COVER SHEET

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S.E.C. Registration Number

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

.

(Company's Full Name)

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

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

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

L I N A   A N D R A D A

Contact Person

8 7 0 0 1 0 0

Company Telephone Number

1 2	3 1	Definitive Information Statement S E C 2 0 - I S	0 3	1 9
Month	Day	FORM TYPE	Month	Day
Calendar Year				

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = Pls. Use black ink for scanning purposes

PHINMA
Making Lives Better

PHINMA Corporation

Certification

I, **Rizalina P. Andrada, Vice President Finance** of **PHINMA Corporation** with SEC registration number **12397** with principal office at **Level 12, PHINMA Plaza, Plaza Drive, Rockwell Center, Makati City**, on oath state:

1) That on behalf of **PHINMA Corporation**, I have caused this report on **SEC Form 20-IS (Definitive Information Statement) CY 2020** to be prepared;

2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;

3) That the company **PHINMA Corporation** will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and

4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this 16th day of March 2021.

Rizalina P. Andrada
Vice President Finance

16 MAR 2021

SUBSCRIBED AND SWORN to before me this _____day of_____________, 2021 in MAKATI CITY, affiant exhibited to me her Passport No. [redacted] issued on [redacted], [redacted] at [redacted] with expiration date of [redacted]

NOTARY PUBLIC
JOEL S. LLANILLO
COMMISSION NO. [redacted]
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2021
12/F THE PHINMA PLAZA, 39 PLAZA DRIVE
ROCKWELL CENTER, MAKATI CITY
ROLL NO. 53693
PTR NO. 8544593; 1/11/2021; MAKATI CITY
IBP NO [redacted] LIFETIME; BULACAN CHAPTER
MCLE Compliance No. V1-0021494

Doc. No. 6
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Book No. 34
Series of 2021

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PHINMA Corporation

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, 14 April 2021, at 3:00 p.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. Amendment of By-Laws
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. 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 March 17, 2021.

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 April 08, 2021 by email to phncorpsec@phinma.com.ph. Validation of proxies is set on April 08, 2021 starting at 9:00 a.m.

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Stockholders who wish to participate by remote communication should notify the Corporation by email to phncorpsec@phinma.com.ph on or before April 08, 2021.

Procedures for participating in the meeting through remote communication and for voting will be included in the Information Statement to be disclosed on March 19, 2021.

TROY A. LUNA
Corporate Secretary

Annex "A"

PHINMA CORPORATION
ANNUAL SHAREHOLDERS MEETING
Wednesday, April 14, 2021, 3:00 pm
Through livestreaming at 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 March 17, 2021 and to the Securities and Exchange (SEC) and Philippine Stock Exchange (PSE), as well as the date of publication of the notice in a newspaper of general circulation. The Corporate Secretary will likewise certify as to the existence of a quorum.

Stockholders may participate in the meeting only by remote communication. Stockholders who have informed the Corporation of their attendance by email to phncorpsec@phinma.com.ph on or before April 08, 2021 shall be considered present at the meeting, subject to the procedure set forth in Annex "E" of the Information Statement to be posted on the Company's website.

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 April 08, 2021. 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 April 08, 2021 by email to phncorpsec@phinma.com.ph.

ii) All the items in the agenda for approval by the stockholders, except the amendment of By-laws and election of directors, will need the affirmative vote of stockholders, in person or by proxy, representing at least a majority of the shares of stock present or represented at the meeting. The proposed amendment of By-laws will require the approval of stockholders, in person or by proxy, representing at least two-thirds (2/3) of the total issued and outstanding capital stock of the Corporation. Each of the proposed resolutions will be shown on the screen as the same is taken-up at the meeting.

iii) Election of directors will be based on the number of votes cast by each stockholder present at the meeting, as described below.

iv) The Committee of Inspectors of Proxies and Ballots will tabulate all votes cast and received, and an independent third party will validate the results. The Corporate Secretary will report the results of voting during the meeting.

v) 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 April 08, 2021. These will be answered during the meeting or via email to the stockholder sending the question, subject to appropriateness, relevance and time limits.

vi) 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 or concerns on matters arising from and relevant to the meeting held.

3. Minutes of Previous Meeting

The minutes of the Annual Shareholders' Meeting held on June 24, 2020 are 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 2020 and other matters deemed relevant to the stockholders.

The Audited Financial Statements as of December 31, 2020 and management's report will be included in the Information Statement.

5. Ratification of all acts of the Board of Directors, Committees and Management

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

6. Amendment of By-Laws

The Corporate Secretary will present the proposed amendment of the By-laws of the Corporation, moving the quarterly meetings of the Board of Directors from the third week of the month following the end of each calendar quarter, to such dates and at such times and places as the Chairman or in his absence, the President may determine.

7. **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 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 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 recorded.

8. **Appointment of External Auditors**

The stockholders will be requested to vote and 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.

9. **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.

10. **Adjournment**

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

BALLOT / PROXY

Please mark as applicable :

☐ **Vote by ballot**

The undersigned stockholder of **PHINMA CORPORATION**, (the "Company") cast his/her vote on the agenda items for the 2021 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* and *proxy*, with power of substitution, to 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 **April 14, 2021** and at any of the 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.	Amendment of By-Laws	☐ Yes ☐ No ☐ Abstain
5.	Election of Directors	
	☐ Vote for all nominees listed below: Oscar J. Hilado Ramon R. del Rosario, Jr. Magdaleno B. Albarracin, Jr. Victor J. del Rosario Jose L. Cuisia, Jr. Eduardo A. Sahagun Meliton B. Salazar, Jr. Edgar O. Chua (*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 : _______________________ _______________________ _______________________ _______________________ _______________________ _______________________
6	Appointment of Sycip Gorres Velayo & Co. as external auditor for CY 2021	☐ Yes ☐ No ☐ Abstain
7.	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**

QUESTION / COMMENT : ____

____

This PROXY should be received by the Corporate Secretary **ON OR BEFORE April 8, 2021.** Proxies need not be notarized. Please attach a photocopy of any government issued identification with photo and signature such as passport, driver's license or SSS ID for identification purposes.

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expressed his intention to vote in person.

This proxy, when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the Information Statement and/or as recommended by Management or the Board of Directors.

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 March 17, 2021 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 April 8, 2021 . 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 March 17, 2021 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 April 8, 2021. 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 April 8, 2021. 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

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 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 3	**1 9**
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

SEC Number 12397 File Number

______

PHINMA CORPORATION

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

Telephone No.: **8870-0100**

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

DEFINITIVE INFORMATION STATEMENT
(SEC FORM 20 - IS)

Amendment Designation (If Applicable)

December 31, 2020
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	**-**	**April 14, 2021, Wednesday**
Time	**-**	**03:00 p.m.**
Place	**-**	**The meeting will be conducted virtually and participation will be via remote communication**
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): **March 19, 2021**

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, 2020)
Common shares	**272,372,965 shares**
Amount of Debt	**P7.1 billion**

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

Yes **<u>x</u>** 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 March 19, 2021 and is being furnished to stockholders of record of PHINMA CORPORATION, (the "Company" or "PHN") as of March 17, 2021 in connection with its Annual Stockholders Meeting.

WE ARE NOT SOLICITING YOUR PROXY.

A. BUSINES AND GENERAL INFORMATION

ITEM 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 before April 8, 2021. 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 April 8, 2021. 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 April 8, 2021 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 April 8, 2021.

Date	:	**April 14, 2021**
Time	:	**3:00 p.m.**
Place	:	**The meeting will be conducted virtually and participation will be via remote communication**
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): **March 19, 2021**

ITEM 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 80 of the Revised Corporation Code of the Philippines (the "Code") 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 the shares in the following instances:

a) In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder 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 term of corporate existence;

b) 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;

c) In case of merger or consolidation; and

d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

Section 81 of the Revised Corporation Code provides the following procedure on how the appraisal right may be exercised by any stockholder who shall have voted against a proposed corporate action on any of the above instances:

1) The dissenting stockholder who votes against a proposed corporate action may a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken: *Provided*, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the corporation shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the stockholder's shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

2) If within sixty (60) days from the approval of the corporate action 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 stockholder, 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: *Provided*, That no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment: *Provided, further*, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer the shares to the corporation.

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

a) 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.

b) 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

ITEM 4. Voting Securities and Principal Holders Thereof

a) Voting Securities

As of December 31, 2020, there are 272,372,965 shares of the Company's common stock that are outstanding. Of the said outstanding voting shares, 255,171,499 shares are owned by Filipinos and 17,201,466 shares are owned by foreign nationals. Each share is entitled to notice of and to one vote at the Annual Stockholders' Meeting.

b) Record Date

Only holders of the Company's stock of record at the close of business on March 17, 2021 are entitled to the notice of and to vote in the Annual Meeting to be held on April 14, 2021.

c) Voting Rights

In accordance with Section 23 of the Revised Corporation Code, and consistent with Company's By-Laws (the"Company's By-Laws"), directors of the Company shall be elected by cumulative. 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. A stockholder may: a) vote such number of shares for as many persons as there are directors to be elected; b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or (c) 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.

d) Security Ownership of Certain Record and Beneficial Owners

The table below shows persons or groups known to PHN as of December 31, 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	166,873,950	61.27%
Common	Philippine Depository and Trust Corporation[2] MSE Bldg. Ayala Avenue Makati City Stockholder	Various	Filipino	64,249,338	23.59%

Common	Philippine Depository and Trust Corporation[2] MSE Bldg. Ayala Avenue Makati City Stockholder	Various	Foreign	17,201,466	6.32%

[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.

Security Ownership of Management

The table below shows the securities beneficially owned by all directors, nominees and executive officers of PHN as of December 31, 2020.

Table 2 - Security Ownership of Management

Title of Class	Name of Beneficial Owner	No. of shares	Nature of Beneficial Ownership	Citizenship	% of Ownership
Common	Oscar J. Hilado	110,000 1,204,442	Direct Indirect	Filipino	.040% .442%
Common	Magdaleno B. Albarracin, Jr.	9,745,459	Direct	Filipino	3.578%
Common	Victor J. del Rosario	1,069,245 714,138	Direct Indirect	Filipino Filipino	.393% .262%
Common	Ramon R. del Rosario, Jr.	82,877 3,776,984 714,139	Direct Indirect Indirect	Filipino Filipino Filipino	.030% 1.387% .262%
Common	Roberto M. Laviña	857,106	Direct	Filipino	.315%
Common	Jose L. Cuisia, Jr.	10,927	Direct	Filipino	.004%
Common	Guillermo D. Luchangco	1	Direct	Filipino	.000%
Common	Rizalina G. Mantaring	1	Direct	Filipino	.000%
Common	Troy A. Luna	1	Direct	Filipino	.000%
Common	Juan B. Santos	1	Direct	Filipino	.000%
Common	Lilia B. de Lima	1	Direct	Filipino	.000%
Common	Pythagoras L. Brion	320,746	Direct	Filipino	.118%
Common	Regina B. Alvarez	442,571	Direct	Filipino	.162%
Common	Cecille B. Arenillo	6,526	Direct	Filipino	.002%
Common	Rizalina P. Andrada	315	Direct	Filipino	.000%
Common	Nanette P. Villalobos	21,450	Direct	Filipino	.008%
Common	Danielle R. del Rosario	30	Direct	Filipino	.000%
Common	Rolando D. Soliven	-	Direct	Filipino	.000%
Common	Peter V. Perfecto	9,000	Direct	Filipino	.003%
Common	Edmund Alan A. Qua Hiansen	-	Direct	Filipino	.000%
Common	Grace M. Purisima	-	Direct	Filipino	.000%
Common	Ma. Concepcion Z. Sandoval	-	Direct	Filipino	.000%
Directors and Officers as a Group		**19,085,960**			**7.007**

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.

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.

ITEM 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 3.578% 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	83	Chairman of the Board
Ramon R. del Rosario, Jr.	Filipino	76	Vice Chairman and President & CEO
Roberto M. Laviña	Filipino	70	Director, Senior Exec. Vice President & COO
Magdaleno B. Albarracin, Jr.	Filipino	84	Director
Victor J. del Rosario	Filipino	72	Director, Executive Vice President
Amb. Jose L. Cuisia, Jr.	Filipino	76	Director
Troy A. Luna	Filipino	58	Director
Juan B. Santos	Filipino	82	Independent Director
Lilia B. de Lima	Filipino	80	Independent Director
Guillermo D. Luchangco	Filipino	81	Independent Director
Rizalina G. Mantaring	Filipino	61	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 Vice-Chairman of Union Galvasteel Corporation. Mr. Hilado is also an Independent Director and Chairman of the Audit Committee of A. Soriano Corporation, Philex Mining Corporation, Smart Communications, Inc., Rockwell Land Corporation and Roxas Holdings Inc. He is also a Director of Seven Seas Resort and Leisure, Inc. PHINMA Solar Energy Corporation, Digital Telecommunications Philippines, Inc. (DIGITEL), Manila Cordage Company, Beacon Property Ventures, Inc., Pueblo de Oro Development Corporation, United Pulp and Paper Co., Inc. Phil. Cement Corporation, PHINMA Hospitality Inc., PHINMA Microtel Hotels, Inc., PHINMA Education Holdings, Inc., Araullo University, Inc., Cagayan de Oro College, Inc., University of Iloilo, Inc., University of Pangasinan, Inc., Southwestern University, St. Jude College, Manila; Republican

College; Rizal College of Laguna; and Pamalican Resort, Inc. Mr. Hilado is a Certified Public Accountant with a Bachelor of Science Degree in Commerce from the De La Salle College in Bacolod and a Master's Degree in Business Administration from the Harvard Graduate School of Business. He has been a Director of the Company since 1969 and is also the Chairman of the Executive Committee and Retirement Committee of the Company. He attended the Annual Corporate Governance seminar conducted by SEC-accredited training provider Center for Global Best Practices (CGBP) on October 23, 2020.

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

Magdaleno B. Albarracin, Jr. is the Vice-Chairman of Philippine Investment Management, Inc. (PHINMA, Inc.) and the Chairman of its Executive Committee. He is a director of PHINMA Corporation and all other PHINMA, Inc. companies. He has been with PHINMA, Inc. since June 23, 1971. He was president and a former director of Holcim Philippines, Inc. Dr. Albarracin was a member of the Board of Regents of the University of the Philippines (U.P.) as well as Board of Trustees of U.P. Engineering Research and Development Foundation, Inc. (UPERDF). He was the Chairman of the Board of Trustees of the University of San Carlos, Cebu City. He served as Dean of the UP College of Business Administration and was President of the ASEAN Federation of Cement Manufacturers. Dr. Albarracin has a Bachelor of Science degree in Electrical Engineering from the University of the Philippines and a Master of Science degree in Electrical Engineering from the University of Michigan. He obtained his Master in Business Administration degree from the University of the Philippines and his Doctorate in Business Administration from Harvard University. He has been with PHINMA, Inc. since June 1971 and has been a Director of PHINMA Corporation since 1980. He attended the Annual Corporate Governance seminar conducted by SEC-accredited training provider Center for Global Best Practices (CGBP) on October 23, 2020.

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

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

Jose L. Cuisia, Jr. was the Philippine Ambassador Extraordinary and Plenipotentiary to the United States of America and non-resident Ambassador to Trinidad & Tobago, the US Virgin Islands, Grenada, Puerto Rico, the Commonwealth of Jamaica and the Republic of Haiti, Antigua & Barbuda, Barbados, the Commonwealth of Dominica, The Federation of St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines. Ambassador Cuisia previously served the Philippine Government as Governor of the Philippine Central Bank and Chairman of its Monetary Board from 1990- 1993, was Governor for the Philippines to the International Monetary Fund and Alternate Governor to the World Bank. He was also Administrator and CEO of the Philippine Social Security System from 1986-1990. He was also appointed Commissioner, representative of the Employer's Group, for the Social Security System (SSS) from September-December 2010. He was President and CEO of Philam Life for 16 years. He is the Chairman of the Board of The Covenant Car Company, Inc. (TCI), FWD Insurance He is Vice-Chairman of the Board and Lead Independent Director of SM Prime Holdings (SMPHI). He holds directorates in Manila Water Company, Inc., Century Properties Group, Inc., PHINMA, Inc. and Asian Breast Center, Inc. Ambassador Cuisia was elected as Chairman of the Board of Trustees of the University of Asia & the Pacific (UA&P) in 2019; elected to the Board of Trustees of the De La Salle Medical & Health Sciences Institute and De La Salle University -Dasmarinas in December 12, 2019 and the former Chairman, Current Trustee and Treasurer of the Ramon Magsaysay Awards Foundation.. Ambassador Cuisia is a recipient of numerous awards including 2016 Ten Outstanding Filipino (TOFIL) and 2016 Order of the Sikatuna, among others. He obtained his BSC-Accounting and AB-Social Sciences degrees (*Magna cum Laude)* from De La Salle University and Master's degree in Business Administration from University of Pennsylvania. He has been a Director of the Company since 1994. He attended the Annual Corporate Governance seminar conducted by SEC-accredited training provider Center for Global Best Practices (CGBP) on October 23, 2020.

Troy A. Luna was elected as Director of the Company on November 5, 2020. He was elected as the Corporate Secretary in March 2017. He also acts as Corporate Secretary of PHINMA, Inc., and other PHINMA-related corporations such as the Pamantasan ng Araullo (Araullo University), Inc., Cagayan de Oro, Inc., University of Pangasinan, Inc., University of Iloilo, Southwestern University, Inc., St. Jude College, Inc., Republican College, Inc., Rizal College of Laguna, Inc., PHINMA Education Holdings, Inc., Asian Plaza, Inc., Union Galvasteel Corporation, PhilCement Corporation, ABCIC Property Holdings, Inc., Toon City Animation, Inc. and other unrelated companies such as TCL Sun, Inc., Newminco Pacific Mining Corporation and Philippine Business for Education, Inc., and a Trustee of the Licensing Executives Society of the Philippines. He holds a Liberal Arts in Economics degree from the De La Salle University. He is a lawyer by profession, having earned his Bachelor of Laws degree from the Ateneo de Manila University School of Law in 1986 and was admitted to the Philippine Bar in 1987. He is a Senior and name Partner of the Migallos & Luna Law Offices. He attended the Annual Corporate Governance seminar conducted by SEC-accredited training provider Center for Global Best Practices (CGBP) on October 23, 2020.

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

Juan B. Santos, was elected as an Independent Director in 2018. He is also a Director of First Philippine Holdings Inc., Allamanda Management Corporation, Philippine Investment Management, Inc., Rizal Commercial Banking Corporation, Sunlife Grepa Financial, Inc. House of Investment Inc; Trustee of Dualtech Training Center Foundation, Inc.; St. Luke's Medical Center; Member of the Board of Advisors of East-West Seeds Co., Mitsubishi Motor Phil. Corporation; Consultant of Marsman-Drysdale Group of Companies. His past experiences include: Chairman of Social Security System; Secretary of Trade and Industry, Philippines ; Chairman and CEO of Nestle Philippines, Singapore and Thailand; Director of Philex Mining Corporation, Philippine Long Distance Telephone Company (PLDT), San Miguel Corporation; Educational Background: Advanced Management from International Institute of Management Development (IMD), Lausanne, Switzerland; Post-graduate studies on Foreign Trade from Thunderbird School of Global Management, Arizona, USA; and Bachelor of Science in Business Administration from Ateneo De Manila University, Philippines. He attended the Corporate Governance seminar conducted by ABCOMP on September 23, 2020.

Lilia B. de Lima received the 2017 Ramon Magsaysay Award for her sustained leadership as Director General of the Philippine Economic Zone Authority, in building a credible and efficient (PEZA) during her 21 years of service from its creation in 1995 to 2016. She is the first woman honored as "Management Man of the Year" by the Management Association of the Philippines in 2010. In 2014 The Philippine-Japan Society recognized her Outstanding Achievement in the Promotion of Philippine-Japan Relation, the first woman to receive the award in 36 years. The Joint Foreign Chambers of Commerce of the Philippines awarded her The Arangkada Lifetime Achievement Award in 2014. She was awarded the Robert Storey International Award for Leadership by The Center for American and International Law in Dallas, Texas in 2013. She was awarded the ASEAN CEO Award in 2011 and in 2010 the Government of Japan bestowed on her the highest award given to a non-head of State, the Order of the Rising Sun, Gold and Silver Star. She is twice a recipient of the Presidential Medal of Merit from the Philippine government. Miss de Lima was also recognized as Outstanding Women in the Nation's Service Award (TOWNS) in the field of law in 1983. She was elected Delegate to the 1971 Constitutional Convention, served as Director of the Bureau of Domestic Trade, Executive Director of the Price Stabilization Council, Department of Trade and Industry, Chief Operating Officer of World Trade Center Manila and Commissioner of the National Amnesty Commission. She earned her Associate in Arts from the Centro Escolar University and her Bachelor of Laws from the Manuel L. Quezon University and subsequently passed the Philippine BAR. She was conferred a Doctor of Laws Honoris Causa by MLQU and is a fellow of the Center for American and International Law in Dallas, Texas, USA. She is Independent Director of IONICS, Inc., IONICS EMS, and FWD Life Insurance Corporation. She is a Director of Rizal Commercial and Banking Corporation (RCBC), Dusit Thani Philippines, Science Park of the Philippines, RFM Science Park of the Philippines, Pueblo de Oro Development Corporation, Regatta Properties Inc. She is an Executive-in-Residence in the Asian Institute of Management (AIM) and a Trustee of Fatima Center for Human Development. She was elected as Independent Director of the Company on April 19,2018. She attended the Annual Corporate Governance Seminar conducted by SEC- accredited training provider Center For Global Best Practices (CGBP) on October 23, 2020.

