Agile

PHINMA Corporation 2020 Annual Report

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: Construction Materials, Education, Property and Hospitality. These businesses can 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.

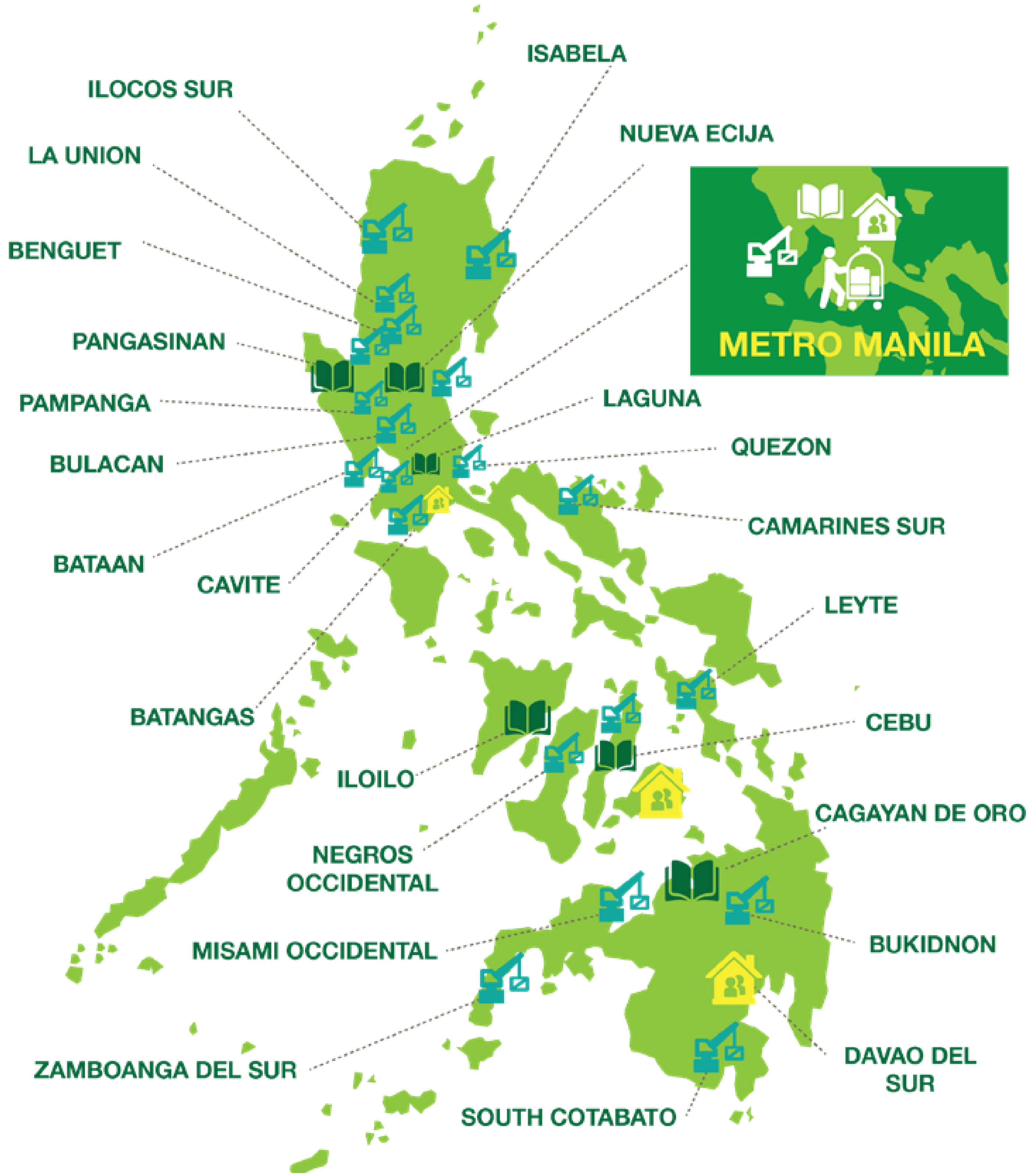
In the pursuit of our Mission, we look to our tradition, our experience, our reputation, and above all, our people, as the principal factors that will enable us to achieve our lofty goals. The PHINMA Group will demonstrate that private business can mutually serve the needs of society and the aspirations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

Financial Highlights

	2020	2019	2018
INCOME AND DIVIDENDS (In Thousand Pesos)			
Revenues	**12,301,751**	11,324,911	9,930,102
Net Income Attributable to PHN Equity Holders	**172,637**	232,507	25,874
Consolidated Net Income	**521,940**	437,123	174,821
Cash Dividend	**109,004**	225,229	113,951
FINANCIAL POSITION (In Thousand Pesos)			
Current Assets	**10,326,060**	9,897,788	9,020,864
Total Assets	**24,472,415**	22,378,396	19,114,093
Current Liabilities	**6,753,050**	5,116,913	4,008,095
Non-current Liabilities	**9,165,951**	8,918,808	7,142,945
Equity Attributable to PHN Equity Holders	**6,579,992**	6,657,154	6,782,667
Total Equity	**8,553,414**	8,342,675	7,963,053
PER SHARE (In Pesos)			
Earnings	**0.63**	0.83	0.09
Cash Dividend Per Share	**0.40**	0.40	0.40
Book Value of Common Shares	**24.16**	24.42	24.07
FINANCIAL RATIOS			
Current Ratio	**1.53**	1.93	2.25
Debt to Equity Ratio	**1.86**	1.68	1.40

Geographic Reach

Business	Provinces Operating In
Education	Metro Manila Cagayan de Oro Cebu Iloilo Laguna Nueva Ecija Pangasinan
Construction Materials	Terminal: Bataan Warehouses: Isabela, Ilocos Sur, Baguio, Urdaneta, Lucena, Butuan, Ozamis, General Santos Roll Forming Plants: La Union, Pangasinan, Nueva Ecija, Pampanga, Cainta, Naga, Batangas, Tacloban, Cebu, Bacolod, Iloilo, Zamboanga, Davao, Cagayan de Oro Main Plant: Calamba Sales Office: Laoag, Bukidnon
Housing	Metro Manila Cebu Davao City Malabon Laguna Batangas Bulacan Cavite
Hotels	Metro Manila



Aware

Message to Stockholders

Dear Shareholders,

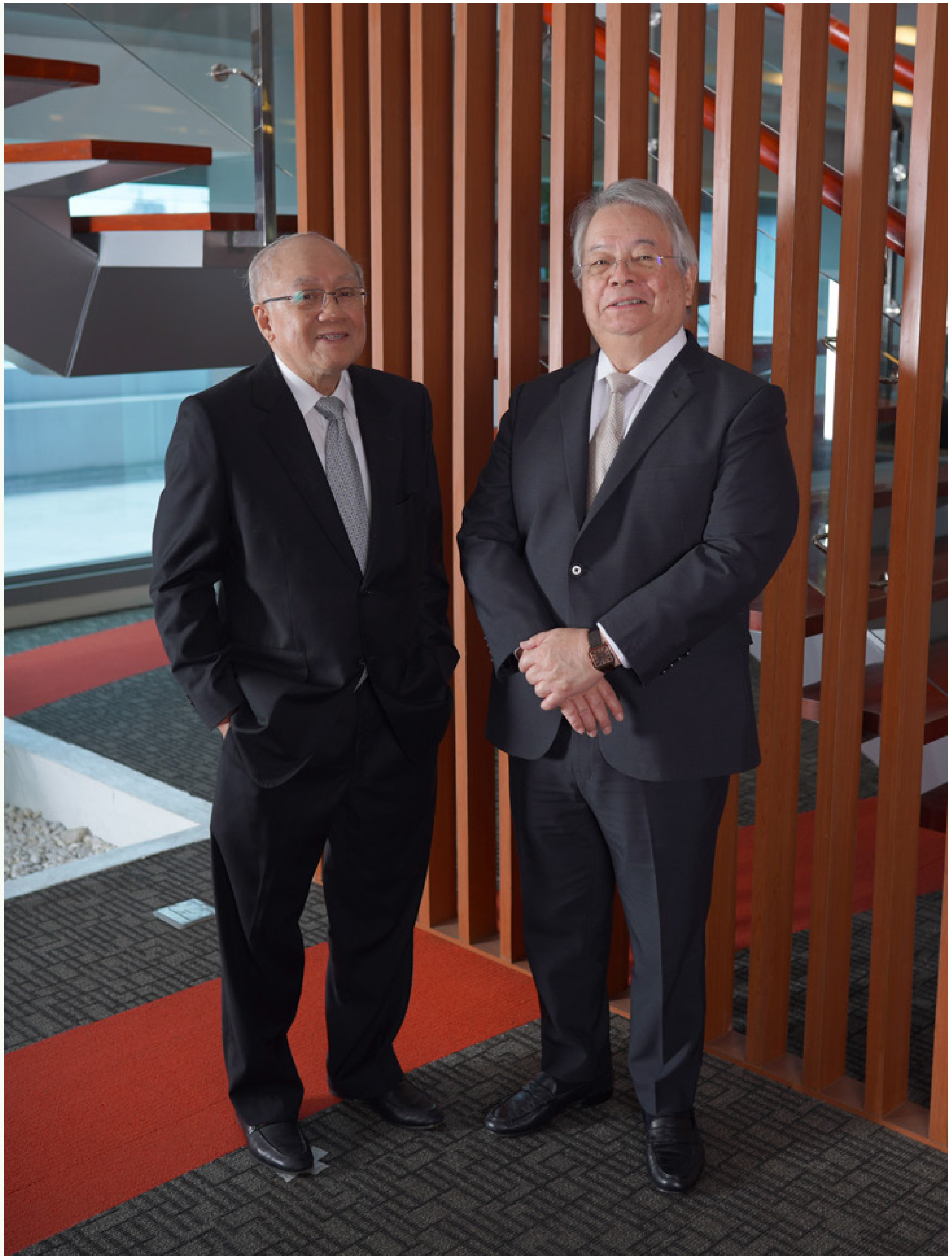
National and local government restrictions on work, travel, and face to face classes in response to the pandemic resulted in significant challenges to our businesses in 2020. PHINMA Corporation's immediate response was to prioritize the health and safety of our stakeholders - encouraging students to stay home, arranging for remote work for employees, instituting sanitation protocols at facilities, and enabling remote transactions for customers. After securing the safety of our people, your Company strategically adapted our businesses to improve our ability to provide essential products and services that make the lives of Filipinos better.

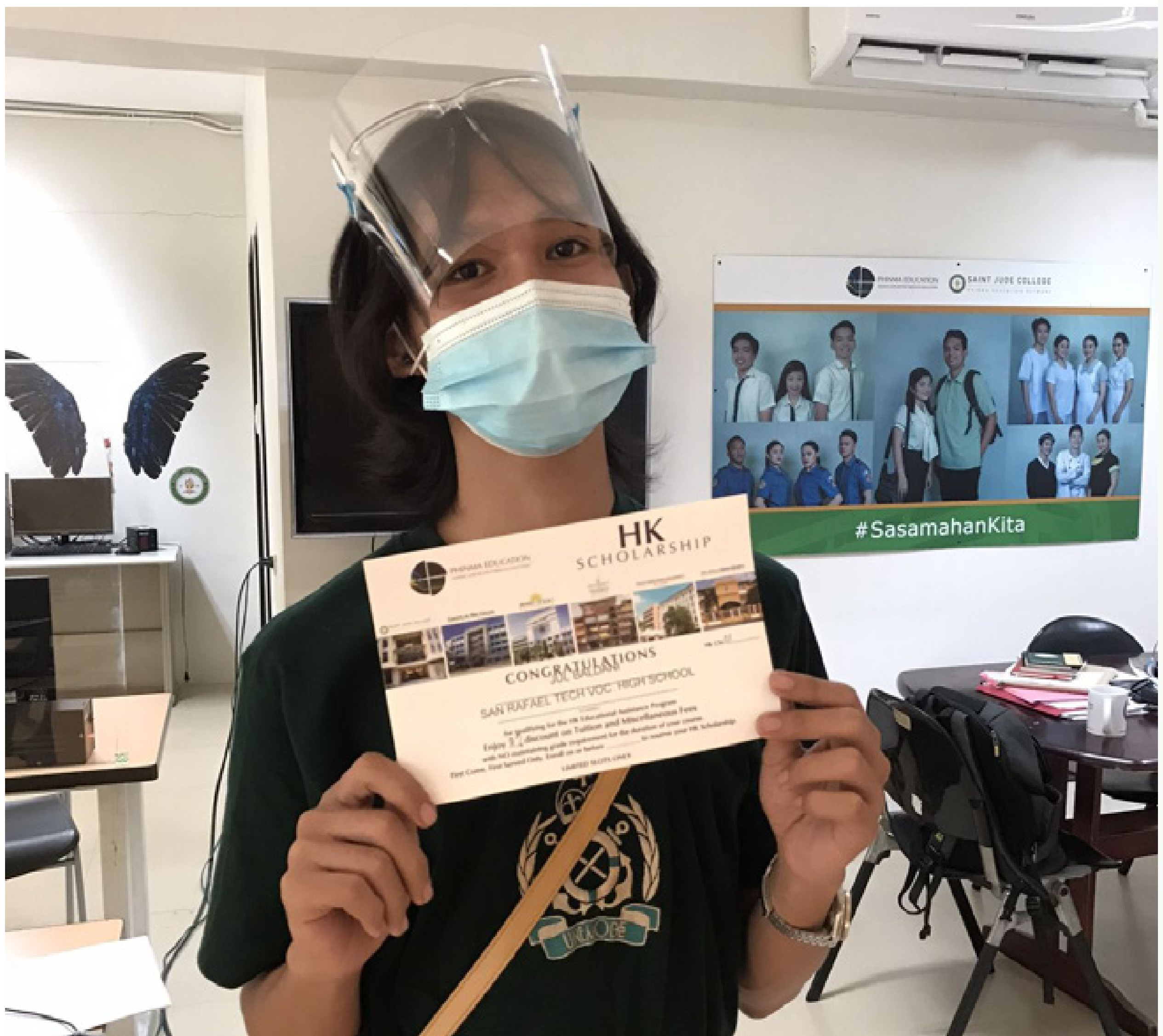
In 2020, your Company saw consolidated revenue growth of 9%, posting consolidated revenues of ₱12.3 billion for the year. Income from operations of PHINMA Corporation increased 28% to ₱1.3 billion during the year. Our Education business, PHINMA Education Holdings, Inc. posted decreased revenues due to a five-month delay in school openings which depleted revenues this academic year but shifted a portion of revenue to the following year.

Despite a decline in the construction industry, the PHINMA Construction Materials Group, composed of Union Galvasteel Corporation, Philcement Corporation, and Phinma Solar Energy Corporation, posted an increase in revenue aided by higher market acceptance and sales of our legacy brand Union Cement in the country.

PHINMA Property Holdings Corporation maintained business volumes and profits in 2020. Our two hotels operating under Coral Way City Hotel Corporation, similar to other hotels in the country, were however severely affected by restrictions imposed during the pandemic. Equitized earnings from affiliates of your Company declined to ₱2 million in 2020.

Consolidated net income of your Company increased to ₱522 million in 2020 from ₱437 million in the previous year while net income attributable to shareholders of the parent was ₱173 million in 2020.





A PHINMA Education student holds up a Handog Kaibigan (HK) Scholarship Award, given to deserving students with financial need, to help them continue and complete their education.

2020 Highlights

PHINMA Education Holdings, Inc. (PHINMA Education) holds your Company's investment in eight tertiary education schools in the Philippines, and also manages an educational institution in Indonesia. In 2020, in response to national and local government suspension of face to face classes, PHINMA Education piloted distance learning models to continue to deliver affordable education to its core low income market. Recognizing the challenges of limited access to the internet, the learning models involved independent student coursework supplemented by periodic teacher and peer support.

PHINMA Education provided both students and teachers the tools to work in the new environment, as the company tied up with telecommunication companies to provide students a monthly mobile data allocation at no additional cost to them. For its graduates, PHINMA Education partnered with an international blockchain company to release digital graduation certificates so that fresh graduates could send credentials to prospective employers who could verify them remotely during the job application process.

PHINMA Education was able to maintain a strong system wide total enrollment of 71,659 students which was a 3% decline from previous years. Due to the effect of the pandemic on face to face classes as well as the shift in the academic calendar from June to late August which delayed the recognition of some revenues to the following year, PHINMA Education posted a 38% decrease in consolidated revenue to ₱2.1 billion. Maintaining profitability, PHINMA Education posted a lower consolidated net income of ₱14 million in 2020 from ₱434 million in the previous year.

At a time when our nation needs qualified health care professionals more than ever, our graduates continued to perform well in Board Examinations. We are proud to report that three SWU PHINMA School of Medicine graduates placed among the top 10 nationwide in the 2020 Physician Licensure Exams – an unprecedented feat that we hope to repeat.

“We are proud to report that three SWU PHINMA School of Medicine graduates placed among the top 10 nationwide in the 2020 Physician Licensure Exams – an unprecedented feat that we hope to repeat.”

PHINMA Education continued to work on growing organically as well as through acquisitions. In February, the company held its first media roundtable with the private strategic investors who contributed growth funds into the company namely Kaizen Private Equity II Pte. Ltd., the Netherlands Development Finance Co., and Asian Development Bank. In August, PHINMA Corporation announced the acquisition of a controlling stake in Rizal College of Laguna, which is PHINMA Education’s first school in a planned Laguna network.

“In 2020, the PHINMA Construction Materials Group recalibrated operations to future proof its business… the group prioritized People Safety and enhanced protocols to maintain a safe working environment for employees and customers.”

PHINMA’s Construction Materials Group (PHINMA CMG) is composed of Union Galvasteel Corporation, Philcement Corporation, and Phinma Solar Energy Corporation. The construction industry was challenged by the pandemic, with demand for both flat steel and cement decreasing by at least 20% in 2020 based on internal estimates. In 2020, the PHINMA Construction Materials Group recalibrated operations to future proof its business. In line with PHINMA priorities, the group prioritized People Safety and enhanced protocols to maintain a safe working environment for employees and customers. PHINMA CMG also automated facilities and digitized processes allowing it to manage operations remotely with fewer people on the ground, which proved beneficial in managing the transition from lockdown to full operations and vice versa.

Despite a weakness in industry demand early in the year, Union Galvasteel Corporation (UGC) posted a significant recovery by year end as enhanced customer engagement and increased operational efficiencies in production and logistics enabled the company to achieve positive financial results. The company leveraged on its nationwide network of roll forming facilities and warehouses to ensure products were available on the market when needed despite travel restrictions during the pandemic.

Philcement Corporation (Philcement) leveraged strong partnerships to support reliability and availability of our legacy Union Cement brand in the market, delivering on our commitment to provide high-quality cement to Filipinos nationwide. During the lockdown, the company utilized its ability to distribute cement through waterways when land travel was restricted. The company posted significant gains during the year, supported by the efficient operation of the new Mariveles cement facility which resumed operations shortly after an initial lockdown.

In response to increased customer demand, PHINMA Solar Energy Corporation (PHINMA Solar) shifted focus to serve more pandemic resilient industries with renewable rooftop solutions. The company also explored various related products and solutions to further diversify its business portfolio. To align the product offering with UGC and benefit from cross selling opportunities between the two businesses, PHINMA Corporation sold its 50% stake in PHINMA Solar to UGC.

In aggregate, the three PHINMA CMG companies generated Revenue of almost ₱10.1 billion and net income of ₱917 million in 2020.

PHINMA Properties continued construction activities with enhanced safety and health protocols for its workers and employees, as it also supported marketing and sales activities through the use of various digital channels. In our Hospitality business, our two hotels operating under Coral Way City Hotel Corporation were able to serve returning overseas workers as well as nearby Business Process Outsourcing companies despite being adversely affected by travel restrictions. Your Company correspondingly recognized an equitized earnings from associates amounting to ₱2 million in 2020.

PHINMA Corporation disclosed the sale of its equity interests in strategic consulting company Integrative Competitive Intelligence Asia, Inc. (ICI-Asia) in September 2020. This move will support the ability of your Company to focus on the growth of its core businesses.

PHINMA Corporation ended 2020 with a strong balance sheet, with total assets of ₱24.5 billion and a current ratio and debt-to-equity ratio of 1.53:1 and 1.86:1, respectively.

We are pleased to report that the Board has declared a cash dividend of ₱0.40 per share payable on May 5, 2021.

PHINMA Corporation ended 2020 with a strong balance sheet, with total assets of ₱24.5 billion and a current ratio and debt-to-equity ratio of 1.53:1 and 1.86:1, respectively.

2021 Outlook

The economic recovery in 2021 largely depends on how quickly and effectively economic and health policy measures are implemented in response to the pandemic. A nationwide vaccine rollout would be beneficial to spurring consumer confidence and increasing government spending. Given the logistical challenge posed by a nationwide vaccine rollout further enhancing the effects of lackluster consumer demand, stimulus from programs including Bayanihan 3 could jumpstart the labor market and bolster household spending. Longer term, the CREATE tax reform bill could also provide consumption stimulus as lower corporate income taxes are intended to encourage more investment spending and to generate employment.

This year, PHINMA Education anticipates improved financial results with continued robust enrollment built around a growing reputation for affordable high-quality education across the network, and the recognition of revenue delayed from the shift in the academic calendar in the previous year. Although the company and the industry remain challenged by the pandemic, PHINMA Education continues to strengthen its education program and looks forward to opportunities as its strategy enables growth in new markets and services. Supported by funds from operations and strategic investors, the company continues on its path to grow organically and through acquisitions. Outside the country, PHINMA Education

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"The Construction Materials Group hopes to leverage on strong partnerships, enhanced customer engagement, and operational efficiencies to gain lost ground and contribute more significantly toward improving Filipino lives through innovative construction solutions."

continues to look for more schools in Indonesia, which the company views as an exciting market for affordable education outside of the Philippines, and where we can utilize our knowledge in a similar market environment. Our long term goal remains to be the largest affordable education network in the Philippines with a significant presence in Southeast Asia.

For 2021, the Construction Materials Group hopes for a recovery in the industry which will benefit from increased government and private sector construction spending, especially in industries such as health and logistics, needed to bounce back from the pandemic. Major legacy infrastructure projects are often fast-tracked before the term-end of the current administration, which may occur with elections taking place in 2022. The Construction Materials Group hopes to leverage on strong partnerships, enhanced customer engagement, and operational efficiencies to gain lost ground and contribute more significantly toward improving Filipino lives through innovative construction solutions. In 2021, your Company expects to close its USD 50 million investment in Song Lam Cement Joint Stock Company, which will diversify our construction materials portfolio and enable us to participate in the fast growing cement market in Vietnam.

PHINMA Properties will continue developing a pipeline of projects outside Metro Manila, in areas including Batangas, Davao, and in the Visayas region, under an expansion strategy more focused on growing urban centers. To remain competitive and to support its operations, PHINMA Hospitality will be flexible and agile in offering accommodations to its guests and will continue to enhance health and safety measures in its hotels, to safeguard the trust and confidence among visitors and staff alike, as it prepares for a recovery in the hospitality sector.

“Your Company renews its commitment toward incorporating a strategic risk mindset into our management framework, towards enhancing value and delivering on our business objectives.”

The past year has brought to the fore the extent to which unforeseen and unlikely events can have widespread and pervasive effects across industries and businesses worldwide. In the face of the COVID-19 pandemic, your Company renews its commitment toward incorporating a strategic and business risk mindset into our management framework, towards enhancing value and delivering on our business objectives. Fundamental to this is our investment in businesses that continue to provide innovative and essential products and services to the Filipinos that they may live dignified lives. With renewed vigor and focus, we continue to pursue other areas to enhance our agility – such as Succession planning and People development which deepen our bench, and Strategic Risk, Business Resiliency & Sustainability programs which will increase your shareholder value.

In closing, we would like to express our gratitude to you, our valued shareholders, our employees, management teams, suppliers, partners, investors, creditors, and customers, who share in our mission of providing accessible education, high quality and strong construction materials, and secure homes and safe accommodations as we continue to make life better in the Philippines.

OSCAR J. HILADO
Chairman of the Board

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

Adept

Review of Operations

"For 65 years, our focus on nation building and making lives better has allowed us to provide our people accessible quality education, durable and secure housing as well as safer and long-lasting infrastructure."

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

CONSTRUCTION MATERIALS

The construction sector was not spared from the systemic effects of the COVID-19 pandemic, with construction spending and investment declining 25.3% and 35.8% respectively in 2020. However, the industry is poised for a recovery over the next few years and is still viewed as one of the key drivers of the country's growth and economic recovery.

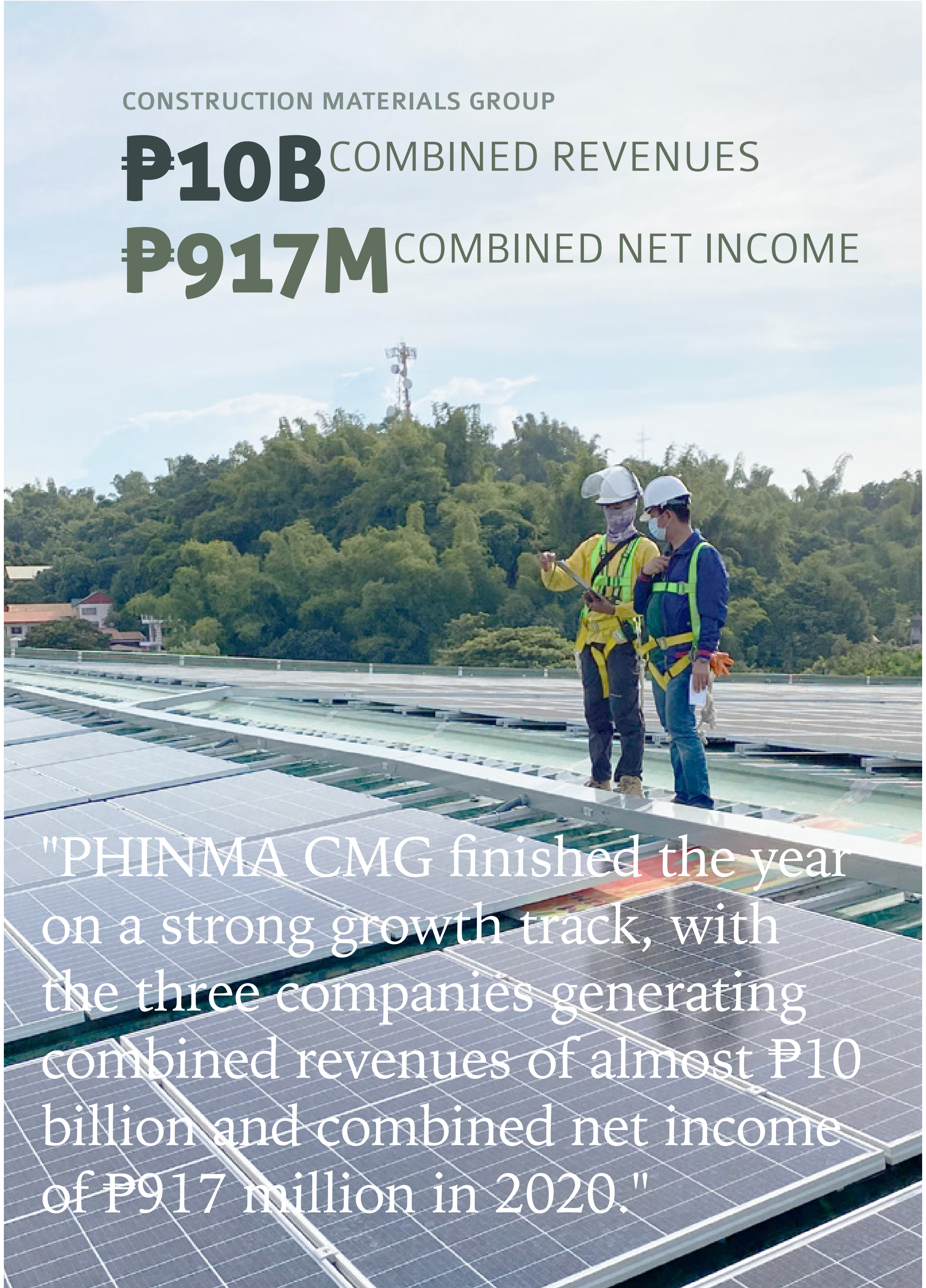
With the decline in demand for construction materials such as flat steel and cement, the PHINMA Construction Materials Group (PHINMA CMG) – composed of Union Galvasteel Corporation (UGC), Philcement Corporation (Philcement), and PHINMA Solar Energy Corporation (PHINMA Solar) – expected to encounter many challenges in 2020.

