and second drawdown will be repaid at the same dates and terms.	December 20, 2027	Fixed for the first seven years. Applicable seven- year PDST-R2 a spread up to 1.25%, and for the remaining three years, the applicable three-year PDST-R2 plus a spread up to 1.25%.	April 24, 2018	100,000	**92,556**	95,467

(Forward)

.Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10] December 31, 2022	Outstanding Amounts[10] December 31, 2021
UI	200,000[5]	October 14, 2022	CBC	Quarterly principal payments as follows: 1.5 million per quarter from the beginning of the 3rd year drawn	December 18, 2032	For the first seven years, from the initial drawn date to the end of the 7th year. Interest shall be based on the sum of the applicable 7-year benchmark and	October 18, 2022	₱200,000	**₱198,582**	₱–

.Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10]: December 31, 2022	Outstanding Amounts[10]: December 31, 2021
						margin. For the next 3 years: from the beginning of the 8th year to final maturity date - sum of the applicable 3-year benchmark and the margin.				
AU	57,000[6]	November 29, 2019	CBC	20 equal quarterly payments of ₱3.0 million with the remaining balance to be paid on maturity date. First principal payment commenced on February 29, 2020.	November 29, 2024	Fixed rate for the first five years based on five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT.	November 29, 2019	53,700	**21,351**	31,939
AU	100,000[6]	November 29, 2019	CBC	27 equal quarterly payments of ₱1.5 million starting from November 29, 2022 to May 5, 2029 with the remaining balance of ₱60.3 million to be paid on maturity date. First principal payment will commence on February 28, 2023.	November 29, 2029	Fixed rate for the first five years based on the five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT. Interest rate is subject for repricing for the remaining five years based on: i. Initial interest rate; or ii. Then prevailing five-year Benchmark rate plus interest spread, whichever is higher.	November 29, 2019	100,000	**99,315**	99,059
AU	₱100,000[6]	November 29, 2019	CBC	28 unequal quarterly payments as follows: 8 quarterly installments of ₱2.5 million from February 28, 2023 to November 29, 2024; 16 quarterly installments of ₱3.8 million from February 28, 20205 to November 29, 2028 and 4 quarterly installment of ₱5.0 million from February 28, 2029 to November 29, 2029. First principal payment will commence on February 28, 2023.	November 29, 2029	Fixed rate for the first five years based on the five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT. Interest rate is subject for repricing for the remaining five years based on: i. Initial interest rate or ii. Then prevailing five-year Benchmark rate plus interest spread, whichever is higher.	November 29, 2019	100,000	**99,357**	99,086

(Forward)

.Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10]: December 31, 2022	Outstanding Amounts[10]: December 31, 2021
UPANG	190,000[7]	March 27, 2018	CBC	32 unequal quarterly payments as follows: ₱1.9 million from June 27, 2020 to March 27, 2022;	March 27, 2028	Interest shall be payable quarterly in arrears from February 27, 2018 to June 27, 2018 (92 days) shall be at 6.50% inclusive of GRT fixed for the first	March 27, 2018	₱190,000	**₱165,554**	₱175,844

.Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts(10): **December 31, 2022**	Outstanding Amounts(10): December 31, 2021
				₱2.9 million from June 27, 2022 to March 27, 2025; ₱4.8 million from June 27, 2025 to March 27, 2027; and ₱25.7 million from June 27, 2027 to March 27, 2028..		five years. Interest shall be based on five-year PDST-R2 (5.22% + 122 bps + 1% GRT. The interest rate for the remaining five years of the loan shall be the PDST-R2 plus a spread of up to 125 bps or 6.50% whichever is higher.				
UPANG Urdaneta	100,000(7)	September 29, 2015	RCBC	28 quarterly payments, to commence at the end of the 13th quarter from the initial drawdown date.	September 29, 2025	Interest shall be payable quarterly in arrears. i. Fixed rate for the first seven (7) years of the term based on three-day average of seven-year PDST-R2 + 1.42%, subject to repricing at the end of the seventh year; and ii. On the last three years of the term, the interest rate shall be based on the interest rate then current or the three-day average of three-year PDST-R2 + 1.42%, whichever is higher.	September 29, 2015	100,000	**60,488**	76,045
SWU	₱400,000(8)	December 6, 2017	RCBC	28 quarterly payments of ₱1.0 million. First principal payment will commence on March 7, 2021.	December 7, 2027	Interest is payable quarterly in arrears, commencing at the end of the first quarter from the initial drawdown date. Interest shall be fixed at 6.66% from years one to five and at 6.94% onwards until maturity.	December 7, 2017; December 20, 2017; March 29, 2018	100,000 200,000 100,000	**97,915** **195,831** **97,915**	98,887 198,193 98,822
SWU	200,000(8)	April 18, 2018	CBC	28 equal quarterly payments of ₱0.5 million with the remaining balance to be paid on maturity date. First principal payment will commence on July 18, 2021.	April 18, 2028	Fixed for the first five years, applicable five-year PDST-R2 plus a spread of up to 125 bps. For the remaining five years, applicable five-year PDST-R2 plus a spread of up to 125 bps.	April 18, 2018	200,000	**196,829**	197,773
(Forward)										
PHN	2,000,000(9)	May 23, 2017	SBC	Principal repayment shall commence at the end of the 3rd year from initial drawdown date until	May 21, 2027	Interest rate is equivalent to: i) the applicable 10-year PDST-R2 Benchmark Rate plus an interest spread of 125 basis points per annum	May 23, 2017	₱2,000,000	**₱1,942,344**	₱1,960,818

.Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10] December 31, 2022	Outstanding Amounts[10] December 31, 2021
				maturity date; balloon payment amounting to ₱1.9 billion or 94% of principal amount on maturity date.		(1.25% p.a.), and ii) 6.25% p.a., whichever is higher.				
UGC	1,000,000[22]	February 18, 2022	BDO	Principal amortization commence 3 months after drawdown date and every quarter thereafter and shall be paid based on 1.25% every quarter for 4 years and the remaining 80% paid in balloon upon maturity	February 18, 2027	Interest rate is based on 3Y BVAL 3.3618+ spread 1.25%= 4.6118% + 5% GRT = 4.8545%	February 18, 2022	1,000,000	**954,206**	–
UGC	400,000[11]	July 12, 2018	BDO	40 quarterly payments of ₱10.0 million	July 13, 2028	First 5 years is based on the 5 year interest rate basis prevailing on the relevant interest setting date plus a margin of 1.00% per annum (“initial interest rate”) divided by 0.99 or 5.50% per annum divided by 0.99, whichever is higher, and to be repriced at the end of 5th year for the remaining 5 years at an interest rate based on 5 year interest rate basis prevailing on the relevant interest setting date plus a margin of 1.00% per annum divided by 0.95 or the initial interest rate divided by 0.95, whichever is higher.	July 13, 2018	400,000	–	272,187
UGC	₱100,000	July 12, 2018	SBC	40 quarterly payments of ₱2.5 million	July 13, 2028	First 5 years based on the 5-year Peso Benchmark Rate plus 1% spread, subject to the following floor rates of 6.40% for drawdowns made on or before June 7, 2018 or 6.45% for drawdowns made after June 7, 2018 and to be repriced at the end of the fifth year at an interest rate equivalent to the higher of the 5- year Peso Benchmark Rate on repricing date plus 1% spread and interest rate for the first 5 years.	July 13, 2018	100,000	–	66,928
(Forward)										
UGC	218,750[12]	July 19, 2016	BDO	28 equal quarterly payments of ₱4.4 million with the remaining balance to be paid on maturity date	July 20, 2023	Interest rate is based on the 7-year Philippine Dealing System Treasury (PDST)-R2 plus a 1.40% spread or 5.5%, whichever is higher. No	March 25, 2013	₱218,750	**₱–**	₱126,486

.Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10] December 31, 2022	Outstanding Amounts[10] December 31, 2021
						repricing of interest rate from amendment date to maturity date.				
UGC	75,000(13)	November 3, 2015	BDO	40 equal quarterly payments	November 3, 2025	First 5 years is based on the 5-year PDST-R2 plus a 1.4% spread or 5.5%, whichever is higher, and on year 5 based on a rate to be negotiated by the Parties within 30 banking days prior to the interest repricing date.	November 3, 2015	75,000	–	29,844
UGC	75,000[13]	November 12, 2015	SBC	40 equal quarterly payments	November 5, 2025	First 5 years is based on the 3-day average of the 5-year PDST-R2 plus a 1.35% spread or 5.5%, whichever is higher, and to be repriced at the end of the fifth year for the remaining 5 years at an interest rate based on the 3-day average of the 5-year PDST-R2 plus a 1.35% spread or the interest rate set for the first 5 years, whichever is higher.	November 12, 2015	75,000	–	29,844
PCC	₱875,000[14,15]	June 1, 2018	SBC	14 equal quarterly payments [16]	October 25, 2023	Interest rate is based on the 5-year PDST-R2 reference rate for securities with 5-year tenor plus 1.25% spread, subject to floor rate of 5.5% per annum. No repricing of interest rate from availment date to maturity date.	October 25, 2018 January 03, 2019 January 22, 2019 January 25, 2019 April 26, 2019 May 21, 2019 July 5, 2019 September 4, 2019	160,000 160,000 59,000 65,000 18,555 81,439 251,977 51,418	**45,567** **45,602** **16,833** **18,549** **5,281** **23,234** **71,888** **14,667**	90,822 90,966 33,616 37,049 10,517 46,395 143,551 29,285
PCC	720,000[17]	February 26, 2021	SBC	8 quarterly principal payments of ₱10.3 million, 9 quarterly principal payments of ₱20.5 million and remaining balance to be paid at maturity date	June 13, 2025	Interest rate of 6.73% GRT inclusive, fixed rate up to maturity	February 26, 2021	369,363	**286,004**	326,261
(Forward)										
PCC				8 quarterly principal payments of ₱9.7 million, 9 quarterly principal payments of ₱19.5 million and		Interest rate of 6.84% GRT inclusive, fixed rate up to maturity		₱350,637	**₱271,504**	₱309,720

.Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[10]: December 31, 2022	Outstanding Amounts[10]: December 31, 2021
				remaining balance to be paid at maturity date						
PCC	500,000[18]	March 19, 2021	SBC	20 unequal quarterly payments as follows: ₱1.0 million from September 30, 2021 to December 29, 2021; ₱2.5 million from March 30, 2022 to December 29, 2022; ₱5.0 million from March 30, 2023 to December 29, 2023; ₱58.4 million from March 29, 2024 to December 27, 2024; ₱49.2 million from March 28, 2025 to December 29, 2025 and ₱36.8 million on March 30, 2026.	March 30, 2026	Interest rate of 5.1% GRT inclusive, fixed rate up to March 29, 2024 and for the remaining two years, the applicable two-year BVAL plus 40 bps, subject to a floor rate of 5.1%	March 19, 2021	500,000	**484,899**	493,961
Phinma Solar	₱20,000[19]	June 25, 2021	DBP	Principal repayment to commence at the end of the fifth (5th) quarter from date of Initial Draw Down. Principal shall be payable in thirty-six equal quarterly installments.	August 13, 2031	4.875% (4.924% GRT inc.) for the 1st 5 years. Next 5 years based on the relevant 5YR BVAL + 1% spread with a floor rate not lower than the rate prior to repricing (4.875%). Interest to be paid on quarterly basis	August 31, 2021	₱20,000	**₱18,164**	₱20,000
Phinma Solar	80,000[23]	April 21, 2022	DBP	Principal repayment to commence at the end of the sixth (6) months from date of Draw Down. Principal shall be payable in thirty-six equal quarterly installments.	August 13, 2031	With regular interest of 6.37710%	April 21, 2022	80,000	**78,378**	–
PSHC	154,000[20]	July 15, 2006	UPPC	Annual installment payments of ₱4 million for 32 years starting December 31, 2021.	December 31, 2052	The effective interest rate after the modification of term is 6.80%	July 15, 2006	154,000	**120,982**	124,957
Total									**₱7,961,969**	₱7,726,099

(1) The purpose of this debt is to finance the acquisition of majority ownership in AU, COC, UPANG, UI and SWU by PEHI.
(2) The purpose of this debt is to finance various capital expenditures of COC.
(3) The purpose of this debt is to finance the expansion and development plans of COC.
(4) The purpose of this debt is for general funding requirements of COC.
(5) The purpose of this debt is to finance the expansion and development plans including school building upgrades and improvement of existing facilities of UI.
(6) The purpose of this debt is to finance various capital expenditures and to refinance existing obligations of AU.

(7) The purpose of this debt is to finance various capital expenditures and to refinance existing obligations of UPANG and subsidiary.
(8) The purpose of this debt is to finance the building development, expansion and purchase of equipment for SWU's Hospital and building developments of SWU.
(9) The purpose of this loan is to refinance investments in subsidiaries and other general corporate purposes.
(10) Amounts are net of unamortized debt discount and/or debt issue cost.
(11) The purpose of this loan is to refinance the outstanding loan of the UGC with SBC in the principal amount of ₱182.3 million and to finance general working capital requirements, and acquisition of equipment and plant structural components of UGC.
(12) The purpose of this amended loan is to extend maturity date of old loan to July 20, 2023.
(13) The purpose of this loan is to finance plant expansions in Calamba, Davao and Pampanga.
(14) The purpose of this loan is to partially finance construction of an integrated cement processing terminal in Mariveles, Bataan, permanent working capital requirements and importation of equipment.
(15) Availment of loan is staggered based on pre-agreed drawdown schedule during the availability period.
(16) The quarterly installment will commence at the end of the sixth quarter following the initial drawdown date of October 25, 2018.
(17) The purpose of this loan is to partially finance the acquisition of Phase 2 port terminal. This is a continuation of the remaining tenor with the original SNPSI loan.
(18) The purpose of this loan is to refinance short-term project costs and finance the mixer facility.
(19) The purpose of this loan is to finance the general corporate requirements of the rooftop solar projects.
(20) The purpose of this loan is to finance the acquisition of land from UPPC.
(21) The purpose of this loan is to refinance the loan used to partially finance the investment through acquisition by PEHI of majority stock ownership in AU, COC, UPANG, UI and SWU.
(22) The purpose of this loan is to refinance the outstanding loan of UGC with BDO and convert the short term loans to long-term loans.
(23) The purpose of this loan is to finance the general corporate requirements of the rooftop solar projects.

24. **Equity**

a. Capital Stock

The composition of the Parent Company's capital stock as at December 31, 2022 and 2021 is as follows:

	Number of Shares	
	2022	2021
Preferred - cumulative, nonparticipating, ₱10 par value		
Class AA - Authorized	**50,000,000**	50,000,000
Class BB - Authorized	**50,000,000**	50,000,000
Issued and subscribed	**–**	–
Common - ₱10 par value		
Authorized	**420,000,000**	420,000,000
Issued	**286,303,550**	286,303,550
Subscribed	**39,994**	39,994
Issued and subscribed	**286,343,544**	286,343,544
Treasury shares	**18,279**	14,427,179

The issued and outstanding shares as at December 31, 2022 and 2021 are held by 1,218 and 1,223 equity holders respectively.

Capital stock presented in the consolidated statements of financial position is net of subscription receivable amounting to ₱0.1 million as at December 31, 2022 and 2021.

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

Date of SEC Approval	Authorized Shares	Issue/Offer Price
March 12, 1957	1,200,000	₱10
June 12, 1968	1,000,000	10
April 7, 1969	800,000	10
January 21, 1980	2,000,000	10
November 3, 1988	10,000,000	10
October 13, 1992	25,000,000	10
June 3, 1995	60,000,000	10
March 16, 1999	320,000,000	10

b. Retained Earnings

Appropriated

On February 28, 2020, the BOD reversed the appropriation of retained earnings made in 2018 in the amount of ₱1.3 billion for the investment in the Education and Construction Materials business, and buyback of shares. In addition, an appropriation was made for the investment in the Construction Materials business until December 31, 2020 amounting to ₱2.25 billion. Another ₱165.5 million of the retained earnings was appropriated for the buyback of PHN shares until February 28, 2022.

On March 2, 2021, the BOD reversed the appropriation of retained earnings made in 2020 in the amount of ₱2.25 billion for the investment in the Construction Materials business.

On November 10, 2021, an appropriation was made for the investment in Construction Materials business until December 31, 2022 amounting to ₱1.1 billion. Another ₱500.0 million of the retained earnings was appropriated for the Education business until December 31, 2022.

Unappropriated

On February 28, 2020, the Parent Company's BOD declared a cash dividend of ₱0.40 per share or an equivalent of ₱109.0 million, to all common shareholders of record as at March 17, 2020. The cash dividends were paid on March 27, 2020.

On March 2, 2021, the Parent Company's BOD declared a cash dividend of ₱0.40 per share or an equivalent of ₱108.9 million, to all common shareholders of record as at April 14, 2021. The cash dividends were paid on May 5, 2021.

On March 1, 2022, the Parent Company's BOD declared a regular cash dividend of ₱0.40 per share or an equivalent of ₱108.8 million and a special cash dividend of ₱0.10 per share or an equivalent of ₱27.2 million, to all common shareholders of record as at March 22, 2022. The cash dividends were paid on April 6, 2022.

The balance of retained earnings includes Parent Company's accumulated equity in net earnings of subsidiaries and associates which are not currently available for dividend declaration until declared by the respective subsidiaries and associates amounting to ₱1,607.9 million and ₱943.7 million as at December 31, 2022 and 2021, respectively.

c. Buyback of Shares

On February 28, 2020, the BOD approved the appropriation of ₱165.5 million for the buyback of shares of the Parent Company until February 28, 2022.

In 2022, 2021 and 2020, the Parent Company bought back shares 23,000 shares, 456,600 shares and 215,800 shares which amounted to ₱0.5 million, ₱7.2 million and ₱1.9 million, respectively.

d. Put Option over Non-controlling Interests

In 2020, Asian Development Bank invested amounting to ₱625.0 million for 1.1 million shares of PEHI. As a result, additional non-controlling interest put liability is recognized amounting to ₱450.0 million.

Accretion of interest of non-controlling interest put liability amounted to ₱325.4 million and ₱277.0 million as at December 31, 2022 and 2021, respectively.

e. Sale of Treasury Shares

In 2022, the Parent Company sold 14,431,900 treasury shares with cost of ₱143.9 million for ₱281.4 million.

25. Revenue from Contracts with Customers

Set out below is the disaggregation of the revenue from contracts with customers:

	2022	2021	2020
Revenue source:			
Sale of goods	**₱13,693,488**	₱12,452,783	₱9,837,225
Tuition, school fees and other services	**3,347,985**	3,087,927	1,711,509
Hospital routine services	**182,124**	179,029	151,337
Installation services	**65,017**	75,360	472,914
Consultancy services	**45,419**	25,034	2,125
Total revenue from contracts with customers	**₱17,334,033**	₱15,820,133	₱12,175,110
Timing of recognition:			
Goods transferred at a point in time	**₱13,693,488**	₱12,452,783	₱9,837,225
Services transferred over time	**3,640,545**	3,367,350	2,337,885
Total revenue from contracts with customers	**₱17,334,033**	₱15,820,133	₱12,175,110

"Others - net" in the consolidated statement of income includes miscellaneous income which consists of miscellaneous cash receipts. In 2022, 2021 and 2020, miscellaneous income amounted to ₱42.2 million, ₱23.6 million and ₱51.1 million, respectively.