Rizalina G. Mantaring was the CEO of Sun Life Financial Philippines until her retirement in June 2018, after which she assumed the chairmanship of Sun Life Financial Philippine Holding Co. until she stepped down in August 2019. She started her career in Information Technology, joining Sun Life in 1992 as Senior Manager for Asia Pacific of its Information Systems Department and progressively took on a variety of roles until she was appointed Chief Operations Officer for Asia in 2008. She is an Independent Director of Ayala Corporation Inc., Ayala Land, Inc., First Philippine Holdings Corporation Inc., East Asia Computer Center Inc. and MicroVentures Foundation. She is also a director of Sun Life Grepa Financial Inc. Among her other affiliations are as Board of Trustees of Makati Business Club, Philippine Business for Education, Parish-Pastoral Council for Responsible Voting (PPCRV), and Operation Smile Philippines. She was also President of the Management Association of the Philippines and the Philippine Life Insurance Association. A recipient of the Asia Talent Management Award in the Asia Business Leaders Award organized by the global business news network CNBC, she has also been recognized by the International Association of Business Communicators (Philippines) with the CEO Excel award, and was named by Moneysense Magazine as one of the 12 Most Influential in Personal Finance. She was selected as one of the 100 Most Outstanding Alumni of the past century by the University of the Philippines College of Engineering and received the PAX award, the highest award given to outstanding alumnae, in 2019 from St. Scholastica's College Manila. She holds a BS Electrical Engineering degree from the University of the Philippines where she graduated with honors. She obtained her MS degree in Computer Science from the State University of New York at Albany. She is also a Fellow, Life Management Institute (with distinction) and Associate, Customer Service (with honors) of the Life Office Management Association ("LOMA"). She was elected as Independent Director of the Company on April 12, 2019. She attended the Annual Corporate Governance seminar conducted by SEC-accredited training provider Center for Global Best Practices (CGBP) on October 23, 2020.

b) Executive Officers

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	76	President and CEO
Roberto M. Laviña	Filipino	70	Senior Exec. Vice President and COO
Victor J. del Rosario	Filipino	72	Executive Vice President
Pythagoras L. Brion	Filipino	68	Senior Vice President
Regina B. Alvarez	Filipino	54	Senior Vice President and CFO
Cecille B. Arenillo	Filipino	63	Vice President and Compliance Officer
Nanette P. Villalobos	Filipino	48	Vice President and Treasurer
Rizalina P. Andrada	Filipino	61	Vice President – Finance
Rolando Soliven	Filipino	46	Vice President – Group Corporate Assurance
Peter Perfecto	Filipino	55	Vice President – Public Affairs
Danielle R. del Rosario	Filipino	43	Vice President – Director for Strategy
Edmund Alan A. Qua Hiansen	Filipino	37	Assistant Vice President Investor Relations Officer
Grace M. Purisima	Filipino	38	Assistant Treasurer
Troy A. Luna	Filipino	58	Corporate Secretary
Ma. Concepcion Z. Sandoval	Filipino	40	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, St. Jude College, Republican College and Rizal College of Laguna. He is also President of the Board of Commissioners of PT Ind Phil Management, Vice Chairman of PHINMA Property Holdings Corp., Chairman of United Pulp and Paper Co., Inc. of the Siam Cement Group, PHINMA Microtel Hotels, Microtel Hospitality, Inc. and other PHINMA-managed companies. He currently serves as a member of the Board of Directors of The Bank of the Philippine Islands (BPI). He served as Secretary of Finance of the Philippines from 1992 to 1993. He is the Chairman of Philippine Business for Education (PBED). He was the Chairman of the Makati Business Club, the Integrity Initiative, National Museum of the Philippines and Ramon Magsaysay Award Foundation. He was selected as the Most Outstanding Student of the Philippines in 1967, one of the Ten Outstanding Young Men (TOYM) of the Philippines in 1978, the MAP Management Man of the Year in 2010 and received the "Business as a Noble Vocation Award" in November 2018 awarded by the International Christian Union of Business Executives or UNIAPAC at the XXVI UNIAPAC World Congress in Lisbon, Portugal. He is the brother of Mr. Victor J. del Rosario. Mr. del Rosario obtained his BSC-Accounting and AB-Social Sciences degrees (*Magna cum Laude)* from De La Salle University and Master's degree in Business Administration from the Harvard Business School. He has been a director of the company since 2002. He attended the Annual Corporate Governance seminar conducted by SEC-accredited training provider Center for Global Best Practices (CGBP) on October

23, 2020.

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

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

Pythagoras L. Brion, Jr. was appointed as Senior Vice President on July 27, 2012. He concurrently serves as Executive Vice President and Group CFO of PHINMA, Inc. He serves in the Board of Directors of St. Jude College, Republican College, PHINMA Hospitality Corporation, PHINMA Solar Corporation and PHINMA PRISM Property Development Inc. He received his Bachelor of Science in Management Engineering degree from Ateneo de Manila University and holds a Master in Business Administration degree from the University of the Philippines.

Regina B. Alvarez was appointed Senior Vice President - Finance of the company since April 2005. Ms. Alvarez is concurrently Senior Vice President – Deputy Group CFO of PHINMA, Inc. and holds various executive posts in PHINMA-managed companies. She is a director of Araullo University, Inc., Cagayan de Oro College, Inc., Southwestern University and T-O Insurance Brokers, Inc. Ms. Alvarez is a Certified Public Accountant and holds a Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines and a Master's degree in Business Administration from the Wharton School of Business.

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

Nanette P. Villalobos was appointed Vice President – Treasurer in January 2019. She was previously the Treasurer for PHINMA ENERGY CORPORATION from 2018 to 2019 and Treasurer for South Luzon Thermal Energy Corporation from 2015-2019. Currently, she also holds the following positions: Vice President and Treasurer for PHINMA, Inc., Assistant Treasurer for PHINMA Property Holdings Corporation, Assistant Treasurer for PHINMA Education Holdings, Inc. and Treasurer for PHINMA Solar Energy Corporation. She obtained her degree in Bachelor of Science in Accountancy from University of the East. She attended the Basic Management Program at the Asian Institute of Management in 2008. She took up a Certification study for Macro Economics at University of Asia and the Pacific in 2014. She is also a member of the Fund Managers' Association of the Philippines.

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

Rolando D. Soliven was elected Vice President – Group Corporate Assurance in April 2019. He has been an officer of the company since March 2012. He holds a Bachelor of Science degree in Accountancy from San Beda College. He has also completed the Enterprise Wide Risk Management Program and the Business Analytics Program of the Asian Institute of Management (AIM). He is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Risk Management Assurance (CRMA), Certified Risk Manager (CRM), and Certified Fraud Examiner (CFE). He is a member of the Institute of Internal Auditors (IIA) and the Association of Certified Fraud Examiners (ACFE).

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

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

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

Grace M. Purisima joined the company in 2011 and was elected Assistant Treasurer in April 2019. She is also the Assistant Treasurer of Philippine Investment Management (PHINMA), Inc. She completed the Ateneo-BAP Treasury Certification Program in 2012. She holds a Bachelor of Arts degree in Management Economics from Ateneo de Manila University.

Troy A. Luna was elected as Director of the Company on November 5, 2020. He was elected as the Corporate Secretary in March 2017. He also acts as Corporate Secretary of PHINMA, Inc., and other PHINMA-related corporations such as the Pamantasan ng Araullo (Araullo University), Inc., Cagayan de Oro, Inc., University of Pangasinan, Inc., University of Iloilo, Southwestern University, Inc., St. Jude College, Inc., Republican College, Inc., Rizal College of Laguna, Inc., PHINMA Education Holdings, Inc., Asian Plaza, Inc., Union Galvasteel Corporation, PhilCement Corporation, ABCIC Property Holdings, Inc., Toon City Animation, Inc. and other unrelated companies such as TCL Sun, Inc., Newminco Pacific Mining Corporation and Philippine Business for Education, Inc., and a Trustee of the Licensing Executives Society of the Philippines. He holds a Liberal Arts in Economics degree from the De La Salle University. He is a lawyer by profession, having earned his Bachelor of Laws degree from the Ateneo de Manila University School of Law in 1986 and was admitted to the Philippine Bar in 1987. He is a Senior and name Partner of the Migallos & Luna Law Offices. He attended the Annual Corporate Governance seminar conducted by SEC-accredited training provider Center for Global Best Practices (CGBP) on October 23, 2020.

Ma. Concepcion Z. Sandoval was elected Assistant Corporate Secretary in March 2017. She also acts as Assistant Corporate Secretary of PHINMA, Inc. and other PHINMA-related companies such as University of Iloilo, PHIINMA Education Holdings, Inc., ABCIC Property Holdings, Inc., Asian Plaza, Inc. and unrelated companies such as TCL Sun, Inc. and Philippine Business for Education, Inc. She earned her Bachelor of Laws degree from San Beda College of Law in 2006 and was admitted to the Philippine Bar in 2007. She holds a Bachelor of Arts major in Legal Management degree from the University of Sto. Tomas. She is a Senior Associate of the Migallos & Luna Law Offices.

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. Other than the foregoing family relationships, none of the directors, executive officers or persons nominated to be elected to PHN's Board are related up to the fourth civil degree, either by affinity or consanguinity.

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***

The Company is not aware of any of the following events having occurred during the past five years up to the date of this report that are material to an evaluation of the ability or integrity of any director, nominee for election as Director, executive officer, underwriter or controlling person of the Company :

1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time ;
2) any conviction by final judgment, including the nature of the offense in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign , excluding traffic violations and other minor offenses ;
3) being subject to 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 ; and
4) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foregin exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.
5) A securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Further, the Company is not involved in or aware of any material legal proceedings that may significantly affect the Company, or any of its subsidiaries or affiliates.

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 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.

The Company, in the regular conduct of business, has entered into transactions consisting of reimbursement of expenses, office space rentals, consultancy fees and grant of non-interest bearing advances with associates and other related parties. Transactions entered into with related parties are at arm's length and have terms similar to the transactions entered into with third parties.

The significant related party transactions entered into by the Company with its associates and entities under common control and the amounts included in the consolidated financial statements with respect to such transactions follow:

2020

Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 11)	Terms	Conditions
Ultimate Parent						
PHINMA Inc.	Share in expenses, management fees and bonus	₱165,140	₱98,265	₱1,495	Noninterest-bearing	Unsecured, no impairment
Associates						
PPHC	Share in expenses	1,126	7	1,743	Noninterest-bearing	Unsecured, no impairment
Other related parties						
T-O Ins. MDC, PFI Phinma Prism, PFI, MDC	Share in expenses	11,190	52,838	2,514	Noninterest-bearing	Unsecured, no impairment
Phinma Prism	Grant of interest-bearing advances	5,140	–	5,140	91 days , 6.1516%	Unsecured, no impairment
Aznar Ent. CDCC, PTC Myanmar	Grant of noninterest-bearing advances	599	–	164,763	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy Fee	3,458	_	1,291	Noninterest-bearing	Unsecured, no impairment
			₱151,110	₱176,946		

2019

Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties	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		

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 December 31, 2020, PHINMA Inc. owns 167,404,950 shares, which represent 61.46% of total outstanding shares of stock of the Company.

Material related party transactions are reviewed by the Audit and Related Party Committee of the Board. The Company have approval requirements and limits on the amount and extent of related party transactions in compliance with the requirements under Revised SRC Rule 68.

Refer to Note 32 – Related Party Transactions of the 2020 Audited Consolidated Financial Statements for further details.

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 Nominations 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 Nominations 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 April 14, 2021:

1. Oscar J. Hilado
2. Magdaleno B. Albarracin, Jr.
3. Victor J. del Rosario
4. Ramon R. del Rosario, Jr.
5. Amb. Jose L. Cuisia, Jr.
6. Eduardo A. Sahagun
7. Meliton B. Salazar, Jr.
8. Juan B. Santos *(Independent)*
9. Lilia de Lima *(Independent)*
10. Rizalina G. Mantaring *(Independent)*
11. Edgar O. Chua *(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 abovementioned nominated persons will be presented to the Company's shareholders for election at the annual stockholders' meeting. The nominated individuals possess all the qualifications and none of the disqualifications provided in the SRC and its Implementing Rules and Regulations. Further, no director has declined to stand for re-election to the Board of Directors since the date of the last Annual Shareholders' Meeting because of a disagreement with the Company on any matter relating to its operations, policies or practices.

Below are the qualifications of Messrs. Eduardo A. Sahagun, Meliton B. Salazar, Jr. and Edgar O. Chua :

Eduardo A. Sahagun, Filipino, age 63, is the President and CEO of Union Galvasteel Corporation, Philcement Corporation and Phinma Solar Energy Corporation. He has held the roles for these companies, since 2017. He is also a director of Union Galvasteel Corporation, Philcement Corporation, Phinma Solar, Phinma Property Holdings Corporation, T-O Insurance Brokers, Inc., Phinma Renewable Energy Corporation and a member of the Board of Trustees of Phinma Foundation, Inc. Concurrently, he is an Independent Director of Philippine Savings Bank and Chairman of Edcommerce Corporation. He was previously a Director and President of Holcim Philippines, Inc., a Director of Holcim Philippines Manufacturing Corporation and Chairman of Holcim Mining and Development Corporation. In 1994, he obtained his graduate degree in Management Science from Arthur D. Little Management Education Institute (now called

Hult International Business School) in Cambridge, MA, USA. Prior to that year, he obtained his Masters in Business Administration Degree from the Ateneo Graduate School of Business in the Philippines. He also attended the Senior Management Program, Senior Leadership Program and Managing Change Program at the Institute for Management Development, based in Lausanne, Switzerland. In 1978, he obtained his Bachelor of Science in Commerce degree, major in Accounting, from Holy Angel University.

Meliton B. Salazar, Jr., Filipino, age 55, is the President and Chief Executive Officer of PHINMA Education Holdings, Inc. and also a Senior Vice President of PHINMA, from year 2003 to present. He carried out several management positions at the Ateneo De Manila University, the latest of which as being the Vice Chairman, Board of Trustee of the said University. He is a Co-Founder and President of the Philippine Business for Education and a member and private sector representative, Governing Board of the Philippine Statistical Research and Training Institute. He is a member of the Board of Directors of PHILAM Asset Management, Inc. and PHINMA Saytanar Education Company, Ltd. He was the President and Chief Executive Officer of STI International, Inc., iAcademy and STI, Inc. from 2001 to 2003. In addition, he was part of the academe, when he became part-time Associate Professor at the School of Management and at the School of Social Sciences of the Ateneo de Manila University from 2007 to 2010 and Part-time Lecturer from 1998 to 1992, with the Department of Economics, Department of English and Department of Math also at the Ateneo de Manila University. He was a part-time Lecturer at the Economics Department of Assumption College and Associate Professor at the Asian Institute of Management. He was a Consultant at the Institute of Environmental Studies and United National Environmental Programme Project from 1997-1998. He became a Research Assistant to both Dr. James Mittelman, Chair of the Department of Regional and Comparative Studies and Dr. Steven Arnold, Director of the International Development Program at the American University from 1993-1995. In 1991, he was an Assistant of Dr. Henry Schwalbenberg, Director of the Program in International Political Economy and Development of Fordham University. Mr. Salazar obtained his B.S. Management Engineering Degree at the Ateneo de Manila University in 1987. After 5 years, he obtained his Master of Arts Degree on International Political Economy and Development from Fordham University, Bronx, New York USA and Doctor of Philosophy on International Relations, major in International Development and Development Management School of Internal Service at The American University, Washington, D.C., 8 years thereafter.

Edgar O. Chua, Filipino, age 63 is currently the President and Chief Executive Officer of Cavitex Holdings, Inc. He has been an Independent Director of Metropolitan Bank and Trust Company since 2017, Philcement and Integrated Micro-Electronics, Inc. since 2014 and Energy Development Corporation since 2007. He currently holds the position of Chairman of the Philippine Eagle Foundation since 2017, Philippine Business for the Environment, De La Salle University Board, De La Salle Science Foundation since 2017 and Makati Business Club since 2016. He is currently the Chairman for the College of Saint Benilde, University of La Salle Bacolod and CEO of De La Salle Philippines. He is a Trustee/Treasurer of Philippine Business for Education and Trustee for the De La Salle Araneta Salikneta since 2015, The English-Speaking Union of the Philippines, Inc. since 2009, Gawad Kalinga Community Development Foundation Inc. since 2005, and Pilipinas Shell Foundation Inc. 2003. He held senior positions within various Shell group of companies, both locally and outside of the Philippines, including but not limited to being the Chairman of Pilipinas Shell Petroleum from September 2003 to May 2017 and being the Country Chairman of Shell companies in the Philippines from September 2003 to October 2016. He earned his Bachelor of Science degree in Chemical Engineering from De La Salle University in 1978 and attended various international seminars and courses including the senior management course in INSEAD in Fontainebleau, France.

The securities owned by the nominees as of December 31, 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 1,204,442	Direct Indirect	.040% .442%
Common	Magdaleno B. Albarracin, Jr.	Filipino	9,745,459	Direct	3.578%
Common	Victor J. del Rosario	Filipino	1,069,245 714,138	Direct Indirect	.393% .262%
Common	Ramon R. del Rosario, Jr.	Filipino	82,877 3,776,984	Direct Indirect	.030% 1.387%

			714,139	Indirect	.262%
Common	Jose L. Cuisia, Jr.	Filipino	10,927	Direct	.004%
Common	Eduardo A. Sahagun	Filipino	-	Direct	-
Common	Meliton B. Salazar Jr.	Filipino	-	Direct	-
Common	Juan B. Santos	Filipino	1	Direct	.000%
Common	Lilia de Lima	Filipino	1	Direct	.000%
Common	Rizalina G. Mantaring	Filipino	1	Direct	.000%
Common	Edgar O. Chua	Filipino	-	Direct	-

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 Nominations 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 Nominations 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. Juan B. Santos
b. Ms. Lilia de Lima
c. Ms. Rizalina G. Mantaring
d. Mr. Edgar O. Chua

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

ITEM 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 2020 and 2019, 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 2021 are as follows:

TABLE 5 - Compensation of Directors and Executive Officers

Name and Principal Position	Year	Salary	Bonus	Others
CEO and the Top 4				
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				
Regina B. Alvarez Senior Vice President and CFO				
Pythagoras L. Brion, Jr. Senior Vice President				
TOTAL	2021* 2020 2019	23,241,529 23,241,829 14,365,266	450,677 21,845,318 11,661,820	660,000 840,000 1,420,000
All other Directors and Officers as a group unnamed	2021* 2020 2019	15,712,162 18,986,162 24,490,870	1,493,193 30,252,684 14,053,248	2,664,000 3,184,000 2,474,000

**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 follow:

Amb. Jose L. Cuisia, Jr.	-	Chairman
Mr. Oscar J. Hilado	-	Member

Mr. Ramon R. del Rosario, Jr.	-	Member
Mr. Juan B. Santos	-	Member

ITEM 7. Appointment of External Auditors

As of December 31, 2020, 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, 2020 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 2020 is Ms. Belinda T. Beng Hui, a SEC accredited auditing partner of SGV. This is the third 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 recommended SGV with Ms. Belinda T. Beng Hui as partner as the Independent Public Accountant for Calendar Year 2021.

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	Tax Fees	All Other Fees
2020	3,285,000.00	-	811,500
2019	3,285,000.00	-	1,142,857

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 2020 and 2019.

Tax Fees - The Company did not engaged SGV & Co. for tax advisory services for the years ended December 31, 2020 and 2019, thus fees amounting to nil, respectively.

All Other Fees represent 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.

ITEM 8. Compensation Plans

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. <u>ISSUANCE AND EXCHANGE OF SECURITIES</u>

ITEM 9. Authorization or Issuance of Securities Other than for Exchange

No action will be presented for stockholders' approval at this year's annual meeting which involves authorization or issuance of any securities.

ITEM 10. Modification or Exchange of Securities

No action will be presented for stockholders' approval at this year's annual meeting which involves the modification of any class of PHN's securities, or the issuance of one class of PHN's securities in exchange for outstanding securities of another class.

ITEM 11. Financial and Other Information

The Company's financial statements for the year ended December 31, 2020 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 CIRCUMSTANCES 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.

ITEM 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action will be presented for stockholders' approval at this year's annual meeting in respect of (1) the merger of consolidation of PHN into or with any other person, or of any other person into or with PHN , (2) acquisition by PHN or any of its stockholders of securities of another person ,

(3) acquisition by PHN of any other going business or of the assets thereof, (4) the sale or transfer or all or any substantial part of the assets of PHN (5) liquidation or dissolution of PHN.

ITEM 13. Acquisition of Disposition of Property

The Company and its subsidiaries purchased and sold parcels of land in the normal course of their business.

No action will be presented for stockholders' approval at this year's annual meeting in respect of any acquisition or disposition of property of PHN.

ITEM 14. Restatement of Accounts

No action will be presented for stockholders' approval at this year's annual meeting which involves the restatement of any of PHN's assets, capital or surplus account.

D. OTHER MATTERS

ITEM 15. Actions with Respect to Reports

At the last Annual Stockholders Meeting held on June 24, 2020, the President and CEO reported to the stockholders the Company and its subsidiaries operational performance in 2019 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 2019 Annual Stockholders Meeting;
b) Ratification of all resolutions of the Board of Directors and acts of Management in 2019 done in the ordinary course of the Company's business;
c) Calendar Year 2019 Audited Financial Statements;
d) Election of eleven (11) Directors, including four (4) independent Directors for 2020;
e) Appointment of SGV as independent external auditor; and
f) Renewal of Management Contract

For the Annual Stockholders Meeting scheduled on April 14, 2021, the President and CEO will report on the operational performance of the Company and its subsidiaries in 2020 while the Senior Vice President and 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 2020 Annual Stockholders Meeting **(Annex D)** ;
b) Ratification of all acts of the Board of Directors, Committees and Management in 2020 done in the ordinary course of the Company's business (**Annex E)**;
c) 2020 Audited Financial Statements **(Annex B**);
d) Amendment of the Corporation's By-Laws;
e) Election of eleven (11) Directors, including four (4) independent Directors for 2021 ; and
f) 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, 2020, the Ratification of all acts of the Board of Directors and of Management since the last Annual Shareholders Meeting, 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. The proposed amendment of By-Laws will require the approval of stockholders, in person or by proxy, representing at least two-thirds (2/3) of the total issued and outstanding capital stock of the Corporation while for the election of directors, it will be based of the number of votes cast by each stockholder present at the meeting.

ITEM 16. Matters Not Required To Be Submitted

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

ITEM 17. Amendment of Charter, By-Laws or Other Documents

The Company will seek stockholders' approval of the amendment of the Corporation's By-Laws, moving the quarterly meetings of the Board of Directors from the third week of the month following the end of each calendar quarter to such dates and at such times and places as the Chairman or, in his absence, the President may determine. The Board of Directors of the Company approved the amendment at its meeting on March 2, 2021.

Section 5, Article IV of the Amended By-Laws of the Corporation be further amended to read as follows :

5. Meeting

The Board of Directors shall hold regular quarterly meetings on <u>such dates and at such times and places, as shall be determined by Chairman or, in his absence, the President</u>.

ITEM 18. Other Proposed Action

Other than the matters indicated in the Notice and Agenda included in this Information Statement, there are no other actions proposed to be taken at the annual meeting.

ITEM 19. 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 April 8, 2021. 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 April 8, 2021 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 April 8, 2021. 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.

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 March 19, 2021.

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 2020 consolidated audited financial statements of the Company, on the company website www.phinma.com.ph upon its approval by the Securities and Exchange Commission.

Gmail

Flora Tolarba <fdtolarba@phinma.com.ph>

PHINMA Corporation Certificates of Independent Director Nominees 2021_March 4, 2021

ICTD Submission <ictdsubmission+canned.response@sec.gov.ph> Thu, Mar 4, 2021 at 2:33 PM
To: fdtolarba@phinma.com.ph

Dear Customer,

SUCCESSFULLY ACCEPTED
(subject to verification and review of the quality of the attached document)

Thank you.

SEC ICTD.

COVER SHEET

1	2	3	9	7					

S.E.C. Registration Number

PHINMA CORPORATION

(Company's Full Name)

LEVEL 12 - PHINMA PLAZA 39 PLAZA DRIVE, ROCKWELL CENTER MAKATI

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

CECILLE ARENILLO

Contact Person

8700100

Company Telephone Number

12 Month 31 Day

Calendar Year

CERTIFICATE OF IND. DIR.