Domestic market prices became more competitive as demand for flat steel products, based on company estimates, contracted 20% to 25% on limited construction activity. This was compounded by an increase in international prices of raw materials from China, the main source, during the fourth quarter. Cement demand, based on company estimates, likewise fell 18% to 22% in 2020, setting back annual industry volumes by at least three years. On the other hand, manufacturing plants were either not allowed to operate or operated at decreased capacity due to government lockdown measures which continued until the second half of 2020.

These challenges tested and strengthened the resolve of PHINMA CMG. With decades of experience and expertise in managing crisis, the PHINMA CMG was able to assess the situation, recalibrate its plans, and move forward decisively on its programs. Though unable to operate during the lockdown period, PHINMA CMG was able to establish and implement protocols to maintain a safe working environment and seamlessly manage the transition to the commencement of operations. The group also benefited as efforts to automate facilities and digitize processes allowed it to manage operations remotely and with less people on the ground.

Despite the early weakness in flat steel demand, UGC managed to deliver strong operational performance and post a significant recovery by year end. UGC achieved positive annual results as the company enhanced customer engagement initiatives and operational efficiencies in production and logistics. The company will continue to expand the business further, in a way that meets the changing needs of our country, and we see strong potential moving forward.

Backed by the efficient operation of the new Mariveles Cement Facility, which was launched in January, Philcement posted significant gains in 2020. The company also leveraged on strong customer partnerships and increased reliability and availability of our legacy Union Cement brand in key areas. Union Cement is now favored by many large institutional bulk cement users, proof of its consistently



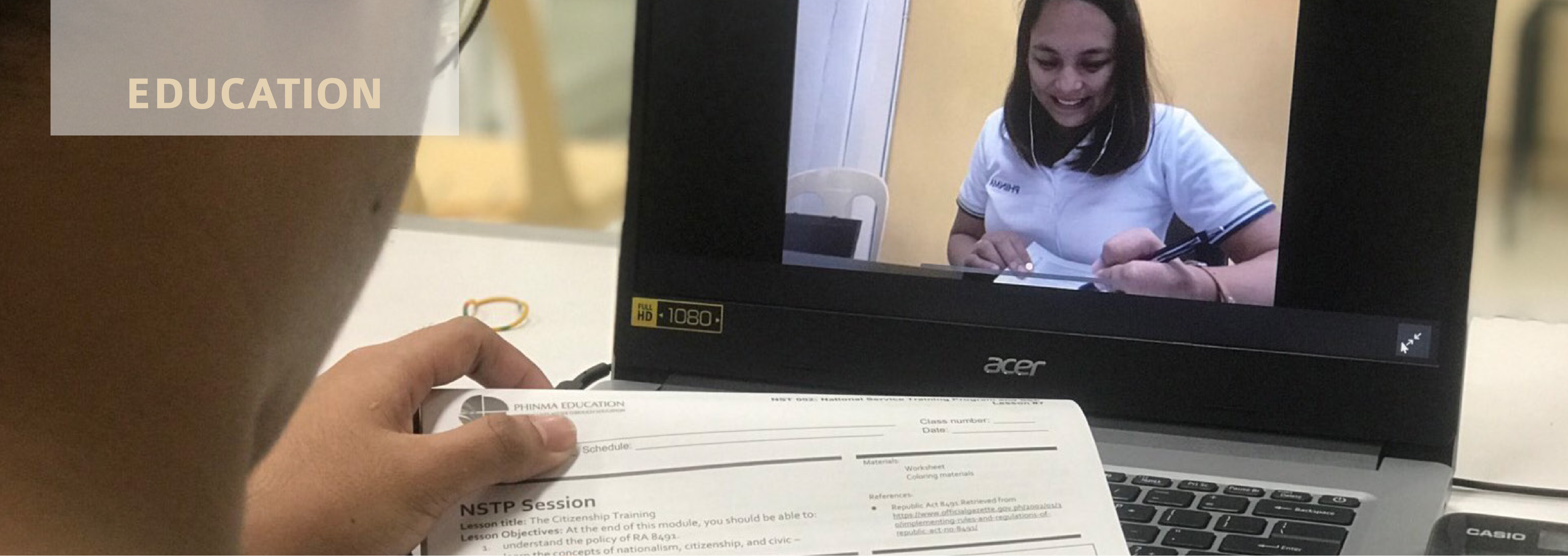
high quality and strength. With Union Cement Ultra V 50 (Type I OPC) and Super V 40 (Type IP blended cement) being used in many markets and construction projects, Philcement has delivered on its commitment to provide high quality cement to Filipinos nationwide.

At the onset of the pandemic, PHINMA Solar shifted its focus to serve more pandemic resilient industries with renewable solar rooftop solutions. The company also leveraged synergies within the group, offering bundled value added services to clients. To further add to itsbusiness portfolio, PHINMA Solar also explored various related products and solutions.

PHINMA CMG finished the year on a strong growth track, with the three companies generating combined revenues of almost ₱10 billion and combined net income of ₱917 million in 2020.

As PHINMA CMG views the availability of vaccines beginning in 2021 as the first step towards economic recovery, economic uncertainty is expected over the next several years. The pandemic has brought home the need to avoid complacency, maintain vigilance in operations, and look out for each other's safety and well-being. With this conviction, and with new strategies in place from the lessons of 2020, PHINMA CMG continues to move forward with renewed hope and unwavering commitment in its mission to make life better in the country.

EDUCATION



PHINMA EDUCATION
MAKING LIVES BETTER THROUGH EDUCATION

PHINMA Education Holdings, Inc. (PHINMA Education) makes lives better through affordable and accessible quality education. Its roster of schools includes PHINMA Araullo University, PHINMA Cagayan de Oro College, PHINMA University of Pangasinan, and PHINMA University of Iloilo, which all provide quality, accessible basic and tertiary education to students from low income families in developing urban centers. In Cebu, the company owns and operates Southwestern University PHINMA, which provides quality education to a middle income market, catering to local as well as international students.

PHINMA Education also has a growing network of schools in the National Capital Region with two Metro Manila schools, PHINMA St. Jude College and PHINMA Republican College. PHINMA Education's latest acquisition is PHINMA Rizal College of Laguna, the first school in a planned Laguna network. On the international front, PHINMA Education manages STMIK and STIKES Kharisma, in Karawang Indonesia, through Yayasan Triputra Persada Horizon Education.

“PHINMA Education piloted two models where distance learning is supplemented by teachers reaching out to students to provide periodic support.”

Although PHINMA Education started 2020 strong, the education industry underwent significant challenges as face to face classes were cancelled. The COVID-19 pandemic presented unique challenges to our system with the majority of our students hailing from low-income families with no or limited access to stable internet connections. PHINMA Education successfully adjusted its program offerings to be able to continue delivering quality education to its students.

Because of the limitations of internet connectivity in the Philippines and financial and logistical challenges likely to be encountered by our students, PHINMA Education piloted two new remote learning models which rely on physical courseware. Flex Learning allows the students the flexibility to revert to face to face classes once these are allowed, while Remote and Distance (RAD) Learning on the other hand is largely home-based with a modular schedule. For both modes of learning, teachers conduct periodic check-ins via phone calls and online messaging platforms to keep students motivated and on track with their coursework.

“Despite the challenges faced by the education industry, PHINMA Education still welcomed 71,659 enrollees in 2020.”

PHINMA Education ensured that both teachers and students were equipped with the tools needed for the new environment. PHINMA Education partnered with leading telecommunications companies to provide students a monthly mobile data allowance at no additional cost to them.

PHINMA Education partnered with Bukas, an education financing platform, to provide college and graduate students enrolled in PHINMA Education schools affordable gadget installment plans ensuring online accessibility for students without devices.

School Year 2020-2021 opened with PHINMA Education’s first virtual gathering which brought together more than 2,000 students, alumni, faculty, and staff from the eight Philippine schools across the country. For its graduates, the company partnered with Edufied, a leading blockchain company in Singapore, on the issuance of digital certificates which facilitated online job applications.

Despite the challenges faced by the education industry, PHINMA Education still welcomed 71,659 enrollees in 2020, only a 3% decrease from the previous year. PHINMA Education offered more scholarships this past year, to enable more students to continue their learning journey despite the economic challenges faced by their families.

“PHINMA Education continued to focus on quality of education, providing its graduates opportunities for a better life by ensuring they are fully-equipped for their respective careers.”

For calendar year 2020, the company achieved revenues of ₱2.1 billion, a 28% decrease over the previous year. The decrease is attributed largely to the absence of summer classes due to the pandemic as well as the shift in the academic calendar from June to late August, which delayed the recognition of some revenue to the following year. The company posted a consolidated net income of ₱14 million for 2020 due in part to continued overhead despite the delay in expected revenue. While some traditional operating expenses such as utilities were reduced with the suspension of face-to-face classes, new expenses such as internet allocation for students were incurred to ensure the success of remote learning. PHINMA Education is optimistic that profitability will return in CY 2021 which will include the carryover revenue from the previous year.

In 2020, PHINMA Education continued its focus on quality education, providing its graduates opportunities for a better life by ensuring they are fully-equipped for their respective careers. PHINMA Education graduates continue to perform well in board exams despite the pandemic and the suspension of many of the board accreditation exams. Significantly, three SWU PHINMA School of Medicine graduates topped the 2020 Physician Licensure Exams.

PHINMA Education is proud to report it has fielded 101 Board Exam Topnotchers since acquiring its first school in 2004. Around 81% of graduates are accepted into their first job within one year from graduation. By placing more resources into building meaningful relationships with partner companies and organizations, as well as focusing on core work skills, the company expects the employability of its graduates to increase in the coming years.

Despite significant industry challenges and responses which required major changes in our education system, PHINMA Education still continues initiatives to grow its network, organically as well as through strategic acquisitions.

In August 2020, PHINMA Education announced the acquisition of a controlling stake in Rizal College of Laguna, which offers Junior and Senior High and undergraduate courses in Education, Business Administration, Office Administration, and Industrial Technology. Rizal College is PHINMA Educations first school in a planned Laguna network. Earlier in the year, PHINMA Education held its first media roundtable with strategic investors Kaizen Private Equity II Pte. Ltd., the Netherlands Development Finance Co., and Asian Development Bank. Proceeds from their investments will be used to improve existing schools, develop the network, and acquire a new school in Indonesia, where the target is to grow enrollees to 150,000 within the next 10 to 12 years.

Although 2020 was a period of significant change for the entire education industry, PHINMA Education looks forward to reinvigorated and dynamic focus as the Company has examined and adapted its strategies to the needs of its students, employees, and communitiesl. PHINMA Education's mission is even more relevant today as the company continues its pursuit to make lives better through education.

“PHINMA Education's mission is even more relevant today as the company continues its pursuit to make lives better through education."

HOUSING

PHINMA Property Holdings Corporation (PHINMA Properties), a 35%-owned affiliate of the Company, develops socialized housing units, affordable medium-rise condominium units, and upscale developments in Metro Manila, Davao City, Cebu City, and San Jose, Batangas.

In 2020, PHINMA Properties adapted to new ways of doing business by focusing efforts on the safety and wellbeing of employees and our residential communities. New projects launches were postponed to conserve resources in the midst of reduced demand and business activity. The company also accelerated shifts to digital marketing and transactions processing to enable a safe resumption of operations. PHINMA Properties worked closely with regulators and other stakeholders to help formulate new policies to revive the Philippine Housing Industry in the wake of the pandemic.

PHINMA Properties posted revenues of ₱2.0 billion in 2020, at the same level as the previous year. Despite the pandemic, sales reservations and revenue recognition maintained pace through the company's #DontPutHomeownershipOnHold marketing campaign. Consolidated net income for the year amounted to ₱71.9 million while total assets of the company increased to ₱5.9 billion in 2020 from ₱5.1 billion in 2019.

In 2020, PHINMA Properties continued to develop various projects. Arrezo Place Pasig was sold out in November 2020, with construction activities to be completed within 2021. Hacienda Balai Quezon City ended 2020 with two buildings and with an expected sell out date within the first half of 2021. For the upcoming projects, the License to Sell of Uniplace @ SWU Village in Cebu was secured last September 2020, coinciding with the top-off of the first 10 storey building. The License To Sell for Metrotowne Las Pinas, was secured in December of 2020, with selling activities to commence in January 2021. Another upcoming project in San Jose, Batangas, a 10-hectare subdivision development, is currently at the permitting phase. Phase 1 LTS is targeted to be secured within the second quarter of 2021.

In line with PHINMA Properties' expansion to other growing urban centers around the country, PHINMA Properties continues to establish a presence in Davao City thru several developments currently in the permitting stage. South of the city is a 10-hectare row housing development in Maayo, Tugbok to launch by the third quarter of 2021. The company has also ventured into a new market segment through Likha Davao, a high-end townhouse development targeted to launch by the fourth quarter of 2021. The company also continues to increase its presence in other key cities in the Visayas region.

As it enters 2021, PHINMA Properties remains on a path toward growth and increased profitability, building on foundations laid in previous years toward its vision of a bigger and bolder property company. PHINMA Properties continues to adhere to its vision and mission of creating more Filipino home and living solutions and making lives better for generations of Filipinos to come.

HOTELS

PHINMA HOSPITALITY

PHINMA Corporation, through Asian Plaza Inc., has a 36% equity interest in PHINMA Hospitality as well as a direct 24% equity interest in Coral Way City Hotel Corporation (Coral Way), owner of Microtel by Wyndham Mall of Asia. Coral Way has a wholly owned subsidiary, Krypton Esplanade Hotel Corporation, which owns the 191-room TRYP by Wyndham Mall of Asia. These investments leverage on the expertise of the hospitality arm of the PHINMA Group, PHINMA Hospitality Inc. (PHINMA Hospitality), which operates 14 Microtel by Wyndham hotels and one TRYP by Wyndham hotel in the country. It is also a joint venture partner in majority of these properties, including the flagship 150-room Microtel by Wyndham Mall of Asia.

Microtel by Wyndham is an international chain of limited service hotels under Wyndham Hotel Group with 300+ Microtel properties worldwide. Microtel by Wyndham pioneered the no-frills hotel concept in the country that targets the mid-market travellers. It focuses on providing consistently clean, comfortable and secure accommodations at value rates. The group's well-knit team of experienced and competent professionals is passionate about guest satisfaction, with a strong commitment to deliver

excellent customer service, and value priced accommodations and services at international standards.

TRYP by Wyndham is a select-service hotel chain with over 100 properties worldwide. It is located in many of the most exciting cities such as Paris, Berlin, Barcelona, New York, São Paulo, Brisbane and Manila, and targets today's modern travellers with its hip, young and energetic interiors. It offers 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 is a showcase of Manila's culture and people, and genuine Filipino hospitality.

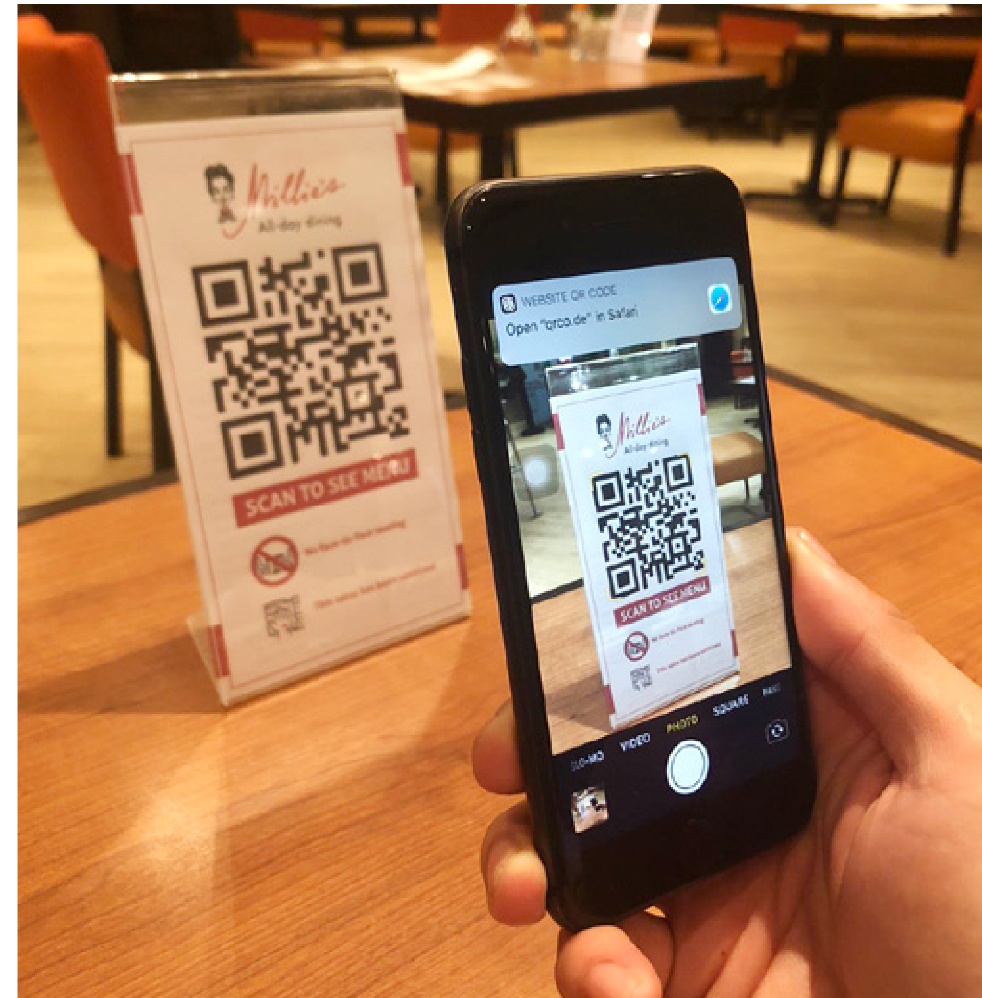
Although the two hotels experienced strong occupancy rates in previous years, the pandemic severely challenged the hospitality industry. The restrictions on land, air and sea travel worldwide, reduction in business and leisure travel, and health & safety concerns continue to affect the demand for accommodations.

To address the COVID-19 situation, Microtel by Wyndham Mall of Asia and TRYP by Wyndham Mall of Asia enhanced their health & safety protocols and complied with the guidelines set by the Inter-Agency Task Force on Emerging Infectious Diseases, Department of Health, Department of Tourism and the local government units.

When the Philippine government placed the country under community quarantine starting in March 2020, the two hotels quickly mobilized to serve as quarantine hotels, providing accommodations to returning Overseas Foreign Workers and returning Overseas Filipinos under the Overseas Workers Welfare Administration (OWWA) repatriation program. The two hotels also provided accommodations to seafarers from various shipping companies and corporate personnel requiring quarantine and business continuity facilities.

In 2020, Microtel by Wyndham Mall of Asia's posted average occupancy of 77%, gross revenue of ₱129 million, and a net loss of ₱8 million. TRYP by Wyndham Mall of Asia on the other hand posted average occupancy of 75%, gross revenue of ₱162 million, and a net loss of ₱20 million. Despite respectable occupancy levels, revenues and profits declined due to caps on room rates for hotels operating as quarantine facilities under the OWWA repatriation program.

It remains uncertain when the Philippine hospitality industry will return to pre-pandemic levels as this will be affected by many factors including international and domestic travel restrictions, the pace of the vaccine rollout program, and travel behavior of the underlying market. Moving forward, Microtel by Wyndham and TRYP by Wyndham will continue to be flexible and agile; and will continue to enhance health & safety measures and business processes to build trust and confidence among clients and stakeholders as it prepares for a recovery in the hospitality industry.



CORPORATE 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, and 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.

"As a result of the Compliance Program, there is effective management of the relationships between shareholders, stakeholders, directors, creditors, government, and employees."

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 2019 on August 20, 2020. For the year 2020, in light of the COVID-19 pandemic, the SEC extended the deadline of submission of the I-ACGR to September 1, 2020.

As of December 31, 2020, 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 and PSE. In addition, the SEC and PSE 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.

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, 2020, 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 six (6) meetings, four (4) regular board, one (1) organizational, and one (1) special 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:

	2020 Board Meetings					
Directors	Feb 28 Regular	June 24 Regular	June 24 Organizational	Aug 6 Regular	Nov 5 Regular	Dec 21 Special
OSCAR J. HILADO	P	P	P	P	P	P
RAMON R. DEL ROSARIO, JR.	P	P	P	P	P	P
MAGDALENO B. ALBARRACIN, JR.	P	P	P	P	P	P
JOSE L. CUISIA, JR.	P	P	P	P	P	P
VICTOR J. DEL ROSARIO	P	P	P	P	P	P
ROBERTO M. LAVIÑA	P	P	P	P	P	P
ERIC S. LUSTRE	P	P	P	P	*	*
GUILLERMO D. LUCHANGCO	P	P	P	P	P	P
JUAN B. SANTOS	P	P	P	P	P	P
LILIA B. DE LIMA	P	P	P	P	P	A
RIZALINA G. MANTARING	A	P	P	P	P	P
TROY A. LUNA	**	**	**	**	P	P

*P : Present A : Absent * : Resigned effective November 5, 2020 ** : Elected on November 5, 2020*

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, 2020 the board committees and its members were as follows:

2020 Board Committees

Directors	Executive	Corporate Governance and Nominations	Compensation	Risk Oversight	Audit and Related Party Transactions	Retirement
OSCAR J. HILADO	Chairman		Member			Chairman
RAMON R. DEL ROSARIO, JR.	Member		Member			
MAGDALENO B. ALBARRACIN, JR.	Member				Member	Member
JOSE L. CUISIA, JR.	Member		Chairman			
VICTOR J. DEL ROSARIO				Member		Member
ROBERTO M. LAVIÑA						Member
GUILLERMO D. LUCHANGCO	Member	Member		Chairman		
JUAN B. SANTOS			Member		Chairman	
LILIA B. DE LIMA		Chairman		Member		
RIZALINA G. MANTARING		Member			Member	

Executive Committee

The Executive Committee is composed of five (5) 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 and Nominations Committee

The Corporate Governance and Nominations Committee is composed of three (3) directors, all of whom are independent directors. The Committee was formed at the Organizational Meeting dated April 10, 2017 to replace the Nominations Committee and was renamed after the transfer of oversight on related party transactions. The Committee is tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to the Nominations Committee. In February 2020, the Corporate Governance and Nominations Committee, after review of the qualifications of the candidates, submitted to the Board of Directors the list of qualified nominees. The Committee reviewed the results of the board self-assessments and approved the revised Manual on Corporate Governance and Committee Charter during its two (2) meetings held in 2020, with an overall attendance of 100%.

Compensation Committee

The Compensation Committee is composed of four (4) directors, one (1) of whom is an independent director. 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 three (3) members, two (2) 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 2020, the Risk Oversight Committee held four (4) meetings with an overall attendance of 100%. 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.

Attendance

	YEAR 2020			
Risk Oversight Committee	Feb 19	Feb 20	Sep 22	Oct 7
GUILLERMO D. LUCHANGCO	P	P	P	P
LILIA B. DE LIMA	P	P	P	P
VICTOR J. DEL ROSARIO	P	P	P	P

P : Present A : Absent

Audit and Related Party Transactions Committee

The Audit and Related Party Transactions Committee is composed of three (3) members of the Board, two (2) 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 2020, the Committee held six (6) meetings and overall attendance was 94%. The Committee reviewed the audited financial statements for 2019 and the interim statements for the quarters ending March 31, June 30, and September 30 for the year 2020. The Committee also endorsed to the Board the nomination of SGV and Co. as the Corporation's external auditor for 2020. The Committee approved the Internal Audit plan for 2020, reviewed the audit reports, and evaluated Internal

Audit's performance. The Committee reviewed the activities related to the Integrity Assurance programs and also performed a self-assessment of the Committee's performance against the approved Charter, in line with the guidelines issued by the SEC. In the August 5, 2020 meeting, the Committee endorsed the revisions in Audit Committee Charter to include the oversight responsibilities on Related Party Transactions and eventually changed its name to Audit and Related Party Transactions Committee on November 4, 2020.

Attendance

	YEAR 2020					
Audit Committee	**Feb 27**	**Jun 23**	**Aug 5**	**Nov 4**	**Nov 24**	**Dec 21**
JUAN B. SANTOS	P	P	P	P	P	P
MAGDALENO B. ALBARRACIN, JR.	P	P	P	P	P	P
RIZALINA G. MANTARING	A	P	P	P	P	P

P : Present A : Absent

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 February 28, 2020, the stockholders upon recommendation of the Audit 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 2020. On March 2, 2021, SGV & Co. issued its report on the financial statements for the year ended December 31, 2020, 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 third 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
2020	₱3,285,000	₱825,786
2019	₱3,285,000	₱1,142,857

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 2020 and 2019. Other fees include one-time, nonrecurring special projects/consulting services. The Audit and Related Party Transactions Committee reviewed the nature of non-audit services rendered by SGV & Co. and the corresponding fees.

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 Group Internal Audit (GIA) 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, Group 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, GIA 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 Group Internal Audit, the Audit and Related Party Transactions Committee reviewed and approved the GIA 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 Group 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 GIA Charter, GIA performed various internal control reviews of the Corporation and its subsidiaries and affiliates. Based on the results of these reviews, Group Internal Audit reported that overall controls are adequate and effective as contained in the Audit and Related Party Transactions Committee Report for 2020.

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 and PSE 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
- Gifts and Gratuities
- Anti-Fraud
- Related Party Transactions
- Insider Trading
- Sexual Harassment
- Whistleblowing and Non-retaliation
- 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

"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."

Board of Directors

OSCAR J. HILADO

Oscar J. Hilado has been the Chairman of the Board of the Company since 2003. He is also Chairman of the Board of PHINMA, Inc., PHINMA Property Holdings Corporation and Vice-Chairman of Union Galvasteel Corporation. Mr. Hilado is also 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 Energy Corporation, Digital Telecommunications Philippines, Inc. (DIGITEL), Manila Cordage Company, Beacon Property Ventures, Inc., Pueblo de Oro Development Corporation, United Pulp and Paper Co., Inc. Phil. Cement Corporation, PHINMA Hospitality Inc., PHINMA Microtel Hotels, Inc., PHINMA Education Holdings, Inc., Araullo University, Inc., Cagayan de Oro College, Inc., University of Iloilo, Inc., University of Pangasinan, Inc., Southwestern University, St. Jude College, Manila; Republican College; Rizal College of Laguna; and Pamalican Resort, 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 of the Company. He attended the Annual Corporate Governance seminar conducted by SEC-accredited training provider Center for Global Best Practices (CGBP) on October 23, 2020.

