COVER SHEET

1 2 3 9 7

S.E.C. Registration Number

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

.

(Company's Full Name)

L E V E L 1 2 - P H I N M A P L A Z A 3 9 P L A Z A

D R I V E , R O C K W E L L C E N T E R M A K A T I

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

L I N A A N D R A D A

Contact Person

8 7 0 0 1 0 0

Company Telephone Number

1 2 | 3 1

Month Day

Calendar Year

Definitive Information Statement

S E C 2 0 - I S

FORM TYPE

0 6 | **0 2**

Month Day

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = Pls. Use black ink for scanning purposes

PHINMA
Making Lives Better

PHINMA Corporation

AMENDED NOTICE OF ANNUAL SHAREHOLDERS' MEETING

TO ALL SHAREHOLDERS:

Please be informed that the Annual Shareholders Meeting of PHINMA CORPORATION will be conducted through remote communication via www.asm.phinmacorp.ph on Wednesday, 24 June 2020, at 10:00 a.m. with the following agenda :

1. Call to Order
2. Proof of Notice and Determination of Quorum
3. Minutes of Previous Meeting
4. Annual Report of Management
5. Ratification of all acts of the Board of Directors, Committees and Management
6. Election of Directors
7. Appointment of External Auditor
8. Other Matters
9. Adjournment

For the explanation of each agenda item, please refer to the attached Annex "**A**".

The record date for the determination of the shareholders entitled to notice of said meeting and to vote thereat is at May 26, 2020.

In view of the current COVID-19 environment, attendance will be allowed only through remote communication.

Duly accomplished proxies should be submitted on or before June 19, 2020 by email to phncorpsec@phinma.com.ph. Validation of proxies is set for June 19, 2020 starting at 9:00 a.m.

Stockholders who wish to participate by remote communication should notify the Corporation by email at phncorpsec@phinma.com.ph on or before June 19, 2020. All stockholders notifying the Corporation of their participation by remote communication will be considered present at the meeting.

Procedures for participation in the meeting through remote communication and for voting will be included in the Information Statement to be disclosed on June 2, 2020.

TROY A. LUNA
Corporate Secretary

Annex "A"

PHINMA CORPORATION
ANNUAL SHAREHOLDERS MEETING
Wednesday, June 24, 2020, 10:00 am
Through livestreaming at www.asm.phinmacorp.ph

Explanation of Each Item on the Agenda

1. Call to Order

The Chairman, Mr. Oscar J. Hilado, will formally begin the annual meeting of the stockholders of PHINMA Corporation (the "Corporation").

2. Proof of Notice and Determination of Quorum

The Corporate Secretary, Atty. Troy A. Luna, will certify the date when the notice of meeting and information statement were sent to the stockholders of record as of May 26, 2020 and to the Securities and Exchange (SEC) and Philippine Stock Exchange (PSE) as well as the date of publication of the notice in newspaper of general circulation. The Corporate Secretary will likewise certify as to the existence of a quorum.

Stockholders can participate in the meeting only by remote communication. For determination of quorum, stockholders who have informed the Company of their attendance by email to phncorpsec@phinma.com.ph on or before June 19, 2020 shall be considered present at the meeting and subject to the procedure set forth in the Information Statement. The Information Statement will be posted on the Company's website on June 2, 2020

The following are the rules of conduct and procedures for the meeting :

i) Votes of all stockholders may only be cast through ballots or proxies submitted on or before June 19, 2020. A sample of the Ballot/ Proxy will be included in the Information Statement.

   All Ballots/Proxies should be received by the Corporate Secretary on or before June 19, 2020 by email to phncorpsec@phinma.com.ph.

ii) All the items in the agenda for approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of those present at the meeting, provided there is a quorum, except the election of

Directors which will be based on the number votes cast by each stockholder present at the meeting, in person or through a proxy, where there is a quorum. Each of the proposed resolutions will be shown on the screen as the same is taken-up at the meeting.

iii) The votes received will be tabulated and validated by an independent third party. The Corporate Secretary shall report the results of voting during the meeting.

iv) Stockholders may email to phncorpsec@phinma.com.ph questions or comments on matters that are relevant and of general concern to them on or before June 19, 2020. These will be answered during the meeting, subject to appropriateness, relevancy and time limits, or via email to the stockholder sending the said questions.

v) A link to the recorded webcast of the meeting will be posted on the Company's website after the meeting. Stockholders shall have one week from posting to send to the Company through the same email address, questions and concerns on the matters arising from and relevant to the meeting conducted.

3. Minutes of Previous Meeting

The minutes of the Annual Shareholders Meeting held on April 12, 2019 will be available at the Company website, www.phinma.com.ph.

4. Annual Report of Management

Management will deliver the report on the performance of the Company for 2019 and other matters deemed relevant to the stockholders.

The Audited Financial Statements as of December 31, 2019 and management's report will be included in the Information Statement.

5. Ratification of all acts of the Board of Directors, Committees and Management since the last Annual Shareholders Meeting

The acts of the Board of Directors, Committees and Management of the Corporation since the last Annual Shareholders Meeting will likewise be presented to the stockholders for confirmation, ratification and approval. Details will be provided in the Information Statement.

6. **Election of Directors**

The Corporate Secretary will present the nominees qualified for election to the Board of Directors, including the Independent Directors. A brief description of the qualifications and business experience of the nominees for election to the Board of Directors, their nomination and qualification for election, will be included in the Information Statement.

Each shareholder is entitled to one (1) vote per share multiplied by the number of board seats to be filled, i.e. eleven (11), and may cumulate his/her votes by giving as many votes as he/she wants to any candidate provided that the total votes cast shall not exceed the total votes to which he/she is entitled. In the event the votes cast by a stockholder exceeds that which he/she is entitled to vote, the Corporate Secretary in his discretion shall deduct such votes cast by the stockholder in favor of any nominee as may be necessary under the circumstances.

In the event that only eleven (11) are nominated to fill eleven (11) seats in the Board, the Chairman shall direct the Corporate Secretary to cast all votes in favor of those nominated, except the votes of stockholders who wish to have their votes differently recorded.

7. **Appointment of External Auditors**

The stockholders will be requested to ratify the selection by the Audit Committee and the Board of Directors of the external auditors for the current fiscal year. Details will be provided in the Information Statement.

8. **Other Matters**

The Chairman will inquire whether there are other relevant matters and concerns to be discussed. Other matters which the stockholders wish to be discussed or responded to, which are relevant to meeting and the matters discussed and voted upon thereat, may be raised by the stockholders by emailing them to phncorpsec@phinma.com.ph within one week from posting of the_recorded webcast of the meeting on the Company's website.

9. **Adjournment**

The Chairman will adjourn the meeting when the scheduled order of business is completed.

BALLOT / PROXY

Note to the stockholder: This will serve both as a Ballot if no Proxy is appointed herein, or a Proxy if one is so appointed. If a Proxy is appointed, the marks below will be considered the vote of the Proxy following the instructions of the stockholder and thus also the vote of the stockholder. Submission of this Ballot/Proxy shall be deemed a confirmation by the stockholder of personal attendance or, as the case may be, attendance by Proxy at the meeting.

Please mark as applicable :

☐ **Vote by ballot**

The undersigned stockholder of **PHINMA CORPORATION**, (the "Company") hereby casts his/her vote on the agenda items for the 2020 PHINMA CORPORATION ASM, as expressly indicated with "X" below in this ballot.

☐ **Vote by proxy**

The undersigned, being a stockholder of **PHINMA CORPORATION,** (the "Company"), hereby appoints ____ or in his absence, the Chairman of the meeting, as *attorney or authorized representative* and *proxy*, with power of substitution, to be present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on **June 24, 2020** and at any adjournments thereof for the purpose of acting on the following matters:

1. Approval of the Minutes of previous meeting. ☐ Yes ☐ No ☐ Abstain

2. Approval of the Annual Report of Management ☐ Yes ☐ No ☐ Abstain

3. Ratification of all acts of the Board of Directors and Management since the last Annual Shareholders Meeting ☐ Yes ☐ No ☐ Abstain

4. Election of Directors

   ☐ Vote for all nominees listed below:
   Oscar J. Hilado
   Ramon R. del Rosario, Jr.
   Magdaleno B. Albarracin, Jr.
   Roberto M. Laviña
   Victor J. del Rosario
   Jose L. Cuisia, Jr.
   Eric S. Lustre
   Guillermo D. Luchangco (*Independent)*
   Juan B. Santos *(Independent)*
   Lilia B. de Lima *(Independent*
   Rizalina B. Mantaring *(Independent)*

   ☐ Withhold authority for all nominees listed on the left side

   ☐ Withhold authority to vote for the nominees listed below :
   ____
   ____
   ____
   ____
   ____
   ____

5. Appointment of Sycip Gorres Velayo & Co. as external auditor for CY 2020 ☐ Yes ☐ No ☐ Abstain

6. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting. ☐ Yes ☐ No ☐ Abstain

____
Printed Name of Stockholder

________________________ **Date**

____ **Signature of Stockholder / Authorized Signatory**

This BALLOT/PROXY, which need not be notarized, should be received by the Corporate Secretary **ON OR BEFORE June 19, 2020.**

A stockholder giving a proxy has the power to revoke the same by sending another Ballot/Proxy on and with a later date signed by the stockholder without designation of any proxy or with appointment of another proxy or with designation of the same proxy but containing different votes, on or before June 19, 2020.

Any item of the agenda on a submitted Ballot/Proxy not containing any mark or vote shall be considered an affirmative vote of the stockholder on such item and, with respect to election Directors, the stockholder's vote of all his/her/its shares in favor of each director-nominee named above in such number of votes as the Chairman of the meeting shall determine.

APPENDIX 1

PROCEDURE FOR ATTENDING THE MEETING

1. The meeting will be held via livestreaming at www.asm.phinmacorp.ph. Stockholders of record as of May 26, 2020 are entitled to attend and vote on each item of the agenda of said meeting.

2. Stockholders who intend to attend the meeting should notify the Company by email to phncorpsec@phinma.com.ph on or before June 19, 2020. Stockholders whose shares are lodged with brokers are requested to contact their brokers for guidance on their participation in the meeting.

   For validation purposes, the email should contain the following information: name;

   (i) Name of the stockholder;
   (ii) address;
   (iii) telephone number;
   (iv) email address through which the stockholder may be reached; and
   (v) a scanned copy of any valid government-issued identification card ("ID") with photo and signature of the stockholder;
   (vi) if attending through a duly-appointed Proxy, the name of the Proxy, together with a scanned copy of his/her valid government-issued ID with photo and signature; and
   (vii) if stockholders is a corporation or other entity, the name of its authorized representative, the valid government-issued ID with photo and signature of the representative, together its Corporate Secretary's certification stating the representative's authority to represent the corporation or entity in the meeting.

   Only stockholders who have notified the Company of their intention to participate through remote communication as above-described, by themselves or through their proxies or representatives, and have been validated to be stockholders of record of the Company as of May 26, 2020 will be considered in determining attendance at the meeting.

3. Stockholders who do not register their participation in the meeting may still watch the same by accessing the livestreaming link indicated, but will not considered present at the meeting.

4. Stockholders can vote only through a Ballot/Proxy emailed to phncorpsec@phinma.com.ph on or before June 19, 2020. The Ballot/Proxy form may be downloaded from https://www.phinma.com.ph/#investor-section.

   Only signatures of stockholders or their proxies or representatives on Ballots/Proxies that match their signatures appearing on the scanned copy of their government-issued identification card submitted during registration, as explained above, will be honored.

5. Stockholders may email to phncorpsec@phinma.com.ph their questions or comments on matters that are relevant to the meeting and the matters discussed on or before June 19, 2020. These will be answered during the meeting, subject to appropriateness, relevancy and time limits, or via email to the stockholder sending the said questions.

6. The proceedings of the meeting will be recorded. A link to the recorded webcast of the meeting will be posted on the Company's website after the meeting. Stockholders may, within one (1) week from posting of the said link send questions, seek clarification of and/or raise concerns on matters discussed in the meeting, by email to phncorpsec@phinma.com.ph

SEC Number 12397 File Number

______

PHINMA CORPORATION

12th Floor, Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City

Telephone No.: **870-0100**

Company's Calendar Year Ending: **December 31**

DEFINITIVE INFORMATION STATEMENT
(SEC FORM 20 - IS)

____

Amendment Designation (If Applicable)

December 31, 2019

Period-Ended Date

____

Secondary License Type and File No.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20 – IS

Information Statement

Pursuant to Section 20 of the Securities Regulation Code

1. Check the appropriate box:
   ______Preliminary Information Statement
   __X__Definitive Information Statement

2. Name of Registrant as specified in its charter:

   PHINMA CORPORATION

3. Province, country or other jurisdiction of incorporation or organization:

   Manila, Philippines

4. SEC Identification Number: **12397**

5. BIR Tax Identification Code: **321-000-107-026**

6. Address of principal office:

   12/F PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City 1210

7. Registrant's telephone number, including area code: **(632) 88700-100**

8. Date, time and place of the meeting of security holders:

Date	**-**	**June 24, 2020, Wednesday**
Time	**-**	**10:00 a.m.**
Livestream	**-**	**via www.asm.phinmacorp.ph**

9. Approximate date when the Information Statement is first to be posted on the Company website (https://www.phinma.com.ph): **June 2, 2020**

10. Securities registered pursuant to Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	No. of shares of Common Stock Outstanding or Amount of Debt Outstanding (as of Dec. 31, 2019)
Common shares	**272,588,765 shares**
Amount of Debt	**P7.4 billion**

11. Are any or all registrant's securities listed on the Philippine Stock Exchange?

    Yes x No _

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein :

    Philippine Stock Exchange, Inc. - common shares

PHINMA CORPORATION
Information Statement

This Information Statement is dated as of April 30, 2020 and is being furnished to stockholders of record of PHINMA CORPORATION, (the “Company” or “PHN”) as of May 26, 2020 in connection with its Annual Stockholders Meeting.

WE ARE NOT SOLICITING YOUR PROXY.

A. GENERAL INFORMATION

1. Date and Time of Annual Meeting of Security Holders : Conduct via Livestream

Due to CoVID-19 health concerns, PHINMA Corporation (“PHN” or the “Company”) will not hold a physical meeting and will instead conduct the meeting through livestreaming via www.asm.phinmacorp.ph Stockholders can therefore only attend the meeting by remote communication.

Stockholders intending to attend the meeting by remote communication should notify the Company by email to phncorpsec@phinma.com.ph or or before June 19, 2020. The procedure and further details for attending the meeting through remote communication are set forth in Appendix 1 of the notice of meeting in this Definitive Information Statement.

Votes will be cast through a Ballot/Proxy form The deadline for the submission of Ballots/Proxies is on June 19, 2020. Ballots/Proxies may be sent by email to phncorpsec@phinma.com.ph. For the convenience of the stockholders of the Company, a sample of a Ballot/Proxy is attached to this Definitive Information Statement.

For an individual, his/her Ballot/Proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its Ballot/Proxy must be accompanied by its Corporate Secretary’s certification stating the representative’s authority to represent the corporation in the meeting, together with a copy of the valid government-issued ID of the said authorized representative. Ballots / Proxies need not be notarized. Validation of Ballots/Proxies will be on June 19, 2020 starting at 9:00 a.m. at the office of Stock Transfer Services, Inc. at 34/f Unit D, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City.

Stockholders may email to phncorpsec@phinma.com.ph questions or comments on matters that are relevant to the meeting and matters discussed on or before June 19, 2020.

Date	:	**June 24, 2020**
Time	:	**10:00 a.m.**
Livestream	**:**	**via www.asm.phinmacorp.ph**
Principal Office	:	**12th Floor, PHINMA Plaza,** **39 Plaza Drive, Rockwell Center** **Makati City, Philippines 1210**

Approximate date when the Information Statement is first to be posted on the Company website (https://www.phinma.com.ph): **June 2, 2020**

2. ***Dissenters' Right of Appraisal***

There are no matters to be taken-up at the meeting that will give rise to the right of appraisal pursuant to Title X, Section 81 of the Corporation Code of the Philippines governing the exercise of Appraisal Rights which states that:

Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

1. In case of any amendment to the articles of incorporation that has the effect of changing or restricting the rights of any stockholders or class of shares or of authorizing preferences in any respect superior to those of outstanding shares of any class or of extending or shortening the terms of corporate existence.

2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Code ; and

3. In case of merger or consolidation.

An appraisal right is also available to dissenting shareholders in case the corporation decides to invest its funds in another corporation or business as provided for in Section 42 of the Corporation Code and in case the corporation sells or disposes of all or substantially all of its properties and assets as provided for in Section 40 of the Corporation Code.

As also provided under Section 82 of the Corporation Code, this appraisal right maybe exercised by any stockholder who shall have voted against such corporate action by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. Failure to make the demand within such period shall be deemed a waiver of the appraisal right.

Within ten (10) days after demanding payment for his shares, a dissenting stockholder shall submit the certificate(s) of stock representing his shares to the corporation for notation thereon that such shares are dissenting shares. His failure to do so shall, at the option of the corporation, terminate his appraisal rights.

If the corporate action is implemented, the corporation shall pay to such dissenting stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of a merger if such be the corporate action involved. If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholders, another by the corporation and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made. No payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment. Upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

3. ***Interest of Certain Persons in Matters to be Acted Upon***

There is no substantial interest, direct or indirect, by security holdings or otherwise, of any director or officer of the Company, any nominee or associate thereof, in any matter to be acted upon, other than election to office of directors.

The Board of Directors of the Company is not aware of any party who has indicated an intention to oppose the motions set forth in the Agenda.

B. CONTROL AND COMPENSATION INFORMATION

4. Voting Securities and Principal Holders Thereof

As of April 30, 2020, there are 272,455,165 shares of the Company's common stock that are outstanding. Of the said outstanding voting shares, 223,230,112 shares are owned by Filipinos and 49,225,053 shares are owned by foreign nationals.

Only holders of the Company's stock of record at the close of business on May 26, 2020 are entitled to the notice of and to vote in the Annual Meeting to be held on June 24, 2020.

The stockholders have cumulative voting right with respect to the election of the Company's Directors. Each stockholder may vote in person or by proxy the number of shares of stock standing in his own name in the books of the Company as of the record date of the meeting. Moreover, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the whole number of directors to be elected, and provided further, that no delinquent stock shall be voted (Section 24, Corporation Code).

a) ***Security Ownership of Certain Record and Beneficial Owners***

The table below shows persons or groups known to PHN as of April 30, 2020 to be directly or indirectly the record or beneficial owners of more than 5% of the company's voting securities:

Table 1 - Owners of Voting Securities

Title of Class	Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	# of Shares held	%
Common	Phil. Investment Mgmt.(PHINMA), Inc.[1] Level 12, Phinma Plaza, No. 39 Plaza Drive Rockwell Center Makati City Stockholder	Phil. Investment Mgmt. (PHINMA), Inc. which is also the record owner. Mr. Oscar J. Hilado, Chairman of Board, is the person appointed to exercise voting power.	Filipino	137,445,470	50.45%
Common	Philippine Depository and Trust Corporation[2] MSE Bldg.Ayala Avenue Makati City Stockholder	Various	Filipino	86,057,712	31.58%
Common	Philippine Depository and Trust Corporation[2] MSE Bldg.Ayala Avenue Makati City Stockholder	Various	Foreign	48,951,983	17.97%

[1] Phinma Inc.'s principal stockholders are: 1) EMAR Corporation (44.28%), a Filipino company principally owned by the immediate family of the late Amb. Ramon V. del Rosario, Sr., 2) Mariposa Properties, Inc. (28.62%), which is owned by Mr. Oscar J. Hilado and the members of his immediate family, and 3) Dr. Magdaleno B. Albarracin, Jr. who owns 13.61% of Phinma Inc.'s outstanding shares. The Del Rosario and Hilado Families are expected to direct the voting of the shares held by EMAR Corp. and Mariposa Properties,

Inc.

[2] Philippine Depository and Trust Corporation ("PDTC") is a wholly-owned subsidiary of Philippine Central Depository, Inc., ("PCD") which acts as trustee-nominee for all shares lodged in the PCD system. It was formerly known as PCD Nominee Corporation. The beneficial owners of such shares are PCD participants who hold the shares on their behalf or in behalf of their clients.

Citibank N.A. – CITIFAOPHILAM is the only PCD Nominee which holds more than 5% of the Company's securities. The beneficial owner of these shares is Philamlife and General Insurance Company for 28,238,280 shares. Mr. Eric S. Lustre, First Vice President & Head of Corporate Finance Department of the Investment Division of The Philippine American Life and General Insurance Company, is the person appointed to exercise voting power.

b. ***Security Ownership of Management***

The table below shows the securities beneficially owned by all directors, nominees and executive officers of PHN as of April 30, 2020

Table 2 - Security Ownership of Management

Title of Class	Name of Beneficial Owner	Amount	Nature of Beneficial Ownership	Citizenship	% of Ownership
Common	Oscar J. Hilado	1,100,000 7,068,590	Direct Indirect	Filipino	.040% .259%
Common	Magdaleno B. Albarracin, Jr.	97,104,,590	Direct	Filipino	3.564%
Common	Victor J. del Rosario	10,692,450 7,141,380	Direct Indirect	Filipino Filipino	.392% .262%
Common	Ramon R. del Rosario, Jr.	828,770 37,769,840 7,141,390	Direct Indirect Indirect	Filipino Filipino Filipino	.030% 1.386% .262%
Common	Roberto M. Laviña	8,571,060	Direct	Filipino	.315%
Common	Jose L. Cuisia, Jr.	109,270	Direct	Filipino	.004%
Common	Guillermo D. Luchangco	10	Direct	Filipino	.000%
Common	Rizalina G. Mantaring	10	Direct	Filipino	.000%
Common	Eric S. Lustre	10	Direct	Filipino	.000%
Common	Juan B. Santos	10	Direct	Filipino	.000%
Common	Lilia B. de Lima	10	Direct	Filipino	.000%
Common	Pythagoras L. Brion	3,207,460	Direct	Filipino	.118%
Common	Regina B. Alvarez	4,425,710	Direct	Filipino	.162%
Common	Cecille B. Arenillo	65,260	Direct	Filipino	.002%
Common	Rizalina P. Andrada	3,150	Direct	Filipino	.000%
Common	Nanette P. Villalobos	214,500	Direct	Filipino	.008%
Common	Danielle R. del Rosario	6,730	Direct	Filipino	.000%
Common	Rolando D. Soliven	-	Direct	Filipino	.000%
Common	Peter V. Perfecto	-	Direct	Filipino	.000%
Common	Edmund Alan A. Qua Hiansen	-	Direct	Filipino	.000%
Common	Grace M. Purisima	-	Direct	Filipino	.000%
Common	Troy A. Luna	-	Direct	Filipino	.000%
Common	Ma. Concepcion Z. Sandoval	-	Direct	Filipino	.000%
Directors and Officers as a Group		**185,450,200**			**6.807%**

c. ***Voting Trust Holders of 5% or more***

None of the Directors and Officers own 5% or more of the outstanding capital stock of the Company. Also, the Company is not aware of any individual holding more than 5% of the Company's outstanding shares.

d. ***Changes in Control***

There are no arrangements that may result in a change in control of the registrant, nor has there been any change in control since the beginning of the last calendar year.

5. Directors and Executive Officers

a) Board of Directors

The Company's Board of Directors is responsible for the overall management and direction of the Company. The Board meets quarterly or as often as required, to review and monitor the Company's financial position and operations.

The directors of the Company are elected at the Annual Stockholders Meeting to hold office for one year and until their respective successors have been elected and qualified. No director has resigned nor declined to stand for re-election to the Board since the date of the last annual meeting of the Company because of a disagreement with the Company on matters relating to the Company's operations, policies and practices. The Board of Directors has no reason to believe that any of the aforesaid nominees will be unwilling or unable to serve if elected as a director.

Except for Dr. Magdaleno B. Albarracin, Jr., a member of the Board of Directors who directly owns 3.56% of PHN shares, none of the members of the Board of Directors and Officers directly own more than 2% of PHN shares.

Listed are the incumbent directors of the Company with their qualifications which include their ages, citizenship, current and past positions held and business experience for the past five years.

Table 3 - Board of Directors

Directors	Citizenship	Age	Position
Oscar J. Hilado	Filipino	82	Chairman of the Board
Ramon R. del Rosario, Jr.	Filipino	75	Vice Chairman and President & CEO
Roberto M. Laviña	Filipino	69	Director , Senior Exec. Vice President & COO
Magdaleno B. Albarracin, Jr.	Filipino	83	Director
Victor J. del Rosario	Filipino	71	Director, Executive Vice President and CFO
Amb. Jose L. Cuisia, Jr.	Filipino	75	Director
Eris S. Lustre	Filipino	57	Director
Juan B. Santos	Filipino	81	Independent Director
Lilia B. de Lima	Filipino	79	Independent Director
Guillermo D. Luchangco	Filipino	80	Independent Director
Rizalina G. Mantaring	Filipino	60	Independent Director

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 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; 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 Corporate Governance seminar on September 6, 2019.

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, and St. Jude College. 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 Ayala Corporation. 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 Corporate Governance seminar on August 13, 2019.

Magdaleno B. Albarracin, Jr. is the Vice-Chairman of PHINMA, Inc. He was president and a former director of Holcim Philippines, Inc. and holds directorates in Philippine Investment Management, Inc. (PHINMA, Inc.), Union Galvasteel Corporation, University of Pangasinan – Main and Urdaneta, Southwestern University, PHINMA Education Holdings, Inc. and PT Ind Phil Management. Dr. Albarracin was a member of the Board of Regents of the University of the Philippines (UP) 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 Corporate Governance Seminar on August 13, 2019.

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 trainings on Leading Customer Loyalty in July 2017, The Power of Creating a Winnable Game in February 2019, AMLA for Insurance Companies & Financial Institutions in September 2019 and Corporate Governance Seminar on August 13, 2019.

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, Jr. He attended the Corporate Governance seminar on August 13, 2019.

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 and the Ramon Magsaysay Awards Foundation. 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. 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 Corporate Governance seminar on August 13, 2019.

Eric S. Lustre is currently the President and CEO of the Philam Asset Management, Inc. (PAMI). He is also CEO of other Philam Group companies namely: Philam Properties Corporation, Philamlife Tower Management Corporation, Philamlife Tower Condominium Corporation and the Tower Club, Inc. Mr. Lustre is a member of the Board of Directors of ICCP Holdings, Inc., Science Park of the Philippines, Inc., Regatta Properties, Inc., Beacon Property Ventures, Inc., Pueblo de Oro Development, Cebu Light Industrial Park, Inc., and RFM-Science Park of the Philippines, Inc. He is a member of the Fund Management Association of the Philippines (FMAP) and the Management Association of the Philippines (MAP). He has a Bachelor of Science in Business Management from the Ateneo de Manila University and holds a Master's degree in Business Management major in Finance from the Asian Institute of Management. Mr. Lustre was elected as Director of the Company in 2013. He attended the Corporate Governance Seminar on August 13, 2019.

Guillermo D. Luchangco is Chairman and Chief Executive Officer of various companies of The ICCP Group, including Science Park of the Philippines, Inc., Pueblo de Oro Development Corp., Cebu Light Industrial Park, Inc., Regatta Properties, 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. 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 Corporate Governance seminar on August 13, 2019.

Juan B. Santos, was bestowed the prestigious Management of the Year for 1994 by the Management Association of the Philippines (MAP), and an Agora Awardee for Marketing Management given by the Philippine Marketing Association. He is currently a Member of the Board of Directors of RCBC, Sun Life Grepa Financial, Inc., Alaska Milk Corporation, First Philippine Holdings, Inc., House of Investments, Inc., Allamanda Management Corp. and Philippine Investment Management (PHINMA), Inc.; a member of the Board of Advisors of Coca-Cola FEMSA Philippines, Mitsubishi Motor Phil. Corp., East-West Seeds Co., Inc., Board of Trustee, Dualtech Training Center Foundation, Inc., St. Luke's Medical Center, and a consultant of the Marsman-Drysdale Group of Companies. Mr. Santos was Chairman of the Social Security Commission, he served briefly as Secretary of Trade and Industry and was CEO and Chairman of Nestle Phils., Singapore and Thailand. He also served as Director of various publicly listed companies, including the Philippine Long Distance Telephone Company (PLDT), Philex Mining Corporation, San Miguel Corporation, Equitable Savings Bank, Inc., and PCI Leasing and Finance, Inc. He obtained his Bachelor of Science Degree in Business Administration from the Ateneo de Manila University, and pursued post-graduate studies on Foreign Trade at the Thunderbird School of Global Management in Arizona, USA. He completed his Advanced Management Course at International Institute for Management Development (IMD) in Lausanne, Switzerland. He became an Independent Director of the Company on April 19, 2018. He attended the Corporate Governance seminar on August 13, 2019.

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 Banking Corporation (RCBC), Science Park of the Philippines, RFM Science Park of the Philippines, Dusit Thani Philippines and AC Industrial Technology Holdings, Inc. She is also a member of the Advisory Board of RCBC, an Executive-in-Residence in the Asian Institute of Management (AIM) and a Trustee of Fatima Center for Human Development and TOWNS, Inc. She was elected as Independent Director of the Company on April 19, 2018. She attended the Corporate Governance Seminar on July 10, 2019.

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 Land, Inc., First Philippine Holdings Corporation, East Asia Computer Center Inc., Roosevelt College, FEU Alabang and MicroVentures Foundation. She is also a director of Sun Life Grepa Financial Inc. Among her other affiliations are or have been 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 Corporate Governance seminar on August 13, 2019.

b) <u>***Executive Officers***</u>

The officers of PHINMA Corporation are elected annually by the Board of Directors and serve for one (1) year and until their respective successors are elected and qualified.

None of the officers of the Company holds more than two percent (2%) of the Company's shares.

Table 4 – Executive Officers

Name	Citizenship	Age	Position
Ramon R. del Rosario, Jr	Filipino	75	President and CEO
Roberto M. Laviña	Filipino	69	Senior Exec. Vice President and COO
Victor J. del Rosario	Filipino	71	Executive Vice President and CFO
Pythagoras L. Brion	Filipino	67	Senior Vice President and Group CFO
Regina B. Alvarez	Filipino	53	Senior Vice President – Finance
Cecille B. Arenillo	Filipino	62	Vice President - Treasury and Compliance Officer
Nanette P. Villalobos	Filipino	47	Vice President and Treasurer
Rizalina P. Andrada	Filipino	60	Vice President – Finance
Rolando Soliven	Filipino	45	Vice President – Group Corporate Assurance
Peter Perfecto	Filipino	54	Vice President – Public Affairs
Danielle R. del Rosario	Filipino	42	Vice President – Director for Strategy
Edmund Alan A. Qua Hiansen	Filipino	36	Assistant Vice President , Investor Relations
Grace M. Purisima	Filipino	37	Assistant Treasurer
Troy A. Luna	Filipino	57	Corporate Secretary
Ma. Concepcion Z. Sandoval	Filipino	38	Assistant Corporate Secretary

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, and St. Jude College. 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 Ayala Corporation. 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 Corporate Governance seminar on August 13, 2019.

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 trainings on Leading Customer Loyalty in July 2017, The Power of Creating a Winnable Game in February 2019, AMLA for Insurance Companies & Financial Institutions in September 2019 and Corporate Governance Seminar on August 13, 2019.

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, Jr. He attended the Corporate Governance seminar on August 13, 2019.

Pythagoras L. Brion, Jr. was appointed as Senior Vice President and Treasurer of the Company on July 27, 2012. He is the Treasurer of Phinma Property Holdings, Corporation and Senior Vice President/Treasurer of PHINMA, 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 has been Senior Vice President - Finance of the company since April 2005. Ms. Alvarez is concurrently Senior Vice President 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 elected Vice President – Treasurer in January 2019. She holds a Bachelor of Science degree major in Accounting from the University of the East. She attended the Basic Management Program at the Asian Institute of Management in 2008. She joined the company in April 1995.

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 of the Asian Institute of Management (AIM). He is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified in 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 was appointed Vice President - Director for Strategy in April 2019 wherein she concurrently heads group efforts on Sustainability. She was previously AVP - 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 University of Regis joint program with the Ateneo Graduate School of Business with the gold medal highest academic distinction. She is a member of the Makati Business Club and Integrity Initiative.

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 and a Master's degree in Global Finance from HKUST-NYU Stern.

Grace Purisima-Monedero joined the company in 2011 and was elected Assistant Vice President – Treasury in April 2019. She holds a Bachelor of Science degree in Management and Economics from Ateneo de Manila University.

Troy A. Luna was elected 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., 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. 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.

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.

c) Family Relationship

Ramon R. del Rosario, Jr. is the brother of Mr. Victor J. del Rosario and the father of Ms. Danielle R. del Rosario. There is no other member of the Board of Directors or any Executive Officer of the Company related by affinity or consanguinity to any Director or Officer of the Company, other than the ones disclosed.

d) Significant Employees

Other than the Directors and Officers identified in the item on Directors and Executive Officers in this Information Statement, there are no other employees of the Company who may have significant influence in the Company's major and/or strategic planning and decision-making.

e) *Involvement in Certain Legal Proceedings*

As of April 30, 2020, PHINMA Corporation has no knowledge and/or information that any of the Company's Directors, Officers or nominees for election as Directors is presently or during the last five (5) years, involved in any legal proceeding which will have any material effect on the Company, its operations, reputation, or financial condition. Furthermore, none of the Company's Directors and senior Executive Officers have been the subject of the following during the last five (5) years : (a) bankruptcy petition by or against any business of which such Director was a general partner or executive officer either the present members of the Board of Directors or the Executive Officer either at the time of the bankruptcy or within two (2) years prior to that time ; (b) a conviction by final judgment, in a criminal proceeding, domestic or foreign, or a pending criminal proceeding, domestic or foreign; (c) any order, judgment or decree, not subsequently reversed, suspended or vacated of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities ; or (d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading, market or self-regulatory organization, to have violated the securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

f) *Warrants and Options Outstanding*

There are no warrants or options granted by the Company to any of its Directors or Executive Officers.

g) *Relationships and Related Transactions*

Parties are considered to be related if one (1) party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individual or corporate entities.

In last two years, the Company was not a party in any transaction in which a Director or Executive Officer of the Company, any nominee for election as a director, any security holder owning more than 10% of the Company's issued and outstanding shares and/or any member of his immediate family had a material interest thereon, except as disclosed below.

The Company has a management contract with Philippine Investment-Management (PHINMA), Inc. up to June 30, 2024 renewable thereafter upon mutual agreement. Under this contract, PHINMA has a general management authority with the corresponding responsibility over all operations and personnel of the Company including planning, direction, and supervision of finance and other business activities of the Company. As of April 30, 2020, PHINMA Inc. owns 137,445,470 shares, which represent 50.45% of total outstanding shares of stock of the Company.

h) *Election of Directors*

The Directors of the Company are elected at the Annual Stockholders Meeting to hold office for one (1) year and until their respective successors have been elected and qualified.

The functions of the Nominations Committee was tucked into the new Corporate Governance and Related Party Transactions Committee which was created on May 15, 2017 at the Organizational Meeting of the Company in compliance with the recommendations of the Securities and Exchange Commission Code of Corporate Governance.

After having conducted the nomination for purposes of the election of Directors and after pre-screening the qualifications of the nominees, the Corporate Governance and Related Party Transaction Committee has submitted the following list of candidates who qualify for election to the Board of PHINMA Corporation at the forthcoming Annual Shareholders Meeting on June 24, 2020:

1. Oscar J. Hilado
2. Ramon R. del Rosario, Jr.
3. Magdaleno B. Albarracin, Jr.
4. Roberto M. Laviña
5. Victor J. del Rosario
6. Amb. Jose L. Cuisia, Jr.
7. Eric S. Lustre
8. Guillermo D. Luchangco *(Independent)*
9. Juan B. Santos *(Independent)*
10. Lilia de Lima *(Independent)*
11. Rizalina G. Mantaring *(Independent)*

The foregoing persons were nominated by Mr. Ramon R. del Rosario, Jr. He is not related to any of the director-nominees, either by consanguinity or affinity, except to Mr. Victor J. del Rosario who is his brother.

The securities owned by the nominees as of April 30, 2020 are as follows:

Title of Class	Name of Beneficial Owner	Citizenship	No. of shares	Nature	% of ownership
Common	Oscar J. Hilado	Filipino	110,000 706,859	Direct Indirect	.040% .259%
Common	Magdaleno B. Albarracin, Jr.	Filipino	9,710,459	Direct	3.564%
Common	Victor J. del Rosario	Filipino	1,069,245 714,138	Direct Indirect	.392% .262%
Common	Ramon R. del Rosario, Jr.	Filipino	82,877 3,776,984 714,139	Direct Indirect Indirect	.030% 1.386% .262%
Common	Roberto M. Laviña	Filipino	857,106	Direct	.315%
Common	Jose L. Cuisia, Jr.	Filipino	10,927	Direct	.004%
Common	Guillermo D. Luchangco	Filipino	1	Direct	.000%
Common	Eric S. Lustre	Filipino	1	Direct	.000%
Common	Juan B. Santos	Filipino	1	Direct	.000%
Common	Lilia de Lima	Filipino	1	Direct	.000%
Common	Rizalina G. Mantaring	Filipino	1	Direct	.000%

The Board of Directors has no reason to believe that any of the nominees will be unwilling or unable to serve if re-elected as a director.

The Company's Corporate Governance and Related Party Transactions Committee is composed of the following:

Ms. Lilia B. de Lima	-	Chairman
Ms. Rizalina G. Mantaring	-	Member
Guillermo D. Luchangco	-	Member

i) ***<u>Independent Directors</u>***

On June 30, 2004, the SEC approved amendment to the Amended By-Laws of PHINMA Corporation to incorporate a provision stating that it shall conform with the requirement of law to have independent directors. On May 27, 2010, the SEC approved a further amendment to the

Amended By-laws adopting and stating that the Company shall comply with Securities Regulation Code (SRC) Rule 38 as amended and all rules and regulations relative to the requirements on nomination and election of independent directors.

The following are the nominees for independent directors, as submitted to and pre-screened by the Corporate Governance and Related Party Transactions Committee of the Company using the aforementioned guidelines, pertinent provisions of the Company's Manual on Good Corporate Governance and its Amended By-Laws. They are neither officers nor substantial shareholders of the Company. Mr. Ramon R. del Rosario, Jr. nominated the candidates for independent directors. Mr. Del Rosario is not related to the independent director-nominees by consanguinity or affinity.

a. Mr. Guillermo D. Luchangco
b. Mr. Juan B. Santos
c. Ms. Lilia de Lima
d. Ms. Rizalina G. Mantaring

All the independent directors possess the qualifications and none of the disqualifications under Securities Regulation Code or the Company's Manual of Corporate Governance.

6. Compensation of Directors and Executive Officers

The Directors are paid a bonus based on the net income of the Company for each calendar year. The compensation received by the officers who are not included in the Board of Directors of the Company represents salaries and bonuses.

For the calendar years ended December 2019 and 2018, the total salaries, allowances and bonuses paid by the Company to the directors and executive officers as well as estimated compensation of directors and executive officers for CY 2020 are as follows:

TABLE 5 - COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Name and Principal Position	Year	Salary	Bonus	Others
Chairman and Top 3				
Oscar J. Hilado Chairman				
Ramon R. del Rosario, Jr. Vice Chairman and President and CEO				
Roberto M. Laviña Senior Executive Vice President and COO				
Victor J. del Rosario Executive Vice President and CFO				
TOTAL	2020* 2019 2018	15,726,672 14,365,266 12,017,971	10,733,512 11,661,820 3,493,996	1,240,000 1,420,000 920,000
All other Directors and Officers as a group unnamed	2020* 2019 2018	26,576,693 24,490,870 17,718,711	13,453,430 14,053,248 4,150,987	1,864,000 2,474,000 1,780,000

**Estimated compensation of directors and executive officers for the year .*

a) Compensation of Directors

The Directors receive allowances, per diem and bonus based on a percentage of the net income of the Company for each calendar year.

There are no other existing arrangements/agreements to which said Directors are to be compensated during the last completed calendar year and the ensuing year.

b) Employment Contracts and Termination of Employment and Change-in Control Arrangements

There is no existing contract between the Company, the executive officers or any significant employee.

Under Article VI, Section 1 of the Company's By-Laws, the Officers of the Corporation shall hold office for one (1) year and until their successors are chosen and qualified in their stead. Any Officer elected or appointed by the majority of the Board of Directors may be removed by the affirmative vote of the Board of Directors.

c) Compensatory Plan or Arrangement

The compensation received by Officers who are not members of the Board of Directors of the Company represents salaries, bonuses and other benefits.

All permanent and regular employees of the Company and its subsidiaries are covered by PHINMA Group retirement plan (the "Plan"). The Plan provides benefits upon normal retirement beginning at age sixty (60), early retirement beginning at age fifty (50) with completion of at least ten (10) years of service, voluntary separation beginning upon completion of at least ten (10) years of service, total and physical disability, death and involuntary separation. The benefits are based on the employee's final monthly basic salary and length of service.

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.

d) Compensation Committee

The members of the Compensation Committee are as follows :

Amb. Jose L. Cuisia, Jr.	-	Chairman
Mr. Oscar J. Hilado	-	Member
Mr. Ramon R. del Rosario, Jr.	-	Member
Mr. Juan B. Santos	-	Member

7. Appointment of External Auditors

As of December 31, 2019, Sycip, Gorres, Velayo and Company (SGV) has been the Company's Independent Public Accountant for the last five (5) years. The same auditing firm has been endorsed by the Audit Committee to the Board. The Board, in turn, approved the endorsement and will nominate the appointment of the said auditing firm for the stockholders' approval at the scheduled Annual Meeting of Stockholders. The said auditing firm has accepted the Company's invitation to stand for re-election this year.

Audit services of SGV for the calendar year ended December 31, 2019 included the examination of the parent and consolidated financial statements of the Company, preparation of final income tax returns and other services related to filing of reports made with the Securities and Exchange Commission and Philippine Stock Exchange, Inc.

During the past five (5) years, there has been no event in which PHINMA Corporation and SGV has any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures.

The Company is in compliance with SRC Rule 68, paragraph 3(b) (ix) requiring the rotation of external auditors or engagement partners who have been engaged by the Company for a period of five (5) consecutive years and the mandatory two-year cooling-off period for the re-engagement of the same signing partner or individual auditor. The engagement partner who conducted the audit for Calendar Year 2019 is Ms. Belinda T. Beng Hui, a SEC accredited auditing partner of SGV. This is the second year of Ms. Beng Hui as audit partner of the company.

The members of the Audit Committee are the following :

1.	Mr. Juan B. Santos	-	Chairman
3.	Ms. Rizalina G. Mantaring	-	Member
4.	Dr. Magdaleno B. Albarracin, Jr.	-	Member

The external auditors for the current year and for the most recently completed calendar year are expected to be present at the shareholders' meeting, will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

The Audit Committee and the Board of Directors delegated to the Executive Committee the appointment of external auditors for Calendar Year 2020. On March 13, 2020, the Executive Committee approved the endorsement of Sycip, Gorres, Velayo & Co. as External Auditor for the year 2020.

8. External Audit Fees and Related Services

Audit and Audit-Related Fees

The Company paid or accrued the following fees for professional services rendered by SGV and Co. for the past two (2) years:

Year	Audit Fees	Other Fees
2019	3,650,000.00	1,142,857
2018	3,650,000.00	-

The above audit fees are for the audit of the Company's annual financial statements or services normally provided in connection with statutory and regulatory filings or engagements for CY 2019 and 2018. The other fees represents various SGV engagements like valuation of options, organizational optimization study and transfer pricing.

The Audit Committee discusses with the external auditor before the audit commences, the nature and scope of the audit. The Committee also approves audit plans, audit fees, scope and frequency before the conduct of the external audit. It evaluates and determines non-audit work by the external auditor and reviews the non-audit fees paid to the external auditor, both in relation to their significance to the audit and in relation to the Company's total expenditure on consultancy.

The Audit Committee, the Board of Directors and the stockholders of PHINMA Corporation approved the engagement of SGV as the Company's external auditor.

9. Financial and Other Information

The Company's financial statements for the year ended December 31, 2019 and Management's Discussion and Analysis or Plan of Operation are attached hereto as **Annexes "B" and "C"** respectively.

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, AND WHEN CIRCUMSANCES PERMIT, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF THE ANNUAL REPORT ON SEC FORM 17-A, FREE OF CHARGE. SUCH WRITTEN REQUEST SHOULD BE DIRECTED TO THE CORPORATE SECRETARY, 7TH FLOOR,

PHINMA PLAZA, 39 PLAZA DRIVE, ROCKWELL CENTER, MAKATI CITY 1210.

10. Dividends

There is no restriction on payment of dividends other than the availability of retained earnings following the SEC rule on calculation of available retained earnings for dividend declaration and after appropriations for investment and other requirements.

The Company declares cash or stock dividends to its common shareholders on a regular basis, in amounts determined by the Board, taking into consideration the Company's results of operations, cash position, investment and capital expenditures requirements, and unrestricted retained earnings. The Company may also declare special cash dividends where appropriate.