Contract balances

	2022	2021
Trade receivables	**₱4,384,912**	₱4,319,605
Contract liabilities	**1,416,637**	1,327,142

Trade receivables include receivables from sale of roofing and other steel products and rendering of installation services to customers which are normally on a 30-60 day term. Trade receivables also include tuition and other school fees receivables which are normally collected within the current school semester. Other trade receivables are noninterest-bearing and are normally collected within the next financial year.

Contract liabilities include unearned revenue from tuition, school and other service fees and deposits from customer for future goods and services. Contract liabilities amounting to ₱1,416.6 million as at December 31, 2022 are expected to be recognized as revenue within one year upon completion of the school term and delivery of roofing and other steel products or performance of installation service (see Note 22).

26. Investment Income

This account consists of:

	2022	2021	2020
Interest income on:			
Financial assets at fair value through profit or loss	**₱209,081**	₱118,939	₱–
Cash and cash equivalents (see Note 9)	**29,599**	7,823	17,233
Receivables	**9,898**	5,104	–
Due from related parties and others	**385**	320	473
Investments held for trading (see Note 10)	–	–	6,862
	248,963	132,186	24,568
Net gains from investments held for trading (see Note 10)	**11,737**	15,970	27,854
Dividend income	**201**	224	194
	₱260,901	₱148,380	₱52,616

27. Cost of Sales, Educational, Hospital, Installation and Consultancy Services

This account consists of:

	2022	2021	2020
Cost of sales	**₱11,681,409**	₱10,147,777	₱7,684,394
Cost of educational services	**1,437,469**	1,202,971	849,006
Cost of hospital services	**121,577**	124,731	118,287
Cost of installation services	**54,753**	63,425	390,190
Cost of consultancy services	–	–	19,887
	₱13,295,208	₱ 11,538,904	₱9,061,764

The details of cost of sales, educational, installation, hospital and consultancy services are as follows:

	2022	2021	2020
Inventories used (see Note 12)	**₱10,372,128**	₱8,868,376	₱7,187,400
Personnel costs (see Note 30)	**1,173,309**	976,817	775,101
Depreciation (see Note 31)	**518,944**	507,853	409,297
Packaging materials	**322,819**	320,810	89,940
Power and fuel	**125,016**	123,851	69,544
Laboratory and school supplies	**80,228**	83,976	74,694
Rent (see Note 38)	**88,707**	81,151	88,046
Repairs and maintenance	**82,896**	69,481	37,183
Installation cost	**58,059**	31,789	24,934
Subscription	**50,650**	87,981	34,866
Review expenses	**33,054**	26,697	5,689
School affiliations and other expenses	**30,551**	5,528	5,910
Graduation expenses	**28,615**	20,135	17,843

(Forward)

	2022	2021	2020
School materials, publication and supplies	**₱12,171**	₱7,197	₱6,820
Accreditation expenses	**2,077**	2,315	1,198
Sports development and school activities	**2,744**	1,379	1,690
Educational tour expenses	**–**	909	16,788
Others	**313,240**	322,659	214,821
	₱13,295,208	₱11,538,904	₱9,061,764

28. **General and Administrative Expenses**

This account consists of:

	2022	2021	2020
Personnel costs (see Notes 30 and 33)	**₱897,014**	₱871,284	₱545,280
Professional fees and outside services (see Note 33)	**370,678**	179,209	274,049
Provision for ECLs (see Note 11)	**178,805**	185,897	168,492
Depreciation and amortization (see Note 31)	**89,891**	80,545	69,977
Utilities	**78,484**	40,048	40,432
Taxes and licenses	**77,418**	55,208	59,592
Security and janitorial	**74,145**	64,071	63,578
Transportation and travel	**31,767**	8,734	13,210
Donations	**29,604**	16,183	9,552
Rent (see Note 38)	**24,821**	22,313	24,405
Insurance	**18,620**	15,321	16,186
Office supplies	**18,239**	10,920	8,100
Meetings and conferences	**14,037**	3,974	3,761
Repairs and maintenance	**10,086**	6,339	5,599
Communications	**6,301**	10,756	9,918
Advertising and promotions	**2,987**	1,579	1,016
Others	**107,929**	107,733	82,706
	₱2,030,826	₱1,680,114	₱1,395,853

29. **Selling Expenses**

This account consists of:

	2022	2021	2020
Personnel costs (see Note 30)	**₱217,339**	₱238,625	₱210,866
Freight, handling and hauling	**94,044**	79,466	74,575
Advertising	**50,055**	65,080	34,557
Transportation and travel	**31,131**	18,507	17,840
Taxes and licenses	**30,198**	31,497	32,246
Outside services	**22,084**	18,963	31,087
Commission	**21,055**	22,478	30,585

(Forward)

	2022	2021	2020
Depreciation (see Note 31)	**₱20,349**	₱15,164	₱17,403
Insurance	**18,404**	26,215	6,312
Repairs and maintenance	**8,402**	6,186	4,874
Supplies	**4,977**	10,640	9,862
Postage, telephone and telegraph	**4,070**	19,095	11,795
Rental and utilities	**2,551**	2,426	2,758
Entertainment, amusement and recreation	**1,673**	2,498	2,730
Others	**8,193**	6,728	11,270
	₱534,525	₱563,568	₱498,760

30. **Personnel Expenses**

This account consists of:

	2022	2021	2020
Salaries, employee benefits and bonuses	**₱2,150,173**	₱1,985,948	₱1,468,122
Pension and other post-employment benefits (see Note 35)	**103,368**	79,732	55,924
Training	**17,415**	9,602	6,150
Others	**16,706**	11,444	1,051
	₱2,287,662	₱2,086,726	₱1,531,247

31. **Depreciation and Amortization**

	2022	2021	2020
Property, plant and equipment and investment properties (see Notes 16 and 17):			
Cost of sales, educational, installation, hospital, and consultancy services (see Note 27)	**₱463,474**	₱437,310	₱352,850
General and administrative expenses (see Note 28)	**52,403**	51,498	55,615
Selling expenses (see Note 29)	**13,352**	5,322	10,093
Intangible assets (see Note 18):			
General and administrative expenses (see Note 28)	**9,053**	8,533	2,890
Selling expenses (see Note 29)	**925**	1,887	813

(Forward)

	2022	2021	2020
Right-of-use assets (see Note 38):			
Cost of sales, educational, hospital installation and consultancy services (see Note 27)	**₱55,470**	₱70,543	₱56,447
General and administrative expenses (see Note 28)	**28,435**	20,514	11,472
Selling expenses (see Note 29)	**6,072**	7,955	6,497
	₱629,184	₱603,562	₱496,677

32. Interest Expense and Other Financing Charges

This account consists of:

	2022	2021	2020
Interest expense on long-term debts (see Note 23)	**₱556,219**	₱502,281	₱434,424
Interest expense on notes payable (see Note 20)	**92,265**	122,542	163,497
Interest expense on lease liabilities (see Note 38)	**19,646**	22,523	23,363
Other financing charges	**20,060**	1,902	5,484
	₱688,190	₱649,248	₱626,768

33. Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions and the parties are subject to common control. Related parties may be individual or corporate entities.

The Company has a policy that requires approval of related party transaction by the Audit and Related Party Transactions Committee of the BOD when these breach certain limits and/or when these are not of a usual nature.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2022, 2021 and 2020, the Company's impairment of receivables from related parties amounted to nil. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The significant related party transactions entered into by the Company with its associates and entities under common control and the amounts included in the consolidated financial statements with respect to such transactions are on the next page.

2022

Company	**Nature**	**Amount/ Volume**	**Amount Due to Related Parties**	**Amount Due from Related Parties (see Note 11)**	**Terms**	**Conditions**
Ultimate Parent						
PHINMA Inc.	Share in expenses, management fees and bonus	**₱263,387**	**₱103,111**	**₱2,084**	Noninterest-bearing	Unsecured, no impairment
Associates						
PPHC	Share in expenses	**927**	–	**6,271**	Noninterest-bearing	Unsecured, no impairment
APHI	Share in expenses	–	–	**6**	Noninterest-bearing	Unsecured, no impairment
Other related parties						
PHINMA Hospitality Inc.	Subscription	–	**52,000**	–	Noninterest-bearing	Unsecured, no impairment
T-O Insurance Brokers, Inc., PHINMA Hospitality Inc., PHINMA Foundation, Inc. Phinma Prism, PHINMA Plaza Condominium Corp	Share in expenses	**9,338**	**425**	**8,075**	Noninterest-bearing	Unsecured, no impairment
PTC Myanmar, IPM	Share in expenses	**10,160**	**59**	**11,682**	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy Fee	**2,437**	–	**800**	Noninterest-bearing	Unsecured, no impairment
			₱155,595	**₱28,918**		

2021

Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 11)	Terms	Conditions
Ultimate Parent						
PHINMA Inc.	Share in expenses, management fees and bonus	₱280,141	₱130,456	₱686	Noninterest-bearing	Unsecured, no impairment
Associates						
PPHC	Share in expenses	1,575	–	3,139	Noninterest-bearing	Unsecured, no impairment
APHI	Share in expenses	6	–	6	Noninterest-bearing	Unsecured, no impairment
Other related parties						
PHINMA Hospitality Inc.	Subscription	–	52,000	–	Noninterest-bearing	Unsecured, no impairment
T-O Insurance Brokers, Inc., PHINMA Hospitality Inc., MDC, PHINMA Foundation, Inc. Phinma Prism	Share in expenses	19, 259	363	7,575	Noninterest-bearing	Unsecured, no impairment
PTC Myanmmar, IPM	Share in expenses	17	59	1,523	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy Fee	3,152	–	800	Noninterest-bearing	Unsecured, no impairment
			₱182,878	₱13,729		

PHINMA, Inc. The Parent Company has a 5-year management contract with PHINMA, Inc. up to June 30, 2024, renewable thereafter mutual agreement. Under this contract, PHINMA, Inc. has a general management authority with corresponding responsibility over all operations and personnel of the Parent Company including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance and other business activities of the Parent Company. Under the existing management agreement, the Parent Company pays PHINMA, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of the Parent Company's net income.