RAMON R. DEL ROSARIO

Ramon R. del Rosario, Jr. is the President and CEO of PHINMA Inc. and PHINMA Corporation. He is Chairman of the Board of Trustees of PHINMA Education Holdings, Inc., Araullo University, Cagayan de Oro College, University of Iloilo, University of Pangasinan, Southwestern University, St. Jude College, Republican College and Rizal College of Laguna. He is also President of the Board of Commissioners of PT Ind Phil Management, Vice Chairman of PHINMA Property Holdings Corp., Chairman of United Pulp and Paper Co., Inc. of the Siam Cement Group, PHINMA Microtel Hotels, Microtel Hospitality, Inc. and other PHINMA-managed companies. He currently serves as a member of the Board of Directors of The Bank of the Philippine Islands (BPI). He served as Secretary of Finance of the Philippines from 1992 to 1993. He is the Chairman of Philippine Business for Education (PBED). He was the Chairman of the Makati Business Club, the Integrity Initiative, National Museum of the Philippines and Ramon Magsaysay Award Foundation. He was selected as the Most Outstanding Student of the Philippines in 1967, one of the Ten Outstanding Young Men (TOYM) of the Philippines in 1978, the MAP Management Man of the Year in 2010 and received the "Business as a Noble Vocation Award" in November 2018 awarded by the International Christian Union of Business Executives or UNIAPAC at the XXVI UNIAPAC World Congress in Lisbon, Portugal. He is the brother of Mr. Victor J. del Rosario. Mr. del Rosario 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 the Harvard Business School. He has been a director of the company since 2002. He attended the Annual Corporate Governance seminar conducted by SEC-accredited training provider Center for Global Best Practices (CGBP) on October 23, 2020.

MAGDALENO B. ALBARRACIN, JR.

Magdaleno B. Albarracin, Jr. is the Vice-Chairman of Philippine Investment Management, Inc. (PHINMA, Inc.) and the Chairman of its Executive Committee. He is a director of PHINMA Corporation and all other PHINMA, Inc. companies. He has been with PHINMA, Inc. since June 23, 1971. 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 (U.P.) as well as Board of Trustees of U.P. 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 has been with PHINMA, Inc. since June 1971 and has been a Director of PHINMA Corporation since 1980. He attended the Annual Corporate Governance seminar conducted by SEC-accredited training provider Center for Global Best Practices (CGBP) on October 23, 2020.

ROBERTO M. LAVIÑA

Roberto M. Laviña was appointed Senior Executive Vice President and Chief Operating Officer on July 27, 2012. Mr. Laviña is currently the Senior Executive Vice President/Chief Operating Officer (COO) of PHINMA, Inc. and is a Member of the Board of all the companies in the PHINMA Group which include companies in education, hotels, steel roofing, property development, cement distribution, and insurance brokerage. He holds a Bachelor of Arts degree in Economics from Ateneo de Manila University and obtained his Master's degree in Business Management from the Asian Institute of Management. He also finished the Program for Management Development at Harvard University. He was elected as Director of the Company on May 20, 2004. He recently attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices (CGBP) on October 23, 2020.

VICTOR J. DEL ROSARIO

Victor J. del Rosario is an Economics and Accounting graduate of De La Salle University and holds a Master's degree in Business Administration from Columbia University. He was elected as director on September 15, 2008. He is the Chairman of Union Galvasteel Corporation and Philcement Corporation. He is the Executive Vice President and Chief Strategic Officer of PHINMA Inc. For PHINMA Corp., he is Executive Vice President and Chief Finance Officer. He is also a member of the Board of Directors of PHINMA Inc., and other PHINMA-managed companies. Mr. Del Rosario is the brother of Mr. Ramon R. del Rosario. He attended the Annual Corporate Governance seminar conducted by SEC-accredited training provider Center for Global Best Practices (CGBP) on October 23, 2020.

JOSE L. CUISIA, JR.

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. (TCI), FWD Insurance He is Vice-Chairman of the Board and Lead Independent Director of SM Prime Holdings (SMPHI). He holds directorates in Manila Water Company, Inc., Century Properties Group, Inc., PHINMA, Inc. and Asian Breast Center, Inc. Ambassador Cuisia was elected as Chairman of the Board of Trustees of the University of Asia & the Pacific (UA&P) 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.. Ambassador Cuisia is a recipient of numerous awards including 2016 Ten Outstanding Filipino (TOFIL) and 2016 Order of the Sikatuna, 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 (CGBP) on October 23, 2020.

TROY A. LUNA

Troy A. Luna was elected as Director of the Company on November 5, 2020. He was elected as the Corporate Secretary in March 2017. He also acts as Corporate Secretary of PHINMA, Inc., and other PHINMA-related corporations such as the Pamantasan ng Araullo (Araullo University), Inc., Cagayan de Oro, Inc., University of Pangasinan, Inc., University of Iloilo, Southwestern University, Inc., St. Jude College, Inc., Republican College, Inc., Rizal College of Laguna, Inc., PHINMA Education Holdings, Inc., Asian Plaza, Inc., Union Galvasteel Corporation, PhilCement Corporation, ABCIC Property Holdings, Inc., Toon City Animation, Inc. and other unrelated companies such as TCL Sun, Inc., Newminco Pacific Mining Corporation and Philippine Business for Education, Inc., and a Trustee of the Licensing Executives Society of the Philippines. 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 name Partner of the Migallos & Luna Law Offices. He attended the Annual Corporate Governance seminar conducted by SEC-accredited training provider Center for Global Best Practices (CGBP) on October 23, 2020.

GUILLERMO D. LUCHANGCO

Guillermo D. Luchangco is Chairman and Chief Executive Officer of The ICCP Group of Companies that includes Science Park of the Philippines, Inc., Pueblo de Oro Development Corp., Cebu Light Industrial Park, Inc., RFM-Science Park of the Philippines, Inc., and Manila Exposition Complex, Inc. He is Chairman of Investment & Capital Corporation of the Philippines, as well as Chairman and President of Beacon Property Ventures, Inc. and Regatta Properties, Inc. He is an Independent Director of Roxas and Company, Inc., and a regular director of Ionics, Inc. and Ionics EMS. He was previously the Vice-Chairman and President of Republic Glass Corporation and Managing Director of SGV & Co. Mr. Luchangco received his Bachelor of Science degree in Chemical Engineering (magna cum laude) from De La Salle University, and holds a Master's degree in Business Administration from the Harvard Business School. He was elected as Independent Director of the Company on April 11, 2005. He attended the Annual Corporate Governance seminar conducted by SEC-accredited training provider Risks, Opportunities, Assessment and Management, (ROAM) Inc. on September 25, 2020.

JUAN B. SANTOS

Juan B. Santos, was elected as an Independent Director in 2018. He is also a Director of First Philippine Holdings Inc., Allamanda Management Corporation, Philippine Investment Management, Inc., Rizal Commercial Banking Corporation, Sunlife Grepa Financial, Inc. 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 experiences 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 (PLDT), San Miguel Corporation; Educational Background: Advanced Management from International Institute of Management Development (IMD), Lausanne, Switzerland; Post-graduate studies on Foreign Trade from Thunderbird School of Global Management, Arizona, USA; and Bachelor of Science in Business Administration from Ateneo De Manila University, Philippines. He attended the Corporate Governance seminar conducted by ABCOMP on September 23, 2020.

LILIA B. DE LIMA

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 (TOWNS) 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 MLQU 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, and FWD Life Insurance Corporation. She is a Director of Rizal Commercial and Banking Corporation (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 (AIM) and a Trustee of Fatima Center for Human Development. 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 (CGBP) on October 23, 2020.

RIZALINA G. MANTARING

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., East Asia Computer Center Inc. and MicroVentures Foundation. She is also a director of Sun Life Grepa Financial Inc. Among her other affiliations are as Board of Trustees of Makati Business Club, Philippine Business for Education, Parish-Pastoral Council for Responsible Voting (PPCRV), and Operation Smile Philippines. 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 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 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 ("LOMA"). 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 (CGBP) on October 23, 2020.

Executive Officers

Roberto M. Laviña

Pythagoras L. Brion, Jr.

Ramon R. del Rosario, Jr.

Victor J. del Rosario

Ramon R. del Rosario, Jr. is the President and CEO of PHINMA Inc. and PHINMA Corporation. He is Chairman of the Board of Trustees of PHINMA Education Holdings, Inc., Araullo University, Cagayan de Oro College, University of Iloilo, University of Pangasinan, Southwestern University, St. Jude College, Republican College and Rizal College of Laguna. He is also President of the Board of Commissioners of PT Ind Phil Management, Vice Chairman of PHINMA Property Holdings Corp., Chairman of United Pulp and Paper Co., Inc. of the Siam Cement Group, PHINMA Microtel Hotels, Microtel Hospitality, Inc. and other PHINMA-managed companies. He currently serves as a member of the Board of Directors of The Bank of the Philippine Islands (BPI). He served as Secretary of Finance of the Philippines from 1992 to 1993. He is the Chairman of Philippine Business for Education (PBED). He was the Chairman of the Makati Business Club, the Integrity Initiative, National Museum of the Philippines and Ramon Magsaysay Award Foundation. He was selected as the Most Outstanding Student of the Philippines in 1967, one of the Ten Outstanding Young Men (TOYM) of the Philippines in 1978, the MAP Management Man of the Year in 2010 and received the "Business as a Noble Vocation Award" in November 2018 awarded by the International Christian Union of Business Executives or UNIAPAC at the XXVI UNIAPAC World Congress in Lisbon, Portugal. He is the brother of Mr. Victor J. del Rosario. Mr. del Rosario 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 the Harvard Business School. He has been a director of the company since 2002. He attended the Annual Corporate Governance seminar conducted by SEC-accredited training provider Center for Global Best Practices (CGBP) on October 23, 2020.

Roberto M. Laviña was appointed Senior Executive Vice President and Chief Operating Officer on July 27, 2012. Mr. Laviña is currently the Senior Executive Vice President/Chief Operating Officer (COO) of PHINMA, Inc. and is a Member of the Board of all the companies in the PHINMA Group which include companies in education, hotels, steel roofing, property development, cement distribution, and insurance brokerage. He holds a Bachelor of Arts degree in Economics from Ateneo de Manila University and obtained his Master's degree in Business Management from the Asian Institute of Management. He also finished the Program for Management Development at Harvard University. He was elected as Director of the Company on May 20, 2004. He recently attended the Annual Corporate Governance Seminar conducted by SEC-accredited training provider Center for Global Best Practices (CGBP) on October 23, 2020.

Victor J. del Rosario is an Economics and Accounting graduate of De La Salle University and holds a Master's degree in Business Administration from Columbia University. He was elected as director on September 15, 2008. He is the Chairman of Union Galvasteel Corporation and Philcement Corporation. He is the Executive Vice President and Chief Strategic Officer of PHINMA Inc. For PHINMA Corp., he is Executive Vice President and Chief Finance Officer. He is also a member of the Board of Directors of PHINMA Inc., and other PHINMA-managed companies. Mr. Del Rosario is the brother of Mr. Ramon R. del Rosario. He attended the Annual Corporate Governance seminar conducted by SEC-accredited training provider Center for Global Best Practices (CGBP) on October 23, 2020.

Pythagoras L. Brion, Jr. was appointed as Senior Vice President on July 27, 2012. He concurrently serves as Executive Vice President and Group CFO of PHINMA, Inc. He serves in the Board of Directors of St. Jude College, Republican College, PHINMA Hospitality Corporation, PHINMA Solar Corporation 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.

Regina B. Alvarez

Nanette P. Villalobos

Rolando D. Soliven

Cecille B. Arenillo

Rizalina P. Andrada

Peter Angelo V. Perfecto

Regina B. Alvarez was appointed Senior Vice President - Finance of the company since April 2005. Ms. Alvarez is concurrently Senior Vice President – Deputy Group CFO of PHINMA, Inc. and holds various executive posts in PHINMA-managed companies. She is a director of Araullo University, Inc., Cagayan de Oro College, Inc., Southwestern University and T-O Insurance Brokers, Inc. 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.

Cecille B. Arenillo was appointed Vice President - Treasury in May 2007. She holds a Bachelor of Science in Commerce degree major in Accounting from the University of Santo Tomas and is a Certified Public Accountant. She is the Company's Compliance Officer since August 1, 2009 and is also Group Compliance Officer of PHINMA, Inc. She also holds the position of Treasurer in Union Galvasteel Corporation and T-O Insurance Brokers, Inc.

Nanette P. Villalobos was appointed Vice President – Treasurer in January 2019. She was previously the Treasurer for PHINMA ENERGY CORPORATION 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 PHINMA Property Holdings Corporation, Assistant Treasurer for PHINMA Education Holdings, Inc. and Treasurer for PHINMA Solar Energy Corporation. She obtained her degree in Bachelor of Science in Accountancy from University of the East. She attended the Basic Management Program at the Asian Institute of Management in 2008. She took up a Certification study for Macro Economics at University of Asia and the Pacific in 2014. She is also a member of the Fund Managers' Association of the Philippines.

Rizalina P. Andrada was appointed Vice President- Finance in March 2012. She is a Certified Public Accountant with a Bachelor of Science in Commerce degree major in Accounting from the Polytechnic University of the Philippines. She attended the Management Development Program at the Asian Institute of Management in 2014.

Rolando D. Soliven was elected Vice President – Group Corporate Assurance in April 2019. 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 (AIM). He is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Risk Management Assurance (CRMA), Certified Risk Manager (CRM), and Certified Fraud Examiner (CFE). He is a member of the Institute of Internal Auditors (IIA) and the Association of Certified Fraud Examiners (ACFE).

Peter Angelo V. Perfecto was appointed Vice President - Director for Public Affairs of PHINMA Corporation in April 2019. Former Executive Director of the Makati Business Club from 2011 to 2018, he concurrently chairs the Oxfam Pilipinas Board as well as its Country Governance Group, sits as private sector representative of the People's Survival Fund and occupies a seat on the Executive Committee of the Bishops-Businessmen's Conference for Human Development. He graduated Management Engineering at the Ateneo de Manila University in 1987.

Danielle R. del Rosario

Troy A. Luna

Edmund Alan A. Qua Hiansen

Ma. Concepcion Z. Sandoval

Danielle R. del Rosario was appointed as Chief Risk Officer on November 5, 2020 and Vice President - Director for Strategy in April 2019 wherein she concurrently heads group efforts on Sustainability, Strategy & Risk. She was previously Assistant Vice President - Head of Marketing and Sales for PHINMA Energy from 2016 to 2019, and Head of Corporate Affairs from 2013 to 2016 leading Corporate Communications, CSR, Business Resiliency, and the Integrity Program for the Energy group. She joined PHINMA in 2011 as Program Director for the PHINMA Foundation. Formerly with the banking industry, she specialized in Investments and Portfolio Management with BDO Private Bank from 2007 to 2009 and Citibank, N.A. from 2003 to 2007. She obtained her Bachelor of Science in Business Administration and Accountancy from the University of the Philippines Diliman as Cum Laude, and a Master in Business Administration from the Regis University joint program with the Ateneo Graduate School of Business with highest academic distinction. She is a member of the Makati Business Club and Parima (Pan-Asia Risk & Insurance Management Association).

Edmund Alan A. Qua Hiansen was appointed Assistant Vice President - Investor Relations Officer in April 2019. He is also Vice President of PHINMA Foundation, Inc. He is also the Treasurer of Asian Breast Center, Inc. and Chairman of Dream Big Pilipinas Futbol Association. 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 and holds a Master's degree in Global Finance from HKUST-NYU Stern.

Grace M. Purisima (not in picture) joined the company in 2011 and was elected Assistant Treasurer in April 2019. She is also the Assistant Treasurer of Philippine Investment Management (PHINMA), Inc. She completed the Ateneo-BAP Treasury Certification Program in 2012. She holds a Bachelor of Arts degree in Management Economics from Ateneo de Manila University.

Troy A. Luna was elected as Director of the Company on November 5, 2020. He was elected as the Corporate Secretary in March 2017. He also acts as Corporate Secretary of PHINMA, Inc., and other PHINMA-related corporations such as the Pamantasan ng Araullo (Araullo University), Inc., Cagayan de Oro, Inc., University of Pangasinan, Inc., University of Iloilo, Southwestern University, Inc., St. Jude College, Inc., Republican College, Inc., Rizal College of Laguna, Inc., PHINMA Education Holdings, Inc., Asian Plaza, Inc., Union Galvasteel Corporation, PhilCement Corporation, ABCIC Property Holdings, Inc., Toon City Animation, Inc. and other unrelated companies such as TCL Sun, Inc., Newminco Pacific Mining Corporation and Philippine Business for Education, Inc., and a Trustee of the Licensing Executives Society of the Philippines. 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 name Partner of the Migallos & Luna Law Offices. He attended the Annual Corporate Governance seminar conducted by SEC-accredited training provider Center for Global Best Practices (CGBP) on October 23, 2020.

Ma. Concepcion Z. Sandoval was elected Assistant Corporate Secretary in March 2017. She also acts as Assistant Corporate Secretary of PHINMA, Inc. and other PHINMA-related companies such as University of Iloilo, PHIINMA Education Holdings, Inc., ABCIC Property Holdings, Inc., Asian Plaza, 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 Senior Associate of the Migallos & Luna Law Offices.

Ardent

Sustainability Report

At PHINMA, Sustainability is deeply aligned with our commitment to Making Lives Better. We are committed towards consciously embedding sustainability in our growth ambitions, present and future.

This reports and the effort to come up with data driven sustainability metrics, helps us to ensure that we are truly Making Lives Better for our People, for our Planet, and towards our shared Progress.

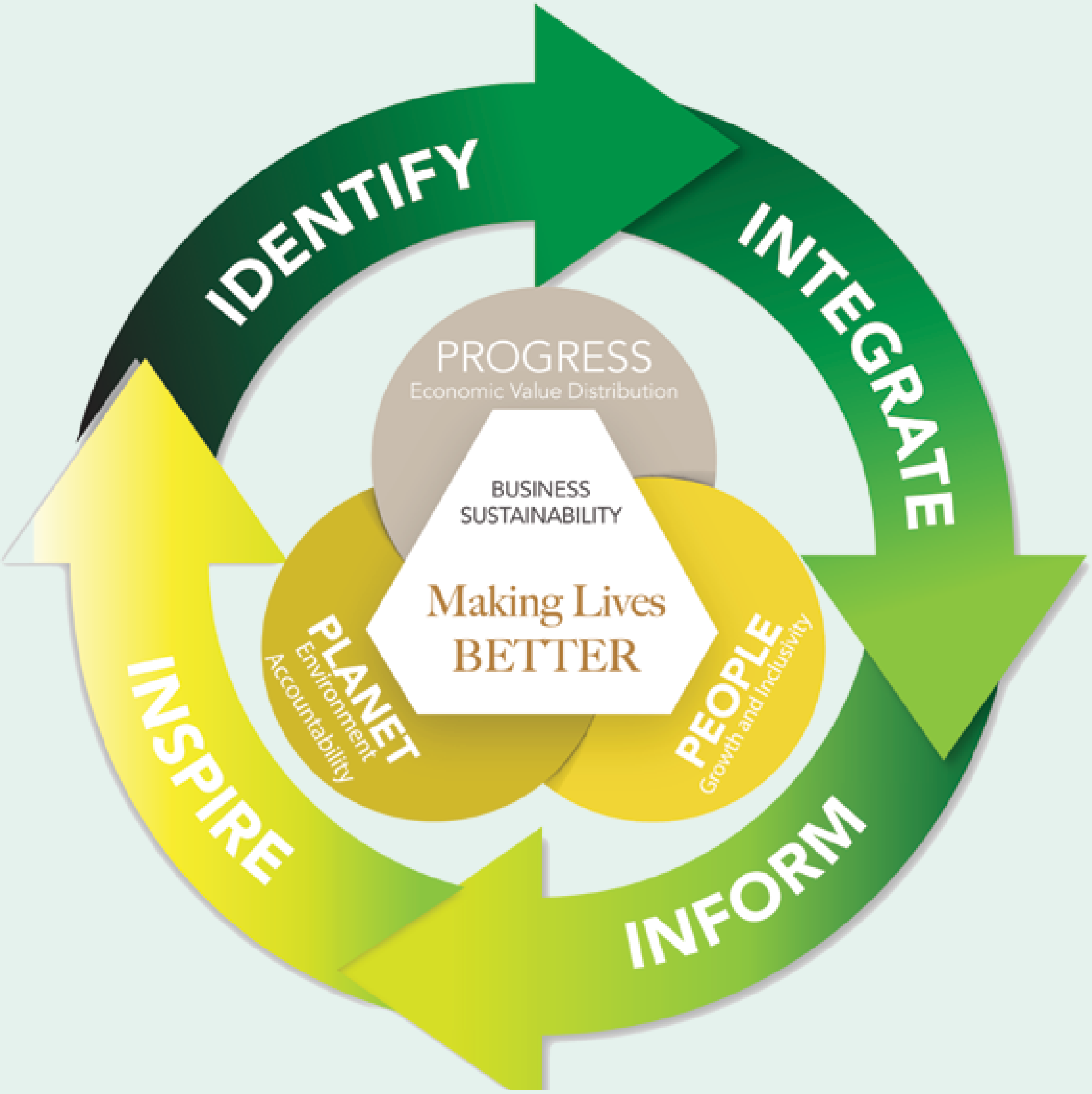
Report Boundaries

This report covers the calendar year 2020 and presents the performance of our strategic business units: PHINMA Inc., PHINMA Corporation, PHINMA Education Holdings Inc., PHINMA Hospitality Corporation, PHINMA Property Holdings, Inc., PHINMA Solar Energy Corporation, and Union Galvasteel Corporation. This is the 2nd aggregated Sustainability Report measuring our sustainability performance on material issues under the triple bottomline of economic, social and environmental impacts. This report was prepared in accordance with the Global Reporting Initiative (GRI Standards: Core option).

Our Sustainability Framework

PHINMA understands that as we provide essential services to society, it is crucial for us to have an agile sustainability strategy to ensure that we are able to protect our key resource systems, in order to provide for future generations as well as for present needs. As we redefine and refine our strategies for the next decade, we are guided by our triple bottom line commitment to a sustainable future, so that PHINMA will survive, achieve, and prosper for generations to come.

Making Lives Better for PEOPLE.	Making Lives Better for PLANET.	Making Lives Better for PROGRESS.
We recognize how our business operations impact our internal stakeholders and adjacent communities, as we aim to promote inclusive growth to maximize the potential of our most important asset, our people.	We acknowledge the need for a strategic plan to minimize the impact on the environment throughout our business operations. We remain steadfast in our accountability for the environment and in creating measures to leave positive handprints in areas where we operate	We ensure the fairness and equity of our strategies to allocate financial resources for sustainable investments while embedding integrity, empathy and good corporate governance to support the progress of our nation.



To support our target of business sustainability by Making Lives Better, your Company set out direction to properly assess current realities and challenges and promote corporate sustainability at all levels of the organization.

IDENTIFY	INTEGRATE	INFORM	INSPIRE
To promote a data-driven strategy, we identified material topics and collated data critical to the impact of our business operations.	Provide needs and gaps analysis, and engage process owners in the sustainability process development.	Based on our sustainability performance, information and strategies will be cascaded to critical internal and external stakeholders.	Sustainability is a key part of our corporate DNA. Sustainability will be presented to our stakeholders as the way we do business

At PHINMA, we are committed to Making Lives Better for our people, our planet, and for our shared progress, in a manner that is conscious and sustainable.

"At PHINMA, we are committed to Making Lives Better for our people, our planet, and for our shared progress, in a manner that is conscious and sustainable."

Our Materiality

In determining the GRI topics material to our stakeholders, the materiality assessment was done in each strategic business units through questionnaire and focus group discussions. Topics were prioritized based on the level of influence of operations on our economic, social and environmental performance. We used the GRI-prescribed guideline in assessing the materiality for PHINMA.

Through this materiality process, your Company has identified baseline information that will be relevant to management's strategic actions and decisions. The materiality assessment and review is especially important as the pandemic created new realities for all businesses. Throughout the process, we engaged stakeholders and key process owners to identify the aspects of sustainability that are material to your Company. The following is the round view of PHINMA's sustainability showing the results of the materiality assessment and engagement activities for 2020.

These topics are taken into account as PHINMA establishes its business strategy and sustainability roadmap and targets for the coming years. Management approach disclosures for our material topics are discussed thoroughly on our 2020 Sustainability Report, Sustainability Performance section, pages 7 to 22.

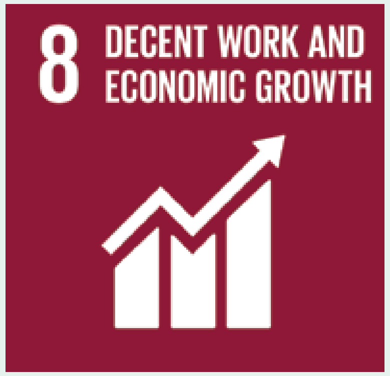
Making Lives Better for PEOPLE

PHINMA has full appreciation of its workforce and places an important focus on their growth and development, as well as their health and safety. We also firmly believe that we have a moral and social obligation to promote inclusive growth for our local stakeholders and partner communities.

Empowerment and Education (GRI 404, 405)
With the Company's commitment to development of employees' potentials, measures are undertaken to provide our workforce with training programs and meaningful job interactions. PHINMA believes in developing talent within the organization to deepen the bench in anticipation of future growth. We focus on continuous development of our people through leadership and competency-based training. We also value diversity in our workforce and provide equal opportunities to all stakeholders. No preference is given on the basis of gender, cultural background, religion, political affiliation and ethnicity.

4.6 Literacy and numeracy

5.5.1. Proportion of seats held by women



8.5. Full and productive employment
8.8. Labor rights, safe and secure working environments

Social Performance Highlights

Safety and Resiliency (GRI 403)

The safety and health of our own employees are a paramount concern of the Company. It is our responsibility to provide a safe and healthy workplace that will result in sustained productivity by our employees. There is continuous investment of time and resource to develop a culture of safety as we place more focus on employee development, enabling our people to be proactive in maintaining the safety standards within our workplace. We also aim to strengthen the implementation and monitoring of these policies to improve the safety performance of your Company.

Employee Management and Engagement (GRI 402)

Your Company is committed to ensuring sufficient information dissemination prior to implementation of operational changes. Internet tools have been utilized to streamline communication to be able to connect people even when people are working from home. Trainings on security and proper use of technology such as webinars, teleconferencing and chat tools have been implemented to ensure smooth transition into the new normal.

Employee Data	
PHINMA Inc./Corp.	102
Philcement Corporation	92
PHINMA Education	2,369
PHINMA Hospitality	86
PHINMA Properties	334
PHINMA Solar	10
Union Galvasteel Corporation	819
TOTAL	**3,812**

Number of employees under Collective Bargaining Agreement	414
Attrition rate	13%

Benefits Provided

- SSS
- PhilHealth
- Pagibig
- Parental leaves
- Vacation leaves
- Sick leaves
- Medical benefits
- Retirement fund
- Telecommuting
- Flexible working hours
- Rice and Laundry Allowance
- Other Benefits:
  - Life & Accident Insurance
  - Meal allowances
  - Transportation benefits
  - Access to emergency loans through T-O Insurance

Creating Enabling Mechanisms for Communities (GRI 413)

As the country faces the pandemic, PHINMA embarked on a new mission to assist affected individuals in coping with the challenges brought by the pandemic. PHINMA Reaches Out (PRO) 2020: Our Community Collaboration Response to the COVID-19 Pandemic is PHINMA's response in both national and local levels to assist groups and communities with the health crisis in the country. PHINMA also responded to the call for emergency response brought by different natural disasters like the Taal Volcano eruption in January affecting the areas of South Luzon, and the series of strong typhoons and floods in Bicol, Rizal and Cagayan. Employee support was organized through the PHINMA HERO Program, and partnerships were formed with other like-minded groups and individuals for quicker mobilization and response.