Dividends declared and paid in 2010 up to 2019 are as follows:

	Dividend			
Date of Declaration	**Type**	**Rate**	**Record Date**	**Payment Date**
March 3, 2010	Cash	P0.40 per share	March 29, 2010	April 23, 2010
March 3, 2011	Cash	P0.40 per share	March 29, 2011	April 26, 2011
March 22, 2012	Cash	P0.40 per share	April 11, 2012	April 26, 2012
March 6, 2013	Cash	P0.40 per share	March 22, 2013	April 17, 2013
March 4, 2014	Cash	P0.40 per share	March 20, 2014	April 15, 2014
March 4, 2015	Cash	P0.40 per share	March 18, 2015	March 31, 2015
March 4, 2016	Cash	P0.40 per share	March 18, 2016	March 31, 2016
March 22, 2017	Cash	P0.40 per share	April 5, 2017	April 21, 2017
March 6, 2018	Cash	P0.40 per share	March 22, 2018	April 6, 2018
March 5, 2019	Cash	P0.40 per share	March 21, 2019	March 2 9 , 2019
November 11, 2019	Cash	P0.40 per share	Nov. 25, 2019	Dec. 9 , 2019

No stock dividend was declared for the calendar years 2009 up to 2016.On April 18, 2017, the Board of Directors of PHN approved the 10% stock dividend equivalent to 25.9 million worth of shares to all stockholders of record as of June 6, 2017 which was paid on June 30, 2017.

On March 23, 2018, the Parent Company's Executive Committee approved the appropriation of P1.0 billion retained earnings for the investment in the Education and Construction Material business until 2019 and P300 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 Philippine Stock Exchange.

As of December 31, 2018, PHINMA Corporation retained earnings amounted to P3.7 billion, of which P1,067.8 million were equity in net earnings of investee companies that are not available for dividend declaration. The accumulated equity in net earnings of the subsidiaries and associates is not available for dividend distribution until such time that the Parent Company receives the dividend from the subsidiaries and associates.

11. Actions with Respect to Minutes of Previous Meeting

At the last Annual Stockholders Meeting held on April 12, 2019, the President and CEO reported to the stockholders the Company and its subsidiaries operational performance in 2018 while the Senior Vice President–Finance reported on the Company's financial performance. The following matters were presented and approved by the stockholders at such meeting:

a) Minutes of the 2018 Annual Stockholders Meeting;
b) Ratification of all resolutions of the Board of Directors and acts of Management in 2018 done in the ordinary course of the Company's business;

c) Calendar Year 2018 Audited Financial Statements;
d) Election of eleven (11) Directors, including four (4) independent Directors for 2019;
e) Appointment of SGV as independent external auditor; and
f) Renewal of Management Contract

For the Annual Stockholders Meeting scheduled on June 24, 2020, the President will report on the operational performance of the Company and its subsidiaries in 2019 while the CFO will report on the financial performance. The following matters will also be presented for consideration by the stockholders at such meeting:

a) Minutes of the 2019 Annual Stockholders Meeting **(Annex D)** ;
b) Ratification of all acts of the Board of Directors, Committees and Management in 2019 done in the ordinary course of the Company's business (**Annex E)**;
c) 2019 Audited Financial Statements **(Annex B**);
d) Election of eleven (11) Directors, including four (4) independent Directors for 2020 ; and
e) Appointment of external auditor

The approval of the Minutes of the previous Annual Shareholders Meeting, the approval of Annual Report of Management including the Audited Financial Statements for the year ended December 31, 2019, the Ratification of all acts of the Board of Directors and of Management since the last Annual Shareholders Meeting, the election of Directors and the approval of the appointment of the Company's external auditor shall require the affirmative vote or written assent of a majority of the stockholders entitled to vote during the Annual Shareholders Meeting.

12. Compliance with the Company's Manual on Good Corporate Governance

A discussion of the Company's compliance with its Manual on Good Corporate Governance may be found in **"Annex A".**

12. Voting Procedures

For the election of Directors, each shareholder is entitled to one (1) vote per share multiplied by the number of board seats to be filled, i.e. eleven (11), and may cumulate his/her votes by giving as many votes as he/she wants to any candidate provided that the total votes cast shall not exceed the total votes to which he/she is entitled. In the event the votes cast by a stockholder exceeds that to which he/she is entitled to vote, the Corporate Secretary in his discretion shall deduct such votes cast by the stockholder in favor of any nominee as may be necessary under the circumstances.

In the event that only eleven (11) are nominated to fill eleven (11) seats in the Board, the Chairman shall direct the Corporate Secretary to cast all votes in favor of those nominated, except the votes of stockholders who wish to have their votes differently.

All the items in the agenda for approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of those present at the meeting, provided there is a quorum, except the election of Directors which will be based on the number votes cast by each stockholder present at the meeting, in person or through a proxy, where there is a quorum. Each of the proposed resolutions will be shown on the screen as the same is taken-up at the meeting.

Votes of all stockholders may only be cast through ballots or proxies submitted on or before June 19, 2020. A sample of the Ballot/ Proxy will be included in the Information Statement.

All Ballots/Proxies should be received by the Corporate Secretary on or before June 19, 2020 by email to phncorpsec@phinma.com.ph.

The votes received will be tabulated and validated by an independent third party. The Corporate Secretary shall report the results of voting during the meeting.

Stockholders may email to phncorpsec@phinma.com.ph questions or comments on matters that are relevant and of general concern to them on or before June 19, 2020. These will be answered during the meeting, subject to appropriateness, relevancy and time limits, or via email to the stockholder sending the said questions.

A link to the recorded webcast of the meeting will be posted on the Company's website after the meeting. Stockholders shall have one week from posting to send to the Company through the same email address, questions and concerns on the matters arising from and relevant to the meeting conducted.

13. Other Matters

At the date hereof, there are no other matters which the Board of Directors intends to present or has reason to believe others will present at the meeting.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on June 02, 2020.

PHINMA CORPORATION
Issuer

TROY A. LUNA
Corporate Secretary

NOTICE: The Company will post the full version of this SEC Form 20-IS (Definitive Information Statement), together with all its annexes including the 2019 consolidated audited financial statements of the Company, on the company website www.phinma.com.ph upon its approval by the Securities and Exchange Commission.

COVER SHEET

1 2 3 9 7

S.E.C. Registration Number

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

(Company's Full Name)

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

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

C E C I L L E A R E N I L L O

Contact Person

8 7 0 0 1 0 0

Company Telephone Number

1 2 — 3 1

Month Day

Calendar Year

C E R T I F I C A T E
O F I N D . D I R .

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = Pls. Use black ink for scanning purposes

PHINMA
Making Lives Better

PHINMA Corporation

Securities and Exchange Commission
Electronic Records Management Division
12 MAR 12 2020 ICTD
BY:
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

March 12, 2020

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City 1307

Attention: **MS. RACHEL ESTHER J. GUMTANG-REMALANTE**
OIC, Corporate Governance & Finance Department

THE PHILIPPINE STOCK EXCHANGE, INC.
6th Floor, Philippine Stock Exchange Tower
26th Street corner 5th Avenue Bonifacio Global City, Taguig City

Attention: **MS. JANET A. ENCARNACION**
Head, Disclosure Department

In compliance with the Commission's requirements for independent directors to submit a certification, under oath, that they possess the qualifications and none of the disqualifications as provided for in the Securities Regulation Code, we submit herewith the Certificates of Independent Director of the following nominees for independent director of PHINMA Corporation for the year 2020.

1. Guillermo D. Luchangco
2. Juan B. Santos
3. Lilia B. De Lima
4. Rizalina G. Mantaring

Thank you.

Very truly yours,

RIZALINA P. ANDRADA
Vice President Finance

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **GUILLERMO D. LUCHANGCO**, Filipino, of legal age with office address of 17th Floor, Robinson's Summit Centre, 6783 Ayala Avenue, Makati City, after having duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of **PHINMA Corporation.**

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Investment & Capital Corp of the Philippines	Chairman	since March 1987
ICCP Holdings Corp.	Chairman & CEO	since April 2007
ICCP Managers, Inc.	Chairman & President	since October 1987
Regatta Properties, Inc.	Chairman & CEO	since October 1993
Pueblo de Oro Development Corp.	Chairman & CEO	since February 1995
RFM-Science Park of the Philippines, Inc	Chairman & CEO	since August 1997
Science Park of the Philippines, Inc.	Chairman & CEO	since March 1989
Cebu Light Industrial Park, Inc.	Chairman & CEO	since December 1994
ICCP Land Management, Inc	Chairman & CEO	since November 1988
ICCP Ventures, Inc.	Chairman & CEO	since September 1989
ICCP-SBI Venture Partners, Inc.- U.S.	Chairman	since December 2004
ICCP-SBI Venture Partners (HongKong) Limited	Chairman & CEO	since February 2016
ICCP-SBI Venture Partners Ltd.(Cayman)	Chairman & CEO	since November 2013
ICCP Capital Markets Ltd.	Chairman	since September 2015
Fiducia Asset Management Pte. Ltd.	Chairman	since April 2009
Tech Venture Partners Ltd.	Chairman & CEO	since November 2004
Tech Venture Partners III Ltd	Chairman & CEO	since October 2004
Pacific Synergies Partners IV Ltd.	Chairman & CEO	since March 2008
Pacific Synergies Venture Partners Ltd.	Chairman & CEO	since March 2011
Stamford Investors Ltd.	Chairman	Since January 2010
Beacon Property Ventures, Inc	Chairman & President	since November 2004
Manila Exposition Complex, Inc	Chairman	since March 1995
ICCP Group Foundation, Inc.	Chairman	since April 1997
Ventrix Holdings Corporation	Chairman & President	since 1991
Pueblo de Oro Golf & Country Club, Inc.	Director	since April 1999
Ionics, Inc.	Director	since 1991
Ionics, Circuits, Ltd	Director	since 2000
Ionics EMS, Inc.	Director	since 1999
Ionics EMS, Ltd.	Director	since 2004
Ionics Properties, Inc.	Director	since 1997
Iomni Precision, Inc.	Director	since 2000
Maxima Trading	Director	since 1992
Roxas & Company, Inc.	Director	since November 2009
Inactive Companies: Palawan Agro-Development Corp. Palawan Integrated Development Corp. Optima Agri-Industrial Corp. San Isidro Mining Corp.		

As of March 1, 2020

3. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

4. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Phinma Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

5. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.

6. I shall inform the Corporate Secretary of Phinma Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this 10th day of March 2020 at Makati City.

GUILLERMO D. LUCHANGCO
Affiant

MAR 1 0 2020

SUBSCRIBED AND SWORN to before me this _____ day of ________ 2020 at Makati City affiant personally appeared before me and exhibited to me his Passport No. EC7496033 issued on April 26, 2016 and valid until April 25, 2021.

JOEL S. LLANILLO
COMMISSION NO. M-204
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2020
12/F THE PHINMA PLAZA, 39 PLAZA DRIVE
ROCKWELL CENTER, MAKATI CITY
ROLL NO. 53693
PTR NO. 8127691; 1/8/2020; MAKATI CITY
IBP NO. 974819; 9/15/14 LIFETIME; BULACAN CHAPTER
MCLE Compliance No. VI-0021494

Doc. No. 184;
Page No. 38;
Book No. 31;
Series of 2020.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JUAN B. SANTOS**, Filipino, of legal age and a resident of **2420 Bougainvilla St., Dasmarinas Village, Makati City**, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **PHINMA Corporation (PHN).**

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company / Organization	Position / Relationship	Date Assumed
Rizal Commercial Banking Corporation	Independent Director	November 2016 – Present
House of Investments, Inc.	Independent Director	October 2014 – Present
First Philippine Holdings, Inc.	Independent Director	June 2009 – Present
Sun Life Grepa Financial, Inc. (Formerly Grepalife Financial, Inc.)	Independent Director	October 2006 – Present
Alaska Milk Corporation	Independent Director	May 2007 – Present
East West Seeds International Ltd.	Member, Supervisory Board	2010 – Present
Philippine Investment Management (PHINMA), Inc.	Independent Director	August 2013 – Present
Allamanda Management Corp.	Director	January 2000 – Present
Mitsubishi Motors Phils. Corp.	Member, Advisory Board	January 2016 – Present
East-West Seeds Corporation	Member, Advisory Board	2008 – Present
Dualtech Training Center Foundation, Inc.	Trustee	May 2012 – Present
St. Luke's Medical Center	Trustee	August 2005 – Present
Marsman-Drysdale Group of Companies	Consultant	September 2007 - Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PHINMA Corporation (PHN)**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of **PHINMA Corporation (PHN)**, other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable):

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
None	None	None

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding:

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
None	None	None

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of **PHINMA Corporation (PHN)**, of any changes in the abovementioned information within five days from its occurrence.

Done, this MAR 1 0 day of 2020, at MAKATI CITY.

JUAN B. SANTOS

Affiant

SUBSCRIBED AND SWORN to before me this MAR 1 0 2020 day of at MAKATI CITY, affiant personally appeared before me and exhibited to me his/her Passport No. P4425820 issued at DFA Manila valid until September 18, 2022.

Doc. No. 186;
Page No. 39;
Book No. 37;
Series of 2020;

S. LLANILLO
COMMISSION NO. M-204
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2020
2/F THE PHINMA PLAZA, 39 PLAZA DRIVE
ROCKWELL CENTER, MAKATI CITY
ROLL NO. 53693
PTR NO. 8127691; 1/8/2020; MAKATI CITY
9/15/14 LIFETIME; BULACAN CHAPTER
Compliance No. V1-0021494

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **LILIA B. DE LIMA**, Filipino, of legal age and a resident of **Suite 1503. Marbella Manila Tower 2 Building, 2017 Roxas Boulevard, Manila,** after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **PHINMA Corporation (PHN).**

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company / Organization	Position / Relationship	Date Assumed
Rizal Commercial Banking Corporation	Director	June 24, 2019
Dusit Thani Philippines	Director	October 24, 2018
FWD Insurance Philippines	Independent Director	June 21, 2018
Asian Institute of Management (AIM)	Executive-in-Residence	June 1, 2018
AC Industrial Technology Holdings, Inc.	Director	2018
TOWNS Foundation, Inc.	Member, Board of Trustees	December 2017
Science Park of the Philippines	Director	2017
RFM Science Park of the Philippines	Director	2017
Ionics EMS	Independent Director	August 8, 2017
Ionics, Inc.	Independent Director	August 8, 2017
Fatima Center for Human Development	Trustee	2007

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PHINMA Corporation (PHN)**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of **PHINMA Corporation (PHN)**, other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
None	None	None

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
None	None	None

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of **PHINMA Corporation (PHN)**, of any changes in the abovementioned information within five days from its occurrence.

Done, this 5th day of March 2020, at Makati City.

LILIA B. DE LIMA

Affiant

SUBSCRIBED AND SWORN to before me this MAR 1 0 2020 day of ______ at MAKATI CITY affiant personally appeared before me and exhibited to me his/her Passport No. P6254214A issued at ______ on March 2, 2018.

Doc. No. 163;
Page No. 36;
Book No. 31;
Series of 2020;

JOEL S. LLANILLO
COMMISSION NO. M-204
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2020
12/F THE PHINMA PLAZA, 39 PLAZA DRIVE
ROCKWELL CENTER, MAKATI CITY
ROLL NO. 53693
PTR NO. 8127691; 1/8/2020; MAKATI CITY
IBP NO. 974819; 9/15/14 LIFETIME; BULACAN CHAPTER
MCLE Compliance No. VI-0021494

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RIZALINA G. MANTARING** , Filipino, of legal age and a resident of 12 Vicente Lim St., Ayala Heights, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **PHINMA Corporation (PHN)**.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Sun Life Grepa Financial, Inc.	Director	7 years 5 months
Ayala Land, Inc.	Independent Director	5 years 11 months
First Philippine Holdings, Inc.	Independent Director	3 years 10 months
Microventures Foundation, Inc.	Independent Director	6 years
Makati Business Club	Trustee/Treasurer	2 years 5 months/9 months
Philippine Business for Education	Trustee	2 years 10 months
East Asia Computer, Inc.	Independent Director	1 year 5 months
Roosevelt College	Independent Director	1 year 5 months
Far Eastern University (Alabang)	Independent Director	1 year
PPCRV	Trustee	3 months
Operation Smile Philippines	Trustee	3 months

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PHINMA Corporation (PHN)**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of **PHINMA Corporation (PHN)**, other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
None	None	None

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
None	None	None

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of **PHINMA Corporation (PHN),** of any changes in the abovementioned information within five days from its occurrence.

Done, this MAR 1 0 day of 2020, at MAKATI CITY.

RIZALINA G. MANTARING
Affiant

SUBSCRIBED AND SWORN to before me this MAR 1 0 day of 2020 at MAKATI CITY, affiant personally appeared before me and exhibited to me her Passport EC5964028 issued at DFA Manila on 13 November 2015.

JOEL S. LLANILLO
COMMISSION NO. M-204
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2020
12/F THE PHINMA PLAZA, 39 PLAZA DRIVE
ROCKWELL CENTER, MAKATI CITY
ROLL NO. 53693
PTR NO. 8127691; 1/8/2020; MAKATI CITY
IBP NO. 974819; 9/15/14 LIFETIME; BULACAN CHAPTER
MCLE Compliance No. VI-0021494

Doc. No. 18(;
Page No. 38;
Book No. 3;
Series of 2020;

March 9, 2020

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay 1307

Attention : **DIR. VICENTE GRACIANO P. FELIZMENIO, JR.**
Markets and Securities Regulation Department

RE : **PHINMA CORPORATION**

Gentlemen :

This is to certify that, to the best of my knowledge as Corporate Secretary, none of the present Directors and officers and nominees for election as Directors of PHINMA Corporation at the scheduled Meeting of Stockholders on 6 April 2020, are connected with any government agency or instrumentality that requires written permission for the head of said agency or instrumentality under the Civil Service Law, rules and regulations, as amended.

Very truly yours,

TROY A. LUNA
Corporate Secretary

ANNEX A

Compliance Program

Annex A

COMPLIANCE PROGRAM

Compliance Policy

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 (the "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.

Integrated Annual Corporate Governance Report (I-ACGR)

SEC MC No. 15, Series of 2017 was released in December 2017 which mandates all publicly-listed companies to submit an Integrated Annual Corporate Governance Report (I-ACGR) 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 2018 on May 30, 2019. For the year 2019, the I-ACGR is due on May 29, 2020.

As of December 31, 2019, 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.

ANNEX B

Audited Consolidated Financial Statements Calendar Year 2019

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, 2019 and December 31, 2018 and for each of the three years in the period ended December 31, 2019, 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 12th day of March 2020.

OSCAR J. HILADO
Chairman of the Board

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

VICTOR J. DEL ROSARIO
Executive Vice President and Chief Financial Officer

SUBSCRIBED AND SWORN to before me this MAR 12 2020 day of March 2020 in Makati City, affiants exhibiting to me their passports, as follows :

Name	ID Presented	Date of Issue	Place of Issue
Oscar J. Hilado	Passport No. P7959521A	July 16, 2018 July 15, 2028	DFA NCR East
Ramon R. del Rosario, Jr.	Passport No. P5770713A	Jan. 26, 2018 Jan. 25, 2028	DFA NCR East
Victor J. del Rosario	Passport No. EB6064066	Jan. 25, 2017 – Jan. 24, 2022	DFA NCR East

NOTARY PUBLIC
JOEL S. LLANILLO
COMMISSION NO. M-204
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2020
12/F THE PHINMA PLAZA, 39 PLAZA DRIVE
ROCKWELL CENTER, MAKATI CITY
ROLL NO. 53693
PTR NO. 8127691; 1/8/2020; MAKATI CITY
IBP NO. 974819; 9/15/14 LIFETIME; BULACAN CHAPTER
MCLE Compliance No. V1-0021494

Doc. No. 193
Page No. 40
Book No. 31
Series of 2020

PHINMA Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2019 and 2018
and Years Ended December 31, 2019, 2018
and 2017

and

Independent Auditor's Report

SGV

Building a better working world

A member firm of Ernst & Young Global Limited

SGV
Building a better working world

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

Tel: (632) 891 0307
Fax: (632) 819 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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 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.

Adoption of PFRS 16, Leases

Effective January 1, 2019, the Company adopted PFRS 16, *Leases*, under the modified retrospective approach which resulted in significant changes in the Company's accounting policy for leases. The Company's adoption of PFRS 16 is significant to our audit because the Company has high volume of lease agreements and adoption involves application of significant judgment and estimation in determining the incremental borrowing rate. This resulted in an increase in right-of-use assets by ₱266.7 million and lease liabilities by ₱284.3 million as at January 1, 2019 and the recognition of depreciation expense and interest expense of ₱24.2 million and ₱13.4 million, respectively, for the year ended December 31, 2019.

The disclosures related to the adoption of PFRS 16 are included in Notes 3 and 37 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Company's process in implementing the new standard on leases, including the determination of the population of the lease contracts covered by PFRS 16, the application of the short-term exemption, the selection of the transition approach and any election of available practical expedients.

We tested the population of lease agreements by comparing the number of lease agreements to the master lease schedule of the Company. On a test basis, we inspected lease agreements (i.e., lease agreements existing prior to the adoption of PFRS 16 and new lease agreements), identified their contractual terms and conditions, and traced these contractual terms and conditions to the lease calculations prepared by management, which covers the calculation of financial impact of PFRS 16, including the transition adjustments. We tested the parameters used in the determination of the incremental borrowing rate by reference to market data. We test computed the lease calculation prepared by management on a sample basis, including the transition adjustments.

We reviewed the disclosures related to the transition adjustments based on the requirements of PFRS 16 and Philippine Accounting Standard 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Recoverability of Goodwill

Under PFRS, the Company is required to annually test the amount of goodwill for impairment. As at December 31, 2019, the Company's goodwill arising from its acquisitions of educational institutions and business research entity amounted to ₱1,769.8 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions, 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. 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.

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.

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, 2019 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, 2019 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.

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

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. 08-001998-78-2018,
March 14, 2018, valid until March 13, 2021
PTR No. 8125213, January 7, 2020, Makati City

March 13, 2020

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 9, 35 and 36)	**₱3,183,795**	₱2,436,275
Short-term investments (Notes 35 and 36)	–	323,984
Investments held for trading (Notes 10, 35 and 36)	**2,198,264**	592,165
Trade and other receivables (Notes 11, 35 and 36)	**2,937,759**	2,270,753
Inventories (Note 12)	**1,379,667**	1,339,726
Input value-added taxes	**44,823**	11,079
Derivative asset (Notes 35 and 36)	–	1,911
Other current assets	**155,281**	217,304
	9,899,589	7,193,197
Noncurrent asset held for sale (Note 13)	–	1,827,667
Total Current Assets	**9,899,589**	9,020,864
Noncurrent Assets		
Investment in associates and joint ventures (Note 13)	**1,179,675**	1,132,403
Financial assets at fair value through other comprehensive income (Notes 14, 35 and 36)	**109,563**	243,434
Property, plant and equipment (Note 15)	**7,985,279**	6,244,433
Investment properties (Note 16)	**629,934**	607,298
Intangible assets (Notes 6 and 17)	**1,780,348**	1,772,008
Right-of-use assets (Notes 3 and 37)	**250,565**	–
Deferred tax assets - net (Note 33)	**96,086**	37,481
Other noncurrent assets (Note 18)	**451,355**	56,172
Total Noncurrent Assets	**12,482,805**	10,093,229
	₱22,382,394	₱19,114,093
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Notes 19, 35 and 36)	**₱968,880**	₱244,005
Trade and other payables (Notes 20, 35 and 36)	**1,362,387**	1,720,299
Contract liabilities (Notes 21 and 24)	**1,005,957**	771,418
Trust receipts payable (Notes 12, 35 and 36)	**1,203,906**	877,655
Derivative liability (Notes 35 and 36)	**1,405**	1,544
Income and other taxes payable	**122,772**	104,775
Current portion of:		
Long-term debt (Notes 22, 35 and 36)	**314,730**	209,234
Lease liabilities (Notes 3, 35, 36 and 37)	**44,376**	–
Due to related parties (Notes 32, 35 and 36)	**92,543**	79,165
Total Current Liabilities	**5,116,956**	4,008,095
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 22, 35 and 36)	**7,079,490**	6,503,776
Non-controlling interest put liability (Notes 7, 35 and 36)	**900,011**	–
Deferred tax liabilities - net (Note 33)	**362,058**	362,537
Pension and other post-employment benefits (Note 34)	**287,935**	209,679
Lease liabilities - net of current portion (Notes 3 and 37)	**234,854**	–
Other noncurrent liabilities	**54,460**	66,953
Total Noncurrent Liabilities	**8,918,808**	7,142,945
Total Liabilities	**14,035,764**	11,151,040

(Forward)

	December 31	
	2019	2018
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)	**(134,460)**	(42,717)
Exchange differences on translation of foreign operations	**205**	(1,011)
Equity reserves (Notes 7 and 23)	**153,976**	(27,709)
Other comprehensive income (Note 14)	**40,284**	66,578
Share in other comprehensive income of associates (Note 13)	**(20,965)**	(6,177)
Retained earnings (Note 23)	**3,495,554**	3,671,143
Equity Attributable to Equity Holders of the Parent	**6,657,154**	6,782,667
Non-controlling Interests	**1,689,476**	1,180,386
Total Equity	**8,346,630**	7,963,053
	₱22,382,394	₱19,114,093

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		
	2019	2018	2017
REVENUES			
Revenue from contracts with customers (Note 24)	**₱11,120,447**	₱9,781,370	₱–
Sale of goods	**–**	–	4,210,352
Tuition, school fees and other services	**–**	–	1,921,824
Hospital routine services	**–**	–	128,191
Consultancy services	**–**	–	52,304
Rental income (Note 16)	**86,069**	79,423	72,155
Investment income (Note 25)	**118,395**	69,309	34,386
	11,324,911	9,930,102	6,419,212
COSTS AND EXPENSES			
Cost of sales (Note 26)	**6,312,840**	6,065,989	3,346,831
Cost of educational, hospital, installation and consultancy services (Note 26)	**1,770,415**	1,236,568	1,008,143
General and administrative expenses (Note 27)	**1,622,954**	1,556,953	1,162,652
Selling expenses (Note 28)	**550,527**	494,958	407,287
	10,256,736	9,354,468	5,924,913
OTHER INCOME (EXPENSES)			
Interest expense and other financing charges (Note 31)	**(463,788)**	(398,384)	(287,268)
Foreign exchange gains (losses) - net (Note 35)	**(50,799)**	35,403	(5,865)
Equity in net earnings (losses) of associates and joint ventures (Note 13)	**44,217**	(107,658)	(100,443)
Loss on sale of investment in an associate (Note 13)	**(13,080)**	–	–
Gain on sale of investment in a subsidiary (Note 7)	**–**	–	4,138
Provision for unrecoverable input value-added tax (Note 18)	**(8,393)**	(1,296)	(14)
Gain (loss) on sale of investment properties (Note 16)	**7,702**	30,699	(2,139)
Net gains (losses) on derivatives (Note 36)	**(2,098)**	(13,386)	6,814
Gain on sale of property, plant and equipment - net (Note 15)	**1,314**	12,242	1,952
Gain on tax-free exchange of land (Note 13)	**–**	164,235	–
Gain on sale of available-for-sale (AFS) investments	**–**	–	750
Others - net	**50,226**	52,899	52,428
	(434,699)	(225,246)	(329,647)
INCOME BEFORE INCOME TAX	**633,476**	350,388	164,652
PROVISION FOR INCOME TAX (Note 33)			
Current	**217,638**	170,563	105,171
Deferred	**(21,285)**	5,004	13,428
	196,353	175,567	118,599
NET INCOME	**₱437,123**	₱174,821	₱46,053
Attributable to:			
Equity holders of the Parent	**₱232,507**	₱25,874	(₱29,233)
Non-controlling interests	**204,616**	148,947	75,286
Net income	**₱437,123**	₱174,821	₱46,053
Basic/Diluted Earnings (Loss) Per Common Share - Attributable to Equity Holders of the Parent (Note 39)	**₱0.83**	₱0.09	(₱0.10)

See accompanying Notes to Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2019	2018	2017
NET INCOME	**₱437,123**	₱174,821	₱46,053
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss in subsequent periods			
Re-measurement gain on defined benefit obligation (Note 34)	**(111,937)**	83,846	8,899
Unrealized gain on change in fair value of financial assets at fair value through other comprehensive income (Note 14)	**(61,850)**	15,768	–
Share in unrealized gain on change in fair value of financial assets at fair value through other comprehensive income of associates (Note 13)	**1,644**	386	–
Share in re-measurement gain on defined benefit obligation of associates (Note 13)	**–**	551	667
Income tax effect	**31,236**	(28,960)	(887)
	(140,907)	71,591	8,679
Items to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations	**1,684**	(953)	(58)
Unrealized gain on change in fair value of available-for-sale (AFS) investments	**–**	–	2,958
Share in unrealized loss on change in fair value of AFS investments of associates	**–**	–	(8,676)
	1,684	(953)	(5,776)
Total other comprehensive income	**(139,223)**	70,638	2,903
TOTAL COMPREHENSIVE INCOME	**₱297,900**	₱245,459	₱48,956
Attributable to:			
Equity holders of the Parent	**₱98,069**	₱89,620	(₱27,217)
Non-controlling interests	**199,831**	155,839	76,173
Total comprehensive income	**₱297,900**	₱245,459	₱48,956

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, 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 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	₱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)	(₱88,549)	₱14,734	₱13,313	₱–	₱3,917,303	₱6,962,396	₱963,303	₱7,925,699
Gross-up of fair value of shares from stock purchase plan (Note 23)	–	–	–	–	23,163	–	–	–	(23,163)	–	–	–
Effect of adoption of new accounting standards (Note 3)	–	–	–	–	–	46,112	3,552	–	(216,929)	(167,265)	(20,408)	(187,673)
Adjustment as a result of the finalization of the purchase price allocation (Note 6)	–	–	–	–	–	–	–	–	–	–	(2,010)	(2,010)
Balance, January 1, 2018 (as restated)	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 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

	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, 2017	₱2,604,284	₱259,248	(₱16,337)	₱54,293	₱200,576	₱11,776	₱21,322	₱1,500,000	₱2,802,050	₱7,437,212	₱985,834	₱8,423,046
Gross-up of fair value of shares from stock purchase plan (Note 23)	–	–	–	–	16,451	–	–	–	(16,451)	–	–	–
Balance, January 1, 2017 (as restated)	2,604,284	259,248	(16,337)	54,293	217,027	11,776	21,322	1,500,000	2,785,599	7,437,212	985,834	8,423,046
Net income	–	–	–	–	–	–	–	–	(29,233)	(29,233)	75,286	46,053
Other comprehensive income (loss)	–	–	–	(58)	–	2,958	(8,009)	–	7,125	2,016	887	2,903
Total comprehensive income	–	–	–	(58)	–	2,958	(8,009)	–	(22,108)	(27,217)	76,173	48,956
Cash dividends (Note 23)	–	–	–	–	–	–	–	–	(103,611)	(103,611)	(117,355)	(220,966)
Stock dividends (Note 23)	259,028	–	–	–	–	–	–	–	(259,028)	–	–	–
Acquisition of non-controlling interest (Note 7)	–	–	–	–	(198,608)	–	–	–	–	(198,608)	(28,121)	(226,729)
Changes in ownership interests of the Parent without loss of control (Note 7)	–	–	–	–	(90,517)	–	–	–	–	(90,517)	13,244	(77,273)
Business combination (Note 6)	–	–	–	–	–	–	–	–	–	–	13,376	13,376
Incorporation of a new subsidiary (Note 1)	–	–	–	–	–	–	–	–	–	–	25,000	25,000
Disposal of shares in subsidiary (Note 7)	–	–	–	(54,293)	–	–	–	–	–	(54,293)	(6,858)	(61,151)
Gross-up of fair value of shares from stock purchase plan (Note 23)	–	–	–	–	6,712	–	–	–	(6,712)	–	–	–
Buyback of shares (Note 23)	–	–	(570)	–	–	–	–	–	–	(570)	–	(570)
Reversal of appropriation for investments	–	–	–	–	–	–	–	(1,500,000)	1,500,000	–	–	–
Balance, December 31, 2017	₱2,863,312	₱259,248	(₱16,907)	(₱58)	(₱65,386)	₱14,734	₱13,313	₱–	₱3,894,140	₱6,962,396	₱961,293	₱7,923,689

See Accompanying Notes to Consolidated Financial Statements

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱633,476**	₱350,388	₱164,652
Adjustments to reconcile income before income tax to net cash flows:			
Interest expense and other financing charges (Note 31)	**463,788**	398,384	287,268
Depreciation and amortization (Note 30)	**358,730**	321,258	304,929
Interest income (Note 25)	**(65,351)**	(53,501)	(17,182)
Pension and other employee benefits expense (Note 34)	**58,207**	63,815	83,212
Unrealized foreign exchange loss (gain) - net (Note 35)	**50,799**	(35,403)	5,865
Equity in net (earnings) losses of associates (Note 13)	**(44,217)**	107,658	100,443
Unrealized gain on change in fair value	**(20,757)**	(3,952)	(1,498)
Impairment loss on goodwill (Notes 5, 17 and 27)	**14,120**	–	–
Loss on sale of investment in an associate (Note 13)	**13,080**	–	–
Provision (reversal) of allowance on input VAT	**8,393**	1,296	14
Loss (gain) on sale of investment properties (Note 16)	**(7,702)**	(30,699)	2,139
Net loss (gain) on derivatives	**2,098**	7,492	(7,859)
Gain on sale of property, plant and equipment (Note 15)	**(1,314)**	(12,242)	(1,952)
Dividend income (Note 25)	**(125)**	(133)	(215)
Impairment of investments (Note 27)	**–**	271,601	–
Gain on tax-free exchange (Note 13)	**–**	(164,235)	–
Gain on sale of AFS investment	**–**	–	(750)
Operating income before working capital changes	**1,463,225**	1,221,727	919,066
Decrease (increase) in:			
Trade and other receivables	**(713,386)**	(532,786)	(38,830)
Inventories	**(39,941)**	(313,469)	(123,926)
Investments held for trading	**(1,304,025)**	646,884	(175,759)
Intangible assets	**(12,578)**	(954)	–
Other current assets	**(7,259)**	25,285	(117,833)
Increase (decrease) in:			
Trade and other payables	**(629,127)**	886,387	(63,380)
Trust receipts payable	**326,251**	355,915	559,365
Contract liabilities	**234,539**	227,871	(11,707)
Cash provided by (used in) operations	**(682,301)**	2,516,860	946,996
Interest paid	**(443,487)**	(391,917)	(277,677)
Income tax paid	**(235,635)**	(105,122)	(167,397)
Contributions to the pension fund	**(70,411)**	(73,508)	(48,195)
Interest received	**64,432**	49,873	7,136
Net cash provided by (used in) operating activities	**(1,367,402)**	1,996,186	460,863
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment held for trading	**(1,957,278)**	–	(797,547)
Property, plant and equipment (Note 15)	**(1,719,086)**	(1,381,935)	(606,228)
Investment in associates (Note 13)	**(229,651)**	(86,771)	(317)
Investment properties	**(34,222)**	(2,307)	–
Short-term investments	**–**	–	(414,954)

(Forward)

	Years Ended December 31		
	2019	2018	2017
Proceeds from sale of:			
Short-term investments and investments held for trading	**1,999,945**	₱90,970	₱–
Investment properties	**7,924**	32,286	69,837
Property, plant and equipment (Note 15)	**2,016**	18,098	2,815
Financial assets at fair value through other comprehensive income / AFS investments	**78,564**	–	5,078
Acquisition of subsidiary - net of cash acquired (Note 6)	**(216,075)**	–	(271,495)
Dividends received (Note 13)	**3,925**	53,564	56,251
Proceeds from sale of subsidiary - net of cash disposed		–	143,986
Proceeds from sale of an associate	**1,814,587**	–	–
Increase in other noncurrent assets	**(58,138)**	(24,180)	39,963
Net cash used in investing activities	**(307,489)**	(1,300,275)	(1,772,611)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Notes payable	**(201,582)**	(254,050)	(114,945)
Cash dividends	**(339,784)**	(288,684)	(215,443)
Treasury shares	**(91,743)**	(25,810)	(570)
Long-term debt	**(143,470)**	(2,775)	(246,838)
Lease liabilities	**(34,938)**	–	–
Proceeds from availments of:			
Long-term debt	**817,766**	1,125,000	2,400,000
Notes payable	**926,457**	453,250	15,632
Issuance of shares to non-controlling interests	**1,752,040**	–	26,945
Increase (decrease) in other noncurrent liabilities	**(12,493)**	7,474	(39,748)
Increase (decrease) in due to related parties	**13,378**	(18,116)	(83,577)
Acquisition of non-controlling interests (Note 7)	**(212,421)**	(212,095)	(226,729)
Net cash provided by financing activities	**2,473,210**	784,194	1,514,727
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(50,799)**	35,403	(6,844)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**747,520**	1,515,508	196,135
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,436,275**	920,767	724,632
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 9)	**₱3,183,795**	₱2,436,275	₱920,767

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, 2019			December 31, 2018		
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)[e]	Manufacturing and distribution of steel products	December 31	**97.90**	**–**	**97.90**	96.82	–	96.82
PHINMA Education Holdings, Inc. (PEHI)[a and b]	Holding company	March 31	**71.83**	**–**	**71.83**	97.34	–	97.34
Pamantasan ng Araullo (Araullo University), Inc. (AU)[a]	Educational institution	March 31	**–**	**97.57**	**70.08**	–	77.85	75.78
Cagayan de Oro College, Inc. (COC)[a]	Educational institution	March 31	**–**	**91.27**	**65.56**	–	73.18	71.23
University of Iloilo (UI)[a]	Educational institution	March 31	**–**	**69.23**	**49.73**	–	69.23	67.39
University of Pangasinan (UPANG) and Subsidiary[a]	Educational institution	March 31	**–**	**69.33**	**49.80**	–	69.33	67.49
Southwestern University (SWU)[a]	Educational institution	March 31	**–**	**84.34**	**60.58**	–	84.34	82.10
St. Jude College, Inc. (SJCI)[a and c]	Educational institution	December 31	**–**	**98.30**	**70.61**	–	95.58	93.04
Republican College, Inc. (RCI)[d]	Educational institution	December 31	**–**	**92.41**	**66.38**	–	–	–
Integrative Competitive Intelligence Asia, Inc. (ICI Asia)	Business research	December 31	**100.00**	**–**	**100.00**	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)[g]	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)[h]	Solar rooftop	December 31	**50.00**	**50.00**	**99.16**	–	–	–
Asian Plaza, Inc. (API)	Lease of real property	December 31	**57.62**	**–**	**57.62**	57.62	–	57.62
One Animate Limited (OAL) and Subsidiary[i]	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] *In 2018, PEHI issued 310,703 shares to its officers resulting to change in ownership interests of PHN to 97.34%. In June 2019, Phinma, Inc. sold its shares in AU and COC to PEHI and proceeds were used to subscribe to PEHI shares. On October 7, 2019, an amended and restated Investment Agreement was signed by and among PEHI, Kaizen Private Equity II Pte. Ltd,(Kaizen) Nederlandse Financiering-Maatschappij Voor Ontwikkelingslanden N.V. (FMO) and Asian Development Bank (ADB) to subscribe in PEHI shares resulting to change in ownership interest of PHN to 71.83%.*
[c] *On December 5, 2017, PEHI acquired 95.19% controlling interest in SJCI (see Note 6). On March 26, 2018, PEHI acquired 235 shares which increased PEHI's total interest from 95.19% to 95.58%. In October 2019, PEHI subscribed additional 110,000 shares in SJCI which increased PEHI's total interest from 95.58% to 98.30%.*
[d] *On December 19, 2019, PEHI acquired 92.41% controlling interest in RCI.*
[e] *In 2019, UGC issued shares to its officers. In July 2019, PHN acquired the 1.5 million shares held by Phinma Energy Corporation (PHEN) resulting to change in ownership interest of PHN to 98.32%*
[f] *CAA ceased its operations on March 31, 2019.*
[g] *On September 22, 2017, PhilCement was incorporated with the Philippine SEC. In 2017, the Company subscribed to the 85.70% controlling interest in PhilCement. In 2018, the Company and Vietcement Terminal JSC subscribed additional shares resulting to change in ownership interests to 60% and 30%, respectively.*
[h] *In July 2019, PHN acquired the 50% ownership interest of Phinma Solar Energy Corporation held by PHEN.*
[i] *OAL owns 100% interest in Toon City Animation, Inc. (Toon City). OAL and Toon City ceased operations in April 2013.*

The Parent Company and its subsidiaries (collectively referred to as "the Company") 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, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 were reviewed and recommended for approval by the Audit Committee on February 27, 2020. On February 28, 2020, the Board of Directors (BOD) approved a resolution to authorize the Executive Committee of the BOD to approve the issuance of the consolidated financial statements. On March 13, 2020, the Executive Committee 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.

Statement of Compliance

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), and the availment of the relief granted by the SEC under Memorandum Circular No. 14, Series of 2018, Memorandum Circular No. 3, Series of 2019, and Memorandum Circular No. 4, Series of 2020.

Basis of Consolidation

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

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

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

- the contractual arrangement with the other vote holders of the investee;

- rights arising from other contractual arrangements; and
- the Company's voting rights and potential voting rights.

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

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

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

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

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

3. Changes in Accounting Polices and Disclosures

Current Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new standards, amendments and improvements starting January 1, 2019. Adoption of these new standards and amendments did not have any significant impact on the consolidated financial statements, unless otherwise indicated.

- PFRS 16, *Leases*

  PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted PFRS 16 using the modified retrospective approach and elected to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

The effect of adoption PFRS 16 as at January 1, 2019 is as follows:

Consolidated Statement of Financial Position	Increase (decrease)
Lease liabilities	₱284,272
Right-of-use assets	266,684
Trade and other payables	(20,643)
Other current assets	(3,055)

The Company has lease contracts for land, warehouses, office spaces and vehicles. Before the adoption of PFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 4 for the accounting policy prior to January 1, 2019.

Upon adoption of PFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases. Refer to Note 4 for the accounting policy beginning January 1, 2019.

Leases previously accounted for as operating leases
The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application.
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at January 1, 2019:
- Right-of -use assets of ₱266.7 million were recognized and presented separately in the consolidated statement of financial position.
- Lease liabilities of ₱284.3 million were recognized and presented separately in the consolidated statement of financial position.
- Prepayments and accrued expenses amounting to ₱3.1 million and ₱20.6 million, respectively, related to previous prepaid and accrued lease payments arising from straight-lining under PAS 17 were derecognized.

The lease liabilities as at January 1, 2019 as can be reconciled to the operating lease commitments as at December 31, 2018 follows:

Operating lease commitments as at December 31, 2018	₱335,401
Additional operating lease commitments	117,035
Total operating lease commitments	360,372
Weighted average incremental borrowing rate	4.89% - 9.27%
Lease liabilities as at January 1, 2019	₱284,272

Due to the adoption of PFRS 16, the Company's operating profit in 2019 decreased, while its interest expense and other financing charges increased. This is due to the change in the accounting for rent expense related to leases that were previously classified as operating leases under PAS 17.

The adoption of PFRS 16 will not have an impact on equity in 2019, since the Company elected to measure the right-of-use assets at an amount equal to the lease liabilities, adjusted by the amount of any prepaid and accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes* and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  The Company is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The Company shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the Company concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

  Upon adoption of the Interpretation, the Company has assessed whether it has any uncertain tax position. The Company applies significant judgement in identifying uncertainties over its income tax treatments. The Company assessed whether the Interpretation had an impact on its consolidated financial statements. The Company determined, based on its tax compliance review/assessment, in consultation with its tax counsel, that it is probable that its uncertain tax treatments (including those for the subsidiaries) will be accepted by the taxation authority.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

- Amendments to PAS 28, *Investments in Associates and Joint Ventures*, *Long-term Interests in Associates and Joint Ventures*

- *Annual Improvements to PFRSs* 2015-2017 Cycle

    - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

    - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

    - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Standards Issued but not yet Effective
The standards, interpretation and amendments that are issued, but not yet effective, up to the date of issuance of the consolidated financial statements are listed below. The Company will adopt these standards, interpretation and amendments to existing standards which are relevant to the Company when these become effective. Except as otherwise indicated, the Company does not expect the future adoption of these standards, interpretation and amendments to existing standards to have significant impact on the Company's consolidated financial statements.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  The Company is currently assessing the impact of adopting these amendments.

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

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. These are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- 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, 2021, with comparative figures required. Early application is permitted.

  PFRS 17 is not applicable to the Company since it is not engaged in providing insurance nor issuing insurance contracts.

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, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

  The Company is currently assessing the impact of adopting these amendments.

- *Philippine Interpretations Committee (PIC) updates on PFRS 15 implementation Issues.* On August 27, 2019, the real estate industry sent a Position Paper to the PIC requesting the latter to revisit its position on certain issues relating to the adoption of PFRS 15 and some other industry issues. In line with this, the PIC issued two response letters to the Industry dated September 13 and 27, 2019. While the PIC finalizes its position on the matters raised by the Industry, PIC has provided the following options for accounting treatment or financial statement presentation on the following:

  - Conclusion of PIC Q&A No. 2018-12D Step 3, *Determining the Transaction Price for the Contract*, temporarily allows the recording for the difference between the consideration received from the customers and the transferred goods or services to the customer as either contract asset, with disclosure required under PFRS 15 being complied, or as installment contracts receivables with disclosure requirements under PFRS 9, *Financial Instruments* being followed.

  - Conclusion of PIC Q&A No. 2018-12H, *Accounting for Common Usage Service Area (CUSA)*, recommends the industry to consider an alternative presentation wherein CUSA may be presented outside of topline revenues if these are not considered as main source of revenue and are not material.

- *March 2019 IFRIC Agenda Decision on Over Time Transfer of Constructed Good (PAS 23, Borrowing Costs).* In March 2019, the IFRIC issued update summarizing the decisions reached in its public meetings. The March 2019 IFRIC update includes Agenda Decision on the capitalization of borrowing cost on over time transfer of constructed goods. The IFRIC Agenda Decision clarified whether borrowing costs may be capitalized in relation to the construction of a residential multi-unit real estate development (building) which are sold to customers prior to start of construction or completion of the development.