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

CFD

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

Certification

I, **Cecille B. Arenillo, Vice President and Compliance Officer** of **PHINMA Corporation** with SEC registration number **12397** with principal office at **Level 12, PHINMA Plaza, Plaza Drive, Rockwell Center, Makati City**, on oath state:

1) That on behalf of **PHINMA Corporation**, I have caused this report on **Certificate of Independent Director Nominees for the year 2021** to be prepared;

2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;

3) That the company **PHINMA Corporation** will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and

4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of 03 MAR 2021 , 2021.

Cecille B. Arenillo
Vice President and Compliance Officer

SUBSCRIBED AND SWORN to before me this _____day of 03 MAR 2021, 2021 in MAKATI CITY, affiant exhibited to me her Passport [redacted] issued on [redacted] at [redacted] with expiration date of [redacted].

NOTARY PUBLIC
JOEL S. LLANILLO
COMMISSION NO. M-204
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2021
12/F THE PHINMA PLAZA, 39 PLAZA DRIVE
ROCKWELL CENTER, MAKATI CITY
ROLL NO. 53693
PTR NO. 8544593; 1/11/2021; MAKATI CITY
IBP NO. 974819; 9/15/14 LIFETIME; BULACAN CHAPTER
MCLE Compliance No. VI-0021494

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Series of 2021

March 3, 2021

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

Gentlemen:

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 2021.

1. Juan B. Santos
2. Lilia B. De Lima
3. Rizalina G. Mantaring
4. Edgar O. Chua

Thank you.

Very truly yours,

CECILLE B. ARENILLO
Vice President and Compliance Officer

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JUAN B. SANTOS**, Filipino, of legal age and a resident of [redacted] 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)** and have been its independent director since April 19, 2018.

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
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)** and its subsidiaries and affiliates, 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. (For those in government service/affiliated with a government agency or GOCC) I have the required permission from the _(head of the agency/department)_ to be an independent director in **PHINMA Corporation**, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. – ***Not applicable***

7. 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.

8. 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 03 MAR 2021 day of ___________, at MAKATI CITY.

JUAN B. SANTOS

Affiant

SUBSCRIBED AND SWORN to before me this 03 MAR 2021 day of MAKATI CITY at ________________, affiant personally appeared before me and exhibited to me his/her Passport No [redacted] issued at [redacted] valid until [redacted].

Doc. No. 459;
Page No. 93;
Book No. 33;
Series of 2021;

JOEL S. LLANILLO
COMMISSION NO. M-204
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2021
12/F THE PHINMA PLAZA, 39 PLAZA DRIVE
ROCKWELL CENTER, MAKATI CITY
ROLL NO. 53693
PTR NO. 8544593; 1/11/2021; MAKATI CITY
IBP NO. 974819; 9/15/14 LIFETIME; BULACAN CHAPTER
MCLE Compliance No. V1-0021494

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **LILIA B. DE LIMA**, Filipino, of legal age and a resident of [redacted], 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)** and have been its independent director since April 19, 2018.

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
Pueblo de Oro Development Corp.	Director	June 2020
Regatta Properties, Inc.	Director	June 2020
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)** and its subsidiaries and affiliates, 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. (For those in government service/affiliated with a government agency or GOCC) I have the required permission from the __(head of the agency/department)__ to be an independent director in **PHINMA Corporation,** pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. – ***Not applicable.***

7. 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.

8. 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 03 MAR 2021 day of ________, at MAKATI CITY.

LILIA B. DE LIMA
Affiant

SUBSCRIBED AND SWORN to before me this 03 MAR 2021 day of ________ at MAKATI CITY, affiant personally appeared before me and exhibited to me his/her Passport N[redacted] issued at [redacted] on [redacted]

Doc. No. 460;
Page No. 93;
Book No. 33;
Series of 2021;

JOEL S. LLANILLO
COMMISSION NO. M-204
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2021
12/F THE PHINMA PLAZA, 39 PLAZA DRIVE
ROCKWELL CENTER, MAKATI CITY
ROLL NO. 53693
PTR NO. 8544593; 1/11/2021; MAKATI CITY
IBP NO. 974819; 9/15/14 LIFETIME; BULACAN CHAPTER
MCLE Compliance No. V1-0021494

CERTIFICATION OF INDEPENDENT DIRECTOR

I, RIZALINA G. MANTARING , Filipino, of legal age and a resident of [redacted], 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)** and have been its independent director since April 12, 2019.

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	8 years 5 months
Ayala Corporation Inc.	Independent Director	1 year
Ayala Land, Inc.	Independent Director	6 years 11 months
First Philippine Holdings, Inc.	Independent Director	4 years 10 months
Universal Robina Corp. Inc.	Independent Director	8 months
East Asia Computer Center, Inc.	Independent Director	2 years 5 months
Microventures Foundation, Inc.	Independent Director	7 years
Makati Business Club	Trustee/Treasurer	3 year 5 months/ 1 year 9 months
Philippine Business for Education	Trustee	3 years 10 months
PPCRV	Trustee	1 year 3 months
Operation Smile Philippines	Trustee	1 year 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)** and its subsidiaries and affiliates, 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. (For those in government service/affiliated with a government agency or GOCC) I have the required permission from the _(head of the agency/department)_ to be an independent director in **PHINMA Corporation**, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. - ***Not applicable.***

7. 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.

8. 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 0 3 MAR 2021 day of ____________, at MAKATI CITY

RIZALINA G. MANTARING
Affiant

SUBSCRIBED AND SWORN to before me this 0 3 MAR 2021 day of ________ at MAKATI CITY, affiant personally appeared before me and exhibited to me her Driver's License ID No [redacted] issued on [redacted] and with expiry date of [redacted]

Doc. No. 462;
Page No. 94;
Book No. 33;
Series of 2021;

JOEL S. LLANILLO
COMMISSION NO. M-204
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2021
12/F THE PHINMA PLAZA, 39 PLAZA DRIVE
ROCKWELL CENTER, MAKATI CITY
ROLL NO. 53693
PTR NO. 8544593; 1/11/2021; MAKATI CITY
IBP NO. 974819; 9/15/14 LIFETIME; BULACAN CHAPTER
MCLE Compliance No. V1-0021494

CERTIFICATION OF INDEPENDENT DIRECTOR

I, EDGAR O. CHUA , Filipino, of legal age and a resident of , 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	8 years 5 months
Ayala Land, Inc.	Independent Director	6 years 11 months
First Philippine Holdings, Inc.	Independent Director	4 years 10 months
Microventures Foundation, Inc.	Independent Director	7 years
Makati Business Club	Trustee/Treasurer	3 year 5 months/ 1 year 9 months
Philippine Business for Education	Director	3 years 10 months
East Asia Computer, Inc.	Independent Director	2 years 5 months
Roosevelt College	Independent Director	2 years 5 months
Far Eastern University (Alabang)	Independent Director	2 years
PPCRV	Trustee	1 year 3 months
Operation Smile Philippines	Trustee	1 year 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)** and its subsidiaries and affiliates, 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. (For those in government service/affiliated with a government agency or GOCC) I have the required permission from the _(head of the agency/department)__ to be an independent director in **PHINMA Corporation (PHN),** pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. ***Not applicable***

7. 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.

8. 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 ________ day of ___________, at 0 3 MAR 2021 MAKATI CITY.

EDGAR O. CHUA

Affiant

SUBSCRIBED AND SWORN to before me this 0 3 MAR 2021 day of at MAKATI CITY, affiant personally appeared before me and exhibited to me his [redacted]

Doc. No. 461;
Page No. 94;
Book No. 33;
Series of 2021;

JOEL S. LLANILLO
COMMISSION NO. M-204
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2021
12/F THE PHINMA PLAZA, 39 PLAZA DRIVE-
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IBP NO. 974819; 9/15/14 LIFETIME; BULACAN CHAPTER
MCLE Compliance No. VI-0021494

PHINMA
Making Lives Better

PHINMA Corporation

March 3, 2021

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. Relevant provisions from the 2019 Revised Corporation Code of the Philippines (R.A. 11232) were incorporated into the Manual in October 2020.

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

As of December 31, 2020, PHINMA Corporation has substantially complied with the principles and best practices contained in the Manual on Good Corporate Governance. There were no sanctions imposed on any director, officer or employee for non-compliance with the Manual.

Compliance Monitoring and Improving Corporate Governance

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

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

ANNEX B

Audited
Consolidated
Financial Statements
Calendar Year 2020

PHINMA
Making Lives Better

PHINMA Corporation

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **PHINMA CORPORATION AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2020 and December 31, 2019 and for each of the three years in the period ended December 31, 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Signed this 18th day of March 2021

OSCAR J. HILADO
Chairman of the Board

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

Regina B. Alvarez

REGINA B. ALVAREZ
Senior Vice President and Chief Financial Officer

SUBSCRIBED AND SWORN to before me this ______ day of March 2021 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[redacted]	[redacted]	[redacted]
Ramon R. del Rosario, Jr.	Passport No.[redacted]	[redacted]	[redacted]
Regina B. Alvarez	Passport No.[redacted]	[redacted] – [redacted]	[redacted]

NOTARY PUBLIC

Doc. No. _______
Page No. _______
Book No. _______
Series of 2021

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						1	2	3	9	7

C O M P A N Y   N A M E

PHINMA CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

12TH FLOOR, PHINMA PLAZA, 39 PLAZA DRIVE, ROCKWELL CENTER, MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	SEC	NA

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
ciobci@phinma.com.ph	8870-0100	09178558312

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,227	April 14	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Rizalina P. Andrada	rpandrada@phinma.com.ph	8870-0367	09178558312

CONTACT PERSON's ADDRESS

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

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SGV
Building a better working world

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
PHINMA Corporation
12th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

Opinion

We have audited the consolidated financial statements of PHINMA Corporation and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Recoverability of Goodwill

Under PFRS, the Company is required to annually test the amount of goodwill for impairment. As at December 31, 2020, the Company's goodwill arising from its acquisitions of educational institutions amounted to ₱1,817.9 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically revenue growth rate and discount rate.

The Company's disclosures about goodwill are included in Notes 5 and 17 to the consolidated financial statements.

Audit Response

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui

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. [redacted]
BIR Accreditation No. 08-001998-078-2020,
December 3, 2020, valid until December 2, 2023
PTR No. 8534224, January 4, 2021, Makati City

March 2, 2021

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Data)

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

See accompanying Notes to Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2020	2019	2018
NET INCOME	**₱521,940**	₱437,123	₱174,821
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss in subsequent periods			
Re-measurement gain (loss) on defined benefit obligation (Note 34)	**(10,805)**	(111,937)	83,846
Unrealized gain (loss) on change in fair value of financial assets at fair value through other comprehensive income (Note 14)	**(1,418)**	(61,850)	15,768
Share in unrealized gain on change in fair value of financial assets at fair value through other comprehensive income and defined benefit obligation of associates and joint venture (Note 13)	**18,828**	1,644	937
Income tax effect	**2,814**	31,236	(28,960)
	9,419	(140,907)	71,591
Items to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations	**92**	1,684	(953)
Total other comprehensive income (loss)	**9,511**	(139,223)	70,638
TOTAL COMPREHENSIVE INCOME	**₱531,451**	₱297,900	₱245,459
Attributable to:			
Equity holders of the Parent	**₱181,019**	₱98,069	₱89,620
Non-controlling interests	**350,432**	199,831	155,839
Total comprehensive income	**₱531,451**	₱297,900	₱245,459

See accompanying Notes to Consolidated Financial Statements.

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent											
								Retained Earnings (Note 23)				
	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)	Appropriated	Unappropriated	Subtotal	Non-controlling Interests	Total Equity
Balance, January 1, 2020 (as previously reported)	**₱2,863,312**	**₱259,248**	**(₱134,460)**	**₱205**	**₱153,976**	**₱40,284**	**(₱20,965)**	**₱1,300,000**	**₱2,195,554**	**₱6,657,154**	**₱1,689,476**	**₱8,346,630**
Adjustment as a result of the finalization of the purchase price allocation (Note 6)	–	–	–	–	–	–	–	–	–	–	**(3,955)**	**(3,955)**
Balance, January 1, 2020 (as restated)	**2,863,312**	**259,248**	**(134,460)**	**205**	**153,976**	**40,284**	**(20,965)**	**1,300,000**	**2,195,554**	**6,657,154**	**1,685,521**	**8,342,675**
Net income	–	–	–	–	–	–	–	–	**172,637**	**172,637**	**349,303**	**521,940**
Other comprehensive income (loss)	–	–	–	**92**	–	**(1,362)**	**18,828**	–	**(9,176)**	**8,382**	**1,129**	**9,511**
Total comprehensive income	–	–	–	**92**	–	**(1,362)**	**18,828**	–	**163,461**	**181,019**	**350,432**	**531,451**
Cash dividends (Note 23)	–	–	–	–	–	–	–	–	**(109,004)**	**(109,004)**	**(183,615)**	**(292,619)**
Changes in ownership interests of the Parent Company without loss of control (Note 7)	–	–	–	–	**194,793**	–	–	–	–	**194,793**	**475,891**	**670,684**
Issuance of shares from stock purchase plan (Note 7)	–	–	–	–	**1,341**	–	–	–	–	**1,341**	**3,376**	**4,717**
Deconsolidation of subsidiary (Note 7)	–	–	–	–	**12,243**				**(28,008)**	**(15,765)**	–	**(15,765)**
Put option over NCI (Note 7)	–	–	–	–	**(327,659)**	–	–	–	–	**(327,659)**	**(358,183)**	**(685,842)**
Reversal of appropriation (Note 23)	–	–	–	–	–	–	–	**(1,300,000)**	**1,300,000**	–	–	–
Appropriation of retained earnings (Note 23)	–	–	–	–	–	–	–	**2,415,500**	**(2,415,500)**	–	–	–
Buyback of shares (Note 23)	–	–	**(1,887)**	–	–	–	–	–	–	**(1,887)**	–	**(1,887)**
Balance, December 31, 2020	**₱2,863,312**	**₱259,248**	**(₱136,347)**	**₱297**	**₱34,694**	**₱38,922**	**(₱2,137)**	**₱2,415,500**	**₱1,106,503**	**₱6,579,992**	**₱1,973,422**	**₱8,553,414**

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

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

See accompanying Notes to Consolidated Financial Statements

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

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

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

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

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

			December 31, 2020			December 31, 2019		
Subsidiaries	Nature of Business	Calendar/ Fiscal Yearend	**PHN Direct Interest**	**Direct Interest of Subsidiary**	**PHN Effective Interest**	PHN Direct Interest	Direct Interest of Subsidiary	PHN Effective Interest
Union Galvasteel Corporation (UGC)	Manufacturing and distribution of steel products	December 31	**98.01**	**–**	**98.01**	97.90	–	97.90
PHINMA Education Holdings, Inc. (PEHI)[a and b]	Holding company	March 31	**67.18**	**–**	**67.18**	71.83	–	71.83
Pamantasan ng Araullo (Araullo University), Inc. (AU)[a]	Educational institution	March 31	**–**	**97.57**	**65.55**	–	97.57	70.08
Cagayan de Oro College, Inc. (COC)[a]	Educational institution	March 31	**–**	**91.27**	**61.32**	–	91.27	65.56
University of Iloilo (UI)[a]	Educational institution	March 31	**–**	**69.23**	**46.51**	–	69.23	49.73
University of Pangasinan (UPANG) and Subsidiary[a]	Educational institution	March 31	**–**	**69.33**	**46.58**	–	69.33	49.80
Southwestern University (SWU)[a]	Educational institution	March 31	**–**	**84.34**	**56.66**	–	84.34	60.58
St. Jude College, Inc. (SJCI)[a]	Educational institution	December 31	**–**	**98.30**	**66.04**	–	98.30	70.61
Republican College, Inc. (RCI)[c]	Educational institution	December 31	**–**	**94.41**	**63.42**	–	92.41	66.38
Rizal College of Laguna (RCL)[d]	Educational institution	December 31	**–**	**90.00**	**60.46**	–	–	–
Integrative Competitive Intelligence Asia, Inc. (ICI Asia)[e]	Business research	December 31	**–**	**–**	**–**	100.00	–	100.00
Career Academy Asia, Inc. (CAA)[f]	Educational Institution	March 31	**90.00**	**–**	**90.00**	90.00	–	90.00
PhilCement Corporation (PhilCement)	Distribution of cement products	December 31	**60.00**	**–**	**60.00**	60.00	–	60.00
P & S Holdings Corporation (PSHC)	Investment and real estate holdings	December 31	**60.00**	**–**	**60.00**	60.00	–	60.00
PHINMA Solar Energy Corporation (PHINMA Solar)[g]	Solar rooftop	December 31	**–**	**100.00**	**98.01**	50.00	50.00	98.95
Asian Plaza, Inc. (API)	Lease of real property	December 31	**57.62**	**–**	**57.62**	57.62	–	57.62
One Animate Limited (OAL) and Subsidiary[h]	Business process outsourcing - animation services	December 31	**80.00**	**–**	**80.00**	80.00	–	80.00

[a] *Balances as at and for the year ended December 31 of these subsidiaries were used for consolidation purposes.*
[b] *On January 9, 2020, Asian Development Bank (ADB) subscribed in PEHI shares resulting to change in ownership interest of PHN to 67.18%.*
[c] *On March 12, 2020, PEHI acquired additional 505 shares of RCI resulting to an increase in ownership interest to 94.41%.*
[d] *On July 31, 2020, PEHI acquired 100.00% interest in RCL. Subsequently, on December 5, 2020, PEHI sold 10.00% of its ownership interest in RCL reducing its ownership from 100.00% to 90.00%.*
[e] *On September 18, 2020 PHN divested 100.00% of its interest in ICI Asia.*
[f] *CAA ceased its operations on March 31, 2019.*
[g] *On December 22, 2020, PHN sold its 225.0 million shares in PHINMA Solar to UGC representing 50.00% ownership in PHINMA Solar.*
[h] *OAL owns 100.00% interest in Toon City Animation, Inc. (Toon City). OAL and Toon City ceased operations in April 2013.*

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

The information on the segments of the Company is presented in Note 40 to the consolidated financial statements.

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

The consolidated financial statements of the Company as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 were reviewed and recommended for approval by the Audit Committee on March 1, 2021. On March 2, 2021, the Board of Directors (BOD) approved the issuance of the Company's consolidated financial statements.

2. Basis of Preparation and Consolidation and Statement of Compliance

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

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).

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

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

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

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

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

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

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

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

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

3. Changes in Accounting Polices and Disclosures

Current Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Future Changes in Accounting Policies and Disclosures

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

Effective beginning on or after January 1, 2021

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

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

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

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

Effective beginning on or after January 1, 2022

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

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

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

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

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

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

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

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

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

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

- *Annual Improvements to PFRSs* 2018-2020 Cycle

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

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

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

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

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

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

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

Effective beginning on or after January 1, 2023

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or noncurrent. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- PFRS 17, *Insurance Contracts*

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

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

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

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

4. Summary of Significant Accounting and Financial Reporting Policies

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

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

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

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

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

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

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

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

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

The Company's financial assets at amortized cost includes cash, cash equivalents and trade and other receivables and deposits (presented under "other noncurrent assets) as at December 31, 2020 and 2019.

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

The Company does not have debt instruments at FVOCI as at December 31, 2020 and 2019.

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

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

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

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

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

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVPL. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. This category includes the Company's derivative liability as at December 31, 2020 and 2019.

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

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

This category generally applies to notes payable, trade and other payables, trust receipts payable, due to related parties, lease liabilities, long-term debt and non-controlling interest put liability of the Company as at December 31, 2020 and 2019.

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

Offsetting Financial Instruments

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

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

Derivative Financial Instruments

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

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

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

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

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

Non-controlling Interest Put Liability

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

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

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

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

Classification of Financial Instruments Between Debt and Equity

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

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or

- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

Debt Issuance Cost
Debt issuance costs are deducted against long-term debt and are amortized over the term of the related borrowings using the effective interest rate method.

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

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

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

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

Inventories

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

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

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

Investment in Associates and Joint Ventures

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

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

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

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

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

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

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

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

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

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

Noncurrent Assets and Disposal Groups Held for Sale

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

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

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

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

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

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

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

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

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

In 2020, the Company changed the useful life of its buildings and improvements from 10-25 years to 10-50 years. The revised useful life is based on the 2020 valuation made by an independent firm of appraiser accredited by SEC. The nature and amount of the effect of the change in useful life of buildings and improvements in the current period and the expected effect in future periods are disclosed in the Note 5 to the consolidated financial statements.

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

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

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

Investment Properties

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

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

Land is carried at cost less any impairment in value. Depreciation is calculated on a straight-line basis over 20 years, the estimated useful life of the depreciable investment property which refers to a building unit.

In 2020, the Company changed the useful life of its buildings from 20 years to 50 years. The revised useful life is based on the 2020 valuation made by an independent firm of appraiser accredited by SEC. The nature and amount of the effect of the change in useful life of buildings in the current period and the expected effect in future periods are disclosed in the Note 5 to the consolidated financial statements.

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

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

Business Combinations, Goodwill and Impairment of Goodwill

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

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

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

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

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

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

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

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

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

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

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

The useful lives of intangible assets are as follows:

Software costs	5 years
Student lists	3 years

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

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

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

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

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

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

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

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

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as noncurrent.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tuition, School Fees and Other Services. Revenue is recognized over time when the related educational services are rendered using the output method (i.e., time lapsed over the service period such as semester or school year, depending on the curriculum registered). Total assessments of tuition and other school fees, net of monthly amortization to revenue, are recorded as part of

"Contract liabilities" account in the consolidated statement of financial position and are normally due upon enrollment up to 5 months which corresponds to one semester.

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

Consultancy Services. Revenue from consultancy services are recognized over time using an output-based measure of progress based on milestones achieved assessed by project managers since based on the terms and conditions of the Company's contract with its customers, the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date. Payment for consultancy services is normally due within 60 days from progress billing.

Contract Balances

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

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

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

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

Other Revenues

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

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

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

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

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

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

Pension and Other Employee Benefits

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

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

Net pension cost comprises the following:

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

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

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

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

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

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

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

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

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

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

Stock Purchase Plan

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

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

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

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

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

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

Leases - Beginning January 1, 2019 (Upon Adoption of PFRS 16)

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

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

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

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

Right-of-use assets are subject to impairment.

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

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

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

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

<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, if applicable.

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

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

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

Segment Reporting
The Company is organized into five major business segments namely, investment holdings, property development, construction materials, educational services and business process outsourcing (BPO). In 2020, the Parent Company sold its ownership interest in ICI Asia which is under the BPO segment (see Note 7). Financial information about the Company’s business segments is presented in Note 40 to the consolidated financial statements.