For more information on our management approach for the environment, you may refer to 2020 PHINMA Sustainability Report, Sustainability Performance section, pages 8 to 12.

Empowerment and Education

20,705

TOTAL TRAINING HOURS

Socioeconomic Compliance

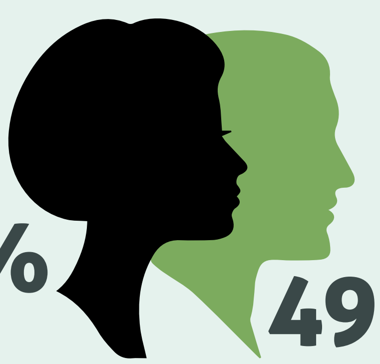
0

Human Rights Issues

Incidents of Discrimination

Diversity and Equal Opportunity

Employees



51%

49%

Gender Ratio for Officers

17:19 of PHINMA Corp (Male:Female)

Occupational Health and Safety

Work-related injuries	61
Work-related fatalities	0
Work-related ill-health	0
Safety drills and trainings	45

COVID-19 Transmission within Operation

0

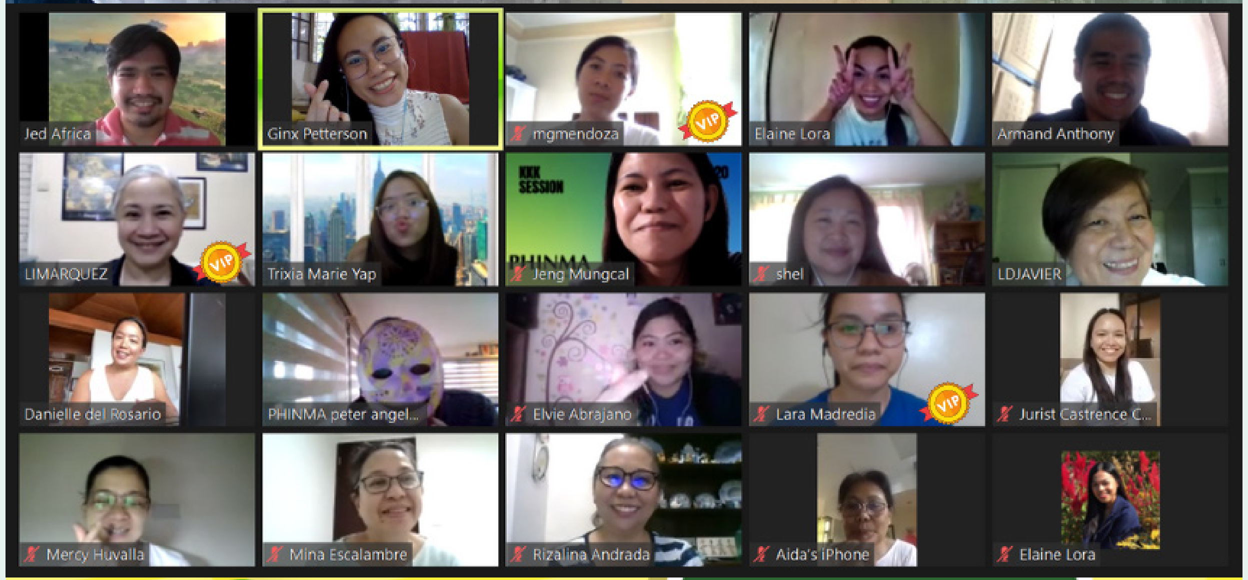
PHINMA COVID-19 Response

During the lockdown, the safety of our people was our primary concern as we worked to ensure the safety of the entire workforce. Work shifted abruptly into remote work from home or alternative areas. Safety protocols and Personal Protective Equipment (PPE) were made available for employee safety while employees and contractual workers were kept whole for significant periods. Other key areas of focus were cash conservation and liquidity reserves, resource mobility and restrictions on logistics, cyber security and availability of sufficient bandwidth, and other compliance and regulatory requirements that came about at various stages.

As we face the challenges brought by COVID-19, PHINMA provided meaningful assistance to our employees and stakeholders in-need. Taking care of our people and ensuring their health and safety has been a major priority in 2020. Here are some of the initiatives of PHINMA and its subsidiaries to ensure a safe and secure workplace.

Alternative Work Arrangements. Work from home or flexible work schedule was set-up to prevent exposure of employees to COVID-19. Teleconferencing and other secured electronic forms of communications were utilized to perform daily tasks.

Health Screening. Employees are required to provide regular health and travel declaration to make sure that health conditions are monitored and to detect early signs of COVID-19 among our internal stakeholders.



Use of Facemasks and PPEs. Personal protective equipment such as facemasks and face shields are provided to all employees and it is mandatory use at all times. Protective suits are also provided as needed.

Health and Safety Precautions. Mindful practice of safety precautions at work and at home is strictly observed. These are cascaded through videoconferences, signages and publicity materials through e-mail. Regular Kamustahan sessions are also done to gather feedback to further improve our protocols. Health insurance benefits were improved to cover COVID-19 cases.

Office Re-entry Protocols. People reporting to the offices are kept at a minimum. SafePass monitoring system has been installed in PHINMA Plaza and PPHC Head Office for proper monitoring of entry points. Each strategic business units have devised ways to monitoring entry of employees and proper protocols before coming to the workplace

Social Distancing Protocols. PHINMA strictly implements social distancing rule. Physical group meetings and gatherings are highly discouraged. In some common areas in our subsidiaries like canteen, the use of facility is scheduled between departments to prevent building of crowd and to ensure proper disinfection.

COVID Crisis Management Plan. Protocols were set in place including isolation facilities and contact tracing, in case of possible incidents of COVID-19 within workplace.

Making Lives Better for the PLANET

To make lives better for the planet, PHINMA and our subsidiaries have programs in place to mitigate the impact of our operation on the environment, and for the efficient use of its raw materials and resources. Your Company looks after the responsible use of materials such as water, energy, and raw inputs bringing circular economy business solutions to scale throughout the value chain.

7.1. Universal access to modern energy
7.2. Increase global percentage of renewable energy

11.1. Safe and affordable housing
11.6. Reduce environmental impact to communities

12.4. Responsible management of chemicals and waste
12.5. Substantial reduce waste generation

13.2.2. GHG Emissions

14.2. Protect and restore marine ecosystem

15.2. Restore degraded forests

Energy (GRI 302)

PHINMA aims to promote the efficient use of electricity through its energy efficiency programs. PHINMA and its subsidiaries have established existing processes to improve their energy efficiency to contribute to sustainability. Renewable energy resources were also tapped as different subsidiaries have installed solar roofing technology to augment their needs for reliable and clean energy. Sequestrated GHG emissions from these practices have been monitored.

Water (GRI 303)

Water use is an important focus area for the Company. PHINMA intends to significantly reduce its overall water consumption through various conservation initiatives in each project site, and by installing new technological breakthrough aimed towards water efficiency. Our subsidiaries also maintain their water quality effluent standards aligned with the Philippine Clean Water Act of 2004, and ensure that it shall pass all requirements set by the Department of Environment and Natural Resources.

Emissions (GRI 305)

PHINMA also makes sure that the quality of its air emissions is well-taken care of. Each company has integrated internal business practices on monitoring air emissions and has installed facilities to improve air quality. In the future, our Company intends to strengthen our monitoring mechanisms to be able to include direct emissions coming from fuel combustion of our generators and transportation vehicles.

Environment Performance Highlights

Energy	
Energy Consumption	12,600,949 kWh
Renewable Resources	619,069 kWh
(Scope: PHINMA Education, UGC)	
Energy from LPG (Scope: UGC)	296,694 kWh

GHG Emissions	
Direct (Scope 1)	973 $MtCO_2e$
(Scope: UGC covering industrial use of LPG and VOCs from paints)	
Energy Indirect (Scope 2)	8,974 $MtCO_2e$
GHG Reduction	2,712 $MtCO_2e$
Direct GHG Reduction	843 $MtCO_2e$
Indirect GHG Reduction (from PHINMA Solar energy production)	1,870 $MtCO_2e$

PHINMA Solar Energy Corporation Contribution	
Total Installed Capacity	4.676 MW
Installed Capacity for PHINMA Subsidiaries	779.21 kW
Total Production	4,945,015.85 kWh
Total hectares of land saved by utilizing rooftops for energy	Around 4.5 hectares of land
Equivalent Trees Planted	224,201 trees

Waste Management (GRI 306)

PHINMA and its subsidiaries ensure that all hazardous and non-hazardous waste generated from operations are handled and disposed properly. Your Company engages an DENR-accredited 3rd party hauler to transport, treat and dispose these wastes. PHINMA strictly complies with the compliance measure set by the government in treating hazardous waste to safeguard employees' health and safety and the environment where we operate. PHINMA also has solid waste management programs in place that are based on the principles of Reduce, Reuse and Recycle.

For more information on our management approach for the environment, you may refer to 2020 PHINMA Sustainability Report, Sustainability Performance section, pages 13 to 17.

Waste Management

Solid Waste Generated and Transported	1,957 tons
Solid Waste Reused/Recycled/Composted	463 tons (24% of total generated)
Hazardous Waste Generated	73 tons
Hazardous Waste Transported	62 tons (remaining are stored properly)

Air Quality

	UGC	Philcement
NOx (limit: 200 µg/NCm)	7.71 µg/NCm	2.22 µg/NCm
SOx (limit: 50 µg/NCm)	10.46 µg/NCm	8.32 µg/NCm
Total Suspended Particles	**NA**	**73.3 µg/NCm**

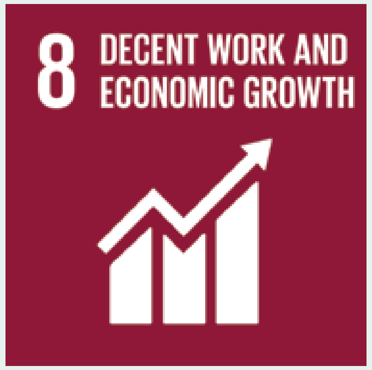
Water Consumption

Total Water Consumption	**1,396,838.53 m^3**
PHINMA Properties	1,135,599 m^3
UGC	183,195 m^3

Making Lives Better for PROGRESS

Making lives better by creating shared value is an important part of our strategy. PHINMA strives to contribute to nation-building through our diversified products and services in education, construction materials, shelter and hospitality. Your Company aims to enhance our business competitiveness while promoting inclusive and empowering growth for our stakeholders and promoting responsible and sustainable business practices for the environment and society. In 2020, PHINMA Corporation has generated a direct economic value of ₱12,207,204,000, distributing 98% or ₱11,956,792,000 for our stakeholders and communities, while retaining ₱250,232,000 to promote future growth.

Integrity and good governance are also integral parts of PHINMA's way of doing business. We are committed to uphold the law and endeavors and to conduct our business in an ethical manner. Employees are expected to always act in the best interest of the Company. The policy prohibits employees from using his 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. The Company also prohibits the practice of bribery in any form, that would tend to corrupt others for the interests of the business.



8.1. Sustainable economic growth

8.5. Full employment and decent work

16.5. Reduce corruption and bribery

16.6. Develop effective, accountable and transparent institutions

	(in thousands)
Economic Value Generated	**₱12,207,024**
Economic Value Distributed	**11,956,792**
Operating Costs	9,323,740
Employee Wages and Benefits	1,531,247
Payment to Suppliers and Other Operating Costs	-
Dividends given to stockholders and interest payment to loan providers	800,843
Taxes given to government	291,410
Investment to community*	9,552
Economic Value Retained	**250,232**

*Additional investment to community amounting to ₱36,485,631.86 was spent in 2020 as part of the PHINMA Reaches Out COVID-19 Response of your Company. The amount shall be reflected in the next sustainability report cycle due to difference in the financial calendar of PHINMA Foundation, Inc.

Financial Statements

REPORT OF THE AUDIT & RPT COMMITTEE TO THE BOARD OF DIRECTORS

The Board of Directors
PHINMA Corporation

MEMBERSHIP

The Audit & RPT Committee is composed of two (2) independent directors and one (1) non-executive director. An independent director, Mr. Juan B. Santos, chairs the Audit & RPT Committee. The other members are Ms. Rizalina G. Mantaring (independent director) and Mr. Magdaleno B. Albarracin, Jr. (non-executive director). Other attendees at Committee meetings (or parts thereof) were SVP-Finance, Group Internal Audit, Group Controller, Compliance Officer and the external auditors. The Committee has accounting expertise and adequate understanding of the Company's business and industry in which it operates.

ROLES AND RESPONSIBILITIES

The roles and responsibilities of the Committee are defined in the Audit & RPT Committee Charter. As a Board-level Committee, we assist the Board of Directors in fulfilling its oversight responsibility to the shareholders relating to the financial statements and financial reporting process, internal control system, internal and external auditor's performance, and compliance with legal and regulatory matters including approving and recommending the appointment, reappointment, removal, fees and assessing the integrity and independence of the external auditor. Effective August 5, 2020, the Committee assumed oversight on the review and approval of related party transactions.

We are pleased to report our activities for Calendar Year 2020.

ACTIVITIES OF THE COMMITTEE

The Audit & RPT Committee had six (6) meetings during the year. Five meetings obtained complete attendance while one meeting only had two members in attendance. Overall, attendance is at ninety four percent (94%). The meetings were timed to review the quarterly and yearly financial reporting of the Company. Also, the Committee reviewed the results of the annual audit of the external auditor, SGV & Co., the findings and status of Group Internal Audit's engagements and the status of Integrity Assurance activities and the 2019 Audit Committee Report.

We received information and support from Management, the Compliance Officer and Group Internal Audit to enable us to effectively carry out our functions as defined in our Charter approved by the Board of Directors.

On August 5, 2020, we accepted the recommendation of the Nominations and Corporate Governance Committee for the Audit Committee to accept the transfer of roles and responsibilities on related party transactions resulting to a change in its name to Audit & RPT Committee.

Management's Financial Report

We reviewed and endorsed to the Board of Directors for approval the 2019 audited consolidated financial statements and the 2020 unaudited quarterly consolidated financial statements.

Informatively, in our first meeting for 2021 held on March 1, 2021, we likewise reviewed and endorsed to the Board of Directors for approval the 2020 audited consolidated financial statements, subject to the resolution of certain open items, presented in this 2020 annual report. These activities were performed in the following context:

Management has primary responsibility for the financial statements and the financial reporting process.
SyCip, Gorres, Velayo & Co. (SGV & Co.) is responsible for expressing an opinion on the annual audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. They have likewise confirmed that the audit was conducted in accordance with Philippine Standards on Auditing.

We also reviewed the Management Representation Letter prior to its submission by Management to the external auditors.

External Audit

The Audit & RPT Committee assessed the ongoing effectiveness, suitability and quality of the external auditor and the audit process through feedback from members of the Committee and a questionnaire-based internal review with Management. On the basis of their performance and qualifications, we endorsed to the Board of Directors the nomination of Sycip, Gorres, Velayo & Co. (SGV) as the Company's external auditor for 2020.

During the year, we reviewed and approved the scope and deliverables of the SGV audit plan. The Committee ensured that SGV's scope included the review of the Company's compliance to Philippine Financial Reporting Standards (PFRS). Non-audit services and related fees for their services were also reviewed and we concluded that these fees are not significant to impair their independence.

In our Committee meeting held March 1, 2021, we agreed to propose to the Board of Directors the retention of SGV & Co. as the external auditor for 2021 together with their proposed fees.

Internal Audit

We reviewed and approved the Internal Audit plan for 2020 and 2021, and found them to be appropriate. Based on this plan, the Committee received and reviewed the audit reports submitted by Group Internal Audit and found that the Company's internal control system is generally adequate and effective. Various audit and control issues including actions taken by management were regularly discussed in the Committee meetings to ensure that management has taken appropriate corrective actions in a timely manner.

We also reviewed the organization and performance of Group Internal Audit for 2020 and found them to be sufficiently independent and effective.

Related Party Transactions

We reviewed and endorsed to the Board the RPT policy and RPT register. We also reviewed the material related party transactions starting August 2020.

Integrity Assurance Program

We reviewed the status of ongoing activities related to the Company's Integrity Assurance program. This program provides a formal structure for institutionalizing policies, programs and mechanisms based on good corporate governance and ethical business practices, including the adoption of a Code of Business Conduct and the creation of a whistleblower policy and hotline. The Company's officers and employees have substantially complied with the policies under the Code.

Audit & RPT Committee Performance

We performed a self-assessment of the Committee's performance based on the duties and responsibilities embodied in the approved Audit & RPT Committee Charter in line with the guidelines issued by Securities and Exchange Commission for publicly listed companies. Based on this assessment, we attest to the Committee's effective performance of its duties in 2020.

JUAN B. SANTOS
Chairman, Independent Director

RIZALINA G. MANTARING
Vice Chairman, Independent Director

MAGDALENO B. ALBARRACIN, JR.
Non-Executive Director

PHINMA
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, 2020 and December 31, 2019 and for each of the three years in the period ended December 31, 2020, 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 18th day of March 2021

OSCAR J. HILADO
Chairman of the Board

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

Regina B. Alvarez

REGINA B. ALVAREZ
Senior Vice President and Chief Financial Officer

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

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Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 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.

Recoverability of Goodwill

Under PFRS, the Company is required to annually test the amount of goodwill for impairment. As at December 31, 2020, 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 5 and 17 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include revenue growth rate and discount rate. 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.

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, 2020, 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, 2020 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
SEC Accreditation No. 0943-AR-3 (Group A),
March 14, 2019, valid until March 13, 2022
Tax Identification No. 153-978-243
BIR Accreditation No. 08-001998-078-2020,
December 3, 2020, valid until December 2, 2023
PTR No. 8534224, January 4, 2021, Makati City

March 2, 2021

PHINMA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2020	2019 (As restated - Note 6)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 9, 35 and 36)	**₱2,888,863**	₱3,183,795
Investments held for trading (Notes 10, 35 and 36)	**2,129,822**	2,198,264
Trade and other receivables (Notes 5, 11, 35 and 36)	**3,422,386**	2,935,958
Inventories (Note 12)	**1,607,981**	1,379,667
Input value-added taxes	**85,413**	44,823
Other current assets	**191,595**	155,281
Total Current Assets	**10,326,060**	9,897,788
Noncurrent Assets		
Investment in associates and joint ventures (Note 13)	**1,200,471**	1,179,675
Financial assets at fair value through other comprehensive income (Notes 14, 35 and 36)	**110,105**	109,563
Property, plant and equipment (Notes 6 and 15)	**9,390,754**	7,929,319
Investment properties (Note 16)	**628,669**	629,934
Intangible assets (Notes 6 and 17)	**1,825,673**	1,828,515
Right-of-use assets (Notes 3 and 37)	**398,503**	250,565
Deferred tax assets - net (Notes 6 and 33)	**133,911**	101,682
Other noncurrent assets (Note 18)	**458,269**	451,355
Total Noncurrent Assets	**14,146,355**	12,480,608
	₱24,472,415	₱22,378,396
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Notes 19, 35 and 36)	**₱1,325,910**	₱968,880
Trade and other payables (Notes 20, 35 and 36)	**1,960,103**	1,362,344
Contract liabilities (Notes 21 and 24)	**609,274**	1,005,957
Trust receipts payable (Notes 12, 35 and 36)	**2,030,876**	1,203,906
Derivative liability (Notes 35 and 36)	**32**	1,405
Income and other taxes payable	**51,188**	122,772
Current portion of:		
Long-term debt (Notes 22, 35 and 36)	**519,381**	314,730
Lease liabilities (Notes 3, 35, 36 and 37)	**105,176**	44,376
Due to related parties (Notes 32, 35 and 36)	**151,110**	92,543
Total Current Liabilities	**6,753,050**	5,116,913
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 22, 35 and 36)	**6,539,023**	7,079,490
Non-controlling interest put liability (Notes 7, 35 and 36)	**1,585,853**	900,011
Deferred tax liabilities - net (Note 33)	**422,434**	362,058
Pension and other post-employment benefits (Note 34)	**253,653**	287,935
Lease liabilities - net of current portion (Notes 3 and 37)	**314,495**	234,854
Other noncurrent liabilities	**50,493**	54,460
Total Noncurrent Liabilities	**9,165,951**	8,918,808
Total Liabilities	**15,919,001**	14,035,721

(Forward)

	December 31	
	2020	2019 (As restated - Note 6)
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 23)	**₱2,863,312**	₱2,863,312
Additional paid-in capital	**259,248**	259,248
Treasury shares (Note 23)	**(136,347)**	(134,460)
Exchange differences on translation of foreign operations	**297**	205
Equity reserves (Note 7)	**34,694**	153,976
Other comprehensive income (Note 14)	**38,922**	40,284
Share in other comprehensive income of associates (Note 13)	**(2,137)**	(20,965)
Retained earnings (Note 23)	**3,522,003**	3,495,554
Equity Attributable to Equity Holders of the Parent	**6,579,992**	6,657,154
Non-controlling Interests	**1,973,422**	1,685,521
Total Equity	**8,553,414**	8,342,675
	₱24,472,415	₱22,378,396

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		
	2020	2019	2018
REVENUES			
Revenue from contracts with customers (Note 24)	**₱12,175,110**	₱11,120,447	₱9,781,370
Rental income (Note 16)	**74,025**	86,069	79,423
Investment income (Note 25)	**52,616**	118,395	69,309
	12,301,751	11,324,911	9,930,102
COSTS AND EXPENSES			
Cost of sales (Note 26)	**7,659,460**	6,312,840	6,065,989
Cost of educational, installation, hospital and consultancy services (Note 26)	**1,377,370**	1,770,415	1,236,568
General and administrative expenses (Note 27)	**1,395,853**	1,622,954	1,556,953
Selling expenses (Note 28)	**523,694**	550,527	494,958
	10,956,377	10,256,736	9,354,468
OTHER INCOME (EXPENSES)			
Interest expense and other financing charges (Note 31)	**(626,768)**	(463,788)	(398,384)
Foreign exchange gains (losses) - net (Note 35)	**(152,625)**	(50,799)	35,403
Loss on deconsolidation (Note 7)	**(11,188)**	–	–
Net losses on derivatives (Note 36)	**(7,039)**	(2,098)	(13,386)
Equity in net earnings (losses) of associates and joint ventures (Note 13)	**1,968**	44,217	(107,658)
Gain on sale of property, plant and equipment - net (Note 15)	**855**	1,314	12,242
Loss on sale of investment in an associate (Note 13)	**–**	(13,080)	–
Provision for unrecoverable input value-added tax (Note 18)	**–**	(8,393)	(1,296)
Gain on sale of investment properties (Note 16)	**–**	7,702	30,699
Gain on tax-free exchange of land (Note 13)	**–**	–	164,235
Others - net (Note 24)	**73,302**	50,226	52,899
	(721,495)	(434,699)	(225,246)
INCOME BEFORE INCOME TAX	**623,879**	633,476	350,388
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 33)			
Current	**136,586**	217,638	170,563
Deferred	**(34,647)**	(21,285)	5,004
	101,939	196,353	175,567
NET INCOME	**₱521,940**	₱437,123	₱174,821
Attributable to:			
Equity holders of the Parent	**₱172,637**	₱232,507	₱25,874
Non-controlling interests	**349,303**	204,616	148,947
Net income	**₱521,940**	₱437,123	₱174,821
Basic/Diluted Earnings Per Common Share - Attributable to Equity Holders of the Parent (Note 39)	**₱0.63**	₱0.83	₱0.09

See accompanying Notes to Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2020	2019	2018
NET INCOME	**₱521,940**	₱437,123	₱174,821
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss in subsequent periods			
Re-measurement gain (loss) on defined benefit obligation (Note 34)	**(10,805)**	(111,937)	83,846
Unrealized gain (loss) on change in fair value of financial assets at fair value through other comprehensive income (Note 14)	**(1,418)**	(61,850)	15,768
Share in unrealized gain 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)	**18,828**	1,644	937
Income tax effect	**2,814**	31,236	(28,960)
	9,419	(140,907)	71,591
Items to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations	**92**	1,684	(953)
Total other comprehensive income (loss)	**9,511**	(139,223)	70,638
TOTAL COMPREHENSIVE INCOME	**₱531,451**	₱297,900	₱245,459
Attributable to:			
Equity holders of the Parent	**₱181,019**	₱98,069	₱89,620
Non-controlling interests	**350,432**	199,831	155,839
Total comprehensive income	**₱531,451**	₱297,900	₱245,459

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 23)	Additional Paid-in Capital	Treasury Shares (Note 23)	Exchange Differences on Translation of Foreign Operations	Equity Reserves (Note 7)	Other Comprehensive Income (Note 14)	Share in Other Comprehensive Income of Associates and Joint Ventures (Note 13)	Retained Earnings (Note 23) Appropriated	Retained Earnings (Note 23) Unappropriated	Subtotal	Non-controlling Interests	Total Equity
Balance, January 1, 2020 (as previously reported)	₱2,863,312	₱259,248	(₱134,460)	₱205	₱153,976	₱40,284	(₱20,965)	₱1,300,000	₱2,195,554	₱6,657,154	₱1,689,476	₱8,346,630
Adjustment as a result of the finalization of the purchase price allocation (Note 6)	–	–	–	–	–	–	–	–	–	–	(3,955)	(3,955)
Balance, January 1, 2020 (as restated)	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 23)	–	–	–	–	–	–	–	–	(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)
Put option over NCI (Note 7)	–	–	–	–	(327,659)	–	–	–	–	(327,659)	(358,183)	(685,842)
Reversal of appropriation (Note 23)	–	–	–	–	–	–	–	(1,300,000)	1,300,000	–	–	–
Appropriation of retained earnings (Note 23)	–	–	–	–	–	–	–	2,415,500	(2,415,500)	–	–	–
Buyback of shares (Note 23)	–	–	(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

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Note 23)	Additional Paid-in Capital	Treasury Shares (Note 23)	Exchange Differences on Translation of Foreign Operations	Equity Reserves (Note 7)	Other Comprehensive Income (Note 14)	Share in Other Comprehensive Income of Associates and Joint Ventures (Note 13)	Retained Earnings (Note 23) Appropriated	Retained Earnings (Note 23) Unappropriated	Subtotal	Non-controlling Interests	Total Equity (As restated Note 6)
Balance, January 1, 2019	₱2,863,312	₱259,248	(₱42,717)	(₱1,011)	(₱27,709)	₱66,578	(₱6,177)	₱1,300,000	₱2,371,143	₱6,782,667	₱1,180,386	₱7,963,053
Net income	–	–	–	–	–	–	–	–	232,507	232,507	204,616	437,123
Other comprehensive income (loss)	–	–	–	1,216	–	(57,192)	1,644	–	(80,106)	(134,438)	(4,785)	(139,223)
Total comprehensive income	–	–	–	1,216	–	(57,192)	1,644	–	152,401	98,069	199,831	297,900
Cash dividends (Note 23)	–	–	–	–	–	–	–	–	(225,229)	(225,229)	(161,047)	(386,276)
Changes in ownership interests of the Parent Company without loss of control (Note 7)	–	–	–	–	480,246	–	–	–	–	480,246	1,246,439	1,726,685
Acquisition of non-controlling interest (Note 7)	–	–	–	–	(65,609)	–	–	–	–	(65,609)	(146,812)	(212,421)
Issuance of shares from stock purchase plan (Note 7)	–	–	–	–	18,130	–	–	–	(26,310)	(8,180)	33,535	25,355
Sale of an associate	–	–	–	–	–	–	(16,432)	–	–	(16,432)	–	(16,432)
PFRS 9 adjustment (Note 11)	–	–	–	–	–	–	–	–	(45,553)	(45,553)	(5,349)	(50,902)
Business combination (Note 6)	–	–	–	–	(8,717)	–	–	–	–	(8,717)	139	(8,578)
Sale of equity instruments at FVOCI (Note 14)	–	–	–	–	–	30,898	–	–	(30,898)	–	–	–
Put option over NCI (Note 7)	–	–	–	–	(242,365)	–	–	–	–	(242,365)	(657,646)	(900,011)
Buyback of shares (Note 23)	–	–	(91,743)	–	–	–	–	–	–	(91,743)	–	(91,743)
Balance, December 31, 2019 (as restated)	₱2,863,312	₱259,248	(₱134,460)	₱205	₱153,976	₱40,284	(₱20,965)	₱1,300,000	₱2,195,554	₱6,657,154	₱1,689,476	₱8,346,630