  Applying paragraph 8 of PAS 23, *Borrowing Cost*, an entity capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Paragraph 5 of PAS 23 defines a qualifying asset as ‘an asset that necessarily takes a substantial period of time to get ready for its intended use or sale’. The March 2019 IFRIC Update clarified that the related assets that might be recognized in the real estate company’s financial statements (i.e., installment contract receivable, contract asset, or inventory) will not qualify as a qualifying asset and the corresponding borrowing cost may no longer be capitalized.

  On February 21, 2020, the Philippine SEC decided to provide relief to the real estate industry by deferring the implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, the real estate industry will adopt the IFRIC Interpretations and any subsequent amendments thereto retrospectively or as the Philippine SEC prescribed.

4. Summary of Significant Accounting and Financial Reporting Policies

Financial Instruments - Beginning January 1, 2018 (Upon Adoption of PFRS 9)

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 and cash equivalents, short-term investments, and trade and other receivables as at December 31, 2019 and 2018.

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, 2019 and 2018.

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 non-listed equity investments and listed equity shares in PHINMA Petroleum and Geothermal, Inc. (PPG) when the Company lost its significant influence over the investee as at December 31, 2019 and 2018 (see note 13).

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 derivative instruments, unit investment trust funds (UITFs), investment in treasury bills, and listed equity investments 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.

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 and short-term investments, 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 trade receivables, 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 Group 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.

<u>Financial Liabilities</u>
Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, 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. The Company has not designated any financial liability as at FVPL as at December 31, 2019 and 2018.

Financial Liabilities at Amortized Cost (Loans and Borrowings). 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 interest-bearing long-term debt of the Company as at December 31, 2019 and 2018.

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.

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.

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.

Financial Instruments - Prior to January 1, 2018 (Prior to Adoption of PFRS 9)

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of Recognition. The Company recognizes a financial instrument in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date that the Company commits to purchase the assets. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Derivatives are recognized on a trade date basis.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing interest rates for similar instruments with similar maturities. The initial measurement of financial instruments, except for financial instruments at FVPL, includes transaction costs.

The Company classifies its financial instruments into the following categories: financial assets and liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) investments, and other financial liabilities.

The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every financial reporting date.

Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Day 1 Difference. Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset or liability. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial Assets and Liabilities at FVPL. This category includes financial assets and liabilities held for trading and those designated upon initial recognition as at FVPL. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including any separated derivatives, are also classified under financial assets or liabilities at FVPL, unless these are designated as hedging instruments in an effective hedge or financial guarantee contracts. Instruments under this category are classified as current assets or liabilities if these are held primarily for the purpose of trading or expected to be realized or settled within 12 months from reporting date. Otherwise, these are classified as noncurrent assets or liabilities.

Financial assets or financial liabilities may be designated at initial recognition as at FVPL when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or

- the assets and liabilities are part of group of financial assets, financial liabilities or both, which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management strategy and information the group of financial assets or liabilities is provided internally or that basis to the entity's key management personnel; or

- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities designated at FVPL are recorded in the consolidated statement of financial position at fair value. Subsequent changes in fair value on financial assets and liabilities designated at FVPL are recorded in the consolidated statement of income as "Net gains from investments held for trading" under "Investment income" account. Interest and dividends earned are recorded under "Investment income" in the consolidated statement of income. Interest incurred is presented under "Interest expense and other financing charges" in the consolidated statement of income.

The Company's investments held for trading and derivative assets are classified as financial assets at FVPL. The Company's derivative liability is classified as financial liability at FVPL.

<u>Derivative Financial Instruments</u>
The Company enters into short-term forward currency contracts to hedge its currency exposure. Such derivative financial instruments are initially recorded at fair value on the date on which the 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 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)".

Loans and Receivables. Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS investments or financial assets at FVPL.

After initial measurement, loans and receivables are carried at amortized cost using the EIR method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate method. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

HTM Investments. HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities for which the Company's management has the positive intention and ability to hold to maturity. When the Company sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS investments. After initial measurement, such assets are carried at amortized cost using the effective interest method less any impairment in value. Gains and losses are recognized in the consolidated statement of income when the HTM investments are derecognized or impaired, as well as through the amortization process. HTM investments are classified as noncurrent assets except for those with maturities that are less than 12 months after the end of the reporting period, which are classified as current assets.

AFS Investments. AFS investments are nonderivative financial assets that are designated in this category or are not classified in any of the three preceding categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS investments are measured at fair value in the consolidated statement of financial position. Changes in the fair value of such assets are reported as unrealized gain or loss on change in fair value of AFS investments recognized as OCI in the consolidated statement of comprehensive income until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in consolidated statement of comprehensive income is transferred to the consolidated statement of income. AFS investments are included under noncurrent assets unless the Company intends to dispose of the investment within 12 months from the end of the reporting period.

Dividends earned on holding AFS equity investments are recognized as "Dividend income" presented under "Investment income" account in the consolidated statement of income.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. This includes liabilities arising from operations or loans and borrowings.

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost taking into account the impact of applying the effective interest rate method of amortization for any related premium, discount and any directly attributable transaction costs. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized, as well as through the amortization process. Other financial liabilities are classified as current liabilities if settlement is within 12 months from the end of the reporting period. Otherwise, these are classified as noncurrent liabilities.

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.

Impairment of Financial Assets
The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost. For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment.

For the purpose of specific evaluation of impairment, the Company assesses whether financial assets are impaired through assessment of collectability of financial assets considering the creditors' capacity to pay, history of payment, and the availability of other financial support. For the purpose of a collective evaluation of impairment, if necessary, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past due status and term.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. The financial assets together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

If a previous write-off is later recovered, the recovery is recognized in the consolidated statement of income. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date had no impairment loss been recognized in prior years.

AFS Investments. For AFS investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investment is impaired. In the case of equity instruments classified as AFS investments, this would include a significant or prolonged decline in the fair value of the investments below its costs. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income) is removed from OCI and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized in OCI.

In the case of debt instruments classified as AFS investments, impairment is based on the same criteria as financial assets carried at amortized cost. Interest income continues to be accrued using the original effective interest rate on the reduced carrying amount of the asset. If, in the subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a currently enforceable legal right to offset the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability 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.

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.

<u>Cash and Cash Equivalents</u>
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
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.

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 are accounted for using the equity method. The investments in associates 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 associate. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in equity. Unrealized gains and losses resulting from transactions between the Company and the associate and are eliminated to the extent of the interest in the associate.

The Company's share of profits or losses of its associate 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 associate and therefore is profit or loss after tax and net of controlling interest in the subsidiaries of the associates.

The accounting policies of the associates 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, 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 associate.

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 associate. The Company determines at the end of each reporting period whether there is any objective evidence that the Company's investment in associate 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 associate and its carrying amount and recognizes the amount in the Company's consolidated statement of income.

Upon loss of significant influence over the associate, 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 associate upon loss of significant influence 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	10–25 years
Machinery and equipment	5–20 years
Transportation and other equipment	2–10 years

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.

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.

<u>Current versus Noncurrent Classification</u>
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
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 - Beginning January 1, 2018 (Upon Adoption of PFRS 15)
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 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 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.

Construction Service. The Company’s investment in associate, PHINMA Properties Holdings, Corp. (PPHC), derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, PPHC’s performance does not create an asset with an alternative use and PPHC has an enforceable right to payment for performance completed to date. In measuring the progress of its performance obligation over time, the PPHC uses input method. The PPHC recognizes revenue based on percentage of cost incurred to date to total estimated cost.

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. On October 25, 2018 and February 8, 2019, the Philippine SEC issued SEC Memorandum Circular No. 14 Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of 3 years:

- Exclusion of land and uninstalled materials in the determination of percentage of completion discussed in PIC Q&A 2018-12-E

- Accounting for significant financing component discussed in PIC Q&A 2018-12-D

- Accounting for common usage service area (CUSA) charges discussed in PIC Q&A 2018-12-H

Under the same SEC Memorandum Circular No. 3 Series of 2019, the adoption of PIC Q&A 2018-14: PFRS 15 – Accounting for Cancellation of Real Estate Sales was also deferred.

PPHC availed of the deferral of adoption of the above specific provisions, except for exclusion of land and uninstalled materials in determination of percentage of completion.

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.

Revenue Recognition - Prior to January 1, 2018 (Prior to Adoption of PFRS 15)
Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding VAT. The Company is acting as a principal when it has the significant risks and rewards associated with the rendering of services. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods. Revenue from sale of roofing and other steel products, books and incidentals is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Tuition and School Fees. Revenue is recognized as income over the corresponding school term to which they pertain.

Hospital Routine Services. Revenue is recognized upon rendering of medical services and sale of medicines and other pharmaceutical products.

Consultancy Services. Revenue is recognized when services are rendered.

Construction Services. Revenue from construction services contract is recognized by stage of completion. Stage of completion is measured by reference to total costs incurred to date as a percentage of total estimated costs for each contract. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

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. Revenue 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.

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

Cost of Sales, Educational, 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	7 - 22 years
Buildings	3.5 - 5 years
Warehouses	2 - 17 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.

<u>Leases - Prior to January 1, 2019 (Prior to Adoption of PFRS 16)</u>

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, except:

- when the VAT incurred on a purchase of assets or services are not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- when receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "Input value-added taxes" or "Income and other taxes payable" accounts in the consolidated statement of financial position.

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 six major business segments namely, investment holdings, property development, construction materials, energy, educational services and business process outsourcing (BPO). 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).

Noncurrent Asset Held for Sale. In 2018, PHN and PHINMA, Inc. launched a strategic reorientation, which included the decision to sell its investment in PHINMA Energy, Corp. (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 PHN and PHINMA, Inc. from AC Energy, Inc. (AC Energy) to sell PHN and PHINMA, Inc.'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 for a based transaction price of ₱1.7 billion subject to certain adjustments as discussed above which was received by PHN and PHINMA, Inc. on December 26, 2018. An appropriate level of management signed the agreement on December 28, 2018.

In accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, the Company reclassified its investment in PHEN as a noncurrent asset held for sale as at December 31, 2018 since its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Further, the asset is available for immediate sale in its present condition since the Company currently has the intention and ability to transfer the asset to a buyer in its present condition. Although the sale must undergo some regulatory approvals to which the Company and the buyer must comply, the investment for disposal is readily available for immediate sale as at December 31, 2018 because these approvals are usual and customary for sales of such assets. The sale also meets the criteria to be highly probable since a firm purchase commitment is already obtained when the binding offer was accepted by the Company.

Consequently, the Company measured its investment in PHEN at the lower of its carrying amount and fair value less costs to sell as at December 31, 2018 (see Note 13).

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 record a loss on sale of an associate amounted to ₱13.1 million (see Note 13).

Existence of a Contract with Customer. PHN's associate, PPHC, determines that the primary document for a contract with a customer is a signed contract to sell which contains all the criteria to qualify as a valid contract with a customer under PFRS 15.

In addition, part of the assessment process of PPHC before revenue recognition is to assess the probability that the Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the buyer's initial payments in relation to the total contract price.

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 5, 2017, PEHI, subsidiary of PHN, acquired 95.19% ownership in SJCI for ₱368.7 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 SJCI as at the date of the acquisition were finalized in 2018 and disclosed in Note 6.

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 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 ₱279.2 million as at December 31, 2019 (see Note 37).

Estimating Allowance for ECLs (applicable beginning January 1, 2018).

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

- General approach for cash and cash equivalents and short-term investments

  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 trade receivables

  The Company uses a simplified approach for calculating ECL on trade receivables 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 estimates 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 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, 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, short-term investments and trade and other receivables.

  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.

  Provision for ECL amounted to ₱96.5 million and ₱47.7 million in 2019 and 2018, respectively. The allowance for ECL amounted to ₱866.7 million and ₱738.4 million as at December 31, 2019 and 2018. The carrying amounts of trade and other receivables amounted to ₱2,937.8 million and ₱2,270.8 million as at December 31, 2019 and 2018 (see Note 11).

Estimating Allowance for Doubtful Accounts (applicable until December 31, 2017 prior to the adoption of PFRS 9). The Company maintains allowance for doubtful accounts based on the result of the individual and collective assessments. Under the individual assessment, which considers the significant financial difficulties of the debtor, the Company is required to obtain the present value of estimated cash flows using the receivables' original effective interest rate. Impairment loss is determined as the difference between the receivables' carrying amount and the computed present value. The collective assessment would require the Company to group its receivables based on the credit risk characteristics (debtor type, past-due status and terms) of the debtors. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any year would differ depending on the judgments and estimates made for the year.

Provision for doubtful accounts amounted to ₱103.7 million in 2017.

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. There is no provision for inventory obsolescence 2018 and 2017. The allowance for inventory obsolescence amounted to ₱14.2 million and ₱6.9 million as at December 31, 2019 and 2018, respectively. The carrying amounts of inventories amounted to ₱1,379.7 million and ₱1,339.7 million as at December 31, 2019 and 2018, 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 2019 and 2017.

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 (see Note 13). In addition, the Company also written down its investment in PPG to its fair value when the Company lost significant influence over PPG and initially recognized the investment as financial asset at FVOCI.

The carrying values of investments in associates amounted to ₱950.0 million and ₱906.4 million as at December 31, 2019 and 2018, 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	
	2019	2018	**2019**	2018	**2019**	2018
SWU	**₱996,484**	₱996,484	**10.5%**	10%	**5%**	5%
UPANG	**385,817**	385,817	**10.5%**	10%	**5%**	5%
ICI Asia, Inc.	–	14,120	**10.5%**	14%	**2%**	2%
UI	**213,995**	213,995	**10.5%**	10%	**5%**	5%
AU	**35,917**	35,917	**10.5%**	10%	**5%**	5%
COC	**20,445**	20,445	**10.5%**	10%	**5%**	5%
SJCI	**103,992**	103,992	**10.5%**	10%	**5%**	5%
RCI	**13,119**	–	**–**	–	**–**	–
	₱1,769,769	₱1,770,770				

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. The goodwill from the acquisition of RCI was still provisional in 2019 and was not tested for impairment since there are no impairment indicators identified to warrant impairment testing.

Impairment loss on goodwill amounted to ₱14.1 million in 2019. There is no impairment loss on goodwill in 2018 and 2017. The carrying amount of goodwill amounting to ₱1,769.8 million and ₱1,770.8 million as at December 31, 2019 and 2018, 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 other noncurrent assets 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 2019 and 2018.

In 2017, the Company impaired improvements and construction materials after assessing that they are no longer needed by the Company. Total impairment loss recognized amounted to ₱4.6 million in 2017. The carrying amounts of property, plant and equipment, investment properties and intangible assets with finite useful lives as at December 31 are as follows:

	2019	2018
Property, plant and equipment (see Note 15)	**₱3,123,716**	₱2,602,688
Investment properties (see Note 16)	**19,210**	30,574
Intangible assets with finite useful lives (see Note 17)	**10,579**	1,238

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 ₱252.9 million and ₱159.8 million as at December 31, 2019 and 2018, respectively. 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:

	2019	2018
Property, plant and equipment (see Note 15)	**₱3,123,716**	₱2,602,688
Investment properties (see Note 16)	**19,210**	30,574
Intangible assets with finite useful lives (see Note 17)	**10,579**	1,238

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 ₱58.2 million, ₱63.8 million and ₱83.2 million in 2019, 2018 and 2017, respectively. Pension and other-employment benefits liability amounted to ₱287.9 million and ₱209.7 million as at December 31, 2019 and 2018, 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, 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 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 merger. Thus, the merger 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 combination resulted to equity adjustment from common control business combination, included under "Equity reserves" account, amounted to ₱8.7 million.

Acquisition of Republican College, Inc. On December 19, 2019, PEHI and the shareholders of Republican College, Inc. (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	3,603
Prepaid expenses and other current assets	215
Land	199,060
Building and improvements	30,940
Indemnification assets	7,149
Total assets	290,097
Total liabilities:	
Trade payables	105
Accruals and taxes payable	16,251
Unearned income	979
Other payables	268,468
Pension liability	1,658
Total liabilities	287,461
Total identifiable net assets acquired	2,636
Proportionate share of NCI in net assets acquired	(200)
Goodwill arising from acquisition (see Note 17)	13,119
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 ₱13.1 million. Goodwill is allocated entirely to the education segment. None of the goodwill recognized is expected to be deductible for income tax purposes.

The net assets recognized in the December 31, 2019 financial statements were based on a provisional assessment of the fair value.

Acquisition of SJCI. On December 5, 2017, PEHI acquired a 95.2% controlling interest in SJCI for a total consideration of ₱368.7 million. Portion of the purchase price amounting to ₱65.1 million was placed in escrow which will be released to sellers upon fulfillment of certain conditions. SJCI is a school that operates secondary, tertiary and graduate programs as well as providing review center services and technical and vocational courses and training programs. The registered office address of SJCI is in Sampaloc, Manila.

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

	Fair Values Recognized at Acquisition Date
Total assets:	
Cash and cash equivalents	₱12,934
Trade and other current receivables	60,590
Other current assets	1,939
Property, plant and equipment	376,578
Indemnification assets	12,937
Total assets	464,978
Total liabilities:	
Trade and other current payables	38,416
Unearned income	35,708
Long-term payables	85,803
Retirement liability	8,060
Deferred tax liability	18,926
Total liabilities	186,913
Total identifiable net assets acquired	278,065
Proportionate share of NCI in net assets acquired	(13,375)
Goodwill arising from acquisition	103,992
Purchase consideration transferred	₱368,682

The fair value and gross amount of the trade and other current receivables amounted to ₱60.6 million. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

The deferred tax liability mainly comprises the tax effect of the fair value adjustments on certain property, plant and equipment amounting to ₱18.9 million.

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 ₱104.0 million. Goodwill is allocated entirely to the education segment. None of the goodwill recognized is expected to be deductible for income tax purposes.

Contingent liabilities totaling ₱12.9 million was recognized at acquisition date arising from probable claim and contingencies included under trade and other current payables. No further disclosures regarding the contingent liability arising from probable claims were made by SJCI at this time as SJCI believes that such further disclosures might be prejudicial to its position. A related indemnification asset amounting to ₱12.9 million was also recognized at acquisition date representing the amount reimbursable by PEHI from the previous owners of SJCI when the claims and contingencies have been finally settled.

The net assets recognized in the December 31, 2017 financial statements were based on a provisional assessment of the fair value while the Company sought an independent valuation for the land, buildings and improvements by SJCI which is done by an independent appraiser accredited by the SEC.

In 2018, the valuation was completed, and the acquisition date fair value of the land and buildings and improvements were ₱376.6 million, a decrease of ₱65.7 million over the provisional value. As a result, there was a decrease in the non-controlling interest of ₱2.0 million and a corresponding increase in goodwill of ₱39.8 million, resulting in ₱104.0 million of total goodwill arising on the acquisition.

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

	Valuation Technique	Inputs	Range
Land	Sales comparison approach	Price per square meter	₱53,571 - ₱76,500
Buildings and improvements	Cost approach	Market value per square meter	₱12,500 - ₱13,750

The cash outflow related to the acquisition is as follows:

Cash paid on acquisition date	₱284,429
Less cash of acquired subsidiary	12,934
Net cash outflow	₱271,495

Transaction costs of ₱3.2 million were expensed outright and are included in “General and administrative expenses” in the consolidated statement of income for the year ended December 31, 2017.

7. Transactions with Non-controlling Interests and Others

Dilution of Ownership Interest in PEHI

On October 7, 2019, PEHI including Kaizen Private Equity II PTE. LTD., 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 have also contributed in the capital of PEHI during the year.

As at December 31, 2019, the initial closing capital raised amounted to ₱1,575.0 million from the planned issuance of 3,900.0 million new shares of PEHI's authorized but unissued capital stock.

In 2019, PHINMA, Inc. have subscribed to 1.4 million shares of PEHI.

These transactions in 2019 resulted to increase in "Non-controlling interests" by ₱1,276.3 million and increase in "Equity reserves" account by ₱501.7 million and decrease in the ownership interest of the Company from 97.34% to 71.83%.

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 for a total consideration of ₱29.9 million. The transaction resulted to increase in "Non-controlling interests" and "Equity reserves" accounts by ₱8.4 million and 21.4 million, respectively.

Call and Put Option over the NCI in PEHI
As part of the signed investment agreement among PEHI and the Investors, in the event that an Initial Public Offering (IPO) of PEHI is not completed by the fifth anniversary of the agreement, the Investors have an irrevocable right and option to sell to and obligate PHN to purchase all or portion of their shares (put option). On the other hand, PHN 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 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 ₱900.01 million and derecognition of "Non-controlling interests" amounting to ₱657.6 million, with the difference recorded as "Equity reserves". The Company fully expects to complete an IPO within two years 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 COC and UA of PEHI
In June 2019, PEHI acquired the shares held by PHINMA, Inc. in COC and AU 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
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 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 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 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 419,281 shares to its officers and employees as part of the stock sharing plan resulted in an increase in "Non-controlling interests" account by ₱3.7 million.

Acquisition 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.

Acquisition of NCI and Sale of Investment in Fuld U.S.
On March 27, 2017, PHN acquired 10.5 shares representing 10.03% ownership in Fuld U.S. for ₱18.7 million. The transaction resulted in decrease in "Non-controlling interests" and "Equity reserves" accounts by ₱15.5 million and ₱3.2 million, respectively.

In addition, on April 7, 2017, PHN acquired an additional 4.5 shares representing 4.28% ownership interest in Fuld U.S. for a consideration of ₱15.5 million. The transaction resulted in decrease in "Non-controlling interests" and "Equity reserves" accounts by ₱6.7 million and ₱8.8 million, respectively.

On April 26, 2017, the Company sold its 95.56% interest in Fuld U.S. including the 14.31% minority shares acquired on March 27 and April 7, 2017 to Accretio Investments Pte., Ltd. The total proceeds from the sale amounted to US$3.6 million or ₱179.3 million which were collected on June 6, 2017. The Company recorded a gain of ₱4.1 million under "Other income (expenses)" in the consolidated statement of income in 2017.

8. **Material Partly-owned Subsidiaries**

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

Proportion of equity interest held by NCI are as follows:

	Percentage of Ownership	
Name	**2019**	2018
API	**42.38**	42.38
UPANG and subsidiary	**30.67**	30.67
UI	**30.77**	30.77
SWU	**15.66**	15.66
COC	**8.73**	26.82

Name	Percentage of Ownership 2019	2018
AU	**2.43**	22.15
OAL and subsidiary	**20.00**	20.00
PSHC	**40.00**	40.00
PhilCement	**40.00**	40.00

Changes in proportion of equity interest held by NCI of COC and AU during 2019 pertain to acquisition of PEHI of shares of COC and AU held by PHINMA, Inc.

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

Name	2019	2018
API	**₱161,629**	₱152,415
UPANG and subsidiary	**188,952**	189,156
UI	**121,303**	123,477
SWU	**289,547**	288,543
COC	**24,749**	68,121
AU	**7,334**	67,350
OAL and subsidiary	**(60,183)**	(59,987)
PSHC	**62,913**	60,200
PhilCement	**171,745**	148,897

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

Name	2019	2018
API	**₱9,190**	₱4,006
UPANG and subsidiaries	**45,272**	33,081
UI	**31,417**	26,055
SWU	**31,599**	24,302
COC	**47,254**	30,057
AU	**16,458**	18,387
OAL and subsidiary	**(216)**	(219)
PSHC	**2,950**	2,810
PhilCement	**22,992**	2,190

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, 2019 are as follows:

	API	UPANG and Subsidiary	UI	SWU	COC	AU	OAL and subsidiary	PSHC	PhilCement
Current assets	₱82,979	₱457,021	₱251,562	₱721,565	₱351,144	₱277,667	₱590	₱91,513	₱1,050
Noncurrent assets	255,297	929,293	620,403	1,182,054	670,767	719,560	–	254,850	1,853
Total assets	₱338,276	₱1,386,314	₱871,965	₱1,903,619	₱1,021,911	₱997,227	₱590	₱346,363	₱2,903
Current liabilities	₱52,174	₱339,336	₱238,578	₱508,465	₱431,484	₱237,185	₱305,569	₱3,960	₱1,654
Noncurrent liabilities	312	344,128	215,834	652,748	230,700	268,433	–	185,120	820
Total liabilities	₱52,486	₱683,464	₱454,412	₱1,161,213	₱662,184	₱505,618	₱305,569	₱189,080	₱2,474

Summarized total assets and liabilities as at December 31, 2018 are as follows:

	API	UPANG and Subsidiary	UI	SWU	COC	AU	OAL and subsidiary	PSHC
Current assets	₱77,019	₱381,368	₱284,890	₱937,714	₱377,753	₱197,426	₱402	₱99,959
Noncurrent assets	263,862	904,451	562,355	943,317	517,403	629,973	–	223,882
Total assets	₱340,881	₱1,285,819	₱847,245	₱1,881,031	₱895,156	₱827,399	₱402	₱323,841
Current liabilities	₱52,173	₱229,850	₱212,907	₱516,991	₱344,078	₱244,174	₱304,395	₱4,218
Noncurrent liabilities	275	354,874	215,903	646,995	236,499	84,958	–	169,123
Total liabilities	₱52,448	₱584,724	₱428,810	₱1,163,986	₱580,577	₱329,132	₱304,395	₱173,341

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

	API	**UPANG and Subsidiary**	**UI**	**SWU**	**COC**	**AU**	**OAL and Subsidiary**	**PSHC**	**PhilCement**
Revenues	**₱7,167**	**₱517,455**	**₱397,201**	**₱954,626**	**₱570,203**	**₱359,498**	**₱1**	**₱20,546**	**₱2,690,407**
Cost of sales	**–**	**(216,956)**	**(171,621)**	**(440,529)**	**(192,042)**	**(158,419)**	**–**	**–**	**(2,502,621)**
Administrative and selling expenses	**(1,943)**	**(123,237)**	**(103,809)**	**(313,797)**	**(184,385)**	**(109,901)**	**(1,082)**	**(4,972)**	**(84,460)**
Finance costs	**–**	**(18,299)**	**(10,392)**	**(486)**	**(4,510)**	**(8,151)**	**–**	**(8,917)**	**(27,762)**
Other income (expense) - net	**16,487**	**5,133**	**1,094**	**25,493**	**5,400**	**416**	**–**	**3,45**	**(8,386)**
Income (loss) before income tax	**21,711**	**164,075**	**112,473**	**225,307**	**194,666**	**83,443**	**(1,081)**	**10,108**	**67,178**
Income tax	**(26)**	**(16,457)**	**(10,371)**	**(23,527)**	**(18,476)**	**(9,139)**	**–**	**(2,733)**	**(9,789)**
Net income	**21,685**	**147,618**	**102,102**	**201,780**	**176,190**	**74,304**	**(1,081)**	**7,375**	**57,389**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income (loss)	**₱21,685**	**₱147,618**	**₱102,102**	**₱201,780**	**₱176,189**	**₱74,304**	**(₱1,081)**	**₱7,375**	**₱57,389**

Summarized statements of comprehensive income for the year ended December 31, 2018:

	API	UPANG and Subsidiary	UI	SWU	COC	AU	OAL and Subsidiary	PSHC
Revenues	₱2,574	₱433,160	₱360,164	₱759,273	₱495,882	₱335,245	₱1	₱20,366
Cost of sales	–	(187,682)	(163,105)	(359,355)	(183,060)	(150,692)	–	(3,509)
Administrative expenses	(1,889)	(112,569)	(101,483)	(246,368)	(177,732)	(89,199)	(1,091)	(1,072)
Finance costs	–	(19,163)	–	(567)	(9,736)	(5,860)	–	(8,900)
Other income - net	7,558	4,932	5,218	94,278	437	464	6	2,725
Income (loss) before income tax	8,243	118,678	100,794	247,261	125,791	89,958	(1,084)	9,610
Income tax	(20)	(10,117)	(10,341)	(14,355)	(9,721)	(8,132)	–	(2,583)
Net income	8,223	108,561	90,453	232,906	116,070	81,826	(1,084)	7,027
Other comprehensive income (loss)	–	220	1,363	2,476	406	1,272	–	–
Total comprehensive income (loss)	₱8,223	₱108,781	₱91,816	₱235,382	₱116,476	₱83,098	(₱1,084)	₱7,027

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

	API	**UPANG and Subsidiary**	**UI**	**SWU**	**COC**	**AU**	**OAL and subsidiary**	**PSHC**	**PhilCement**
Operating	**₱1,040**	**₱195,261**	**₱123,728**	**₱123,957**	**₱174,687**	**₱982,080**	**(₱143)**	**₱2,316**	**(₱506,994)**
Investing	**38,753**	**(40,688)**	**(79,623)**	**(163,790)**	**(133,364)**	**(94,353)**	**(14)**	**(34,000)**	**(779,779)**
Financing	**–**	**(137,942)**	**(70,270)**	**(140,379)**	**(119,069)**	**(816,068)**	**250**	**(17,000)**	**1,251,294**
Net increase (decrease) in cash and cash equivalents	**₱39,793**	**₱16,631**	**(₱26,165)**	**(₱180,212)**	**(₱77,746)**	**₱71,659**	**₱93**	**(₱48,684)**	**(₱35,479)**
Dividends paid to non-controlling interests	**₱–**	**₱45,993**	**₱30,887**	**₱16,044**	**₱39,219**	**₱17,665**	**₱–**	**₱–**	**₱–**

Summarized statements of cash flows for the year ended December 31, 2018 :

	API	UPANG and Subsidiary	UI	SWU	COC	AU	OAL and subsidiary	PSHC
Operating	₱927	₱75,909	₱24,828	₱212,160	₱176,455	₱108,462	(₱1,156)	₱3,594
Investing	(11,122)	(38,722)	(69,627)	(186,763)	(66,784)	(36,135)	–	–
Financing	–	72,448	19,366	200,416	(22,675)	(72,916)	–	–
Net increase (decrease) in cash and cash equivalents	(₱10,195)	₱109,635	(₱25,433)	₱225,813	₱86,996	(₱589)	(₱1,156)	₱3,594
Dividends paid to non-controlling interests	₱–	₱52,124	₱24,578	₱15,242	₱41,201	₱27,357	₱–	₱–

9. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand and in banks	**₱579,855**	₱463,099
Short-term deposits	**2,603,940**	1,973,176
	₱3,183,795	₱2,436,275

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 ₱52.7 million, ₱41.0 million, and ₱11.4 million in 2019, 2018, and 2017, respectively (see Note 25).

10. Investments Held for Trading

This account consists of investments in:

	2019	2018
Unit Investment Trust Funds (UITFs)	**₱2,134,337**	₱454,906
Investment in treasury bills	**57,262**	132,450
Marketable equity securities	**6,665**	4,809
	₱2,198,264	₱592,165

Net gains from investments held for trading amounted to ₱52.9 million, ₱15.7 million, and ₱17.0 million in 2019, 2018 and 2017, respectively (see Note 25).

Investments held for trading have yields ranging from 0.97% to 1.47% in 2019, 0.30% to 2.30% in 2018 and 0.01% to 1.81% in 2017. Interest income from investments held for trading amounted to ₱4.2 million, ₱3.4 million and ₱1.1 million in 2019, 2018 and 2017, respectively (see Note 25).

11. Trade and Other Receivables

This account consists of:

	2019	2018
Receivables from customers	**₱2,930,841**	₱2,402,981
Due from related parties (see Note 32)	**177,801**	188,693
Advances to suppliers and contractors	**274,568**	131,724
Advances to officers and employees	**82,476**	65,441
Accrued interest receivables	**14,829**	13,910
Subscription receivable	–	14,166
Others	**323,927**	192,198
	3,804,442	3,009,113
Less allowance for ECLs	**866,683**	738,360
	₱2,937,759	₱2,270,753

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.

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

Advances to suppliers and contractors are noninterest-bearing and normally received within the next financial year.

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 ₱19.1 million and ₱25.2 million in 2019 and 2018, respectively. These pertain to receivables of UGC, AU, UPANG, UI, SWU and COC which are deemed worthless and uncollectible.

Movements in the allowance for ECLs are as follows:

		2019	
	Customer	**Others**	**Total**
Balance at January 1, 2019, as previously reported	**₱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**

		2018	
	Customer	Others	Total
Balance at January 1, 2018	541,073	174,758	715,831
Provisions (see Note 27)	47,178	559	47,737
Write-offs	(15,667)	(9,541)	(25,208)
Balance at December 31, 2018	₱572,584	₱165,776	₱738,360

12. Inventories

This account consists of:

	2019	2018
At cost:		
Finished goods	**₱1,058,809**	₱1,125,880
Raw materials	**203,283**	85,093
Other inventories	**72,476**	69,700
At net realizable value -		
Spare parts and others	**45,099**	59,053
	₱1,379,667	₱1,339,726

Under the terms of the agreements covering liabilities under trust receipts, certain inventories amounting to ₱1,203.9 million and ₱877.7 million as at December 31, 2019 and 2018, 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 ₱59.3 million and ₱66.0 million as at December 31, 2019 and 2018, respectively. The Company has allowance for inventory write-down amounting to ₱14.2 million and ₱6.9 million as at December 31, 2019 and 2018, respectively.

Cost of inventories sold, presented as "Inventories used" under "Cost of sales", amounted to ₱6,248.4 million, ₱5,857.3 million and ₱2,968.4 million in 2019, 2018 and 2017, 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			
	2019		2018	
	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) [(g)]	**26.51**	**28.15**	26.51	28.13
Coral Way City Hotel Corporation (Coral Way) [(b)]	**23.75**	**29.27**	23.75	26.44
PHINMA Hospitality, Inc (PHI) [(c)]	–	**20.88**	–	20.88
PHINMA Energy Corporation (PHEN)[(d)]	–	–	–	–
PHINMA Petroleum and Geothermal, Inc. (PHINMA Petroleum / PPG) [(e)]	–	–	–	–
Asia Coal Corporation (Asia Coal) [(e)]	–	–	–	–
Interests in joint ventures:				
PHINMA Saytanar Education Company Limited (PHINMA Saytanar) [(f)]	–	**35.92**	–	48.67
PT Ind Phil Manageme (IPM)[(f)]	–	**47.89**	–	48.41

(a) *Indirect ownership through API.*
(b) *Indirect ownership through PHI.*
(c) *Formerly Microtel Development Corporation (MDC). Indirect ownership through API.*
(d) *Investment in PHEN was reclassified to noncurrent asset held for sale in December 2018.*
(e) *The investments in PPG and Asia Coal were reclassified to investment in equity instruments at FVOCI due to loss of significant influence as a result of accounting its investment in PHEN, parent company of PPG and Asia Coal, as part of noncurrent asset held for sale.*
(f) *Indirect ownership through PEHI.*
(g) *Indirect ownership through UGC.*

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:

	2019	2018
PPHC	**₱584,319**	₱555,639
APHI	**141,324**	137,093
PHI	**142,830**	133,898
Coral Way	**81,551**	79,771
PHEN*	–	–
PHINMA Petroleum**	–	–
Asia Coal**	–	–
	₱950,024	₱906,401

**Investment in PHEN was reclassified to asset held for sale in December 2018.*
***The investments in PPG and Asia Coal were reclassified to investment in equity instruments through FVOCI.*

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

	2019	2018
Acquisition costs:		
Balance at beginning of year, net of impairment	**₱1,863,322**	₱3,073,935
Additions	–	181,898
Reclassification	–	(1,120,910)
Impairment of investments	–	(271,601)
Balance at end of year	**1,863,322**	1,863,322
Accumulated equity in net income (losses):		
Balance at beginning of year	**(950,267)**	142,634
Equity in net earnings (losses)	**45,779**	(101,091)
Dividends	**(3,800)**	(53,431)
Effect of adoption of new standards	–	(145,312)
Reclassification to:		
Noncurrent asset held for sale	–	(823,690)
Financial assets at FVOCI	–	17,639
Sale of financial assets at FVOCI	–	12,984
Balance at end of year	**(908,288)**	(950,267)
Share in other comprehensive income (loss) of associates:		
Balance at beginning of year	**(6,654)**	12,313
Share in other comprehensive income	**1,644**	909
Effect of adoption of new standards	–	3,552
Sale of equity instruments at FVOCI	–	(12,984)
Reclassification to noncurrent asset held for sale	–	(10,444)
Balance at end of year	**(5,010)**	(6,654)
	₱950,024	₱906,401

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

Summarized statements of financial position as at December 31 follow:

	2019		2018	
	PPHC	**APHI**	PPHC	APHI
Total assets	**₱5,142,237**	**₱501,898**	₱5,200,306	₱485,751
Total liabilities	**(3,676,845)**	**(976)**	(3,467,417)	(139)
Non-controlling interests	**1,267**	–	–	–
	1,464,125	**500,922**	1,732,889	485,612
Proportion of the Parent Company's ownership	**35.42%**	**26.51%**	42.71%	28.13%
Equity attributable to Equity Holders of the Parent	**518,593**	**132,794**	740,117	136,603
Valuation differences	**65,726**	**8,530**	(184,478)	490
Carrying amount of the investments	**₱584,319**	**₱141,324**	₱555,639	₱137,093

Summarized statements of comprehensive income are as follow:

	2019		2018		2017		
	PPHC	**APHI**	PPHC	APHI	PPHC	PPG	PHEN
Revenues	**₱1,924,013**	**₱4,914**	₱2,298,639	₱134,847	₱17,020,233	₱1,548,803	₱–
Cost of sales	**(1,152,882)**	–	(1,589,825)	16,083	(17,182,065)	(1,336,161)	–
Depreciation and amortization	**(29,115)**	–	(12,709)	–	(399,384)	(17,004)	(85)
Interest income	**50,694**	**1,923**	43,983	1,597	87,185	30,038	15
Interest expense	**(150,037)**	–	(144,046)	–	(513,566)	(126,104)	–
Other income (expenses) - net	**(508,745)**	**3,028**	(495,347)	–	1,023,765	(479,085)	(13,569)
Income (loss) before tax	**133,928**	**9,865**	100,695	152,527	36,168	(379,513)	(13,639)
Income tax	**(74,288)**	**(105)**	(70,561)	(319)	308,227	(20,402)	128
Net income (loss)	**59,640**	**9,760**	30,134	152,208	344,395	(399,915)	(13,511)
Other comprehensive income (loss)	–	**6,200**	–	123	(28,030)	(3,500)	–
Total comprehensive income (loss)	**₱59,640**	**₱15,960**	₱30,134	₱152,331	₱316,365	(₱403,415)	(₱13,511)
Company's share of total comprehensive income (loss)	**₱28,681**	**₱4,231**	₱14,317	₱–	₱83,014	(₱172,298)	(₱1,798)
Dividends received	**₱–**	**₱–**	₱–	₱–	₱51,286	₱–	₱–

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

a. PHEN

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.

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, the fair values of the certain excluded properties amounted to ₱366.6 million based on valuations performed by an accredited independent appraiser. 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	₱3,900
Building	Market comparable assets	Price per square metre	₱151,800–₱165,600

Valuation of the unquoted equity instruments is based on discounted cash flows. Pre-tax discount rates and growth rates applied to cash flow projections are 9-10% and 3%, respectively.

The fair value measurement is categorized under Level 3.

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, 2019 and 2018, 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 13, 2020.

c. PPG

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.

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.

d. AB Capital/APHI

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

Pursuant to an agreement between PHN and Vicsal in March 2011, PHN agreed to sell its shares in AB Capital subject to certain conditions, including the following:

(a) Approval of BSP
(b) Removal of assets other than those identified and agreed to be retained by Vicsal in AB Capital, by transfer to a New Company (APHI) in exchange for shares in APHI and/or by sale or assignment of assets to APHI;
(c) Return of capital to PHN pertaining to shares in APHI;
(d) Selling Shareholders shall secure all Government Authorizations, including approvals and clearances, required for the return of capital of AB Capital to PHN and other sellers; and
(e) On Closing Date, PHN shall transmit to the Buyer the Deed of Absolute Sale.

On December 9, 2013, the SEC approved the return of capital of APHI to PHN and other selling shareholders.

On January 16, 2014, after having complied with the other conditions under the Share Purchase Agreement, PHN sold 406,361 shares in AB Capital to Vicsal for ₱97.5 million and on the same date signed the Deed of Absolute Sale.

In December 2018, APHI transferred its real property with an appraised value of ₱297.3 million costing ₱166.6 million to PPHC in exchange for PPHC shares. PPHC will issue 59,459 shares to APHI at par value of ₱5,000.00 per share, pending approval by the SEC of the request for increase in authorized capital stock of PPHC. The Company recorded a share from tax-free exchange amounting to ₱22.4 million.

e. Coral Way

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

On March 26, 2018, the BOD of Coral Way declared cash dividends and were paid on April 15, 2018. The Company recorded a dividend income of ₱2.1 million, equivalent to ₱0.24 per share and were paid on April 15, 2018.

On April 2, 2019, the BOD of Coral Way declared cash dividends and were paid on April 15, 2019. The Company recorded a dividend income of ₱3.8 million, equivalent to ₱0.04 per share and were paid on April 23, 2019.

f. 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, 2019 and 2018.

Interests in Joint Ventures
PHINMA Solar, PHINMA Saytanar and IPM were incorporated in the Philippines, 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:

	2019	2018
IPM	**₱229,651**	₱
PHINMA Saytanar	–	1,562
PHINMA Solar	–	224,440
	₱229,651	₱226,002

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

	2019	2018
Acquisition costs:		
Balance at beginning of year	**₱232,541**	₱–
Additions	**229,651**	232,541
Reclassification	**(226,689)**	–
Balance at end of year	**235,503**	232,541
Accumulated equity in net income (losses):		
Balance at beginning of year	**(6,567)**	–
Equity in net losses	**(1,562)**	(6,567)
Reclassification	**2,277**	–
Balance at end of year	**(5,852)**	(6,567)
Share in other comprehensive income of joint ventures:		
Balance at beginning of year	**28**	–
Reclassification	**(28)**	–
Share in other comprehensive income	–	28
Balance at end of year	–	28
	₱229,651	₱226,002

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

Summarized statements of financial position of the joint ventures are as follow:

December 31, 2019

	IPM
Total assets	₱351,637
Total liabilities	(2,445)
	349,192
Proportion of the Parent Company's ownership	66%
Equity attributable to Equity Holders of the Parent	230,467
Valuation differences	(816)
Carrying amount of the investments	₱229,651

December 31, 2018

	PHINMA Solar
Total assets	₱435,696
Total liabilities	(2,686)
	433,010
Proportion of the Parent Company's ownership	50%
Equity attributable to Equity Holders of the Parent	216,505
Valuation differences	7,735
Carrying amount of the investments	₱224,240

Summarized statements of comprehensive income are as follow:

December 31, 2019

	IPM
Revenues	₱4,543
Cost of sales	(4,965)
Other income (expenses) - net	422
Income before tax	–
Income tax	–
Net income	–
Other comprehensive income	–
Total comprehensive income	₱–
Company's share of total comprehensive income (loss)	₱–
Dividends received	₱–

December 31, 2018

	PHINMA Solar
Revenues	₱1,002
Cost of sales	(15,395)
Depreciation and amortization	(33)
Interest income	2,301
Interest expense	–
Other income (expenses) – net	1,099
Income (loss) before tax	(11,026)
Income tax	3,756
Net income (loss)	(7,270)
Other comprehensive income (loss)	231
Total comprehensive income (loss)	(7,039)
Company's share of total comprehensive income (loss)	(₱2,248)
Dividends received	₱–

Additional information:

	2019	2018
Cash and cash equivalents	**₱106,819**	₱213,104
Current financial liabilities*	**–**	–
Noncurrent financial liabilities*	**–**	–

**Excluding trade and other payables and provision*

The Company's share in total comprehensive loss of PHINMA Saytanar, an immaterial joint venture, amounted to ₱1.6 million and ₱4.3 million in 2019 and 2018, respectively. The aggregate carrying amount of the investment amounted to nil and ₱1.6 million as at December 31, 2019 and 2018.

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. PHINMA Solar

In 2018, UGC entered into a share purchase agreement with PHEN for the 50% ownership of the PHEN in PHINMA Solar for a total consideration of ₱225.0 million. Under the SPA, UGC shall pay PHEN ₱180.0 million in 2018 equivalent to 40% interest. The remaining ₱45.0 million for the 10% interest was paid on May 15, 2019.

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. As a result, PHN obtained control over PHINMA Solar and PHINMA Solar became a subsidiary of PHN.

c. IPM

On February 11, 2019, PEHI signed a Joint Venture Agreement with Tripersada Global Manajemen to form IPM for a 66% ownership of PEHI and 34% 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:

	2019	2018
Listed equity instruments	**₱35,170**	₱133,062
Non-listed equity securities	**74,393**	110,372
	₱109,563	₱243,434

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 2019 and 2018 from financial assets at FVOCI.