Management and Directors' Compensation

PHN, UGC, COC, AU, UPANG, SWU, UI and PPHC are under common management of PHINMA, Inc. and pay PHINMA, Inc. a fixed annual management fee plus an annual bonus based on a certain percentage of the respective companies' adjusted net income, as defined in the management contract between PHINMA, Inc. and the respective companies, pursuant to the provisions of the same contract.

Management fees and bonuses, presented as "Professional fees and outside services" under "General and administrative expenses" account, amounted to ₱210.2 million, ₱63.3 million and ₱127.7 million in 2022, 2021 and 2020, respectively (see Note 28). The related unpaid amount, presented as "Accruals for professional fees and others" under "Trade and other payables" account in the consolidated statements of financial position, amounted to ₱93.1 million and ₱38.5 million as at December 31, 2022 and 2021, respectively (see Note 21).

PHN, UGC, UI and AU recognized bonus to directors computed based on net income with pre-agreed adjustments. Directors' bonus, presented in "Personnel costs" under "General and administrative expenses" account, amounted to ₱77.7 million, ₱102.5 million and ₱111.3 million in 2022, 2021 and 2020, respectively (see Note 28). The related unpaid amount, presented in "Accruals for personnel costs" under "Trade and other payables" account in the consolidated statements of financial position, amounted to ₱53.4 million and ₱58.5 million as at December 31, 2022 and 2021, respectively (see Note 21).

Compensation of key management personnel of the Company are as follows:

	2022	2021	2020
Short-term employee benefits	**₱263,476**	₱189,558	₱240,879
Post-employment benefits (see Note 35):			
Retirement benefits	**10,031**	15,945	49,936
Vacation and sick leave	**3,189**	1,900	3,827
	₱276,696	₱207,403	₱294,642

34. Income Taxes

The components of the Company's deferred tax assets and liabilities are as follows:

	2022	2021
Deferred tax assets:		
NOLCO	**₱247,724**	₱109,546
Lease liabilities	**67,689**	74,238
Pension liability	**37,936**	35,464
Allowance for ECLs	**32,830**	33,234
Accrued expenses	**23,974**	22,276
Management bonus	**2,576**	7,003
Allowance for inventory write-down	**2,295**	2,754
Others	**6,349**	1,751
	421,373	286,266
Deferred tax liabilities:		
Fair value adjustments on property, plant and equipment of subsidiaries acquired	**(426,423)**	(446,145)
Unrealized gain on change in fair value of financial assets at FVPL and derivative asset	**(119,788)**	(56,381)
Accrued income	**(82,005)**	(29,735)
Right-of-use assets	**(62,282)**	(67,273)
Excess of capital expenditures over depreciation	**(25,019)**	(25,019)
Unamortized debt issuance costs	**(3,846)**	(2,585)
Unrealized foreign exchange gain	**(387)**	(1,190)
Unamortized capitalized borrowing cost	**(392)**	(455)
Others	**(23)**	(104)
	(720,165)	(628,887)
	(₱298,793)	(₱342,621)

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

	2022	2021
Deferred tax assets - net	**₱127,736**	₱101,013
Deferred tax liabilities - net	**(426,529)**	(443,634)
	(₱298,793)	(342,621)

The Company's deductible temporary differences, unused NOLCO and MCIT for which no deferred tax assets are recognized in the consolidated statements of financial position, are as follows:

	2022	2021
NOLCO	**₱311,423**	₱745,046
Allowance for impairment loss	**203,874**	203,874
Allowance for ECLs	**122,172**	122,172
Accrued personnel costs and employee benefits	**41,905**	81,118

(Forward)

	2022	2021
Unrealized loss on change in fair value of FVOCI	**₱19,426**	₱5,503
Unamortized past service cost	**18,592**	17,825
MCIT	**2,626**	2,770
Pension liability	**2,105**	7,930
	₱722,123	₱1,186,238

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

The educational segment as private educational institutions, are taxed based on R.A. No. 9337 which was effective January 1, 1998. Section 27(B) of R.A. No. 9337 defines and provides that: "A Proprietary Educational Institution is any private school maintained and administered by private individuals or groups with an issued permit to operate from the Department of Education (DepEd) , or CHED, or Technical Education and Skills Development Authority (TESDA), as the case may be, in accordance with the existing laws and regulations, shall pay a tax of 1% beginning July 1, 2020 until June 30, 2023 and to a tax of 10% beginning July 1, 2023 on their taxable income ."

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(b) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

MCIT totaling ₱3.5 million can be deducted against RCIT due while NOLCO totaling ₱1,063.9 million can be claimed as deduction against taxable income, as follows:

		Amount	
Date Paid/Incurred	Expiry Date	MCIT	NOLCO
December 31, 2020	December 31, 2023	₱1,360	₱–
December 31, 2020	December 31, 2025	–	268,771
December 31, 2021	December 31, 2024	596	–
December 31, 2021	December 31, 2026	–	473,872
December 31, 2022	December 31, 2025	1,584	321,298
		₱3,540	₱1,063,941

MCIT amounting to ₱1.2 million expired in 2022 and 2021, respectively. Expired NOLCO amounted ₱311.5 million and ₱249.9 million in 2022 and 2021. No MCIT and NOLCO were claimed as deduction against regular taxable income in 2022 and 2021.

Reconciliation between the statutory tax rates and the Company's effective tax rates follows:

	2022	2021	2020
Applicable statutory tax rate	**25.0%**	25.0%	30.0%
Income tax effects of:			
Income of school's subject to lower income tax rate of 10%/1%	**(13.1)**	(13.5)	(2.0)

(Forward)

	2022	2021	2020
Change in unrecognized deferred tax assets and others	**9.0**	(6.1)	(10.3)
Equity in net earnings of associates and joint ventures	**(0.9)**	(0.4)	(0.1)
Interest income subjected to lower final tax rate	**(0.7)**	(0.1)	(1.2)
Effective tax rates	**1.3%**	4.9%	16.4%

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Proprietary educational institutions and hospitals which are nonprofit previously subject to a tax of 10% on their taxable income, shall be imposed a tax rate of 1% beginning July 1, 2020 until June 30, 2023.

Applying the provisions of the CREATE Act, the Company, except the schools, has been subjected to the lower RCIT rate of 25% of taxable income or the reduced MCIT rate of 1% of gross income, effective July 1, 2020.

The Company recognized in its comprehensive income for the year ended December 31, 2021, a reduction in Provision for income tax (current and deferred), Deferred tax on comprehensive income directly charged to Equity and Deferred tax income tax assets - net amounting to ₱3.9 million, ₱0.3 million and ₱12.1 million, respectively, pertaining to the one-time impact of CREATE for the year ended December 31, 2020.

35. Pension and Other Post-employment Benefits

Pension and other post-employment benefits as at December 31 consist of:

	2022	2021
Net pension liability	**₱196,059**	₱194,312
Vacation and sick leave	**79,502**	65,008
Defined contribution plan	**39**	(101)
	₱275,600	₱259,219

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

	2022	2021	2020
Net pension expense	**₱76,191**	₱66,091	₱37,008
Vacation and sick leave	**26,499**	12,775	18,043
Defined contribution plan	**678**	866	873
	₱103,368	₱79,732	₱55,924

A. Pension Benefit Obligation

The following tables summarize the components of net pension expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated statements of financial position for the respective plans.

Net pension expense consists of:

	2022	2021	2020
Current service cost	**₱62,415**	₱60,858	₱53,659
Net interest cost	**13,364**	5,233	11,993
Past service cost (credit)	**412**	–	(28,644)
Net pension expense	**₱76,191**	₱66,091	₱37,008

Details of net pension liability as at December 31 are as follows:

	2022	2021
Present value of defined benefit obligation	**₱531,538**	₱541,312
Fair value of plan assets	**(335,479)**	(347,000)
Pension liability	**₱196,059**	₱194,312

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

	2022	2021
Balance at beginning of year	**₱541,312**	₱566,320
Benefits paid from plan assets	**(44,201)**	(106,884)
Current service cost	**62,415**	60,858
Interest cost on defined benefit obligation	**22,434**	20,390
Benefits paid from operating funds	**(23,804)**	(13,182)
Acquisition / deconsolidation of subsidiaries	**192**	1,503
Past service cost	**412**	–
Actuarial (gains) losses:		
Experience adjustments	**30,609**	34,016
Changes in financial assumptions	**(38,078)**	(21,709)
Changes in demographic assumptions	**(19,753)**	–
Balance at end of year	**₱531,538**	₱541,312

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

	2022	2021
Balance at beginning of year	**₱347,000**	₱382,035
Benefits paid	**(44,201)**	(106,884)
Actual contributions	**41,844**	47,337
Interest income included in net interest cost	**9,070**	15,157
Actual return excluding amount included in net interest cost	**(18,426)**	8,442
Net acquired assets due to employee transfers	**192**	913
Balance at end of year	**₱335,479**	₱347,000
Actual return (deficit) on plan assets	**(₱9,356)**	₱23,599

Change in net pension liability are as follows:

	2022	2021
Balance at beginning of year	**₱194,312**	₱184,285
Pension expense	**76,192**	66,091
Contributions	**(41,844)**	(47,337)
Benefits paid from operating fund	**(23,804)**	(13,182)
Remeasurements in OCI	**(8,797)**	3,865
Acquisition / deconsolidation of subsidiaries	**–**	1,503
Net acquired asset due to employee transfers	**–**	(913)
Pension liability	**₱196,059**	₱194,312

The Company expects to contribute ₱83.1 million to its retirement fund in 2023.