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Note 23)	Additional Paid-in Capital	Treasury Shares (Note 23)	Exchange Differences on Translation of Foreign Operations	Equity Reserves (Note 7)	Other Comprehensive Income (Note 14)	Share in Other Comprehensive Income of Associates and Joint Ventures (Note 13)	Retained Earnings (Note 23) Appropriated	Retained Earnings (Note 23) Unappropriated	Subtotal	Non-controlling Interests	Total Equity
Balance, January 1, 2018	₱2,863,312	₱259,248	(₱16,907)	(₱58)	(₱65,386)	₱60,846	₱16,865	₱–	₱3,677,211	₱6,795,131	₱940,885	₱7,736,016
Net income	–	–	–	–	–	–	–	–	25,874	25,874	148,947	174,821
Other comprehensive income (loss)	–	–	–	(953)	–	5,732	386	–	58,581	63,746	6,892	70,638
Total comprehensive income	–	–	–	(953)	–	5,732	386	–	84,455	89,620	155,839	245,459
Cash dividends (Note 23)	–	–	–	–	–	–	–	–	(113,951)	(113,951)	(120,758)	(234,709)
Changes in ownership interests of the Parent Company without loss of control (Note 7)	–	–	–	–	37,677	–	–	–	–	37,677	204,420	242,097
Sale of equity instruments at FVOCI	–	–	–	–	–	–	(12,984)	–	12,984	–	–	–
Reclassification of investment in associate to asset held for sale	–	–	–	–	–	–	(10,444)	–	10,444	–	–	–
Appropriation of retained earnings	–	–	–	–	–	–	–	1,300,000	(1,300,000)	–	–	–
Buyback of shares (Note 23)	–	–	(25,810)	–	–	–	–	–	–	(25,810)	–	(25,810)
Balance, December 31, 2018	₱2,863,312	₱259,248	(₱42,717)	(₱1,011)	(₱27,709)	₱66,578	(₱6,177)	₱1,300,000	₱2,371,143	₱6,782,667	₱1,180,386	₱7,963,053

See accompanying Notes to Consolidated Financial Statements

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱623,879**	₱633,476	₱350,388
Adjustments to reconcile income before income tax to net cash flows:			
Interest expense and other financing charges (Note 31)	**626,768**	463,788	398,384
Depreciation and amortization (Note 30)	**496,677**	358,730	321,258
Unrealized foreign exchange loss (gain) - net (Note 35)	**152,625**	50,799	(35,403)
Pension and other employee benefits expense (Note 34)	**55,924**	58,206	63,815
Interest income (Note 25)	**(24,568)**	(65,351)	(53,501)
Unrealized gain on change in fair value	**(15,075)**	(20,757)	(3,952)
Gain on bargain purchase (Note 6)	**(11,340)**	–	–
Loss on deconsolidation (Note 7)	**11,188**	–	–
Net loss on derivatives	**7,039**	2,098	13,386
Gain on pre-termination of long-term leases (Note 37)	**(5,274)**	–	–
Equity in net losses (earnings) of associates and joint ventures (Note 13)	**(1,968)**	(44,217)	107,658
Gain on sale of property, plant and equipment (Note 15)	**(855)**	(1,314)	(12,242)
Dividend income (Note 25)	**(194)**	(125)	(133)
Impairment loss on goodwill (Notes 5, 17 and 27)	–	14,120	–
Loss on sale of investment in an associate (Note 13)	–	13,080	–
Provision of allowance on input VAT	–	8,393	1,296
Gain on sale of investment properties (Note 16)	–	(7,702)	(30,699)
Impairment in investments (Note 27)	**–**	–	271,601
Gain on tax-free exchange (Note 13)	–	–	(164,235)
Operating income before working capital changes	**1,914,826**	1,463,224	1,227,621
Decrease (increase) in:			
Trade and other receivables	**(522,821)**	(713,386)	(532,786)
Inventories	**(228,314)**	(39,941)	(313,469)
Other current assets	**(81,907)**	(7,259)	25,285
Increase (decrease) in:			
Trade and other payables	**444,995**	(666,463)	880,493
Trust receipts payable	**826,970**	326,251	355,915
Contract liabilities	**(396,683)**	234,539	227,871
Net cash provided by operations	**1,957,066**	596,965	1,870,930
Interest paid	**(574,138)**	(443,487)	(391,917)
Income tax paid	**(199,572)**	(235,635)	(105,122)
Contributions to the pension fund	**(79,278)**	(70,411)	(73,508)
Interest received	**20,732**	64,432	49,873
Net cash provided by (used in) operating activities	**1,124,810**	(88,136)	1,350,256
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment held for trading	**(2,071,095)**	(3,261,303)	–
Property, plant and equipment (Note 15)	**(1,259,822)**	(1,681,749)	(1,381,935)
Intangible assets	**(861)**	(12,578)	(954)
Investment in associates (Note 13)	**–**	(229,651)	(86,771)
Investment properties	**–**	(34,222)	(2,307)

(Forward)

	Years Ended December 31		
	2020	2019	2018
Proceeds from sale of:			
Short-term investments and investments held for trading	**₱2,154,612**	₱1,999,945	₱737,854
Property, plant and equipment (Note 15)	**6,779**	2,016	18,098
Investment properties	**–**	7,924	32,286
Financial assets at fair value through other comprehensive income	**–**	78,564	–
Acquisition of subsidiary - net of cash acquired (Note 6)	**(448,463)**	(216,075)	–
Proceeds from sale of subsidiary - net of cash disposed (Notes 6 and 7)	**46,635**	–	–
Increase in other noncurrent assets	**(33,216)**	(58,138)	(24,180)
Dividends received (Note 13)	**194**	3,925	53,564
Proceeds from sale of an associate	**–**	1,814,587	–
Net cash used in investing activities	**(1,605,237)**	(1,586,755)	(654,345)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Notes payable	**(1,594,193)**	(201,582)	(254,050)
Cash dividends	**(226,705)**	(339,784)	(288,684)
Treasury shares	**(1,887)**	(91,743)	(25,810)
Long-term debt	**(342,778)**	(143,470)	(2,775)
Lease liabilities	**(134,426)**	(34,938)	–
Proceeds from availments of:			
Notes payable	**1,951,223**	926,457	453,250
Long-term debt	**–**	817,766	1,125,000
Issuance of shares to non-controlling interests	**632,286**	1,752,040	–
Increase (decrease) in other noncurrent liabilities	**(3,967)**	(12,493)	7,474
Increase (decrease) in due to related parties	**58,567**	13,378	(18,116)
Acquisition of non-controlling interests (Note 7)	–	(212,421)	(212,095)
Net cash provided by financing activities	**338,120**	2,473,210	784,194
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(152,625)**	(50,799)	35,403
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(294,932)**	747,520	1,515,508
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,183,795**	2,436,275	920,767
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 9)	**₱2,888,863**	₱3,183,795	₱2,436,275

See accompanying 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 Company's corporate life for another 50 years. On May 27, 2010, the Philippine SEC approved the change in the 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, 2020			December 31, 2019		
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**	97.90	–	97.90
PHINMA Education Holdings, Inc. (PEHI) [a and b]	Holding company	March 31	**67.18**	**–**	**67.18**	71.83	–	71.83
Pamantasan ng Araullo (Araullo University), Inc. (AU) [a]	Educational institution	March 31	**–**	**97.57**	**65.55**	–	97.57	70.08
Cagayan de Oro College, Inc. (COC) [a]	Educational institution	March 31	**–**	**91.27**	**61.32**	–	91.27	65.56
University of Iloilo (UI) [a]	Educational institution	March 31	**–**	**69.23**	**46.51**	–	69.23	49.73
University of Pangasinan (UPANG) and Subsidiary [a]	Educational institution	March 31	**–**	**69.33**	**46.58**	–	69.33	49.80
Southwestern University (SWU) [a]	Educational institution	March 31	**–**	**84.34**	**56.66**	–	84.34	60.58
St. Jude College, Inc. (SJCI) [a]	Educational institution	December 31	**–**	**98.30**	**66.04**	–	98.30	70.61
Republican College, Inc. (RCI) [c]	Educational institution	December 31	**–**	**94.41**	**63.42**	–	92.41	66.38
Rizal College of Laguna (RCL) [d]	Educational institution	December 31	**–**	**90.00**	**60.46**	–	–	–
Integrative Competitive Intelligence Asia, Inc. (ICI Asia) [e]	Business research	December 31	**–**	**–**	**–**	100.00	–	100.00
Career Academy Asia, Inc. (CAA) [f]	Educational Institution	March 31	**90.00**	**–**	**90.00**	90.00	–	90.00
PhilCement Corporation (PhilCement)	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
PHINMA Solar Energy Corporation (PHINMA Solar) [g]	Solar rooftop	December 31	**–**	**100.00**	**98.01**	50.00	50.00	98.95
Asian Plaza, Inc. (API)	Lease of real property	December 31	**57.62**	**–**	**57.62**	57.62	–	57.62
One Animate Limited (OAL) and Subsidiary [h]	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 January 9, 2020, Asian Development Bank (ADB) subscribed in PEHI shares resulting to change in ownership interest of PHN to 67.18%.*
(c) *On March 12, 2020, PEHI acquired additional 505 shares of RCI resulting to an increase in ownership interest to 94.41%.*
(d) *On July 31, 2020, PEHI acquired 100.00% interest in RCL. Subsequently, on December 5, 2020, PEHI sold 10.00% of its ownership interest in RCL reducing its ownership from 100.00% to 90.00%.*
(e) *On September 18, 2020 PHN divested 100.00% of its interest in ICI Asia.*
(f) *CAA ceased its operations on March 31, 2019.*
(g) On December 22, 2020, PHN sold its 225.0 million shares in PHINMA Solar to UGC representing 50.00% ownership in PHINMA Solar.
(h) *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., which is also incorporated in the Philippines.

The information on the segments of the Company is presented in Note 40 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, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 were reviewed and recommended for approval by the Audit Committee on March 1, 2021. On March 2, 2021, 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 classified as 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.

<u>Statement of Compliance</u>
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) which include statements named PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from the International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council (FRSC).

<u>Basis of Consolidation</u>
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, 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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, *Business Combinations, Definition of a Business*

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Company enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments*, *Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The Company adopted the amendments beginning January 1, 2020. Rent concessions granted by the Company to its lessees are accounted as a lease modification under PFRS 16. There are no rent concessions granted to the Company from its lessors.

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, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Company shall also disclose information about:
  - The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Company is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- 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-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.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *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.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- 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.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines 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.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  - 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.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments 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.

    An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or noncurrent. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - 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, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- 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

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, 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 Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board 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

Financial Instruments - Initial Recognition and Subsequent Measurement
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.

Financial assets
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.

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, cash equivalents and trade and other receivables and deposits (presented under "other noncurrent assets) as at December 31, 2020 and 2019.

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, 2020 and 2019.

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 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 a financial asset at FVPL.

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.

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.

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 fair value through profit or loss. 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, 2020 and 2019.

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, 2020 and 2019.

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.

Embedded Derivative. An embedded derivative is a component of a hybrid (combined) instrument that also includes a nonderivative host contract with the effect that some of the cash flows of the hybrid instrument vary in a way similar to a stand-alone derivative. An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVPL.

The Company assesses whether embedded derivatives are required to be separated from the host contracts when the Company becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Company determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flow on the contract.

Embedded derivatives are measured at fair value and are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Gains and losses from changes in fair value of these derivatives are recognized immediately in the consolidated statement of income as part of “Other income (expenses)”.

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 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.

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.

The 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.

Noncurrent Assets and Disposal Groups Held for Sale

Noncurrent assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Noncurrent assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, expected within one year from the date of the classification. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of income.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation, amortization, depletion 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. The nature and amount of the effect of the change in useful life of buildings and improvements in the current period and the expected effect in future periods 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 20 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. The nature and amount of the effect of the change in useful life of buildings in the current period and the expected effect in future periods 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 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 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.

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, PEHI, UGC, UPANG, AU, COC, UI, SJCI 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 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 - Beginning January 1, 2019 (Upon Adoption of PFRS 16)

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.

Leases - Prior to January 1, 2019 (Prior to Adoption of PFRS 16)

Leases. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Company as Lessee. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Company as Lessor. Leases where the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the consolidated statement of income on a straight-line basis over the lease term.

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 sheets 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 40 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. The consolidated financial statements include additional information about associates and joint ventures that are material to the Company (see Note 13). 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.

Determining the Lease Term of Contracts with Renewal and Termination Options – Company as a Lessee (Starting January 1, 2019 - Upon Adoption of PFRS 16). 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 amounted to ₱112.5 million, ₱80.6 million for the years ended December 31, 2020 and 2019, respectively (see Notes 26, 27 and 37).

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 December 19, 2019, PEHI and the shareholders of RCI entered into a Share and Asset Purchase Agreement for the sale and transfer of 24,113.5 common shares representing 92.41% of the total issued and outstanding capital stock of RCI for a consideration of ₱15.6 million which resulted in allocation of the purchase consideration to the identifiable asset acquired and liabilities assumed. The fair values of the identifiable assets and liabilities of RCI as at the date of the acquisition were finalized in 2020 and disclosed in Note 6.

On July 31, 2020, PEHI and the shareholders of RCL entered into a Share and Asset Purchase Agreement to acquire 100% of the total issued and outstanding capital stock of RCL for a consideration of ₱448.8 million which resulted in allocation of the purchase consideration to the identifiable asset acquired and liabilities assumed. The fair values of the identifiable assets and liabilities of RCL as at the date of the acquisition are disclosed in Note 6.

Leases - Estimating the Incremental Borrowing Rate (Starting January 1, 2019 - Upon Adoption of PFRS 16). 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 ₱419.7 million and ₱279.2 million as at December 31, 2020 and 2019, respectively (see Note 37).

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 (presented under "Other noncurrent assets" account in the consolidated statement of financial position)

  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 (presented under "Other noncurrent assets" account in the consolidated statement of financial position).

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

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 ₱168.5 million, ₱96.5 million and ₱47.7 million in 2020, 2019 and 2018, respectively. The allowance for ECL amounted to ₱1,013.1 million, ₱866.7 million as at December 31, 2020 and 2019. The carrying amounts of trade and other receivables amounted to ₱3,422.4 million and ₱2,936.9 million as at December 31, 2020 and 2019 (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 has recorded provision for inventory obsolescence amounting to ₱7.3 million in 2019. The Company did not recognize provision for inventory obsolescence in 2020 and 2018. Write-off of inventory amounted to ₱3.0 million in 2020. The allowance for inventory obsolescence amounted to ₱11.2 million and ₱14.2 million as at December 31, 2020 and 2019, respectively. The carrying amounts of inventories amounted to ₱1,608.0 million and ₱1,379.7 million as at December 31, 2020 and 2019, 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 2020, 2019 and 2018.

In 2018, the Company recorded an impairment loss amounting to ₱252.8 million pertaining to its investment in PHEN when the Company reclassified the investment as a noncurrent asset held for sale measured at the lower of its carrying amount and fair value less cost to sell. In addition, the Company also written down its investment in PHINMA Petroleum and Geothermal, Inc. (PPG) to its fair value when the Company lost significant influence over PPG and initially recognized the investment as financial asset at FVOCI (see Note 27).

The carrying values of investments in associates amounted to ₱965.1 million and ₱950.0 million as at December 31, 2020 and 2019, 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	
	2020	2019	**2020**	2019	**2020**	2019
SWU	**₱996,484**	₱996,484	**9.6%**	10.5%	**5%**	5%
UPANG	**385,817**	385,817	**9.6%**	10.5%	**5%**	5%
UI	**213,995**	213,995	**9.6%**	10.5%	**5%**	5%
AU	**35,917**	35,917	**9.6%**	10.5%	**5%**	5%
COC	**20,445**	20,445	**9.6%**	10.5%	**5%**	5%
SJCI	**103,992**	103,992	**9.6%**	10.5%	**5%**	5%
RCI	**61,286**	13,119	**9.6%**	**–**	–	–
	₱1,817,936	₱1,769,769				

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.

Impairment loss on goodwill amounted to ₱14.1 million in 2019. There was no impairment loss on goodwill in 2020 and 2018. The carrying amount of goodwill amounting to ₱1,817.9 million and ₱1,769.8 million as at December 31, 2020 and 2019, respectively, was presented under "Intangible assets" account in the consolidated statements of financial position (see Note 17).

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 and investment properties in 2020, 2019 and 2018. The COVID-19 pandemic did not materially affect the recoverability of property, plant and equipment, investment properties and intangible asset with finite useful lives.

The carrying amounts of property, plant and equipment, investment properties and intangible assets with finite useful lives as at December 31 are as follows:

	2020	2019
Property, plant and equipment (see Note 15)	**₱5,359,864**	₱3,123,716
Investment properties (see Note 16)	**17,945**	19,210
Intangible assets with finite useful lives (see Note 17)	**7,737**	10,579

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 ₱220.3 million and ₱258.5 million as at December 31, 2020 and 2019, respectively (see Note 33). 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 33.

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:

	2020	2019
Property, plant and equipment (see Note 15)	**₱5,359,864**	₱3,123,716
Investment properties (see Note 16)	**17,945**	19,210
Intangible assets with finite useful lives (see Note 17)	**7,737**	10,579

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. The change in the useful lives of certain property and equipment decreased depreciation expense by ₱2.0 million in 2020 and will decrease the annual depreciation expense by the same amount in 2021 and onwards.

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. The change in the useful lives of certain investment properties decreased depreciation expense by ₱9.7 million in 2020 and will decrease the annual depreciation expense by the same amount in 2021 and onwards.

There were no changes in useful lives of property, plant and equipment and investment properties in 2019.

There were no changes in useful lives of intangible assets with finite useful lives in 2020 and 2019.

Estimating the Fair Values of Acquiree's Identifiable Assets and Liabilities. Where the fair values of the acquiree's identifiable assets and liabilities cannot be derived from active markets, the Company determined the fair values using internal valuation techniques and generally accepted valuation approaches. The inputs to these valuation approaches are taken from historical experience and observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. The estimates may include discount rates and assumptions used in cash flow projections. The fair values of the identifiable net assets acquired as at date of acquisition are disclosed in Note 6 to the consolidated financial statements.

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 34).

Pension costs amounted to ₱55.9 million, ₱58.2 million and ₱63.8 million in 2020, 2019 and 2018, respectively. Pension and other-employment benefits liability amounted to ₱253.6 million and ₱287.9 million as at December 31, 2020 and 2019, respectively (see Note 34).

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 and 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 36.

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 and Sale of PHINMA Solar Energy Corporation. On July 3, 2019, PHEN and PHN, executed a Deed of Sale for the sale of PHEN's 225.0 million shares in PHINMA Solar to PHN representing 50.0% ownership for a consideration of ₱218.3 million.

PHN and PHINMA Solar are under common control of PHINMA, Inc. before and after the acquisition. Thus, the acquisition was considered as a combination of business under common control for which pooling of interests method was applied in the preparation of the consolidated financial statements.

The assets, liabilities and equity of the acquired businesses are included in the consolidated financial statements at their carrying amounts. Financial information for periods prior to the date of business combination was not restated.

Under the pooling of interests method:

- The assets and liabilities of the combining entities are reflected at their carrying amounts;
- No adjustments are made to reflect fair values, or recognize any new assets or liabilities at the date of the combination. The only adjustments would be to harmonize accounting policies between the combining entities;
- No 'new' goodwill is recognized as a result of the business combination;
- Any difference between the consideration transferred and the net assets acquired is reflected within equity;
- The consolidated statement of income in the year of acquisition reflects the results of the combining entities starting when the combination took place.

The acquisition resulted to equity adjustment from common control business combination, included under "Equity reserves" account, amounting to ₱8.7 million in 2019.

On December 22, 2020, PHN and UGC, executed a deed of sale for the sale of PHN's 225.0 million shares in PHINMA Solar to UGC representing 50.00% ownership for a consideration of ₱218.3 million. The sale resulted to equity adjustment due to changes in ownership interest of the Parent without loss of control (see Note 7).

Acquisition of Rizal College of Laguna. On August 3, 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 ₱11.3 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	25,934
Furnitures and fixtures	11
Indemnification assets	4,281
Total assets	519,651
Total liabilities:	
Deferred tax liabilities	51,269
Accruals and taxes payable	56
Other payables	4,448
Pension liability	3,777
Total liabilities	59,550
Total identifiable net assets acquired	460,101
Gain on bargain purchase	(11,340)
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.

On December 5, 2020, PEHI entered into a Sale and Purchase Agreement with CARD Mutually Reinforcing Institutions MRI (CARD MRI) 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).

Acquisition of Republican College, Inc. On December 23, 2019, PEHI and the shareholders of RCI entered into a Share and Asset Purchase Agreement for the sale and transfer of 23,103.5 common shares representing 92.41% of the total issued and outstanding capital stock of RCI for a consideration of ₱15.6 million. RCI is a school that operates secondary, tertiary and graduate programs. The registered office address of RCI is in Cubao, Quezon City.

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

	Fair Values Recognized at Acquisition Date
Total assets:	
Cash and cash equivalents	₱49,130
Tuition fee and other receivables	1,802
Prepaid expenses and other current assets	215
Land	143,100
Building and improvements	30,940
Deferred tax assets	5,596
Indemnification assets	7,149
Total assets	237,932
Total liabilities:	
Trade payables	79
Accruals and taxes payable	16,251
Unearned income	979
Other payables	268,451
Pension liability	1,658
Total liabilities	287,418
Total identifiable net liabilities acquired	(49,486)
Proportionate share of NCI in net assets acquired	3,755
Goodwill arising from acquisition (see Note 17)	61,286
Purchase consideration transferred	₱15,555

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.

Goodwill arising from the acquisition amounted to ₱61.3 million. Goodwill is allocated entirely to the education segment. None of this goodwill recognized is expected to be deductible for income tax purposes.

The net assets recognized in the December 31, 2019 consolidated financial statements were based on a provisional assessment of the fair value while the Company sought an independent valuation for the land by RCI which is done by an independent appraiser accredited by the SEC.

In 2020, the valuation was completed, and the acquisition date fair value of the land was decreased by ₱56.0 million over the provisional value. Fair value of other net assets acquired were increased by ₱3.8 million. The 2019 comparative information was restated to reflect the adjustments to the provisional amounts. As a result, there was a decrease in non-controlling interest of ₱4.0 million and a corresponding increase in goodwill of ₱48.2 million, resulting in ₱61.3 million of total goodwill arising on the acquisition.

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.

In August 2018, the Board of Trustees approved PEHI's stock sharing plan. PEHI issued 310,703 shares to its officers and employees for a total consideration of ₱80.1 million. The transaction resulted to increase in "Non-controlling interests" by ₱76.1 million and increase in "Equity reserves" account by ₱31.5 million.

In 2019, PEHI issued additional shares to its officers and employees as part of the stock sharing plan. The transaction resulted to increase in "Equity reserves" account by ₱21.4 million and decrease in retained earnings account by ₱26.3 million.

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 ₱1,585.9 million and ₱900.0 million as at December 31, 2020 and 2019, respectively, and derecognition of "Non-controlling interests" amounting to ₱358.2 million and ₱657.6 million in 2020 and 2019, with the difference recorded as "Equity reserves" amounting to ₱327.7 million and ₱242.4 million in 2020 and 2019, respectively. As at December 31, 2020, 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.

Acquisition of Ownership Interest of NCI in AU and COC by PEHI
In June 2019, PEHI acquired the shares held by PHINMA, Inc. in AU and COC resulting to an increase in ownership interest of PEHI from 77.85% to 97.57% and 73.18% to 91.27% in AU and COC, respectively. The transaction resulted to the decrease in "Non-controlling interests" and "Equity reserves" accounts by ₱107.0 million and ₱70.9 million, respectively.

Dilution and Acquisition of Ownership Interest of NCI in SJCI by PEHI
On March 26, 2018, PEHI acquired 235 shares in SJCI for a total cost of ₱1.5 million, which increased its ownership interest to 95.58%. The transaction resulted to the decrease in "Non-controlling interests" and "Equity reserves" accounts by ₱1.1 million and ₱0.4 million, respectively.

In October 2019, PEHI subscribed additional 110,000 shares in SJCI which increased PEHI's total interest from 95.58% to 98.30%. The transaction resulted to the decrease in "Non-controlling interests" and increase "Equity reserves" accounts by ₱3.9 million and ₱5.3 million, respectively.

Dilution and Acquisition of Ownership Interest of NCI in PhilCement
In 2018, the Parent Company and Vietcement Terminal JSC subscribed 7.5 million shares and 11.5 million shares of PhilCement for total proceeds of ₱75.0 million and ₱115.0 million, respectively. The transaction resulted in a decrease in ownership interest of the Parent Company from 85.7% to 60.0% interest in PhilCement. The transaction resulted in an increase in "Non-controlling interests" and "Equity reserves" accounts by ₱121.7 million and ₱3.3 million, respectively.

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 2018, UGC issued 217,307 shares with fair value of ₱7.4 million. In addition, UGC issued 583,429 shares for a total consideration of ₱5.1 million. These transactions resulted in an increase in "Non-controlling interests" and "Equity reserves" accounts by ₱7.6 million and ₱3.3 million, respectively.

In 2019, UGC have issued 127,710 shares as part of the stock purchase plan and also issued 291,571 shares to its officers which resulted in a decrease in "Equity reserve" account of ₱3.3 million and an increase in "Non-controlling interests" account by ₱3.7 million.

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.

Acquisition of Ownership Interest of NCI in UGC
On July 3, 2019, PHN acquired the 1.5 million shares of UGC held by PHEN which increased PHN ownership interest from 96.82% to 98.32%. This resulted to a decrease in "Non-controlling interests" account by ₱35.9 million.

Divestment of Ownership Interest in ICI Asia
On September 18, 2020, the Parent Company executed a deed of absolute sale with the President of 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.

Changes in Ownership Interests of the Parent Company in Subsidiaries without Loss of Control
Equity reserves includes the effects in equity upon changes in ownership interest of the Parent Company without loss of control. The transactions above resulted to increase in "Equity reserve" and "Non-controlling interests" accounts by ₱194.8 million and ₱475.9 million, respectively, in 2020, ₱480.2 million and ₱1.2 billion, respectively, in 2019, and ₱37.7 million and ₱204.4 million, respectively, million in 2018.