The movements in net unrealized gain on financial assets at FVOCI in 2019 follow:

	2019	2018
Balance at beginning of year	**₱66,578**	₱14,734
Effect of adoption of PFRS 9	**–**	46,112
	66,578	60,846
Gain (loss) due to changes in fair value of investment in equity instruments	**(57,192)**	5,732
Sale of equity instruments at FVOCI	**30,898**	–
Balance at end of year	**₱40,284**	₱66,578

15. Property, Plant and Equipment

This account consists of:

	January 1, 2019	Acquisition through business combination	Additions	Disposals	Reclassifications	December 31, 2019
Cost						
Land	**₱2,245,453**	**₱199,060**	**₱1,940**	**(₱222)**	**₱–**	**₱2,446,231**
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**	**110,324**	**218,663**	**(1,092)**	**17,184**	**1,899,185**
Transportation and other equipment	**486,290**	**1,423**	**32,004**	**(12,306)**	**862**	**508,273**
	7,392,987	**347,891**	**377,158**	**(13,835)**	**331,355**	**8,435,556**
Less Accumulated Depreciation						
Plant site improvements	**39,427**	**–**	**7,530**	**(215)**	**–**	**46,742**
Buildings and improvements	**1,029,091**	**6,144**	**136,316**	**–**	**–**	**1,171,551**
Machinery and equipment	**1,154,596**	**7,494**	**152,488**	**(1,092)**	**–**	**1,313,486**
Transportation and other equipment	**321,732**	**290**	**23,634**	**(11,826)**	**–**	**333,830**
	2,544,846	**13,928**	**319,968**	**(13,133)**	**–**	**2,865,609**
	4,848,141	**333,963**	**57,190**	**(702)**	**331,355**	**5,569,947**
Construction in progress	**1,396,292**	**–**	**1,350,395**	**–**	**(331,355)**	**2,415,332**
Net Book Value	**₱6,244,433**	**₱333,963**	**₱1,407,585**	**(₱702)**	**(₱331,355)**	**₱7,985,279**

	January 1, 2018	Additions	Disposals	Reclassifications	December 31, 2018
Cost					
Land	₱2,205,148	₱40,421	(₱116)	₱–	₱2,245,453
Plant site improvements	183,063	1,924	(974)	(1,822)	182,191
Buildings and improvements	2,751,995	62,577	(356)	110,731	2,924,947
Machinery and equipment	1,496,732	82,784	(20,420)	(4,990)	1,554,106
Transportation and other equipment	432,173	60,750	(14,967)	8,334	486,290
	7,069,111	248,456	(36,833)	112,253	7,392,987
Less Accumulated Depreciation					
Plant site improvements	35,397	5,004	(974)	–	39,427
Buildings and improvements	901,913	127,534	(356)	–	1,029,091
Machinery and equipment	1,056,491	118,925	(20,420)	(400)	1,154,596
Transportation and other equipment	280,014	50,545	(9,227)	400	321,732
	2,273,815	302,008	(30,977)	–	2,544,846
	4,795,296	(53,552)	(5,856)	112,253	4,848,141
Construction in progress	375,066	1,133,479	–	(112,253)	1,396,292
Net Book Value	₱5,170,362	₱1,079,927	(₱5,856)	₱–	₱6,244,433

Additions in construction in progress mainly pertains to the construction of Cement Terminal Facility in Mariveles, Bataan which started in 2018. This project is expected to be completed in 2020.

Construction in progress pertaining to the integration of the two bases of the head office of UGC, renovation of the main building of SWU and the phase 1 of Sacred Heart Hospital Redevelopment Project which started in 2016 were completed in 2018. These include road improvement, parking area, office building, plant site and equipment.

Interest capitalized as part of "Construction in progress" account amounted to ₱141.3 million and ₱44.6 million at a capitalization rate ranging from 6.0% to 10.1% and 6.6% to 10.1% in 2019 and 2018, respectively.

Certain property, plant and equipment of UGC, AU, UI, COC and UPANG with aggregate amount of ₱4.4 billion and ₱1.3 billion as at December 31, 2019 and 2018, respectively, are used as security for their respective long-term debts (see Note 22).

In 2019, the Company sold various property and equipment with aggregate carrying value of ₱0.2 million for ₱7.9 million, resulting to a gain of ₱7.7 million.

In 2018, PHN, UGC, CAA, SWU, AU and COC 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.

In 2017, PHN, UGC, ICI Asia and CAA sold various property and equipment resulting to a gain of ₱2.0 million. In the same year, CAA impaired improvements and construction materials resulting to recognition of impairment loss amounting to ₱4.6 million presented under "General and administrative expenses" in the consolidated statement of income. The decrease in property, plant and equipment arising from the sale of investment in Fuld U.S with a carrying amount of ₱6.7 million was presented as disposal.

16. Investment Properties

This account consists of:

	January 1, 2019	**Additions**	**Disposals**	**December 31, 2019**
Cost:				
Land	**₱576,724**	**₱34,22**	**(₱222)**	**₱610,724**
Buildings for lease	**95,625**	**–**	**–**	**95,625**
	672,349	**34,222**	**–**	**706,349**
Less accumulated depreciation -				
Buildings for lease	**65,051**	**11,364**	**–**	**76,415**
	₱607,298	**₱22,859**	**(₱222)**	**₱629,934**

	January 1, 2018	Additions	Disposals	December 31, 2018
Cost:				
Land	₱742,186	₱–	(₱165,462)	₱576,724
Buildings for lease	93,318	2,307	–	95,625
	835,504	2,307	(165,462)	672,349
Less accumulated depreciation -				
Buildings for lease	54,264	10,787	–	65,051
	₱781,240	(₱8,480)	(₱165,462)	₱607,298

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

	2019	2018	2017
Rental income	**₱86,069**	₱79,423	₱72,155
Depreciation and amortization (included under "General and administrative expenses" account) (see Notes 27 and 30)	**(11,364)**	(10,787)	(10,787)
	₱74,705	₱68,636	₱61,368

As at December 31, 2018, the fair values of the investment properties amounted to ₱2,421.0 million based on valuations performed by accredited independent appraisers on various dates from 2015 to 2018. 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	₱350–₱5,300
Buildings for lease	Market comparable assets	Price per square metre	₱107,000–₱183,000

The fair value disclosure is categorized under Level 3.

While fair value of the new investment properties was not determined as at December 31, 2019, the Company's management believes that cost of the investment properties approximate their fair values as at December 31, 2019.

While fair value of the investment properties was not determined as at December 31, 2019, the Company's management believes that there were no conditions present in 2019 that would significantly reduce the fair value of the investment properties from that determined on December 31, 2018.

PSHC's land amounting to ₱220.0 million 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.

In 2017, the Parent Company sold its land located in Nasugbu, Batangas for net proceeds of ₱5.9 million. The Company recorded a net gain of ₱5.9 million. In the same year, SWU sold various parcels of land located in Cebu for a total net proceeds of ₱63.9 million, which resulted to a total net loss of ₱8.0 million.

In December 2018, the Company transferred its 27.3 hectares property in Brgy. Puting Lupa, Calamba City at an appraised value of ₱328.1 million to PPHC in exchange for 65,622 shares PPHC shares at par value of ₱5,000.00 per share, pending approval by the SEC of the request increase in authorized capital stock of PPHC (see Note 13).

In 2018, the Parent Company sold its land located in San Fernando, La Union for net proceeds of ₱11.5 million. The Company recorded a net gain of ₱7.3 million. In the same year, SWU sold various parcel of lands located in Cebu for a total net proceeds of ₱82.9 million, which resulted to a total net loss of ₱58.6 million.

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, 2018	₱165,638	₱22,807	₱–	₱2,159,782	₱2,348,227
Additions	–	954	–	–	954
At December 31, 2018	165,638	23,761	–	2,159,782	2,349,181
Additions	–	12,578	–	13,119	25,697
At December 31, 2019	**₱165,638**	**₱36,339**	**₱–**	**₱2,172,901**	**₱2,374,878**
Amortization and Impairment					
At January 1, 2018	₱161,801	₱17,897	₱–	₱389,012	₱568,710
Amortization (see Note 30)	3,837	4,626	–	–	8,463
At December 31, 2018	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**
Net Book Value					
At December 31, 2019	**₱–**	**₱10,579**	**₱–**	**₱1,769,769**	**₱1,780,348**
At December 31, 2018	₱–	₱1,238	₱–	₱1,770,770	₱1,772,008

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, the Company recognized impairment loss in 2019 amounting to ₱14.1 million. There was no impairment loss in 2018 and 2017.

18. Other Noncurrent Assets

This account consists of:

	2019	2018
Deposit	**₱255,100**	₱–
Indemnification assets (see Note 6)	**20,086**	12,937
Refundable deposits	**11,251**	9,148
Creditable withholding taxes	**7,812**	7,993
Input VAT - net of allowance for impairment of unrecoverable amount of ₱131.7 million and ₱123.3 million in 2019 and 2018, respectively	**–**	3,032
Others - net of allowance for doubtful advances of ₱51.5 million in 2019 and 2018	**157,106**	23,062
	₱451,355	₱56,172

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, 2019, PHN's deposit amounted to ₱255.1 million.

19. Notes Payable

This account consists of notes payable of the following subsidiaries:

	2019	2018
PhilCement	**₱767,000**	₱200,000
UGC	**141,086**	34,505
SJC	**30,000**	–
COC	**16,000**	–
AU	**14,794**	9,500
	₱968,880	₱244,005

The notes payable are unsecured short-term peso-denominated loans obtained from financial institutions with an annual interest rate ranging between 3.83% to 6.55% and 4.00% to 7.58% in 2019 and 2018, respectively.

20. **Trade and Other Payables**

This account consists of:

	2019	2018
Trade	**₱326,821**	₱937,858
Accruals for:		
Professional fees and others (see Note 32)	**486,005**	367,301
Personnel costs (see Notes 29 and 32)	**83,191**	51,963
Interest (see Notes 22 and 31)	**61,359**	48,801
Freight, hauling and handling	**21,608**	6,199
Dividends	**109,154**	62,662
Deposit liabilities	**73,495**	61,848
Provisions	**29,055**	46,547
Escrow	**25,101**	24,732
Subscription payable	**–**	45,000
Others	**146,598**	67,388
	₱1,362,387	₱1,720,299

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) 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.

Provisions consist of estimated liabilities for losses on claims by third parties. The information usually required by PAS 37 is not disclosed as it may prejudice the Company's negotiation with the third parties.

Subscription payable pertains to unpaid portion of acquisition of shares of PHINMA Solar.

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:

	2019	2018
Unearned revenues	**₱820,262**	₱671,819
Customers' deposits	**185,695**	99,599
	₱1,005,957	₱771,418

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:

	2019	2018
PEHI	**₱2,231,000**	₱2,300,000
PHN	**2,000,000**	2,000,000
PhilCement	**847,389**	160,000
UGC	**689,375**	771,875
SWU	**600,000**	600,000
UPANG	**294,729**	332,670
AU	**253,700**	72,225
UI	**200,000**	200,000
COC	**182,912**	193,040
PSHC	**145,907**	128,884
	7,445,012	6,758,694
Less debt issuance cost	**50,792**	45,684
	7,394,220	6,713,010
Less current portion - net of debt issuance cost	**314,730**	209,234
	₱7,079,490	₱6,503,776

The balance of unamortized debt issuance cost follows:

	2019	2018
Beginning of year	**₱45,684**	₱34,173
Amortization	**(5,500)**	(5,066)
Additions	**10,608**	16,577
End of year	**₱50,792**	₱45,684

PEHI
On December 7 and 8, 2015, PEHI obtained a ten-year term loan from Rizal Commercial Banking Corporation (RCBC) and China Banking Corporation (CBC) in the amount of ₱1.4 billion and ₱900.0 million, respectively. Below is a summary of the terms of the said loans:

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

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

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

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

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

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

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

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

PEHI's investments in AU, COC, UI, UPANG and SWU are mortgaged as collaterals for its long-term debt. As at December 31, 2019 and 2018, PEHI is in compliance with the terms of the loan agreements. Interest expense arising from the bank loans amounted to ₱131.8 million, ₱130.4 million and ₱131.1 million in 2019, 2018 and 2017, respectively.

PHN
On May 23 and 30, 2017, PHN obtained a ten-year term loan from Security Bank Corporation (SBC) for a total amount of ₱2.0 billion. The outstanding balance of the loan amounted to ₱1,978.0 million and ₱1,986.7 million as at December 31, 2019 and 2018, respectively.

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

Bank	SBC
Amount drawn	₱2.0 billion
Tenure	Ten (10)-year term loan inclusive of three (3) years grace period
Repayment	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.
Prepayment	Allowed starting at the end of the 12th quarter from the 1st drawdown date subject to certain conditions
Drawdown date	May 23 and 30, 2017

Bank	SBC
Start of amortization payment	August 24, 2020
End of term loan	May 21, 2027
Interest rate	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.

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

- Maintenance of the following ratios computed in accordance with generally accepted accounting principles: (1) maximum debt-to-equity ratio of not more than 2.0:1 based on consolidated financial statements; (2) minimum debt service coverage ratio of 1.0x based on parent company financial statements; and (3) minimum current ratio of 1.0x based on consolidated financial statements.

- Restrictions to assume, guarantee, endorse or otherwise become directly or contingently liable in connection with any other person, firm or corporation; enter into merger or consolidation with any other corporation; sell, lease, or otherwise dispose of all or substantially all of its asset; make advances or loans to any of the Company's affiliates, subsidiaries, stockholders, directors and officers; or enter into any credit or loan agreement with any other creditor under such terms and conditions that would place SBC as a creditor in an inferior position.

As at December 31, 2019 and 2018, PHN is in compliance with the terms of the loan agreement. Interest expense arising from the bank loan amounted to ₱123.0 million, ₱122.0 million and ₱75.9 million in 2019, 2018 and 2017, respectively.

UGC
On July 19, 2016, UGC amended their ₱300.0 million five-year term loan from Banco de Oro Unibank, Inc. (BDO) obtained last March 25, 2013 by extending the maturity period to a seven-year term-loan. The said loan has an outstanding balance of ₱218.8 million after the amendment in 2016. The outstanding balance of the loan amounted to ₱160.9 million and ₱178.1 million as at December 31, 2019 and 2018, respectively.

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

Bank	BDO
Amount drawn	₱300.0 million
Tenure	Seven (7)-year term loan
Repayment	Payable on 28 equal quarterly payments of ₱4.4 million with the remaining balance to be paid on maturity date
Prepayment	Allowed after third year without penalty
Drawdown date	March 25, 2013
End of term loan	July 20, 2023
Interest rate	Interest rate is based on the 7-year PDST-R2 plus a 1.40% spread or 5.5%, whichever is higher. No repricing of interest rate from borrowing date to maturity date.
Use of proceeds	Extend maturity date of the original loan to July 20, 2023

In 2015, UGC obtained a ten-year term loan from SBC and BDO in the amount of ₱75.0 million each. The outstanding balance of these loans amounted to ₱88.8 million and ₱104.1 million as at December 31, 2019 and 2018, respectively.

Below is the summary of the said loans:

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

Bank	SBC
Amount drawn	₱75.0 million
Tenure	Ten (10) years from initial drawdown date
Repayment	Payable in forty (40) equal quarterly installments commencing at the end of the 1st quarter following the initial drawdown date.
Prepayment	Allowed subject to the following conditions: ▪ 30 days prior notice and said notice shall be irrevocable ▪ Allowed in whole or in part on any interest payment date ▪ Prepayments shall be applied in reverse order ▪ Break funding cost based on the difference between the contracted interest rate and the comparable benchmark, if any, for fixed rate portion shall be for the account of the borrower.
Drawdown date	November 12, 2015
Start of amortization payment	December 31, 2015

Bank	SBC
End of term loan	November 5, 2025
Interest rate	The interest rate on the SBC loan for the first 5 years is based on the 5-year PDST-R2 plus a 1.35% spread or 5.5%, whichever is higher, and to be repriced at the end of the fifth year for the remaining 5 years at an interest rate based on the 3- day average of the 5-year PDST-R2 plus a 1.35% spread or the interest rate set for the first 5 years, whichever is higher.
Collateral	A parcel of land with improvements thereon located along Davao-Agusan Highway, Brgy. Ilang, Davao City Four (4) parcel of land with improvements thereon located along Chipeco Avenue extension corner Villa de Calamba Road, Brgy. Real, Calamba City.

On July 13, 2018, UGC obtained a ten-year term loan from BDO and SBC in the amount of ₱400.0 million and ₱100.0 million, respectively. The outstanding balance of the loan amounted to ₱435.9 million and ₱481.9 million as at December 31, 2019 and 2018, respectively.

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

Bank	BDO
Amount drawn	₱400.0 million
Tenure	Ten (10)-year term loan
Repayment	Principal shall be payable in 20 equal quarterly repayment of ₱10 million
Drawdown date	July 13, 2018
Start of amortization payment	October 15, 2018
End of term loan	July 13, 2028
Interest rate	6.7172%
Collateral	The properties described in and covered by Transfer Certificate of Title Nos. T-351833, T-351834, T-351835, and T-351836 of the Registry of Deeds of Calamba, Laguna and Transfer Certificate of Title No. 146-2015005044 (former TCT No. T-302300) of the Registry of Deeds of Davao City, including all improvements existing
Use of proceeds	To refinance the outstanding loan of the Company with Security Bank in the amount of P181,250,000.00 and to finance general working capital requirements, and acquisition of equipment and plant structural components of the Company.

Bank	SBC
Amount drawn	₱100.0 million
Tenure	Ten (10)-year term loan
Repayment	Principal shall be payable in 40 equal quarterly repayment of ₱2.5 million
Drawdown date	July 13, 2018
Start of amortization payment	October 11, 2018

Bank	SBC
End of term loan	July 13, 2028
Interest rate	6.65%
Collateral	The properties described in and covered by Transfer Certificate of Title Nos. T-351833, T-351834, T-351835, and T-351836 of the Registry of Deeds of Calamba, Laguna and Transfer Certificate of Title No. 146-2015005044 (former TCT No. T-302300) of the Registry of Deeds of Davao City, including all improvements existing thereon.
Use of proceeds	To finance maturing Security Bank loan, finance capital expenditure, and permanent working capital requirements.

As at December 31, 2019 and 2018, the loans from the lenders are collateralized by a mortgage agreement on the UGC's land, plant site improvements, buildings and installations, and machinery and equipment of Calamba and Davao plants with carrying value amounting to ₱630.1 million and ₱545.0 million, respectively. In addition, UGC is required to maintain maximum debt to equity ratio of 2:5, current ratio of at least 1.0x and debt service coverage ratio of at least 1.25x under its loan covenants. As at December 31, 2019, UGC is in compliance with all of its loan covenants. Interest expense arising from the bank loans amounted to ₱48.9 million, ₱36.0 million and ₱30.5 million in 2019, 2018 and 2017, respectively.

SWU

The school entered into a ten-year term loan agreement with RCBC for ₱400.0 million of which ₱100.0 million had been drawn on December 7, 2017, ₱200.0 million on December 20, 2017 and the remaining ₱100.0 million was drawn in March 2018. The loan has three (3) years grace period and the principal is payable in twenty-eight (28) quarterly amortization to start on the 13th quarter from the initial drawdown date. Interest shall be fixed at 6.655% from years one to five and at 6.936% onwards until maturity. The terms of the loan are as follows:

Bank	RCBC
Amount drawn	₱300.0 million drawn as at December 31, 2017
Additional amount	₱100.0 million was drawn on March 27, 2018
Tenure	Ten (10) years from the date of initial drawdown for the payment of the principal amortization, with three (3) years grace period
Repayment	Payable in 28 quarterly amortizations on the principal payment date, provided that the annual principal payments shall be 1% of the beginning principal balance to commence at the end of the 13th quarter from the initial drawdown date, with the remaining principal balance to be paid upon maturity
Prepayment	The school may prepay the loan in part or in full, without any prepayment penalties after the 5th year of the term, subject to the payment of all accrued interests, charges and obligations provided in the agreement computed up to the date of prepayment, provided that certain conditions are complied with.
Drawdown date	December 7 and 20, 2017 and March 27, 2018
Start of amortization payment	March 7, 2021 (13th quarter from initial drawdown)
End of term loan	December 7, 2027
Interest rate	Interest shall be fixed at 6.655% from years one to five and at 6.936% onwards until maturity.
Collateral	Clean (Negative Pledge)

Bank	RCBC
Use of proceeds	₱200.0 million shall be used to partially finance the building development, expansion and purchase of equipment of Sacred Heart Hospital; and ₱200.0 million shall be used to partially finance the developments of SWU.

On April 6, 2018, SWU obtained a ten-year term loan from CBC in the amount of ₱200.0 million.

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

Bank	CBC
Amount drawn	₱200.0 million drawn
Tenure	Ten (10) years from the date of initial drawdown for the payment of the principal amortization, with three (3) years grace period
Repayment	Principal shall be payable on each principal repayment date within a period of ten (10) years from initial drawdown date, inclusive of three (3) years grace period.
Prepayment	The school may prepay the loan in part or in full, without any prepayment penalties after the 5th year of the term, subject to the payment of all accrued interests, charges and obligations provided in the agreement computed up to the date of prepayment, provided that certain conditions are complied with.
Interest rate	Applicable Five (5) year PDST-R2 plus a spread of up to 125 bps.
Use of proceeds	₱200.0 million shall be used to partially fund SWU Medical Center's Phase II expansion and development plans.

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

- Debtor shall not allow its debt service coverage ratio, computed in accordance with generally accepted accounting principles, to fall below 1.00x starting fiscal year 2019;

- Debtor shall not allow its current ratio, computed in accordance with generally accepted accounting principles, to be less than 1.00x starting fiscal year 2019; and

- Debtor shall not allow its debt-to-equity ratio, computed in accordance with generally accepted accounting principles, to exceed 1.75x starting fiscal year 2019.

As at December 31, 2019, SWU is in compliance with the terms of the loan agreement. Interest expense arising from the bank loans amounted to ₱0.5 million, ₱0.6 million and ₱0.4 million in 2019, 2018 and 2017, respectively.

UPANG
On December 21, 2012, a seven-year term loan agreement was signed by UPANG and CBC for a maximum principal amount of ₱250.0 million. The proceeds were used to refinance existing obligations and to fund the capital expenditures for the school year 2012-2013. The loans are collateralized with land costing ₱121.8 million and with a revalued amount of ₱480.7 million. The terms of the loan are as follows:

Bank	CBC
Amount drawn	₱156.0 million
Tenure	Seven (7)-year term loan
Repayment	Principal shall be payable in 28 equal quarterly repayment of ₱5.6 million
Funding/Interest rate	Interest shall be payable quarterly in arrears. Interest from (February 1, 2013 – May 1, 2013) 89 days shall be at 5.7766% p.a. computed as 7-year PDSTF of 3.9688 plus spread of 175bps plus GRT of 1%. Starting May 2015, rate shall be at 6.0198%.
Security	The facility is secured by Real Estate Mortgage amounting to ₱300.0 million on the school assets covering land and land improvements.

Bank	CBC
Amount drawn	₱94.0 million
Tenure	Seven (7)-year term loan
Repayment	Principal shall be payable in 28 equal quarterly repayment of ₱3.4 million
Funding/Interest rate	Interest shall be payable quarterly in arrears. Interest from February 15, 2013 - May 15, 2013 (89 days) shall be at 5.5787% p.a. computed as 7-year PDST-F of 3.7729 plus spread of 175bps plus GRT of 1%. Starting May 2015, rate shall be at 5.8136%.
Security	The facility is secured by Real Estate Mortgage amounting to ₱480.7 million on the school assets covering land and land improvements.

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

- No payment of dividends will be allowed in the first three (3) years of the loan. Dividends may be paid starting in the 4th year, provided the current ratio (defined as current assets over current liabilities) shall not be less than 1.25x and debt-service coverage ratio (defined as EBITDA over principal and interest payment) shall be at least 1.50x.

- No material change in the character of business; permit any material change in ownership of control of its stocks; participate in or enter into merger or consolidation which would result in a material change in control; voluntarily suspend its business operations or dissolve its affairs; amend its Articles of Incorporation and By-laws that would cause a material adverse change in financial ability and capacity of UPANG and; re-organize, undertake a quasi-reorganization, reduce its capital, change in its fiscal year, which would cause a material adverse change in the financial ability or capacity of the University.

On March 27, 2018, a 10-year term loan agreement was signed by UPANG and CBC for a maximum principal amount of ₱190.0 million. The terms of the loan are as follows:

Bank	CBC
Amount drawn	₱190.0 million
Tenure	Ten (10)-year term loan
Repayment	Loan has two (2) years grace period. Principal is payable in thirty-two (32) quarterly amortizations to start on the 9th.
Interest rate	Fixed for 5 years at 6.5011% subject to re-pricing on the 5th year

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

- Debtor shall maintain a minimum debt service coverage ratio of 1.2x starting fiscal year 2017-2018;
- Debtor shall maintain a maximum debt to equity ratio of 1.75x, starting fiscal year 2017-2018; and
- Debtor shall maintain a minimum current ratio of 1.00x starting fiscal year 2017-2018.

As at December 31, 2019, UPANG is in compliance with the terms of its loan agreements.

UPANG Urdaneta
On September 29, 2015, a 10-year term loan agreement was signed by PHINMA-UPANG College Urdaneta, Inc., a subsidiary of UPANG, and RCBC for a maximum principal amount of ₱100.0 million. The proceed was used to refinance existing obligations and the improvement of UPANG Urdaneta's building located at 587 McArthur Highway, Brgy. Nancayasan, Urdaneta City, Pangasinan. The loan proceeds were drawn on September 29, 2015 for ₱100.0 million. The terms of the loan are as follows:

Bank	RCBC
Amount drawn	₱100.0 million
Tenure	Ten (10)-year term loan with three (3) years grace period
Repayment	Principal shall be paid in the amounts of ₱0.6 million quarterly in year 4, ₱1.7 million quarterly in year 5, ₱2.7 million quarterly in year 6, ₱3.8 million quarterly in year 7, ₱4.4 million quarterly in year 8, ₱4.4 million quarterly in year 9, ₱7.5 million in year 10
Interest rate	Interest shall be fixed rate at 5.5926% (5.6485% with GRT) for the first seven (7) years of the term based on 3-day average of 7-year PDST-R2 +1.42% spread, subject to repricing at the end of the seventh (7th) year based on the interest rate then current or the 3 day average of 3-year PDST R-2 plus 1.42%, whichever is higher

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

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

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

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

As at December 31, 2019, UPANG Urdaneta is in compliance with the terms of the loan agreement. Interest expense arising from the bank loans of UPANG and UPANG Urdaneta amounted to ₱18.3 million, ₱19.2 million and ₱11.6 million in 2019, 2018 and 2017, respectively.

UI
UI entered into a ten-year term loan agreement with CBC for ₱200.0 million of which ₱100.0 million had been drawn on December 20, 2017 and the remaining ₱100.0 million was drawn on April 24, 2018. The loan has a three (3)-year grace period and the principal is payable quarterly to start on March 20, 2021 for the first ₱100.0 million with fixed interest rates for the first seven years and subject to repricing afterwards. The terms of the loan are as follows:

Bank	CBC
Amount drawn	₱100.0 million
Tenure	10 years from initial drawdown
Repayment	Repay the principal amount of the loan on each principal repayment date within a period of 10 years from initial drawdown date, inclusive of three (3) years grace period.
Prepayment	Provided that no event of default has occurred, the borrower may repay all or part of the loan, together with the accrued interest and other charges accruing thereon up to the date of prepayment subject to conditions.
Drawdown date	December 20, 2017
Start of amortization payment	March 20, 2018
End of term loan	December 20, 2027
Interest rate	6.3321%
Collateral	Real estate mortgage on twenty-three (23) continuous parcel of commercial lots including improvements located at Rizal Mapa St. and General Blanco St. with total net usable area of 9,887 sqm. with a total appraised value of ₱243.4 million and total loanable value of ₱163.9 million. One parcel of commercial lot including improvements located at cor. Rizal and Mapa St. with net usable area of 1,606 sqm. registered under University of Iloilo with a total appraised value of ₱43.4 million and total loanable value of ₱25.8 million.
Use of proceeds	Partially fund the University of Iloilo's expansion and development plans which includes school, buildings, upgrades and improvement of existing facilities.

Bank	CBC
Amount drawn	₱100.0 million
Tenure	10 years from initial drawdown
Repayment	Repay the principal amount of the loan on each principal repayment date within a period of 10 years from initial drawdown date, inclusive of three (3) years grace period.
Prepayment	Provided that no event of default has occurred, the borrower may repay all or part of the loan, together with the accrued interest and other charges accruing thereon up to the date of prepayment subject to conditions.
Drawdown date	April 24, 2018
Start of amortization payment	July 24, 2018
End of term loan	April 24, 2028
Interest rate	Based on 7 years PDST –R2 + up to 1.25% spread
Collateral	Real estate mortgage on twenty-three (23) continuous parcel of commercial lots including improvements located at Rizal Mapa St. and General Blanco St. with total net usable area of 9,887 sqm. with a total appraised value of ₱243.4 million and total loanable value of ₱163.9 million. One parcel of commercial lot including improvements located at cor. Rizal and Mapa St. with net usable area of 1,606 sqm. registered under University of Iloilo with a total appraised value of ₱43.4 million and total loanable value of ₱25.8 million.
Use of proceeds	Partially fund the University of Iloilo's expansion and development plans which includes school, buildings, upgrades and improvement of existing facilities.

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

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

- Debtor shall not allow its current ratio, computed in accordance with generally accepted accounting principles consistently applied, to be less than 1.00x starting fiscal year 2017-2018.

- Debtor shall not allow its debt service coverage ratio to fall below 1.2x starting fiscal year 2017-2018.

As at December 31, 2019, UI is in compliance with all of its debt covenants. Interest expense arising from the bank loans of UI amounted to ₱10.4 million in 2019.

COC

COC entered into a 10-year term loan agreement with CBC for ₱100.0 million of which ₱50.0 million had been drawn on March 27, 2013 and the other ₱50.0 million had been drawn on July 18, 2013. The loan is payable quarterly at ₱2.5 million with fixed interest rates for the first seven (7) years and subject to quarterly repricing afterwards.

The terms of the loan are as follows:

Bank	CBC
Amount drawn	₱100.0 million
Tenure	Payable quarterly at ₱2.5 million with fixed interest rates for the first 7 years and subject to quarterly repricing until 2023
Repayment	Payable in (40) equal quarterly amortizations to start at the end of the first quarter from initial drawdown.
Prepayment	COC may, at its option, prepay after five (5) years without prepayment penalty of 3.0%, together with the accrued interest and other charges thereon to the date of prepayment.
Drawdown date	₱50.0 million withdrawn on March 27, 2013 and the remaining ₱50.0 million on July 23, 2013
Start of amortization payment	June 27, 2013
End of term loan	March 27, 2023
Interest rate	First 7 years is based on the floor rate of 5.75% plus GRT of 1%. Repricing after 5 years to reflect 5% GRT. Repricing at the end of the 7th year based on applicable 3-year base rate plus spread of 200bps which will be mutually agreed upon by the Lender and the College or a floor rate plus GRT imposed by the Lender, whichever is higher.
Collateral	Land carried at revalued amount and its improvement with a combined area of 8,859 square meters.
Use of proceeds	The proceeds of the loan was used to finance the capital expenditures and to refinance obligations existing at the time of borrowing.

On June 4, 2018, a 10-year term loan agreement was signed by COC and CBC for a maximum principal amount of ₱125.0 million. The terms of the loan are as follows:

Bank	CBC
Amount drawn	₱125.0 million
Tenure	Ten (10)-year term loan
Repayment	Loan has three (3) years grace period. Principal is payable in twenty-eight (28) quarterly amortizations to start on the 13th quarter.
Prepayment	COC may, at its option, prepay after five (5) years without prepayment penalty of 3.0%.
Drawdown date	July 9, 2018
Start of amortization payment	October 9, 2021
End of term loan	April 9, 2028
Interest rate	Fixed for five (5) years at 6.25% per annum. After the fifth (5th) year anniversary of the Initial Drawdown Date up to the Loan Maturity Date, the Interest Rate will be based on the higher of (i) Applicable Five (5) Year PDST-R2 plus a spread of up to 100 bps or (ii) 6.25% p.a.
Collateral	Same land and improvements covered by the 2013 term loan
Use of proceeds	The proceeds of the loan shall be used by the Borrower to partially finance the Borrower's expansion and development plans and for other general corporate purposes.

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

- Comply with specified legal and statutory obligations, including payment and discharge of all taxes, assessments, and governmental charges levied on the College or the College's properties; conducting its operations in accordance with sound business practice; continuing all governmental and other approvals obtained relating to the agreement with the lender and obtaining new or additional actions necessary for the performance or enforceability of loan documents; permitting the authorized representatives and agents of the lender to inspect COC's sites at any reasonable time; and maintaining reasonable collateral business with the lender.
- No material change in the character of its business; permitting any material change in ownership or control of its capital stock; participating in or entering any merger or consolidation which would result in a material change in the control of COC; amending its Articles of Incorporation or By-Laws; and re-organizing, undertaking a quasi-reorganization, reducing its capital, or changing its fiscal year.

As at December 31, 2019 and 2018, COC is in compliance with all of its debt covenants. Interest expense arising from the bank loans amounted to ₱4.5 million, ₱9.7 million and ₱3.4 million in 2019, 2018 and 2017, respectively.

PhilCement
PhilCement entered into a 5-year term loan agreement with SBC for ₱875.0 million of which ₱160.0 million and additional of ₱687.4 million had been drawn on October 25, 2018 and July 5, 2019, respectively. The details loans had been drawn are as follows:

Date	Amount drawn
October 25, 2018	₱160,000
January 3, 2019	160,000
January 22, 2019	59,000
January 25, 2019	65,000
April 24, 2019	18,555
May 21, 2019	81,439
July 5, 2019	251,978
September 4, 2019	51,418

The outstanding balance of these loans amounted to ₱839.7 million and ₱156.8 million as at December 31, 2019 and 2018, respectively.

The principal is payable in fourteen (14) equal quarterly installments commencing at the end of the 6th quarter following initial drawdown date. and the terms of the loan are as follows:

Bank	SBC
Tenure	5 years from initial drawdown date
Repayment	The principal will be payable in fourteen (14) equal quarterly installments commencing at the end of the 6th quarter following initial drawdown date.
Prepayment	The Borrower may prepare the Facility subject to the following conditions: a. Thirty (30) days prior notice and said notice shall be irrevocable b. Minimum amounts of P10 million and/or multiples thereof c. Prepayments shall be applied in Inverse order of maturity d. Break-funding cost, if any, shall be for the account of the Borrower.

Bank	SBC
Interest rate	Prevailing SBC lending rate, fixed equivalent to the 5-year Peso Benchmark Rate plus 125 spread, subject to floor rate of 5.5% p.a. Gross Receipts Tax (GRT) shall be for the account of the Borrower

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

- Debtor shall maintain a minimum current ratio of 1.00x starting calendar year 2019;
- Debtor shall maintain a maximum debt to equity ratio of 2.33x starting calendar year 2019; and
- Debtor shall maintain a minimum current ratio of 1.00x starting calendar year 2019.

As at December 31, 2019, PhilCement has not complied with the required financial ratios and has obtained waiver from SBC. Interest expense arising from the bank loans amounted nil in 2019 and ₱2.1 million in 2018.

PSHC
This represents interest-bearing loan obtained from United Pulp and Paper Co., Inc. (UPPC) amounting to ₱154.0 million arising from the acquisition of land from UPPC. UPPC was a former associate of the Parent Company.

This loan is presented at amortized cost as of the end of the reporting period. The present value of the loan at initial recognition in 2006 was calculated using an effective interest rate of 11.0%. The effective interest rate used in computing for the present value of the loan payable was derived based on the rate inherent to the loan after considering the carrying value and the future value of the loan payable at the coupon rate of 9.1%.

Initially, the said loan is payable in two installments amounting to ₱44.0 million on July 15, 2008 and ₱110.0 million on July 15, 2013. On July 8, 2008, a Memorandum of Agreement was executed by UPPC and PSHC amending the maturity date of the ₱44.0 million from July 15, 2008 to July 15, 2013. A recomputation of the effective interest rate of 10.52% was made in 2008 to reflect the change in the payment terms of the liability in 2013. On December 20, 2012, another Memorandum of Agreement was executed by UPPC and PSHC amending the payment term of the ₱154.0 million from July 15, 2013 to July 15, 2018. A recomputation of the effective interest rate of 9.28% was made to reflect the change in the payment terms in the liability. On September 19, 2014, PSHC paid ₱25.0 million as partial payment of outstanding balance of land. A recomputation of the effective interest rate of 7.82% was made to reflect the change in the payment terms in the liability. On July 1, 2015, another Memorandum of Agreement was executed amending the interest rate from 9.1% to 7.6% per annum. A recomputation of the effective interest rate of 9.33% was made to reflect the change in the payment terms in the liability. On July 1, 2015 and January 1, 2016, another Memorandum of Agreement was executed amending the interest rate to 7.6% and 6.8% per annum, respectively. The effective interest rate after the change in interest rates are 7.82% to 7.0%, respectively. On March 2017, UPPC and PSHC executed a Memorandum of Agreement amending the interest rate to 6.8% per annum effective January 1, 2016. The effective interest rate after the change in interest rate is 7.00%. On the same date, PSHC also extended the maturity of the loan, originally due on July 15, 2018 to July 15, 2023.

Additional interest expense resulting from the accretion of loan payable amounted to ₱0.03 million, ₱0.02 million and ₱0.24 million in 2019, 2018 and 2017, respectively (see Note 31). The details of the loan are as follows:

	2019	2018
Loan payable to UPPC	**₱146,000**	₱129,000
Less: unamortized discount	**93**	116
	₱145,907	₱128,884

To secure the payment of the loan, PSHC constituted a mortgage over its land amounting to ₱220.0 million in favor of certain creditors of UPPC (see Note 16).

The payable of PSHC to UPPC incurs an annual interest at a rate subject to mutual agreement by UPPC and PSHC on each anniversary date. Interest expense incurred on the amount payable to UPPC amounted to ₱8.8 million in 2019, 2018 and 2017 (see Note 31).

The loan agreement did not state any debt covenant that PSHC is required to comply with.

AU
On December 11, 2013, a 10-year Term Loan Agreement was signed by the AU and RCBC for a principal amount of ₱125.0 million. The loan is payable quarterly at ₱3.1 million. The University's land and buildings and improvements amounting to ₱138.2 million are mortgaged as collateral for its long-term debt.

The terms of the loan are as follows:

Bank	RCBC
Amount drawn	₱125.0 million
Tenure	10 years
Repayment	Quarterly
Prepayment	Subject to the payment of all accrued interests, charges and obligations provided for in this Agreement, AU may prepay the loan in part of in full, without any prepayment penalties, subject to the following conditions: a. The debtor shall give the creditor at least thirty (30) days advance written notice of their intention to make such prepayments counted from the date of receipt by the creditor of such notice;
	b. Prepayment shall be applied against prepayment installments of the Loan in the inverse order of their maturity, provided that the earliest of such prepayment installment dates does not fall earlier than the thirty (30)-day notice provided for in the preceding subparagraph; and c. All prepayments shall be made only on an Interest Payment date
Drawdown date	December 11, 2013
Start of amortization payment	December 11, 2013
End of term loan	December 11, 2023
Interest rate	5.75%
Collateral	Land and building improvements
Use of proceeds	For general funding requirement and/or refinancing of AU's existing loan and the construction of the new university campus.

On November 29, 2019, AU entered into a 5-year term loan agreement with CBC for ₱53.7 million. The principal amount is to be paid in twenty (20) equal quarterly installments to commence on February 29, 2020. Interest payable in quarterly in arrears from November 29, 2019 to February 29, 2020 at 5.7130% fixed interest for the entire term. Interest rate was based on five (5) year BVAL of 4.2773% plus spread of 115 bps and 5% GRT.

On November 29, 2019, AU entered into a 10-year term loan agreement with CBC for ₱100.0 million. The principal amount is to be paid in quarterly installments, with the three (3) years grace period, commencing at the end of 13th quarter from initial drawdown date and balloon payment upon maturity. Interest payable in quarterly in arrears from November 29, 2019 to February 29, 2020 at 5.9694% fixed interest for first five (5) years inclusive of 1% GRT, rate at 6.2207% inclusive of 5% GRT fixed for next 5 years. Nominal interest was based on ten (10) year BVAL of 4.7597% plus spread of 115 bps.

On November 29, 2019, AU entered into a 10-year term loan agreement with CBC for ₱100.0 million. The principal amount is to be paid in quarterly installments, with the three (3) years grace period, commencing at the end of 13th quarter from initial drawdown date and interest payable in quarterly in arrears from November 29, 2019 to February 29, 2020 at 5.9694% fixed interest for first five (5) years inclusive of 1% GRT, rate at 6.2207% inclusive of 5% GRT fixed for next 5 years. Nominal interest was based on ten (10) year BVAL of 4.7597% plus spread of 115 bps.

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

- Debtor shall not allow its debt-to-equity ratio to exceed 1.75x starting fiscal year 2019;
- Debtor shall not allow its current ratio to be less than 1.00 starting fiscal year 2019; and
- Debtor shall not allow its investment over total assets ratio to exceed 25% starting fiscal year 2019.

As at December 31, 2019, AU is in compliance with all of its debt covenants. Interest expense arising from the bank loans amounted to ₱3.6 million, ₱5.9 million and ₱4.9 million in 2019, 2018, and 2017, respectively.

23. **Equity**

a. Capital Stock

The composition of the Parent Company's capital stock as at December 31, 2019 and 2018 is as follows:

	Number of Shares	
	2019	2018
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	–	–

	Number of Shares	
	2019	2018
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	**13,754,779**	4,538,479

The issued and outstanding shares as at December 31, 2019 and 2018 are held by 1,228 equity holders.

Capital stock presented in the consolidated statements of financial position is net of subscription receivable amounting to ₱0.1 million as at December 31, 2019 and 2018.

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 March 22, 2017, the Parent Company's BOD approved the reversal of appropriated retained earnings amounting to ₱1.2 billion to the Company unrestricted retained earnings. The remaining ₱300.0 million restricted retained earnings as at December 31, 2017 appropriated by the BOD for the buyback of the Company's shares from 2015 to 2017 was transferred to unrestricted retained earnings as at December 31, 2017 due to the lapse of the period designated by the BOD.

Unappropriated

On March 22, 2017, the Parent Company's BOD declared a cash dividend of ₱0.40 per share or an equivalent of ₱103.6 million, to all common shareholders of record as at April 5, 2017. The cash dividends were paid on April 21, 2017.

On April 18, 2017, the Parent Company's BOD declared a 10% stock dividend to all common shareholders of record as at June 6, 2017 amounting to ₱259.0 million. The stock dividends were approved by the stockholders on May 15, 2017 and were distributed on June 30, 2017.

On March 6, 2018, the Parent Company's BOD declared a cash dividend of ₱0.40 per share or an equivalent of ₱113.0 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.

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 ₱2,016.4 million and ₱1,607.8 million as at December 31, 2019 and 2018, respectively.

In 2016, UGC issued a stock purchase plan in which a cash bonus will be paid out in five (5) equal annual amortizations from 2016 to 2020 to eligible officers/grantees approved by the Executive Committee. The grantees are required to use the proceeds of the bonus to buy the shares of UGC at a price of ₱8.95 per share, the book value of share at the date of grant. The Company issued 217,307 shares amounting to ₱1.9 million and 237,604 shares amounting to ₱2.1 million in 2017 and 2016, respectively.

In 2018, UGC issued 217,307 ordinary common shares amounting to ₱7.4 million to its officers as part of their Stock Purchase Plan at ₱34.24 per share which reflects the fair value per share at the time of grant in 2016. This resulted in an increase in noncontrolling interest and equity reserves of the Company (see Note 7).

In 2019, UGC issued 419,281 ordinary common shares amounting to ₱3.7 million to its officers as part of their Stock Purchase Plan at ₱ 8.77 per share which reflects the fair value per share at the time of grant in 2016. This resulted in an increase in noncontrolling interest of the Company (see Note 7).

c. Buyback of Shares

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

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.

In 2019 and 2018, the Parent Company bought back 9,216,300 shares and 3,071,200 shares which amounted to ₱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:

	2019	2018
Revenue source:		
Sale of goods	**₱7,988,639**	₱7,186,007
Tuition, school fees and other services	**2,396,104**	2,124,609
Installation services	**525,748**	296,834`
Hospital routine services	**160,254**	109,259
Consultancy services	**49,702**	64,661
Total revenue from contracts with customers	**₱11,120,447**	₱9,781,370

Timing of recognition:		
Goods transferred at a point in time	**₱8,514,387**	₱7,186,007
Services transferred over time	**2,606,060**	2,595,363
Total revenue from contracts with customers	**₱11,120,447**	₱9,781,370

"Others - net" in the consolidated statement of income consist of miscellaneous income which includes miscellaneous cash receipts. In 2019, 2018 and 2017, miscellaneous income amounted to ₱52.1 million, ₱73.7 million and ₱15.5 million, respectively.