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

Material Associates and Joint Ventures. The consolidated financial statements include additional information about associates and joint ventures that are material to the Company (see Note 13). Management determined material associates and joint ventures as those associates and joint ventures where the carrying amount of the Company's investment is greater than 5% of the total investments in associates and joint ventures as at end of the year and the associate or joint venture contributes more than 5% of the consolidated net income based on the equity in net earnings/losses.

Determining the Lease Term of Contracts with Renewal and Termination Options – Company as a Lessee (Starting January 1, 2019 - Upon Adoption of PFRS 16). The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

Rent expense amounted to ₱112.5 million, ₱80.6 million for the years ended December 31, 2020 and 2019, respectively (see Notes 26, 27 and 37).

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

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

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

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

Leases - Estimating the Incremental Borrowing Rate (Starting January 1, 2019 - Upon Adoption of PFRS 16). The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Company's lease liabilities amounted to ₱419.7 million and ₱279.2 million as at December 31, 2020 and 2019, respectively (see Note 37).

Estimating Allowance for ECLs

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

- General approach for cash and cash equivalents, other receivables and deposits (presented under "Other noncurrent assets" account in the consolidated statement of financial position)

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

- Simplified approach for receivables from customers

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

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

- Incorporation of forward-looking information

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

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

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

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

- Grouping of instruments for losses measured on collective basis

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

  The following credit exposures are assessed individually:
  a. All stage 3 assets, which are considered to be specifically impaired, regardless of the class of financial assets; and
  b. Cash and cash equivalents, other receivables and deposits (presented under “Other noncurrent assets” account in the consolidated statement of financial position).

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

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

Provision for ECL amounted to ₱168.5 million, ₱96.5 million and ₱47.7 million in 2020, 2019 and 2018, respectively. The allowance for ECL amounted to ₱1,013.1 million, ₱866.7 million as at December 31, 2020 and 2019. The carrying amounts of trade and other receivables amounted to ₱3,422.4 million and ₱2,936.9 million as at December 31, 2020 and 2019 (see Note 11).

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

The Company has recorded provision for inventory obsolescence amounting to ₱7.3 million in 2019. The Company did not recognize provision for inventory obsolescence in 2020 and 2018. Write-off of inventory amounted to ₱3.0 million in 2020. The allowance for inventory obsolescence amounted to ₱11.2 million and ₱14.2 million as at December 31, 2020 and 2019, respectively. The carrying amounts of inventories amounted to ₱1,608.0 million and ₱1,379.7 million as at December 31, 2020 and 2019, respectively (see Note 12).

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

No impairment loss on investment in associates was recognized in 2020, 2019 and 2018.

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

The carrying values of investments in associates amounted to ₱965.1 million and ₱950.0 million as at December 31, 2020 and 2019, respectively (see Note 13).

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

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

	Goodwill		Pre-tax Discount		Growth Rates	
	2020	2019	**2020**	2019	**2020**	2019
SWU	**₱996,484**	₱996,484	**9.6%**	10.5%	**5%**	5%
UPANG	**385,817**	385,817	**9.6%**	10.5%	**5%**	5%
UI	**213,995**	213,995	**9.6%**	10.5%	**5%**	5%
AU	**35,917**	35,917	**9.6%**	10.5%	**5%**	5%
COC	**20,445**	20,445	**9.6%**	10.5%	**5%**	5%
SJCI	**103,992**	103,992	**9.6%**	10.5%	**5%**	5%
RCI	**61,286**	13,119	**9.6%**	–	–	–
	₱1,817,936	₱1,769,769				

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

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

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

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

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

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

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

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

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

Carrying values of deferred tax assets amounted to ₱220.3 million and ₱258.5 million as at December 31, 2020 and 2019, respectively (see Note 33). The Company's deductible temporary differences, unused NOLCO and MCIT, for which no deferred tax assets are recognized in the consolidated statements of financial position are disclosed in Note 33.

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

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

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

In 2020, the Company changed the useful lives of certain property and equipment from 10-20 years to 10-50 years. The change in useful lives were accounted for prospectively. The change in the useful lives of certain property and equipment decreased depreciation expense by ₱2.0 million in 2020 and will decrease the annual depreciation expense by the same amount in 2021 and onwards.

In 2020, the Company changed the useful lives of certain investment properties from 20 years to 50 years. The change in useful lives were accounted for prospectively. The change in the useful lives of certain investment properties decreased depreciation expense by ₱9.7 million in 2020 and will decrease the annual depreciation expense by the same amount in 2021 and onwards.

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

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

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

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

All assumptions are reviewed every year-end (see Note 34).

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

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

The methods and assumptions used to estimate the fair value of financial assets and liabilities are discussed in Note 36.

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

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

6. **Business Combination**

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

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

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

Under the pooling of interests method:

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

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

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

Acquisition of Rizal College of Laguna. On August 3, 2020, PEHI signed and closed the Share and Asset Purchase Agreement and acquired 100.00% controlling shares of stock of RCL. Gain on bargain purchase of ₱11.3 million has been recognized as the value of the identifiable assets exceeded the value of the purchase consideration of ₱448.8 million. The gain on bargain purchase has been presented in the 2020 consolidated statement of income as part of "Other income (expenses)". RCL offers Junior High School and the Academic Track (Accountancy & Business Management Strand and the General Academic Strand), Technical Vocational Track (Industrial Arts, Electrical installation III and Maintenance Strands) and ICT Track (Computer Hardware Servicing Strand) for Senior High School. It also offers undergraduate courses in Education, Business Administration, Office Administration and Industrial Technology. It is a school that operates secondary, tertiary and graduate programs.

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

	Fair Values Recognized at Acquisition Date
Total assets:	
Cash and cash equivalents	₱309
Tuition fee and other receivables	666
Land	488,450
Building and improvements	25,934
Furnitures and fixtures	11
Indemnification assets	4,281
Total assets	519,651
Total liabilities:	
Deferred tax liabilities	51,269
Accruals and taxes payable	56
Other payables	4,448
Pension liability	3,777
Total liabilities	59,550
Total identifiable net assets acquired	460,101
Gain on bargain purchase	(11,340)
Purchase consideration transferred	₱448,761

The net assets recognized in the December 31, 2020 financial statements were based on a provisional assessment of the fair value.

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

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

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

	Fair Values Recognized at Acquisition Date
Total assets:	
Cash and cash equivalents	₱49,130
Tuition fee and other receivables	1,802
Prepaid expenses and other current assets	215
Land	143,100

(Forward)

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

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

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

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

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

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

Dilution of Ownership Interest in PEHI

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

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

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

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

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

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

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

This transaction resulted to recognition of "Non-controlling interest put liability" amounting to ₱1,585.9 million and ₱900.0 million as at December 31, 2020 and 2019, respectively, and derecognition of "Non-controlling interests" amounting to ₱358.2 million and ₱657.6 million in 2020 and 2019, with the difference recorded as "Equity reserves" amounting to ₱327.7 million and ₱242.4 million in 2020 and 2019, respectively. As at December 31, 2020, the Company fully expects to complete the IPO within a certain period as agreed in the signed investment agreement and will at that point derecognize the put liability with a corresponding credit to the same component of equity.

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

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

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

Dilution and Acquisition of Ownership Interest of NCI in PhilCement
In 2018, the Parent Company and Vietcement Terminal JSC subscribed 7.5 million shares and 11.5 million shares of PhilCement for total proceeds of ₱75.0 million and ₱115.0 million, respectively. The transaction resulted in a decrease in ownership interest of the Parent Company from 85.7% to

60.0% interest in PhilCement. The transaction resulted in an increase in "Non-controlling interests" and "Equity reserves" accounts by ₱121.7 million and ₱3.3 million, respectively.

Dilution of Ownership Interest of NCI in UGC
In 2016, UGC issued a stock purchase plan in which a bonus will be paid out in five (5) equal annual amortizations from 2016 to 2020 to eligible officers/grantees approved by the Executive Committee. In 2018, UGC issued 217,307 shares with fair value of ₱7.4 million. In addition, UGC issued 583,429 shares for a total consideration of ₱5.1 million. These transactions resulted in an increase in "Non-controlling interests" and "Equity reserves" accounts by ₱7.6 million and ₱3.3 million, respectively.

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

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

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

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

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

8. **Material Partly-owned Subsidiaries**

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

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

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

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

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

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

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

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

Summarized total assets and liabilities as at December 31, 2020 are as follows:

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

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

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

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

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

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

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

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

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

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

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

9. Cash and Cash Equivalents

This account consists of:

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

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

Interest income from cash and cash equivalents amounted to ₱17.2 million, ₱52.7 million and ₱41.0 million in 2020, 2019, and 2018, respectively (see Note 25).

10. Investments Held for Trading

This account consists of investments in:

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

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

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

11. Trade and Other Receivables

This account consists of:

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

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

Advances to suppliers and contractors are noninterest-bearing and normally received within the next financial year. This account mainly consists of safeguard duties paid to Bureau of Customs in relation to the PhilCement's importation of cement. In October 2019, PhilCement filed a petition with the Court of Tax Appeals (CTA) to reverse and nullify the imposition by the Department of Trade and Industry (DTI) of safeguard duties on its importation of cement during the year. As at December 31, 2020 and 2019, safeguard duties paid amounted to ₱475.0 million and ₱109.7 million, respectively.

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

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

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

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

Movements in the allowance for ECLs are as follows:

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

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

12. **Inventories**

This account consists of:

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

Under the terms of the agreements covering liabilities under trust receipts, certain inventories amounting to ₱2,030.9 million and ₱1,203.9 million as at December 31, 2020 and 2019, respectively, have been released to UGC in trust for the banks. UGC is accountable to the banks for the inventories under trust or its sales proceeds.

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

The cost of spare parts and other inventories carried at net realizable value amounted to ₱53.5 million and ₱59.3 million as at December 31, 2020 and 2019, respectively. The Company has allowance for inventory write-down amounting to ₱11.2 million and ₱14.2 million as at December 31, 2020 and 2019, respectively.

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

13. **Investment in Associates and Joint Ventures**

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

	Percentage of Ownership			
	2020		2019	
	Direct	**Effective**	Direct	Effective
Investment in associates:				
PHINMA Property Holdings Corporation (PPHC) [(a)]	**35.42**	**42.71**	35.42	42.71
ABCIC Property Holdings, Inc. (APHI) [(b)]	**26.51**	**28.15**	26.51	28.15
Coral Way City Hotel Corporation (Coral Way) [(c)]	**23.75**	**29.27**	23.75	29.27
PHINMA Hospitality, Inc (PHI) [(d)]	**–**	**20.88**	–	20.88
Interests in joint ventures:				
PHINMA Saytanar Education Company Limited (PHINMA Saytanar) [(e)]	**–**	**35.92**	–	35.92
PT Ind Phil Managemen (IPM) [(e)]	**–**	**47.89**	–	47.89

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

Investment in Associates

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

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

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

	2020	2019
Acquisition costs, balance at beginning and end of year	**₱1,863,322**	₱1,863,322
Accumulated equity in net losses:		
Balance at beginning of year	**(908,288)**	(950,267)
Equity in net earnings (losses)	**(3,733)**	45,779
Dividends	**–**	(3,800)
Balance at end of year	**(912,021)**	(908,288)
Share in other comprehensive income (loss) of associates:		
Balance at beginning of year	**(5,010)**	(6,654)
Share in other comprehensive income	**18,828**	1,644
Balance at end of year	**13,818**	(5,010)
	₱965,119	₱950,024

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

Summarized statements of financial position as at December 31 follow:

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

Summarized statements of comprehensive income are as follow:

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

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

a. PHEN and PPG

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

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

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

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

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

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

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

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

b. PPHC

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

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

As at December 31, 2020 and 2019, the Transfer of Certificate of Title over the property has yet to be transferred in the name of PPHC. PPHC is yet to issue the shares to the Company and APHI, pending approval of the request for increase in capital stock of PPHC by SEC as at March 2, 2021.

c. AB Capital/APHI

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

d. Coral Way

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

e. PHI

In 2015, API, a subsidiary of PHN, subscribed to 12.5 million shares of PHI representing 36.23% of PHI's outstanding shares for ₱125 million. Subscription payable amounting to ₱52.0 million is included in "Due to related parties" in the consolidated statements of financial position as at December 31, 2020 and 2019.

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

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

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

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

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

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

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

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

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

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

(a) PHINMA Saytanar

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

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

(b) IPM

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

14. Financial Assets at FVOCI

This account consists of:

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

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

No dividends were received in 2020 and 2019 from financial assets at FVOCI.

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

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

15. Property, Plant and Equipment

This account consists of:

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

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

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

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

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

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

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

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

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

16. **Investment Properties**

This account consists of:

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

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

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

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

As at December 31, 2020, the fair values of the investment properties amounted to ₱2,371.0 million based on valuations performed by accredited independent appraisers on various dates from 2018 to 2020. The description of the valuation techniques used and key inputs to fair valuation are as follows:

	Valuation Technique	Significant Unobservable Inputs	Range
Land	Market comparable assets	Price per square metre	₱250–₱100,000
Buildings for lease	Market comparable assets	Price per square metre	₱160,700–₱229,167

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

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

PSHC's land is used as a security for its long-term debt (see Note 22). Other than this, the Company has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties.

The Company sold certain investment properties and recognized a net gain of nil, ₱7.7 million and ₱30.7 million in 2020, 2019 and 2018, respectively.

17. Intangible Assets

Following are the details and movements in this account:

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

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

Based on the impairment test performed for each of the CGUs, there was no impairment loss in 2020 and 2018. The Company recognized impairment loss amounting to ₱14.1 million in 2019.

18. Other Noncurrent Assets

This account consists of:

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

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

19. Notes Payable

This account consists of notes payable of the following subsidiaries:

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

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

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

20. Trade and Other Payables

This account consists of:

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

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

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

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

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

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

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

21. **Contract Liabilities**

This account consists of:

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

Unearned revenues pertains to portion of tuition fees received or due from students to which the Company still has an obligation to transfer services to the students within the next financial year.

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

22. **Long-term Debt**

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

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

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

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

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

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

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

The balance of unamortized debt issuance cost follows:

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

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

The details of long-term debts are summarized below:

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[11]: December 31, 2020	Outstanding Amounts[11]: December 31, 2019
PEHI	₱1,500,000[1]	December 7, 2015	RCBC	28 equal quarterly payments of ₱3.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 7, 2019.	December 7, 2025	First five years is based on the three-day average of five-year Philippine Dealing System Treasury Reference Rate (PDST-R2) plus a 1.35% spread or 5.00%, whichever is higher, and to be repriced at the end of the fifth year for the remaining five years at an interest rate based on the interest rate then current or the applicable five-year benchmark rate plus 1.35% spread or 5.00%, whichever is higher.	December 7, 2015	₱500,000	**₱470,486**	₱484,882
PEHI		December 7, 2015	RCBC	28 equal quarterly payments of ₱6.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 7, 2019.	December 7, 2025	First seven years is based on the three-day average of seven-year PDST-R2 plus a 1.40% spread or 5.00%, whichever is higher, and to be repriced at the end of the seventh year for the remaining three years at an interest rate based on the interest rate then current or the applicable three-year benchmark rate plus 1.40% spread or 5.00%, whichever is higher.	December 7, 2015	900,000	**831,525**	860,692
PEHI	1,000,000[1]	December 1, 2015	CBC	28 equal quarterly payments of ₱3.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 8, 2019.	December 8, 2025	First five years is based on the three-day average of five-year PDST-R2 plus a 1.35% spread or 5.00%, whichever is higher, and to be repriced at the end of the fifth year for the remaining five years at an interest rate based on the interest rate then current or the applicable five-year benchmark rate plus 1.35% spread or 5.00%, whichever is higher.	December 8, 2015	500,000	**471,304**	485,543
PEHI		December 1, 2015	CBC	28 equal quarterly payments of ₱3.0 million with the remaining balance to be paid on maturity date. First principal payment commenced on March 8, 2019.	December 8, 2025	First seven years is based on the three-day average of seven-year PDST-R2 plus a 1.40% spread or 5.00%, whichever is higher, and to be repriced at the end of the seventh year for the remaining three years at an interest rate based on the interest rate then current or the applicable three-year benchmark rate plus 1.40% spread or 5.00%, whichever is higher.	December 8, 2015	400,000	**369,318**	382,335

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[11]: December 31, 2020	Outstanding Amounts[11]: December 31, 2019
COC	₱100,000[2]	March 27, 2013	CBC	40 equal quarterly payments of ₱1.3 million. First principal payment commenced on June 27, 2013.	March 27, 2023	Nominal interest rate of 5.81% from March 27, 2013 to March 27, 2018, 6.05% from March 27, 2018 to March 27, 2020 and 6.30% from March 27, 2020 to March 27, 2023 with the EIR of 6.12% over 365 days.	March 27, 2013	₱50,000	**₱11,197**	₱15,575
COC		July 18, 2013	CBC	39 equal quarterly payments of ₱1.3 million. First principal payment commenced on June 27, 2013.	March 27, 2023	Nominal interest rate of 5.81% from July 18, 2013 to June 27, 2018, 6.05% from June 27, 2018 to June 27, 2020 and 7.38% from June 27, 2020 to March 27, 2023 with the EIR of 6.07% over 365 days.	July 18, 2013	50,000	**11,468**	16,387
COC	125,000[3]	June 24, 2018	CBC	28 unequal quarterly payments as follows: 8 quarterly installments of ₱0.3 million from October 9, 2021 to July 9, 2023; 8 quarterly installments of ₱1.6 million from October 9, 2023 to July 9, 2025; 8 quarterly installment of ₱3.1 million from October 9, 2025 to July 9, 2027 and 4 quarterly installments of ₱21.3 million from October 9, 2027 to July 9, 2028. First principal payment will commence on July 9, 2021.	June 9, 2028	Fixed rate of 6.25% p.a. for the first five years; for remaining five years, higher of applicable five-year PDST-R2 plus a spread of up to 100 bps or 6.25% p.a.	July 9, 2018	125,000	**125,720**	125,594
COC	25,000[4]	April 13, 2018	Private funder	One-time payment at maturity date of April 13, 2023.	April 13, 2023	Interest rate at 6.25% per annum payable until fully paid.	April 13, 2018	25,000	**25,000**	25,000
UI	200,000[5]	December 12, 2017	CBC	Quarterly principal payments as follows: ₱1.0 million per quarter for the 3rd and 4th year from initial drawdown; ₱1.5 million per quarter for the 5th and 6th year; ₱2.5 million per quarter for the 7th until 9th year; and, ₱37.5 million per quarter for the 10th year.	December 20, 2027	The borrower has the option, which shall be made known to the bank on the initial drawdown date: i. Fixed for the first seven years. Applicable seven-year PDST-R2 a spread up to 1.25%, for the remaining three years, the applicable three-year PDST-R2 plus a spread up to 1.25%; or, ii. Fixed for ten years, applicable PDST-R2 plus a spread up to 1.35%.	December 20, 2017	100,000	**98,579**	98,535

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[11]: December 31, 2020	Outstanding Amounts[11]: December 31, 2019
UI	₱200,000[5]	December 12, 2017	CBC	Principal payments will be the same with the first drawdown. As per agreement both the first and second drawdown will be repaid at the same dates and terms.	December 20, 2027	The borrower has the option, which shall be made known to the bank on the initial drawdown date: i. Fixed for the first seven years. Applicable seven-year PDST-R2 a spread up to 1.25%, for the remaining three years, the applicable three-year PDST-R2 plus a spread up to 1.25%; or, ii. Fixed for ten years, applicable PDST-R2 plus a spread up to 1.35%.	April 24, 2018	₱100,000	**₱99,312**	₱99,292
AU	57,000[6]	November 29, 2019	CBC	20 equal quarterly payments of ₱3.0 million with the remaining balance to be paid on maturity date. First principal payment commenced on November 29, 2019.	November 29, 2019	Fixed rate for the first five years based on five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT.	November 29, 2019	53,700	**42,472**	52,959
AU	100,000[6]	November 29, 2019	CBC	27 equal quarterly payments of ₱1.5 million starting from November 29, 2022 to May 5, 2029 with the remaining balance of ₱60.3 million to be paid on maturity date. First principal payment will commence on February 28, 2023.	November 29, 2019	Option 1.) Fixed rate for the first five years based on the five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT. Interest rate is subject for repricing for the remaining five years based on: i. Initial interest rate; or ii. Then prevailing five-year Benchmark rate plus interest spread, whichever is higher. Option 2.) Fixed rate for the first seven years based on the five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT. Interest rate is subject for repricing for the remaining three years based on: i. Initial interest rate; or ii. Then prevailing three-year Benchmark rate plus interest spread, whichever is higher. Option 3.) Fixed rate for the first ten years based on the ten-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT.	November 29, 2019	100,000	**98,832**	98,592

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts(11): December 31, 2020	Outstanding Amounts(11): December 31, 2019
AU	₱100,000(6)	November 29, 2019	CBC	28 unequal quarterly payments as follows: 8 quarterly installments of ₱2.5 million from February 28, 2023 to November 29, 2024; 16 quarterly installments of ₱3.8 million from February 28, 20205 to November 29, 2028 and 4 quarterly installment of ₱5.0 million from February 28, 2029 to November 29, 2029. First principal payment will commence on February 28, 2023.	November 29, 2019	Option 1.) Fixed rate for the first five years based on the five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT. Interest rate is subject for repricing for the remaining five years based on: i. Initial interest rate or ii. Then prevailing five-year Benchmark rate plus interest spread, whichever is higher. Option 2.) Fixed rate for the first seven years based on the five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT. Interest rate is subject for repricing for the remaining three years based on: i. Initial interest rate; or ii. Then prevailing three-year Benchmark rate plus interest spread, whichever is higher. Option 3.) Fixed rate for the first ten years based on the ten-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT.	November 29, 2019	₱100,000	**₱98,819**	₱98,591
UPANG	₱156,000(9)	December 21, 2012	CBC	28 equal quarterly payments of ₱5.6 million.	February 1, 2020	Interest shall be payable quarterly in arrears from February 1, 2013 to May 1, 2013 (89 days) shall be at 5.78% p.a. computed as of seven-year PDSTF of 3.97 plus spread of 175bps plus Gross Receipts Tax (GRT) of 1%. Repricing after two years to reflect 5% GRT. Starting May 2015, rate will be at 6.02%.	February 1, 2013	156,000	-	5,571
UPANG	94,000(9)	December 21, 2012	CBC	28 equal quarterly payments of ₱3.4 million.	February 15, 2020	Interest shall be payable quarterly in arrears from February 1, 2013 to May 1, 2013 (89 days) shall be at 5.58% p.a. computed as of seven-year PDSTF of 3.78 plus spread of 175bps plus Gross Receipts Tax (GRT) of 1%. Repricing after 2 years to reflect 5% GRT. Starting May 2015, rate will be at 5.81%.	February 15, 2013	94,000	-	3,357