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

	2022	2021
Discount rates	**4-7%**	4-5%
Rates of salary increase	**2-6%**	3-6%

The Company has established a retirement fund that is managed by a trustee. The carrying value and fair value of the retirement fund of the Company amounted to ₱335.5 million and ₱347.0 million as at December 31, 2022 and 2021, respectively. The major assets are as follows:

	2022	2021
Cash and short-term investments	**₱121,065**	₱179,631
Marketable equity securities	**214,414**	114,059
Others	**–**	53,310
	₱335,479	₱347,000

As at December 31, 2022 and 2021, the carrying amount of the retirement fund approximates its fair value. Cash and short-term investments include liquid investments in Special Deposit Accounts (SDAs), government securities and mutual funds and UITFs. Marketable equity securities can be sold through the PSE. These include shares of stock of the Parent Company with a fair value of ₱4.2 million and ₱4.4 million as at December 31, 2022 and 2021.

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

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

	Increase (Decrease)	
	2022	2021
Discount rate:		
Increase by 1%	**(₱38,877)**	(₱40,463)
Decrease by 1%	**28,325**	46,891
Salary increase rate:		
Increase by 1%	**₱39,443**	₱49,303
Decrease by 1%	**(43,935)**	(41,387)

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

	2022	2021
Within the next 12 months	**₱34,241**	₱37,505
Between 2 and 5 years	**155,027**	175,787
Beyond 5 years	**1,324,757**	2,017,570

The average duration of the defined benefit obligation as at December 31, 2022 is between 7.34 years to 22.09 years.

B. Defined Contribution Plan

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

Participation by employees in the defined contribution plan is voluntary. Total contribution is up to 4% of annual salary, of which, 60% is contributed by the employees and 40% by the Company. There will be separate sub-funds for the defined contribution and benefit plans which will not be commingled with each other or be used to fulfill the funding requirements of both retirement plans.

The Company contributed ₱0.7 million in 2022 and ₱0.9 million in 2021 and 2020 to the defined contribution plan, which were recognized as expense. The Company has advances to the defined contribution plan amounting to nil and ₱0.1 million as at December 31, 2022 and 2021, respectively.

C. Vacation and Sick Leave

The following tables summarize the components of vacation and sick leave expense recognized in the consolidated statements of income and the amounts recognized in the consolidated statements of financial position.

Vacation and sick leave expense consists of:

	2022	2021	2020
Current service cost	**₱7,256**	₱12,936	₱24,290
Actuarial losses	**17,724**	(2,533)	(9,124)
Past service credit	**(1,749)**	–	–
Interest cost	**3,268**	2,372	2,877
Vacation and sick leave expense	**₱26,499**	₱12,775	₱18,043

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

	2022	2021
Balance at beginning of year	**₱65,008**	₱69,468
Current service cost	**7,256**	12,936
Benefits paid	**(21,157)**	(17,235)
Actuarial gains	**26,876**	(2,533)
Interest cost	**3,268**	2,372
Past service cost	**(1,749)**	–
Balance at end of year	**₱79,502**	₱65,008

36. **Financial Risk Management Objectives and Policies**

The Company's principal financial instruments comprise of cash and cash equivalents, investments held for trading and investments in equity instruments classified as financial assets at FVOCI in Philippine Peso and U.S. dollar currencies. The main purpose of these financial instruments is to finance the Company's investments. The Company also has financial assets and liabilities, such as trade and other receivables and trade and other payables that arise directly from operations.

The main risks arising from the Company's treasury transactions are credit risk, liquidity risk, market risk, foreign currency risk, interest rate risk and equity price risk. Careful study, skill, prudence and due diligence are exercised at all times in the handling of the funds of the Company.

The basic parameters approved by the Investment Committee are:

Investment Objective	**Safety of Principal**
Tenor	Three year maximum for any security, with average duration between one and two years
Exposure Limits	a. For banks and fund managers: maximum of 20% of total funds of the Company per bank or fund b. For peso investments: minimal corporate exposure except for registered bonds c. For foreign currencies: maximum 50% of total portfolio. Limits on third currencies outside USD are set regularly and reviewed at least once a year by the Investment Committee d. For investments in equities whether directly managed or managed by professional managers: limits are set as approved by the Investment Committee and based on current market outlook at the time of review e. For derivative transactions - limits are set up to 100% of asset subject to derivative transaction with the objective of neutrality of gain/loss

Credit Risk
Credit risk is the risk that the Company will incur a loss arising from customers, clients or counter-parties that fail to discharge their contractual obligations. Due to the Company's investing and operating activities, the Company is exposed to the potential credit-related losses that may occur as a result of an individual, counterparty or issuer being unable or unwilling to honor its contractual obligations.

In managing credit risk on these financial instruments, the Company transacts only with the Company's duly accredited domestic and foreign banks. Investments per financial institution are subject to a maximum of 20% of the Company's investible funds. It is the Company's policy that investments cannot exceed 10% of the trust or mutual fund's total assets.

A comprehensive credit and business review in coordination with dealers or underwriters is performed whenever the Company invests in non-rated securities. Furthermore, the Company monitors the credit quality of corporate and sovereign bonds with reference to credit rating studies and updates from the major rating agencies. The Company's exposure to credit risk on its cash and cash equivalents and trade and other receivables arises from default of the counterparties with maximum exposures equal to the carrying amounts of the instruments.

	2022	2021
Financial assets at amortized cost:		
Cash and cash equivalents	**₱3,421,578**	₱3,695,914
Trade and other receivables	**5,631,456**	4,935,304
Refundable deposits*	**72,015**	38,773
	₱9,125,049	₱8,669,991

**Presented under "Input value-added taxes and other current assets" and "Other noncurrent assets" account in the consolidated statements of financial position.*

There are no significant concentrations of credit risk.

Credit Quality of Financial Assets, Other than Receivables from Customers

The financial assets are grouped according to stage whose description is explained as follows:

Stage 1 - those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The credit quality of the Company's financial assets are as follows:

	2022			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
Financial Assets at Amortized Cost:				
Cash and cash equivalents*	**₱3,398,748**	**₱–**	**₱–**	**₱3,398,748**
Other receivables:				
Due from related parties	**28,918**	–	–	**28,918**
Advances to officers and employees	**56,148**	–	–	**56,148**
Accrued interest receivables	**338,546**	–	–	**338,546**
Others	**440,359**	–	–	**440,359**
Refundable deposits**	**72,015**	–	–	**72,015**
Gross Carrying Amount	**₱4,334,734**	**₱–**	**₱–**	**₱4,334,734**

**Excluding cash on hand.*
***Presented under "Input value-added taxes and other current assets" and "Other noncurrent assets" account in the consolidated statements of financial position.*

	2021			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Financial Assets at Amortized Cost:				
Cash and cash equivalents*	₱3,676,836	₱–	₱–	₱3,676,836
Other receivables:				
Due from related parties	13,729	–	–	13,729
Advances to officers and employees	53,958	–	–	53,958
Accrued interest receivables	139,137	–	–	139,137
Others	411,535	–	–	411,535
Refundable deposits**	38,773	–	–	38,773
Gross Carrying Amount	₱4,333,968	₱–	₱–	₱4,333,968

**Excluding cash on hand.*
***Presented under "Input value-added taxes and other current assets" and "Other noncurrent assets" account in the consolidated statements of financial position.*

Credit Quality of Receivables from Customers

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure of the Company's receivables from customers using provision matrix:

December 31, 2022	**Receivables from customers**					
	Days past due					
	Current	**<30 Days**	**30-60 Days**	**61-90 Days**	**>91 Days**	**Total**
Expected credit loss rate	**3%**	**24%**	**5%**	**43%**	**75%**	**28%**
Estimated total gross carrying amount default	**₱2,177,709**	**₱702,318**	**₱110,158**	**₱171,741**	**₱1,222,986**	**₱4,384,912**
Expected credit loss	**64,193**	**170,053**	**5,284**	**73,048**	**917,906**	**1,230,484**

December 31, 2021	Receivables from customers					
	Days past due					
	Current	<30 Days	30-60 Days	61-90 Days	>91 Days	Total
Expected credit loss rate	5%	10%	10%	59%	72%	24%
Estimated total gross carrying amount default	₱2,427,509	₱506,153	₱115,519	₱277,157	₱993,267	₱4,319,605
Expected credit loss	110,180	49,673	11,862	163,345	716,619	1,051,679

Impaired financial instruments comprise of receivables from customers and other receivables. The past due but not impaired trade and other receivables are expected to be collected the following year.

Liquidity Risk

Liquidity risk is the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. The Company manages liquidity risks by restricting investments and continuously monitoring weekly and monthly cash flows as well as updates of annual plans.

The maturities of the financial liabilities are determined based on the Company's projected payments and contractual maturities. The average duration adheres to guidelines provided by the Investment Committee. It is the Company's policy to restrict investment principally to publicly traded securities with a history of marketability and by dealing with only large reputable domestic and international institutions.