Contract balances

	2019	2018
Trade receivables	**₱2,930,841**	₱2,402,981
Contract liabilities	**1,005,957**	771,418

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

Contract liabilities include unearned revenue from tuition, school and other service fees and deposits from customer for future goods and services. Contract liabilities amounting to ₱1,006.0 million as at December 31, 2019 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:

	2019	2018	2017
Interest income on:			
Cash and cash equivalents (see Note 9)	**₱52,727**	₱41,034	₱11,373
Short-term investments	**7,401**	8,684	2,009
Investments held for trading (see Note 10)	**4,159**	3,409	1,133
Due from related parties (see Note 32)	**1,064**	374	2,667
	65,351	53,501	17,182
Net gains from investments held for trading (see Note 10)	**52,919**	15,675	16,989
Dividend income	**125**	133	215
	₱118,395	₱69,309	₱34,386

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

This account consists of:

	2019	2018	2017
Cost of sales	**₱6,312,840**	₱6,065,989	₱3,346,831
Cost of educational services	**1,135,887**	904,150	875,603
Cost of hospital services	**100,303**	65,882	101,458
Cost of consultancy services	**89,012**	41,608	31,082
Cost of installation services	**445,213**	224,928	–
	₱8,083,255	₱7,302,557	₱4,354,974

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

	2019	2018	2017
Inventories used (see Note 12)	**₱6,248,448**	₱5,857,311	₱2,968,384
Personnel costs (see Note 29)	**784,908**	709,203	673,770
Depreciation (see Note 30)	**240,934**	240,675	223,017
Sports development and school activities	**102,380**	22,483	59,226
Laboratory and school supplies	**70,868**	51,385	61,527
Rent	**67,061**	39,205	29,427
Repairs and maintenance	**47,636**	58,000	44,993
Graduation expenses	**41,074**	39,420	16,757
Educational tour expenses	**29,332**	26,453	24,172
Power and fuel	**23,187**	22,452	20,443
School affiliations and other expenses	**17,702**	11,863	8,485
School materials, publication and supplies	**15,762**	14,769	14,566
Review expenses	**10,497**	14,102	10,144

(Forward)

	2019	2018	2017
Subscription	**₱6,514**	₱7,040	₱6,353
Installation costs	**1,936**	9,155	–
Accreditation expenses	**1,552**	1,921	1,149
Packaging materials	**1,315**	1,989	3,289
Others	**372,149**	175,131	189,272
	₱8,083,255	₱7,302,557	₱4,354,974

27. **General and Administrative Expenses**

This account consists of:

	2019	2018	2017
Personnel costs (see Notes 29 and 32)	**₱647,679**	₱597,281	₱479,908
Professional fees and outside services (see Note 32)	**353,589**	264,476	255,584
Depreciation and amortization (see Note 30)	**110,103**	70,530	73,161
Provision for doubtful accounts/ECLs (see Note 11)	**96,512**	47,737	103,650
Rent, light and water	**77,815**	82,177	88,156
Security and janitorial	**55,650**	48,006	19,309
Advertising and promotions	**47,768**	603	769
Taxes and licenses	**44,652**	45,201	33,881
Transportation and travel	**20,451**	15,898	15,131
Impairment of goodwill (see Notes 5 and 7)	**14,120**	–	–
Rent expense	**13,579**	23,247	28,487
Insurance	**12,539**	11,582	10,016
Communications	**9,950**	7,905	10,462
Office supplies	**9,716**	9,852	8,632
Repairs and maintenance	**9,112**	7,254	13,763
Donations	**8,494**	7,389	5,733
Meetings and conferences	**6,815**	8,052	5,360
Impairment in investments (see Note 13)	**–**	271,601	–
Others	**84,410**	38,162	10,650
	₱1,622,954	₱1,556,953	₱1,162,652

28. **Selling Expenses**

This account consists of:

	2019	2018	2017
Personnel costs (see Note 29)	**₱173,156**	₱153,143	₱133,268
Freight, handling and hauling	**112,131**	85,582	58,160
Commission	**72,558**	62,434	42,956
Transportation and travel	**33,142**	34,855	23,010
Taxes and licenses	**31,525**	17,051	16,596
Advertising	**22,535**	63,210	50,659

(Forward)

	2019	2018	2017
Outside services	**₱17,177**	₱7,153	₱2,283
Supplies	**16,399**	16,433	11,874
Repairs and maintenance	**14,209**	12,561	11,534
Installation cost	**11,943**	–	18,922
Postage, telephone and telegraph	**11,513**	10,559	8,988
Depreciation (see Note 30)	**7,693**	10,053	8,751
Insurance	**4,784**	5,207	4,232
Entertainment, amusement and recreation	**4,559**	4,550	4,113
Rental and utilities	**3,643**	2,806	2,553
Others	**13,560**	9,361	9,388
	₱550,527	₱494,958	₱407,287

29. Personnel Costs

This account consists of:

	2019	2018	2017
Salaries, employee benefits and bonuses	**₱1,521,557**	₱1,336,539	₱1,177,318
Pension and other post-employment benefits (see Note 34)	**58,206**	63,815	83,212
Training	**17,986**	8,885	7,730
Others	**7,994**	18,869	18,695
Stock options	–	31,519	–
	₱1,605,743	₱1,459,627	₱1,286,955

30. Depreciation and Amortization

	2019	2018	2017
Property, plant and equipment and investment properties:			
Cost of sales, educational, hospital, installation and consultancy services (see Note 26)	**₱216,932**	₱236,838	₱211,512
General and administrative expenses (see Note 27)	**106,866**	65,904	68,648
Selling expenses (see Note 28)	**7,534**	10,053	8,621
Intangible assets:			
Cost of sales, educational, hospital installation and consultancy services (see Note 26)	**–**	3,837	11,505
General and administrative expenses (see Note 27)	**3,237**	4,626	4,513
Selling expenses (see Note 28)	**–**	–	130
Right-of-use assets (see Note 37):			
Cost of sales, educational, hospital installation and consultancy services (see Note 26)	**24,002**	–	–
Selling expenses (see Note 28)	**159**	–	–
	₱358,730	₱321,258	₱304,929

31. Interest Expense and Other Financing Charges

This account consists of:

	2019	2018	2017
Interest expense on long-term debts (see Note 22)	**₱349,810**	₱335,573	₱266,977
Interest expense on notes payable (see Note 19)	**99,242**	9,330	18,474
Interest expense on lease liabilities (see Note 37)	**13,387**	–	–
Other financing charges	**1,349**	53,481	1,817
	₱463,788	₱398,384	₱287,268

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, 2019, 2018 and 2017, 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:

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**		

			2018			
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	₱234,522	₱26,887	₱2,784	Noninterest-bearing	Unsecured, no impairment
Associates						
PHEN, Coral Way, PHI,	Dividend income	53,093	–	–	Noninterest-bearing	Unsecured, no impairment
PPHC, PHEN, PPG	Share in expenses	8,950	–	3,176	Noninterest-bearing	Unsecured, no impairment
Other related parties						
Phinma Power, T-O Ins. CIP II, PFI, Phinma Renewable	Share in expenses	44,617	–	548	Noninterest-bearing	Unsecured, no impairment
CDCC, Aznar, PSEd, PTC Myanmar	Grant of noninterest-bearing advances	11,089	–	181,047	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy Fee	2,481	–	1,138	Noninterest-bearing	Unsecured, no impairment
PHI	Subscription payable	–	52,278	–	Noninterest-bearing	Unsecured
			₱79,165	₱188,693		

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.

PHEN and Phinma Power. PHEN and Phinma Power are likewise controlled by PHINMA, Inc. through a management agreement. PHN bills PHEN and Phinma Power for their share in expenses.

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 ₱257.5 million, ₱198.8 million and ₱151.1 million in 2019, 2018 and 2017, 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 ₱80.7 million and ₱112.5 million as at December 31, 2019 and 2018, 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 ₱100.5 million, ₱80.5 million and ₱65.1 million in 2019, 2018 and 2017, 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 ₱51.5 million and ₱52.0 million as at December 31, 2019 and 2018, respectively (see Note 20).

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

	2019	2018	2017
Short-term employee benefits	**₱208,063**	₱167,985	₱126,890
Post-employment benefits (see Note 34):			
Retirement benefits	**42,373**	26,126	17,278
Vacation and sick leave	**6,466**	3,635	2,592
	₱256,901	₱197,746	₱146,760

33. Income Taxes

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

	2019	2018
Deferred tax assets:		
NOLCO	**₱11,148**	₱3,974
Allowance for ECLs	**78,616**	66,075
Accrued expenses	**35,735**	28,201
Pension liability	**35,293**	27,214
Management bonus	**21,716**	17,403
Allowance for inventory write-down	**3,093**	608
Lease liabilities	**47,485**	–
Others	**19,801**	16,313
	252,887	159,788
Deferred tax liabilities:		
Fair value adjustments on property, plant and equipment of subsidiaries	**(68,887)**	(403,309)
Excess of fair value over cost	**(328,225)**	–
Right-of-use assets	**(45,572)**	–
Unrealized gain on change in fair value	**(5,805)**	(5,796)
Unamortized debt issuance costs	**(3,720)**	(2,331)
Unamortized capitalized borrowing cost	**(597)**	(772)
Unrealized foreign exchange gain	**(3,468)**	(3,011)
Accelerated depreciation	**(57,053)**	(55,068)
Accrued revenue (work in process)	**(1,970)**	(5,262)
Others	**(3,562)**	(9,295)
	(518,859)	(484,844)
	(₱265,972)	(₱325,056)

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

	2019	2018
Deferred tax assets - net	**₱96,086**	₱37,481
Deferred tax liabilities - net	**(362,058)**	(362,537)
	(₱265,972)	(₱325,056)

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:

	2019	2018
NOLCO	**₱789,339**	₱863,465
Allowance for impairment loss	**203,874**	50,250
Allowance for ECLs	**103,254**	–
Accrued personnel costs and employee benefits	**48,191**	47,630
Unrealized change in fair value of investment	**38,054**	–
Unrealized foreign exchange losses	**30,960**	–
Unamortized past service costs	**13,997**	10,594
Pension liability	**11,864**	–
MCIT	**3,541**	3,558
	₱1,243,074	₱975,497

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 ₱3.5 million can be deducted against RCIT due while NOLCO totaling ₱950.8 million can be claimed as deduction against taxable income, as follows:

		Amount	
Date Paid/Incurred	Expiry Date	MCIT	NOLCO
December 31, 2017	December 31, 2020	₱984	₱389,509
December 31, 2018	December 31, 2021	1,236	249,861
December 31, 2019	December 31, 2022	1,235	311,471
		₱3,455	₱950,841

MCIT amounting to ₱1.3 million and ₱0.7 million, respectively expired in 2019 and 2018. Expired NOLCO amounted ₱286.1 million and ₱123.5 million in 2019 and 2018. No MCIT and NOLCO were claimed as deduction against regular taxable income in 2019 and 2018.

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

	2019	2018	2017
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%	**(24.0)**	(23.9)	(32.8)
Interest income subjected to lower final tax rate	**(5.6)**	(4.0)	(5.8)
Equity in net earnings of associates and joint ventures	**(2.1)**	4.2	18.3
Change in unrecognized deferred tax assets and others	**32.7**	43.8	62.3
Effective tax rates	**31.0%**	50.1%	72.0%

34. **Pension and Other Post-employment Benefits**

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

	2019	2018
Net pension liability	**₱233,248**	₱164,713
Vacation and sick leave	**54,511**	44,966
Defined contribution plan	**176**	–
	₱287,935	₱209,679

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

	2019	2018	2017
Net pension expense	**₱48,083**	₱55,834	₱75,817
Vacation and sick leave	**9,545**	7,460	7,348
Defined contribution plan	**578**	521	47
	₱58,206	₱63,815	₱83,212

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:

	2019	2018	2017
Current service cost	**₱40,646**	₱45,952	₱44,630
Net interest cost	**9,283**	9,882	12,957
Past service cost	**(1,672)**	–	5,955
Net transfer of obligation	**(174)**	–	–
Curtailment loss	**–**	–	12,275
Net pension expense	**₱48,083**	₱55,834	₱75,817

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

	2019	2018
Present value of defined benefit obligation	**₱578,296**	₱490,746
Fair value of plan assets	**(345,048)**	(326,033)
Pension liability	**₱233,248**	₱164,713

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

	2019	2018
Balance at beginning of year	**₱490,746**	₱543,082
Benefits paid from plan assets	**(73,816)**	(18,811)
Current service cost	**40,646**	45,952
Interest cost on defined benefit obligation	**31,280**	25,915
Benefits paid from operating funds	**(27,523)**	(15,435)
Acquisition of subsidiaries	**1,919**	–
Past service cost	**(1,672)**	–
Actuarial losses:		
Experience adjustments	**62,544**	(9,984)
Changes in financial assumptions	**54,809**	(55,609)
Changes in demographic assumptions	**(463)**	(24,364)
Net transfer of obligation	**(174)**	
Effect of curtailment	**–**	–
Balance at end of year	**₱578,296**	₱490,746

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

	2019	2018
Balance at beginning of year	**₱326,033**	₱261,387
Benefits paid	**(73,816)**	(18,811)
Actual contributions	**70,411**	73,508
Interest income included in net interest cost	**21,997**	16,033
Acquisition of subsidiaries	**412**	–
Actual return excluding amount included in net interest cost	**11**	(6,084)
Balance at end of year	**₱345,048**	₱326,033
Actual return on plan assets	**₱22,007**	₱9,949

Change in net pension liability are as follows:

	2019	2018
Balance at beginning of year	**₱164,713**	₱281,695
Remeasurements in OCI	**116,878**	(83,873)
Contributions	**(70,411)**	(73,508)
Pension expense	**48,084**	55,834
Benefits paid from operating fund	**(27,523)**	(15,435)
Acquisition and disposal of subsidiaries	**1,507**	–
Pension liability	**₱233,248**	₱164,713

The Company expects to contribute ₱69.0 million to its retirement fund in 2020.

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

	2019	2018
Discount rates	**5–7%**	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 amounts to ₱345.0 million and ₱354.2 million as at December 31, 2019 and 2018, respectively. The major assets are as follows:

	2019	2018
Cash and short-term investments	**₱306,367**	₱220,068
Marketable equity securities	**33,957**	133,881
Others	**4,724**	292
	₱345,048	₱354,241

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.

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:

	2019	2018
	Increase (Decrease)	
Discount rate:		
Increase by 1%	**(₱39,128)**	(₱23,437)
Decrease by 1%	**45,076**	26,727
Salary increase rate:		
Increase by 1%	**46,971**	29,389
Decrease by 1%	**(41,486)**	(26,154)

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

	2019	2018
Within the next 12 months	**₱65,595**	₱70,659
Between 2 and 5 years	**225,294**	223,521
Beyond 5 years	**1,830,030**	1,676,675

The average duration of the defined benefit obligation as at December 31, 2019 is between 10 to 21 years.

B. Vacation and Sick Leave

The following tables summarize the components of vacation and sick leave expense recognized in the consolidated statements of income and the amounts recognized in the consolidated statements of financial position.

Vacation and sick leave expense consists of:

	2019	2018	2017
Current service cost	**₱5,415**	₱3,932	₱5,221
Actuarial losses	**3,064**	1,316	–
Interest cost	**1,066**	2,212	2,127
Vacation and sick leave expense	**₱9,545**	₱7,460	₱7,348

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

	2019	2018
Balance at beginning of year	**₱44,966**	₱39,234
Current service cost	**5,415**	3,932
Actuarial losses (gains)	**3,064**	1,316
Interest cost	**1,066**	2,212
Benefits paid	–	(1,728)
Balance at end of year	**₱54,511**	₱44,966

35. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash and cash equivalents, short-term investments, corporate promissory notes and bonds, government bonds, quoted and unquoted shares of stocks, investments in UITFs and loans and borrowings 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

Investment Objective	Safety of Principal
	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 counterparties 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, short-term investments and trade and other receivables arises from default of the counterparties with maximum exposures equal to the carrying amounts of the instruments.

	2019	2018
Financial assets at amortized cost:		
Cash and cash equivalents	**₱3,183,795**	₱2,436,275
Trade and other receivables	**2,937,759**	2,270,753
Short-term investments	**–**	323,984
	₱6,121,554	₱5,031,012

There are no significant concentrations of credit risk.

Credit Quality of Financial Assets, Other than Trade Receivables
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:

	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	**323,927**			**323,927**
Deposit**	**255,100,000**	–	–	**255,100,000**
Financial Assets at FVOCI	**109,563**	–	–	**109,563**
Financial Assets at FVPL	**2,198,264**	–	–	**2,198,264**
Gross Carrying Amount	**₱261,151,116**	**₱–**	**₱–**	**₱261,151,116**

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

	2018			
	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*	₱2,387,788	–	–	₱2,387,788
Short-term investments	323,984	–	–	323,984
Other receivables:				
Due from related parties	188,693	–	–	188,693
Advances to officers and employees	65,441	–	–	65,441
Accrued interest receivables	13,910	–	–	13,910
Subscription receivable	14,166	–	–	14,166
Others	192,198	–	–	192,198
Financial Assets at FVOCI	243,434	–	–	243,434
Financial Assets at FVPL	592,165	–	–	592,165
Gross Carrying Amount	₱4,153,503	₱–	₱–	₱4,153,503

**Excluding cash on hand.*

Credit Quality of Trade Receivables

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 Group's trade receivables using provision matrix:

December 31, 2019	**Trade receivables**					
		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	**₱1,728,288**	**₱202,263**	**₱113,543**	**₱39,905**	**₱846,842**	**₱2,930,841**
Expected credit loss	**55,067**	**5,481**	**27,350**	**20,751**	**611,099**	**719,748**

December 31, 2018	Trade receivables					
	Days past due					
	Current	<30 Days	30-60 Days	61-90 Days	>91 Days	Total
Expected credit loss rate	6%	6%	68%	86%	89%	28%
Estimated total gross carrying amount default	₱1,921,099	₱26,598	₱38,323	₱29,236	₱387,725	₱2,402,981
Expected credit loss	174,045	1,490	25,900	25,257	345,892	572,584

Impaired financial instruments comprise of trade receivables from customers, related parties 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:

	2019					
	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	**2,937,759**	**–**	**–**	**–**	**–**	**2,937,759**
Deposits*						
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**
	₱8,319,818	**₱–**	**₱–**	**₱–**	**₱–**	**₱8,319,818**

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

	2018					
	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	₱2,436,275	₱–	₱–	₱–	₱–	₱2,436,275
Short term investments	323,984	–	–	–	–	323,984
Trade and other receivables	2,270,753	–	–	–	–	2,270,753
Financial assets at FVPL:						
Investments in marketable equity securities	4,809	–	–	–	–	4,809
Investments in Treasury Bills	132,450	–	–	–	–	132,450
Investment in UITF	454,906	–	–	–	–	454,906
	₱5,623,177	₱–	₱–	₱–	₱–	₱5,623,177

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

	2019					
	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	**1,362,387**	**–**	**–**	**–**	**–**	**1,362,387**
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**
	₱3,986,822	**₱893,795**	**₱687,857**	**₱325,075**	**₱6,307,718**	**₱12,201,267**

**Including current and noncurrent portion and interest.*

	2018					
	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	₱244,005	₱–	₱–	₱–	₱–	₱244,005
Trade and other payables	1,720,299	–	–	–	–	1,720,299
Trust receipts payable	877,655	–	–	–	–	877,655
Long-term debt*	125,819	118,879	136,138	282,900	6,049,274	6,713,010
	₱2,967,778	₱118,879	₱136,138	₱282,900	₱6,049,274	₱9,554,969

**Including current and noncurrent portion and interest.*

<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, 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	1,177,540	(68,036)	1,229	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	₱1,873,926	(₱628,886)	₱1,944	₱7,165,795

**Others include amortization of debt issue cost*

	January 1, 2017	Proceeds	Payment	Others*	December 31, 2017
Notes payable	₱274,346	₱15,632	(₱246,838)	₱950	₱44,090
Long-term debt	3,332,527	2,400,000	(114,945)	(15,305)	5,602,277
Due to related parties	228,807	–	(131,526)	–	97,281
Dividends payable	111,114	220,966	(215,443)	–	116,637
Other noncurrent liabilities	19,267	65,291	(26,032)	–	58,526
Total liabilities from financing activities	₱3,966,061	₱2,701,889	(₱734,784)	(₱14,355)	₱5,918,811

**Others include amortization of debt issue cost*

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Market risks are managed by constant review of global and domestic economic and financial environments as well as regular discussions with banks' economists/strategy officers to get multiple perspectives on interest rate trends/forecasts. Regular comparison of the portfolio's marked-to-market values and yields with defined benchmarks are also made.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's financial assets that are exposed to foreign currency risk are foreign currency denominated cash and cash equivalents, 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 U.S. foreign currency-denominated financial assets and financial liabilities and their peso equivalents as of December 31:

	2019		2018	
	Foreign Currency	**Peso Equivalent**	Foreign Currency	Peso Equivalent
Financial assets:				
Cash and cash equivalents	**US$342,099**	**₱17,322,176**	US$8,127	₱427,305
Cash and cash equivalents	**VND1,768**	**4**	–	–
Short-term investments	–	–	3,909	205,561
Derivative asset	–	–	36	1,911
		₱17,322,180		₱634,777
	–	–		
Financial liabilities:				
Trust receipts payable	**US$23,774**	**₱1,203,906**	US$10,826	₱569,242
Derivative liability	**28**	**1,405**	29	1,544
		₱1,205,311		₱570,786

In translating foreign currency-denominated financial assets into peso amounts, the exchange rates used were ₱50.64 and ₱52.58 to US$1.00 as at December 31, 2019 and 2018, 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, 2019 and 2018. 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, 2019 and 2018:

	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)**

	2018	
	Increase (Decrease) in Peso-Dollar Exchange Rate	Effect on Profit Before Tax *(Amounts in Millions)*
PHN	₱1.00	₱9.50
	(1.00)	(9.50)
UGC	3.00	(0.30)
	(3.00)	0.30
PEHI	1.00	0.04
	(1.00)	(0.04)
PhilCement	1.00	(7.80)
	(1.00)	7.80

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:

				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**	**157,917**
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**

		2018					
	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%	₱1,618,354	₱–	₱–	₱–	₱–	₱1,618,354
Placements (USD)	1.75%-3.125%	525,624	–	–	–	–	525,624
Financial Liabilities							
PHN	3.50%-6.00%	–	10,000	20,000	40,000	1,916,665	1,986,665
UGC	5.50%-6.72%	80,704	80,842	80,998	190,404	331,156	764,104
AU	5.58%-6.50%	12,500	12,500	12,500	25,000	–	62,500
COC	5.81%-6.25%	5,000	5,000	5,312	8,750	143,982	168,044
UPANG	5.79%-6.50%	39,319	22,378	19,325	55,150	197,845	334,017
PEHI	5.32%-6.13%	69,000	69,000	69,000	138,000	1,955,000	2,300,000
UI	6.33%-7.03%	–	–	8,000	12,000	180,000	200,000
SWU	6.42%-6.655%	–	–	2,000	4,000	294,000	300,000

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, 2019 and 2018. There is no impact on the Company’s equity other than those already affecting the profit or loss.

	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)**

	2018	
	Increase/(Decrease) in Basis Points	Effect on Profit Before Tax
Financial Liabilities		
PHN	25	(5,000)
	(25)	5,000
UGC	25	1,930
	(25)	(1,930)
AU	25	156
	(25)	(156)
COC	25	420
	(25)	(420)
UPANG	25	835
	(25)	(835)
PEHI	25	(5,750)
	(25)	5,750
UI	25	500
	(25)	(500)
SWU	25	750
	(25)	(750)

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, 2019 and 2018. There is no other significant impact on the Company's equity other than those already affecting the profit or loss.

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

	2018	
	Increase/Decrease in Stock Exchange Index	Effect on Profit Before Tax
PHN	+10%	₱137
	-10%	(137)
API	+10%	193
	-10%	(193)

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, 2019 and 2018 are as follows:

	2019	2018
Total liabilities	**₱14,035,764**	₱11,151,040
Total equity	**8,346,630**	7,963,053
Debt-to-equity ratio	**1.68:1**	1.40:1

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:

	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**

	2019			
	Total	**Level 1**	**Level 2**	**Level 3**
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**

	2018			
	Total	Level 1	Level 2	Level 3
Assets				
Investments held for trading:				
Investments in UITFs	₱454,906	₱–	₱454,906	₱–
Investments in marketable equity securities	4,809	4,809	–	–
Investments in Treasury Bills	132,450	132,450	–	–
Derivative asset	1,911	1,911	–	–
Listed equity instruments designated at FVOCI	133,062	133,062	–	–
Non-listed equity instruments designated at FVOCI	110,372	–	–	110,372
	₱837,510	₱272,232	₱454,906	₱110,372
Liabilities				
Derivative liability	₱1,544	₱1,544	₱–	₱–
Long-term debt	5,929,056	–	–	5,929,056
	₱5,930,600	₱1,544	₱–	₱5,929,056

During the years ended December 31, 2019 and 2018, 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 11.3% and 13.5% as at December 31, 2019 and 2018. An increase (decrease) in the discount rate will decrease (increase) the fair value of the nonlisted shares of stock.

Cash and Cash Equivalents, Short-term Investments, 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%.

Long-term Debt. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable rates for similar types of loans. Discount rates used ranged from 3% to 7% and from 5% to 6% in 2019 and 2018, respectively.

Derivative Instruments

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

The Parent Company entered into a sell US$-buy PHP deliverable foreign currency forward contracts to manage the foreign currency risk arising from its US$-denominated assets. These derivatives are transactions not accounted for as accounting hedges.

The Company has a derivative asset amounting to nil and ₱1.9 as at December 31, 2019 and 2018, respectively. The transacted contract has an aggregate notional amount of US$10.8 million and US$20.8 million in 2019 and 2018. The weighted average contracted forward rates are ₱53.23 to US$1.00 and ₱52.84 to US$1.00 as at December 31, 2019 and 2018, respectively.

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

	2019	2018
Balance at beginning of year	**₱1,911**	₱10,508
Net change in fair value during the year	**11,070**	(10,216)
Fair value of settled contracts	**(12,981)**	1,619
Balance at end of year	**₱–**	₱1,911

UGC and PhilCement entered into a buy US$-sell PHP deliverable foreign currency forward contracts to manage the foreign currency risk arising from its US$-denominated trust receipts payable.

The Company has a derivative liability amounting to ₱1.4 million and ₱1.5 million as at December 31, 2019 and 2018, respectively. The transacted contract has an aggregate notional amount of US$39.2 million and US$131.9 million in 2019 and 2018. PhilCement has transacted contracts with aggregate notional amount of US$28 million in 2019 and US$30.7 million and Euro 1.5 million in 2018. For UGC, the weighted average contracted forward rates are ₱52.37 to US$1.00 and ₱52.79 to US$1.00 in 2019 and 2018, respectively, while PhilCement's weighted average contracted forward rates are ₱52.343 to US$1.00 in 2019 and ₱53.30 to US$1.00 and ₱62.96 to Euro 1.00 in 2018.

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

	2019	2018
Balance at beginning of year	**(₱6,702)**	(₱2,649)
Net change in fair value during the year	**(13,168)**	8,238
Fair value of settled contracts	**18,465**	(7,135)
Balance at end of year	**(₱1,405)**	(₱1,544)

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. Previously, these leases were classified as operating leases under PAS 17.

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:

	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, as previously presented	₱–	₱–	₱–	₱–	₱–
Effect of adoption of PFRS 16 (see Note 3)	115,179	106,513	43,086	1,906	266,684
At January 1, 2019, as restated	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					
At January 1, 2019, as restated	–	–	–	–	–
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:

	2019
As at January 1, 2019, as previously reported	₱–
Effect of adoption of PFRS 16 (see Note 3)	284,272
At January 1, 2019, as restated	284,272
Accretion of interest	18,507
Additions	11,389
Payments	(34,938)
As at December 31, 2019	₱279,230

The following are the amounts recognized in the consolidated statement of income:

	2019
Depreciation expense of right-of-use assets (see Notes 30)	₱24,161
Interest expense on lease liabilities (see Note 31)	13,387
Expenses relating to short-term leases	68,093

In 2019, the Company capitalized as additional cost of property and equipment the depreciation expense of right-of-use assets and interest expense on lease liabilities amounting to ₱3.3 million and ₱5.1 million, respectively.

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

	2019
1 year	₱49,819
more than 1 years to 2 years	44,300
more than 2 years to 3 years	41,314
more than 3 years to 4 years	35,115
more than 5 years	298,360

38. **Commitments and Contingencies**

a. Unused Credit Lines

PHN has an unused credit line amounting to ₱4.0 billion as at December 31, 2019.

UGC has the following unused approved credit lines with local banks and financial institutions as at December 31, 2019:

Nature	Amount
Letters of credit/trust receipts	₱2,204,688
Bills purchase line	250,000
Settlement risk	129,480
Forward contract	80,000

b. Commitments Under Operating Lease Agreements -

Lessee
UGC and PhilCement entered into lease agreements covering its warehouse premises which have terms ranging from one to two years, renewable at the option of UGC under certain terms and conditions.

Future minimum rental payable as at December 31, 2018 are as follows:

	Amount
Within one year	₱22,783
After one year but not more than two years	82,694
More than one year	229,924

c. 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:

	2019	2018	2017
(a) Net income (loss) attributable to equity holders of the parent	**₱232,507**	₱25,874	(₱29,233)
(b) Weighted average number of common shares outstanding	**280,849**	283,774	284,921
Basic/diluted EPS attributable to equity holders of the parent (a/b)	**₱0.83**	₱0.09	(₱0.10)

The Company paid a 10% stock dividend on June 30, 2017 in favor of all stockholders of record of the Company as at June 6, 2017. The weighted average number of common shares outstanding have been adjusted retrospectively for 2017 and 2016 to account for the stock dividends paid.

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 six 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. In 2019, this segment 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.
- Energy - PHEN is involved in power generation and trading, oil and mineral exploration, exploitation and production.
- Educational services - PEHI holds interest in AU, COC, UPANG, UI, SWU and RCI 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.

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	Energy	Construction Materials	Educational Services	BPO	Eliminations	Total Operations
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 financing charges	**(133,315)**	**–**	**–**	**(160,941)**	**(169,532)**	**–**	**–**	**(463,788)**
Benefit from (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	**₱9,261,558**	**₱338,276**	**₱–**	**₱6,652,533**	**₱11,310,501**	**₱68,326**	**(₱5,248,800)**	**₱22,382,394**
Total liabilities	**₱3,435,187**	**₱52,487**	**₱–**	**₱4,847,812**	**₱6,123,206**	**₱388,346**	**(₱811,274)**	**₱14,035,764**
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 financing charges	(135,909)	–	–	(95,724)	(165,701)	(1,050)	–	(398,384)
Benefit from (provision for) 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	(₱801,394)	₱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

	Investment Holdings	Property Development	Energy	Construction Materials	Educational Services	BPO	Eliminations	Total Operations
Year Ended December 31, 2017								
Revenue	₱481,298	₱2,043	₱–	₱4,211,068	₱2,092,398	₱52,308	(₱419,942)	₱6,419,173
Segment results	216,441	(323)	–	307,969	293,426	9,597	(309,133)	517,977
Investment income	25,375	477	–	716	7,814	4	–	34,386
Equity in net earnings of associates	–	(188,463)	92,100	–	–	–	(4,080)	(100,443)
Interest expense and financing charges	(85,995)	–	–	(48,874)	(152,359)	–	–	(287,268)
Benefit from (provision for) income tax	(3,600)	(19)	–	(77,773)	(33,649)	(3,558)	–	(118,599)
Share of non-controlling interests	–	–	–	–	(90,848)	–	15,563	(75,286)
Net income attributable to equity holders of the parent	₱152,221	(₱188,328)	₱92,100	₱182,038	₱24,344	₱6,043	(₱297,651)	(₱29,233)
Total assets	₱8,803,265	₱332,642	₱–	₱2,576,710	₱8,606,672	₱209,261	(₱3,800,406)	₱16,728,144
Total liabilities	₱2,481,558	₱53,661	₱–	₱1,561,787	₱5,918,490	₱402,466	(₱1,613,507)	₱8,804,455

41. Events after the Reporting Period

On February 28, 2020, the Parent's BOD declared a 4% regular cash dividend amounting to ₱109.4 million or equivalent to ₱0.40 per share payable on March 27, 2020 to shareholders of record as at March 17, 2020.

Moreover, on the same date, 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.

42. Other Matters

a. R.A. No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date.

   The TRAIN changes the existing tax law and includes several provisions that will generally affect businesses on a prospective basis. In particular, the management assessed that amendment of Section 148 - Excise tax on manufactured oil and other fuels - which increases the excise tax rates of lubricating oil, diesel fuel oil and bunker fuel oil, among others, that are used for the power plants, may have material impact to the operations of the Company.

b. R.A. No.11213 or the Tax Amnesty Acts was approved on February 14, 2019 and took effect on April 24, 2019. The act enhances revenue administration and collection by granting an amnesty on all unpaid internal revenue taxes imposed by the National Government for taxable year 2017 and prior years with respect to estate tax, other internal revenue taxes and tax delinquencies.

ANNEX B.1

Index to Consolidated Financial Statements and Supplementary Schedules
Calendar Year 2019

PHINMA CORPORATION AND SUBSIDIARIES

Index to the Consolidated Financial Statements and Supplementary Schedules
December 31, 2019

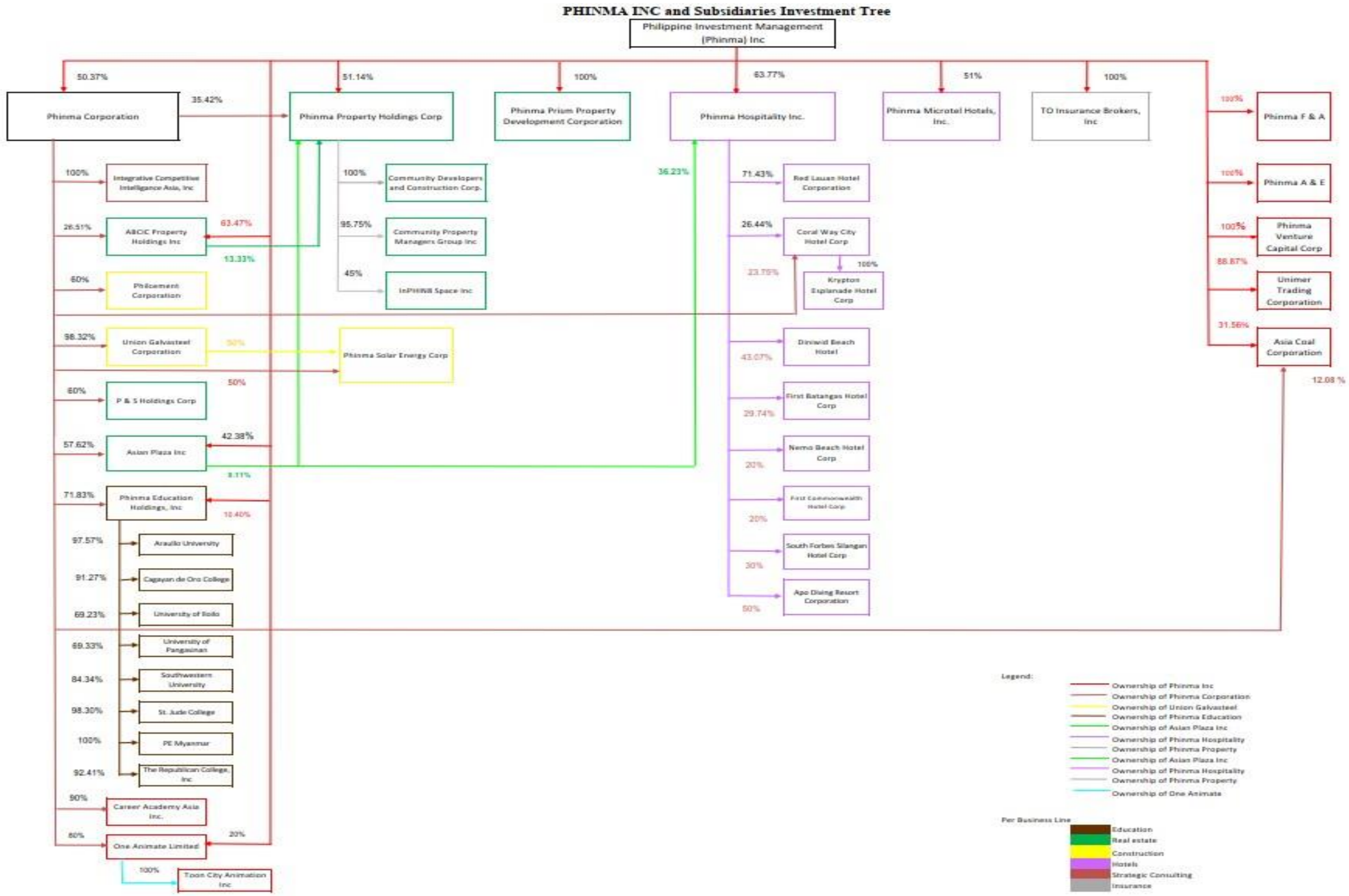
SCHEDULE I

PHINMA CORPORATION
Reconciliation of Retained Earnings
Available for Dividend Declaration
As at December 31, 2019

Unappropriated retained earnings at January 1, 2019		₱2,067,087,463
Add: Prior years' outstanding reconciling items, net of tax:		
Remeasurement loss on pension liability transferred to retained earnings	15,375,538	
Unrealized gain on derivative investments	(1,911,289)	
Unrealized gain on fair value adjustment on investments	(3,415,982)	10,048,267
Unappropriated retained earnings available for dividend declaration at January 1, 2019, as adjusted		2,077,135,730
Add: Net income actually earned / realized in 2019		
Net income	459,532,890	
Unrealized gain on fair value adjustment on investments	(13,623,906)	445,908,984
Add: Remeasurement loss on pension liability transferred to retained earnings		13,362,210
Less: Treasury shares	134,460,411	
Cash dividends declared	225,226,852	359,687,263
Unappropriated retained earnings available for dividend declaration at December 31, 2019		₱2,176,719,661

SCHEDULE II

PHINMA CORPORATION AND SUBSIDIARIES
Map of the Relationship of the Companies within the Group
December 31, 2019



SCHEDULE III

PHINMA CORPORATION AND SUBSIDIARIES
Supplementary Schedules Required by Paragraph 7D, Part II
Under Revised SRC Rule 68
December 31, 2019

Schedule A. Financial Assets

Name of issuing entity and description of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotations at balance sheet date	Interest received and accrued
Cash and cash equivalents		₱ 3,183,794,806	₱ 3,183,794,806	₱ 52,727,247
Investment in Unit Investment Trust Funds				
BDO Unibank, Inc. (Peso MMF)	214,999	347,041,738	347,041,738	–
BDO Unibank, Inc. (ÙSD MMF)	112,427	818,050,418	818,050,418	–
Bank of the Philippine Islands (Short term fund)	339,140	52,119,035	52,119,035	–
China Banking Corporation (Cash Fund)	86,204,729	96,512,788	96,512,788	–
China Banking Corporation (MMF)	98,250,688	126,784,653	126,784,653	–
Metropolitan Banking Corporation (MMF)	30,112,101	50,629,042	50,629,042	–
Rizal Commercial Banking Corporation (Peso MMF)	42,806,072	68,588,020	68,588,020	–
Rizal Commercial Banking Corporation (Peso CMF)	145,190,953	162,888,424	162,888,424	–
Security Bank Corporation (Peso MMF)	296,930,656	411,723,297	411,723,297	–
	700,161,765	2,134,337,415	2,134,337,415	52,196,283
Marketable equity securities				
Holcim Phil.	3	41	41	–
Universal Robina Corp.	600	87,000	87,000	–
Aboitiz Equity Ventures	3,700	124,135	124,135	–
First Phil. Holdings Corp.	9,440	650,888	650,888	–
Ayala Corporation	300	235,650	235,650	–
Banco de Oro Universal Bank	1,163	183,638	183,638	–
First Gen Corp	5,600	133,840	133,840	–
Philex Mining	9,500	26,695	26,695	–
Phinma Corp.	162,350	1,599,148	1,599,148	–
Atlas Consolidated Mining & Dev't Co	12,000	28,920	28,920	–
Security Bank Corporation	1,767	344,565	344,565	–
Swift Foods, Inc.	219	298	298	–
D&L Industries, Inc.	12,000	113,760	113,760	–
Del Monte Pacific Limited	5,972	28,964	28,964	–
RCBC	2,500	59,750	59,750	–
SSI Group Inc.	20,000	54,600	54,600	–
ACE Enexor, Inc. formerly Phinma Petroleum and Geothermal Corp.	91,108	666,911	666,911	–
AC Energy (ACEPH) formerly Phinma Energy Corp.	1,040,000	2,319,200	2,319,200	–
PXP Energy Corp	850	7,293	7,293	–
		6,665,296	6,665,296	722,980

Name of issuing entity and description of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotations at balance sheet date	Interest received and accrued
Treasury bills	–	57,261,686	57,261,686	4,158,689
Trade and other receivables	–	2,937,759,335	2,937,759,335	22,430,327
Financial assets at fair value through other comprehensive income				
Asian Eye Institute, Inc.	100,000	2,587,839	2,587,839	–
Asia Coal	6,039	269,341	269,341	–
Beacon Property Ventures, Inc.	32,400,000	56,240,224	56,240,224	–
Manila Cordage Company	18,136	11,953,091	11,953,091	–
PMCI	7,499	3,342,283	3,342,283	–
Club shares	Various	35,170,000	35,170,000	–
		109,562,778	109,562,778	–
		₱8,429,381,316	**₱ 8,429,381,316**	**₱132,235,526**

Schedule B. Amounts Receivable from Directors, Officers, Employees, and Principal Stockholders (Other than Related Parties)

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts collected	Amounts Written off	Current	Not Current	Balance at end of period
Advances to officers and employees	₱–	₱–	(₱–)	₱–	₱–	₱–	₱–

Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts collected	Allowance for doubtful accounts	Current	Non Current	Balance at end of period
Accounts Receivable							
Pamantasan ng Araullo (Araullo University), Inc.	₱44,328	₱49,821	₱16,338	₱–	₱77,811	₱–	₱77,811
Cagayan de Oro College	20,817	71,866	14,359	–	78,324	–	78,324
Career Asia Academy	1,779,641	375,586	1,393,988	–	761,239	–	761,239
FULD & Company (Philippines), Inc.	46,457,884	412,639	650,461	–	46,220,062	–	46,220,062
Union Galvasteel Corporation	727,762	257,434,571	257,155,450	–	1,006,883	–	1,006,883
University of Iloilo	2,499	185,226	148,176	–	39,549	–	39,549
University of Pangasinan	81,383	63,979	90,193	–	55,159		55,159
South Western University	2,354,163	51,983	2,346,933	–	59,213	–	59,213
Phinma Corporation	69,423,530	–	967,144	–	68,456,386	–	68,456,386
Phinma Education Holdings, Inc.	164,733,578	364,582,771	436,080,322	–	93,236,027	–	93,236,027
One Animate Ltd.	303,189,045	1,161,430	–	911,430	–	303,439,045	303,439,045
Philippine Cement Corp.	22,946,414	352,022	20,443,172	–	2,855,263	–	2,855,263
Phinma Solar	610,948	4,215,986	613,436	–	4,213,498	–	4,213,498
St. Jude College	138,630	41,577	174,626	–	5,581	–	5,581
	₱612,510,622	₱628,999,457	₱720,094,598	₱911,430	₱217,064,995	₱303,439,045	₱520,504,040
Advances							
Career Asia Academy	₱62,000,000	₱–	₱–	₱–	₱–	₱62,000,000	₱62,000,000
Philippine Cement Corp.	–	280,000,00	–	–	–		280,000,000
ICI Asia, Inc.	43,500,000	–	–	–	–	43,500,000	43,500,000
	₱105,500,000	₱280,000,000	₱–	₱–	₱–	₱105,500,000	₱385,500,000

Schedule D. Long-term Debt

Title of Issue and type of obligation	Amount authorized by indenture		Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long Term Debt" in related balance sheet"
Phinma Corporation				
Security Bank Corporation	₱1,987,971,343	*	₱10,000,000	₱1,977,971,343
Phinma Education Holdings, Inc.				
Rizal Commercial Banking Corporation	1,346,235,526		43,287,649	1,302,947,877
China Banking Corporation	868,392,293		27,349,033	841,043,260
	2,214,627,819	*	70,636,682	2,143,991,137
Union Galvasteel Corporation				
Banco de Oro	553,356,795		62,470,490	490,886,305
Security Bank Corporation	131,321,774		17,125,269	114,196,505
	684,678,569	*	79,595,759	605,082,810
PhilCement Corporation				
Security Bank Corporation	839,687,205	*	117,848,934	721,838,271
University of Pangasinan				
China Banking Corporation	293,184,151	*	16,560,075	276,624,076
Pamantasan ng Araullo (Araullo University), Inc.				
Rizal Commercial Banking Corporation	250,134,326	*	10,017,441	240,116,885
Cagayan de Oro College				
China Banking Corporation	182,890,873	*	10,071,592	172,819,281
University of Iloilo				
China Banking Corporation	197,826,458	*	–	197,826,458
Southwestern University				
Rizal Commercial Banking Corporation	597,312,162	*	–	597,312,162
P&S Holdings Corporation				
United Pulp and Paper Company, Inc.	145,907,128		–	145,907,128
	₱7,394,220,034		₱314,730,483	₱7,079,489,551

**Net of debt issue cost*

Schedule E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

	Balance at beginning of period	Balance at end of period
None	₱–	₱–

Schedule F. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of Guarantee
None	–	–	–	–

Schedule G. Capital Stock

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Preferred shares						
Class AA	50,000,000	–	–	–		
Class BB	50,000,000	–	–	–		
	100,000,000	–	–	–		
Common shares	420,000,000	286,343,544	–	142,761,237	18,528,021	111,299,507
Treasury shares	–	(13,754,779)	–	–	–	–
	520,000,000	**272,588,765**	–	**142,761,237**	**18,528,021**	**111,299,507**

PHINMA CORPORATION AND SUBSIDIARIES
Supplementary Schedule on Financial Soundness Indicators
December 31, 2019

Ratio	Formula		2019	2018
		(Amounts are in thousands)		
Current Ratio	**Total Current Assets divided by Total Current Liabilities**		**1.93**	2.25
	Total Current Assets	₱9,899,589		
	Divide by: Total Current Liabilities	5,116,956		
	Current Ratio	1.93		
Acid Test Ratio	**Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities**		**1.63**	1.86
	Quick Assets	₱8,364,641		
	Divided by: Total Current Liabilities	5,116,956		
	Current Ratio	1.63		
Solvency Ratio	**Net Income add Non-cash Expenses divided by Total Liabilities**		**5.67%**	4.45%
	Net Income	₱437,123		
	Add: Non-cash Expenses	358,730		
		795,852		
	Divided by: Total Liabilities	14,035,764		
	Solvency Ratio	5.67		
Debt-to-Equity Ratio	**Total Debt divided by Total Stockholder's Equity**		**1.68**	1.40
	Total Debt	₱14,035,764		
	Divided by: Total Stockholder's Equity	8,346,630		
	Debt-to-Equity Ratio	1.68		
Asset-to-Equity Ratio	**Total Assets divided by Total Stockholder's Equity**		**2.68**	2.4
	Total Assets	₱22,382,394		
	Divided by: Total Stockholder's Equity	8,346,630		
	Asset-to-Equity Ratio	2.68		
Interest Rate Coverage Ratio	**Earnings Before Interest and Taxes divided by Total Interest Expense**		**2.37**	1.88
	Earnings Before Interest and Taxes	1,095,915		
	Divided by: Interest Expense	462,439		
		2.37		

Ratio	Formula		2019	2018
		(Amounts are in thousands)		
Return on Equity	**Net Income divided by Average Total Stockholder's Equity**		**5%**	2%
	Net Income	₱437,123		
	Divided by: Average Total Stockholders	8,154,842		
	Return on Equity	5%		
Return on Assets	**Net Income divided by Average Total Assets**		**2%**	1%
	Net Income	₱437,123		
	Divided by: Average Total Assets	20,748,244		
	Return on Assets	2%		
Net Profit Margin	**Net Income divided by Total Revenue**		**4%**	2%
	Net Income	₱437,123		
	Divided by: Total Revenue	11,324,911		
		4%		

ANNEX C

Management Report

Annex C

MANAGEMENT REPORT

FINANCIAL AND OTHER INFORMATION

Changes In and Disagreements with Accountants on Accounting and Financial Disclosures

For the last five (5) years, there have been no disagreements with the independent accountants on any matter of accounting principles or practices, financial statement disclosures or auditing scope or procedure.