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[11]: December 31, 2020	Outstanding Amounts[11]: December 31, 2019
UPANG	₱190,000[9]	March 27, 2018	CBC	28 unequal quarterly payments of ₱6.8 million with the remaining balance to be paid on maturity date. First principal payment commenced on December 7, 2018.	March 27, 2028	Interest shall be payable quarterly in arrears from February 27, 2018 to June 27, 2018 (92 days) shall be at 6.50% inclusive of GRT fixed for the first five years. Interest shall be based on five-year PDST-R2 (5.22% + 122 bps + 1% GRT. The interest rate for the remaining five years of the loan shall be the PDST-R2 plus a spread of up to 125 bps or 6.50% whichever is higher.	March 27, 2018	₱190,000	**₱183,287**	₱197,757
UPANG Urdaneta	100,000[9]	September 29, 2015	RCBC	28 quarterly payments, to commence at the end of the 13th quarter from the initial drawdown date.	September 29, 2025	Interest shall be payable quarterly in arrears. i. Fixed rate for the first seven (7) years of the term based on three-day average of seven-year PDST-R2 + 1.42%, subject to repricing at the end of the seventh year; and, ii. On the last three years of the term, the interest rate shall be based on the interest rate then current or the three-day average of three-year PDST-R2 + 1.42%, whichever is higher.	September 29, 2015	100,000	**87,817**	97,772
SWU	400,000[10]	December 6, 2017	RCBC	28 quarterly payments of ₱1.0 million. First principal payment will commence on March 7, 2021.	December 6, 2027	Interest is payable quarterly in arrears, commencing at the end of the first quarter from the initial drawdown date. Interest shall be fixed at 6.66% from years one to five and at 6.94% onwards until maturity.	December 6, 2017	100,000	**99,738**	99,674
SWU		December 6, 2017	RCBC	28 quarterly payments of ₱1.0 million. First principal payment will commence on March 7, 2021.	December 6, 2027	Interest is payable quarterly in arrears, commencing at the end of the first quarter from the initial drawdown date. Interest shall be fixed at 6.66% from years one to five and at 6.94% onwards until maturity.	December 20, 2017	200,000	**199,545**	199,744
SWU		December 6, 2017	RCBC	28 quarterly payments of ₱1.0 million. First principal payment will commence on March 7, 2021.	December 6, 2027	Interest is payable quarterly in arrears, commencing at the end of the first quarter from the initial drawdown date. Interest shall be fixed at 6.66% from years one to five and at 6.94% onwards until maturity.	March 29, 2018	100,000	**99,642**	99,484

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[11] December 31, 2020	Outstanding Amounts[11] December 31, 2019
SWU	₱200,000[10]	April 18, 2018	CBC	27 equal quarterly payments of ₱0.5 million with the remaining balance to be paid on maturity date. First principal payment will commence on July 18, 2021.	April 18, 2028	The borrower has the option, which shall be made known to the bank on the initial drawdown date: i. Fixed for the first five years, applicable five-year PDST-R2 plus a spread of up to 125 bps. For the remaining five years, applicable five-year PDST-R2 plus a spread of up to 125 bps; or, ii. Fixed for the first seven years, applicable seven-year PDST-R2 plus a spread of up to 125 bps; or, iii. Fixed for ten years, for the remaining three years, applicable three-year PDST-R2 plus a spread of up to 125 bps; or, iv. Fixed for ten years, applicable ten-year PDST-R2 plus a spread of up to 135 bps.	April 18, 2018	₱200,000	**₱199,130**	₱188,640
PHN	2,000,000[12]	May 23, 2017	SBC	Principal repayment shall commence at the end of the 3rd year from initial drawdown date until maturity date; balloon payment amounting to ₱1.9 billion or 94% of principal amount on maturity date.	May 21, 2027	Interest rate is equivalent to: i) the applicable 10-year PDST-R2 Benchmark Rate plus an interest spread of 125 basis points per annum (1.25% p.a.), and ii) 6.25% p.a., whichever is higher.	May 23, 2017	2,000,000	**1,979,362**	1,987,971
UGC	400,000[13]	July 12, 2018	BDO	40 quarterly payments of ₱10.0 million	July 13, 2028	First 5 years is based on the 5 year interest rate basis prevailing on the relevant interest setting date plus a margin of 1.00% per annum ("initial interest rate") divided by 0.99 or 5.50% per annum divided by 0.99, whichever is higher, and to be repriced at the end of 5th year for the remaining 5 years at an interest rate based on 5 year interest rate basis prevailing on the relevant interest setting date plus a margin of 1.00% per annum divided by 0.95 or the initial interest rate divided by 0.95, whichever is higher.	July 13, 2018	400,000	**309,924**	347,380

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[11]: December 31, 2020	Outstanding Amounts[11]: December 31, 2019
UGC	₱100,000[14]	July 12, 2018	SBC	40 quarterly payments of ₱2.5 million	July 13, 2028	First 5 years based on the 5-year Peso Benchmark Rate plus 1% spread, subject to the following floor rates of 6.40% for drawdowns made on or before June 7, 2018 or 6.45% for drawdowns made after June 7, 2018 and to be repriced at the end of the fifth year at an interest rate equivalent to the higher of the 5- year Peso Benchmark Rate on repricing date plus 1% spread and interest rate for the first 5 years.	July 13, 2018	₱100,000	**₱76,936**	₱87,083
UGC	218,750[15]	July 19, 2016	BDO	28 equal quarterly payments of ₱4.4 million with the remaining balance to be paid on maturity date	July 20, 2023	Interest rate is based on the 7-year Philippine Dealing System Treasury (PDST)-R2 plus a 1.40% spread or 5.5%, whichever is higher. No repricing of interest rate from amendment date to maturity date.	March 25, 2013	218,750	**143,703**	160,895
UGC	75,000[16]	November 5, 2015	BDO	39 equal quarterly payments	November 5, 2025	First 5 years is based on the 5-year PDST-R2 plus a 1.4% spread or 5.5%, whichever is higher, and on year 5 based on a rate to be negotiated by the Parties within 30 banking days prior to the interest repricing date.	November 5, 2015	75,000	**37,260**	44,660
UGC	75,000[16]	November 12, 2015	SBC	40 equal quarterly payments	November 5, 2025	First 5 years is based on the 3-day average of the 5-year PDST-R2 plus a 1.35% spread or 5.5%, whichever is higher, and to be repriced at the end of the fifth year for the remaining 5 years at an interest rate based on the 3-day average of the 5-year PDST-R2 plus a 1.35% spread or the interest rate set for the first 5 years, whichever is higher.	November 12, 2015	75,000	**37,260**	44,660

(Forward)

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms: Installments	Terms: Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts[11]: December 31, 2020	Outstanding Amounts[11]: December 31, 2019
PhilCement	₱875,000[17, 18]	June 1, 2018	SBC	14 equal quarterly payments [19]	October 25, 2023	Interest rate is based on the 5-year Philippine Dealing System Treasury (PDST)-R2 reference rate for securities with 5-year tenor plus 1.25% spread, subject to floor rate of 5.5% per annum. No repricing of interest rate from availment date to maturity date.	October 25, 2018	₱160,000	**₱135,794**	₱157,692
							January 03, 2019	160,000	**136,114**	158,237
							January 22, 2019	59,000	**50,353**	58,625
							January 25, 2019	65,000	**55,504**	64,640
							April 26, 2019	18,555	**15,714**	18,230
							May 21, 2019	81,439	**69,489**	80,898
							July 5, 2019	251,977	**215,012**	250,318
							September 4, 2019	51,418	**43,857**	51,048
PSHC	154,000[20]	July 15, 2006	UPPC	2 installment payments	July 15, 2023	The effective interest rate after the change in interest rate is 7.00%.	July 15, 2006	154,000	**128,931**	145,907
	Total								**₱7,058,404**	₱7,394,220

[1] The purpose of this debt is to finance the acquisition of majority ownership in AU, COC, UPANG, UI and SWU by the Parent Company.
[2] The purpose of this debt is to finance various capital expenditures of COC.
[3] The purpose of this debt is to finance the expansion and development plans of COC.
[4] The purpose of this debt is for general funding requirements of COC.
[5] The purpose of this debt is to finance the expansion and development plans including school building upgrades and improvement of existing facilities of UI.
[6] The purpose of this debt is to finance various capital expenditures and to refinance existing obligations of AU.
[7] The purpose of this debt is for general funding requirements and refinancing of long-term and short-term loans of AU.
[8] The purpose of this debt is to finance various capital expenditures of AU.
[9] The purpose of this debt is to finance various capital expenditures and to refinance existing obligations of UPANG and subsidiary.
[10] The purpose of this debt is to finance the building development, expansion and purchase of equipment for SWU's Hospital and Company.
[11] Amounts are net of unamortized debt discount and/or debt issue cost.
[12] Amounts are net of unamortized debt discount and/or debt issue cost.
[13] The purpose of this loan is to refinance the outstanding loan of the Company with SBC in the principal amount of ₱182.3 million and to finance general working capital requirements, and acquisition of equipment and plant structural components of the Company.
[14] The purpose of this amended loan is to extend maturity date of old loan to July 20, 2023.
[15] The purpose of this loan is to finance maturing Security Bank loan, finance capital expenditure, and permanent working capital requirements.
[16] The purpose of this loan is to finance plant expansions in Calamba, Davao and Pampanga.
[17] The purpose of this loan is to partially finance construction of an integrated cement processing terminal in Mariveles, Bataan, permanent working capital requirements and importation of equipment.
[18] Availment of loan is staggered based on pre-agreed drawdown schedule during the availability period.
[19] The quarterly installment will commence at the end of the sixth quarter following the initial drawdown date of October 25, 2018.
[20] The purpose of this loan is to finance the acquisition of land from UPPC.

23. **Equity**

a. Capital Stock

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

	Number of Shares	
	2020	2019
Preferred - cumulative, nonparticipating, ₱10 par value		
Class AA - Authorized	**50,000,000**	50,000,000
Class BB - Authorized	**50,000,000**	50,000,000
Issued and subscribed	**–**	–
Common - ₱10 par value		
Authorized	**420,000,000**	420,000,000
Issued	**286,303,550**	286,303,550
Subscribed	**39,994**	39,994
Issued and subscribed	**286,343,544**	286,343,544
Treasury shares	**13,970,579**	13,754,779

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

Capital stock presented in the consolidated statements of financial position is net of subscription receivable amounting to ₱0.1 million as at December 31, 2020 and 2019.

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

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

b. Retained Earnings

Appropriated

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

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

Unappropriated

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

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

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

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

The balance of retained earnings includes Parent Company's accumulated equity in net earnings of subsidiaries and associates which are not currently available for dividend declaration until declared by the respective subsidiaries and associates amounting to ₱916.2 million and ₱2,016.4 million as at December 31, 2020 and 2019, respectively.

c. Buyback of Shares

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

On February 28, 2020, the BOD approved the appropriation of ₱165.5 million for the buyback of shares of the Parent Company until February 28, 2022.

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

24. **Revenue from Contracts with Customers**

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

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

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

Contract balances

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

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

Contract liabilities include unearned revenue from tuition, school and other service fees and deposits from customer for future goods and services. Contract liabilities amounting to ₱609.3 million as at December 31, 2020 are expected to be recognized as revenue within one year upon completion of the school term and delivery of roofing and other steel products or performance of installation service (see Note 21).

25. Investment Income

This account consists of:

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

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

This account consists of:

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

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

	2020	2019	2018
Inventories used (see Note 12)	**₱7,187,400**	₱6,248,448	₱5,857,311
Personnel costs (see Note 29)	**775,101**	784,908	709,203
Depreciation (see Note 30)	**409,297**	240,934	240,675
Laboratory and school supplies	**74,694**	70,868	51,385
Packaging materials	**89,940**	1,315	1,989
Rent (see Note 37)	**88,046**	67,061	39,205
Power and fuel	**69,544**	23,187	22,452
Repairs and maintenance	**37,183**	47,636	58,000
Subscription	**34,866**	6,514	7,040
Graduation expenses	**17,843**	41,074	39,420
Educational tour expenses	**16,788**	29,332	26,453
School materials, publication and supplies	**6,820**	15,762	14,769
School affiliations and other expenses	**5,910**	17,702	11,863
Review expenses	**5,689**	10,497	14,102

(*Forward*)

	2020	2019	2018
Sports development and school activities	**₱1,690**	₱102,380	₱22,483
Accreditation expenses	**1,198**	1,552	1,921
Installation costs	–	1,936	9,155
Others	**214,821**	372,149	175,131
	₱9,036,830	₱8,083,255	₱7,302,557

27. **General and Administrative Expenses**

This account consists of:

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

28. **Selling Expenses**

This account consists of:

	2020	2019	2018
Personnel costs (see Note 29)	**₱210,866**	₱173,156	₱153,143
Freight, handling and hauling	**74,575**	112,131	85,582
Advertising	**34,557**	22,535	63,210
Taxes and licenses	**32,246**	31,525	17,051
Outside services	**31,087**	17,177	7,153
Commission	**30,585**	72,558	62,434
Installation cost	**24,934**	11,943	–

(*Forward*)

	2020	2019	2018
Transportation and travel	**₱17,840**	₱33,142	₱34,855
Depreciation (see Note 30)	**17,403**	7,693	10,053
Postage, telephone and telegraph	**11,795**	11,513	10,559
Supplies	**9,862**	16,399	16,433
Insurance	**6,312**	4,784	5,207
Repairs and maintenance	**4,874**	14,209	12,561
Rental and utilities	**2,758**	3,643	2,806
Entertainment, amusement and recreation	**2,730**	4,559	4,550
Others	**11,270**	13,560	9,361
	₱523,694	₱550,527	₱494,958

29. **Personnel Expenses**

This account consists of:

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

30. **Depreciation and Amortization**

	2020	2019	2018
Property, plant and equipment and investment properties:			
Cost of sales, educational, installation, hospital, and consultancy services (see Note 26)	**₱352,850**	₱216,932	₱236,838
General and administrative expenses (see Note 27)	**55,615**	106,866	65,904
Selling expenses (see Note 28)	**10,093**	7,534	10,053
Intangible assets:			
Cost of sales, educational, hospital installation and consultancy services (see Note 26)	–	–	3,837
General and administrative expenses (see Note 27)	**2,890**	3,237	4,626

(Forward)

	2020	2019	2018
Selling expenses (see Note 28)	**₱813**	₱–	₱–
Right-of-use assets (see Note 37):			
Cost of sales, educational, hospital installation and consultancy services (see Note 26)	**56,447**	24,002	–
General and administrative expenses	**11,472**	–	–
Selling expenses (see Note 28)	**6,497**	159	–
	₱496,677	₱358,730	₱321,258

31. Interest Expense and Other Financing Charges

This account consists of:

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

32. Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions and the parties are subject to common control. Related parties may be individual or corporate entities.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2020, 2019 and 2018, the Company's impairment of receivables from related parties amounted to nil. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The significant related party transactions entered into by the Company with its associates and entities under common control and the amounts included in the consolidated financial statements with respect to such transactions follow:

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

			2019			
Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 11)	Terms	Conditions
Ultimate Parent						
PHINMA Inc.	Share in expenses, management fees and bonus	₱302,560	₱40,282	₱2,751	Noninterest-bearing	Unsecured, no impairment
Associates						
PPHC, PHEN, PPG	Share in expenses	344,832	3	1,308	Noninterest-bearing	Unsecured, no impairment
Coral Way, PHI,	Dividend income	3,805	–	–	Noninterest-bearing	Unsecured, no impairment
Other related parties						
Phinma Power, T-O Ins. CIP II, PFI, Phinma Renewable, MDC	Share in expenses	39,019	52,242	3,313	Noninterest-bearing	Unsecured, no impairment
CDCC, Aznar, PSEd, PTC Myanmar	Grant of noninterest-bearing advances	5,545	16	169,297	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy Fee	3,458	_	1,132	Noninterest-bearing	Unsecured, no impairment
			₱92,543	₱177,801		

PHINMA, Inc. The Parent Company has a 5-year management contract with PHINMA, Inc. up to June 30, 2024, renewable thereafter mutual agreement. Under this contract, PHINMA, Inc. has a general management authority with corresponding responsibility over all operations and personnel of the Parent Company including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance and other business activities of the Parent Company. Under the existing management agreement, the Parent Company pays PHINMA, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of the Parent Company's net income.

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

Management fees and bonuses, presented as "Professional fees and outside services" under "General and administrative expenses" account, amounted to ₱127.7 million, ₱257.5 million and ₱198.8 million in 2020, 2019 and 2018, respectively (see Note 27). The related unpaid amount, presented as "Accruals for professional fees and others" under "Trade and other payables" account in the consolidated statements of financial position, amounted to ₱93.1 million and ₱80.7 million as at December 31, 2020 and 2019, respectively (see Note 20).

PHN, UGC, UI and AU recognized bonus to directors computed based on net income with pre-agreed adjustments. Directors' bonus, presented in "Personnel costs" under "General and administrative expenses" account, amounted to ₱111.3 million, ₱100.5 million and ₱80.5 million in 2020, 2019 and 2018, respectively (see Note 27). The related unpaid amount, presented in "Accruals for personnel costs" under "Trade and other payables" account in the consolidated statements of financial position, amounted to ₱96.7 million and ₱51.5 million as at December 31, 2020 and 2019, respectively (see Note 20).

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

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

33. Income Taxes

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

	2020	2019 (As restated - Note 6)
Deferred tax assets:		
Lease liabilities	**₱60,073**	₱47,485
NOLCO	**47,600**	11,148
Pension liability	**38,694**	35,293
Allowance for ECLs	**29,322**	78,616
Accrued expenses	**19,863**	35,735
Management bonus	**9,186**	21,716

(Forward)

	2020	2019 (As restated - Note 6)
Allowance for inventory write-down	**₱3,014**	₱3,093
Others	**12,546**	25,397
	220,298	258,483
Deferred tax liabilities:		
Excess of fair value over cost	**(422,410)**	(328,225)
Right-of-use assets	**(48,247)**	(45,572)
Fair value adjustments on property, plant and equipment of subsidiaries	**(30,023)**	(68,887)
Unrealized gain on change in fair value	**(2,463)**	(5,805)
Unamortized debt issuance costs	**(2,458)**	(3,720)
Unrealized foreign exchange gain	**(2,002)**	(3,468)
Unamortized capitalized borrowing cost	**(621)**	(597)
Accelerated depreciation	–	(57,053)
Accrued revenue (work in process)	–	(1,970)
Others	**(597)**	(3,562)
	(508,821)	(518,859)
	(₱288,523)	(₱260,376)

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

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

The Company's deductible temporary differences, unused NOLCO and MCIT for which no deferred tax assets are recognized in the consolidated statements of financial position, are as follows:

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

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

AU, UPANG, UPANG Urdaneta, UI, COC and SWU, as private educational institutions, are taxed based on Republic Act (R.A.) No. 8424 which was effective January 1, 1998. Section 27(B) of R.A.

No. 8424 defines and provides that: "A Proprietary Educational Institution is any private school maintained and administered by private individuals or groups with an issued permit to operate from the Department of Education, Culture and Sports, or Commission on Higher Education, or Technical Education and Skills Development Authority, as the case may be, in accordance with the existing laws and regulations shall pay a tax of ten percent (10%) on their taxable income."

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

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

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

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

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

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

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

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

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

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

A. Pension Benefit Obligation

The following tables summarize the components of net pension expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated statements of financial position for the respective plans.

Net pension expense consists of:

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

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

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

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

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

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

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

Change in net pension liability are as follows:

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

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

	2020	2019
Discount rates	**3-5%**	5–7%
Rates of salary increase	**3-6%**	3–6%

The Company has established a retirement fund that is managed by a trustee. The carrying value and fair value of the retirement fund of the Company amounted to ₱382.0 million and ₱354.0 million as at December 31, 2020 and 2019, respectively. The major assets are as follows:

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

As at December 31, 2020 and 2019, the carrying amount of the retirement fund approximates its fair value. Cash and short-term investments include liquid investments in Special Deposit Accounts (SDAs), government securities and mutual funds and UITFs. Marketable equity securities can be sold through the PSE. These include shares of stock of the Parent Company with a fair value of ₱2.2 million as at December 31, 2020 and 2019.

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

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

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

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

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

The average duration of the defined benefit obligation as at December 31, 2020 is between 11.83 to 22.09 years.

B. Defined Contribution Plan

The Company also provides a defined contribution plan that covers all regular full-time employees under which the Company pays fixed contributions based on the percentage contributed by the employees from their monthly salaries.

Participation by employees in the defined contribution plan is voluntary. Total contribution is up to 4% of annual salary, of which, 60% is contributed by the employees and 40% by the Company. There will be separate sub-funds for the defined contribution and benefit plans which will not be commingled with each other or be used to fulfill the funding requirements of both retirement plans.

The Company contributed ₱0.9 million, ₱0.6 million and ₱0.5 million to the defined contribution plan, which were recognized as expense in 2020, 2019 and 2018, respectively. The Company has advances (payable) to the defined contribution plan amounting to ₱0.1 million and (₱0.2 million) as at December 31, 2020 and 2019, respectively.

C. Vacation and Sick Leave

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

Vacation and sick leave expense consists of:

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

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

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

35. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash and cash equivalents, investments held for trading and investments in equity instruments classified as financial assets at FVOCI in Philippine Peso and U.S. dollar currencies. The main purpose of these financial instruments is to finance the Company's investments. The Company also has financial assets and liabilities, such as trade and other receivables and trade and other payables that arise directly from operations.

The main risks arising from the Company's treasury transactions are credit risk, liquidity risk, market risk, foreign currency risk, interest rate risk and equity price risk. Careful study, skill, prudence and due diligence are exercised at all times in the handling of the funds of the Company.

The basic parameters approved by the Investment Committee are:

Investment Objective	**Safety of Principal**
Tenor	Three year maximum for any security, with average duration between one and two years
Exposure Limits	a. For banks and fund managers: maximum of 20% of total funds of the Company per bank or fund b. For peso investments: minimal corporate exposure except for registered bonds c. For foreign currencies: maximum 50% of total portfolio. Limits on third currencies outside USD are set regularly and reviewed at least once a year by the Investment Committee d. For investments in equities whether directly managed or managed by professional managers: limits are set as approved by the Investment Committee and based on current market outlook at the time of review e. For derivative transactions - limits are set up to 100% of asset subject to derivative transaction with the objective of neutrality of gain/loss

Credit Risk

Credit risk is the risk that the Company will incur a loss arising from customers, clients or counter-parties that fail to discharge their contractual obligations. Due to the Company's investing and operating activities, the Company is exposed to the potential credit-related losses that may occur as a result of an individual, counterparty or issuer being unable or unwilling to honor its contractual obligations.

In managing credit risk on these financial instruments, the Company transacts only with the Company's duly accredited domestic and foreign banks. Investments per financial institution are subject to a maximum of 20% of the Company's investible funds. It is the Company's policy that investments cannot exceed 10% of the trust or mutual fund's total assets.