8. Material Partly-owned Subsidiaries

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

Proportion of equity interest held by NCI in 2020 and 2019 are as follows:

	Percentage of Ownership	
Name	**2020**	2019
API	**42.38**	42.38
UPANG and subsidiary	**30.67**	30.67
UI	**30.77**	30.77
SWU	**15.66**	15.66
PhilCement	**40.00**	40.00

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

Name	2020	2019
API	**₱157,853**	₱161,629
UPANG and subsidiary	**183,643**	188,952
UI	**124,633**	121,303
SWU	**282,102**	289,547
PhilCement	**401,542**	171,745

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

Name	2020	2019
API	**₱2,313**	₱9,190
UPANG and subsidiaries	**12,269**	45,272
UI	**13,303**	31,417
SWU	**6,422**	31,599
PhilCement	**310,060**	22,992

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, 2020 are as follows:

	API	UPANG and Subsidiary	UI	SWU	PhilCement
Current assets	**₱76,510**	**₱307,218**	**₱186,602**	**₱749,261**	**₱2,351,255**
Noncurrent assets	**250,468**	**984,272**	**635,516**	**1,312,436**	**2,601,426**
Total assets	**₱326,978**	**₱1,291,490**	**₱822,118**	**₱2,061,697**	**₱4,952,681**
Current liabilities	**₱52,235**	**₱294,560**	**₱174,038**	**₱710,105**	**₱2,916,718**
Noncurrent liabilities	**327**	**310,540**	**214,547**	**640,778**	**632,106**
Total liabilities	**₱52,562**	**₱605,100**	**₱388,585**	**₱1,350,883**	**₱3,548,824**

Summarized total assets and liabilities as at December 31, 2019 are as follows:

	API	UPANG and Subsidiary	UI	SWU	PhilCement
Current assets	₱82,979	₱457,021	₱251,562	₱721,565	₱1,050
Noncurrent assets	255,297	929,293	620,403	1,182,054	1,853
Total assets	₱338,276	₱1,386,314	₱871,965	₱1,903,619	₱2,903
Current liabilities	₱52,174	₱339,336	₱238,578	₱508,465	₱1,654
Noncurrent liabilities	312	344,128	215,834	652,748	820
Total liabilities	₱52,486	₱683,464	₱454,412	₱1,161,213	₱2,474

Summarized statements of comprehensive income for the year ended December 31, 2020:

	API	UPANG and Subsidiary	UI	SWU	PhilCement
Revenues	**₱11,011**	**₱377,264**	**₱272,730**	**₱701,439**	**₱5,809,152**
Cost of sales	**–**	**(195,927)**	**(112,702)**	**(372,232)**	**(4,638,695)**
Administrative and selling expenses	**(1,172)**	**(123,578)**	**(94,980)**	**(266,430)**	**(171,815)**
Finance costs	**–**	**(12,550)**	**(12,312)**	**(6,259)**	**(191,219)**
Other income (expense) - net	**(4,162)**	**2,853**	**146**	**4,728**	**(24,292)**
Income before income tax	**5,677**	**48,062**	**52,882**	**61,246**	**783,131**
Income tax	**(219)**	**(7,364)**	**(5,085)**	**(4,241)**	**(7,980)**
Net income	**5,458**	**40,698**	**47,797**	**57,005**	**775,151**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**₱5,458**	**₱40,698**	**₱47,797**	**₱57,005**	**₱775,151**

Summarized statements of comprehensive income for the year ended December 31, 2019:

	API	UPANG and Subsidiary	UI	SWU	PhilCement
Revenues	₱7,167	₱517,455	₱397,201	₱954,626	₱2,690,407
Cost of sales	–	(216,956)	(171,621)	(440,529)	(2,502,621)
Administrative and selling expenses	(1,943)	(123,237)	(103,809)	(313,797)	(84,460)
Finance costs	–	(18,299)	(10,392)	(486)	(27,762)
Other income (expense) - net	16,487	5,133	1,094	25,493	(8,386)
Income before income tax	21,711	164,096	112,473	225,307	67,178
Income tax	(26)	(16,457)	(10,371)	(23,527)	(9,789)
Net income	21,685	147,639	102,102	201,780	57,389
Other comprehensive income	–	–	–	–	–
Total comprehensive income	₱21,685	₱147,639	₱102,102	₱201,780	₱57,389

Summarized statements of cash flows for the year ended December 31, 2020:

	API	UPANG and Subsidiary	UI	SWU	PhilCement
Operating	**(₱3,222)**	**₱114,818**	**(₱5,208)**	**₱182,934**	**₱1,407,822**
Investing	**(35,639)**	**(64,949)**	**(9,782)**	**(188,960)**	**(652,072)**
Financing	**–**	**(121,207)**	**(13,861)**	**49,621**	**(446,895)**
Net increase (decrease) in cash and cash equivalents	**(₱38,861)**	**₱71,338**	**(₱28,851)**	**₱43,595**	**₱308,855**
Dividends paid to non-controlling interests	**₱–**	**₱100,000**	**₱70,270**	**₱140,379**	**₱–**

Summarized statements of cash flows for the year ended December 31, 2019:

	API	UPANG and Subsidiary	UI	SWU	PhilCement
Operating	₱1,040	₱195,261	₱123,728	₱123,957	(₱506,994)
Investing	38,753	(40,688)	(79,623)	(163,790)	(779,779)
Financing	–	(137,942)	(70,270)	(140,379)	1,251,294
Net increase (decrease) in cash and cash equivalents	₱39,793	₱16,631	(₱26,165)	(₱180,212)	(₱35,479)
Dividends paid to non-controlling interests	₱–	₱45,993	₱30,887	₱16,044	₱–

9. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand and in banks	**₱1,784,418**	₱579,855
Short-term deposits	**1,104,445**	2,603,940
	₱2,888,863	₱3,183,795

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 ₱17.2 million, ₱52.7 million and ₱41.0 million in 2020, 2019, and 2018, respectively (see Note 25).

10. Investments Held for Trading

This account consists of investments in:

	2020	2019
Unit Investment Trust Funds (UITFs)	**₱2,115,856**	₱2,134,337
Marketable equity securities	**13,966**	6,665
Investment in treasury bills	**–**	57,262
	₱2,129,822	₱2,198,264

Net gains from investments held for trading amounted to ₱27.9 million, ₱52.9 million and ₱15.7 million in 2020, 2019 and 2018, respectively (see Note 25).

Investments held for trading have yields ranging from 0.55% to 4.76% in 2020, 0.97% to 1.47% in 2019 and 0.30% to 2.30% in 2018. Interest income from investments held for trading amounted to ₱6.9 million, ₱4.2 million, and ₱3.4 million in 2020, 2019 and 2018, respectively (see Note 25).

11. Trade and Other Receivables

This account consists of:

	2020	2019 (As restated - Note 6)
Receivables from customers	**₱3,167,966**	₱2,929,040
Advances to suppliers and contractors	**791,767**	384,293
Due from related parties (see Note 32)	**176,946**	177,801
Advances to officers and employees	**47,050**	82,476
Accrued interest receivables	**18,666**	14,829
Others	**233,106**	214,202
	4,435,501	3,802,641
Less allowance for ECLs	**1,013,115**	866,683
	₱3,422,386	₱2,935,958

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 PhilCement's importation of cement. In October 2019, PhilCement 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, 2020 and 2019, safeguard duties paid amounted to ₱475.0 million and ₱109.7 million, respectively.

The terms and conditions of the amounts due from related parties are discussed in Note 32.

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

Other receivables mainly consist of interest-bearing loan receivables of PEHI. The loan receivables carry an interest rate of 10% per annum and are due and demandable.

Receivables written off amounted to ₱14.2 million and ₱19.1 million in 2020 and 2019, respectively. These pertain to receivables of COC, SJCI, UPANG and RCI which are deemed worthless and uncollectible.

Movements in the allowance for ECLs are as follows:

	2020		
	Customer	**Others**	**Total**
Balance at January 1, 2020	**₱719,748**	**₱146,935**	**₱866,683**
Provisions (see Note 27)	**168,492**	–	**168,492**
Write-offs	**(14,213)**	–	**(14,213)**
Deconsolidation of a subsidiary (see Note 7)	**(7,847)**	–	**(7,847)**
Balance at December 31, 2020	**₱866,180**	**₱146,935**	**₱1,013,115**

	2019		
	Customer	Others	Total
Balance at January 1, 2019	₱572,584	₱165,776	₱738,360
Provisions (see Note 27)	96,262	250	96,512
PFRS 9 adjustment	50,902	–	50,902
Write-offs	–	(19,091)	(19,091)
Balance at December 31, 2019	₱719,748	₱146,935	₱866,683

12. Inventories

This account consists of:

	2020	2019
At cost:		
Finished goods	**₱1,244,483**	₱1,058,809
Raw materials	**261,584**	203,283
Other inventories	**59,648**	72,476
At net realizable value -		
Spare parts and others	**42,266**	45,099
	₱1,607,981	₱1,379,667

Under the terms of the agreements covering liabilities under trust receipts, certain inventories amounting to ₱2,030.9 million and ₱1,203.9 million as at December 31, 2020 and 2019, respectively, have been released to UGC in trust for the banks. UGC is 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 ₱53.5 million and ₱59.3 million as at December 31, 2020 and 2019, respectively. The Company has allowance for inventory write-down amounting to ₱11.2 million and ₱14.2 million as at December 31, 2020 and 2019, respectively.

Cost of inventories sold, presented as "Inventories used" under "Cost of sales", amounted to ₱7,187.4 million, ₱6,248.4 million and ₱5,857.3 million in 2020, 2019 and 2018, respectively (see Note 26).

13. Investment in Associates and Joint Ventures

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

	Percentage of Ownership			
	2020		2019	
	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 Managemen (IPM) [(e)]	**–**	**47.89**	–	47.89

(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:

	2020	2019
PPHC	**₱591,804**	₱584,319
APHI	**161,121**	141,324
PHI	**137,542**	142,830
Coral Way	**74,652**	81,551
	₱965,119	₱950,024

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

	2020	2019
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	**(908,288)**	(950,267)
Equity in net earnings (losses)	**(3,733)**	45,779
Dividends	**–**	(3,800)
Balance at end of year	**(912,021)**	(908,288)
Share in other comprehensive income (loss) of associates:		
Balance at beginning of year	**(5,010)**	(6,654)
Share in other comprehensive income	**18,828**	1,644
Balance at end of year	**13,818**	(5,010)
	₱965,119	₱950,024

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

Summarized statements of financial position as at December 31 follow:

	2020		2019	
	PPHC	**APHI**	PPHC	APHI
Total assets	**₱5,869,412**	**₱505,989**	₱5,142,237	₱501,898
Total liabilities	**(4,157,484)**	**(1,465)**	(3,676,845)	(976)
Non-controlling interests	**(2,021)**	–	(1,267)	–
	1,709,907	**504,524**	1,464,125	500,922
Proportion of the Parent Company's ownership	**35.42%**	**26.51%**	35.42%	26.51%
Equity attributable to Equity Holders of the Parent	**605,649**	**133,749**	518,593	132,794
Valuation differences	**(13,845)**	**27,372**	65,726	8,530
Carrying amount of the investments	**₱591,804**	**₱161,121**	₱584,319	₱141,324

Summarized statements of comprehensive income are as follow:

	2020		2019		2018	
	PPHC	**APHI**	PPHC	APHI	PPHC	APHI
Revenues	**₱1,952,545**	**₱5,024**	₱1,924,013	₱4,914	₱2,298,639	₱134,847
Cost of sales	**(1,095,649)**	–	(1,152,882)	–	(1,589,825)	16,083
Depreciation and amortization	**(30,604)**	–	(29,115)	–	(12,709)	–
Interest income	**31,022**	–	50,694	1,923	43,983	1,597
Interest expense	**(151,995)**	–	(150,037)	–	(144,046)	–
Other income (expenses) - net	**(565,527)**	**1,314**	(508,745)	3,028	(495,347)	–
Income before tax	**139,792**	**6,338**	133,928	9,865	100,695	152,527
Income tax	**(130,906)**	**(50)**	(74,288)	(105)	(70,561)	(319)
Net income	**8,886**	**6,288**	59,640	9,760	30,134	152,208
Other comprehensive income (loss)	–	(58)	–	6,200	–	123
Total comprehensive income	**₱8,886**	**₱6,230**	₱59,640	₱15,960	₱30,134	₱152,331
Company's share of total comprehensive income	**₱3,147**	**₱1,652**	₱28,681	₱4,231	₱14,317	₱–
Dividends received	**₱–**	**₱–**	₱–	₱–	₱–	₱–

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

a. PHEN and PPG

PHEN is involved in power generation and oil and mineral exploration activities. The registered office address of PHEN and PPG is 11th floor, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City. PHEN and PPG are both listed in the Philippine Stock Exchange.

PPG was incorporated and registered with the SEC on September 28, 1994. PPG is engaged in oil exploration and well development. On November 28, 2012, the SEC approved the change in PPG's primary purpose from power generation to oil and gas exploration and production.

PPG listed its shares with the PSE by way of introduction on August 28, 2014. On April 10, 2017, PPG's BOD approved the amendment of its Articles of Incorporation to change PPG's corporate name to PHINMA Petroleum and Geothermal, Inc. and to include in its primary and secondary purposes the exploration and development of geothermal resources. The amended Articles of Incorporation was approved by the SEC on May 31, 2017.

In 2018, the Company launched a strategic reorientation, which included the decision to sell its investment in PHEN which is being accounted for as an investment in associate at equity method in order to focus the Company's resources in its other business segments. On November 9, 2018, a non-binding offer was received by the Company from AC Energy, Inc. to sell the Company's entire ownership interest in PHEN, subject to price adjustments for certain assets of PHEN excluded in the sale and net debt/working capital settlement. The decision to sell the investment in PHEN had progressed sufficiently resulting in a binding offer from AC Energy, Inc. which was received by the Company on December 26, 2018. An appropriate level of management signed the agreement on December 28, 2018.

As at December 31, 2018, the investment in PHEN was classified as asset held for sale based on management's assessment. Management recorded impairment loss of ₱252.8 million when it measured the asset held for sale at the lower of its carrying value and fair value less costs to dispose.

As at December 31, 2018, PPG has been classified as part of investment in equity instruments at FVOCI since the Company lost its significant influence over PPG when the investment in PHEN, parent company of PPG, was reclassified to noncurrent asset held for sale. Management recorded an impairment loss of ₱18.8 million upon reclassification.

On May 15, 2019, PHN signed an agreement with PHEN for the sale of PHN's 32.5 million shares or equivalent to 25.2% ownership interest in PPG at ₱2.44 per share for a total consideration of ₱78.6 million, net of related transaction costs. As a result, the Company recorded gain on sale of equity instrument at FVOCI amounting to ₱30.9 million recognized in OCI.

On June 19, 2019, PHN finalized its planned divestment in PHEN and signed the Deed of Absolute Sale with AC Energy, Inc. for the sale of its 1,283.4 million shares or equivalent to 26.24% ownership interest in PHEN at ₱1.4577 per share for a total consideration of ₱1,811.2 million, net of related transaction costs. The Company recognized a loss on sale of an associate amounting to ₱13.1 million.

b. PPHC

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

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, 2020 and 2019, 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 2, 2021.

c. AB Capital/APHI

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

d. Coral Way

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

e. 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, 2020 and 2019.

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:

	2020	2019
IPM	₱235,352	₱229,651
PHINMA Saytanar	–	–
	₱235,352	₱229,651

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

	2020	2019
Acquisition costs:		
Balance at beginning of year	₱235,503	₱232,541
Additions	–	229,651
Reclassification	–	(226,689)
Balance at end of year	235,503	235,503
Accumulated equity in net losses:		
Balance at beginning of year	(5,852)	(6,567)
Equity in net earnings (losses)	5,701	(1,562)
Reclassification	–	2,277
Balance at end of year	(151)	(5,852)
Share in other comprehensive income of joint ventures:		
Balance at beginning of year	–	28
Reclassification	–	(28)
Balance at end of year	–	–
	₱235,352	₱229,651

The summarized financial information of the material joint venture is provided below.

Summarized statements of financial position of IPM as at December 31, 2020 and 2019 are as follow:

	2020	2019
Total assets	₱305,757	₱351,637
Total liabilities	(3,832)	(2,445)
	301,925	349,192
Proportion of the Parent Company's ownership	66.00%	66.00%
Equity attributable to Equity Holders of the Parent	199,271	230,467
Valuation differences	36,081	(816)
Carrying amount of the investments	₱235,352	₱229,651

Summarized statements of comprehensive income of IPM in for years ended December 31, 2020 and 2019 are as follow:

	2020	2019
Revenues	₱14,644	₱4,543
Cost of sales	(6,664)	(4,965)
Other income - net	2,459	422
Income before tax	10,439	–
Income tax	(1,802)	–
Net income	8,637	–
Other comprehensive income	–	–
Total comprehensive income	₱8,637	₱–
Company's share of total comprehensive income	₱5,701	₱–
Dividends received	₱–	₱–

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

(a) PHINMA Saytanar

In February 2018, the Parent Company entered into a Joint Venture Agreement (JVA) with T K A H Company Ltd. (TKAH) to establish PHINMA Saytanar Education Company Limited (PSEd) 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.

PSEd shall 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.

(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.

14. Financial Assets at FVOCI

This account consists of:

	2020	2019
Investment in club shares	₱31,830	₱35,170
Non-listed equity securities	78,275	74,393
	₱110,105	₱109,563

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 2020 and 2019 from financial assets at FVOCI.

The movements in net unrealized gain on financial assets at FVOCI, net of tax in 2020 and 2019 are as follows:

	2020	2019
Balance at beginning of year	₱40,284	₱66,578
Loss due to changes in fair value of investment in equity instruments	(1,362)	(57,192)
Sale of equity instruments at FVOCI (see Note 13)	–	30,898
Balance at end of year	₱38,922	₱40,284

15. Property, Plant and Equipment

This account consists of:

	January 1, 2020	Acquisition through business combination (see Note 6)	Additions	Disposals	Reclassifications	December 31, 2020
Cost						
Land	₱2,390,271	₱488,450	₱88,872	₱–	₱–	₱2,967,593
Plant site improvements	186,872	–	–	–	2,020,054	2,206,926
Buildings and improvements	3,394,995	34,872	268,454	(149)	4,957	3,703,129
Machinery and equipment	1,891,691	11	112,294	(44,183)	191,056	2,150,869
Transportation and other equipment	507,983	–	34,644	(17,522)	–	525,105
	8,371,812	523,333	504,264	(61,854)	2,216,067	11,553,622
Less Accumulated Depreciation						
Plant site improvements	46,742	–	75,623	–	–	122,365
Buildings and improvements	1,165,407	8,938	136,645	(130)	–	1,310,860
Machinery and equipment	1,312,136	–	174,234	(41,668)	–	1,444,702
Transportation and other equipment	333,540	–	30,791	(16,093)	–	348,238
	2,857,825	8,938	417,293	(57,891)	–	3,226,165
	5,513,987	514,395	86,971	(3,963)	2,216,067	8,327,457
Construction in progress	2,415,332	–	865,993	(1,961)	(2,216,067)	1,063,297
Net Book Value	₱7,929,319	₱514,395	₱952,964	(₱5,924)	₱–	₱9,390,754

	January 1, 2019	Acquisition through business combination (see Note 6)	Additions	Disposals	Reclassifications	December 31, 2019 (As restated - Note 6)
Cost						
Land	₱2,245,453	₱143,100	₱1,940	(₱222)	₱–	₱2,390,271
Plant site improvements	182,191	–	–	(215)	4,896	186,872
Buildings and improvements	2,924,947	37,084	124,551	–	308,413	3,394,995
Machinery and equipment	1,554,106	–	321,493	(1,092)	17,184	1,891,691
Transportation and other equipment	486,290	–	33,137	(12,306)	862	507,983
	7,392,987	180,184	481,121	(13,835)	331,355	8,371,812
Less Accumulated Depreciation						
Plant site improvements	39,427	–	7,530	(215)	–	46,742
Buildings and improvements	1,029,091	–	136,316	–	–	1,165,407
Machinery and equipment	1,154,596	6,144	152,488	(1,092)	–	1,312,136
Transportation and other equipment	321,732	–	23,634	(11,826)	–	333,540
	2,544,846	6,144	319,968	(13,133)	–	2,857,825
	4,848,141	174,040	161,153	(702)	331,355	5,513,987
Construction in progress	1,396,292	–	1,350,395	–	(331,355)	2,415,332
Net Book Value	₱6,244,433	₱174,040	₱1,511,548	(₱702)	₱–	₱7,929,319

Construction in progress mainly pertains to the construction of cement terminal facility in Mariveles, Bataan which started in August 2018. This project was completed on January 31, 2020. This was financed by PhilCement's long-term debt from Security Bank Corporation (SBC) (see Note 22)

Outstanding construction in progress pertains to construction costs for various buildings and hospital renovations which are expected to be completed in 2022.

Interest capitalized as part of "Construction in progress" account amounted to ₱76.0 million and ₱141.3 million at a capitalization rate ranging from 2.7% to 7.2% and 6.0% to 10.1% in 2020 and 2019, respectively.

Certain property and equipment of AU, COC, UI, UPANG, PhilCement and UGC are used as collateral for their respective long-term debts obtained from local banks (see Note 22).

In 2020, the Company sold various property and equipment with aggregate carrying value of ₱5.9 million for ₱ 6.8 million, resulting to a gain of ₱0.9 million.

In 2019, the Company sold various property and equipment with aggregate carrying value of ₱0.7 million for ₱2.0 million, resulting to a gain of ₱1.3 million.

In 2018, the Company sold various property and equipment with aggregate carrying value of ₱5.9 million for ₱18.1 million, resulting to a gain of ₱12.2 million.

16. Investment Properties

This account consists of:

	January 1, 2020	Additions	Disposals	December 31, 2020
Cost:				
Land	**₱610,724**	**₱–**	**₱–**	**₱610,724**
Buildings for lease	**95,625**	–	–	**95,625**
	706,349	–	–	**706,349**
Less accumulated depreciation -				
Buildings for lease	**76,415**	**1,265**	–	**77,680**
	₱629,934	**₱1,265**	**₱–**	**₱628,669**

	January 1, 2019	Additions	Disposals	December 31, 2019
Cost:				
Land	₱576,724	₱34,222	(₱222)	₱610,724
Buildings for lease	95,625	–	–	95,625
	672,349	34,222	(₱222)	706,349
Less accumulated depreciation -				
Buildings for lease	65,051	11,363	–	76,415
	₱607,298	₱22,859	(₱222)	₱629,934

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

	2020	2019	2018
Rental income	**₱74,025**	₱86,069	₱79,423
Depreciation and amortization (included under "General and administrative expenses" account) (see Notes 27 and 30)	**(1,265)**	(11,364)	(10,787)
	₱72,760	₱74,705	₱68,636

As at December 31, 2020, the fair values of the investment properties amounted to ₱2,371.0 million based on valuations performed by accredited independent appraisers on various dates from 2018 to 2020. 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	₱160,700–₱229,167

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 the investment properties was not determined as at December 31, 2020, the Company's management believes that cost of the investment properties approximate their fair values as at December 31, 2020.

PSHC's land is used as a security for its long-term debt (see Note 22). 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 nil, ₱7.7 million and ₱30.7 million in 2020, 2019 and 2018, respectively.

17. Intangible Assets

Following are the details and movements in this account:

	Student List	Software Costs	Trademark with Indefinite Useful Life	Goodwill	Total
Cost					
At January 1, 2019	₱165,638	₱23,761	₱–	₱2,159,782	₱2,349,181
Additions	–	12,578	–	61,286	73,864
At December 31, 2019 (as restated - see Note 6)	165,638	36,339	–	2,221,068	2,423,045
Additions	–	861	–	–	861
At December 31, 2020	**₱165,638**	**₱37,200**	**₱–**	**₱2,221,068**	**₱2,423,906**
Amortization and Impairment					
At January 1, 2019	₱165,638	₱22,523	₱–	₱389,012	₱577,173
Amortization (see Note 30)	–	3,237	–	–	3,237
Impairment	–	–	–	14,120	14,120
At December 31, 2019	165,638	25,760	–	403,132	594,530
Amortization (see Note 30)	–	3,703	–	–	3,703
At December 31, 2020	**₱165,638**	**₱29,463**	**₱–**	**₱403,132**	**₱598,233**
Net Book Value					
At December 31, 2020	**₱–**	**₱7,737**	**₱–**	**₱1,817,936**	**₱1,825,673**
At December 31, 2019 (as restated - see Note 6)	₱–	₱10,579	₱–	₱1,817,936	₱1,828,515

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 2020 and 2018. The Company recognized impairment loss amounting to ₱14.1 million in 2019.

18. Other Noncurrent Assets

This account consists of:

	2020	2019
Deposit	**₱255,100**	₱255,100
Advances to suppliers and contractors	**151,974**	150,742
Indemnification assets (see Note 6)	**24,367**	20,086
Refundable deposits	**9,634**	11,251
Creditable withholding taxes	**7,812**	7,812
Others	**9,382**	6,364
	₱458,269	₱451,355

On September 18, 2019, PHN executed a binding Term Sheet with Song Lam Cement Joint Stock Company (Song Lam), Vissai Ninh Binh Joint Stock Company (Vissai) and Hoang Minh Truong for the investment via preferred shares in Song Lam, a subsidiary of Vissai. As at December 31, 2020 and 2019, PHN's deposit amounted to ₱255.1 million.

19. Notes Payable

This account consists of notes payable of the following subsidiaries:

	2020	2019
UGC	**₱447,687**	₱141,086
PhilCement	**368,223**	767,000
SWU	**190,000**	–
PHN	**150,000**	–
AU	**60,000**	14,794
UI	**60,000**	–
COC	**50,000**	16,000
SJC	**–**	30,000
	₱1,325,910	₱968,880

The notes payable are unsecured short-term peso-denominated loans obtained from financial institutions with an annual interest rate ranging between 2.81% to 5.75% and 3.83% to 6.55% in 2020 and 2019, respectively.

Interest expense incurred from notes payable amounted to ₱163.5 million, ₱99.2 million and ₱9.3 million in 2020, 2019 and 2018, respectively.

20. Trade and Other Payables

This account consists of:

	2020	2019 (As restated - Note 6)
Trade	**₱953,444**	₱326,795
Accruals for:		
Professional fees and others (see Note 32)	**418,538**	486,005
Personnel costs (see Notes 29 and 32)	**132,549**	83,191
Interest (see Notes 22 and 31)	**107,027**	61,359
Freight, hauling and handling	**8,846**	21,608
Dividends	**175,068**	109,154
Escrow	**28,989**	25,101
Deposit liabilities	**4,757**	73,495
Others	**130,885**	175,636
	₱1,960,103	₱1,362,344

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.

Escrow liability pertains to withheld portion of purchase price of acquisition of SJCI which will be released to sellers upon fulfillment of certain conditions.

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

21. Contract Liabilities

This account consists of:

	2020	2019
Unearned revenues	**₱411,888**	₱820,262
Customers' deposits	**197,386**	185,695
	₱609,274	₱1,005,957

Unearned revenues pertains 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.

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 financial year.

22. Long-term Debt

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

	2020	2019
PEHI	**₱2,162,000**	₱2,231,000
PHN	**1,990,000**	2,000,000
PhilCement	**726,334**	847,389
UGC	**606,875**	689,375
SWU	**600,000**	600,000
UPANG	**272,350**	294,729
AU	**242,960**	253,700
UI	**200,000**	200,000
COC	**172,784**	182,912
PSHC	**128,931**	145,907
	7,102,234	7,445,012
Less debt issuance cost	**43,830**	50,792
	7,058,404	7,394,220
Less current portion - net of debt issuance cost	**519,381**	314,730
	₱6,539,023	₱7,079,490

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, PhilCement, 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, 2020 and 2019, PhilCement has not complied the financial ratios as required in the agreements. Due to this breach of the debt covenant clause, PhilCement obtained the necessary waivers from the bank. PHN and other subsidiaries are in compliance with the required financial ratios and other loan covenants as at December 31, 2020 and 2019.