The tables below show the maturity profile of the Company's financial assets used for liquidity purposes based on contractual undiscounted cash flows as of December 31:

2022

	Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	Total
Financial Assets						
Financial assets at amortized cost						
Cash and cash equivalents	**₱3,421,578**	**₱–**	**₱–**	**₱–**	**₱–**	**₱3,421,578**
Trade and other receivables	**5,631,456**	**–**	**–**	**–**	**–**	**5,631,456**
Financial assets at FVPL:						
Investment in UITF	**647,383**	**–**	**–**	**–**	**–**	**647,383**
Investments in marketable equity securities	**6,933**	**–**	**–**	**–**	**–**	**6,933**
Investments in preferred shares	**–**	**–**	**–**	**2,209,088**	**–**	**2,209,088**
	₱9,707,350	**₱–**	**₱–**	**₱2,209,088**	**₱–**	**₱11,916,438**

2021

	Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	Total
Financial Assets						
Financial assets at amortized cost						
Cash and cash equivalents	₱3,695,914	₱–	₱–	₱–	₱–	₱3,695,914
Trade and other receivables	4,935,304	–	–	–	–	4,935,304
Financial assets at FVPL:						
Investment in UITF	1,302,457	–	–	–	–	1,302,457
Investments in marketable equity securities	8,271	–	–	–	–	8,271
Investments in preferred shares	–	–	–	–	2,105,243	2,105,243
	₱9,941,946	₱–	₱–	₱–	₱2,105,243	₱12,047,189

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as of December 31:

2022

	Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	Total
Financial Liabilities						
Loans and borrowings and payables						
Notes payable	**₱2,779,103**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,779,103**
Trade and other payables	**2,150,350**	**–**	**–**	**–**	**–**	**2,150,350**
Trust receipts payable	**128,249**	**–**	**–**	**–**	**–**	**128,249**
Due to related parties	**155,595**	**–**	**–**	**–**	**–**	**155,595**
Lease liabilities	**104,197**	**51,409**	**26,473**	**29,531**	**145,296**	**356,906**
Long-term debt*	**672,723**	**3,627,354**	**2,501,272**	**3,526,071**	**691,124**	**11,018,544**
Non-controlling interest put liability	**–**	**2,188,320**		**–**	**–**	**2,188,320**
	₱5,990,217	**₱5,867,083**	**₱2,527,745**	**₱3,555,602**	**₱836,420**	**₱18,777,067**

**Including current and noncurrent portion.*

2021

	Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	Total
Financial Liabilities						
Loans and borrowings:						
Notes payable	₱930,174	₱–	₱–	₱–	₱–	₱930,174
Trade and other payables	2,323,135	–	–	–	–	2,323,135
Trust receipts payable	1,711,433	–	–	–	–	1,711,433
Due to related parties	182,878	–	–	–	–	182,878
Lease liabilities	118,824	97,162	38,746	35,031	225,584	515,347
Long-term debt*	570,230	905,166	3,626,616	2,674,690	3,011,440	10,788,142
Non-controlling interest put liability	–	–	–	1,862,875	–	1,862,875
	₱5,836,674	₱1,002,328	₱3,665,362	₱4,572,596	₱3,237,024	₱18,313,984

**Including current and noncurrent portion.*

Changes in liabilities arising from financing activities

The changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes are as follows:

	January 1, 2022	Additions	Payments	Others*	December 31, 2022
Notes payable	**₱930,174**	**₱3,380,647**	**(₱1,531,718)**	**₱–**	**₱2,779,103**
Long-term debt	**10,683,115**	**1,280,000**	**(1,048,952)**	**20,583**	**10,934,746**
Due to related parties	**182,878**	**272,379**	**(299,662)**	–	**155,595**
Dividends payable	**228,251**	**334,768**	**(337,332)**	–	**185,687**
Lease liabilities	**355,901**	**88,219**	**(125,452)**	**(4,540)**	**314,128**
Other noncurrent liabilities	**47,937**	**1,640**	–	–	**49,577**
Total liabilities from financing activities	**₱12,428,256**	**₱5,357,653**	**(₱3,343,116)**	**₱16,043**	**₱14,418,836**

* *Others include amortization of debt issue cost and accretion of interest. For lease liabilities, this also includes derecognized amount of P24.2 million due to pre-termination of long-term lease contract.*

	January 1, 2021	Additions	Payments	Others*	December 31, 2021
Notes payable	₱1,325,910	₱2,002,549	(₱2,398,285)	₱–	₱930,174
Long-term debt	7,058,404	4,524,477	(918,091)	18,325	10,683,115
Due to related parties	151,110	310,085	(278,317)	–	182,878
Dividends payable	175,068	241,231	(188,048)	–	228,251
Lease liabilities	419,671	53,810	(124,617)	7,037	355,901
Other noncurrent liabilities	50,493	–	(2,556)	–	47,937
Total liabilities from financing activities	₱9,180,656	₱7,132,152	(₱3,909,914)	₱25,362	₱12,428,256

* *Others include amortization of debt issue cost and accretion of interest. For lease liabilities, this also includes derecognized amount of P15.5 million due to pre-termination of long-term lease contract.*

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Market risks are managed by constant review of global and domestic economic and financial environments as well as regular discussions with banks' economists/strategy officers to get multiple perspectives on interest rate trends/forecasts. Regular comparison of the portfolio's marked-to-market values and yields with defined benchmarks are also made.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's financial assets that are exposed to foreign currency risk are foreign currency denominated cash and cash equivalents, receivables, derivative assets and investments in UITFs.

Foreign exchange risks on the U.S. dollar and other foreign currencies are managed through constant monitoring of the political and economic environment. Returns are also calibrated on a per currency basis to account for the perceived risks with higher returns expected from weaker currencies.

The following table shows the foreign currency-denominated financial assets and financial liabilities and their peso equivalents as of December 31:

	2022		2021	
	Foreign Currency	**Peso Equivalent**	Foreign Currency	Peso Equivalent
Financial assets:				
Cash and cash equivalents	**US$12,111**	**₱675,233**	US$18,682	₱952,771
Cash and cash equivalents	**VND35,703**	**80**	VND35,703	80
Receivables	**US$1,330**	**74,170**	US$491	25,034
Derivative assets	**US$–**	**–**	US$57	2,931
Investment in UITF	**US$34**	**1,879**	US$12	608
		₱751,362		₱981,424
Financial liabilities:				
Trust receipts payables	**US$3,245**	**₱180,925**	US$5,450	₱277,969
Trade and other payables	**–**	**–**	98	4,974
Derivative liability	**US$7**	**371**	–	–
		₱181,296		₱282,943

In translating foreign currency-denominated financial assets into peso amounts, the exchange rates used were ₱55.76 and ₱51.00 to US$1.00 as at December 31, 2022 and 2021, respectively.

The following table on the next page demonstrates the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant, of the Company's profit before tax (due to the changes in the fair value of monetary assets) as at December 31, 2022 and 2021. There is no impact on the Company's equity other than those already affecting the profit or loss.

The effect on profit before tax already includes the impact of derivatives outstanding as at December 31, 2022 and 2021:

	2022	
	Increase (Decrease) in Peso-Dollar Exchange Rate	**Effect on Profit Before Tax**
		(Amounts in Millions)
PHN	**₱1.0**	**₱1.44**
	(1.0)	**(1.44)**
PEHI	**1.0**	**11.95**
	(1.0)	**(11.95)**
UGC	**3.0**	**0.07**
	(3.0)	**(0.07)**
PCC	**4.0**	**0.18**
	(4.0)	**(0.18)**

	2021	
	Increase (Decrease) in Peso-Dollar Exchange Rate	Effect on Profit Before Tax
		(Amounts in Millions)
PHN	₱1.00	₱0.18
	(1.00)	(0.18)
PEHI	1.00	18.42
	(1.00)	(18.42)
UGC	3.00	1.63
	(3.00)	(1.63)
PCC	4.00	21.44
	(4.00)	(21.44)

Interest Rate Risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The following tables set out the carrying amounts, by maturity, of the Company's financial assets and liabilities that are exposed to interest rate risk as of December 31:

	2022						
	Interest Rates	**Within 1 Year**	**1 to < 2 Years**	**2 to < 3 Years**	**3 to 5 Years**	**More than 5 Years**	**Total**
Financial Assets							
Placements (PHP)	**5.25%-5.728%**	**₱1,694,459**	**₱–**	**₱–**	**₱**	**₱**	**₱1,694, 459**
Financial Liabilities							
PHN	**6.25%**	**20,000**	**20,000**	**20,000**	**1,882,344**	**–**	**1,942,344**
UGC	**4.85%-5.11%**	**47,958**	**47,982**	**48,025**	**810,240**		**954,205**
Phinma Solar	**4.875%-4.924%**	**11,111**	**11,111**	**11,111**	**33,333**	**29,876**	**96,542**
PEHI	**5.32%-5.48%**	**263,978**	**268,861**	**255,161**	**–**	**–**	**788,000**

	2021						
	Interest Rates	Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	Total
Financial Assets							
Placements (PHP)	0.45%-1.25%	₱1,539,766	₱–	₱–	₱–	₱–	₱1,539,766
Financial Liabilities							
PHN	6.25%	20,000	20,000	20,000	40,000	1,859,362	1,959,362
UGC	5.50%-6.72%	79,252	173,977	66,604	117,210	88,244	525,287
PHINMA Solar	4.875%-4.924%	556	2,222	2,222	4,444	10,556	20,000

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

The table below sets forth the estimated change in the Company's income before tax due to a reasonably possible change in interest rates as at December 31, 2022 and 2021. There is no impact on the Company's equity other than those already affecting the profit or loss.

	2022	
	Increase/ (Decrease) in Basis Points	**Effect on Profit Before Tax**
Financial Liabilities		
PHN	**25**	**(₱4,856)**
	(25)	**4,856**
UGC	**25**	**(2,406)**
	(25)	**2,406**
PHINMA Solar	**25**	**(243)**
	(25)	**243**

	2021	
	Increase/ (Decrease) in Basis Points	Effect on Profit Before Tax
Financial Liabilities		
PHN	25	(₱4,898)
	(25)	4,898
UGC	25	(1,313)
	(25)	1,313
PHINMA Solar	25	(50)
	(25)	50

Peso placements are subject to cash flow interest rate risk while peso and dollar bonds are subject to fair value interest rate risk.

Equity Price Risk
Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The Company's exposure to equity price risk relates primarily to its equity investments listed in the PSE classified under investments held for trading.

The Company's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on the Company's financial position.

The following tables demonstrate the effect on the Company's profit before income tax (as a result of a change in the fair value of equity instruments held as investment held for trading) due to a reasonably possible change in equity indices, based on the Company's expectation, with all other variables held constant as at December 31, 2022 and 2021. There is no other significant impact on the Company's equity other than those already affecting the profit or loss.