A comprehensive credit and business review in coordination with dealers or underwriters is performed whenever the Company invests in non-rated securities. Furthermore, the Company monitors the credit quality of corporate and sovereign bonds with reference to credit rating studies and updates from the major rating agencies. The Company's exposure to credit risk on its cash and cash equivalents and trade and other receivables arises from default of the counterparties with maximum exposures equal to the carrying amounts of the instruments.

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

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

There are no significant concentrations of credit risk.

Credit Quality of Financial Assets, Other than Receivables from Customers

The financial assets are grouped according to stage whose description is explained as follows:

Stage 1 - those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The credit quality of the Company's financial assets are as follows:

	2020			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
Financial Assets at Amortized Cost:				
Cash and cash equivalents*	**₱2,806,553**	**₱–**	**₱–**	**₱2,806,553**
Other receivables:		–	–	
Due from related parties	**176,946**	–	–	**176,946**
Advances to officers and employees	**47,050**	–	–	**47,050**
Accrued interest receivables	**18,666**	–	–	**18,666**
Others	**233,106**	–	–	**233,106**
Deposit**	**255,100**	–	–	**255,100**
Gross Carrying Amount	**₱3,537,421**	**₱–**	**₱–**	**₱3,537,421**

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

	2019			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Financial Assets at Amortized Cost:				
Cash and cash equivalents*	₱3,144,256	₱–	₱–	₱3,144,256
Other receivables:		–	–	
Due from related parties	177,801	–	–	177,801
Advances to officers and employees	82,476	–	–	82,476
Accrued interest receivables	14,829	–	–	14,829
Others	214,202			214,202
Deposit**	255,100	–	–	255,100
Gross Carrying Amount	₱3,888,664	₱–	₱–	₱3,888,664

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

Credit Quality of Receivables from Customers

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure of the Company's receivables from customers using provision matrix:

December 31, 2020	**Receivables from customers**					
		Days past due				
	Current	**<30 Days**	**30-60 Days**	**61-90 Days**	**>91 Days**	**Total**
Expected credit loss rate	12%	13%	6%	15%	76%	28%
Estimated total gross carrying amount default	**₱1,965,816**	**₱321,174**	**₱66,473**	**₱48,121**	**₱766,382**	**₱3,167,966**
Expected credit loss	**233,179**	**40,861**	**3,994**	**7,160**	**580,986**	**866,180**

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

Impaired financial instruments comprise of receivables from customers and other receivables. The past due but not impaired trade and other receivables are expected to be collected the following year.

Liquidity Risk
Liquidity risk is the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. The Company manages liquidity risks by restricting investments and continuously monitoring weekly and monthly cash flows as well as updates of annual plans.

The maturities of the financial liabilities are determined based on the Company's projected payments and contractual maturities. The average duration adheres to guidelines provided by the Investment Committee. It is the Company's policy to restrict investment principally to publicly traded securities with a history of marketability and by dealing with only large reputable domestic and international institutions.

The tables below show the maturity profile of the Company's financial assets used for liquidity purposes based on contractual undiscounted cash flows as of December 31:

	2020					
	Within 1 Year	**1 to < 2 Years**	**2 to < 3 Years**	**3 to 5 Years**	**More than 5 Years**	**Total**
Financial Assets						
Financial assets at amortized cost						
Cash and cash equivalents	**₱2,888,863**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,888,863**
Trade and other receivables	**3,422,386**	**–**	**–**	**–**	**–**	**3,422,386**
Financial assets at FVPL:						
Investment in UITF	**2,115,856**	**–**	**–**	**–**	**–**	**2,115,856**
Investments in marketable equity securities	**13,966**	**–**	**–**	**–**	**–**	**13,966**
	₱8,441,071	**₱–**	**₱–**	**₱–**	**₱–**	**₱8,441,071**

	2019 (As restated – Note 6)					
	Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	Total
Financial Assets						
Financial assets at amortized cost						
Cash and cash equivalents	₱3,183,795	₱–	₱–	₱–	₱–	₱3,183,795
Trade and other receivables	2,935,958	–	–	–	–	2,935,958
Financial assets at FVPL:						
Investments in marketable equity securities	6,665	–	–	–	–	6,665
Investments in treasury bills	57,262	–	–	–	–	57,262
Investment in UITF	2,134,337	–	–	–	–	2,134,337
	₱8,318,017	₱–	₱–	₱–	₱–	₱8,318,017

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

	2020					
	Within 1 Year	**1 to < 2 Years**	**2 to < 3 Years**	**3 to 5 Years**	**More than 5 Years**	**Total**
Financial Liabilities						
Loans and borrowings and payables						
Notes payable	**₱1,325,910**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,325,910**
Trade and other payables	**1,960,103**	**–**	**–**	**–**	**–**	**1,960,103**
Trust receipts payable	**2,030,876**	**–**	**–**	**–**	**–**	**2,030,876**
Due to related parties	**151,110**	**–**	**–**	**–**	**–**	**151,110**
Lease liabilities	**146,335**	**51,174**	**43,290**	**40,779**	**228,506**	**510,084**
Long-term debt*	**519,381**	**4,004,999**	**353,336**	**197,163**	**1,983,525**	**7,058,404**
Non-controlling interest put liability	**–**	**–**	**–**	**1,585,853**	**–**	**1,585,853**
	₱6,133,715	**₱4,056,173**	**₱396,626**	**₱1,823,795**	**₱2,212,031**	**₱14,622,340**

**Including current and noncurrent portion.*

	2019 (As restated - Note 6)					
	Within 1 Year	1 to < 2 Years	2 to < 3 Years	3 to 5 Years	More than 5 Years	Total
Financial Liabilities						
Loans and borrowings:						
Notes payable	₱968,880	₱–	₱–	₱–	₱–	₱968,880
Trade and other payables	1,362,344	–	–	–	–	1,362,344
Trust receipts payable	1,203,906	–	–	–	–	1,203,906
Due to related parties	92,543	–	–	–	–	92,543
Lease liabilities	44,376	24,825	23,152	19,768	167,199	279,320
Long-term debt*	314,730	868,970	664,705	305,307	5,240,508	7,394,220
Non-controlling interest put liability	–	–	–	900,011	–	900,011
	₱3,986,779	₱893,795	₱687,857	₱1,225,086	₱5,407,707	₱12,201,224

**Including current and noncurrent portion.*

Changes in liabilities arising from financing activities

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

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

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

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

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

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

**Others include amortization of debt issue cost*

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 foreign currency-denominated financial assets and financial liabilities and their peso equivalents as of December 31:

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

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

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant, of the Company's profit before tax (due to the changes in the fair value of monetary assets) as at December 31, 2020 and 2019. There is no impact on the Company's equity other than those already affecting the profit or loss.

The effect on profit before tax already includes the impact of derivatives outstanding as at December 31, 2020 and 2019:

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

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

Interest Rate Risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The following tables set out the carrying amounts, by maturity, of the Company's financial assets and liabilities that are exposed to interest rate risk as of December 31:

				2020			
	Interest Rates	**Within 1 Year**	**1 to < 2 Years**	**2 to < 3 Years**	**3 to 5 Years**	**More than 5 Years**	**Total**
Financial Assets							
Placements (PHP)	**0.525%-1.375%**	**₱851,565**	**₱–**	**₱–**	**₱–**	**₱–**	**₱851,565**
Placements (USD)	**0.2%- 0.25%**	**613,551**	**–**	**–**	**–**	**–**	**613,551**
Financial Liabilities							
PHN	**4.00%-6.00%**	**170,000**	**20,000**	**20,000**	**40,000**	**1,859,362**	**2,109,362**
PhilCement	**4.675%**	**340,000**	**–**	**–**	**–**	**–**	**340,000**
AU	**5.713%-5.9694%**	**253,700**	**–**	**–**	**–**	**–**	**253,700**
UI	**5.97%-7.025%**	**200,000**	**–**	**–**	**–**	**–**	**200,000**
UPANG	**6.50%**	**184,300**	**–**	**–**	**–**	**–**	**184,300**
UGC	**4.00%-4.675%**	**-**	**–**	**–**	**–**	**60,995**	**60,995**
COC	**6.25%-6.9137%**	**47,788**	**–**	**–**	**–**	**–**	**47,788**

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

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

The table below sets forth the estimated change in the Company's income before tax due to a reasonably possible change in interest rates as at December 31, 2020 and 2019. There is no impact on the Company's equity other than those already affecting the profit or loss.

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

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

Peso placements are subject to cash flow interest rate risk while peso and dollar bonds are subject to fair value interest rate risk.

Equity Price Risk
Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The Company's exposure to equity price risk relates primarily to its equity investments listed in the PSE classified under investments held for trading.

The Company's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on the Company's financial position.

The following tables demonstrate the effect on the Company's profit before income tax (as a result of a change in the fair value of equity instruments held as investment held for trading) due to a reasonably possible change in equity indices, based on the Company's expectation, with all other variables held constant as at December 31, 2020 and 2019. There is no other significant impact on the Company's equity other than those already affecting the profit or loss.

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

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

Capital Management
The primary objective of the Company's capital management is to ensure that the Company maintains a healthy capital structure to maintain strong credit rating and maximize shareholder value.

The Company closely monitors and manages its debt-to-equity ratio, which it defines as total liabilities divided by total equity. Capital includes all the accounts appearing in the "Equity attributable to equity holders of the parent" and "Equity attributable to non-controlling interests" in the consolidated statements of financial position.

To ensure that there are sufficient funds to settle its liabilities, the Company's policy is to keep debt-to-equity ratio below 1:1. The Company's consolidated debt-to-equity ratio as at December 31, 2020 and 2019 are as follows:

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

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

36. **Financial Instruments**

Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of its assets and liabilities by valuation technique:

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

Assets and liabilities measured or disclosed at fair value are as follows:

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

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

During the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The following methods and assumptions are used to estimate the fair value of the following financial instruments.

Investments Held for Trading and Financial Assets at FVOCI. Quoted market prices have been used to determine the fair value of financial assets at FVPL and listed equity at FVOCI investments. The fair values of unquoted equity investments at FVOCI have been estimated using a discounted cashflow model. The valuation requires management to make certain assumptions about the model inputs including forecast cashflows, the discount rate, credit risk and volatility. The probabilities of various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

The fair values of non-listed shares of stock were determined through the following valuation approach: income approach and asset-based approach. Income approach is predicated upon the concept that the value of any asset can be estimated by ascertaining the amount and timing of future cash flows or earnings that are *generated* by that asset. Asset-based approach is based on the value of all the tangible and intangible assets and liabilities of the company. The discount rates, a significant unobservable input used in the valuation of the non-listed shares of stock using the income approach, were 8.0% to 11.8% and 9.8% to 11.3% as at December 31, 2020 and 2019. An increase (decrease) in the discount rate will decrease (increase) the fair value of the nonlisted shares of stock.

Cash and Cash Equivalents, Trade and Other Receivables, Notes Payable, Trade and Other Payables, Trust Receipts Payable and Due to Related Parties. Due to the short-term nature of these transactions, the carrying value approximate the fair values as at the reporting date. Short-term investments have varying maturities from four to five months and earn interest at 2.125%.

Derivative Liability. Estimated fair value is based on the average rate of the forward bid rates and forward ask rates computed in Bloomberg.

Long-term Debt. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable rates for similar types of loans. Discount rates used ranged from 4% to 7% and from 3% to 7% in 2020 and 2019, respectively.

<u>Derivative Instruments</u>

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

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

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

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

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

37. **Leases**

Starting January 1, 2019 - Upon adoption of PFRS 16

Company as Lessee

The Company has various lease contracts for land, buildings, warehouses and vehicles. The leases have lease terms of between 2 and 25 years. Before adoption of PFRS 16, these leases were classified as operating leases under PAS 17, *Leases*.

The Company also has certain leases with lease terms of 12 months or less. The Company applies the "short-term lease" recognition exemptions for these leases.

The rollforward analysis of right-of-use assets follows:

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

	2019				
	Right-of-use: Land	Right-of-use: Buildings & Warehouses	Right-of-use: Vehicles	Right-of-use: Others	Right-of-use: Total
Cost					
At January 1, 2019,	₱115,179	₱106,513	₱43,086	₱1,906	₱266,684
Additions	–	11,389	–	–	11,389
At December 31, 2019	115,179	117,902	43,086	1,906	278,073
Accumulated Depreciation and Amortization					
Depreciation	5,765	17,609	3,924	210	27,508
At December 31, 2019	5,765	17,609	3,924	210	27,508
Net Book Value	₱109,414	₱100,293	₱39,162	₱1,696	₱250,565

The rollforward analysis of lease liabilities follows:

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

In 2020, two long-term lease contracts were pre-terminated by the Company. As a result, the Company recognized gain from pre-termination of lease contract amounting to ₱5.3 million recognized in the consolidated statement of income as part of "Other income (expenses)", after derecognizing the related right-of-use assets and lease liabilities amounting to ₱71.8 million and ₱77.1 million, respectively.

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

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

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

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

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

38. Commitments and Contingencies

(a) Unused Credit Lines

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

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

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

(b) Others

There are contingent liabilities arising from lawsuits primarily involving collection cases filed by third parties and for tax assessments occurring in the ordinary course of business. On the basis of information furnished by the Company's legal counsel, management believes that none of these contingencies will materially affect the Company's financial position and result of operations

39. EPS Computation

Basic EPS is computed as follows:

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

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

40. Segment Information

For management purposes, the Company is organized into business units based on its products and services and has five reportable operating segments as follows:

- Investment holdings - PHN and PSHC are engaged in investment holding activities of shares of stocks and other financial instruments.
- Property development - API, APHI, and Coral Way lease out its real and personal properties. PPHC is engaged in real estate development.
- Construction materials - PhilCement encompasses the operations of the cement trading. UGC handles the manufacturing and trading of iron and steel products. This segment also includes PHINMA Solar which provides solar rooftop system to customers. The Company has assessed that the nature of the products and services and the type or class of customers for these products and services are related.
- Educational services - PEHI holds interest in AU, COC, UPANG, UI, SWU, RCI and RCL which offer graduate, tertiary, secondary and elementary education services. CAA conducts a non-sectarian institution of learning and operates schools for all levels below tertiary level, whether preschool, primary, secondary, technical and vocational, specialized programs and for all and any form of educational activities.
- BPO - ICI Asia (formerly Fuld Philippines) is engaged in strategic consulting. In 2020, the Parent Company sold its ownership interest in ICI Asia (see Note 7).

The BOD (Chief Operating Decision Maker) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Segment result is defined as the segment's income generated from its own operations, net of its share in the equity in net earnings of associates and joint ventures and investment income, before deducting interest and financing charges, provision for income tax and share of NCI. The amounts of segment assets and liabilities, and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets, liabilities and profit or loss in the consolidated financial statements, which is in accordance with PFRS.

The Company does not report its results based on geographical segments since the Company's risks and rates of return are substantially in the same economic and political environment with the companies incorporated and operated in the Philippines. There are no transactions with a single customer that accounts to 10% or more of the Company's revenue.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transaction with third parties. Segment revenues, segment expenses and segment results include transfers between operating segments. These transfers are eliminated in full upon consolidation.

Segment Information

Financial information on the operating segments are summarized as follows:

	Investment Holdings	Property Development	Construction Materials	Educational Services	BPO	Eliminations	Total Operations
Year Ended December 31, 2020							
Revenue	**₱504,034**	**₱11,011**	**₱10,119,133**	**₱2,094,989**	**₱2,128**	**(₱429,544)**	**₱12,301,751**
Segment results	**(272,971)**	**(2,573)**	**1,310,709**	**197,347**	**(25,940)**	**(10,509)**	**1,196,063**
Investment income	**465,072**	**9,201**	**(15,087)**	**22,971**	**3**	**(429,544)**	**52,616**
Equity in net earnings of associates and joint ventures	–	**(951)**	**(4,683)**	**5,700**	–	**1,902**	**1,968**
Interest expense and other financing charges	**(138,988)**	–	**(306,672)**	**(184,566)**	–	**3,458**	**(626,768)**
Provision for income tax	**(3,998)**	**(220)**	**(70,567)**	**(27,154)**	–	**-**	**(101,939)**
Share of non-controlling interests	–	–	–	**(38,016)**	–	**(311,287)**	**(349,303)**
Net income attributable to equity holders of the parent	**₱49,115**	**₱5,457**	**₱913,700**	**(₱23,718)**	**(₱25,937)**	**(₱745,980)**	**₱172,637**
Total assets	**₱9,171,502**	**₱326,978**	**₱9,014,812**	**₱11,678,220**	**₱47,402**	**(₱5,766,499)**	**₱24,472,415**
Total liabilities	**₱2,514,432**	**₱52,561**	**₱6,096,982**	**₱5,974,629**	**₱393,494**	**₱886,903**	**₱15,919,001**
Year Ended December 31, 2019							
Revenue	₱518,479	₱7,167	₱8,227,070	₱2,925,158	₱49,703	(₱402,666)	₱11,324,911
Segment results	526,257	(133)	605,210	651,992	(51,728)	(796,946)	934,652
Investment income	77,755	5,357	12,266	23,017	–	–	118,395
Equity in net earnings of associates and joint ventures	–	45,779	(2,305)	(1,562)	–	2,305	44,217
Interest expense and other financing charges	(133,315)	–	(160,941)	(169,532)	–	–	(463,788)
Provision for income tax	(340)	(26)	(123,687)	(72,300)	–	–	(196,353)
Share of non-controlling interests	–	–	–	(147,185)	–	(57,431)	(204,616)
Net income attributable to equity holders of the parent	₱470,357	₱50,977	₱330,543	₱284,430	(₱51,728)	(₱852,072)	₱232,507
Total assets (As restated - Note 6)	₱9,261,558	₱338,276	₱6,652,533	₱11,306,503	₱68,326	(₱5,248,800)	₱22,378,396
Total liabilities (As restated - Note 6)	₱3,435,187	₱52,487	₱4,847,812	₱6,123,163	₱388,346	(₱811,274)	₱14,035,721

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

41. Events after the Reporting Period

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

42. Other Matters

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

Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE"
On February 1, 2021, the Bicameral Conference Committee, under the 18th Congress of the Philippines, approved the reconciled version of the House Bill No. 4157 and Senate Bill No.1357 (the CREATE). The general features of the CREATE bill are the following:
- Reduction in current income tax rate effective July 1, 2020;
- Proprietary educational institutions and hospitals which are nonprofit previously subject to a tax of 10% on their taxable income, shall be imposed a tax rate of 1% beginning July 1, 2020 until June 30, 2023;
- Regional operating headquarters of multinational companies previously subject to a tax of 10% on their taxable shall be subject to the regular corporate income tax effective December 31, 2020; and
- Effective July 1, 2020 until June 30,2023, the MCIT rate shall be one percent 1%.

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

SGV
Building a better working world

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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
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
PHINMA Corporation
12th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of PHINMA Corporation and its subsidiaries as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 2, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

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. 08-001998-078-2020,
December 3, 2020, valid until December 2, 2023
PTR No. 8534224, January 4, 2021, Makati City

March 2, 2021

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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 ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
PHINMA Corporation
12th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of PHINMA Corporation and its subsidiaries (the Company) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 2, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

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
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PTR No. 8534224, January 4, 2021, Makati City

March 2, 2021

PHINMA CORPORATION AND SUBSIDIARIES

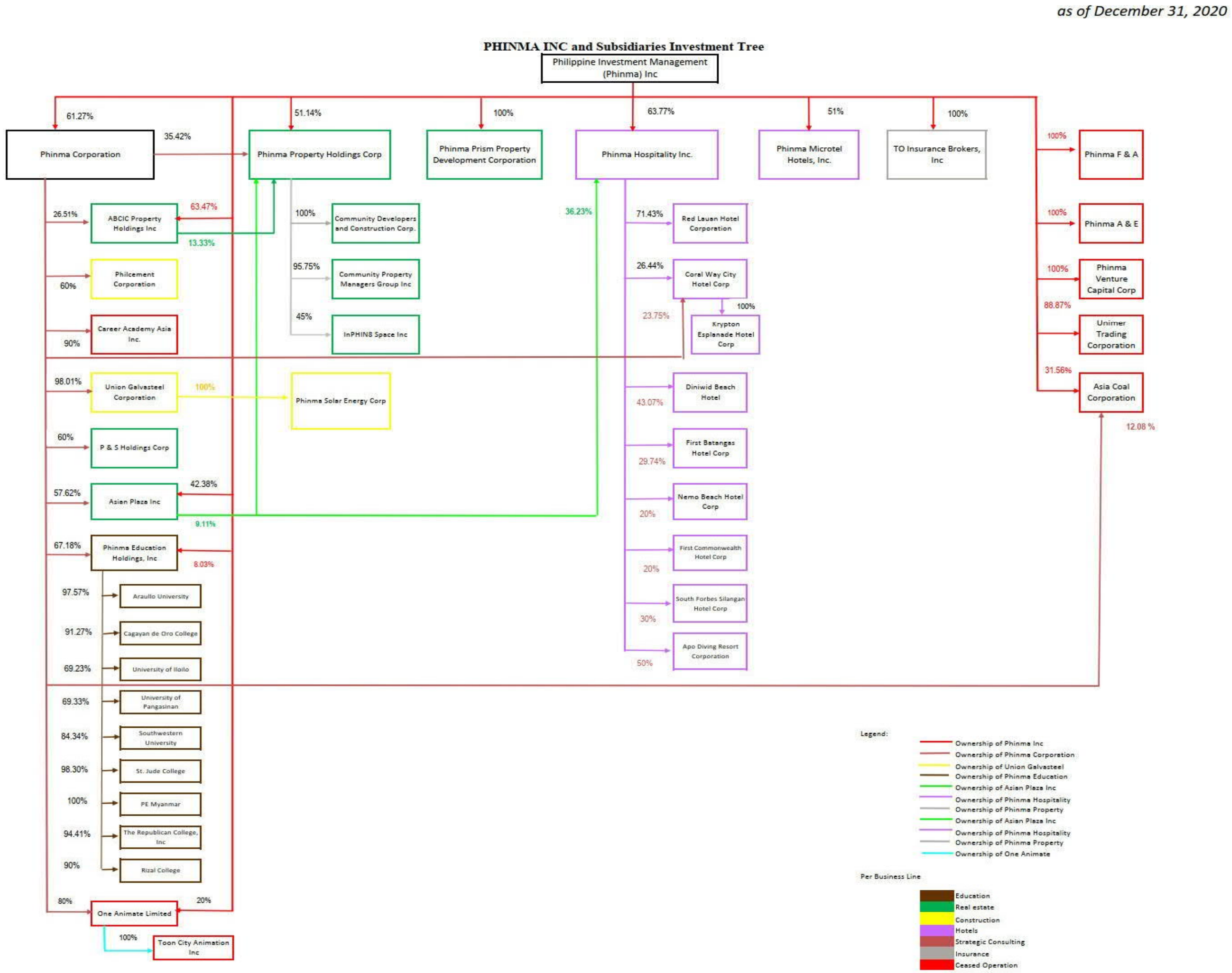
Index to the Consolidated Financial Statements and Supplementary Schedules December 31, 2020