Certain assets are mortgaged as collaterals for the respective long-term debts as follows (see Note 15):

Entity	Collateral
AU	Land, buildings and improvements
COC	Land, buildings and improvements in the main campus
UPANG	Land and land improvements
UI	Land and land improvements
PhilCement	Assignment of leasehold rights on the land where the cement terminal is being constructed and registration of real estate or chattel mortgage on cement terminal building, equipment and other assets.
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:

	2020	2019
Beginning of year	**₱50,792**	₱45,684
Amortization	**(8,758)**	(5,500)
Additions	**1,796**	10,608
End of year	**₱43,830**	₱50,792

Interest expense (including amortization of debt issuance costs) pertaining to the loan was presented as part of "Interest expense and other financing charges" account in the consolidated statements of income amounting to ₱434.4 million, ₱349.8 million and ₱335.6 million in 2020, 2019 and 2018, respectively (see Note 31).

The details of long-term debts are summarized below:

				Terms					Outstanding Amounts[11]	
Debtor	Loan Amount	Date of Loan Agreement	Lender	Installments	Final Installment	Interest Rate	Dates Drawn	Amount Drawn	December 31, 2020	December 31, 2019
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	**₱470,486**	₱484,882
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	**831,525**	860,692
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	**471,304**	485,543
PEHI		December 1, 2015	CBC	28 equal quarterly payments of ₱3.0 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 8, 2019.	December 8, 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 8, 2015	400,000	**369,318**	382,335
COC	₱100,000[2]	March 27, 2013	CBC	40 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 March 27, 2013 to March 27, 2018, 6.05% from March 27, 2018 to March 27, 2020 and 6.30% from March 27, 2020 to March 27, 2023 with the EIR of 6.12% over 365 days.	March 27, 2013	50,000	**11,197**	15,575
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	**11,468**	16,387

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[11] December 31, 2020	Outstanding Amounts[11] December 31, 2019
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.	June 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	**₱125,720**	₱125,594
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	Quarterly principal payments as follows: ₱1.0 million per quarter for the 3rd and 4th year from initial drawdown; ₱1.5 million per quarter for the 5th and 6th year; ₱2.5 million per quarter for the 7th until 9th year; and, ₱37.5 million per quarter for the 10th year.	December 20, 2027	The borrower has the option, which shall be made known to the bank on the initial drawdown date: i. Fixed for the first seven years. Applicable seven-year PDST-R2 a spread up to 1.25%, for the remaining three years, the applicable three-year PDST-R2 plus a spread up to 1.25%; or, ii. Fixed for ten years, applicable PDST-R2 plus a spread up to 1.35%.	December 20, 2017	100,000	**98,579**	98,535
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	The borrower has the option, which shall be made known to the bank on the initial drawdown date: i. Fixed for the first seven years. Applicable seven-year PDST-R2 a spread up to 1.25%, for the remaining three years, the applicable three-year PDST-R2 plus a spread up to 1.25%; or, ii. Fixed for ten years, applicable PDST-R2 plus a spread up to 1.35%.	April 24, 2018	100,000	**99,312**	99,292
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 November 29, 2019.	November 29, 2019	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	**42,472**	52,959

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[11] December 31, 2020	Outstanding Amounts[11] December 31, 2019
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, 2019	Option 1.) 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. Option 2.) Fixed rate for the first seven 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 three years based on: i. Initial interest rate; or ii. Then prevailing three-year Benchmark rate plus interest spread, whichever is higher. Option 3.) Fixed rate for the first ten years based on the ten-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT.	November 29, 2019	₱100,000	**₱98,832**	₱98,592
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, 2019	Option 1.) 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. Option 2.) Fixed rate for the first seven 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 three years based on: i. Initial interest rate; or ii. Then prevailing three-year Benchmark rate plus interest spread, whichever is higher. Option 3.) Fixed rate for the first ten years based on the ten-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT.	November 29, 2019	100,000	**98,819**	98,591

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Terms: Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[11] December 31, 2020	Outstanding Amounts[11] December 31, 2019
UPANG	₱156,000[9]	December 21, 2012	CBC	28 equal quarterly payments of ₱5.6 million.	February 1, 2020	Interest shall be payable quarterly in arrears from February 1, 2013 to May 1, 2013 (89 days) shall be at 5.78% p.a. computed as of seven-year PDSTF of 3.97 plus spread of 175bps plus Gross Receipts Tax (GRT) of 1%. Repricing after two years to reflect 5% GRT. Starting May 2015, rate will be at 6.02%.	February 1, 2013	₱156,000	**₱-**	₱5,571
UPANG	94,000[9]	December 21, 2012	CBC	28 equal quarterly payments of ₱3.4 million.	February 15, 2020	Interest shall be payable quarterly in arrears from February 1, 2013 to May 1, 2013 (89 days) shall be at 5.58% p.a. computed as of seven-year PDSTF of 3.78 plus spread of 175bps plus Gross Receipts Tax (GRT) of 1%. Repricing after 2 years to reflect 5% GRT. Starting May 2015, rate will be at 5.81%.	February 15, 2013	94,000	**-**	3,357
UPANG	₱190,000[9]	March 27, 2018	CBC	28 unequal quarterly payments of ₱6.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on December 7, 2018.	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 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.	March 27, 2018	190,000	**183,287**	197,757
UPANG Urdaneta	100,000[9]	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	**87,817**	97,772
SWU	400,000[10]	December 6,2017	RCBC	28 quarterly payments of ₱1.0 million. First principal payment will commence on March 7, 2021.	December 6, 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 6, 2017	100,000	**99,738**	99,674
SWU		December 6, 2017	RCBC	28 quarterly payments of ₱1.0 million. First principal payment will commence on March 7, 2021.	December 6, 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 20, 2017	200,000	**199,545**	199,744
SWU		December 6, 2017	RCBC	28 quarterly payments of ₱1.0 million. First principal payment will commence on March 7, 2021.	December 6, 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.	March 29, 2018	100,000	**99,642**	99,484

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Terms: Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[11] December 31, 2020	Outstanding Amounts[11] December 31, 2019
SWU	₱200,000[10]	April 18, 2018	CBC	27 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	The borrower has the option, which shall be made known to the bank on the initial drawdown date: i. 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; or, ii. Fixed for the first seven years, applicable seven-year PDST-R2 plus a spread of up to 125 bps; or, iii. Fixed for ten years, for the remaining three years, applicable three-year PDST-R2 plus a spread of up to 125 bps; or, iv. Fixed for ten years, applicable ten-year PDST-R2 plus a spread of up to 135 bps.	April 18, 2018	₱200,000	**₱199,130**	₱188,640
PHN	2,000,000[12]	May 23, 2017	SBC	Principal repayment shall commence at the end of the 3rd year from initial drawdown date until maturity date; balloon payment amounting to ₱1.9 billion or 94% of principal amount on maturity date.	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 (1.25% p.a.), and ii) 6.25% p.a., whichever is higher.	May 23, 2017	2,000,000	**1,979,362**	1,987,971
UGC	400,000[13]	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	**309,924**	347,380
UGC	₱100,000[14]	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	**76,936**	87,083
UGC	218,750[15]	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 repricing of interest rate from amendment date to maturity date.	March 25, 2013	218,750	**143,703**	160,895

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[(11)] December 31, 2020	Outstanding Amounts[(11)] December 31, 2019
UGC	75,000[(16)]	November 5, 2015	BDO	39 equal quarterly payments	November 5, 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 5, 2015	₱75,000	**₱37,260**	₱44,660
UGC	75,000[(16)]	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	**37,260**	44,660
PhilCement	₱875,000[(17, 18)]	June 1, 2018	SBC	14 equal quarterly payments [(19)]	October 25, 2023	Interest rate is based on the 5-year Philippine Dealing System Treasury (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	**135,794** **136,114** **50,353** **55,504** **15,714** **69,489** **215,012** **43,857**	157,692 158,237 58,625 64,640 18,230 80,898 250,318 51,048
PSHC	154,000[(20)]	July 15, 2006	UPPC	2 installment payments	July 15, 2023	The effective interest rate after the change in interest rate is 7.00%.	July 15, 2006	154,000	**128,931**	145,907
	Total								**₱7,058,404**	₱7,394,220

[(1)] The purpose of this debt is to finance the acquisition of majority ownership in AU, COC, UPANG, UI and SWU by the Parent Company.
[(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 for general funding requirements and refinancing of long-term and short-term loans of AU.
[(8)] The purpose of this debt is to finance various capital expenditures of AU.
[(9)] The purpose of this debt is to finance various capital expenditures and to refinance existing obligations of UPANG and subsidiary.
[(10)] The purpose of this debt is to finance the building development, expansion and purchase of equipment for SWU's Hospital and Company.
[(11)] Amounts are net of unamortized debt discount and/or debt issue cost.
[(12)] Amounts are net of unamortized debt discount and/or debt issue cost.
[(13)] The purpose of this loan is to refinance the outstanding loan of the Company 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 the Company.
[(14)] The purpose of this amended loan is to extend maturity date of old loan to July 20, 2023.
[(15)] The purpose of this loan is to finance maturing Security Bank loan, finance capital expenditure, and permanent working capital requirements.
[(16)] The purpose of this loan is to finance plant expansions in Calamba, Davao and Pampanga.
[(17)] 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.
[(18)] Availment of loan is staggered based on pre-agreed drawdown schedule during the availability period.
[(19)] The quarterly installment will commence at the end of the sixth quarter following the initial drawdown date of October 25, 2018.
[(20)] The purpose of this loan is to finance the acquisition of land from UPPC.

23. Equity

a. Capital Stock

The composition of the Parent Company's capital stock as at December 31, 2020 and 2019 is as follows:

	Number of Shares 2020	Number of Shares 2019
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	**13,970,579**	13,754,779

The issued and outstanding shares as at December 31, 2020 and 2019 are held by 1,227 and 1,228 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, 2020 and 2019.

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 March 23, 2018, the Parent Company's Executive Committee approved the appropriation of ₱1.0 billion retained earnings for investment in the Education and Construction Materials business until 2019, and ₱300.0 million for the buyback of shares of the Parent Company. The Parent Company will buy back until December 31, 2019 up to ten percent (10%) of the issued and outstanding shares of the Parent Company through the trading facilities of the PSE.

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.

Unappropriated

On March 6, 2018, the Parent Company's BOD declared a cash dividend of ₱0.40 per share or an equivalent of ₱114.0 million, to all common shareholders of record as at March 22, 2018. The cash dividends were paid on April 6, 2018.

On March 5, 2019, the Parent Company's BOD declared a cash dividend of ₱0.40 per share or an equivalent of ₱112.7 million, to all common shareholders of record as at March 21, 2019. The cash dividends were paid on March 29, 2019.

On November 11, 2019, the Parent Company's BOD declared a special cash dividend of ₱0.40 per share or an equivalent of ₱112.6 million, to all common shareholders of record as at November 25, 2019. The cash dividends were paid on December 9, 2019.

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.

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 ₱916.2 million and ₱2,016.4 million as at December 31, 2020 and 2019, respectively.

c. Buyback of Shares

On March 23, 2018, the Parent Company's Executive Committee approved the appropriation of ₱300.0 million for the buyback of shares of the Parent Company. The Parent Company will buy back until December 31, 2019 up to ten percent (10%) of the issued and outstanding shares of the Parent Company through the trading facilities of the PSE.

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 2020, 2019 and 2018, the Parent Company bought back 215,800 shares, 9,216,300 shares and 3,071,200 shares which amounted to ₱1.9 million, ₱91.7 million and ₱25.8 million, respectively.

24. Revenue from Contracts with Customers

Set out below is the disaggregation of the revenue from contracts with customers:

	2020	2019	2018
Revenue source:			
Sale of goods	**₱9,837,225**	₱7,988,639	₱7,186,007
Tuition, school fees and other services	**1,711,509**	2,396,104	2,124,609
Installation services	**472,914**	525,748	296,834
Hospital routine services	**151,337**	160,254	109,259
Consultancy services	**2,125**	49,702	64,661
Total revenue from contracts with customers	**₱12,175,110**	₱11,120,447	₱9,781,370
Timing of recognition:			
Goods transferred at a point in time	**₱10,310,139**	₱8,514,387	₱7,482,841
Services transferred over time	**1,864,971**	2,606,060	2,298,529
Total revenue from contracts with customers	**₱12,175,110**	₱11,120,447	₱9,781,370

"Others - net" in the consolidated statement of income consist of miscellaneous income which includes miscellaneous cash receipts. In 2020, 2019 and 2018, miscellaneous income amounted to ₱51.1 million, ₱52.1 million and ₱73.7 million, respectively.

Contract balances

	2020	2019
Trade receivables	**₱3,144,700**	₱2,930,841
Contract liabilities	**609,274**	1,005,957

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 ₱609.3 million as at December 31, 2020 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 21).

25. Investment Income

This account consists of:

	2020	2019	2018
Interest income on:			
Cash and cash equivalents (see Note 9)	**₱17,233**	₱52,727	₱41,034
Short-term investments	**–**	7,401	8,684
Investments held for trading (see Note 10)	**6,862**	4,159	3,409
Due from related parties and others	**473**	1,064	374
	24,568	65,351	53,501
Net gains from investments held for trading (see Note 10)	**27,854**	52,919	15,675
Dividend income	**194**	125	133
	₱52,616	₱118,395	₱69,309

26. Cost of Sales, Educational, Hospital, Installation and Consultancy Services

This account consists of:

	2020	2019	2018
Cost of sales	**₱7,659,460**	₱6,312,840	₱6,065,989
Cost of educational services	**849,006**	1,135,887	904,150
Cost of installation services	**390,190**	445,213	224,928
Cost of hospital services	**118,287**	100,303	65,882
Cost of consultancy services	**19,887**	89,012	41,608
	₱9,036,830	₱8,083,255	₱7,302,557

The details of cost of sales, educational, installation, hospital and consultancy services are as follows:

	2020	2019	2018
Inventories used (see Note 12)	**₱7,187,400**	₱6,248,448	₱5,857,311
Personnel costs (see Note 29)	**775,101**	784,908	709,203
Depreciation (see Note 30)	**409,297**	240,934	240,675
Laboratory and school supplies	**74,694**	70,868	51,385
Packaging materials	**89,940**	1,315	1,989
Rent (see Note 37)	**88,046**	67,061	39,205
Power and fuel	**69,544**	23,187	22,452
Repairs and maintenance	**37,183**	47,636	58,000
Subscription	**34,866**	6,514	7,040
Graduation expenses	**17,843**	41,074	39,420
Educational tour expenses	**16,788**	29,332	26,453
School materials, publication and supplies	**6,820**	15,762	14,769
School affiliations and other expenses	**5,910**	17,702	11,863
Review expenses	**5,689**	10,497	14,102
Sports development and school activities	**1,690**	102,380	22,483
Accreditation expenses	**1,198**	1,552	1,921
Installation costs	–	1,936	9,155
Others	**214,821**	372,149	175,131
	₱9,036,830	₱8,083,255	₱7,302,557

27. **General and Administrative Expenses**

This account consists of:

	2020	2019	2018
Personnel costs (see Notes 29 and 32)	**₱545,280**	₱647,679	₱597,281
Professional fees and outside services (see Note 32)	**274,049**	353,589	264,476
Provision for ECLs (see Note 11)	**168,492**	96,512	47,737
Depreciation and amortization (see Note 30)	**69,977**	110,103	70,530
Security and janitorial	**63,578**	55,650	48,006
Taxes and licenses	**59,592**	44,652	45,201
Utilities	**40,432**	77,815	82,177
Rent (see Note 37)	**24,405**	13,579	23,247
Insurance	**16,186**	12,539	11,582
Transportation and travel	**13,210**	20,451	15,898
Communications	**9,918**	9,950	7,905
Donations	**9,552**	8,494	7,389
Office supplies	**8,100**	9,716	9,852
Repairs and maintenance	**5,599**	9,112	7,254
Meetings and conferences	**3,761**	6,815	8,052
Advertising and promotions	**1,016**	47,768	603
Impairment of goodwill (see Notes 5 and 7)	**–**	14,120	–
Impairment in investments (see Note 13)	**–**	–	271,601
Others	**82,706**	84,410	38,162
	₱1,395,853	₱1,622,954	₱1,556,953

28. **Selling Expenses**

This account consists of:

	2020	2019	2018
Personnel costs (see Note 29)	**₱210,866**	₱173,156	₱153,143
Freight, handling and hauling	**74,575**	112,131	85,582
Advertising	**34,557**	22,535	63,210
Taxes and licenses	**32,246**	31,525	17,051
Outside services	**31,087**	17,177	7,153
Commission	**30,585**	72,558	62,434
Installation cost	**24,934**	11,943	–
Transportation and travel	**17,840**	33,142	34,855
Depreciation (see Note 30)	**17,403**	7,693	10,053
Postage, telephone and telegraph	**11,795**	11,513	10,559
Supplies	**9,862**	16,399	16,433
Insurance	**6,312**	4,784	5,207
Repairs and maintenance	**4,874**	14,209	12,561
Rental and utilities	**2,758**	3,643	2,806
Entertainment, amusement and recreation	**2,730**	4,559	4,550
Others	**11,270**	13,560	9,361
	₱523,694	₱550,527	₱494,958

29. **Personnel Expenses**

This account consists of:

	2020	2019	2018
Salaries, employee benefits and bonuses	**₱1,468,122**	₱1,521,557	₱1,336,539
Pension and other post-employment benefits (see Note 34)	**55,924**	58,206	63,815
Training	**6,150**	17,986	8,885
Others	**1,051**	7,994	18,869
Stock options	**–**	–	31,519
	₱1,531,247	₱1,605,743	₱1,459,627

30. **Depreciation and Amortization**

	2020	2019	2018
Property, plant and equipment and investment properties:			
Cost of sales, educational, installation, hospital, and consultancy services (see Note 26)	**₱352,850**	₱216,932	₱236,838
General and administrative expenses (see Note 27)	**55,615**	106,866	65,904
Selling expenses (see Note 28)	**10,093**	7,534	10,053
Intangible assets:			
Cost of sales, educational, hospital installation and consultancy services (see Note 26)	**–**	–	3,837
General and administrative expenses (see Note 27)	**2,890**	3,237	4,626
Selling expenses (see Note 28)	**813**	–	–
Right-of-use assets (see Note 37):			
Cost of sales, educational, hospital installation and consultancy services (see Note 26)	**56,447**	24,002	–
General and administrative expenses	**11,472**	–	–
Selling expenses (see Note 28)	**6,497**	159	–
	₱496,677	₱358,730	₱321,258

31. **Interest Expense and Other Financing Charges**

This account consists of:

	2020	2019	2018
Interest expense on long-term debts (see Note 22)	**₱434,424**	₱349,810	₱335,573
Interest expense on notes payable (see Note 19)	**163,497**	99,242	9,330
Interest expense on lease liabilities (see Note 37)	**23,363**	13,387	–
Other financing charges	**5,484**	1,349	53,481
	₱626,768	₱463,788	₱398,384

32. **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.

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, 2020, 2019 and 2018, 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 follow:

2020						
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	**₱165,140**	**₱98,265**	**₱1,495**	Noninterest-bearing	Unsecured, no impairment
Associates						
PPHC	Share in expenses	**1,126**	**7**	**1,743**	Noninterest-bearing	Unsecured, no impairment
Other related parties						
T-O Insurance Brokers, Inc., MDC, PHINMA Foundation, Inc. Phinma Prism,	Share in expenses	**11,190**	**52,838**	**2,514**	Noninterest-bearing	Unsecured, no impairment
Phinma Prism	Grant of interest-bearing advances	**5,140**	**–**	**5,140**	91 days , 6.1516%	Unsecured, no impairment
Aznar Enterprises, Inc. (Aznar), Community Developers and Construction Corporation (CDCC), PTC Myanmar	Grant of noninterest-bearing advances	**599**	**–**	**164,763**	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy Fee	**3,458**	**–**	**1,291**	Noninterest-bearing	Unsecured, no impairment
			₱151,110	**₱176,946**		

2019						
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	₱302,560	₱40,282	₱2,751	Noninterest-bearing	Unsecured, no impairment
Associates						
PPHC, PHEN, PPG	Share in expenses	344,832	3	1,308	Noninterest-bearing	Unsecured, no impairment
Coral Way, PHI,	Dividend income	3,805	–	–	Noninterest-bearing	Unsecured, no impairment
Other related parties						
Phinma Power, T-O Ins. CIP II, PFI, Phinma Renewable, MDC	Share in expenses	39,019	52,242	3,313	Noninterest-bearing	Unsecured, no impairment
CDCC, Aznar, PSEd, PTC Myanmar	Grant of noninterest-bearing advances	5,545	16	169,297	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy Fee	3,458	_	1,132	Noninterest-bearing	Unsecured, no impairment
			₱92,543	₱177,801		

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 and UI are under common management of PHINMA, Inc. and pay PHINMA, Inc. a fixed annual management fee plus an annual bonus based on a certain percentage of the respective companies' adjusted net income, as defined in the management contract between PHINMA, Inc. and the respective companies, pursuant to the provisions of the same contract.

Management fees and bonuses, presented as "Professional fees and outside services" under "General and administrative expenses" account, amounted to ₱127.7 million, ₱257.5 million and ₱198.8 million in 2020, 2019 and 2018, respectively (see Note 27). 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 ₱80.7 million as at December 31, 2020 and 2019, respectively (see Note 20).

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 ₱111.3 million, ₱100.5 million and ₱80.5 million in 2020, 2019 and 2018, respectively (see Note 27). 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 ₱96.7 million and ₱51.5 million as at December 31, 2020 and 2019, respectively (see Note 20).

Compensation of key management personnel of the Company are as follows:

	2020	2019	2018
Short-term employee benefits	**₱240,879**	₱208,063	₱167,985
Post-employment benefits (see Note 34):			
Retirement benefits	**49,936**	42,373	26,126
Vacation and sick leave	**3,827**	6,466	3,635
	₱294,642	₱256,902	₱197,746

33. Income Taxes

The components of the Company's deferred tax assets and liabilities are as follows:

	2020	2019 (As restated - Note 6)
Deferred tax assets:		
Lease liabilities	**₱60,073**	₱47,485
NOLCO	**47,600**	11,148
Pension liability	**38,694**	35,293
Allowance for ECLs	**29,322**	78,616
Accrued expenses	**19,863**	35,735
Management bonus	**9,186**	21,716
Allowance for inventory write-down	**3,014**	3,093
Others	**12,546**	25,397
	220,298	258,483
Deferred tax liabilities:		
Excess of fair value over cost	**(422,410)**	(328,225)
Right-of-use assets	**(48,247)**	(45,572)
Fair value adjustments on property, plant and equipment of subsidiaries	**(30,023)**	(68,887)
Unrealized gain on change in fair value	**(2,463)**	(5,805)
Unamortized debt issuance costs	**(2,458)**	(3,720)
Unrealized foreign exchange gain	**(2,002)**	(3,468)
Unamortized capitalized borrowing cost	**(621)**	(597)
Accelerated depreciation	–	(57,053)
Accrued revenue (work in process)	–	(1,970)
Others	**(597)**	(3,562)
	(508,821)	(518,859)
	(₱288,523)	(₱260,376)

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

	2020	2019 (As restated - Note 6)
Deferred tax assets - net	**₱133,911**	₱101,682
Deferred tax liabilities - net	**(422,434)**	(362,058)
	(₱288,523)	(₱260,376)

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:

	2020	2019
NOLCO	**₱818,225**	₱789,339
Allowance for impairment loss	**203,874**	203,874
Unrealized foreign exchange losses	**120,794**	30,960
Allowance for ECLs	**116,474**	103,254
Unrealized change in fair value of investment	**77,417**	38,054
Accrued personnel costs and employee benefits	**48,425**	48,191
Pension liability	**23,934**	11,864
Unamortized past service costs	**13,998**	13,997
MCIT	**3,831**	3,541
	₱1,426,972	₱1,243,074

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

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

MCIT totaling ₱3.8 million can be deducted against RCIT due while NOLCO totaling ₱830.1 million can be claimed as deduction against taxable income, as follows:

		Amount	
Date Paid/Incurred	Expiry Date	MCIT	NOLCO
December 31, 2018	December 31, 2021	₱1,236	₱249,861
December 31, 2019	December 31, 2022	1,235	311,471
December 31, 2020	December 31, 2023	1,360	–
December 31, 2020	December 31, 2025	–	268,771
		₱3,831	₱830,103

MCIT amounting to ₱1.0 million and ₱1.3 million, respectively expired in 2020 and 2019. Expired NOLCO amounted ₱389.5 million and ₱286.1 million in 2020 and 2019. No MCIT and NOLCO were claimed as deduction against regular taxable income in 2020 and 2019.

Reconciliation between the statutory tax rates and the Company's effective tax rates follows:

	2020	2019	2018
Applicable statutory tax rate	**30.0%**	30.0%	30.0%
Income tax effects of:			
Income of school's subject to lower income tax rate of 10%	**(2.0)**	(24.0)	(23.9)
Interest income subjected to lower final tax rate	**(1.2)**	(5.6)	(4.0)
Equity in net (earnings) losses of associates and joint ventures	**(0.1)**	(2.1)	4.2
Change in unrecognized deferred tax assets and others	**(10.3)**	32.7	43.8
Effective tax rates	**16.4%**	31.0%	50.1%

34. Pension and Other Post-employment Benefits

Pension and other post-employment benefits as at December 31 consist of:

	2020	2019
Net pension liability	**₱184,285**	₱233,248
Vacation and sick leave	**69,468**	54,511
Defined contribution plan	**(100)**	176
	₱253,653	₱287,935

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

	2020	2019	2018
Net pension expense	**₱37,008**	₱48,083	₱55,834
Vacation and sick leave	**18,043**	9,545	7,460
Defined contribution plan	**873**	578	521
	₱55,924	₱58,206	₱63,815

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:

	2020	2019	2018
Current service cost	**₱53,659**	₱40,646	₱45,952
Net interest cost	**11,993**	9,283	9,882
Past service cost	**(28,644)**	(1,672)	–
Net transfer of obligation	**–**	(174)	–
Net pension expense	**₱37,008**	₱48,083	₱55,834

Details of net pension liability as at December 31 are as follows:

	2020	2019
Present value of defined benefit obligation	**₱566,320**	₱578,296
Fair value of plan assets	**(382,035)**	(345,048)
Pension liability	**₱184,285**	₱233,248

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

	2020	2019
Balance at beginning of year	**₱578,296**	₱490,746
Benefits paid from plan assets	**(56,072)**	(73,816)
Current service cost	**53,659**	40,646
Interest cost on defined benefit obligation	**28,972**	31,280
Benefits paid from operating funds	**(14,047)**	(22,581)
Acquisition / deconsolidation of subsidiaries	**(3,122)**	1,919
Past service cost	**(28,644)**	(1,672)
Actuarial losses:		
Experience adjustments	**14,312**	57,602
Changes in financial assumptions	**6,877**	54,809
Changes in demographic assumptions	**(13,911)**	(463)
Net transfer of obligation	–	(174)
Balance at end of year	**₱566,320**	₱578,296

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

	2020	2019
Balance at beginning of year	**₱345,048**	₱326,033
Benefits paid	**(56,072)**	(73,816)
Actual contributions	**79,278**	70,411
Interest income included in net interest cost	**16,979**	21,997
Acquisition of subsidiaries	**329**	412
Actual return excluding amount included in net interest cost	**(3,527)**	11
Balance at end of year	**₱382,035**	₱345,048
Actual return on plan assets	**₱13,451**	₱22,007

Change in net pension liability are as follows:

	2020	2019
Balance at beginning of year	**₱233,248**	₱164,713
Remeasurements in OCI	**10,805**	111,937
Contributions	**(79,278)**	(70,411)
Pension expense	**37,008**	48,083
Benefits paid from operating fund	**(14,047)**	(22,581)
Acquisition / deconsolidation of subsidiaries	**(3,451)**	1,507
Pension liability	**₱184,285**	₱233,248

The Company expects to contribute ₱42.9 million to its retirement fund in 2021.
The ranges of principal assumptions used in determining pension benefits are as follows:

	2020	2019
Discount rates	**3-5%**	5–7%
Rates of salary increase	**3-6%**	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 ₱382.0 million and ₱354.0 million as at December 31, 2020 and 2019, respectively. The major assets are as follows:

	2020	2019
Cash and short-term investments	**₱284,528**	₱306,367
Marketable equity securities	**47,661**	33,957
Others	**49,846**	4,724
	₱382,035	₱345,048

As at December 31, 2020 and 2019, 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 ₱2.2 million as at December 31, 2020 and 2019.