Management's Discussions and Analysis or Plan of Operation

CALENDAR YEAR 2019

In 2019, your Company posted consolidated revenues of ₱11.3 billion, an increase of 14% over the previous year due to increased revenue from both our Construction Materials and Education Groups. *Union Galvasteel Corporation* posted another record year, improving margins and supply chain systems, while *Philcement Corporation* accelerated traction of our Union Cement brand in the local market, almost doubling sales volume over the previous year. Despite the challenge posed by the Universal Access to Private Education Act to the private tertiary education industry, *PHINMA Education Holdings, Inc.* posted increased revenue due to strong growth in its freshmen cohort in school year 2019/2020. Income from operations of PHINMA Corporation correspondingly increased 28% to ₱ 1.1 billion.

PHINMA Property Holdings Corporation and *Coral Way City Hotel Corporation* both posted improved financial results in 2019, partially offsetting a loss from our consulting company *Integrative Competitive Intelligence Asia, Inc.* due to higher than anticipated project costs.

In June 2019, PHINMA Corporation completed the sale of its energy business, allowing the company to focus investments in core businesses such as education and construction materials. Consolidated net income of your Company more than doubled to ₱437 million in 2019 from ₱175 million in the previous year while net income attributable to shareholders of the parent grew from modest results of ₱ 25.9 million in 2018 to to ₱ 233 million in 2019.

2019 Highlights

PHINMA Education Holdings, Inc. (PHINMA Education) holds your Company's investment in 7 tertiary education schools in the Philippines, and also manages or owns educational institutions in Myanmar and Indonesia. In 2019, the funding mechanisms under the *Universal Access to Quality Tertiary Education Act* were in place at government universities and colleges. A large portion of PHINMA Education's students were qualified to receive tertiary education subsidies for use at private higher education institutions. The PHINMA Education schools correspondingly outperformed other private tertiary education institutions, with PHINMA Cagayan de Oro College notably accepting the greatest number of private tertiary subsidized students in the country. PHINMA Education's freshman enrollment increased 24%, with total system-wide enrollment increasing to 74,187 students in school year 2019-20. Consolidated net income of PHINMA Education increased 30% to ₱434 million in 2019.

In 2019, PHINMA Education continued its expansion. In February, PHINMA Education signed a joint venture to manage tertiary schools in Indonesia. STIKES Kharisma in Karawang West Java, a nursing and IT school, is the first school under this arrangement and, together with PHINMA Saytanar Education Ltd. in Myanmar, is PHINMA Education's second venture outside the Philippines. In December, PHINMA Education acquired Republican College, a tertiary institution in Quezon City offering courses in business, education, and criminology. Republican College joins St. Jude College as the second PHINMA Education school in an envisioned Metro Manila network which will eventually serve over 30,000 students.

PHINMA Education also in 2019 forged a partnership with Kaizenvest, the Asian Development Bank, and the Netherlands Development Finance Company (FMO) involving the infusion of ₱1.875 billion in new capital into PHINMA Education, to support the acquisition of new schools as well as local and regional expansion. This partnership not only provides PHINMA Education fresh capital for accelerated growth but also affirms the trust and confidence of the international finance community in the prospects of our affordable education business.

The schools continued to focus on quality, with the various schools posting a 100% first-timers passing rate in 40 different board licensure exams in 2019.

In 2019, our Construction Materials Group continued to grow. In a highly competitive market, Union Galvasteel Corporation (UGC) maintained its industry leadership, again selling nearly 10 million equivalent roofing sheets and increasing net income to a record ₱275 million on improved margins from cost management and rationalization of supply chain systems.

Philcement Corporation (Philcement), our new cement subsidiary, continued developing traction of our legacy Union Cement brand in the market, nearly doubling revenue in 2019 through development of markets and increased coverage. In 2019, the company revived partnerships with key customers and channels, widening the availability of Union Cement nationwide and building the Union reputation for high quality cement. Although delayed by several months, construction of the company's cement facility in Mariveles Bataan was substantially completed in 2019. By early this year, the facility was fully operational, delivering on our promise to efficiently process and make available our high-quality cement nationwide.

In September 2019, PHINMA Corporation signed an agreement to invest USD 50 million in *Song Lam Cement Joint Stock Company*, the flagship plant of *The Vissai*, the largest private cement manufacturing group in Vietnam. The investment will be used to expand the capacity of the flagship plant and will cement our relationship with The Vissai, who are also our partners in Philcement. These mutual partnerships assure Philcement a steady supply of high quality cement for our customers, out of our world-class facility in Mariveles Bataan. The Company hopes to finalize this investment by early 2020.

In 2019, PHINMA Solar Energy Corporation (PHINMA Solar), the group's latest venture in the solar rooftop market, expanded its portfolio of clients, installing rooftop solar solutions equivalent to around 11% of total solar installations in the industry.

On our other businesses, PHINMA Properties over the year continued strategic changes to its business, resulting in a 62% increase in net profits in 2019. The company also started development of a pipeline of projects within and outside Metro Manila to secure future growth and profitability for the company. In 2019, in its second full year of operations, the PHINMA Hospitality Group's new Tryp by Wyndham hotel in the Mall of Asia area increased average occupancy rates to 76% and ended the year with a modest profit. Equitized income from PHINMA Properties and Coral Way amounted to ₱ 28.7 million and ₱ 5.6 million respectively. Our strategic consulting company *Integrative Competitive Intelligence Asia, Inc.* (ICI-Asia), however, posted a loss of ₱ 50.6 million in 2019 due to higher than anticipated costs to deliver on projects.

PHINMA Corporation ended 2019 with a strong balance sheet, with total assets of ₱ 22.4 billion and a current ratio and debt-to-equity ratio of 1.93:1 and 1.68:1, respectively.

We are pleased to report that in light of the improved financial results, the Board has declared a cash dividend of ₱0.40 per share payable on March 27, 2020.

2020 Outlook

Entering 2020, Philippine economic growth looked to be supported by the timely approval of a record ₱4.1 trillion budget where over ₱1 trillion is allocated for infrastructure and another ₱1.5 trillion toward social services including education. Local inflation and interest rates were also stable at relatively low rates, maintaining a positive local business climate. However, the COVID-19 pandemic looks to have impacted the favorable outlook for the Philippine economy with GDP growth projected to be flat to slightly lower in 2020 especially as a result of the Extended Community Quarantine, a decline in travel and OFW remittances, and reduced trade. In this time of global crisis, we are even more committed to our mission of Making Lives Better. PHINMA has investments in companies providing goods and services that our country needs more than ever.

This year, PHINMA Education anticipates improved financial results as another college freshman batch further reduces the missing college cohorts since the introduction of the K to 12 system. Although fresh from the acquisition of Republican college, PHINMA Education is already in discussions with and hopes to acquire two more schools this year to add to its growing network in the Philippines. Outside the country, PHINMA Education views Indonesia as the most exciting market for our affordable education outside of the Philippines. Our long term goal is to broaden the geographic reach of our affordable education within Southeast Asia and to become the largest affordable education network in the Philippines. We feel that PHINMA Education will continue to be a school of choice for our target market due to its strong academic performance and its track record of improving employability for its students.

For 2020, the Construction Materials Group hopes to benefit from the timely passage of the national budget, a substantial amount of which is earmarked for the Build Build Build program. The increased capacity from Philcement's Mariveles facility will enable further inroad of our Union Cement brand into the market as PHINMA supports the nation's infrastructure development by ensuring a stable supply of quality cement in the market. The Construction Materials Group (CMG) also expects to develop more synergies across the three companies while its strengthened regional partnerships unlock the potential of a larger Asian market for our products and services in the future. CMG is well positioned to support the government's efforts to spur economic growth through infrastructure spending.

PHINMA Properties this year will continue developing a pipeline of core affordable projects as well as new lines including shared economy rental models to secure future growth and profitability for the company. PHINMA Properties has been focusing on developments outside of Metro Manila and can benefit from nationwide growth. Despite significant challenges to its industry posed by the COVID-19 outbreak, PHINMA Hospitality in coming years still looks forward to further expanding the Microtel and Tryp brands across the country.

PHINMA has focused our COVID-19 response efforts into three key areas: our employees, our businesses and our communities. Your company has implemented Work From Home policies except for essential, skeletal staff that have to report to the office. We also ensured full pay for our employees while financial assistance was provided through the PHINMA Foundation to third party no-work no-pay employees. Our businesses have engaged in financial planning and stress testing exercises with an emphasis on liquidity management. Due to the rapid nature of the pandemic, key assumptions are continuously being reviewed. Lastly, through the PHINMA Foundation, PHINMA has committed an initial P30 million for pandemic relief efforts in our communities. We are confident that our nation and your company have the resilience to emerge from this crisis and that we will all heal as one. While our 2020 outlook might be more muted now than it was at the start of the year, we have fundamentally strong businesses that will continue to make lives better for our fellow Filipinos.

Education

PHINMA Education Holdings, Inc. (PHINMA Education) makes life better by providing accessible quality education. PHINMA Araullo University (PHINMA AU), PHINMA Cagayan de Oro College (PHINMA COC), PHINMA University of Pangasinan (PHINMA UPang), PHINMA University of Iloilo (PHINMA UI), PHINMA St. Jude College (PHINMA St. Jude) and PHINMA Republican College provide quality basic and tertiary education to students from low income families in developing urban centers and in Metro Manila. Southwestern University PHINMA (SWU PHINMA) provides quality education to a middle income market, catering to local as well as international students in Cebu and surrounding provinces.

In 2019, a second cohort of freshmen entered college after graduating senior high under the new K to 12 system, reducing to two the missing college cohorts since the implementation of K to 12 several years ago. Although this further reduces the financial impact of K to 12 on the tertiary industry, a full recovery will only occur after another two years when there are no missing college cohorts.

Despite the challenges faced by the private tertiary industry, PHINMA Education once again saw an increase in its freshmen enrollment, posting a 24% growth. As of school Year 2019-2020, PHINMA Education enrollment has grown to 74,187 students nationwide. For calendar year 2019, the company achieved revenue of ₱ 2.9 billion, an increase of 16% over the previous fiscal year, while consolidated net income increased 30% to ₱434 million. The increased revenue and net income is attributed to increased overall enrollment due to the strong batch of college freshman in June 2019 arising from our successful campaign to obtain market share in the schools' respective communities, particularly from students eligible for tertiary education subsidies.

In 2019, PHINMA Education graduates again performed well in 2019 board accreditation exams, with the various schools posting a 100% first-timers passing rate in 40 different licensure exams. All told, PHINMA Education has fielded 98 board exam topnotchers and 24,825 licensed professionals since 2004. Around 81% of PHINMA Education graduates get their first job within one year from graduation.

As it reached its 15th year in the business, PHINMA Education continued to expand in Asia. In February 2019 PHINMA Education entered into a joint venture with an Indonesian educational institution to establish *PT Ind Phil Managemen* to manage tertiary schools in Indonesia. The first school under this arrangement is *STIKES Kharisma* in Karawang, West Java, a school known for its nursing and IT programs. STIKES Kharisma joins *PHINMA Saytanar Education Ltd.* in Myanmar as the second PHINMA Education venture outside the Philippines, as PHINMA Education continues to extend its reach in Asia.

Despite initial focus on schools outside of the capital, PHINMA Education in recent years has recognized the need for quality affordable education within Metro Manila. In late 2019, PHINMA Education acquired *Republican College* in Quezon City, a tertiary institution offering courses in business, education, and criminology. Republican joins St. Jude College as PHINMA Education's second school in Metro Manila, where we hope to add more schools in the future in a planned Metro Manila network that will serve 30,000 students.

To support its rapid business growth in the Philippines and in Asia, in 2019 PHINMA Education forged a partnership with *Kaizenvest*, the *Netherlands Development Finance Company,* and the *Asian Development Bank* involving the infusion of ₱1.875 Billion in new capital into PHINMA Education to support local acquisitions and expansion as well as international expansion in Indonesia and Myanmar.

In July, PHINMA Education was shortlisted by the *Financial Times* and the *International Finance Corporation* for their annual Transformational Business awards. PHINMA Education was recognized for its unique academic and business model which makes quality education accessible to underprivileged students.

PHINMA Education's 2019 "Sasamahan Kita Patungo sa Patungo sa Pangarap" branding campaign was also awarded 1 gold and 4 silver Anvils at the recent 55th Anvil Awards, which recognize excellent PR campaigns that have an impact on their target audience and society in general. The campaign's "Sasamahan Kita" music video currently has over 1.3 million views on YouTube.

After securing a foothold in Metro Manila, PHINMA Education intends to strengthen its presence as it explores more acquisitions, extending its reach into the greater Manila and other strategic areas. In this respect PHINMA Education is in discussions with two schools in the CALABARZON region.

PHINMA Education also plans to grow its international business. While on the lookout for more opportunities in Indonesia, the priority is to manage the transition of Kharisma Colleges under the PHINMA Education system. PHINMA Education views Indonesia as a key market for affordable education in the region and hopes to grow enrollment to levels comparable to the Philippines within the next 10 to 12 years.

Beyond Indonesia, the long term goal is for PHINMA Education to expand to countries with similar demographics such as Vietnam, Laos, and Cambodia as well as exploring digital education solutions. Our overall vision is to broaden the geographic reach of our brand of affordable education, making more lives better for underprivileged students and their families in the Philippines and in other countries including Southeast Asia.

Construction Materials

The Philippine economy grew a respectable 5.9% for the full year of 2019, boosted by the accelerated government spending in the second half of the year to make up for the delay in the passage of the Budget in the first half of the year. The country's performance was still likely the second best in the ASEAN region next to Vietnam, despite geopolitical unrest in the Middle East and the ongoing trade tensions between the United States and China.

Public construction decelerated by 2.4% in 2019, due to the negative impacts of the delay in the approval of the 2019 Budget, recording a decline for the first time in nine years. However, private sector investments on construction rose by an impressive 13.8% (based on constant prices), which led to the construction industry, a key driver of the Philippine economy, rising by 7% against prior year.

For roofing materials, domestic demand was flat for all types of products (flat and long). In spite of the continuing trade wars between the US and China, prices of raw materials such as steel coils were kept steady, keeping domestic prices stable.

In 2019, Union Galvasteel Corporation (UGC) again sold almost 10 million equivalent sheets of roofing materials, despite stiff market competition and the sluggish performance of public construction. While revenues were almost flat year-on-year, UGC improved its margins through better cost management and rationalization of its supply chain systems and processes.

As a result, UGC's revenue was ₱ 5.5 billion in 2019, with net income up by 3% to a new record of ₱ 275 million from ₱ 268 million a year earlier. With its growth trajectory continuing, UGC expects to continue to be one of the industry leaders in the roofing industry.

For the cement industry, demand was slightly up between 6 to 8 % year-on-year from 2018 based on our own internal estimates. The supply gap in local production was again supported through significant amount of imports of clinker and cement by both manufacturers and traders. Based on data from the Bureau of Customs, China has stopped selling clinker to the Philippines amidst its manufacturing consolidation efforts, allowing Thailand, Korea, and Vietnam to pick up the slack. Meanwhile, cement was mostly sourced from Vietnam, which supplied two-thirds of the country's total imports in 2019.

Philcement, our new cement subsidiary, continued to grow its market base in 2019, nearly doubling its volumes through a wider market coverage and development of key markets which will be served by its cement facility in Mariveles, Bataan. Despite competitive challenges, our existing partnerships with our customers and channels have helped bolster the availability of Union Cement nationwide and started building our reputation for high quality through its Ultra V 50 (Type I OPC) and Super V 40 (Type IP blended cement) variants.

At the end of 2019, Philcement's revenues were up 75% to ₱ 2.7 billion, with a net income of ₱ 58 million.

As of early 2020, the Mariveles cement facility is 100% functionally operational and has begun to show its promise to efficiently process and deliver high-quality cement to key areas nationwide.

With focus on sustainable expansion, quick loading and fast turnaround, and commitment to quality, Philcement aims to be the preferred cement supplier in the industry in the near future.

After the PHINMA Group divested its ownership in PHINMA Energy Corporation, which mainly produced energy through fossil fuels and geothermal sources, it retained its investments in PHINMA Solar Energy Corporation (PHINMA Solar). The group's venture in the solar rooftop market, PHINMA Solar has considerably expanded its client portfolio and steadily installed and supplied rooftop solar solutions equivalent to an estimated 11% of the total solar installations in 2019. With renewable solar rooftop solutions becoming more acceptable to commercial and industrial customers, PHINMA Solar expects to grow its presence significantly over the medium-term.

We maintain our optimism on the business environment due to the promise of meaningful government initiatives such as the Build, Build, Build program and the focus on infrastructure development as part of the economic recovery plan from the COVID-19 pandemic. While we continue to be positive about the future, PHINMA's Construction Materials Group is mindful of challenges to our growth journey, such as ongoing geopolitical tensions and pandemic concerns. With these in mind, we have strengthened our internal capabilities – our infrastructure, our processes, our technology, and more importantly, our people – to make us more flexible and adaptable, ensuring we are able to ride through the challenges and capture the opportunities that the future may bring. We have also strengthened regional partnerships outside the Philippines, unlocking the potential advantages of a larger Asian market to provide better products and services to our customers. Through these efforts, we are fully prepared to move forward to become an even more prominent name in the construction materials industry and firmly committed to make the lives of our countrymen better.

Housing

PHINMA Property Holdings Corporation (PHINMA Properties), a 35%-owned affiliate of the Company, develops affordable medium-rise condominium units and socialized housing units in Metro Manila and other areas in the country.

In 2019, PHINMA Properties completed construction on 10 buildings, which brings to 105 the total number of affordable housing buildings built by the company since its inception. The company sold a total of 437 units over the year at its *Arrezo Place* Pasig project, and 405 units at its *Hacienda Balai* Quezon City project. Land development was also completed over the year at the *Likha Residences Alabang* project. Outside Manila, the company completed and sold over 250 units at *Arrezo Place* Davao. The company posted revenue of ₱ [1.9] billion in 2019, a 4% increase from the previous year.

Consolidated net income of PHINMA Properties increased 62% to ₱ 60 million as the company continued strategic changes to its business, increasing profitability by improving margins, streamlining operations, and reducing operating costs. Total assets of the company increased to ₱ 5.1 billion in 2019 from ₱ 4.9 billion in 2018.

The company continued in 2019 its 5-year plan to support growth through new locations outside of Metro Manila as well as new business lines, developing pipeline projects to secure future growth and profitability.

After establishing a presence in Davao through the *Arezzo Place* project, the company is developing other projects including a 1.7-hectare high-end townhouse project and an 11-hectare economic housing project South of Davao City. In Cebu, the company began construction in September at *Uniplace Cebu* *at SWU Village*. This project consists of 440 units, some to be sold with a portion retained and operated as a dorm for students. PHINMA Properties also started initial project development on an 8.1-hectare economic and affordable horizontal housing project in San Jose, Batangas.

In Metro Manila, PHINMA Properties continued developing its *Metrotowne* project in Las Pinas City - a 2.1-hectare vertical condominium project. Moving forward, PHINMA Properties is looking to landbank, invest, and build its brand and presence in major cities in other regions including Cagayan de Oro City and Bacolod City.

The company continued to develop its other business lines over the year. In 2019, the company's Construction Management Group built 1,400 housing units for other developers, while the Property Management Group signed 7 new management contracts, bringing the total number of managed units to 25,000 as of year-end 2019.

Previously, the company launched *Pathways*, a recurring-income business line operating in the shared economy space. In 2019, the company's *Acceler8* joint-venture co-working facility in Rockwell Center was fully operational, attracting a loyal clientele in its first year of operations. This year, the company will open its first co-living space at its *Sofia Bellevue* project in Quezon City. Moving forward, PHINMA Properties is developing other *Pathways* projects, including a co-living project in Pasay City, and hopes to develop more as these shared economy rental models prove effective in addressing the flexible needs of a young and mobile market.

At the 2019 annual *The Outlook* real estate awards based on online surveys of over 10,000 property buyers, PHINMA Properties won one of the grand awards, *Best Boutique Developer – Luzon*, while its joint-venture co working facility *Acceler8*, won a special award for *Best Co-Working Space*. Also in 2019, PHINMA Properties was recognized by the Pag-IBIG fund as one of the top 10 best performing developers in the NCR for the first half of 2019. These awards affirm the companies' affordable and shared economy offerings are in line with current market demands.

Having turned the corner the previous year, PHINMA Properties has confirmed in 2019 it is on a path toward growth and increased profitability, having laid the foundation for its vision of where it should be to navigate the future. As we enter 2020 and the new decade, the company will finish and furnish this vision, creating more affordable housing and living solutions and making lives better for generations of Filipinos to come.

Hotels

The hospitality arm of PHINMA Group, PHINMA Hospitality Inc. (PHINMA Hospitality), 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. 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.

Microtel by Wyndham is an international chain of limited service hotels under Wyndham Hotel Group with 300+ Microtel properties worldwide, including 14 in the Philippines. Microtel by Wyndham pioneered the no-frills hotel concept in the country that targets the mid-market traveler. 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.

Microtel by Wyndham Mall of Asia's guests are mostly business and leisure travelers. 2019 average occupancy was 83%, driven by conventions and events in SMX Convention Center, Mall of Asia Arena and other venues; increasing business activities in the area; and proximity to the airports, business hubs, malls, commercial centers, and leisure destinations. In 2019, Coral Way had a Gross Revenue of ₱205.8 million, Gross Operating Profit of ₱82.1 million and Net Income of ₱16.8 million.

TRYP by Wyndham is a select-service hotel chain located in many of the most exciting cities such as Paris, Berlin, Barcelona, New York, São Paulo, Brisbane and Manila. It targets today's modern travelers with its hip, young and energetic interiors, and amazing views of the city and Manila Bay. 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. In 2019, TRYP by Wyndham Mall of Asia had an average occupancy of 76% and Gross Revenue of ₱239 million. Gross Operating Profit was ₱102.0 million and Net Income was ₱6.7 million.

This year, the hospitality industry faces significant challenges in the wake of reduced travel and tourism from the COVID-19 outbreak. We have responded through various preventive measures at our hotels including the issuance of protection, detection, and sanitizing equipment, establishing protocols for staff and guests, and briefing all employees. In the future we look forward to a recovery of the industry and we hope to continue expanding Microtel & TRYP by Wyndham across the country, particularly in Metro Manila, regional hubs, and resort destinations.

Strategic Consulting

Integrative Competitive Intelligence Asia, *Inc.* (ICI Asia) has pioneered the application of competitive intelligence to the field of social development, providing research support to address social issues primarily for non-profit organizations and government agencies.

In 2019, although ICI Asia provided consulting services to a larger number of clients, average contract value was lower, resulting in a decrease in revenue to ₱ 49.7 million from ₱ 62.2 million in the previous year. In 2019, the company incurred higher than anticipated costs as unforeseen subcontractor costs were required to complete projects. As a result, the company posted a net loss of ₱51.2 million in 2019. Moving forward, the company intends to more closely monitor project scope of work and costing and to also better coordinate with subcontractors to ensure more profitable operations.

Key Performance Indicators (KPI)

The top five (5) KPI's used to measure the financial performance of PHN and its subsidiaries for the year ended December 31, 2019 compared to the same period in the previous year are shown in the following table:

Financial KPI	Definition	December 2019	December 2018
Profitability			
Return on Equity (ROE)	Net income / Ave. total equity attributable to PHN equity holders	**3.46%**	0.38%
Gross Profit Margin	Gross profit / Net sales	**28.62%**	26.46%
Efficiency			
Cash Flow Margin	Cash flow from operating activities / Net sales	**(11.67%)**	18.95%
Liquidity			
Current Ratio	Current assets / Current liabilities	**1.93 : 1.00**	2.25 : 1.00
Debt-to Equity Ratio	Total liabilities / Total equity	**1.68 : 1.00**	140 : 1.00

Profitability

The return on equity for the period of 3.46 % is higher than 0.38% return for the same period the previous year due to increase in net income attributable to shareholders of the parent. Gross profit margin increased from 26.46% in 2018 to 28.62% in 2019 mainly due to increase in gross profit margin contribution of Philcement and the schools.

Efficiency

Net cash outflow from operations was P1.3 billion for CY 2019 compared to cash inflow of P1.9 billion in CY 2018. The decrease was due tothe transfer from Cash and Cash Equivalents to Investments Held for Trading in the amount of P 1.6 billion.

Liquidity

Current ratio decreased from P2.25:1.00 in 2018 to P1.93:1.00 in 2019 due to increase in notes payable of Philcement to support its expanded sales.

Debt-equity ratio of PHN and its subsidiaries as of end December 2019 increased from 1.40:1.00 to 1.68:1.00 mainly due to increase in total liabilities from P11.2 billion to P14.0 billion. The increase is largely attributable to UGC, Philcement Corporation and Phinma Education Holdings, Inc.

Other Financial Ratios are as follows :

Financial Ratio	Definition	CY 2019	CY 2018
Asset to Equity	Total Assets Total Equity	**2.68**	**2.40**
Interest rate coverage ratio	EBITDA Interest Expense	**3.14**	**2.69**

Asset to Equity ratio of PHN and subsidiaries as of end December 2019 increased from 2.40 to 2.68 due to increase in total assets from P19.1 billion to P22.4 billion in 2019. The increase is mainly due to the investment in PEHI by Kaizenvest, FMO and local investors in the amount of P 1.575 billion and the increase in assets of Philcement Corporation with the completion of its facility in Mariveles.

Interest rate coverage ratio increased from 2.69 to 3.14 in 2019 due to an increase in EBITDA from P1.1 billion to P1.4 billion in 2019.

Accounting Policies and Principles

The accompanying consolidated financial statements of Phinma Corporation have been prepared in compliance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS). The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit and loss, available for sale investments and derivative investments that have been measured at fair value.

The consolidated financial statements are prepared in Philippine pesos, the company's functional and presentation currency.

Disclosures on Financial Statements

Below are additional disclosures on the Company's operations :

a. On any known trend, demand, commitment, event and uncertainty that will result in or likely to decrease its liquidity in any material way :

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

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

   None

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

   None

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

   None

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

   The operations of Phinma Corporation and its subsidiaries continue to be affected by the economic performance of the Philippines and in the countries in which they operate.

f. Any significant elements of income or loss that did not arise from the Issuer's continuing operations.

   None.

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

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

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

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

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

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

Material Changes in Statement of Financial Position Accounts

Cash and cash equivalents

The movements in cash and cash equivalents are shown in the cash flow statement.

Short-term investments

The decrease in the account represents the transfer of investments of PHN parent from short-term investments to investments in unit investment trust funds (UITFs).

Investments held for trading

The increase in the account represents proceeds from the sale by the parent company of its shares in Phinma Energy and Phinma Petroleum and Geothermal, Inc.

Trade and other receivables

The increase in the account of P667 million represents increase in tradereceivables of UGC, Philcement and the schools.

Inventories

The increase in the account in the amount of P40 million represents an increase in Philcement finished goods inventory in support of expanded sales.

Input tax

The increase in the account is due to input tax of Phinma Solar and P&S Holdings amounting to P21 million and P7 million, respectively.

Derivative asset

As of end December 31, 2019, PHN has no outstanding deliverable forward contracts.

Other current assets

The movement in the account of P62 million represents a decrease in various assets of P&S Holdings, Inc.

Asset held for sale

In December 2018, PHN classified as Asset Held for Sale the investment in Phinma Energy (PHEN).

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 26.24% ownership interest.

Investment in associates and Joint venture

The increase in the account mainly reflects the investment in the joint venture of Phinma Education with Tripersada Global Manajemen of Indonesia in the amount of P133.2 million.

Financial assets at FV through OCI

The decrease in the account in the amount of P137 million represents the sale of PHN interest in Phinma Petroleum and Geothermal, Inc. in June 2019.

Property , plant and equipment

The increase in the account amounting to P1.7 billion is largely due to the construction of the Philcement terminal in Mariveles in the amount of P 846 million. The increase is also attributable to Phinma Solar in the amount of P175 million and the acquisition of Republican College, Inc. by PEHI in December 2019.

Deferred tax assets

The increase in the account of 59 million represents increase in deferred tax assets of UGC, Philcement, Phinma Solar and SWU.

Right of use of assets

The amount of P250 million as of end December 2019 represents UGC and Philcement right to use warehouses and offices which are under long-term lease. This is in accordance with PFRS 16 effective January 1, 2019.

Other noncurrent assets

The increase in other noncurrent assets in the amount of P395 million represents PHN parent advances to Song Lam Cement JSC in the amount of P 255.1 million as well as other noncurrent assets of PEHI parent and SWU. The advance to Song Lam will be reclassified to Financial Assets at Fair Value through OCI.

LIABILITIES

Notes payable

The increase in the account amounting to P725 million represents additional short-term borrowings of UGC and Philcement.

Trade and other payables

The decrease in the account is due to payment of Philcement trade payables.

Trust receipts payable

The increase of P326 million in the account is attributable to an increase in trust receipts payable of UGC and Philcement amounting to P160 million and P166 million respectively.

Contract Liabilities

The increase in the account is attributable to AU, COC, UPANG, UI, SWU and St. Jude. Tuition fees for the semester are accrued as receivable at the start of the semester and the corresponding liability is booked under Contract Liabilities. The latter decreases as the revenue is earned over the semester.

Income and other taxes payable

The increase in the account of P18 million represents increase in various tax payable of Philcement.

Due to related parties

The increase in the account represents amount due to the ultimate parent company, Phinma Inc.

Derivative Liability

UGC and Philcement entered into deliverable forward contracts with aggregate notional amount of US$39.2 AND us$28 million in CY 2019 respectively. As of December 31, 2019, UGC and Philcement have outstanding derivative liability of P1.4 million and nil respectively. The combined net loss on derivatives of UGC and Philcement amounted to P13.2 million in 2019.

Current portion of long-term debt

The increase in the account of P105 million represents reclassification of Philcement loan from long-term debt to current portion of long-term debt .

Current portion of lease liability

The account represents the present value of all remaining lease payments of UGC and Philcement which will be due within one year. This is in accordance with PFRS 16, effective January 1, 2019.

Long-term debt – net of current portion

The increase in the account of P576 million represents availment of long-term debt of AU and Philcement.

Pension and other post employment

The increase in the account of P78 million represents additional retirement liability of UGC due to change in financial assumptions used in the valuation..

Lease liability

The account represents the present value of all remaining lease payments of UGC and Philcement This is in accordance with PFRS 16, effective January 1, 2019.

Non-controlling interest put liability

The amount represents the present value of the amount payable on exercise of the non-controlling interest put in accordance with PFRS 9. If the NCI put is exercised, 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 amout it would have been, as if the put option had never been granted and the financial liability is derecognized.

Other noncurrent liabilities

The decrease in the account in the amount of P12 million represents a decrease in other noncurrent liabilities of PEHI parent and AU.

EQUITY

Share in other comprehensive income of associates

The change is due to a decrease in fair value of financial assets held by ABCIC Property Holdings Corporation.

Exchange differences on translation of foreign operations

The movement in the account represents the cumulative adjustments arising from the translation of the financial statements of PEHI Myanmar to Philippine pesos.

Equity reserve

The movement in the account is largely due to the gain on dilution of PHN upon the entry of new investors in PEHI. Investors subscribed to shares at P299.96 per share compared to a book value of P242.94 per share.

Other comprehensive income

The decrease in the account represents adjustment in the adoption of new accounting standards on PFRS 9 on Financial Assets.

Treasury shares

The increase in the account represents buyback of 9.2 million shares of PHN during the year at an average price of P 9.95 per share.

Material Changes in Income Statement Accounts

Revenues

The P1.4 billion movement in the account is mainly due to an increase in revenues of Philcement and the schools.

Cost of Sales

The P781 million increase in cost of sales represents the increase in cost of Philcement as a result of increase in sales.

Operating expenses

The P379 million increase in the account represents an increase in operating expenses of the UGC, Philcement, and the schools.

Financial charges

The increase in financial charges in the amount of P65 million is largely attributable to increase in financial charges of UGC and Philcement in the amount of P41 million and P 23 million respectively due to higher working capital requirements.

Equity in net earnings of associates

The increase in the account is largely due to equitized income in affiliate PPHC and Coral Way in the amount of P11 million and P8 million respectively. Equitized net loss in Coral Way was P 2.5 million in 2018 when Tryp Hotel commenced commercial operations.

Foreign exchange gain

Foreign exchange loss of December 31, 2019 arose from the restatement of dollar placements from an average rate of P52.58 in December 31, 2018 to P50.65 as of December 31, 2019.

Gain (loss) on derivatives

PHN parent recognized gain on derivatives in the total amount of P11 million on deliverable foreign currency forward contracts. This was offset by a net loss of P3.9 million and P9.2 million as of December 31, 2019 on deliverable forward contracts of UGC and Philcement respectively.

Gain on sale of investment properties

The gain on sale of P7.7 million represents the sale by SWU of a property located in Sambag, Cebu . There was no significant sale of investment property in 2019.

Gain on sale of property, plant and equipment

The gain on sale of property, plant and equipment in 2018 represents the sale of fixed assets by the parent company.

Gain (loss) on sale of investment in a subsidiary

In 2018, PHN booked a loss on impairment on its PHEN shares in the amount of P 252.8 million based on an offer from AC Energy Inc. for the said shares. In 2019, PHN booked an additional loss of P 13 million upon finalization of the selling price and completion of the sale.

Provision for unrecoverable value added tax

The increase in the account represents provision for unrecoverable input tax of the parent company.

Impairment of goodwill

In 2019, the Company booked a full impairment of goodwill in ICI Asia, Inc. in the amount of P14.1 million.

Impairment of investments

In 2018, the Company booked a P253 million and P19 million impairment loss on Phinma Energy and Phinma Power Generation, Inc. respectively.

Gain on tax-free exchange of land

In 2018, PHN parent transferred its 27.3 hectares property in Calamba City at an appraised value of P328.1 million to PPHC in exchange for PPHC shares.

Other income (charges)

The decrease in the account in the amount of P3 million represents decrease in other income of the parent company, UGC and St. Jude.

Provision for income tax

The increase in provision for income tax from P175 million to P196 million is attributable to the higher income of UGC, Philcement and the schools.

CALENDAR YEAR 2018

In 2018, your Company posted consolidated revenues of ₱10.0 billion, a significant increase of 55% over the previous year. The Construction Materials Group posted a record year, expanding markets and introducing new products, including our legacy Union Cement brand. Our Education Group posted strong growth from a large returning college freshmen cohort and from a new school acquired just before the start of 2018. As a result, income from operations increased 75% from ₱498.9.4 to ₱874.8 million.

Phinma Property Holdings Corporation on its part turned around from a net equitized loss of ₱141 million in 2019 to a modest income of ₱10 million in 2018. On the other hand, in Phinma Energy Corporation, your Company equitized a loss of ₱148 million as the company continued to face low prices in the market. To allow us to further grow our investments in our core businesses, your Company deemed it best to divest of its interest in the energy business and in view of the planned sale in 2019, pre-emptively recognized a ₱253 million impairment loss on its investment in 2018. This has been offset to an extent by the higher income from the subsidiaries and a ₱164 million gain on tax-free exchange of asset for shares by the parent company. As a result, consolidated net income of your Company increased in 2018 to ₱175 million from ₱46 million in the previous year. Net income attributable to shareholders of the parent amounted to ₱26 million for the year.

2018 Highlights

Phinma Education Holdings, Inc. (Phinma Education) holds your Company's investment in 6 tertiary education schools. 2018 was the first new batch of college freshmen since the implementation three years ago of the Department of Educations' K12 curriculum which added two senior high school years. In contrast to the enrollment challenges faced by other schools, Phinma Education posted strong returning freshmen enrollment due to effective marketing in previous years as strong senior high batches fed into our college system. Total system-wide enrollment increased 11% to almost 70,000 students in school year 2018/2019. Consolidated net income of Phinma Education increased to ₱334 million from ₱150 million in the previous year.

In 2018, Phinma Education branched marketing efforts out into the digital sphere, strengthening brand affinity among its young target market, and also expanded market cover to communities around main campuses and satellite branches. The schools continued to focus on quality, with students again performing well in board accreditation tests. Phinma Education also continued to improve physical facilities of recently acquired schools, including Phinma Southwestern University in Cebu and St. Jude College Phinma in Manila.

Early in 2018, Phinma Education announced the signing of an agreement to form *PT Ind Phil Managemen* (IPM), a new joint venture which will manage tertiary schools for the Yayasan Triputra Persada Horizon Education foundation in Indonesia, with the first school to be located in West Java. The joint venture is part of Phinma Education's regional investment strategy which will provide the company with new sources of income and access to new markets and geographies.

In 2018, Philcement Corporation (Philcement) and Phinma Solar Energy Corporation (Phinma Solar) joined Union Galvasteel Corporation (UGC) to form Phinma's Construction Materials Group. UGC sold a record of nearly 10 million equivalent roofing sheets in 2018, an increase of 28% over the previous year, on the strength of new products and expanded markets resulting from strategic growth initiatives the past year. UGC net income increased 48% to a record ₱268 million from ₱182 million the previous year.

In its first year of operation, our cement group made strong inroads in re-introducing Phinma's legacy Union Cement brand into the market, achieving ₱1.5 billion in revenues over the year. We are pleased to report that Union Cement is already available in selected markets of North and Central Luzon, parts of the Visayas, and in Northern and Southern Mindanao. Phinma Solar, on its part, successfully completed pilot rooftop projects in 2018, and is now implementing the first of several commercial solar rooftop projects from its pipeline.

In 2018, despite an increase in peak demand in the Luzon grid, the electricity supply industry continued to be challenged by excess capacity and low market prices. Revenue of Phinma Energy Corporation (Phinma Energy) decreased to ₱15 billion from ₱17 billion in the previous year due to lower energy generated from unplanned outage of an affiliated coal plant and lower energy sales as well from expiration of various customer contracts. The company also recognized higher costs from petroleum exploration activities and lower equity in net income from affiliates due to the unplanned coal plant outage. Phinma Energy posted a net loss of ₱592 million in 2018 from consolidated net income of ₱347 million in the previous year.

On the renewable energy front, Phinma Renewable Energy Corporation's wind farm in San Lorenzo, Guimaras produced more energy in 2018 due to better wind conditions, while the affiliated Maibara geothermal plant produced more geothermal energy from its line two expansion which commenced operations early in the year.

In 2018, Phinma Properties made significant progress in improving operations which resulted in a return to profitability for the company. The company also opened a new 800 square meter co-working space in Rockwell Center - part of a new business direction developed in a 5 year plan which will set the company on a new path to growth and profitability.

2018 was the first full year of commercial operations of the Phinma Hospitality Group's new Tryp by Wyndham hotel in the Mall of Asia area. The 191-room hotel offers a panoramic view of Manila Bay and rooms and spaces inspired by the city's local culture. By the last quarter of the year, the new Tryp hotel had increased its average occupancy to 74%. In 2018, the Hospitality Group also opened a new 80 room Microtel by Wyndham hotel in San Fernando, Pampanga.

In the area of strategic consulting, in 2018, *Integrative Competitive Intelligence Asia, Inc.* (ICI-Asia) provided research support to various government and non-profit organizations addressing social issues involving nutrition for children and mothers. The company also established offices in four regions outside the NCR, to build stronger relationships and advance social causes at the provincial level.

Phinma Corporation ended 2018 with a strong balance sheet, with total assets of ₱19.4 billion and a current ratio and debt-to-equity ratio of 2.3:1 and 1.4:1, respectively. The Board declared a cash dividend of ₱0.40 per share which was paid on March 29, 2019.

EDUCATION

Phinma Education Holdings, Inc. (Phinma Education) makes life better by providing accessible quality education. PHINMA Araullo University (PHINMA AU), PHINMA Cagayan de Oro College (PHINMA COC), PHINMA University of Pangasinan (PHINMA UPang), and PHINMA University of Iloilo (PHINMA UI) provide quality basic and tertiary education to students from low income families in developing urban centers. Southwestern University PHINMA (SWU PHINMA) provides quality education to a middle income market, catering to local as well as international students in Cebu and surrounding provinces. Phinma St Jude College (PHINMA St Jude) is a tertiary education institution in Manila known for nursing and allied health sciences programs.

2018 was the first batch of college freshmen since the implementation three years ago of the Department of Education's K12 program which added two new senior high school years to the system. In contrast to the K12 challenges experienced by other schools, the PHINMA Education schools led their markets, posting strong college freshmen enrollment.

The strong college freshman enrollment was a result of Phinma Education's focus the prior two years on marketing its new senior high school programs. Phinma Education schools in general posed high senior high school enrollment among neighboring peer schools over the past two years. The strong senior high school contingent naturally fed into Phinma Education's college system, where in most cases the Phinma Education schools posed high college freshmen enrollment compared to neighboring peer schools.

In June 2018, Phinma Education posted total systemwide enrollment of 69,633 students, an 11% increase over the previous school year.

Effective marketing was key in achieving strong enrollment. During the past two years, PHINMA Education was able to strengthen its brand affinity among its target market, while reaching out to a larger market base spanning the surrounding communities and provinces around the main campuses and branches of the respective schools. Aggressive advertising and branding efforts were integral in generating awareness and preference. PHINMA Education also strengthened preference among its target audience by branching marketing efforts out into the digital sphere.

In 2018, Phinma Education developed further on its *Active Learning* or student-centered learning approach by exploring *Design Thinking*, a human-centered approach analyzing human needs and developing solutions to address these needs. These methodologies were used in developing the curricula of SWU Phinma's Hospitality Management, Veterinary Medicine, Information Technology, Architecture and Communication programs, all of which opened in SY18/19.

Phinma Education continued to improve upon facilities and operations of recently acquired schools. Major construction continued at SWU Phinma, on campus as well as at the SWU Medical Center. Previously, PHINMA Education brought its brand of quality low cost education to Manila through its acquisition of St. Jude College. In 2018, PHINMA Education improved on St Jude's operational processes, initiating best practices acquired at the other schools.

For calendar year 2018, Phinma Education posted consolidated Revenue of ₱2.5 billion, an increase of 21% over the previous year, while consolidated net income increased to ₱334 million from ₱150 million in the previous year. The increased Revenue and Net Income was due to increased overall enrollment partially due to the strong returning batch of college freshman in June 2018.

Phinma Education continues to develop schools overseas. In February 2019, Phinma Education signed a joint venture agreement with *Tripersada Global Manajemen* to form *PT Ind Phil Managemen* (IPM). The new joint venture will manage tertiary institutions for the Yayasan Triputra Persada Horizon Education foundation, with the first school to be located in West Java, Indonesia.

The PT Triputra Group, founded in 1998, is a leading Indonesian group operating in areas including agribusiness, manufacturing, mining, and trading and services. The joint venture represents Phinma Education's entry into Indonesia as part of its regional investment strategy, providing the company with new markets and a new source of income. With the new joint venture, Phinma Education hopes to replicate in other Asian markets best practices developed in the Philippines in the area of affordable education.

For the remainder of 2019, PHINMA Education looks forward to the start of its new joint venture in Indonesia as part of its regional expansion strategy. In the Philippines, the company looks forward to increased enrollment upon the return next year of the incoming college sophomores. Although the company is still integrating its last acquisition, Phinma St. Jude, into the system, Phinma Education already continues to search for more local schools to add to its growing network. Phinma Education's goal is to become the largest private educational network in the country pursuant to its mission to make lives better for more students and their families.