SCHEDULE I

PHINMA CORPORATION
Reconciliation of Retained Earnings
Available for Dividend Declaration
As at December 31, 2020

Unappropriated retained earnings at January 1, 2020		₱2,257,131,363
Add: Prior years' outstanding reconciling items, net of tax:		
Remeasurement loss on pension liability transferred to retained earnings	28,737,748	
Unrealized gain on fair value adjustment on investments	(13,623,906)	15,113,842
Unappropriated retained earnings available for dividend declaration at January 1, 2020, as adjusted		2,272,245,205
Add (Less): Net income actually earned / realized in 2020		
Net income	41,287,494	
Unrealized gain on derivative investments	(5,033,850)	
Unrealized gain on fair value adjustment on investments	(4,847,396)	31,406,248
Add: Remeasurement loss on pension liability transferred to retained earnings		1,849,766
Add: Reversal of appropriation during the year		1,300,000,000
Less: Appropriation of retained earnings during the period	(2,415,500,000)	
Cash dividend declared	(109,004,186)	
Treasury shares	(136,346,579)	(2,660,850,765)
Unappropriated retained earnings available for dividend declaration at December 31, 2020		₱944,650,454

PHINMA CORPORATION AND SUBSIDIARIES
Map of the Relationship of the Companies within the Group
December 31, 2020



SCHEDULE III

PHINMA CORPORATION AND SUBSIDIARIES
Supplementary Schedules Required by Paragraph 7D, Part II Under Revised SRC Rule 68 December 31, 2020

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		**₱2,888,863,298**	**₱2,888,863,298**	**₱17,232,612**
Investment in Unit Investment Trust Fund and Money				
BDO Unibank, Inc. (Peso MMF)	104,903	172,741,011	172,741,011	–
BDO Unibank, Inc. (Peso STF)	361,127	40,000,000	40,000,000	–
BDO Unibank, Inc. (ÙSD MMF)	160,721	1,115,896,484	1,115,896,484	–
Bank of the Philippine Islands (MMF)	42,754	11,136,668	11,136,668	–
Bank of the Philippine Islands (Peso Short term fund)	158,177	24,650,258	24,650,258	–
Bank of the Philippine Islands (USD Short term fund)	24,355	364,904,624	364,904,624	–
China Banking Corporation (Cash Fund)	75,488,983	85,740,915	85,740,915	–
China Banking Corporation (MMF)	1,264,660	1,660,225	1,660,225	–
China Banking Corporation (IFIF)	121,148	147,558	147,558	–
China Banking Corporation (STF)	25,548,113	30,435,672	30,435,672	–
Rizal Commercial Banking Corporation (Peso MMF)	8,943,585	14,845,617	14,845,617	–
Rizal Commercial Banking Corporation (Peso CMF)	126,023,021	143,339,340	143,339,340	–
Security Bank Corporation (Peso Bond Fund)	4,759,138	9,945,208	9,945,208	–
Security Bank Corporation (Peso MMF)	70,564,343	100,412,356	100,412,356	–
		2,115,855,936	2,115,855,936	26,771,562
Marketable Equity Securities				
Aboitiz Power Corporation	3,700	98,235	98,235	–
AC Energy (ACEPH) formerly Phinma Energy Corp.	1,040,000	9,349,600	9,349,600	–
ACE Enexor, Inc. formerly Phinma Petroleum and Geothermal Corp.	91,108	1,024,054	1,024,054	–
Atlas Consolidated Mining & Dev't Co	12,000	77,400	77,400	–
Ayala Corporation	300	248,100	248,100	–
Banco de Oro Universal Bank	1,163	124,208	124,208	–
D&L Industries, Inc.	12,000	91,920	91,920	–
Del Monte Pacific Limited	5,972	43,058	43,058	–
First Gen Corp	5,600	157,640	157,640	–
First Phil. Holdings Corp.	9,440	715,552	715,552	–
Holcim Phil.	3	22	22	–
Philex Mining	9,500	47,025	47,025	–
Phinma Corp.	162,350	1,574,795	1,574,795	–

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
PXP Energy Corp	850	9,350	9,350	–
RCBC	2,500	₱47,200	₱47,200	–
Security Bank Corporation	1,767	236,425	236,425	–
SSI Group Inc.	20,000	29,800	29,800	–
Swift Foods, Inc.	219	350	350	–
Universal Robina Corp.	600	91,200	91,200	–
		13,965,934	13,965,934	7,300,640
Treasury Bills	–	–	–	644,212
Trade and other receivables	–	3,422,384,997	3,422,384,997	415,852
Financial assets at fair value through other comprehensive income				
Unquoted:				
Asian Eye Institute, Inc.	100,000	2,002,034	2,002,034	–
Asia Coal	6,039	153,856	153,856	–
Beacon Property Ventures, Inc.	32,400,000	62,987,479	62,987,479	–
Manila Cordage Company	18,136	11,549,000	11,549,000	–
Others	various	1,582,407	1,582,407	–
Quoted				
Club shares	various	31,830,000	31,830,000	–
		110,104,776	110,104,776	–
		₱8,551,174,941	**₱8,551,174,941**	**₱52,364,878**

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	₱82,476,513	₱65,843,585	(₱101,270,689)	₱–	₱47,049,409	₱–	₱47,049,409

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							
One Animate Ltd.	₱303,439,045	₱–	₱–	₱–	₱–	₱303,439,045	₱303,439,045
Philippine Cement Corp.	2,855,263	151,119,744	22,408,664	–	131,566,343	–	131,566,343
Union Galvasteel Corporation	1,006,883	442,907,801	319,221,077	–	124,693,607	–	124,693,607
Phinma Corporation	68,456,386	–	100,631	–	68,355,755	–	68,355,755
Phinma Education Holdings, Inc.	93,326,027	80,667,004	118,803,934	–	55,189,097	–	55,189,097
ICI Asia FULD & Company (Philippines), Inc.	46,220,062	5,704,147	6,180	–	–	51,918,029	51,918,029
Phinma Solar	4,213,498	54,924	2,602,434	–	1,665,988	–	1,665,988
Career Asia Academy	761,239	–	–	–	761,239	–	761,239
Cagayan de Oro College	78,324	63,079	59,783	–	81,620	–	81,620
University of Iloilo	39,549	5,542	5,220	–	39,871	–	39,871
Pamantasan ng Araullo (Araullo University), Inc.	77,811	9,814	54,410	–	33,215	–	33,215
South Western University	59,213	8,860	41,538	–	26,535	–	26,535
University of Pangasinan	55,169	20,344	54,115	–	21,398		21,398
St. Jude College	5,581	4,756	5,780	–	4,557	–	4,557
Asian Plaza, Inc	–	9,705,050	9,704,450	–	600	–	600
	₱520,594,050	₱690,271,065	₱473,068,216	₱–	₱382,439,825	₱355,357,074	₱737,796,899

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 Education Holdings, Inc.			
Rizal Commercial Banking Corporation	₱1,302,010,004	₱44,344,501	₱1,257,665,503
China Banking Corporation	840,622,734	28,310,807	812,311,927
	2,142,632,738	72,655,308	2,069,977,430
PHINMA Corporation			
Security Bank Corporation	1,979,361,731	88,035,500	1,891,326,231
Southwestern University			
Rizal Commercial Banking Corporation	398,924,845	–	398,924,845
China Banking Corporation	199,130,000	–	199,130,000
	598,054,845	–	598,054,845
Union Galvasteel Corporation			
Banco de Oro	490,886,304	62,630,953	428,255,351
Security Bank Corporation	114,196,504	17,163,258	97,033,246
	605,082,808	79,794,211	525,288,597
PhilCement Corporation			
Security Bank Corporation	721,837,331	239,636,193	482,201,138
University of Pangasinan			
China Banking Corporation	183,287,612	11,651,532	171,636,080
Rizal Commercial Banking Corporation	87,816,577	7,441,375	80,375,202
	271,104,189	19,092,907	252,011.282
Pamantasan ng Araullo (Araullo University), Inc.			
China Banking Corporation	240,122,906	10,024,215	230,098,691
University of Iloilo			
China Banking Corporation	197,890,978	–	197,890,978
Cagayan de Oro College			
China Banking Corporation	148,384,975	10,142,535	138,242,440
Private Funder	25,000,000	–	25,000,000
	173,384,975	10,142,535	163,242,440
P&S Holdings Corporation			
United Pulp and Paper Company, Inc.	128,931,132	–	128,931,132
	₱7,058,403,633	₱519,380,869	₱6,539,022,764

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	–	172,337,717	19,118,961	80,916,287
Treasury shares	–	(13,970,579)	–	–	–	–
	520,000,000	**272,372,965**	–	**172,337,717**	**19,118,961**	**80,916,287**

PHINMA CORPORATION AND SUBSIDIARIES
Components of Financial Soundness Indicators
December 31, 2020

Ratio	Formula		2020	2019
Current Ratio	**Total Current Assets divided by Total Current Liabilities**		**1.53**	1.93
	Total Current Assets	₱10,326,060		
	Divided by: Total Current Liabilities	6,753,050		
	Current Ratio	1.53		
Acid Test Ratio	**Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities**		**1.26**	1.63
	Quick Assets	₱8,526,484		
	Divided by: Total Current Liabilities	6,753,050		
	Acid Test Ratio	1.26		
Solvency Ratio	**Net Income add Non-cash Expenses divide by Total Liabilities**		**6.40%**	5.67%
	Net Income	₱521,940		
	Add: Non-cash expenses	496,677		
		1,018,617		
	Divided by: Total Liabilities	15,919,001		
	Solvency Ratio	6.40%		
Debt-to-Equity Ratio	**Total Interest-Bearing Debt divided by Total Stockholders' Equity**		**1.86**	1.68
	Total liabilities	₱15,919,001		
	Divided by: Total stockholders' equity	8,553,414		
	Debt-to-Equity Ratio	1.86		
Asset-to-Equity Ratio	**Total Assets divided by Total Stockholders' Equity**		**2.86**	2.68
	Total Assets	₱24,472,415		
	Divided by: Total Stockholders' Equity	8,553,414		
	Asset-to-Equity Ratio	2.86		
Interest Rate Coverage Ratio	**Earnings Before Interest and Taxes divided by Total Interest Expense**		**2.00**	2.37
	Earnings Before Interest and Taxes	₱1,245,163		
	Divided by: Interest Expense	621,284		
	Interest Rate Coverage Ratio	2.00		

Ratio	Formula		2020	2019
Return on Equity	**Net Income divided by Average Total Stockholders' Equity**		**6%**	5%
	Net Income	₱521,940		
	Divided by: Average Total Stockholders' Equity	8,448,045		
	Return on Equity	6%		
Return on Assets	**Net Income divided by Average Total Assets**		**2%**	2%
	Net Income	₱521,940		
	Divided by: Average Total Assets	23,425,406		
	Return on Assets	2%		
Net Profit Margin	**Net Income divided by Total Revenue**		**4%**	4%
	Net Income	₱521,940		
	Divided by: Total Revenue	12,301,751		
	Net Profit Margin	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 2020

In 2020, national and local government restrictions on work, travel, and face to face classes in response to the pandemic resulted in significant challenges to our education, construction materials, hospitality, and affordable housing businesses. PHINMA Corporation's immediate response was to prioritize the health and safety of our stakeholders - encouraging students to stay home, arranging for remote work for employees, instituting sanitation protocols at facilities, and enabling remote transactions for customers. After securing the safety of our people, your Company took a strategic view on how to adapt our businesses to improve our ability to provide essential products and services that make the lives of Filipinos better.

In 2020, your Company saw consolidated revenue growth of 8%, posting consolidated revenues of ₱12.3 billion for the year. Income from operations of PHINMA Corporation increased 34% to ₱ 1.6 billion during the year. Our Education business, *PHINMA Education Holdings, Inc.* posted decreased revenues due to a five-month delay in school openings which depleted revenues this academic year but shifted a portion of revenue to the following year. Despite a decline in the construction industry, the PHINMA Construction Materials Group, composed of *Union Galvasteel Corporation, Philcement Corporation,* and *Phinma Solar Energy Corporation,* posted an increase in revenue aided by higher market acceptance and sales of our legacy brand *Union Cement* in the country.

PHINMA Property Holdings Corporation maintained business volumes and profits in 2020. Our two hotels operating under *Coral Way City Hotel Corporation,* similar to other hotels in the country, were however severely affected by restrictions imposed during the pandemic. Equitized earnings from affiliates of your Company hence declined to a loss of ₱1.2 million in 2020.

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

2020 Highlights

PHINMA Education Holdings, Inc. (PHINMA Education) holds your Company's investment in 8 tertiary education schools in the Philippines, and also manages an educational institution in Indonesia. In 2020, in response to national and local government suspension of face to face classes, PHINMA Education piloted distance learning models to continue to deliver affordable education to its core low income market. Recognizing the challenges of limited access to the internet, the learning models involved independent student coursework supplemented by periodic teacher and peer support.

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

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

At a time when our nation needs qualified health care professionals more than ever, our graduates continued to perform well in Board Examinations. We are proud to report that 3 SWU PHINMA School of Medicine graduates placed among the top 10 nationwide in the 2020 Physician Licensure Exams -- an unprecedented feat that we hope to repeat.

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

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

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

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

In 2020, PHINMA Solar Energy Corporation (PHINMA Solar) shifted focus to serve more pandemic resilient industries with renewable rooftop solutions in response to increased customer demand. The company also explored various related products and solutions to further diversify its business portfolio. PHINMA Corporation sold its 50% stake in PHINMA Solar to UGC, aligning the product offering with UGC and benefitting from cross selling opportunities between the two businesses.

In aggregate, the three PHINMA CMG companies generated Revenue of almost ₱ [10] billion and net income of P [916] million in 2020.

On our other businesses, PHINMA Properties continued construction activities with enhanced safety and health protocols for its workers and employees, as it also supported marketing and sales activities through the use of various digital channels. In our Hospitality business, our two hotels operating under *Coral Way City Hotel Corporation* were able to serve returning overseas workers as well as nearby Business Process Outsourcing companies despite being adversely affected by travel restrictions. Your Company correspondingly recognized an equitized loss from associates amounting to ₱ 1.2 million in 2020.

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

PHINMA Corporation ended 2020 with a strong balance sheet, with total assets of ₱ 24.5 billion and a current ratio and debt-to-equity ratio of 1.52:1 and 1.86:1, respectively.

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

2021 Outlook

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

This year, PHINMA Education anticipates improved financial results with continued robust enrollment built around a growing reputation for affordable high-quality education across the network, and the recognition of revenue delayed from the shift in the academic calendar in the previous year. Although the company and the industry remain challenged by the pandemic, PHINMA Education continues to strengthen its education program and looks forward to opportunities as its strategy enables growth in new markets and services. Supported by funds from operations and strategic investors, the company continues on its path to grow organically and through acquisitions. Outside the country, PHINMA Education continues to look for more schools in Indonesia, which the company views as an exciting market for affordable education outside of the Philippines, and where we can utilize our knowledge in a similar market environment. Our long term goal remains to be the largest affordable education network in the Philippines with a significant presence in Southeast Asia.

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

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

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

Education

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

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

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

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

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

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

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

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

For calendar year 2020, the company achieved revenues of P2.6 billion, an 11% decrease over the previous year. The decrease is attributed largely to the absence of summer classes due to the pandemic as well as the shift in the academic calendar from June to late August, which delayed the recognition of some revenue to the following year. The company posted a consolidated net loss of P168.2 million for 2020 due in part to continued overhead despite the delay in expected revenue. While some traditional operating expenses such as utilities were reduced with the suspension of face-to-face classes, new expenses such as internet allocation for students were incurred to ensure the success of remote learning. PHINMA Education is optimistic that profitability will return in CY 2021 which will include the carryover revenue from the previous year.

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

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

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

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

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

Construction Materials

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

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

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

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

In 2020, despite the early weakness in flat steel demand, UGC managed to deliver strong operational performance and post a significant recovery by year end. UGC achieved positive annual results as the company enhanced customer engagement initiatives and operational efficiencies in production and logistics. UGC also, together with a foreign partner, began a study on an expansion of its polyurethane line to supply insulated panels for the cold chain industry. A robust cold chain industry addresses the issue of food security and provides part of the logistics needed for a nationwide vaccine rollout.

Philcement posted significant gains in 2020, backed by the efficient operation of the new Mariveles Cement Facility which was launched in January. The company also leveraged on strong customer partnerships and increased reliability and availability of our legacy *Union Cement* brand in key areas. Union Cement is now favored by many large institutional bulk cement users, proof of its consistently high quality and strength. With Union Cement Ultra V 50 (Type I OPC) and Super V 40 (Type IP blended cement) being used in many markets and construction projects, Philcement has delivered on its commitment to provide high quality cement to Filipinos nationwide.

At the onset of the pandemic, PHINMA Solar shifted its focus to serve more pandemic resilient industries with renewable solar rooftop solutions. The company also leveraged synergies within the group, offering bundled value added services to clients. In 2020, PHINMA Solar also explored various related products and solutions to further add to its business portfolio.

Despite the pandemic, the PHINMA CMG finished the year on a strong growth track, with the three companies generating combined revenues of almost PHP 10 billion and combined net income of PHP 916 million in 2020.

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

Properties

PHINMA Property Holdings Corporation (PHINMA Properties), a 35%-owned affiliate of the Company, develops socialized housing units, affordable medium-rise condominium units, and upscale developments in Metro Manila, Davao City, Cebu City, and San Jose, Batangas.
In 2020, PHINMA Properties adapted to new ways of doing business by focusing efforts on the safety and wellbeing of employees and our residential communities. New projects launches were postponed to conserve resources in the midst of reduced demand and business activity. The company also accelerated shifts to digital marketing and transactions processing to enable a safe

resumption of operations. PHINMA Properties worked closely with regulators and other stakeholders to help formulate new policies to revive the Philippine Housing Industry in the wake of the pandemic.

PHINMA Properties posted revenues of P2.0 billion in 2020, at the same level as the previous year. Despite the pandemic, sales reservations and revenue recognition maintained pace through the company's #DontPutHomeownershipOnHold marketing campaign. Consolidated net income for the year amounted to P69.3 million while total assets of the company increased to P5.9 billion in 2020 from P5.1 billion in 2019.

In 2020, PHINMA Properties continued to develop various projects. *Arrezo Place* Pasig was sold out in November 2020, with construction activities to be completed within 2021. *Hacienda Balai* Quezon City ended 2020 with 2 buildings, with an expected sell out date within the first half of 2021. For the upcoming projects, the License to Sell (LTS) of *Uniplace @ SWU Village* in Cebu was secured last September 2020, coinciding with the top-off of the first 10 storey building. The LTS for *Metrotowne* Las Pinas, was secured in December of 2020, with selling activities to commence in January 2021. Another upcoming project in San Jose, Batangas, a 10-hectare subdivision development, is currently at the permitting phase. Phase 1 LTS is targeted to be secured within the second quarter of 2021.

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

As it enters 2021, PHINMA Properties remains on a path toward growth and increased profitability, building on foundations laid in previous years toward its vision of a bigger and bolder property company. While 2020 may have had some setbacks, bigger and better expansion plans are still on track, with new lessons and more relevant strategies. PHINMA Properties continues to adhere to its vision and mission of creating more Filipino value-for-money housing and living solutions and making lives better for generations of Filipinos to come.

Hospitality

PHINMA Corporation, through Asian Plaza Inc., has a 36% equity interest in PHINMA Hospitality as well as a direct 24% equity interest in Coral Way City Hotel Corporation (Coral Way), owner of Microtel by Wyndham Mall of Asia. Coral Way has a wholly owned subsidiary, Krypton Esplanade Hotel Corporation, which owns the 191-room TRYP by Wyndham Mall of Asia.

These investments leverage on the expertise of the hospitality arm of the PHINMA Group, PHINMA Hospitality Inc. (PHINMA Hospitality), which operates 14 Microtel by Wyndham hotels and one TRYP by Wyndham hotel in the country. It is also a joint venture partner in majority of these properties, including the flagship 150-room Microtel by Wyndham Mall of Asia.

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

TRYP by Wyndham is a select-service hotel chain with over 100 properties worldwide. It is located in many of the most exciting cities such as Paris, Berlin, Barcelona, New York, São Paulo, Brisbane and Manila, and targets today's modern travellers with its hip, young and energetic interiors. It offers specialty rooms such as the Family Room with bunk beds, Loft with spacious living area and bunk beds in the upper level, and Fitness Room complete with exercise equipment. It is a showcase of Manila's culture and people, and genuine Filipino hospitality.

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

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

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

In 2020, Microtel by Wyndham Mall of Asia's posted average occupancy of 77%, gross revenue of Php129 million, and a net loss of Php8 million. TRYP by Wyndham Mall of Asia on the other hand posted average occupancy of 75%, gross revenue of Php162 million, and a net Loss of Php 20 million. Despite respectable occupancy levels, revenues and profits declined due to caps on room rates for hotels operating as quarantine facilities under the OWWA repatriation program.

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

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.

On September 18, 2020, PHN divested 100% of its interest in Integrative Competitive Intelligence Asia, Inc. (ICI Asia).

Key Performance Indicators (KPI)

Financial KPI	Definition	December 2020	December 2019
<u>Profitability</u>			
Return on Equity (ROE)	<u>Net income</u> Ave. total equity attributable to PHN equity holders	**2.61%**	3.46%
Gross Profit Margin	<u>Gross profit</u> Net sales	**26.68%**	28.62%
<u>Efficiency</u>			
Cash Flow Margin	<u>Cash flow from operating activities</u> Net sales	**8.42%**	(12.07%)
<u>Liquidity</u>			
Current Ratio	<u>Current assets</u> Current liabilities	**1.18:1.00**	1.93 : 1.00
Debt-to Equity Ratio	<u>Total liabilities</u> Total equity	**1.86:1.00**	1.68 : 1.00

Profitability

The return on equity of 2.61 % in CY 2020, is lower than 3.46% return for the previous year due to decrease in net income attributable to equity holders of the parent. Gross profit margin decreased from 28.62% to 26.68% in 2020 mainly due to decrease in gross profit margin contribution of the schools, Construction Materials group and Phinma Solar.

Efficiency

Net cash inflow from operations in CY2020 was P1.0 billion compared to net cash outflow from operations of P1.4 billion for CY 2019. The increase was due to the increase in trust receipts payable and trade and other payables of the Construction Materials group.

Liquidity

Current ratio decreased from P1.93:1.00 in 2019 to P1.18:1.00 in CY 2020 due to increase in trust receipts payable of the Construction Materials group to support its expanded sales.

Debt-equity ratio of PHN and its subsidiaries as of end December 2020 increased from 1.68:1.00 to 1.86:1.00, mainly due to increase in total liabilities from P14.0 billion to P16.0 billion. The increase is largely attributable to the Construction Materials group.