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:

	2020	2019
	Increase (Decrease)	
Discount rate:		
Increase by 1%	**(₱43,515)**	(₱39,128)
Decrease by 1%	**50,537**	45,076
Salary increase rate:		
Increase by 1%	**52,600**	46,971
Decrease by 1%	**(46,061)**	(41,486)

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

	2020	2019
Within the next 12 months	**₱41,846**	₱65,595
Between 2 and 5 years	**193,786**	225,294
Beyond 5 years	**1,709,710**	1,830,030

The average duration of the defined benefit obligation as at December 31, 2020 is between 11.83 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 ₱0.9 million, ₱0.6 million and ₱0.5 million to the defined contribution plan, which were recognized as expense in 2020, 2019 and 2018, respectively. The Company has advances (payable) to the defined contribution plan amounting to ₱0.1 million and (₱0.2 million) as at December 31, 2020 and 2019, 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:

	2020	2019	2018
Current service cost	**₱24,290**	₱5,415	₱3,932
Actuarial losses	**(9,124)**	3,064	1,316
Interest cost	**2,877**	1,066	2,212
Vacation and sick leave expense	**₱18,043**	₱9,545	₱7,460

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

	2020	2019
Balance at beginning of year	**₱54,511**	₱44,966
Current service cost	**24,290**	5,415
Actuarial losses (gains)	**(9,124)**	3,064
Interest cost	**2,877**	1,066
Benefits paid	**(3,086)**	–
Balance at end of year	**₱69,468**	₱54,511

35. **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.

	2020	2019 (As restated - Note 6)
Financial assets at amortized cost:		
Cash and cash equivalents	**₱2,888,863**	₱3,183,795
Trade and other receivables	**3,422,386**	2,935,958
Deposit*	**255,100**	255,100
	₱6,566,349	₱6,374,853

**Presented under "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:

	2020			
	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*	**₱2,806,553**	**₱–**	**₱–**	**₱2,806,553**
Other receivables:		**–**	**–**	
Due from related parties	**176,946**	**–**	**–**	**176,946**
Advances to officers and employees	**47,050**	**–**	**–**	**47,050**
Accrued interest receivables	**18,666**	**–**	**–**	**18,666**
Others	**233,106**	**–**	**–**	**233,106**
Deposit**	**255,100**	**–**	**–**	**255,100**
Gross Carrying Amount	**₱3,537,421**	**₱–**	**₱–**	**₱3,537,421**

**Excluding cash on hand.*
***Presented under "Other noncurrent assets" account in the consolidated statement of financial position.*

	2019			
	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*	₱3,144,256	₱–	₱–	₱3,144,256
Other receivables:		–	–	
Due from related parties	177,801	–	–	177,801
Advances to officers and employees	82,476	–	–	82,476
Accrued interest receivables	14,829	–	–	14,829
Others	214,202			214,202
Deposit**	255,100	–	–	255,100
Gross Carrying Amount	₱3,888,664	₱–	₱–	₱3,888,664

**Excluding cash on hand.*
***Presented under "Other noncurrent assets" account in the consolidated statement 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, 2020	**Receivables from customers**					
	Days past due					
	Current	**<30 Days**	**30-60 Days**	**61-90 Days**	**>91 Days**	**Total**
Expected credit loss rate	12%	13%	6%	15%	76%	28%
Estimated total gross carrying amount default	**₱1,965,816**	**₱321,174**	**₱66,473**	**₱48,121**	**₱766,382**	**₱3,167,966**
Expected credit loss	**233,179**	**40,861**	**3,994**	**7,160**	**580,986**	**866,180**

December 31, 2019	Receivables from customers					
	Days past due					
	Current	<30 Days	30-60 Days	61-90 Days	>91 Days	Total
Expected credit loss rate	3%	3%	19%	52%	73%	23%
Estimated total gross carrying amount default	₱1,726,487	₱202,263	₱113,543	₱39,905	₱846,842	₱2,929,040
Expected credit loss	55,067	5,481	27,350	20,751	611,099	719,748

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:

	2020					
	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	**₱2,888,863**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,888,863**
Trade and other receivables	**3,422,386**	**–**	**–**	**–**	**–**	**3,422,386**
Financial assets at FVPL:						
Investment in UITF	**2,115,856**	**–**	**–**	**–**	**–**	**2,115,856**
Investments in marketable equity securities	**13,966**	**–**	**–**	**–**	**–**	**13,966**
	₱8,441,071	**₱–**	**₱–**	**₱–**	**₱–**	**₱8,441,071**

	2019 (As restated – Note 6)					
	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	₱3,183,795	₱–	₱–	₱–	₱–	₱3,183,795
Trade and other receivables	2,935,958	–	–	–	–	2,935,958
Financial assets at FVPL:						
Investments in marketable equity securities	6,665	–	–	–	–	6,665
Investments in treasury bills	57,262	–	–	–	–	57,262
Investment in UITF	2,134,337	–	–	–	–	2,134,337
	₱8,318,017	₱–	₱–	₱–	₱–	₱8,318,017

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as of December 31:

	2020					
	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	**₱1,325,910**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,325,910**
Trade and other payables	**1,960,103**	**–**	**–**	**–**	**–**	**1,960,103**
Trust receipts payable	**2,030,876**	**–**	**–**	**–**	**–**	**2,030,876**
Due to related parties	**151,110**	**–**	**–**	**–**	**–**	**151,110**
Lease liabilities	**146,335**	**51,174**	**43,290**	**40,779**	**228,506**	**510,084**
Long-term debt*	**519,381**	**4,004,999**	**353,336**	**197,163**	**1,983,525**	**7,058,404**
Non-controlling interest put liability	**–**	**–**	**–**	**1,585,853**	**–**	**1,585,853**
	₱6,133,715	**₱4,056,173**	**₱396,626**	**₱1,823,795**	**₱2,212,031**	**₱14,622,340**

**Including current and noncurrent portion.*

	2019 (As restated - Note 6)					
	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	₱968,880	₱–	₱–	₱–	₱–	₱968,880
Trade and other payables	1,362,344	–	–	–	–	1,362,344
Trust receipts payable	1,203,906	–	–	–	–	1,203,906
Due to related parties	92,543	–	–	–	–	92,543
Lease liabilities	44,376	24,825	23,152	19,768	167,199	279,320
Long-term debt*	314,730	868,970	664,705	305,307	5,240,508	7,394,220
Non-controlling interest put liability	–	–	–	900,011	–	900,011
	₱3,986,779	₱893,795	₱687,857	₱1,225,086	₱5,407,707	₱12,201,224

**Including current and noncurrent portion.*

<u>Changes in liabilities arising from financing activities</u>

The changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes are as follows:

	January 1, 2020	**Additions**	**Payment**	**Others***	**December 31, 2020**
Notes payable	**₱968,880**	**₱1,951,223**	**(₱1,594,193)**	**₱–**	**₱1,325,910**
Long-term debt	**7,394,220**	–	**(342,778)**	**6,962**	**7,058,404**
Due to related parties	**92,543**	**170,739**	**(112,172)**	–	**151,110**
Dividends payable	**109,154**	**292,619**	**(226,705)**	–	**175,068**
Lease liabilities	**279,230**	**294,154**	**(134,426)**	**(19,287)**	**419,671**
Other noncurrent liabilities	**54,460**	–	**(3,967)**	–	**50,493**
Total liabilities from financing activities	**₱8,898,487**	**₱2,708,735**	**(₱2,414,241)**	**(₱12,325)**	**₱9,180,656**

* *Others include amortization of debt issue cost and accretion of interest. For lease liabilities, this also includes derecognized amount of ₱77.1 million due to pre-termination of long-term lease contract.*

	January 1, 2019	Additions	Payment	Others*	December 31, 2019
Notes payable	₱244,005	₱926,457	(₱201,582)	₱–	₱968,880
Long-term debt	6,713,010	817,766	(143,470)	6,914	7,394,220
Due to related parties	79,165	13,378	–	–	92,543
Dividends payable	62,662	386,276	(339,784)	–	109,154
Lease liabilities	284,272	11,389	(34,938)	18,507	279,230
Other noncurrent liabilities	66,953	–	(12,493)	–	54,460
Total liabilities from financing activities	₱7,450,067	₱2,155,266	(₱732,267)	₱25,421	₱8,898,487

**Others include amortization of debt issue cost and accretion of interest*

	January 1, 2018	Additions	Payment	Others*	December 31, 2018
Notes payable	₱44,090	₱453,250	(₱254,050)	₱715	₱244,005
Long-term debt	5,602,277	1,125,000	(2,775)	(11,492)	6,713,010
Due to related parties	97,281	–	(18,116)	–	79,165
Dividends payable	116,637	234,709	(288,684)	–	62,662
Other noncurrent liabilities	58,526	8,427	–	–	66,953
Total liabilities from financing activities	₱5,918,811	₱1,821,386	(₱563,625)	(₱10,777)	₱7,165,795

**Others include amortization of debt issue cost*

<u>Market Risk</u>

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.

<u>Foreign Currency Risk</u>

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, investment in bonds 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:

	2020		2019	
	Foreign Currency	**Peso Equivalent**	Foreign Currency	Peso Equivalent
Financial assets:				
Cash and cash equivalents	**US$22,532**	**₱1,082,041**	US$342,099	₱17,322,176
Cash and cash equivalents	**VND1,771**	**4**	VND1,768	4
		₱1,082,045		₱17,322,180
Financial liabilities:				
Derivative liability	**US$1**	**₱32**	US$28	₱1,405
Trust receipts payable	–	**–**	23,774	1,203,906
		₱32		₱1,205,311

In translating foreign currency-denominated financial assets into peso amounts, the exchange rates used were ₱48.02 and ₱50.64 to US$1.00 as at December 31, 2020 and 2019, respectively.

The following table 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, 2020 and 2019. 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, 2020 and 2019:

	2020	
	Increase (Decrease) in Peso-Dollar Exchange Rate	**Effect on Profit Before Tax**
		(Amounts in Millions)
PHN	**₱1.00**	**₱52.81**
	(1.00)	**(52.81)**
UGC	**4.00**	**0.12**
	(4.00)	**(0.12)**
PhilCement	**4.00**	**0.19**
	(4.00)	**(0.19)**
PHINMA Solar	**1.00**	**0.48**
	(1.00)	**(0.48)**

	2019	
	Increase (Decrease) in Peso-Dollar Exchange Rate	Effect on Profit Before Tax
		(Amounts in Millions)
PHN	₱1.00	₱36.33
	(1.00)	(36.33)
UGC	3.00	161.87
	(3.00)	(161.87)
PhilCement	1.00	215.59
	(1.00)	(215.59)

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:

2020	**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)	**0.525%-1.375%**	**₱851,565**	**₱–**	**₱–**	**₱–**	**₱–**	**₱851,565**
Placements (USD)	**0.2%- 0.25%**	**613,551**	**–**	**–**	**–**	**–**	**613,551**
Financial Liabilities							
PHN	**4.00%-6.00%**	**170,000**	**20,000**	**20,000**	**40,000**	**1,859,362**	**2,109,362**
PhilCement	**4.675%**	**340,000**	**–**	**–**	**–**	**–**	**340,000**
AU	**5.713%-5.9694%**	**253,700**	**–**	**–**	**–**	**–**	**253,700**
UI	**5.97%-7.025%**	**200,000**	**–**	**–**	**–**	**–**	**200,000**
UPANG	**6.50%**	**184,300**	**–**	**–**	**–**	**–**	**184,300**
UGC	**4.00%-4.675%**	**-**	**–**	**–**	**–**	**60,995**	**60,995**
COC	**6.25%-6.9137%**	**47,788**	**–**	**–**	**–**	**–**	**47,788**

2019	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)	2.25%-6.8%	₱345,491	₱–	₱–	₱–	₱–	₱345,491
Placements (USD)	1.75%-3.125%	2,247,317	–	–	–	–	2,247,317
Financial Liabilities							
PHN	3.50%-6.00%	10,000	20,000	20,000	40,000	1,966,007	2,056,007
UGC	5.50%-6.72%						
AU	5.58%-6.50%	–	–	–	–	253,700	253,700
COC	5.81%-6.25%	5,000	5,312	6,250	3,750	137,604	157,916
UPANG	5.79%-6.50%	22,379	19,325	34,975	57,825	160,225	294,729
PEHI	5.32%-6.13%	69,000	69,000	69,000	138,000	1,886,000	2,231,000
UI	6.33%-7.03%	–	8,000	6,000	12,000	174,000	200,000
SWU	6.42%-6.65%	–	2,000	2,000	4,000	592,000	600,000

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, 2020 and 2019. There is no impact on the Company's equity other than those already affecting the profit or loss.

	2020	
	Increase/ (Decrease) in Basis Points	**Effect on Profit Before Tax**
Financial Liabilities		
PHN	**25**	**(₱5,296)**
	(25)	**5,296**
UGC	**25**	**(82)**
	(25)	**82**
AU	**25**	**(162)**
	(25)	**162**
COC	**25**	**(30)**
	(25)	**30**
UPANG	**25**	**(115)**
	(25)	**115**
UI	**25**	**(₱125)**
	(25)	**125**
PhilCement	**25**	**(425)**
	(25)	**425**

	2019	
	Increase/ (Decrease) in Basis Points	Effect on Profit Before Tax
Financial Liabilities		
PHN	25	₱5,000
	(25)	(5,000)
UGC	25	338
	(25)	(338)
AU	25	634
	(25)	(634)
COC	25	395
	(25)	(395)
UPANG	25	737
	(25)	(737)
PEHI	25	5,578
	(25)	(5,578)
UI	25	500
	(25)	(500)
SWU	25	1,500
	(25)	(1,500)
PhilCement	25	1,600
	(25)	(1,600)

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, 2020 and 2019. There is no other significant impact on the Company's equity other than those already affecting the profit or loss.

	2020	
	Increase/ Decrease in Stock Exchange Index	**Effect on Profit Before Tax**
PHN	**+4%**	**₱60**
	-4%	**(60)**
API	**+4%**	**400**
	-4%	**(400)**

	2019	
	Increase/ Decrease in Stock Exchange Index	Effect on Profit Before Tax
PHN	+10%	₱204
	-10%	(204)
API	+10%	420
	-10%	(420)

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 1:1. The Company's consolidated debt-to-equity ratio as at December 31, 2020 and 2019 are as follows:

	2020	2019 (As restated - Note 6)
Total liabilities	**₱15,919,001**	₱14,035,721
Total equity	**8,553,414**	8,342,675
Debt-to-equity ratio	**1.86:1**	1.68:1

The Company expects to improve the debt-to-equity ratio mainly through improvement in the Company's business operations.

36. **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:

	2020			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Investments held for trading:				
Investments in UITFs	**₱2,115,856**	**₱–**	**₱2,115,856**	**₱–**
Investments in marketable equity securities	**13,966**	**13,966**	**–**	**–**
Listed equity instruments designated at FVOCI	**31,830**	**31,830**	**–**	**–**
Non-listed equity instruments designated at FVOCI	**78,275**	**–**	**–**	**78,275**
	₱2,239,927	**₱45,796**	**₱2,115,856**	**₱78,275**
Liabilities				
Derivative liability	**₱32**	**₱32**	**₱–**	**₱–**
Non-controlling interest put liability	**1,585,853**	**–**	**–**	**1,585,853**
Long-term debt	**6,485,414**	**–**	**–**	**6,485,414**
	₱8,071,299	**₱32**	**₱–**	**₱8,071,267**

	2019			
	Total	Level 1	Level 2	Level 3
Assets				
Investments held for trading:				
Investments in UITFs	₱2,134,337	₱–	₱2,134,337	₱–
Investments in marketable equity securities	6,665	6,665	–	–
Investments in Treasury Bills	57,262	57,262	–	–
Listed equity instruments designated at FVOCI	35,170	35,170	–	–
Non-listed equity instruments designated at FVOCI	74,393	–	–	74,393
	₱2,307,827	₱99,097	₱2,134,337	₱74,393
Liabilities				
Derivative liability	₱1,405	₱1,405	₱–	₱–
Non-controlling interest put liability	900,011	–	–	900,011
Long-term debt	7,922,217	–	–	7,922,217
	₱8,823,633	₱1,405	₱–	₱8,822,228

During the years ended December 31, 2020 and 2019, 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 and Financial Assets at FVOCI. Quoted market prices have been used to determine the fair value of financial assets at FVPL and listed equity at FVOCI investments. The fair values of unquoted equity investments at FVOCI have been estimated using a discounted cashflow model. The valuation requires management to make certain assumptions about the model inputs including forecast cashflows, the discount rate, credit risk and volatility. 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 equity 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 8.0% to 11.8% and 9.8% to 11.3% as at December 31, 2020 and 2019. An increase (decrease) in the discount rate will decrease (increase) the fair value of the nonlisted 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. Short-term investments have varying maturities from four to five months and earn interest at 2.125%.

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 4% to 7% and from 3% to 7% in 2020 and 2019, respectively.

Derivative Instruments

Freestanding Derivatives. The Company's derivative financial instruments are accounted for as financial instruments at FVPL.

UGC and PhilCement 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 ₱32,027 and ₱1.4 million as at December 31, 2020 and 2019, respectively. The transacted contract has an aggregate notional amount of US$28.1 million and US$39.2 million in 2020 and 2019, respectively. PhilCement has transacted contracts with aggregate notional amount of US$25.6 million and US$28 million in 2020 and 2019, respectively. For UGC, the weighted average contracted forward rates are ₱50.781 to US$1.00 and ₱52.37 to US$1.00 in 2020 and 2019, respectively, while PhilCement's weighted average contracted forward rates are ₱50.78 to US$1.00 in 2020 ₱52.34 to US$1.00 in 2019.

The net changes in fair value of these derivative liability are as follows:

	2020	2019
Balance at beginning of year	**₱1,405**	₱6,702
Net change in fair value during the year	**10,393**	13,168
Fair value of settled contracts	**(11,766)**	(18,465)
Balance at end of year	**₱32**	₱1,405

37. **Leases**

Starting January 1, 2019 - Upon adoption of PFRS 16

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. Before adoption of PFRS 16, these leases were classified as operating leases under PAS 17, *Leases*.

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:

	2020				
	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, 2020	**₱115,179**	**₱117,902**	**₱43,086**	**₱1,906**	**₱278,073**
Additions	**69,136**	**34,096**	**190,922**	**–**	**294,154**
Pre-termination	**(77,074)**	**–**	**–**	**–**	**(77,074)**
At December 31, 2020	**107,241**	**151,998**	**234,008**	**1,906**	**495,153**
Accumulated Depreciation and Amortization					
At January 1, 2020	**5,765**	**17,609**	**3,924**	**210**	**27,508**
Depreciation	**7,641**	**28,247**	**36,832**	**1,696**	**74,416**
Pre-termination	**(5,274)**	**–**	**–**	**–**	**(5,274)**
At December 31, 2020	**8,132**	**45,856**	**40,756**	**1,906**	**96,650**
Net Book Value	**₱99,109**	**₱106,142**	**₱193,252**	**₱–**	**₱398,503**

	2019				
	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, 2019,	₱115,179	₱106,513	₱43,086	₱1,906	₱266,684
Additions	–	11,389	–	–	11,389
At December 31, 2019	115,179	117,902	43,086	1,906	278,073
Accumulated Depreciation and Amortization					
Depreciation	5,765	17,609	3,924	210	27,508
At December 31, 2019	5,765	17,609	3,924	210	27,508
Net Book Value	₱109,414	₱100,293	₱39,162	₱1,696	₱250,565

The rollforward analysis of lease liabilities follows:

	2020	2019
As at beginning of year	**₱279,230**	₱284,272
Accretion of interest	**57,787**	18,507
Additions	**294,154**	11,389
Pre-termination	**(77,074)**	–
Payments	**(134,426)**	(34,938)
As at end of year	**₱419,671**	₱279,230

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:

	2020	2019
Depreciation expense of right-of-use assets (see Notes 30)	**₱74,416**	24,161
Interest expense on lease liabilities (see Note 31)	**23,363**	13,387
Expenses relating to short-term leases	**112,451**	80,640

The Company capitalized as additional cost of property and equipment the depreciation expense of right-of-use assets amounting to nil and ₱3.3 million as at December 31, 2020 and 2019, respectively, and the interest expense on lease liabilities amounting to ₱34.4 million and ₱5.1 million, respectively, as at December 31, 2020 and 2019.

Shown below is the maturity analysis of the undiscounted lease payments:

	2020	2019
1 year	**₱146,355**	₱49,819
more than 1 years to 2 years	**51,174**	44,300
more than 2 years to 3 years	**43,290**	41,314
more than 3 years to 4 years	**40,779**	35,115
more than 5 years	**228,506**	298,360

38. **Commitments and Contingencies**

(a) Unused Credit Lines

PHN has an unused credit line amounting to ₱3.9 billion as at December 31, 2020.

UGC has the following unused approved credit lines with local banks and financial institutions as at December 31, 2020:

Nature	Amount
Letters of credit/trust receipts	₱3,780,584
Bills purchase line	330,000
Forward contract (including settlement risk)	302,550

(b) Others

There are contingent liabilities arising from lawsuits primarily involving collection cases filed by third parties and for tax assessments occurring in the ordinary course of business. 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

39. **EPS Computation**

Basic EPS is computed as follows:

	2020	2019	2018
(a) Net income attributable to equity holders of the parent	**₱172,637**	₱232,507	₱25,874
(b) Weighted average number of common shares outstanding	**272,441**	280,849	283,774
Basic/diluted EPS attributable to equity holders of the parent (a/b)	**₱0.63**	₱0.83	₱0.09

The Company's basic and diluted earnings per share are the same since the Company does not have potential common shares.

40. **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 - PhilCement encompasses the operations of the cement trading. UGC handles the manufacturing and trading of iron and steel products. This segment also includes PHINMA Solar which 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 and RCL 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) is engaged in strategic consulting. 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, 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**
Year Ended December 31, 2019							
Revenue	₱518,479	₱7,167	₱8,227,070	₱2,925,158	₱49,703	(₱402,666)	₱11,324,911
Segment results	526,257	(133)	605,210	651,992	(51,728)	(796,946)	934,652
Investment income	77,755	5,357	12,266	23,017	–	–	118,395
Equity in net earnings of associates and joint ventures	–	45,779	(2,305)	(1,562)	–	2,305	44,217
Interest expense and other financing charges	(133,315)	–	(160,941)	(169,532)	–	–	(463,788)
Provision for income tax	(340)	(26)	(123,687)	(72,300)	–	–	(196,353)
Share of non-controlling interests	–	–	–	(147,185)	–	(57,431)	(204,616)
Net income attributable to equity holders of the parent	₱470,357	₱50,977	₱330,543	₱284,430	(₱51,728)	(₱852,072)	₱232,507
Total assets (As restated - Note 6)	₱9,261,558	₱338,276	₱6,652,533	₱11,306,503	₱68,326	(₱5,248,800)	₱22,378,396
Total liabilities (As restated - Note 6)	₱3,435,187	₱52,487	₱4,847,812	₱6,123,163	₱388,346	(₱811,274)	₱14,035,721

	Investment Holdings	Property Development	Energy	Construction Materials	Educational Services	BPO	Eliminations	Total Operations
Year Ended December 31, 2018								
Revenue	₱464,899	₱2,574	₱–	₱7,263,544	₱2,523,045	₱64,661	(₱388,621)	₱9,930,102
Segment results	521,645	(48,666)	–	253,261	198,477	771	(787,395)	138,093
Investment income	44,034	829	–	6,108	18,338	–	–	69,309
Equity in net earnings of associates and joint ventures	–	56,049	(157,097)	(2,276)	(4,514)	–	180	(107,658)
Interest expense and other financing charges	(135,909)	–	–	(95,724)	(165,701)	(1,050)	–	(398,384)
Benefit from income tax	7,402	20	–	116,836	46,116	2,473	2,720	175,567
Share of non-controlling interests	–	–	–	–	132,395	–	(16,552)	148,947
Net income attributable to equity holders of the parent	₱437,172	₱8,232	(₱157,097)	₱278,205	₱225,111	₱2,194	(₱801,047)	₱25,874
Total assets	₱9,031,407	₱340,882	₱–	₱4,578,780	₱9,286,769	₱91,431	(₱4,215,176)	₱19,114,093
Total liabilities	₱2,403,698	₱52,448	₱–	₱1,911,165	₱5,742,484	₱56,470	₱984,775	₱11,151,040

41. Events after the Reporting Period

On March 2, 2021, the Parent's BOD declared a 4% regular cash dividend amounting to ₱108.9 million or equivalent to ₱0.40 per share payable on May 5, 2021 to shareholders of record as at April 14, 2021. On the same date, the BOD reversed the appropriation of retained earnings made in 2020 amounting to ₱2.3 billion for the investment in the construction materials business.

42. Other Matters

COVID-19 Pandemic
The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country starting March 16, 2020 have caused disruptions in the Company's business activities. There are increased market activities with the easing of the quarantine measures in key areas in the Philippines. Easing of the quarantine restrictions and rollout of the national vaccination program will further improve market activities.

Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE"
On February 1, 2021, the Bicameral Conference Committee, under the 18th Congress of the Philippines, approved the reconciled version of the House Bill No. 4157 and Senate Bill No.1357 (the CREATE). The general features of the CREATE bill are the following:

- Reduction in current income tax rate effective July 1, 2020;
- 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;
- Regional operating headquarters of multinational companies previously subject to a tax of 10% on their taxable shall be subject to the regular corporate income tax effective December 31, 2020; and
- Effective July 1, 2020 until June 30,2023, the MCIT rate shall be one percent 1%.

As at March 2, 2021, the harmonized copy of the CREATE bill has been transmitted to the Office of the President for signing or approval into law.

Corporate Directory

Education

PHINMA EDUCATION HOLDINGS, INC.
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www.phinma.edu.ph

PAMANTASAN NG ARAULLO
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Cabanatuan City, Nueva Ejica
Tel. (044) 464-3300
www.au.phinma.edu.ph

CAGAYAN DE ORO COLLEGE, INC.
Max Suniel St., Carmen
Cagayan de Oro City, Misamis Oriental
Tel. (088) 858-5867
www.coc.phinma.edu.ph

UNIVERSITY OF PANGASINAN, INC.
Avelino Street, Dagupan City
Pangasinan
Tel. (075) 522-5635
www.up.phinma.edu.ph

UNIVERSITY OF ILOILO
Rizal Street
Iloilo City
Tel. (033) 338-1071
www.ui.phinma.edu.ph

SOUTHWESTERN UNIVERSITY, INC.
Urgello Street
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Tel. (032) 416-4680
www.swu.edu.ph

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PHINMA SOLAR ENERGY CORPORATION
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Rockwell Center , Makati City
Tel. (632) 8870-0482

Housing

PHINMA PROPERTY HOLDINGS CORPORATION
29 Epifanio Delos Santos Avenue
Mandaluyong City
Tel. (632) 8533-7777
www.phinmaproperties.com

Hospitality

MICROTEL MALL OF ASIA
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www.microtelbywyndham-manila.com

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Acknowledgments
Portraiture : Sargo Studio
Design and Layout : Raymund M. Vicente and Cybele J. Manlapaz

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