CONSTRUCTION MATERIALS

2018 saw the expansion of Phinma's Construction Materials Group ("CMG") to three companies. Union Galvasteel Corporation (UGC), a 98%-owned subsidiary of the Company, is a leading manufacturer and nationwide distributor of pre-painted roofing and steel products. Philcement Corporation (Philcement), a majority owned subsidiary, is the platform used by your Company to re-enter the cement industry under its legacy brand Union Cement after a 15-year business hiatus. Phinma Solar Energy Corporation (Phinma Solar), a joint venture between UGC and Phinma Energy Corporation, provides renewable energy rooftop solar solutions for its customers. Together, the Construction Materials Group expects to unlock synergy opportunities across these three companies to deliver enhanced value to our stakeholders.

With the Philippine economy growing respectably by 6.2% in 2018, the construction sector continued to be one of the key drivers of the economy, increasing 15.1% year-on-year. Steel demand in the country rose by 10% year-on-year to 1.25 million tons. Prices were stabilized in 2018, as the ongoing trade wars between the US and China hampered demand for steel products in China.

We estimate cement demand grew by at least 10% year-on-year in 2018, following the trend of construction demand. A significant deficit in supply clearly persists, as seen from sustained imports by both traders and local manufacturers. Meanwhile, cement supply in Asia has been affected by China's demand following the rationalization and consolidation of its domestic industry, which led to increased cement and clinker requirements sourced from neighboring countries such as Vietnam.

As the cost of solar panels has gone down by 90 percent in the last 10 years and 50 percent in the last three years, solar energy generation has become one of the rising industries in the country today. Phinma Solar takes advantage of this trend, providing customers with clean and sustainable energy at a lower delivered cost, enabling cost savings for their businesses.

A year after launching its key strategic initiatives for long-term sustainable growth, Phinma CMG has begun to see the results of its market expansion programs. UGC's *from foundation to roofing* strategy opened up new geographical markets and segments in a growing steel market, allowing the company to increase its market reach across its key customer markets. In 2018, UGC sold almost 10 million equivalent roofing sheets, 28% higher than the previous year and a new sales record for the company.

As a result, UGC's revenues surged to a record ₱6.5 billion. Net income in 2018 also increased 48% to a new record of ₱268 million, supported by margin optimization programs including enhancement of supply chain activities and improvements in processes and systems.

Philcement through its legacy brand Union Cement was successful in re-entering key markets nationwide. It is on track to develop markets which will absorb the capacity of its future facility in Mariveles, Bataan. Our customers in Luzon and Mindanao still fondly remember our Union Cement brand. Union Cement is available again in selected markets of North and Central Luzon, parts of Visayas, and in Northern and Southern Mindanao, as the company makes significant inroads in re-establishing relationships with customers. As of year end 2018, the cement group achieved revenues of ₱1.5 billio .

The construction of Philcement's facility in Bataan began in the third quarter of 2018 and is on track for completion in 2019. The facility is expected to increase efficiency and enhance operational advantages in terms of reliable supply to our customers. Philcement is on a steady course to achieve its long-term objective of becoming a major player in the cement industry.

Although PHINMA Solar is still in its infancy, the pilot projects of the company have been proven successful, and installation of commercial projects are now underway, with significant pipeline projects already identified.

As we prepare for long-term growth in the domestic construction market, we recognize the need to bolster our internal capabilities to make us more responsive to the changing needs of our customers. Your Company has intensified customer engagement and marketing programs, to raise market awareness and trust in the Union Brand of construction materials. This includes upskilling and improving how we sell a larger portfolio of solutions to keep our customers delighted.

With distribution as a key driver of our competitiveness, your Company continues to enhance its supply chain organization, streamlining business processes and improving sourcing and logistics capabilities to ensure cost-to-market competitiveness. Through a combination of infusion of fresh talent and promotion from within the existing organizations, your Company is poised to retain management and professional expertise in the construction materials industry.

As the country sustains its investment in infrastructure and construction, stakeholders can be assured that PHINMA's Construction Materials Group - UGC, Philcement, and Phinma Solar - will be ready to capture market opportunities on a united front, fully committed to nation building and making Filipino lives better.

ENERGY

PHINMA Energy Corporation is an integrated power company engaged in power generation and electricity supply, renewable energy, and resource development and exploration.

In 2018, peak load demand in the Luzon grid increased 8% to 10,876 MW in response to the growing Philippine economy. Despite the load increase, the energy supply industry continued to be challenged by low market prices due to excess baseload capacity, particularly from coal fired plants.

PHINMA Energy posted ₱15.1billion in revenue from electricity sales in 2018, a decrease from ₱17.0 billion in the previous year due to lower energy sales after the expiration of various customer contracts. In addition to actual plug and abandonment costs at the parent company, subsidiary *Phinma Petroleum and Geothermal Inc.*, (Phinma Petroleum) also provided for probable losses on expiring petroleum service contacts. Although Phinma Energy affiliate *South Luzon Thermal Energy Corporation* (SLTEC) operated its two 135MW coal fired power plants reliably in the first half of 2018, SLTEC line 2 experienced turbine technical issues beginning June 2018 and remained out of service for the rest of the year. Equity in net income from affiliates of Phinma Energy correspondingly decreased in 2018 and the company posted a consolidated net loss of ₱592 million from net income of ₱347 million in the previous year.

On the renewable energy side, subsidiary *PHINMA Renewable Energy Corporation's* 54-MW wind farm in San Lorenzo, Guimaras produced 97.6 GWH of clean and renewable energy in 2018, an increase of 8% over the previous year due to better wind regime. Phinma Renewable is currently in advanced stages of development of another 40MW wind farm in Guimaras and is also in the early stages of development of a 150MW wind farm in Cagayan. The company also plans to begin initial assessment this year on three more wind service contracts around the country with combined total capacity of 140 MW.

Phinma Energy continued to develop both grid and off-grid solar projects last year. In 2018, the company completed technical and feasibility studies and received permits for a 45 MW solar service contract in Padre Garcia, Batangas. Phinma sister company Union Galvasteel Corporation also joined Phinma Energy in 2018 as a 50% partner in *Phinma Solar Energy Corporation,* a joint venture developing smaller scale solar rooftop products. In late 2018, Phinma Solar completed its first solar rooftop installations for two Phinma affiliates. Several more solar projects for affiliates and for new customers were subsequently completed in early 2019.

In March 2018, PHINMA Energy affiliate Maibarara Geothermal Inc. (MGI) began commercial operation of the 12 MW line 2 expansion of its geothermal power plant located in Sto. Tomas Batangas. Last year, the Maibarara geothermal plant produced a net output of 226 GWH of renewable energy, a substantial increase over 162 GWh in the previous year, and ended the year with total expanded capacity of 32 MW from both line 1 and line 2. Both lines operated at availability factors of over 98% in 2018.

Although global oil prices continued their increase in 2018, global exploration spending had been modest as in the previous year. In July 2018, Phinma Petroleum and its partners notified the Department of Energy of their withdrawal from Service Contract (SC) 51 in Eastern Visayas, deeming it unlikely to complete exploration within the remaining term of the contract. Moreover, the company thought it prudent to withdraw from SC69 in Central Visayas due to vigorous opposition of local stakeholders to exploration activities. The company accordingly recognized a loss on the write off in 2018 of its share in accumulated exploration costs for both service contracts. Phinma Petroleum subsidiary Palawan 55 Exploration & Production Corporation, however, commenced advanced geophysical studies under SC55 as it remains optimistic of petroleum prospectivity in the area where gas was discovered in 2015.

In February 2019, Phinma Corporation disclosed the signing of an agreement on the sale of approximately 51.5% of outstanding shares in Phinma Energy Corporation held collectively by Phinma Corporation and Philippine Investment Management (Phinma) Inc. to AC Energy, Inc. of the Ayala group. AC Energy is Phinma Energy's partner in the SLTEC coal plant venture.

Phinma believes the sale represents a timely opportunity to harness value from a business it established over 50 years ago which it has grown to the extent it can. AC Energy, which is fully committed to the energy sector, is in the best position to grow the company and views Phinma Energy as a strategic fit into its own business. Moving forward, Phinma intends to focus resources on areas including education and construction materials where it can make a greater impact on making lives better.

HOUSING

Phinma Property Holdings Corporation (Phinma Properties), a 35%-owned affiliate of the Company, develops affordable medium-rise condominium units and socialized housing units in Metro Manila and other areas in the country.

In 2018, as a result of strategic initiatives, Phinma Properties made significant progress in improving operations which manifested in a return to profitability. The company hopes to continue on a new path of growth and profitability directed by a 5 year plan which provides for new priorities, geographies, and business lines for the company.

A major component of the 5 year plan calls for a focus outside Metro Manila. Nationwide, the University of Asia and the Pacific projects the housing backlog to increase to 12.3 M by 2030. Given the latent demand, limited supply, and increasing property prices within Metro Manila, the company will focus outward. Possible property hotspots based on economic growth and infrastructure projects include Davao City, Lipa City, and Porac, Pampanga - prime candidates for economic horizontal housing development. Phinma Properties is also considering horizontal and residential condominium development in Cebu and Las Piñas City.

2018 was also a year where new initiatives were implemented to focus on customer service through a customer engagement program dubbed *Taos-Pusong Malasakit at Alaga* or, *TAMA*. The company also strengthened its employee engagement and buy-in to the new customer focus.

Phinma Properties also established new business lines in 2018. The property management group signed new contracts to manage properties outside the PHINMA Properties group. In 2018, Phinma Properties also launched *Pathways,* a new business unit operating in the shared economy space which shows great promise.

Pathways is aimed at competing in the shared economy space through establishing co–working and co–living spaces. The business addresses the challenge faced in selling traditional housing to a young market that prioritizes mobility, access, and affordability. A co-working and co-living proposition addresses these while providing an environment conducive to collaboration. Phinma Properties, in partnership with *Acceler8 Philippines* and *UnionSpace Malaysia,* opened its first co-working facility in 2018, an 800 square meter shared office space in Rockwell, Makati. The goal is for Phinma Properties to also eventually provide co–living spaces to suit the lifestyles of a similarly young, mobile, and entrepreneurial market.

In 2018, PHINMA Properties posted revenue of ₱2.3 billion, a 55% increase from the previous year. The company posted consolidated net income of ₱30M, a turnaround from the ₱397 million net loss in the previous year. The improved profitability is the result of company's efforts in improving margins and reducing costs through operational reorganization. Total assets of the company increased to ₱5.2 billion in 2018 from ₱4.6 billion in the previous year.

HOTELS

PHINMA Hospitality Inc. (PHINMA Hospitality) operates 14 Microtel by Wyndham hotels and one TRYP by Wyndham hotel in the country. It is also a joint venture partner in most of these properties, including the flagship 150-room Microtel by Wyndham Mall of Asia. 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 the Microtel by Wyndham Mall of Asia hotel. Coral Way likewise owns the 191-room TRYP by Wyndham Mall of Asia through a wholly-owned subsidiary, Krypton Esplanade Hotel Corporation.

Microtel by Wyndham is an international chain of limited service hotels under Wyndham Hotel Group with more than 300 properties worldwide, including 14 in the Philippines. Microtel by Wyndham pioneered the no-frills hotel concept in the country that targets the mid-market traveler. Its business model revolves around product and service consistency in terms of quality and value – focusing on providing consistently clean, comfortable and secure accommodations at value rates.

Microtel by Wyndham Mall of Asia enjoys strong patronage from business and leisure travelers in the area with an average occupancy of 87% in 2018. Its strategic location near the airport, SMX Convention Center, SM Mall of Asia (MOA), Mall of Asia Arena, business hubs, and leisure destinations makes it ideal for guests. In 2018, Coral Way had a Gross Revenue of ₱209 million, Gross Operating Profit of ₱86 million and Net Income of ₱17 million.

TRYP by Wyndham is a select-service hotel that targets today's modern travelers with its hip, young and energetic interiors. It has over 100 properties in many urban cities in Europe, North and Latin America, Australia, and now in Manila. The newly opened TRYP by Wyndham Mall of Asia features rooms and spaces inspired by the city's local culture. It offers a panoramic view of Manila Bay on one side and the cityscape on the other. In addition to regular hotel rooms, the hotel has specialty rooms such as family room with bunk beds, loft with spacious living area and bunk beds in the upper level, and fitness room complete with exercise equipment.

In 2018, its first year of operations, TRYP by Wyndham Mall of Asia had an average occupancy of 55% and Gross Revenue of ₱175 million. Gross Operating Profit was ₱60 million and Net Loss was ₱28 million. In the last quarter of 2018, average occupancy improved to 74%. The hotel looks forward to sustaining this occupancy and improving financial results as a result of increased demand for accommodations in the MOA complex. Both Microtel & TRYP by Wyndham hotels shall continue to work together to address the room and/or meeting requirements of corporate accounts, leisure travelers, and convention/event attendees in the area.

STRATEGIC CONSULTING

Integrative Competitive Intelligence Asia, *Inc.* (ICI Asia) has pioneered the application of competitive intelligence to the field of social development, providing research support to address social issues primarily for non-profit organizations and government agencies.

In 2018, ICI Asia continued to set up processes and systems to match industry standards and to improve its competitiveness in its new market. The company also aligned its services to focus on strengthening its track record in four key sectors: Education, Environment, Governance, and Health.

Social issues, by nature, are addressed through collective action. In 2018, ICI Asia was awarded projects addressing social issues involving the Health and Nutrition sector. ICI Asia provided support to multiple organizations examining different aspects of nutrition in the country, with special focus on women and children. ICI Asia was chosen to provide research support to understand the access of mothers and children to proper food and food supplements. The company also supported the creation of the strategic plan to execute a surveillance system for food and nutrition and to update training guides for the information management of important nutrition-related indicators. ICI Asia also provided research support in aid of policy covering supplementary feeding programs by LGUs and NGOs.

By providing support to different organizations to address various interconnected aspects of key issues related to nutrition, ICI Asia was able to build a strong related knowledge base, which helps the company establish a track record and provide more value to clients in the sector. By taking on other strategically selected projects, the company hopes to not only provide a wider lens on other social issues, but also build its track record and expertise in other sectors.

In 2018, the company generated revenue of ₱ 64.7 million, 24% higher than the previous year. Net income of ₱3.3 million was lower than the previous year due to delays in award of projects over the year.

Key Performance Indicators (KPI)

The top five (5) KPIs used to measure the financial performance of PHN and its subsidiaries as of December 31, 2018 compared to the same period the previous year are shown in the following table:

Financial KPI	Definition	2018	2017
Profitability			
Return on Equity (ROE)	Net income (loss) / Ave. total equity attributable to PHN equity holders	.38%	(0.41%)
Gross Profit Margin	Gross profit / Net sales	26.46%	32.16%
Efficiency			
Cash Flow Margin	Cash flow from operating Activities / Net sales	14.32%	7.23%
Liquidity			
Current Ratio	Current assets / Current liabilities	2.25 : 1.00	2.09 : 1.00
Debt-to Equity Ratio	Total liabilities / Total equity	1.40 : 1.00	1.11 : 1.00

Profitability

The return on equity for the year 2018 of .38% is higher than the previous year as the company posted net income attributable to equity holders of the parent of P26 million, from a net loss of P 29 million in 2017. However, gross profit margin decreased from 32.16% in 2017 to 26.46% in 2018 mainly due to decrease in gross profit margin contribution of Union Galvasteel Corporation (UGC) and the schools under PHINMA Education.

Efficiency

Net cash inflow from operations was P1.4 billion for CY 2018 compared to net cash inflow of P464.1 million in CY 2017. The increase was due to increase in income before income tax as well as increase in investments held for trading from P1.7 billion in December 2017 to P2.3 billion as of end December 2018.

Liquidity

Current ratio increased from 2.09:1.00 in 2017 to 2.28 :1.00 in 2018 due to the increase in cash and cash equivalents of P1.5 billion and asset held for sale in the amount of P1.9 billion.

Debt-equity ratio of PHN and its subsidiaries as of end December 2018 increased from 1.11 :1.00 to 1.36:1.00 mainly due to increase in total liabilities from P8.8 billion to P11.1 billion.

Other Financial Ratios are as follows :

Financial Ratio	Definition	2018	2017
Asset to Equity	Total Assets / Total Equity	2.36	2.11
Interest rate coverage ratio	EBITDA / Interest expense	3.06	2.63

Asset to Equity ratio of PHN and subsidiaries as of end December 2018 increased from 2.11 to 2.36, due to increase in total assets from P16.7 billion to P19.4 billion in 2018.

Interest rate coverage ratio increased from 2.63 to 3.06 in 2018 due to a increase in EBITDA from P756.8 million in 2017 to P1.2 billion in 2018.

Accounting Policies and Principles

The accompanying consolidated financial statements of Phinma Corporation have been prepared in compliance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS). The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit and loss, available for sale investments and derivative investments that have been measured at fair value.

The consolidated financial statements are prepared in Philippine pesos, the company's functional and presentation currency.

Interim Disclosures on Financial Statements

Below are additional disclosures on the Company's operations:

a. Any known trends, demands, commitments, events and uncertainties that will result in or likely to decrease its liquidity in any material way.

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

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

None

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

None

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

None

e. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

The operations of Phinma Corporation and its subsidiaries continue to be affected by the economic performance of the Philippines and in the countries in which they operate.

f. Any significant elements of income or loss that did not arise from the Issuer's continuing operations.

None.

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

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

h. Any seasonal aspects that had a material effect on the financial condition or results of operations.

The parent company is a holding company and has no seasonal aspect that will have any material effect on its financial condition.

Like other companies in the construction industry, the operations of UGC and Philcement are affected by seasonality demand. During the summer months starting December to May, demand for roofing materials and cement are greater than during the rainy months of June to November. The demand for the first semester of the calendar year is normally higher than that of the second semester.

The revenues of the schools under Phinma Education decline during summer months.

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

Material Changes in Statement of Financial Position Accounts

Cash and cash equivalents

The movements in cash and cash equivalents are shown in the cash flow statement.

Short-term investments

The decrease in the account is due to payment of subscription payable to Philcement.

Investments held for trading

The decrease in the account represents transfer of investments from Investments Held for Trading account to cash and cash equivalents to fund operations.

Trade and other receivables

The increase in the account is due to an increase in trade and other receivables of Philcement and UGC in the amount of P216 million and P161 million respectively.

Inventories

The increase in the account in the amount of P314 million represents an increase in Philcement and UGC 's finished goods inventory.

Asset held for sale

The amount represents the net realizable value of the company's 26.25% interest in PHEN. On February 8, 2019, the Parent Company and AC Energy, Inc. signed an Investment Agreement for the sale of the Parent Company's 1,283,422,198 shares in Phinma Energy (PHEN) to AC Energy.

Input Tax

The P 11 million decrease in the account represents a decrease in input tax of UGC during the year.

Derivative asset

PHN entered into deliverable forward contracts with an aggregate notional amount of US$20.8 million which are outstanding as of December 31, 2018. The weighted average contracted forward rate is P52.84 to US$1.00 as of December 31, 2018. PHN booked an unrealized gain of P1.9 million as of December 31, 2018.

Other current assets

The decrease in the account of P12 million is due to a decrease in other current assets of ICI Asia in the amount of P13 million.

Investment in associates – at equity

The decrease in the account represents the reclassification of investment in Phinma Energy shares to asset held for sale in view of the agreement with AC Energy.

Financial assets at fair value through other comprehensive income

The amount represents available for sale assets which are carried at fair value. Movements in fair value are charged to other comprehensive income.

Available for sale investments

The decrease in the account represents the reclassification of the available for sale investments valued at cost to financial assets at fair value through other comprehensive income.

Property, plant and equipment

The increase in the account of P 1.0 billion is largely attributable to capital expenditures for facilities of Philcement Corporation in the amount of P901 million.

Investment properties

The decrease in the amount of P174 million represents the transfer of land to PPHC under a tax free exchange as well as the disposal of properties of the Parent Company and SWU.

Deferred tax assets

The decrease in the account of P49 million represents decrease in deferred tax assets of UGC, COC and UPANG in the amount of P12 million, P17 million and P15 million respectively.

Other noncurrent assets

The increase in other noncurrent assets in the amount of P24 million is attributable to Philcement Corporation and UI.

LIABILITIES

Notes payable

The increase in the account amounting to P200 million represents short-term borrowings of Philcement.

Trade and other payables

The increase in trade and other payables in the amount of P 580 million represents trade and other payables of Philcement.

Trust receipts payable

The increase in the account of P356 million is attributable to an increase in UGC's trust receipt payable from P522 million as of December 31, 2017 to P686 million as of end December 2018 as well as trust receipts payable of Philcement in the amount of P192 million.

Unearned revenues

The decrease in the account represents reclassification of the amount to Contract Liabilities as a result of the adoption of PFRS 15.

Contract liabilities

With the adoption of PFRS 15 (Revenue from contracts with customers), this account includes the unearned revenue from the schools and deposits made by the customers of UGC.

Income and other taxes payable

The increase in the account of P65 million represents an increase in various tax payable of UGC and the schools in the amount of P44 million and P19 million, respectively.

Due to related parties

The decrease in the account represents payment of accounts to the ultimate parent company, Phinma Inc.

Current portion of long-term debt

The P71 million decrease in the account represents UGC's payment of loan to Security Bank.

Derivative liability

UGC has outstanding deliverable forward contracts with a notional amount of US$131.9 million in 2018. The weighted average contracted forward rate is P52.79 to US$1.00 as of December 31, 2018. UGC recognized an unrealized loss on derivatives of P1.5 million as of December 31, 2018.

Long-term debt – net of current portion

The increase in the account represents the long-term loan availment of UGC, Philcement, SWU, UPANG, UI and COC.

Deferred tax liabilities

The decrease in the amount represents decrease in deferred tax liabilities of COC and UPANG.

Pension and other post employment

The P111 million decrease in the account represents a decrease in accrued retirement liability of UGC and the schools.

Deferred rent revenue

The decrease in the account represents the decrease in deferred rent revenue of P&S Holdings, Inc.

Other non-current liabilities

The increase in the account of P8 million represents an increase in other non-current liabilities of PEHI and AU.

EQUITY

Share in other comprehensive income of associates

The change is due to a decrease in fair value of financial assets held by PHINMA Energy Corporation.

Exchange differences on translation of foreign operations

The P 1 million movement in the account represents the cumulative adjustments arising from the translation of the financial statements of PEHI Myanmar to Philippine pesos.

Equity reserves

The increase in the account is largely due to adjustments arising from the valuation of shares issued by UGC to its officers.

Other comprehensive income

The P163 million increase in the account represents the increase in the consolidated net income from P46 million in 2017 to P175 in 2018.

Treasury shares

The increase in the account represents the buyback of 4,538,479 PHN shares for the year 2018 at an average price of P9.41 per share.

Material Changes in Income Statement Accounts

Revenues

The P3.5 billion movement in the account is mainly due to an increase in revenues of UGC in the amount of P2.3 billion, revenues of Philcement in the amount of P696 million, and the increase in revenues of the schools in the amount of P444 million.

Cost of sales

The P2.9 billion increase in cost of sales is largely attributable to UGC.

Operating expenses

The P183 million increase in the account represents operating expenses of UGC and the schools.

Financial charges

The increase in financial charges in the amount of P111 million represents the full-year impact in 2018 of the interest on the P2B loan of the Parent Company which was availed of in May 2017, as well as increase in financial charges of UGC in the amount of P42 million.

Equity in net earnings (losses) of associates

During the year, PHN equitized an income of P11 million from Phinma Property Holdings Corporation compared to equitized loss of P142 million in 2017. This was partially offset by the equitized loss from Phinma Energy Corporation amounting to P147 million in 2018.

Impairment loss

In 2018, the company booked a P253 million and P19 million impairment loss on Phinma Energy and Phinma Power Generation, Inc., respectively.

Foreign exchange gain (loss)

Foreign exchange gain as of December 31, 2018 arose from the restatement of dollar placements of the parent company from an average fx rate of P49.93 to P52.58 as of December 31, 2018.

Gain (loss) on sale of investment property

The gain on sale of P33 million is mainly attributable to the gain on disposal of properties of the parent company and SWU.

Gain on Tax-Free exchange of land

PHN parent transferred its 27.3 hectares property in Calamba City at an appraised value of P328.1 million to PPHC in exchange for PPHC shares.

Gain (loss) on derivatives

UGC recognized a realized gain on derivatives of P8 million on non-deliverable foreign currency forward contracts. This was offset by a net loss of P10 million and P11 million on deliverable forward contracts of PHN parent and Philcement with an aggregate notional amount of US$20.8 million and

US$30.7 million, respectively.

Income from reversal of unrecoverable input tax

The company reversed in 2018 a provision of unrecoverable input tax made in CY 2017 since it had sufficient output tax in CY 2018 to offset against the input tax.

Other income (charges)

The increase in the account represents increase in other income of UGC and the schools.

Provision for income tax

The increase in provision for income tax from P118 million in 2017 to P175 million in 2018 is attributable to higher income of UGC and the schools.

Comprehensive Income

Comprehensive income increased from P49 million for the twelve-month period ended December 31, 2017 to P212 million this year due to increase in net income from P46 million last year to P175 million this year.

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

CALENDAR YEAR 2017

Consolidated revenue of your Company amounted to ₱6.4 billion in 2017, an increase of 2% over the previous year due to increased revenue from our construction materials group as well as from our education group. Consolidated net income of your Company, however, decreased to ₱46 million in 2017 from ₱367 million in the previous year. The decrease in net income is primarily due to a decrease in income from affiliates. Phinma Energy Corporation was challenged in 2017 by continued low market prices for electricity due to the competitive supply environment. Phinma Properties posted a net loss in 2017 due to a delay in sales recognition as well as increased construction costs. In addition, in 2017 your company reported higher interest and financing charges due to additional debt in connection with increased investment in new subsidiary Philcement Corporation and in subsidiary Phinma Education Holdings, Inc. in relation to the acquisition of Saint Jude College, Inc. Net income attributable to shareholders of the parent amounted to a net loss of ₱29 million for the year.

2017 Highlights

Phinma Education Holdings, Inc. (Phinma Education) holds your Company's investment in 6 tertiary education schools. In 2017, the tertiary education industry continued to be challenged by the

implementation of the Department of Education's new K12 curriculum which added two senior high school years and decreased college freshman enrolment for the second straight year. Phinma Education again rose to the challenge, with the first 5 schools again posting the largest senior high school enrollment for private schools in the areas where they operate. Despite the effects of K12, total enrollment for the first 5 schools increased 8% to 58,837 in school year 2017/2018. Consolidated net income of Phinma Education however decreased to ₱150 million in 2017 from ₱219 million in the previous year due to expenses from newly established international operations. Net income was also adversely affected by the K12 implementation as a second batch of college freshman was replaced by relatively lower-yield senior high school students.

In 2017, Phinma Education implemented initiatives to improve and integrate Southwestern University into the network by renovating facilities and developing *Active Learning* curriculum specifically for Southwestern programs. The Phinma Training Center in Yangon, Myanmar also started offering training programs in 2017 for nursing assistants, bringing the network closer to its goal of offering full degree programs. Phinma Education continued efforts at improving retention and quality at its schools.

Phinma Education ended the year with the acquisition of St. Jude College, a school known for its strong tertiary allied health sciences courses, also offering programs in business, education, information technology, and hospitality.

In 2017, the electricity supply industry continued to be challenged by excess capacity and low market prices. Revenue of *Phinma Energy Corporation* (Phinma Energy) increased 10% to ₱17 billion as the company increased its retail electricity supply client base. Margins however were challenged by the competitive supply environment and low energy prices. Consolidated net income of Phinma Energy decreased to ₱347 million in 2017 from ₱1.383 billion in the previous year. Of the ₱347 million net income, ₱92.1 million was equitized by the Company in 2017.

In 2017, *Trans Asia Renewable Energy Corporation,* a subsidiary of Phinma Energy, amended its corporate name to *Phinma Renewable Energy Corporation* (Phinma Renewable) to highlight Phinma's continuing commitment to renewable energy. In 2017 our 54-MW wind farm in San Lorenzo Guimaras generated 89.6 GWH of clean and renewable energy. During the year, Phinma Energy subscribed to an increase in capital and preferred shares in Phinma Renewable worth ₱2.35 billion, to set the stage for possible wind generation capacity expansion in light of the Department of Energy's (DOE) Renewable Portfolio Standards implementation in 2020. Phinma Energy also sees a bright future in solar renewable energy. In 2017, the DOE awarded solar energy service contracts to Phinma Energy for 40 MW and 45 MW solar farms in Pangasinan and Batangas, respectively. In partnership with Union Galvasteel, Phinma Energy through *Phinma Solar Energy Corporation* will also explore the market for smaller solar generation facilities and retail solar products.

Despite strong growth in the construction sector, Union Galvasteel Corporation (UGC) was challenged in 2017 by increases in global steel prices due to capacity cutbacks in China. Despite an increase in revenue, UGC posted net income of ₱182 million in 2017, less than the ₱221 million net income of the previous year which included an extraordinary gain on sale of land. During the year, UGC expanded its product line and geographical coverage, sourced new supplier partners abroad, and brought in new leadership, all part of key strategic initiatives of the company for long term growth and better shareholder value.

Despite brisk sales take up of projects in the latter part of the year, 2017 was overall a year of challenges for Phinma Property Holdings Corporation (Phinma Properties), with the company posting a consolidated net loss of ₱400 million in the year due to delayed sales recognition and an increase in construction costs. During the year, Phinma Properties initiated measures to improve profitability and customer focus through better product margins and operational reorganization. The operations teams of the Urban Housing and Socialized Housing Divisions will be combined into a single Operations Team, divided into brands, which will provide increased focus on specific target market and customer needs.

In 2017, Microtel Development Corporation changed its corporate name to *Phinma Hospitality* to more closely relate the Wyndham franchises to the Phinma brand. In October 2017, Krypton Esplanade Hotel Corporation, an indirect subsidiary of Phinma Hospitality, opened its new 191-room TRYP by Wyndham hotel in the Manila Bay area. The new hotel complements our existing Microtel by

Wyndham Mall of Asia hotel by offering more premium accommodations catering to a younger, more hip, and energetic clientele.

In 2017, Phinma sold its majority stake in Fuld & Co. Inc., its US-based strategic consulting firm, to Accretio Investments Pte Ltd., a Singapore unit of a global private research and consulting company. The sale allows Phinma to focus its efforts on its local consulting company as it develops new markets and opportunities in the Philippines and Southeast Asia. In 2017, our local company changed its name to *Integrative Competitive Intelligence Asia, Inc.* (ICI-Asia). ICI-Asia showed marked improvement in 2017, with revenue doubling over the previous year to ₱52 million and the company posting net income of ₱6.3 million from a net loss of ₱16.7 million in the previous year. In 2017, ICI-Asia won projects from several clients as the company continued its campaign to increase its presence in the consulting market for government, multilateral, and aid agencies.

In September 2017, your Company initiated its re-entry into the cement business through its investment in *Philcement Corporation*, the vehicle that will re-introduce into the market this year Phinma's *Union Cement* brand, once very well known in the local industry. The brand will combine world class standards with Filipino expertise to once again make Filipino lives better through quality affordable cement products. Together, Union Galvasteel and Union Cement form what we now call Phinma's *Construction Materials Group* through which Phinma sees greater and more meaningful participation in the high-growth construction sector in the coming years.

Phinma Corporation ended 2017 with a strong balance sheet, with total assets of ₱16.7 billion and a current ratio and debt-to-equity ratio of 2.09:1 and 1.11:1, respectively.

The Board declared a cash dividend of ₱0.40 per share which was paid on April 6, 2018.

ENERGY

PHINMA Energy Corporation is an integrated power company engaged in power generation and electricity supply, renewable energy, and resource development and exploration.

In 2017, demand for energy continued to increase in line with the growing Philippine economy. The energy supply industry however was challenged by continued excess supply of power particularly from coal fired baseload plants. As a result of excess supply and low energy prices on the Wholesale Electricity Spot Market (WESM), buyers contracted less and relied more on the spot market for their energy needs. The Philippine Electricity Market Cooperative reported that annual spot market transactions by yearend June 2017 had increased to 16% of total transactions, compared to 9% in the previous year. In addition to more energy sourcing from the spot market, the competitive supply situation also allowed energy buyers to renew contracted rates at lower prices, challenging the margins of the suppliers.

In 2017, PHINMA Energy posted ₱17.0 Billion in revenue from electricity sales, an increase of 10% from ₱15.5 Billion in the previous year due to new retail electricity supply contracts. Margins however were challenged by continued low spot market prices as well as lower contract rate renewals from clients due to the competitive supply environment. Phinma Energy consolidated net income decreased to ₱347 million in 2017 from ₱1.383 billion in the previous year which included nonrecurring income of ₱444 million representing gains on sale of a 5% share in South Luzon Thermal Energy Corporation as well as the sale of transmission lines in Guimaras and La Union to the NGCP.

During the course of the year, PHINMA Energy continued to serve the energy requirements of its valued industrial and commercial customers. Despite the challenging and competitive environment, Phinma Energy expanded its business as a licensed Retail Electricity Supplier (RES). In 2017, the company was able to switch 71 additional customers with a total load of 161.5 MW. Based on ERC data for the month of December 2017, Phinma Energy ended the year as the second largest electricity supplier with a market share of 12.2%. New valued customer partners include several educational institutions as well as commercial and retail clients. Moving forward, PHINMA Energy aims to be a significant player in the retail electricity market.

On the generation side, Phinma Energy affiliate, *South Luzon Thermal Energy Corporation* (SLTEC), continued to provide reliable baseload power from its two 135MW circulating fluidized bed (CFB) coal fired power plants. SLTEC is the company's joint venture with *AC Energy Holdings Inc.* of the Ayala group and *Axia Power Holdings Philippines Corporation* of the Marubeni group. PHINMA Energy is the largest shareholder in SLTEC with a 45% interest, followed by Ayala with 35% and Marubeni with 20%. In 2017, SLTEC generated 1,850GWh from its 2 plants, an increase of 19% over 1,551 GWH generated the previous year. The two plants operated at an availability of 88.6% over the year, an improvement over average availability of 76.2% in the previous year. Phinma Energy has full control of the energy output of the two plants for its own energy supply business.

In 2017, Phinma Energy completed the rehabilitation of Power Barge 103 in Cebu. The company had previously taken over three power barges from the Power Sector Assets and Liabilities Management Corporation (PSALM) in 2016. Power barge 103 now joins 101 and 102 in contributing a total of 96 MW to the company's dispatchable peaking power.

Providing renewable and sustainable energy is an integral part of the company's mission. In June 2017, *Trans-Asia Renewable Energy Corporation* amended its corporate name to *Phinma Renewable Energy Corporation (Phinma Renewable)*, reflecting a similar previous change in name of its parent company, Phinma Energy. In 2017, PHINMA Renewable's 54-MW wind farm in San Lorenzo, Guimaras delivered 89.6 GWH of clean and renewable energy to the grid. In the future, Phinma Renewable looks forward to developing more projects out of its portfolio of 400MW of wind service contracts nationwide, in preparation for the implementation of the Department of Energy's (DOE) Renewable Portfolio Standards for On Grid Areas in 2020. To set the base for future wind capacity expansion, in early 2017 Phinma Energy subscribed to an increase in authorized capital and preferred shares in Phinma Renewable worth ₱2.35 billion.

Phinma Energy sees a bright future for solar renewable energy. In July 2017, the company and the DOE entered into a 25-year Solar Energy Service contract covering a 648 hectare area in Bugallon, Pangasinan, where Phinma Energy hopes to set up a 40MW solar farm. Subsequently in September, Phinma Energy entered into another 25-year Solar Energy Service Contract covering a 486 hectare area in Batangas province, where it also hopes to construct a 45 MW solar farm. In addition to grid connected solar projects, Phinma Energy and Union Galvasteel are jointly exploring off grid solar applications. The two companies will engage in solar power generation and developretail solar products through *Phinma Solar Energy Corporation*.

Geothermal energy is another valuable source of renewable energy in the country. PHINMA Energy owns a twenty-five percent stake in the 20 MW Maibarara Geothermal Inc. (MGI) power plant in Sto. Tomas Batangas. In 2017, the Maibarara geothermal plant produced 160GWh of renewable energy, an increase over 152 GWh in the previous year. PHINMA Energy, together with partners PetroGreen Energy Resources and PNOC Renewable Corporation, recently undertook an expansion of the Maibarara geothermal plant by an additional 12MW. The new line came on stream in March 2018, increasing total plant capacity to 32MW.

In March 2017, PHINMA Energy and its partner Basic Energy Corporation completed drilling an exploratory well at Mabini Geothermal Service Contract Number 8 located in San Teodoro, Mabini, Batangas. Prior initial pre-feasibility studies projected the area to yield a resource of between 20 to 60 MW. Subsequently, however, in April the Mabini local government issued a hold on further activities, attributing local earthquake activity to the exploration, despite assurances from PHIVOLKS to the contrary. The Mabini partners hope to soon arrive at an agreement with the LGU in order to continue the project.

In December 2017, PHINMA Energy and the Power Sector Assets and Liabilities Management Corporation (PSALM) agreed to mutually terminate an Administration Agreement covering a 40 megawatt strip of energy from the Unified Leyte Geothermal Power Plant. PHINMA Energy had previously sought the renegotiation of the Agreement, expressing difficulties. The mutual termination allows the Company to improve its supply costs while still maintaining a diversified portfolio.

In March 2017, *Trans-Asia Petroleum Corporation,* the PSE-listed subsidiary of Phinma Energy engaged in oil exploration, amended its corporate name to *Phinma Petroleum and Geothermal Inc.*in line with the parent company's name change and to include exploring and developing geothermal resources in its portfolio. Despite a slight recovery in oil prices in 2017, PHINMA Petroleum and Geothermal remains challenged by low oil prices which have dampened global exploration activity. The company remains ready to resume activities once conditions permit, with the conviction that resource exploration and development play a key role in pursuing energy self-reliance for the country.

EDUCATION

Phinma Education Holdings, Inc. (Phinma Education) makes life better by providing accessible quality education. PHINMA Araullo University (PHINMA AU), PHINMA Cagayan de Oro College (PHINMA COC), PHINMA University of Pangasinan (PHINMA UPang), and PHINMA University of Iloilo (PHINMA UI) provide quality basic and tertiary education to students from low income families in developing urban centers. Southwestern University PHINMA (SWU PHINMA), on the other hand, provides quality education to a middle income market, catering to international as well as local students in Cebu and nearby areas. In December 2017, Phinma Education acquired a majority stake in St Jude College, Inc. - a full service institution providing affordable education known for its allied health sciences programs.

2017 was the second year of implementation of the Department of Education's industry-wide K12 program, which added two senior high school years and correspondingly decreased college freshman enrollment during the transition period. PHINMA Education continued to rise to the challenge as its schools welcomed strong enrollment for another year of grade 11 students as well as the returning incoming grade 12 students. The five schools - PHINMA AU, PHINMA COC, PHINMA UPang, PHINMA UI, and SWU PHINMA - came out leading their field, once again posting the largest senior high school enrollment among schools in their areas, affirming how well Phinma Energy has determined the pulse of the new market. Although the new curriculum resulted in a decline in the nationwide need for college teachers during the transition, PHINMA Education responded by enhancing operational efficiencies, maintaining the company's over-all financial status while still retaining the majority of employees.

In 2017, Phinma Education also implemented initiatives to improve and integrate Southwestern University into the network. The first phase of renovation of the Medical Center was undertaken. Major renovation was also done on the campus's main building as well as the Aznar Coliseum, hospital residence quarters, Veterinary Medicine laboratory, and faculty rooms.

PHINMA Education's *Active Learning* is a network wide system of instruction which is more integrative, thematic, and student centered compared to traditional methods. SWU presented a unique opportunity to pilot this approach more broadly in a more upscale and equipped market. In school year 2017/18, Phinma Education took Active Learning a step further and developed a set of programs beyond the traditional offerings. New programs were developed for Hospitality Management, Veterinary Medicine, Information Technology, Architecture and Communication. These programs are slated to open for enrollment this school year.

Previously, PHINMA Education began expansion into the greater Southeast Asia market by establishing the PHINMA Training Center in Yangon, Myanmar in partnership with Victoria Hospital, one of the most technologically advanced hospitals in the city. In 2017, the Training Center started offering short nursing and heathcare programs for nursing assistants out of its training facility in Yangon. Although enrollment was initially modest at around 160 students, the program provides Phinma Education with invaluable insights into the Yangon market, bringing it closer to its goal of eventually offering full degree programs.

Despite the continued challenges posed by K12 reform on the industry, total enrolment across the network of five Phinma Education schools increased 8% to 58,837 in school year 2017/2018. In calendar year 2017 however, consolidated net income of Phinma Education decreased to ₱150 million from ₱219 million in the previous year due to increased expenses from recently established international operations. Profitability was also affected by the K12 reform, as another batch of college freshman was replaced by lower yield senior high school students in the second year of implementation of the new curriculum.

PHINMA Education ended 2017 with the acquisition of St. Jude College, a full service educational institution serving around 3,000 students in the Manila area. St Jude was established in 1968 as a school for nursing, today offering basic education, college, and graduate school programs. The school is known for its strong tertiary allied health science courses but also offers programs in business, education, information technology, and hospitality.

HOUSING

Phinma Property Holdings Corporation (Phinma Properties), a 35%-owned affiliate of the Company, develops affordable medium-rise condominium units and socialized housing units in Metro Manila and other areas in the country.

The Philippine Real Estate industry continued to thrive in 2017 due to the sustained growth in the economy. New projects were launched and existing projects experienced brisk sales take up, with Phinma Properties itself recording its largest ever monthly home-buyer loan proceeds take-out in August of the year.

The Urban Housing Division (UHD) of the company delivered on majority of its plans for 2017, pushing the sales of existing projects and launching a new business line called *Pathways* that aims to establish a recurring rental income line for the company and start its first co-working facility in Phinma Plaza, Makati in August 2018.
The Socialized Housing Division (SHD) in 2017 was able to sell out its *Grand Strikeville 4* row housing project. In 2017, the division was also able to book 2 buildings of its *L'Oasis Malabon* project while continuing to sell its third building at a rate of 13 units a month.

Despite the strong business environment and improved project take up of the company in the latter part of 2017, in terms of financial results the year was one of challenges as the company started laying the foundation for improved operations and profitability. In this year of transition, Phinma Properties posted revenue of ₱1.5B, a 7% decrease from the previous year. The company posted a consolidated net loss of ₱400 million for the year due to the delayed sales recognition and an increase in construction costs. Total assets of the company decreased to ₱4.7 billion in 2017 from ₱4.8 billion in the previous year.

Moving forward, the company has initiated across the board efforts in improving profitability and customer focus through better product margins and operational reorganization. The UHD took large steps in improving gross profit per project by increasing prices by an average of 31% in 2017 while still maintaining sales rates. SHD on its part also significantly increased prices by 30% in its townhouse product line, while still able to secure better bank appraisals for end user financing to maintain affordability. Although initiated in 2017, the effects of the improved pricing will impact the company beginning 2018.

In 2017 Phinma Properties also initiated a Customer Experience program which aims to redirect the focus of company culture toward clients and customers. Tagged as *TaMA* or *Taos-Pusong Malasakit at Alaga*, the program is on track to ensure that all company employees do their part in making the customer experience a great one always.

In late 2017, the company also started organization changes to improve operations. Phinma Properties began combining the operations teams of both the Urban Housing Division and Socialized

Housing Division to a single unified PHINMA Properties Operations team, which will then be divided into various brands depending on the target market. The change is in line with the company's renewed focus away from product lines and toward specific customer and client needs. For socialized housing, the company is looking into developing its own socialized housing projects, and developing projects as well for other companies in need of both economic and socialized housing projects. The socialized housing team will be rebranded as the *Prosper* Business Unit.

In 2017, Phinma Properties also spun off its property management arm, *Community Property Management Group Inc.*, paving the way for this group to provide professional property management to communities beyond Phinma projects.

CONSTRUCTION MATERIALS

Union Galvasteel Corporation (UGC), a wholly-owned subsidiary of the Company, is a leading manufacturer and distributor of pre-painted roofing and steel products. Philcement Corporation (Philcement), a majority owned subsidiary of the Company incorporated in September 2017, is the vehicle by which Phinma will relaunch its Union Cement brand into the local market. Union Galvasteel and Philcement together represent your Company's investment in the construction materials industry.

As the Philippine economy rose 6.7% in 2017, the construction industry grew at a respectable 5.7%, slower than 15.1% growth posted in the historically strong election year. Public construction spending growth remained robust at 13.5%, even as private firms scaled back investments, posting growth of only 3.3%. This was evident in the 16% decline in the value of construction starts during the first nine months of 2017, as residential condominium developments and commercial construction retreated by 43% and 32% respectively. China, the source of half of the world's supply of steel, heightened its focus on environmental concerns, promoted industry consolidation and pressed on with the shutdown of outdated manufacturing plants. This led to steep increases in steel prices and significantly affected global markets.

Despite the challenges, UGC achieved record revenues of ₱4.2 billion in 2017 driven by volumes which were 2% higher than the previous year. However, due to the increase in imported steel prices, net income decreased to ₱182 million from net income of ₱221 million in the previous year which included an extraordinary gain on sale of land of ₱27.7 million.

In line with its new vision to make lives better and contribute to nation building through innovative construction solutions, UGC embarked on key strategic initiatives for long-term growth and better value for its stakeholders.

In 2017, after expanding its value offerings “from foundation to roofing”, UGC further improved its depth and reach by re-entering the trade of galvanized iron sheets and beginning expansion into new geographical markets and segments. Operationally, the company also strengthened its customer engagement programs and marketing capabilities and rationalized its cost-to-market strategies to drive top-line growth and manage margins.

In its drive to contend with industry challenges better than its peers, UGC enhanced its supply chain further, gaining additional reliable high-quality partners from China capable of supplying at competitive prices. Recognizing the need to respond to changes in the market environment, the company brought in new talent and leadership to supplement the current organization while continuing to invest in human capital.