	2022	
	Increase/ Decrease in Stock Exchange Index	**Effect on Profit Before Tax**
PHN	**+13.7%**	**₱325**
	-13.7%	**(325)**
API	**+13.7%**	**310**
	-13.7%	**(310)**

	2021	
	Increase/ Decrease in Stock Exchange Index	Effect on Profit Before Tax
PHN	+6%	₱165
	-6%	(165)
API	+6%	172
	-6%	(172)

Capital Management
The primary objective of the Company's capital management is to ensure that the Company maintains a healthy capital structure to maintain strong credit rating and maximize shareholder value.

The Company closely monitors and manages its debt-to-equity ratio, which it defines as total liabilities divided by total equity. Capital includes all the accounts appearing in the "Equity attributable to equity holders of the parent" and "Equity attributable to non-controlling interests" in the consolidated statements of financial position.

To ensure that there are sufficient funds to settle its liabilities, the Company's policy is to keep debt-to-equity ratio below 2:1. The Company's consolidated debt-to-equity ratio as at December 31, 2022 and 2021 are as follows:

	2022	2021
Total liabilities	**₱20,868,356**	₱20,173,524
Total equity	**11,142,699**	9,972,568
Debt-to-equity ratio	**1.87:1**	2.02:1

The Company expects to improve the debt-to-equity ratio mainly through improvement in the Company's business operations.

37. **Financial Instruments**

Fair Value Hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of its assets and liabilities by valuation technique:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input is significant to their fair value measurement is unobservable

Assets and liabilities measured or disclosed at fair value are as follows:

	2022			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Investments held for trading:				
Investments in UITFs	**₱647,383**	**₱–**	**₱647,383**	**₱–**
Investments in marketable equity securities	**6,933**	**6,933**	**–**	**–**
Club shares designated at FVOCI	**41,000**	**–**	**41,000**	**–**
Non-listed equity instruments designated at FVOCI	**81,959**	**–**	**–**	**81,959**
Non-listed debt instrument designated at FVPL	**2,209,088**	**–**	**–**	**2,209,088**
Derivative assets	**648,117**	**–**	**–**	**648,117**
	₱3,634,480	**₱6,933**	**₱688,383**	**₱2,939,164**
Liabilities				
Derivative liability	**₱371**	**₱–**	**₱371**	**₱–**
Non-controlling interest put liability	**2,188,320**	**–**	**–**	**2,188,320**
Long-term debt	**10,581,439**	**–**	**–**	**10,581,439**
	₱12,770,130	**₱–**	**₱371**	**₱12,769,759**

	2021			
	Total	Level 1	Level 2	Level 3
Assets				
Investments held for trading:				
Investments in UITFs	₱1,302,457	₱–	₱1,302,457	₱–
Investments in marketable equity securities	8,271	8,271	–	–
Club shares designated at FVOCI	32,350	–	32,350	–
Non-listed equity instruments designated at FVOCI	76,310	–	–	76,310
Non-listed debt instrument designated at FVPL	2,105,243	–	–	2,105,243
Derivative assets	513,429	2,931		510,498
	₱4,038,060	₱11,202	₱1,334,807	₱2,692,051
Liabilities				
Non-controlling interest put liability	₱1,862,875	₱–	₱–	₱1,862,975
Long-term debt	9,313,655	–	–	9,313,655
	₱11,176,530	₱–	₱–	₱11,176,530

During the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The following methods and assumptions are used to estimate the fair value of the following financial instruments.

Investments Held for Trading, Financial Assets at FVPL, Financial Assets at FVOCI and Derivative Assets. Quoted market prices have been used to determine the fair value of investments in marketable equity securities and club shares designated at FVOCI. The fair values of unquoted equity investments at FVOCI, unquoted debt investment classified as financial asset at FVPL and derivative asset have been estimated using a future cash flows from the investee and applying a discount rate to calculate the present value of the cash flows. The valuation requires management to make certain assumptions about the model inputs including forecast cashflows, discount rate, long-term growth rate, comparable companies' average volatility, option adjusted spread and risk-free rate. The probabilities of various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted investments.

The fair values of non-listed shares of stock were determined through the following valuation approach: income approach and asset-based approach. Income approach is predicated upon the concept that the value of any asset can be estimated by ascertaining the amount and timing of future cash flows or earnings that are generated by that asset. Asset-based approach is based on the value of all the tangible and intangible assets and liabilities of the company. The discount rates, a significant unobservable input used in the valuation of the non-listed shares of stock using the income approach, were and 16.20% and 17.20% as at December 31, 2022 and 2021. An increase (decrease) in the discount rate used in the valuation of the non-listed shares will decrease (increase) the fair value of the non-listed shares of stock.

Cash and Cash Equivalents, Trade and Other Receivables, Notes Payable, Trade and Other Payables, Trust Receipts Payable and Due to Related Parties. Due to the short-term nature of these transactions, the carrying value approximate the fair values as at the reporting date.

Derivative Liability. Estimated fair value is based on the average rate of the forward bid rates and forward ask rates computed in Bloomberg.

Long-term Debt. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable rates for similar types of loans. Discount rates used ranged from 3% to 7% and 2% to 5% in 2022 and 2021, respectively.

Derivative Instruments

Freestanding Derivatives. The Company's derivative financial instruments are accounted for as financial instruments at FVPL.

UGC and PCC entered into a buy US$-sell PH₱ deliverable foreign currency forward contracts to manage the foreign currency risk arising from its US$-denominated trust receipts payable.

UGC has a derivative liability amounting to ₱0.3 million and derivative assets of ₱1.0 million as at December 31, 2022 and 2021, respectively. The transacted contract has an aggregate notional amount of US$28.4 million and US$10.8 million in 2022 and 2021, respectively. The unrealized gain on change in fair value of the derivative instrument amounted to ₱1.5 million and ₱1.3 million in 2022 and 2021, respectively. The weighted average contracted forward rates are ₱53.958 and ₱49.343 to US$1.00 in 2022 and 2021, respectively.

PCC has a derivative liability amounting to nil and derivative assets of ₱2.0 million as at December 31, 2022 and 2021, respectively. The transacted contracts have an aggregate notional amount of US$45.8 million and US$23.9 million in 2022 and 2021, respectively. The unrealized gain on change in fair value of the derivative instrument amounted to ₱3.5 million and ₱1.9 million in 2022 and 2021. The weighted average contracted forward rates are ₱53.994 in 2022 and ₱49.408 to US$1.00 in 2021.

The net changes in fair value of these derivative liability are as follows:

	2022	2021
Balance at beginning of year	**(₱2,931)**	₱32
Net change in fair value during the year	**32,758**	1,524
Fair value of settled contracts	**(29,456)**	(4,487)
Balance at end of year	**₱371**	(₱2,931)

38. **Leases**

Company as Lessee

The Company has various lease contracts for land, buildings, warehouses and vehicles. The leases have lease terms of between 2 and 25 years.

The Company also has certain leases with lease terms of 12 months or less. The Company applies the "short-term lease" recognition exemptions for these leases.

The rollforward analysis of right-of-use assets follows:

	2022				
	Right-of-use: Land	**Right-of-use: Buildings & Warehouses**	**Right-of-use: Vehicles**	**Right-of-use: Others**	**Right-of-use: Total**
Cost					
At January 1, 2022	**₱106,037**	**₱147,507**	**₱269,406**	**₱2,470**	**₱525,420**
Additions	**15,942**	**43,332**	**29,054**	**–**	**88,328**
Pre-termination	**(2,738)**	**(20,822)**	**(6,570)**	**–**	**(30,130)**
At December 31, 2022	**119,241**	**170,017**	**291,890**	**2,470**	**583,618**
Accumulated Depreciation and Amortization					
At January 1, 2022	**12,398**	**65,767**	**109,867**	**2,143**	**190,175**
Depreciation	**6,634**	**22,712**	**60,304**	**327**	**89,977**
Pre-termination	**–**	**(8,366)**	**(3,199)**	**–**	**(11,565)**
At December 31, 2022	**19,032**	**80,113**	**166,972**	**2,470**	**268,587**
Net Book Value	**₱100,209**	**₱89,904**	**₱124,918**	**₱–**	**₱315,031**

	2021				
	Right-of-use: Land	Right-of-use: Buildings & Warehouses	Right-of-use: Vehicles	Right-of-use: Others	Right-of-use: Total
Cost					
At January 1, 2021	₱107,241	₱151,998	₱234,008	₱1,906	₱495,153
Additions	6,175	11,855	35,398	564	53,992
Pre-termination	(7,379)	(16,346)	–	–	(23,725)
At December 31, 2021	106,037	147,507	269,406	2,470	525,420
Accumulated Depreciation and Amortization					
At January 1, 2021	8,132	45,856	40,756	1,906	96,650
Depreciation	5,598	24,066	69,111	237	99,012
Pre-termination	(1,332)	(4,155)	–	–	(5,487)
At December 31, 2021	12,398	65,767	109,867	2,143	190,175
Net Book Value	₱93,639	₱81,740	₱159,539	₱327	₱335,245

The rollforward analysis of lease liabilities follows:

	2022	2021
As at beginning of year	**₱355,901**	₱419,671
Accretion of interest	**19,646**	22,523
Additions	**88,219**	53,810
Pre-termination	**(24,186)**	(15,486)
Payments	**(125,452)**	(124,617)
As at end of year	**314,128**	355,901
Less current portion of lease liabilities	**102,676**	108,266
Noncurrent portion of lease liabilities	**₱211,452**	₱247,635

In 2022, three long-term lease contracts were pre-terminated by the Company. As a result, the Company recognized gain from pre-termination of lease contract amounting to ₱0.2 million recognized in the statement of income as part of "Other income (expenses)", after derecognizing the related right-of-use assets and lease liabilities amounting to ₱1.5 million and ₱1.6 million, respectively, in the statements of financial position.

In 2021, two long-term lease contracts were pre-terminated by the Company. As a result, the Company recognized gain from pre-termination of lease contract amounting to ₱0.8 million, recognized in the consolidated statement of income as part of "Other income (expenses)", after derecognizing the related right-of-use assets and lease liabilities amounting to ₱18.2 million and ₱15.5 million, respectively, and recognizing claims receivable amounting to ₱3.6 million presented as part of "Trade and other receivables" in the consolidated statements of financial position.

In 2020, two long-term lease contracts were pre-terminated by the Company. As a result, the Company recognized gain from pre-termination of lease contract amounting to ₱5.3 million recognized in the consolidated statement of income as part of "Other income (expenses)", after derecognizing the related right-of-use assets and lease liabilities amounting to ₱71.8 million and ₱77.1 million, respectively.

The following are the amounts recognized in the consolidated statements of income:

	2022	2021
Depreciation expense of right-of-use assets (see Notes 31)	**₱89,977**	₱99,012
Interest expense on lease liabilities (see Note 32)	**19,646**	22,523
Expenses relating to short-term leases	**113,528**	103,464

Shown below is the maturity analysis of the undiscounted lease payments:

	2022	2021
1 year	**₱104,197**	₱118,824
more than 1 years to 2 years	**51,409**	97,162
more than 2 years to 3 years	**26,473**	38,746
more than 3 years to 4 years	**29,531**	35,031
more than 5 years	**145,296**	225,584

39. **Commitments and Contingencies**

(a) Unused Credit Lines

PHN has an unused credit line amounting to ₱4.5 billion and ₱4.4 billion as at December 31, 2022 and 2021, respectively.

UGC has the following unused approved credit lines with local banks and financial institutions as at December 31, 2022:

Nature	Amount
Letters of credit/trust receipts	₱4,469,141
Bills purchase line	330,000
Forward contract (including settlement risk)	715,950

PCC has the following unused approved credit lines with local banks and financial institutions as at December 31, 2022:

Nature	Amount
Letters of credit/trust receipts	₱3,523,089
Forward contract (including settlement risk)	775,841
Bills purchase line	124,949

Phinma Solar has the following unused approved credit lines with local banks and financial institutions as at December 31, 2022:

Nature	Amount
Letters of credit/trust receipts	₱300,000
Bills purchase line	50,000

(b) Others

There are contingent liabilities arising from tax assessments occurring in the ordinary course of business, including the petition filed for the reversal and nullification of safeguard duties on its importation of cement. On the basis of information furnished by the Company's legal counsel, management believes that none of these contingencies will materially affect the Company's financial position and result of operations.

40. **EPS Computation**

Basic EPS is computed as follows:

	2022	2021	2020
(a) Net income attributable to equity holders of the parent	**₱947,677**	₱1,128,965	₱172,637
(b) Weighted average number of common shares outstanding	**276,721**	272,246	272,441
Basic/diluted EPS attributable to equity holders of the parent (a/b)	**₱3.42**	₱4.15	₱0.63

The Company's basic and diluted earnings per share are the same since the Company does not have potential common shares.

41. **Segment Information**

For management purposes, the Company is organized into business units based on its products and services and has five reportable operating segments as follows:

- Investment holdings - PHN and PSHC are engaged in investment holding activities of shares of stocks and other financial instruments.
- Property development - API, APHI, and Coral Way lease out its real and personal properties. PPHC is engaged in real estate development.
- Construction materials - PCC encompasses the operations of the cement trading. UGC handles the manufacturing and trading of iron and steel products. PHINMA Solar provides solar rooftop system to customers. The Company has assessed that the nature of the products and services and the type or class of customers for these products and services are related.
- Educational services - PEHI holds interest in AU, COC, UPANG, UI, SWU, RCI, RCL and UCLI which offer graduate, tertiary, secondary and elementary education services. CAA conducts a non-sectarian institution of learning and operates schools for all levels below tertiary level, whether preschool, primary, secondary, technical and vocational, specialized programs and for all and any form of educational activities.
- BPO - ICI Asia (formerly Fuld Philippines) was engaged in strategic consulting while OAL was engaged in animation services. In 2020, the Parent Company sold its ownership interest in ICI Asia (see Note 7).

The BOD (Chief Operating Decision Maker) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Segment result is defined as the segment's income generated from its own operations, net of its share in the equity in net earnings of associates and joint ventures and investment income, before deducting interest and financing charges, provision for income tax and share of NCI. The amounts of segment assets and liabilities, and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets, liabilities and profit or loss in the consolidated financial statements, which is in accordance with PFRS.

The Company does not report its results based on geographical segments since the Company's risks and rates of return are substantially in the same economic and political environment with the companies incorporated and operated in the Philippines. There are no transactions with a single customer that accounts to 10% or more of the Company's revenue.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transaction with third parties. Segment revenues, segment expenses and segment results include transfers between operating segments. These transfers are eliminated in full upon consolidation.

Segment Information

Financial information on the operating segments are summarized as follows:

	Investment Holdings	Property Development	Construction Materials	Educational Services	BPO	Eliminations	Total Operations
Year Ended December 31, 2022							
Revenue	**₱521,765**	**₱37,040**	**₱13,245,555**	**₱4,068,537**	**₱2**	**(₱208,317)**	**₱17,664,582**
Segment results	**87,327**	**29,921**	**804,293**	**973,520**	**(1,440)**	**25,331**	**1,918,952**
Investment income	**443,884**	**585**	**11,843**	**12,904**	**2**	**(208,317)**	**260,901**
Equity in net earnings of associates and joint ventures	**–**	**57,549**	**–**	**465**	**–**	**–**	**58,014**
Interest expense and other financing charges	**(249,101)**	**–**	**(305,631)**	**(175,167)**	**–**	**41,709**	**(688,190)**
Provision for income tax	**(6,238)**	**(5,025)**	**(15,629)**	**6,396**	**–**	**–**	**(20,496)**
Share of non-controlling interests	**–**	**–**	**–**	**(184,659)**	**–**	**(396,845)**	**(581,504)**
Net income attributable to equity holders of the parent	**₱275,872**	**₱83,030**	**₱494,876**	**₱633,459**	**(₱1,438)**	**(₱538,122)**	**₱947,677**
Total assets	**₱12,572,663**	**₱384,562**	**₱12,089,269**	**₱13,949,000**	**₱904**	**(₱6,985,373)**	**₱32,011,025**
Total liabilities	**₱5,335,317**	**₱52,197**	**₱8,188,314**	**₱6,765,676**	**₱309,481**	**₱217,371**	**₱20,868,356**
Year Ended December 31, 2021							
Revenue	₱503,963	₱11,838	₱12,144,100	₱3,690,805	₱–	(₱312,520)	₱16,038,186
Segment results	(773)	479	1,248,291	1,220,204	(830)	(30,160)	2,437,211
Investment income	441,145	9,939	6,063	3,753	–	(312,520)	148,380
Equity in net earnings of associates and joint ventures	–	28,614	–	4,326	–	–	32,940
Interest expense and other financing charges	(185,622)	–	(300,515)	(168,022)	–	4,911	(649,248)
Provision for income tax	(3,376)	(2)	(51,759)	(41,409)	–	–	(96,546)
Share of non-controlling interests	–	–	–	(180,251)	–	(571,280)	(751,531)
Net income attributable to equity holders of the parent	₱251,374	₱39,030	₱902,080	₱838,601	(₱830)	(₱909,049)	₱1,121,206
Total assets	₱12,200,444	₱344,085	₱10,960,965	₱13,158,870	₱698	(₱6,518,970)	₱30,146,092
Total liabilities	₱5,400,882	₱52,491	₱7,422,656	₱6,567,914	₱307,397	₱422,184	₱20,173,524

	Investment Holdings	Property Development	Construction Materials	Educational Services	BPO	Eliminations	Total Operations
Year Ended December 31, 2020							
Revenue	₱504,034	₱11,011	₱10,119,133	₱2,094,989	₱2,128	(₱429,544)	₱12,301,751
Segment results	(272,971)	(2,573)	1,310,709	197,347	(25,940)	(10,509)	1,196,063
Investment income	465,072	9,201	(15,087)	22,971	3	(429,544)	52,616
Equity in net earnings of associates and joint ventures	–	(951)	(4,683)	5,700	–	1,902	1,968
Interest expense and other financing charges	(138,988)	–	(306,672)	(184,566)	–	3,458	(626,768)
Provision for income tax	(3,998)	(220)	(70,567)	(27,154)	–	–	(101,939)
Share of non-controlling interests	–	–	–	(38,016)	–	(311,287)	(349,303)
Net income attributable to equity holders of the parent	₱49,115	₱5,457	₱913,700	(₱23,718)	(₱25,937)	(₱745,980)	₱172,637
Total assets	₱9,171,502	₱326,978	₱9,014,812	₱11,678,220	₱47,402	(₱5,766,499)	₱24,472,415
Total liabilities	₱2,514,432	₱52,561	₱6,096,982	₱5,974,629	₱393,494	₱886,903	₱15,919,001

42. **Events after the Reporting Period**

On March 3, 2023, the Parent Company's BOD declared a 6% regular cash dividend amounting to ₱171.8 million or equivalent to ₱0.60 per share payable on April 5, 2023 to shareholders of record as at March 22, 2023. On the same date, the Parent Company's BOD approved the appropriation of ₱500.0 million for the investment in PPHC and re-appropriation of ₱1.1 billion for the investment in the Construction Materials business until December 31, 2024. In addition, the Parent Company's BOD approved the reversal of previous appropriations of retained earnings amounting to ₱500.0 million for investment in Education business in 2021 and ₱165.5 million for buyback of PHN shares in 2020.

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