In September 2017, your Company initiated its re-entry into the cement business through its investment in Philcement Corporation, a majority-owned subsidiary with an initial authorized capital of ₱1 billion.PHINMA is confident that its professional management, competence, and wealth of experience in the cement business will allow Philcement to provide quality offerings and solutions to its customers, particularly at a time when the country is embarking on its potentially game-changing *Build*

Build Build infrastructure program.

HOTELS

In 2017, Microtel Development Corporation changed its corporate name to *Phinma Hospitality Inc.* (Phinma Hospitality), to more closely relate the Wyndham franchises with the Phinma brand. 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 the Microtel by Wyndham Mall of Asia hotel. Phinma Hospitality operates 14 Wyndham hotels in the country including 13 Microtel hotels and one TRYP hotel, and is a joint venture owner of majority of the hotels, including the flagship 150-room Microtel by Wyndham Mall of Asia hotel.

Microtel by Wyndham is an international chain of limited service hotels under Wyndham Hotel Group with 300+ properties worldwide, including 13 in the Philippines. Microtel by Wyndham pioneered the no-frills hotel concept in the country that targets the mid-market traveler. Its business model revolves around product and service consistency in terms of quality and value – focusing on providing consistently clean, comfortable and secure accommodations at value rates. TRYP is a sister brand of Microtel by Wyndham with 100+ properties in many urban cities in Europe, North and Latin America, and Australia.

Microtel's flagship hotel in the country is the 150-room Microtel by Wyndham Mall of Asia. The hotel's accessibility to SMX Convention Center, SM Mall of Asia, Mall of Asia arena, and key business and leisure hubs makes it ideal for business and leisure travelers in the area. In 2017, the hotel's occupancy was 86% with a Gross Revenue of ₱201 million. Gross operating profit was ₱84 million and net Income was ₱14.6 million.

To complement Microtel by Wyndham Mall of Asia and to address the increased demand for accommodations from corporate accounts, leisure travelers, and attendees of meetings, conventions

Company (Philippines), Inc. changed its corporate name to *Integrative Competitive Intelligence Asia, Inc.*(ICI Asia). ICI Asia provides strategic consulting support to businesses and is the pioneer of competitive intelligence (CI) in the country. The change in name signifies the company's focus on bringing its strengthin CI to a wider Asian audience, including government agencies and non-profits in its roster of clients.

In 2017, the company focused on strengthening its local presence by introducing two new services: Development Research (DevRes) and Strategic Engagement (StratEn). DevRes is aimed at providingresearch support to help address social development issues that affect the achievement of our nation's full potential. StratEn on the other hand is focused on helping organizations in planning for and executing projects across a broad spectrum of activities, including organizational development and optimization, digital and marketing transformation, public dialogue, and employee management.

Within the first year of its new direction, ICI Asia won projects from several organizations. These highlighted the premise that the integration of CI to both the discipline of social research and the implementation mindset of strategic engagement would be a strong differentiator in the market. In 2017, the company turned around its financial performance, posting revenue of ₱52.3 million, over double that of the previous year, and net income of ₱6.3 million, compared to a net loss of ₱ 16.7 million in the previous year.

Key Performance Indicators (KPI)

The top five (5) KPIs used to measure the financial performance of PHN and its subsidiaries as of December 31, 2017 compared to the same period the previous year are shown in the following table:

Financial KPI	Definition	2017	2016
Profitability			
Return on Equity (ROE)	Net income (loss) / Ave. total equity attributable to PHN equity holders	**(0.41%)**	**3.88%**
Gross Profit Margin	Gross profit / Net sales	**32.16%**	**38.23%**
Efficiency			
Cash Flow Margin	Cash flow from operating Activities / Net sales	**7.23%**	**11.20%**
Liquidity			
Current Ratio	Current assets / Current liabilities	**2.09 : 1.00**	**1.73 : 1.00**
Debt-to Equity Ratio	Total liabilities / Total equity	**1.11 : 1.00**	**0.73 : 1.00**

Profitability

The return on equity declined from 3.88% to (0.41%) due to the net loss attributable to equity holders of the parent in 2017. Gross profit margin likewise decreased from 38.23% in CY 2016 to 32.16% in CY 2017 due to decrease in gross profit margin contribution of Union Galvasteel Corporation (UGC) and the schools under Phinma Education.

Efficiency

Net cash inflow from operations was P464.1 million for CY 2017 compared to net cash inflow of P705.6 million in CY 2016. The decrease was due to lower net income.

Liquidity

Current ratio increased from 1.73:1.00 in 2016 to 2.09:1.00 in 2017 due to the increase in investments held for trading as a result of the availment of the P2.0 billion loan of the parent company.

Debt-equity ratio of PHN and its subsidiaries as of end December 2017 increased from 0.73 :1.00 to 1.11:1.00 mainly due to increase in total liabilities from P6.1 billion to P8.8 billion.

Other Financial Ratios are as follows :

Financial Ratio	Definition	2017	2016
Asset to Equity	Total Assets / Total Equity	**2.11**	**1.73**
Interest rate coverage ratio	EBITDA / Interest expense	**2.63**	**4.90**

Asset to Equity ratio of PHN and subsidiaries as of end December 2017 increased from 1.71 to 2.11, due to increase in totals asset from P14.4 billion to P16.7 billion in 2017.

Interest rate coverage ratio decreased from 4.90 to 2.63 in 2017 due to a decrease in EBITDA from P538 million in 2016 to P165 million in 2017.

Accounting Policies and Principles

The accompanying consolidated financial statements of Phinma Corporation have been prepared in compliance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS). The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit and loss, available for sale investments and derivative investments that have been measured at fair value.

The consolidated financial statements are prepared in Philippine pesos, the company's functional and presentation currency.

Interim Disclosures on Financial Statements

Below are additional disclosures on the Company's operations:

a. Any known trends, demands, commitments, events and uncertainties that will result in or likely to decrease its liquidity in any material way.

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

b. Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

None

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

None

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

None

e. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

The operations of Phinma Corporation and its subsidiaries continue to be affected by the economic performance of the Philippines and in the countries in which they operate.

f. Any significant elements of income or loss that did not arise from the Issuer's continuing operations.

None.

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

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

h. Any seasonal aspects that had a material effect on the financial condition or results of operations.

The parent company is a holding company and has no seasonal aspect that will have any material effect on its financial condition.

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

Material Changes in Statement of Financial Position Accounts

Cash and cash equivalents

The movements in cash and cash equivalents are shown in the cash flow statement.

Short-term investments

The increase in the account represents placements which will mature within 90 days.

Investments held for trading

The increase in the account is attributable to the P2.0 billion proceeds of the long-term loan of the parent company.

Inventories

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

Input tax

The P 9 million increase in the account represents an increase in input tax of UGC during the year.

Derivative asset

PHN entered into deliverable forward contracts with an aggregate notional amount of US$6.6 million which are outstanding as of December 31, 2017. PHN booked an unrealized gain of P10.5 million as of December 31, 2017.

Other current assets

The increase in the account of P96 million is due to increase in other current assets of P&S in the amount of P63 million as well as increase in other current assets of ICI, Asia Inc. and UI in the amount of P17 million and P16 million respectively.

Property, plant and equipment

The account increased by P945 million mainly due to 1) the first time consolidation of the property and equipment of St. Jude College, Inc. in the amount of P420 million and 2) the increase in the property and equipment of Southwestern University and the schools in the total amount of P484 million.

Investment properties

The decrease in the account of P83 million represents the disposal of properties of SWU in May 2017.

Intangibles

The decrease in the account of P162 million represents derecognition of the goodwill and trademark arising from the investment in Fuld US. The shares in the said company were sold in June 2017.

Deferred tax assets

The account decreased by P50 million due to derecognition of deferred tax assets of Fuld US in the amount of P27 million as well as decrease in deferred tax asset of UGC.

LIABILITIES

Notes payable

The decrease in the account amounting to P230 million represents payment of short-term borrowings of UGC.

Trade and other payables

The increase in trade and other payables in the amount of P286 million represents an increase in trade and other payables of the schools, offset by the derecognition of trade and other payables of Fuld US.

Trust receipts payable

The increase in the account of P512 million is attributable to an increase in UGC's trust receipt payable from P10 million as of December 31, 2016 to P522 million as of end December 2017.

Unearned revenues

The increase in the account of P40 million is attributable to AU, COC and UPANG as well as the first time consolidation of St. Jude College, Inc. Tuition fees for the semester are accrued as receivable at the start of the semester and the corresponding liability is booked under Unearned Revenues.

Income and other taxes payable

The decrease in the account of P64 million represents a decrease in various tax payable of UGC and SWU in the amount of P48 million and P15 million, respectively.

Due to related parties

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

Current portion of long-term debt

The increase in the account of P166 million represents the current portion of long-term debt of UGC which will fall due within the year.

Derivative liability

UGC has outstanding deliverable forward contracts with a notional amount of US$5.75 million in 2017. It recognized an unrealized loss on derivatives of P2.6 million as of December 31, 2017.

Long-term debt – net of current portion

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

Pension and other post employment

The P27 million increase represents accrued retirement of PEHI parent and the schools.

Deferred rent revenue

The decrease in the account represents the decrease in deferred rent revenue of P&S Holdings, Inc.

Other non-current liabilities

The increase in the account of P39 million represents an increase in other non-current liabilities of P&S Holdings, Inc.

EQUITY

Capital stock

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

Share in other comprehensive income of associates

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

Exchange differences on translation of foreign operations

The P 54 million movement in the account represents the derecognition of the cumulative adjustments arising from the translation of the financial statements of Fuld & Company, Inc. from US dollars to Philippine pesos. Fuld US was sold in 2017.

Other reserves

The decrease of P289 million mainly represents the difference between the carrying value and the purchase price of shares in SWU purchased by Phinma Education from minority shareholders.

Other comprehensive income

The P3 million increase in the account represents the increase in the fair value of the club shares of PHN parent.

Retained earnings

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

Material Changes in Income Statement Accounts

Cost of sales

The P462 million increase in cost of sales represents increase in cost of sales of UGC in the amount of P356 million and the schools in the total amount of P106 million.

Operating expenses

The P225 million decrease in the account represents operating expenses of Fuld US, the shares of which were sold by PHN in June 2017.

Financial charges

The increase in financial charges in the amount of P83 million is mainly attributable to the interest on the loan availed by PHN in 2017.

Equity in net earnings (losses) of associates

The P330 million decrease in the account is due to lower equitized income from Phinma Energy and equitized net loss of Phinma Properties during the year.

Impairment loss on goodwill

In 2016, the company booked a P191 million impairment of goodwill in Fuld & Co. to reflect the assessed fair value of the Company.

Foreign exchange gain (loss)

Foreign exchange loss as of December 31, 2017 arose from the restatement of dollar placements and advances of the parent company from an original fx rate of P50.62 to P49.93 as of December 31, 2017.

Gain (loss) on sale of investment property

The loss on sale of P2.1 million is mainly attributable to the loss on disposal of SWU property in May 2017.

Gain (loss) on sale of property, plant and equipment

The decrease in the account represents the gain recognized by UGC amounting to P28 million on the sale of its property in Calamba, Laguna in 2016.

Gain (loss) on AFS investment

This represents the gain recognized by OAL on the sale of its shares in Morph Animation, Inc.

Gain on sale of investment in a subsidiary

The P4.1 million gain represents the gain on sale of shares in Fuld US which were sold by PHN parent in June 2017.

Net gains on derivatives

PHN parent recognized an unrealized gain on derivatives of P10.5 million on deliverable forward contracts with an aggregate notional amount of US$6.6 million as of December 31, 2017. This was offset by a net loss of P3.9 million in 2017 on UGC's deliverable foreign currency forward contracts with an aggregate notional amount of US$19.085 million.

Income from reversal of unrecoverable input tax

The company reversed in 2016 a provision of unrecoverable input tax made in CY 2015 since it had sufficient output tax in CY 2016 to offset against the input tax.

Other income (charges)

The decrease in the account represents decrease in other income of Phinma Education.

Provision for income tax

The decrease in provision for income tax from P171 million in 2016 to P119 million in 2017 is attributable to the decrease in income of UGC from P221 million last year to P182 million this year, as well as a decrease in provision for income tax of SWU.

Comprehensive Income

Comprehensive income decreased from P399 million for the twelve-month period ended December 31, 2017 to P49 million this year due to decrease in net income from P367 million last year to P46 million this year.

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

Brief Description of the General Nature and Scope of Business of the Company

Parent Company

The Company was incorporated in the Philippines on March 12, 1957. Its principal activity is investment in shares of various subsidiaries, associates, affiliates and other marketable equity securities. The ultimate parent company of PHN and its subsidiaries is Philippine Investment- Management (PHINMA), Inc.

On May 27, 2010, the Securities and Exchange Commission approved the change of name of the Company from Bacnotan Consolidated Industries, Inc. to Phinma Corporation.

As of December 31, 2019, the Company's principal subsidiaries and its percentage of ownership are as follows:

Name of Subsidiaries	% of Ownership
Union Galvasteel Corporation (UGC)	98.32
Phinma Education Holdings, Inc. (PEHI)	71.83
Philcement Corporation (Philcement)	60.00
Integrative Competitive Intelligence Asia Inc.	100.00
Career Academy Asia, Inc. (CAA)	90.00
One Animate Limited, Inc. (OAL) [(a)]	80.00
P & S Holdings Corporation (PSHC)	60.00
Asian Plaza, Inc. (API)	57.62

The principal activities of the subsidiaries are as follows

Name of Subsidiaries	Nature of Business
UGC	Manufacturing and distribution of steel products
PEHI	Holding company for investments in education
Philcement Corporation	Distribution of cement products
PSHC	Investment and real estate holdings
API	Lease of real property
ICI, Asia Inc.	Business research
OAL [(a)]	BPO - Animation services
CAA [(a)]	Educational institution

(a) ceased commercial operations

The Company also has direct minority interest in the following companies:

PHINMA Property Holdings Corporation (PPHC)	35.42%
ABCIC Property Holdings, Inc.	26.51%
Coral Way City Hotel Corporation	23.75%

Market Registrant's Common Equity and Related Stockholders' Matters

Market Price

The shares of stock of PHN are listed and traded in the Philippine Stock Exchange, Inc.

(PSE). The high and low market prices of the shares of stock of PHN for each quarter within the last two (2) years , for the months of January to April of 2020 are as follows:

Period	High	Low
Calendar Year 2020		
January	10.08	9.48
February	10.00	8.80
March	9.90	7.90
April	8.95	8.20
Calendar Year 2019		
January – March	9.98	8.23
April – June	9.50	9.00
July – September	13.74	8.23
October - December	10.20	9.11
Calendar Year 2018		
January – March	8.50	7.50
April – June	8.20	7.50
July – September	8.90	7.50
October - December	9.49	7.80

Source: Philippine Stock Exchange, Inc.

Dividends on Common Shares

Cash Dividends Payment on Common Shares

PHN is authorized to pay cash or stock dividends or combinations thereof, subject to approval by the Board of Directors. Holders of outstanding shares on a dividend record date for such shares are entitled to the full dividend declared without regard to any subsequent transfer of shares.

Dividends declared and paid from 2010 to 2019 are as follows :

	Dividend			
Date of Declaration	**Typ**	**Rate**	**Record Date**	**Payment Date**
March 3, 2010	Cash	P0.40 per share	March 29, 2010	April 23, 2010
March 3, 2011	Cash	P0.40 per share	March 29, 2011	April 26, 2011
March 22, 2012	Cash	P0.40 per share	April 11, 2012	April 26, 2012
March 6, 2013	Cash	P0.40 per share	March 22, 2013	April 17, 2013
March 4, 2014	Cash	P0.40 per share	March 20, 2014	April 15, 2014
March 4, 2015	Cash	P0.40 per share	March 18, 2015	March 31, 2015
March 4, 2016	Cash	P0.40 per share	March 18, 2016	March 31, 2016
March 22, 2017	Cash	P0.40 per share	April 5, 2017	April 21, 2017
March 6, 2018	Cash	P0.40 per share	March 22, 2018	April 6, 2018
March 5, 2019	Cash	P0.40 per share	March 21, 2019	March 29, 2019
November 11, 2019	Cash	P0.40 per share	November 25, 2019	December 9, 2019

On February 28, 2020 the Board of Directors declared cash dividend of P 0.40 per share to all shareholders of record as of March 17, 2020 payable March 27, 2020.

Stock Dividends Payment on Common Shares

PHN paid out a 20% stock dividend on September 6, 2006 to all shareholders of record as of August 11, 2006. On March 30, 2007, the Board of Directors declared a 15% stock dividend to all shareholders of record as of June 5, 2007 which was paid June 30, 2007. On April 14, 2008, the

Board of Directors declared a 10% stock dividend to all shareholders of record as of June 13, 2008 which was paid July 8, 2008.

No stock dividend was declared for the calendar years 2009 up to 2016. On April 18, 2017, the Board of Directors declared a 10% stock dividend equivalent to 25,902,683 common shares to all shareholders of record as of June 6, 2017 to be paid on June 30, 2017.

Holders

As of February 28, 2020, there are 1,227 common shareholders.

Sale of Unregistered Securities Within the Last Three (3) Years :

PHN has no unregistered securities, hence no sale of said securities within the last three (3) years.

Stockholders

As of April 30, 2020, PHN has 272,455,165 common shares outstanding held by 1,227 stockholders. The list of the top twenty (20) stockholders of the Company as recorded by the Stock Transfer Service, Inc., the Company's stock transfer agent, is as follows :

Rank	Stockholders	No. of Shares	% of ownership
1	Philippine Investment Management, Inc. (PHINMA)	137,445,470	50.45%
2	PCD Nominee Corp. (Filipino)	61,926,624	22.73%
3	PCD Nominee Corp. (Non-Filipino)	48,951,983	17.97%
4	Magdaleno B. Albarracin, Jr.	9,710,459	3.56%
5	Philippine Remnants Company	1,176,308	0.43%
6	Victor J. del Rosario	1,069,245	0.39%
7	Roberto M. Lavina	857,106	0.31%
8	Allen Cham	782,896	0.29%
9	Salud D. De Castro	550,000	0.20%
10	Kayumanggi Publishers Co.	517,762	0.19%
11	Regina B. Alvarez	442,571	0.16%
12	Pythagoras L. Brion	320,746	0.12%
13	Emerick Jefferson Sy Go and/or Girlie Ng Go	211,970	0.08%
14	Doris Teresa Ho	185,461	0.07%
15	Virginia S. Syjuco	178,204	0.07%
16	Daughters of Charity of St. Vincent de Paul	175,533	0.06%
17	The Roman Catholic Bishop of the Diocese of Juan de Dios	169,268	0.06%
18	United Life Assurance Corporation	153,916	0.06%
19	United Insurance Company, Inc.	149,860	0.06%
20	Rosalia M. Amando	142,632	0.05%
TOTAL		**265,118,014**	**97.31%**

Directors

Name	Position
Oscar J. Hilado	Chairman
Ramon R. del Rosario, Jr.	Vice Chairman
Dr. Magdaleno B. Albarracin, Jr.	Director
Roberto M. Laviña	Director

Victor J. del Rosario	Director
Jose L. Cuisia, Jr.	Director
Eric S. Lustre	Director
Juan B. Santos	Independent Director
Atty. Lilia B. de Lima	Independent Director
Guillermo D. Luchangco	Independent Director
Rizalina G. Mantaring	Independent Director

Officers

Name	Position
Ramon R. del Rosario, Jr.	President and CEO
Roberto M. Laviña	Senior Executive Vice President and COO
Victor J. del Rosario	Executive Vice President and CFO
Pythagoras L. Brion, Jr.	Senior Vice President and Group CFO
Regina B. Alvarez	Senior Vice President – Finance
Cecille B. Arenillo	Vice President - Treasury and Compliance Officer
Rizalina P. Andrada	Vice President – Finance
Nanette P. Villalobos	Vice President and Treasurer
Peter V. Perfecto	Vice President – Public Affairs
Danielle R. del Rosario	Vice President – Director for Strategy
Rolando D. Soliven	Vice President – Group Corporate Assurance
Edmund Alan A. Qua Hiansen	Assistant Vice President, Investor Relations Officer
Grace M. Purisima	Assistant Treasurer
Troy A. Luna	Corporate Secretary
Ma. Concepcion Z. Sandoval	Assistant Corporate Secretary

Executive Committee

Name	Position
Oscar J. Hilado	Chairman
Magdaleno B. Albarracin, Jr.	Member
Ramon R. del Rosario, Jr.	Member
Jose L. Cuisia, Jr.	Member
Guillermo D. Luchangco	Member

Audit Committee

Name	Position
Juan B. Santos	Chairman
Rizalina G. Mantaring	Member
Magdaleno B. Albarracin, Jr.	Member

Risk Oversight Committee

Name	Position
Guillermo D. Luchangco	Chairman
Lilia B. de Lima	Member
Victor J. del Rosario	Member

Corporate Governance and Related Party Transactions Committee

Name	Position
Lilia B. de Lima	Chairman
Rizalina G. Mantaring	Member
Guillermo D. Luchangco	Member

Compensation Committee

Name	Position
Jose L. Cuisia, Jr.	Chairman
Oscar J. Hilado	Member
Ramon R. del Rosario, Jr.	Member
Juan B. Santos	Member

Retirement Committee

Name	Position
Oscar J. Hilado	Chairman
Magdaleno B. Albarracin, Jr.	Member
Victor J. del Rosario	Member
Roberto M. Laviña	Member

ANNEX D

Minutes of Annual Shareholders Meeting April 12, 2019

PHINMA CORPORATION
MINUTES OF THE ANNUAL MEETING
OF STOCKHOLDERS

Held on 12 April 2019 at 3:00 p.m.
at the Palm Grove, Rockwell Club
Amorsolo Drive, Rockwell Center
Makati City

I. CALL TO ORDER

The Chairman of the Board, Mr. Oscar J. Hilado, called the meeting to order at 3:00 p.m. and presided over the same. The Corporate Secretary, Atty. Troy A. Luna, recorded the minutes of the meeting.

The Chairman first introduced the Directors present at the meeting. The Chairman also recognized the presence of the Corporation's Corporate Secretary, and the independent external auditors, Sycip Gorres Velayo & Company, represented at the meeting by the Chairman and Managing Partner, Mr. J Carlitos G. Cruz, Ramon Dizon, Mr. Wilson P. Tan, Ms. Vivian C. Ruiz, Mr. Noel P. Rabaja and Ms. Belinda T. Beng Hui.

The Chairman further acknowledged the presence of the Corporation's independent third party stock transfer agent, Stock Transfer Service, Inc. ("STSI"), represented at the meeting by Mr. Antonio M. Laviña.

II. PROOF OF NOTICE AND DETERMINATION OF QUORUM

The Chairman asked the Corporate Secretary if notices of the meeting were properly sent.

The Corporate Secretary certified that Notices of the Annual Shareholders' Meeting were sent to stockholders of record in accordance with the Corporation's By-laws.

The Chairman then asked the Corporate Secretary if there was a quorum for the meeting. The Corporate Secretary, based on a certification issued by STSI, informed the body that there were present, in person or by proxy, stockholders owning **233,228,593** shares constituting **82.80%** of the total issued and outstanding capital stock of the Corporation. Accordingly, there was a quorum for purposes of the meeting.

III. MINUTES OF PREVIOUS MEETING

With legal notices having been sent and a quorum being present, the Chairman proceeded to the reading and approval of the Minutes of the Annual Shareholders' Meeting held on 19 April 2018.

A stockholder moved that the reading of the said Minutes be dispensed with, and that the said Minutes be approved. The motion was seconded.

Shareholders holding **233,228,593** shares representing **82.80%** of the issued and outstanding capital stock of the Corporation voted in favor of the motion, without any abstentions. The Minutes of the Annual Meeting of Stockholders held on 19 April 2018 were therefore approved.

IV. ANNUAL REPORT OF MANAGEMENT

The Chairman proceeded to the next item on the agenda which was the approval of the Annual Report. The Annual Report included the Corporation's audited consolidated financial statements for the year ended 31 December 2018.

The Corporation's Senior Vice President - Finance, Ms. Regina B. Alvarez, presented a recap of the Corporation's audited financial statements for the year 2018. Consolidated revenues amounted to Php10 billion in 2018, a 55% increase over that of the previous year, due to increased revenues from the Corporation's core businesses particularly the Construction Materials Group and the Education Group.

Despite a 54% increase in consolidated costs and expenses in 2018, income from operations reportedly grew by 69.7%, from Php499 million in 2017 to Php847 million in 2018.

Equity in net earnings of affiliates decreased to a net loss of Php 108 million in 2018 due to challenges faced by affiliate PHINMA Energy Corporation. This was, however, offset by a recovery in affiliate PHINMA Property Holdings Corporation. Accordingly, consolidated EBITDA increased from Php757 million in 2017 to Php1.1 billion in 2018.

Net income to equity holders of the parent increased to Php26 million in 2018 while consolidated net income increased from Php46 million in 2017 to Php175 million in 2018.

In view of the planned sale of the Corporation's Energy business, the Corporation pre-emptively recognized a Php271 million impairment on the investment, which if excluded would have brought the Corporation's net income to Php447 million.

On the Corporation's statement of financial position, total assets as of year-end 2018 amounted to Php19.1 billion. Of these, approximately Php9 billion were current assets, Php2.8 billion of which were cash and short-term investments.

Total liabilities, on the other hand, amounted to Php11.2 billion.

PHINMA Corporation reportedly continued to have a strong balance sheet, with current ratio at the conservative level of 2.3:1 and debt to equity ratio at 1.4:1. Book value per share as of December 31, 2018 stood at Php24.07.

Ms. Alvarez reported that the Board declared a cash dividend of Php0.40 per share which was paid last March 29, 2019.

Thereafter, the Corporation's President and Chief Executive Officer, Mr. Ramon R. del Rosario, Jr., proceeded to report on the results of operations of the Corporation and its subsidiaries during the preceding year, beginning with PHINMA Education Holdings. He noted that 2018 was a critical year for Education as it marked the first new batch of college freshmen since the implementation of the K-12 curriculum. This notwithstanding, PHINMA Education posted strong returning freshmen enrollment with total system wide enrollment increasing by 11%, or equivalent to almost 70,000 students for school year 2018-2019.

PHINMA Education also continued to have strong results in Board Examinations, producing more than 2,400 licensed professional in the past two years. It has achieved a passing rate of 100% in 40 different Board Examinations with 18 students placing in the top 10 including two number 1.

In 2018, Philcement Corporation and PHINMA Solar joined Union Galvasteel Corporation (UGC) to form PHINMA's Construction Materials Group. UGC reportedly sold a record of 10 million roofing sheets, an increase of 28% over previous year. This was attributed to new products and expanded markets resulting from strategic growth initiatives.

In its first year of operation, the Corporation's Cement Group made strong inroads in re-introducing PHINMA's legacy Union Cement brand into the market achieving Php1.5 billion in revenues by the end of 2018. PHINMA Solar, on the other hand, successfully completed pilot rooftop projects in 2018 and was reportedly implementing the first of several commercial solar rooftop projects from its pipeline.

In 2018, PHINMA Properties Holdings Corporation (PHINMA Properties) made significant progress in terms of profitability. PHINMA Properties reportedly opened a new 800 square meter co-working facility in Rockwell Center as part of a 5-year plan towards a more sustained path to growth and profitability.

Mr. Del Rosario on PHINMA Hospitality, Inc. (PHINMA Hospitality) said that Tryp by Wyndham marked its full year of operations in 2018. By the last quarter of 2018, occupancy in Tryp increased to 74%. The Hospitality Group also opened a new 80-room Microtel by Wyndham in San Fernando, Pampanga.

In the area of strategic consulting, Integrative Competitive Intelligence (ICI) Asia continued to provide research support to various government and non-profit and multi-lateral organizations to address social issues such as nutrition for children and mothers. ICI Asia also established offices in four regions outside the NCR to build stronger relationships and advanced social causes at a provincial level.

The Energy sector, on the other hand, continued to be challenged by excess supply and low market prices. PHINMA Energy Corporation's revenue decreased due to lower energy generated from an unplanned outage of an affiliated coal plant and lower energy sales from the expiration of various customer contracts. PHINMA Renewable Energy Corporation, on the other hand, produced more energy from both wind and geothermal sources.

Mr. Del Rosario thereafter informed the stockholders of the Corporation's earlier disclosure regarding the agreement on the sale of all shareholdings of PHINMA Corporation and Philippine Investment Management, Inc. in PHINMA Energy to AC Energy. The sale, according to Mr. Del Rosario, would benefit the group moving forward as they focus on growing their core business in Education and Construction Materials, which they felt could make a meaningful difference in making lives better for the Filipino consumer.

On business outlook, the President said that the Philippines has achieved a steady rate of economic expansion over the past five years, with an average growth rate of 6.3%, outpacing the global trajectory and remaining in step with other emerging markets. He said that at PHINMA, they view their businesses as being contributors to this growth. PHINMA plans to achieve its dual goals of business excellence and national building by leveraging two key trends set to enable the country's growth: sustained competition and the demographic dividend.

In the field of Education, an improved system-wide enrollment and financial results upon the return of incoming college sophomores were anticipated. PHINMA Education would continue to search for more schools to add to its growing network in pursuit of its goal of becoming the largest affordable education network in the country.

Mr. Del Rosario thereafter announced that PHINMA Education signed an Investment Agreement with Kaizen Private Equity II Pte. Ltd., a Singapore-based education-focused private equity fund, and the Asian Development Bank, to collectively subscribe to primary shares representing 20.28% of the outstanding capital of PHINMA Education for P1.625 billion. The proceeds from the investment would be used by PHINMA Education for expansion in the Philippines and in Southeast Asia.

In addition, Mr. Del Rosario reported that PHINMA Education also earlier signed a joint venture agreement to form PT Ind Phil Management to manage tertiary schools for the Yayasan Triputra Persada Horizon Education Foundation in Indonesia with the first school to be located in West Java.

Mr. Del Rosario further reported that for 2019, the Construction Materials Group was expected to benefit from strong demand for construction materials as well as supply shortages particularly in local cement. Philcement would continue to re-established the Union Cement brand and develop more markets to absorb capacity from its new Mariveles, Bataan facility. With PHINM Solar continuing to look forward to a pipeline of solar rooftop projects, the Construction Materials Group expects to unlock synergies to further enhance value for the shareholders.

PHINMA Properties plans to continue its recovery directed by its 5 year plan which provides for new priorities, geographies and business lines. PHINMA Hospitality, on the other hand, was looking forward to starting construction of its 15th Microtel hotel in the country, a 60-room Microtel by Wyndham hotel in Tagum, Davao del Norte.

Mr. Del Rosario said that 2019 was expected to be a strong year for PHINMA as it maintains its commitment to its various invaluable stakeholders, including suppliers, partners, creditors and customers. Mr. Del Rosario thereafter expressed the gratitude of the Company to its Board of Directors for its continued support and wise counsel, and to the management teams and employees who shared the mission of making lives better. He reiterated the commitment of the Company to improve values for its shareholders and extended its gratitude forn the shareholders' unwavering support.

Following the reports of Management, the Chairman opened the floor for questions from the shareholders.

There being no questions, a shareholder moved that the Annual Report together with the Audited Financial Statements and the notes thereto for the year ended December 31, 2018 be approved. The motion was seconded.

Shareholders holding **233,228,593** shares constituting **82.80%** of the issued and outstanding capital stock of the Corporation approved the motion, with no abstentions. The Annual Report together with the Audited Financial Statements and the notes thereto for the year ended December 31, 2018 were approved.

V. RATIFICATION OF ALL ACTS OF THE DIRECTORS, COMMITTEES AND MANAGEMENT SINCE THE LAST ANNUAL SHAREHOLDERS' MEETING

The Chairman proceeded to the next item on the agenda which was the ratification of all acts of the Directors, Committees and Management since the last meeting of stockholders.

A stockholder moved that all acts, made or taken by the Board of Directors, the Executive Committee and other Committees and/or officers of the Corporation during the past fiscal year and up to the meeting, be confirmed, approved and ratified.

Shareholders holding **233,228,593** shares constituting **82.80%** of the issued and outstanding capital stock of the Corporation approved the motion.

VI. ELECTION OF DIRECTORS

The Chairman then proceeded to the election of directors for the ensuing year.

The Corporate Secretary reported that there were eleven (11) nominees for the eleven (11) seats on the Corporation's Board of Directors for election at the Meeting. The Corporate Governance and Related Party Transactions Committee, which also performed the functions of a nominations committee, reportedly screened the eleven (11) nominees including the nominees for independent directors. The following were reported as the nominees for election as Directors of the Corporation for the ensuing year and until their successors are duly elected and qualified:

1. Mr. Oscar J. Hilado
2. Mr. Ramon R. del Rosario, Jr.
3. Dr. Magdaleno B. Albarracin, Jr.
4. Amb. Jose L. Cuisia, Jr.
5. Mr. Roberto M. Laviña
6. Mr. Victor J. del Rosario
7. Mr. Eric S. Lustre
8. Mr. Guillermo D. Luchangco (Independent Director)
9. Mr. Juan B. Santos (Independent Director)
10. Atty. Lilia B. de Lima (Independent Director)
11. Ms. Rizalina G. Mantaring (Independent Director)

The Chairman then expressed the appreciation and gratitude of the Company and its Board for all the years of service of Mr. Roberto F. De Ocampo who reportedly opted to stand down from election as Independent Director.

A stockholder then moved that the nominations be closed and that all votes be cast in favor of those nominated, considering that there were only eleven (11) nominees to fill eleven (11) seats in the Board. The motion was then seconded.

Stockholders owning or representing **233,228,593** shares representing **82.80%** of the issued and outstanding capital stock of the Corporation approved the said motion.

The Chairman thus declared all of the eleven (11) nominees as duly elected members of the Company's Board of Directors.

VII. APPOINTMENT OF EXTERNAL AUDITOR

The Chairman announced that the next item on agenda was the appointment of the Corporation's external auditor for the ensuing fiscal year. The Chairman said that the Audit Committee and the Board of Directors have selected and recommended the appointment of Sycip Gorres Velayo & Co. as external auditor of the Corporation.

There being no question from the stockholders, a motion was made to appoint Sycip Gorres Velayo & Co., as recommended by the Audit Committee and the Board of Directors, as external auditor for the fiscal year 2018 and until its successor is duly appointed. The motion was thereafter seconded.

Shareholders owning or representing **233,228,593** shares representing **82.80%** of the issued and outstanding capital stock of the Corporation approved of the said motion and the appointment of Sycip Gorres Velayo & Co. as external auditor of the Corporation for the ensuing fiscal year and until its successor is duly appointed.

VIII. RENEWAL OF MANAGEMENT CONTRACT

The Chairman proceeded to the next item on the agenda which was the renewal of the Corporation's Management Contract with the Philippine Investment-Management (PHINMA), Inc. ("PHINMA, Inc.").

Ms. Alvarez presented the terms of the Management Contract, which was set to expire on June 30, 2019. The proposed renewed Management Contract would be for a period of 5 years from July 1, 2019 to June 30, 2024 with a monthly management fee at the current rate of Php980,000.00 with an escalation of Php98,000.00 per month every anniversary date. All other terms and conditions including bonus of 8% of parent net income after tax would remain the same.

A stockholder then moved for the renewal of the Management Contract with PHINMA, Inc. for five (5) years from July 1, 2019 to June 30, 2024, with a monthly management fee of Php980,000.00 for the 1st year, subject to an escalation of Php98,000.00 per month every anniversary, with all other terms and conditions to remain the same. The said motion was duly seconded.

Stockholders owning or representing **233,228,593** shares representing **82.80%** of the issued and outstanding capital stock of the Corporation approved the said motion.

IX. <u>ADJOURNMENT</u>

The Chairman asked if there were any other matters that the shareholders wanted to raise.

A stockholder, mentioning PHINMA Solar, inquired about solar roofing particularly the size that was allowable for an applicant to install the said solar roofing. UGC President, Mr. Eduardo A. Sahagun, who was present at the meeting answered all questions of the said stockholder.

Another stockholder, Ms. Jenny Gomez, requested some information on why the earlier notices for the annual stockholders' meeting were not received by her. The stockholder also suggested that the Corporation provide ample parking space for its stockholders at the next annual meeting. The Chairman requested the stock transfer agent to provide the stockholder with an explanation and to see to it that notices are given to her on time.

There being no other business to discuss, upon motion duly made and seconded, the Chairman declared the meeting adjourned.

TROY A. LUNA
Corporate Secretary

ATTEST:

OSCAR J. HILADO
Chairman of the Meeting

ANNEX E

Various Resolutions

ANNEX E

Summary of Significant Resolutions Approved by the Board of Directors since the Last Annual Meeting of Shareholders (January 7 to November 11, 2019) FOR RATIFICATION BY THE STOCKHOLDERS

Special Meeting of the Board of Directors
January 7, 2019

- Approval of the sale and transfer of all shares of stock of PHINMA Energy Corporation (PHEN) owned by the Corporation and delegated to the Executive Committee the final approval of the terms and conditions thereof and the execution of the Heads of Agreement and such other agreements including an investment agreement and any amendments or replacement thereof and designation of each of Mr. Ramon R. del Rosario, Jr., Mr. Roberto M. Laviña, Mr. Victor J. del Rosario or Mr. Pythagoras L. Brion, Jr. as authorized representatives and signatories for the transaction.

- Purchase of below assets of PHEN subject to the recommendation of the Corporate Governance and Related Party Transactions Committee to obtain updated appraisals for said assets.

  a. The 3rd, 11th and 4/7 of the Mezzanine Floors of PHINMA Plaza;
  b. PHEN's share in the PHINMA Executive House in Tagaytay;
  c. PHEN's 60% share in PHINMA Solar Corporation; and
  d. PHEN's 1,462,993 shares in Union Galvasteel Corp.

Regular Meeting of the Board of Directors
March 5, 2019

- Delegation to the Executive Committee the final review and approval of the Corporation's audited financial statements as of and for the year ended 31 December 2018.

- Declaration of a cash dividend in the amount of Php 0.40 per share to all stockholders of record as of 21 March 2019.

- Appointment of Sycip Gorres Velayo & Co. as external auditor for the year 2019.

- Renewal of Management Contract with Philippine Investment Management, Inc. as managing company for a period of five (5) years from July 1, 2019 up to June 30, 2024 under the terms and conditions presented.

- Scheduling of the Annual Shareholders Meeting for April 12, 2019 at 3:00 pm at Palm Grove, Rockwell Club, 23 Amorsolo Drive, Rockwell Center, Makati City, and approval of the agenda for the said Annual Shareholders Meeting.

- Nomination of the members of the Board, as endorsed by the Corporate Governance and Related Party Transactions Committee, including the nomination of Ms. Rizalina G. Mantaring as independent director of the Corporation to replace Mr. Roberto F. de Ocampo.

- Grant of authority to transact with different banks for the opening, maintenance and/or closure of accounts and availment of bank products as well as designation of authorized signatories for the said banking transactions.

Special Meeting of the Board of Directors
March 7, 2019

- Delegation to the Executive Committee of approval of final terms and conditions of the Shareholders' Agreement and other agreements in accordance with the investment agreement to be signed by PHINMA Education Holdings, Inc. (PEHI) with Kaizen Private Equity II Pte. Ltd. (Kaizen), Asian Development Bank (ADB) and Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO).

Special Meeting of the Board of Directors
March 27, 2019

- Waiver of the Corporation's pre-emptive rights to subscribe to the new shares of stocks offered for subscription by PEHI to the extent of 1,503,395 new shares in favor of Philippine Investment Management (PHINMA), Inc.

- Grant of authority for the opening, maintenance and/or closure of accounts and authority to transact with different stock brokers as well as the designation of the authorized signatories for the said transaction.

Regular Meeting of the Board of Directors
April 12, 2019

- Waiver of the Corporation's pre-emptive rights to subscribe to 3,835,954 new shares of stocks offered for subscription by PEHI.

- Waiver of the Corporation's pre-emptive rights to subscribe to up to 1,600,000 new shares of stocks offered for subscription by PEHI.

- Designation of the Chairman and President as authorized representatives and signatories for the waiver of the Corporation's pre-emptive rights.

- Approval of the financial statements of the Corporation for the period from January 2019 to March 2019.

- Purchase by the Corporation of the following club shares and designation of Mr. Victor J. del Rosario and Ms. Regina B. Alvarez as the authorized representatives and signatories for the transaction:

  a. Alabang Country Club, Inc. B
  b. Metropolitan Club, Inc. B
  c. Tagaytay Highlands International Gold Club, Inc.

Organizational Meeting of the Board of Directors
April 12, 2019

- Appointment of the following as officers of the Corporation with positions across their respective names:

Name	**Position**
Mr. Oscar J. Hilado	Chairman of the Board
Mr. Ramon R. del Rosario, Jr	Vice-Chairman, President & Chief Executive Officer
Mr. Roberto M. Laviña	Senior Executive Vice President & Chief Operating Officer
Mr. Victor J. del Rosario	Executive Vice President & Chief Financial Officer
Mr. Pythagoras L. Brion	Senior Vice President & Group CFO
Ms. Regina B. Alvarez	Senior Vice President – Finance
Ms. Cecille B. Arenillo	Vice President - Treasury &

	Compliance Officer
Ms. Nanette P. Villalobos	Vice President and Treasurer
Ms. Rizalina P. Andrada	Vice President – Finance
Mr. Rolando D. Soliven	Vice President – Group Corporate Assurance
Mr. Peter F. Perfecto	Vice President – Public Affairs
Ms. Danielle R. del Rosario	Vice President, Director for Strategy
Mr. Edmund Alan A. Qua Hiansen	Assistant Vice President, Investor Relations Officer
Ms. Grace Monedero-Purisima	Assistant Treasurer
Atty. Troy A. Luna	Corporate Secretary
Atty. Ma. Concepcion Z. Sandoval	Assistant Corporate Secretary

- Appointment of the following Committee members for the year 2019:

Executive Committee

Oscar J. Hilado	Chairman
Ramon R. del Rosario, Jr.	Member
Magdaleno B. Albarracin, Jr.	Member
Jose L. Cuisia, Jr.	Member
Guillermo D. Luchangco	Member (Independent Director)

Audit Committee

Juan B. Santos	Chairman (Independent Director)
Rizalina G. Mantaring	Member (Independent Director)
Magdaleno B. Albarracin, Jr.	Member

Risk Oversight Committee

Guillermo D. Luchangco	Chairman (Independent Director)
Lilia B. de Lima	Member (Independent Director)
Victor J. del Rosario	Member

Corporate Governance and Related Party Transactions Committee

Lilia B. de Lima	Chairman (Independent Director)
Rizalina G. Mantaring	Member (Independent Director)

Guillermo D. Luchangco	Member (Independent Director)

Compensation Committee

Jose L. Cuisia, Jr.	Chairman
Oscar J. Hilado	Member
Ramon R. del Rosario, Jr.	Member
Juan B. Santos	Member (Independent Director)

Retirement Committee

Oscar J. Hilado	Chairman
Magdaleno B. Albarracin, Jr.	Member
Victor J. del Rosario	Member
Roberto M. Laviña	Member

Regular Meeting of the Board of Directors
August 9, 2019

- Approval of the financial statements of the Corporation for the period January 2019 to June 2019.

- Delegation to the Executive Committee of the authority to approve the final terms and conditions of the investment in Song Lam Cement Joint Stock Company.

- Approval and authority for the Corporation to open an account with Vietin Bank and the appointment of Mr. Edmund Alan A. Qua Hiansen as Legal Representative and Ms. Gertrudes A. Bacason as Chief Accountant and authorized representative of PhilCement

- Investment in PhilCement Corporation, a 60% owned subsidiary of the Corporation, by way of Preferred Shares amounting to Php 400 million. The investment will be used by PhilCement to expand its operations.

- Adjustment on the Corporation's waiver of pre-emptive rights dated 12 April 2019, to subscribe to up to 3,900,000 new shares of stocks offered for subscription by PEHI to all stockholders of record as of 27 June 2019, in favor of Kaizen, ADB, Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO) and any other subscriber as PEHI may determine, and the designation of Mr. Oscar J. Hilado, Mr. Ramon R. del

Rosario and Mr. Roberto M. Laviña as the Corporation's authorized representatives and signatories for the transaction.

- Execution of Shareholders' Agreement and such other agreements pursuant to the Amended and Related Investment Agreement previously agreed upon by PEHI, Kaizen and ADB; and designation of Mr. Oscar J. Hilado, Mr. Ramon R. del Rosario and Mr. Roberto M. Laviña as the Corporation's authorized representatives and signatories for the transaction.

- Approval of the Revised Policy on Related Party Transactions aligned with SEC Rules on material RPTs.

- Approval and authority to open, maintain and/or close and account(s) and to trade and transact with Philippine Equity Partners, Inc.

- Designation of the Corporation's officers as authorized signatories for all bank accounts, facilities, credit lines and other related transactions and documents.

Regular Meeting of the Board of Directors
November 11, 2019

- Approval of the financial statements of the Corporation for the period from January 2019 to September 2019.

- Declaration of a special cash dividend in the amount of Php 0.40 per share to all stockholders of record as of 25 November 2019.

- Authority to transact with Sun Life Asset Management Company, Inc. relative to the Corporation's investment in any of its products and to open, maintain and/or close accounts, both in local and foreign currency, in relation thereto.

- Authority to open, maintain and/or close accounts and to trade and transact with China Bank Securities Corp.

- Designation of the Corporation's officers as authorized signatories for all bank and broker accounts, facilities, transactions, credit lines and all other treasury related transactions and documents.