Other Financial Ratios are as follows:

Financial Ratio	Definition	December 2020	December 2019
Asset to Equity	<u>Total Assets</u> Total Equity	**2.86**	2.68
Interest rate coverage ratio	<u>EBITDA</u> Interest Expense	**2.73**	3.14

Asset to Equity ratio of PHN and subsidiaries as of end December 2020 increased from 2.68 to 2.86 due to increase in total assets from P22.4 billion in 2019 to P24.5 billion in 2020. The increase is mainly due to the investment in PEHI by the Asian Development Bank in the amount of P 625 million and the increase in assets of Philcement Corporation with the completion of its facility in Mariveles, Bataan.

Interest rate coverage ratio decreased from 3.14 to 2.73 in 2020 due to an increase in interest expense from P464 million in 2019 to P647 million in 2020 of the Construction Materials Group.

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 COVID-19 pandemic has resulted in disruptions in operations of the various business units. Its impact is reflected in the financial statements as of December 31, 2020. Phinma Corporation and its subsidiaries continue to monitor developments and to adapt accordingly.

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.

Trade and other receivables

The 17% increase in trade and other receivables is mainly atrributable to increase in trade receivables of the Construction Materials Group

Inventories

The P228.3 million increase in inventory mainly represents increase in inventories of the Construction Materials Group

Input tax

The 91% increase in input tax is attributable mainly to the Construction Materials Group

Other current assets

The increase in the account of P36.3 million represents mainly the increase in prepaid insurance of the Construction Materials Group and increase in the deferred scholarship and discounts from the schools. The latter is amortized and charged to expense over the semester.

Property , plant and equipment

The P1.4 billion increase in PPE was mainly due to the completion of Philcement's facility in Mariveles, Bataan and also due to the properties of Rizal College of Laguna. The latter was acquired by Phinma Education in July 2020.

Deferred tax assets

The 32% increase represents mainly the increase in deferred tax assets of the Contruction Materials Group and SWU.

Right of use of assets

The increase in ROU of P147.9 million represents mainly the warehouses, properties and other assets leased by the Construction Materials group.

LIABILITIES

Notes payable

The increase in the account amounting to P357.0 million represents additional short-term borrowings of the parent company, Construction Materials Group, AU, COC, UI and SWU.

Trade and other payables

The increase of P 597.7 million in trade and other payables represents increase in trade and other payables of the Construction Materials group.

Trust receipts payable

The increase of P 827 million in trust receipts payable was largely in support of the expanded operations of the Construction Materials Group.

Contract Liabilities

In CY 2020, as a result of the decline in revenues of the schools, contract liabilties dropped by P396.7 million.

ncome and other taxes payable

The decrease of P71.6 million represents decrease in tax payable of the schools and the Construction Material Group due to lower income for the year.

Due to related parties

The P58.6 million increase in the account represents payable of Phinma Education to the ultimate parent, Phinma Inc.

Derivative Liability

The decrease in the account represents deliverable forward contracts of the Construction Materials group that became due during the period. As of December 31, 2020 the group had an outstanding derivative liability amounting to P32k.

Current portion of long-term debt

The increase in the account of P204.7 million represents reclassification of Constuction Materials group loan from long-term debt to current portion of long-term debt.

Current portion of lease liability

The increase represents the present value of lease payments of the Construction Materials group which will be due within one year.

Long-term debt – net of current portion

The decrease in the account represents transfers to current portion of long-term debt.

Pension and other post employment

The decrease in the account amounting to P34.3 million represents decrease in accrued retirement of the schools.

Lease liability

The increase in the account represents the present value of lease payments of the Construction Materials Group.

Non-controlling interest put liability

The account represents the present value of the contingent amount payable by Phinma Corporation if the non-controlling shareholders of PEHI exercise their put option on PEHI shares.

In January 2020, Asian Development Bank invested P625 million in PEHI. The increase in the account is mainly attributable to the NCI put liability arising from ADB's put option.

Other noncurrent liabilities

The decrease in the account in the amount of P4.0 million represents primarily a decrease in other noncurrent liabilities of the schools.

EQUITY

Share in other comprehensive income of associates

The change is due to an increase 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 arises largely from the investment of Asian Development Bank in PEHI at a premium over book value, offset by the impact of the increase in the Non-controlling interest put liability.

Non-controlling interest

The increase is mainly attributable to the investment made by Asian Development Bank in PEHI in January 2020.

Material Changes in Income Statement Accounts

Revenues

The 9% net increase in the account is mainly due to an increase in revenues of the Construction Materials group, partially offset by a decrease in revenues of the schools as a result of the pandemic.

Cost of Sales

The P953.6 million net increase in cost of sales represents increase in cost of sales of the Construction Materials Group on account of expanded sales.

Operating expenses

The P227.1 million drop in general and administrative expenses is mainly due to decrease in the schools' expenses due to the delay in school opening and drop in enrollees.

The 8% increase in selling expenses, is attributable to the Construction Materials Group's effort to increase sales after the lockdown period.

Financial charges

The increase in the account amounting to P182.9 million is due to increase in interest expense of the Construction Materials Group.

Equity in net earnings of associates

The decrease in the account is largely due to equitized loss in affiliate Coral Way in the amount of P6.9 million.

Foreign exchange gain

Foreign exchange loss of P152.6 million as at December 31, 2020 arose from the restatement of dollar denominated assets, largely earmarked for dollar-denominated investments of the parent company and restated at an exchange rate of P48.023 to US$1.00.

Gain (loss) on derivatives

PHN recognized a gain on derivable foreign currency forward contracts in the total amount of P12 million in 2019. In 2020, the Construction Materials group booked a loss on derivatives in the amount of P7.04 million.

Gain on sale of investment properties

The gain on sale of P7.7 million in 2019 represents the sale by SWU of a property located in Sambag, Cebu. There was no sale of investment property in 2020.

Gain on sale of property, plant and equipment

The amount represents the gain on sale of vehicles of the Construction Materials group.

Gain (loss) on sale of shares in an associate

In June 2019, PHN parent completed the sale of its shares in PHEN and PPG to AC Energy, Inc. There was no sale of shares in an associate in 2020.

Provision for unrecoverable value added tax

The provision for unrecoverable value added tax is sufficient hence no additional provision for the recoverability of input tax was made during the year.

Other income (charges)

Other income increased by P19.6 million due to increase in other income from COC.

Provision for income tax

The decrease in provision for income tax reflects the decrease in taxable income of the subsidiaries during the year.

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 ₱ 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.

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 to the 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**	**December 2019**	**December 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

d. 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.

g. 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 system wide 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 yearend 2018, the cement group achieved revenues of ₱1.5 billion.

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	December 2018	December 2017
Profitability			
Return on Equity (ROE)	Net income (loss) / Ave. total equity attributable to 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	**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**	**December 2018**	**December 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 an 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.

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, 2018 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.

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 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 t	Total Assets / Total Equity	**2.11**	**1.73**

Interest rat e coverage	<u>EBITDA</u> 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, 2020, the Company's principal subsidiaries and its percentage of ownership are as follows:

Name of Subsidiaries	% of Ownership
Union Galvasteel Corporation (UGC)	98.01
Phinma Education Holdings, Inc. (PEHI)	67.18
Philcement Corporation (Philcement)	60.00
Career Academy Asia, Inc. (CAA) [(a)]	90.00
One Animate Limited, Inc. (OAL) [(b)]	80.00
P & S Holdings Corporation (PSHC)	60.00
Asian Plaza, Inc. (API)	57.62

(a) CAA ceased commercial operations on March 31, 2019.
(b) OAL ceased commercial operations in April 2013

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
CAA [(a)]	Educational institution
OAL [(b)]	BPO - Animation services
PSHC	Investment and real estate holdings
API	Lease of real property

(a) CAA ceased commercial operations on March 31,2019
(b) OAL ceased commercial operations in April 2013

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%

Subsidiaries:

Construction Materials Group

Union Galvasteel Corporation (UGC)

UGC, *formerly Bacnotan Steel Corporation*, was incorporated in June 1993. UGC is a leading manufacturer of pre-painted galvanized iron roofing products and other steel products such as steel decking, frames, pre-engineered building systems and insulated panels used for cold storage and other facilities. The corporate name was changed to Union Galvasteel Corporation (UGC) in April 2000.

UGC's main manufacturing facilities are located in Calamba, Laguna. UGC operates roll-forming plants in Poro, San Fernando, La Union, Ilang, Davao City, Cebu City, Sta. Rosa, Nueva Ecija, Cagayan de Oro City, Zamboanga City, Calasiao, Pangasinan, Bacolod City, Iloilo City, Pili, Camarines Sur, San Fernando, Pampanga, Batangas City, Tacloban City, Leyte and Cainta Rizal. UGC started operations at the Poro and Davao steel plants in 1963 and 1968, respectively. The Calamba plant commenced operations in 1991 and now includes a color coating line and Polyurethane Line.

On December 22, 2010, the SEC approved the merger of UGC and Atlas Holdings Corporation, a 90%-owned subsidiary of PHN. UGC is the surviving entity. After the merger, the Company's ownership interest in UGC decreased from 100% to 98.36%.

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.

The UGC tag line "from foundation to roofing" opened up new geographical markets and segments in a growing steel market, allowing the company to increase its reach across nationwide. Operationally, the company also reinforced 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 organization, streamlining business processes and improving sourcing and logistics capabilities to ensure competitiveness. Through a combination of infusion of fresh talent and promotion from within the existing organization, the Company aims to retain management and professional expertise in the construction materials industry.

On December 21, 2020, UGC purchased 100% of Phinma Corporation's shares in PHINMA Solar, increasing its percentage of ownership in PHINMA Solar to 100%.

Philcement Corporation (Philcement)

PhilCement was incorporated on September 22, 2017 with the Philippine Securities and Exchange Commission. PHN subscribed to the 60.00% controlling interest in PhilCement.

Philcement is reintroducing Union Cement, PHINMA's legacy brand well known in the industry from the late 1950s to the early 2000s. The new Union Cement will combine world class standards with Filipino expertise to make the lives of Filipinos better through quality, affordable, and readily available cement products.

To serve key markets, Philcement has built a cement facility in the Freeport Area of Bataan capable of supplying up to two million tons per annum of cement.

In September 2019, Philcement entered into an agreement to purchase the port and port assets where its terminal is constructed from Seasia Nectar Port Services, Inc. The new Mariveles Cement facility was completed in 2020 and was subsequently launched in January 2021.

PHINMA Solar Energy Corporation (PHINMA Solar)

Phinma Solar Energy Corporation (Phinma Solar) (the Company), formerly Trans-Asia Wind Power Corporation, was incorporated in the Philippines and registered with Philippine SEC on July 26, 2013.

PHINMA Energy Corporation (PHINMA Energy) acquired 100% ownership of the company on August 22, 2013 from PHINMA Renewable Energy Corporation (PHINMA Renewable).

On December 11, 2018, PHINMA Energy and Union Galvasteel Corporation (UGC), a company under common control of Philippine Investment-Management (PHINMA), Inc., entered into a Deed of Sale for the sale of PHINMA Energy's 50% interest in PHINMA Solar to UGC. As a result of the sale transaction, the

PHINMA Solar ceased to be a subsidiary of the Parent Company.

On June 24, 2019, PHINMA Energy and PHINMA Corporation, a company under common control of PHINMA Inc., entered into a Deed of Sale for the sale of PHINMA Energy's 50% interest in PHINMA Solar to PHINMA Corporation. As a result of the sale transaction, joint control between UGC and PHINMA Energy ceased.

PHINMA Solar's main source of revenue is to construct, develop, own operate, manage, repair and maintain Solar power generation plants, to generate electricity from such power plants and to market and sell the electricity produced thereby.

PHINMA Solar's main edge against its competitors is the discounted value of sold electricity to its customers. At a range of 10% discount against the customers, usual Distribution Utility (DU) rate less effect of transmission charges, the customers not only do away with additional electricity cost but also support environmental health.

In collaboration with UGC, PHINMA Solar not only promotes its own brand but is also able to extend UGC sales through PHINMA Solar's network of customers.

On December 21, 2020, PHN divested 100% of its interest in Phinma Solar Energy Corporation. Said shares were purchased subsequently by UGC, making PHINMA Solar 100%-owned subsidiary of UGC.

Educational Services

On April 28, 2004, the Parent Company acquired a 56.77% controlling interest in ***Araullo University (AU)***. In December 2004, the Parent Company subscribed to additional shares, increasing its ownership interest in AU to 78.64%. AU is a proprietary educational institution located in Cabanatuan City, Nueva Ecija.

On June 29, 2005, the Parent Company acquired a 66.95% controlling interest in ***Cagayan de Oro College (COC)***. In 2007, the Parent Company's advances to COC amounting to ₱28.0 million was converted to equity, retaining the former's ownership interest in COC. COC is a proprietary educational institution located in Cagayan de Oro, Misamis Oriental.

On February 2, 2009, the Parent Company acquired a 69.91% controlling interest in ***University of Pangasinan (UPANG),*** representing a 69.91% ownership interest. UPANG is a proprietary educational institution located in Dagupan City, Pangasinan.

On November 11, 2014, UPANG established a new educational institution – ***PHINMA-UPANG College Urdaneta, Inc. (PUCUI)***, a proprietary educational institution located in Urdaneta City, Pangasinan.

In 2015, UPANG disposed of its subsidiary, ***University of Pangasinan Medical Center, Inc. (UPMCI)***.

On February 25, 2009, the Parent Company acquired a 69.99% controlling interest in ***University of Iloilo (UI),*** representing a 69.99% ownership interest. UI is a proprietary educational institution located in Iloilo City, Iloilo.

From April to May 2015, the Parent Company acquired a 62.52% controlling interest in ***Southwestern University (SWU)***. The Parent Company continued to subscribe to additional shares until August of the same year, thus increasing its ownership interest in SWU to 73.74%. SWU is a proprietary educational institution located in Cebu City, Cebu.

On December 1, 2015, the Parent Company sold its ownership interests in AU, COC, UPANG, UI and SWU to PHINMA Education Holdings, Inc. (PEHI), its wholly-owned subsidiary incorporated in the Philippines on August 28, 2015. PEHI now acts as the holding company for the Parent Company's investments in educational institutions.

On December 23, 2016, the SEC approved SWU's application for an increase in its authorized capital stock from ₱5.0 million (50,000 common shares at ₱100 par value per share) to ₱225.0 million (2,250,000 common shares at ₱100 par value per share), effectively increasing PEHI's ownership interest in the school from 73.74% to 84.05% as at December 31, 2016.

On May 23, 2017, PEHI completed its acquisition of 1,682 SWU shares, for a total consideration of ₱192.5 million, which increased PEHI's interest in SWU from 84.05% to 84.34%.

On December 5, 2017, PEHI acquired a 95.19% controlling interest in ***St. Jude College, Inc. (SJCI)*** for a total consideration of ₱368.7 million. SJCI is a proprietary education institution located in Sampaloc, Manila. 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%.

In June 2019, Phinma, Inc. sold its shares in AU and COC to PEHI and proceeds were used to subscribe to PEHI shares.

On April 12, 2019, an Investment Agreement was executed between PEHI, Kaizen Private Equity II Pte. Ltd. (Kaizen), and the Asian Development Bank (ADB) . On October 7, 2019, an Amended and Restated Investment Agreement was signed by PEHI, Kaizen, ADB and the Netherlands Development Finance Company (FMO) in order to include the investment of FMO. The total subscriptions of FMO, together with Kaizen and ADB, amounted to Php 1.875 billion representing a 19.41% stake in PEHI. Local investors Emar Corporation and Dr. Magdaleno B. Albarracin, Jr. also invested P325 million. Total investment from new investors amounted to Php2.2B.

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 P15.6 million. RCI is a school that operates secondary, tertiary and graduate programs.

On July 31, 2020, PEHI acquired 300 shares of Rizal College of Laguna, Inc. (RCL) representing 100% ownership for P449 million. RCL offers Junior High School and the Academic track, Technical Vocational track and ICT track for Senior High School. It also offers undergraduate courses in Education, Business Administration, Office Administration, and Industrial Technology.

Integrative Competitive Intelligence Asia, Inc. (ICI Asia)

On July 25, 2011, the Company acquired an 85% controlling interest in ICI Asia, a knowledge process outsourcing provider based in Manila, to increase its BPO portfolio which will provide opportunities in the high value-added services sector.

Fuld Philippines, Inc. was renamed to Integrative Competitive Intelligence Asia, Inc. (ICI Asia) in March 2017 after approval by the Philippine SEC. ICI Asia has changed its source of revenue from foreign to local customers following the sale of Fuld U.S. in April 2017.

On November 29, 2017, ICI Asia applied for an increase in authorized capital stock with the Philippine SEC from ₱2.0 million to ₱30.0 million with par value of ₱1,000 per share. In 2017 and 2016, the Company made advances to ICI Asia in the amount of ₱61.0 million and ₱50.0 million, respectively. The Company reclassified the advances to deposit for future stock subscription in November 2017.

On September 18, 2020, PHN divested 100% of its interest in Integrative Competitive Intelligence Asia, Inc. (ICI Asia).

Investment in Property Development

Asian Plaza, Inc. (API) was incorporated on January 26, 2005 and started commercial operations on the same date. The Company's primary purpose is investment in real properties. API owned a fully leased building along Sen. Gil Puyat Avenue, Makati City.

On March 31, 2011, API signed a Deed of Absolute Sale with Shang Property Developers, Inc. for the sale of API's property for P615 million.

Investment Holdings

P & S Holdings Corporation, a 60% owned subsidiary of Phinma Corporation was incorporated on September 11, 1998. The company's primary purpose is to invest in real and personal properties. The company currently owns and leases land located in Bulacan.

Product Lines

Construction Materials Group

Construction Materials Group' major product lines are :

Business Unit	Product	Type
Steel	Colored or Prepainted Sheets	In coil or in sheets roll formed
	Heavy Gauges	In sheets, coils and roll formed
	Long Span GI Sheets	Roll formed – in sheets
	Claddings and Sidings	Roll formed – in sheets
	Decking's / C. Purlins	Roll formed – in sheets
	Metal frames / Studs	Roll formed – in sheets
	Spandrel	Roll formed – in sheets
	Polyurethane Panels	Roll formed – in sheets
	Roofing Accessories	Bended or Roll formed
	Pre-engineered Building Systems	Roll formed
Cement	Cement	High-strength cement, general-purpose cement
Solar	Rooftop System *	Solar photovoltaic rooftop system
	Power / electricity *	Generation and distribution of solar power

The Construction Materials Group namely UGC, Philcement and Phinma Solar accounted for 83% of PHN's revenues in 2020. The following table shows the contribution of the various products of the Construction Materials Group.

Sales Revenues By Product Line (in thousands)

(in Thousand pesos)	Calendar Year Ended December 31, 2020	Calendar Year Ended December 31, 2019	Calendar Year Ended December 31, 2018
Steel products	**P4,282,416**	P5,279,682	P5,518,452
Cement	**5,808,579**	2,688,589	693,093
Rooftop system and power	**43,224**	9,112	1,002
Others	**-**	250,412	1,002,329

Educational Services

PHINMA Education's (PEHI) mission is to make life better through education that is accessible and of good quality, through each of its divisions.

Markets

PHINMA Araullo University (AU) in Cabanatuan, Nueva Ecija, PHINMA Cagayan de Oro College (COC) in Cagayan de Oro City, PHINMA University of Pangasinan (UPang) in Dagupan City, and PHINMA University of Iloilo (UI) in Iloilo City serve students from low income families in developing urban centers.

On the other hand, Southwestern University PHINMA (SWU) in Cebu City, which was acquired in 2015, serves a separate middle income market, catering to foreign as well as local students from Cebu and other provinces throughout the country.

St. Jude College, Inc. in Sampaloc, Manila, which was acquired in December 2017, serves students from low income families as well, but with a wider reach than its sister schools, with enrolees coming from beyond Metro Manila. All schools provide basic education, senior high school, tertiary, graduate, and TVET programs.

Senior High School

In 2016, the Philippines welcomed its first batch of Senior High Schools (SHS) students under the K12 program. The new curriculum resulted in a decrease in tertiary freshmen enrolment nationwide, due to the two extra years required in basic education, which then resulted in a subsequent decrease in the demand for college teaching personnel, many of whom were displaced.

During this transition, PEHI remained resilient, focusing on its main thrust – to make lives better by providing quality education for low to middle-income families. By enhancing operational efficiencies, PEHI was able to retain majority of its employees, and maintain the quality of its services. On top of this, the five schools it then had, posted the largest SHS enrolment among schools in their respective areas, reinforcing their positions as top performing schools in each of their regions.

Satellite Campuses

PEHI has also increased the schools' enrolment by employing satellite campuses to widen their geographic reach. PHINMA UPang, which first opened its Urdaneta campus in SY2015-2016 with 141 students has since grown to a population of 1,141. Likewise, PHINMA AU South and PHINMA COC Puerto campuses continue to grow as major education providers in the outlying areas where they are located.

Accessible Quality

In its efforts to deliver on its promise to more students, PEHI recalibrated its standards to pave the way for an increased number of passers in board licensure examinations. The schools increased the number of board passers among its graduates in education, civil engineering, mechanical engineering, nursing, dentistry, optometry, medical technology and physical therapy.

In school year 2019-2020, PEHI universities and colleges attained a level of consistency in board performance across the key fields of allied health, education, engineering, accountancy, and criminal justice. Several times during the year, PEHI schools even achieved a 100% passing rate (e.g., PHINMA UI and PHINMA UPang in nursing, PHINMA UPang in education, and PHINMA UI and PHINMA COC in accountancy). In addition, a graduate of PHINMA UPang was ranked top 5 in this year's electronics engineering examination.

Contribution of Export Sales

UGC and Philcement have no export sales.

Supply

Construction Materials

a) Steel Business

Total pre-painted GI capacity is 250,000 MT per year. In addition to locally-produced Galvanized Iron (GI) and Pre-painted Galvanized Iron (PPGI) products, there are importations of PPGI, Heavy Gauge and GI products which account for around 40% of the total consumption.

b) Cement Business

Philcement's Mariveles Cement Facility has a capacity of two million MT of cement per year. It is capable of processing and packaging Union V Ultra 50 Ordinary Portland Cement Type I and Union V Super 40 Blended Hydraulic Cement with Pozzolan (Type IP), which it distributes in bulk and in 40-kg bags. Philcement also operates warehouses and sales offices to serve the needs of its customers nationwide.

Marketing and Distribution

Construction Materials

a) Steel Business

UGC serves the steel roofing requirements of end-users, developers, contractors, and dealers for residential, commercial building applications and government projects such as school buildings, military housing units, and shelter relocation projects in the Visayas. Its secondary markets are facilities for the agribusiness sector such as cold storage, poultry structures and government projects for school buildings and public markets.

UGC's main manufacturing facilities are located in Calamba City, Laguna and maintains a nationwide distribution network consisting of 15 roll-forming plants, 10 warehouses and sales offices located in strategic regions around the Philippines.

b) Cement Business

Backed by decades of experience in the cement industry and armed with technical and management expertise, Philcement aims to be a partner of choice, known for its reliability of supply and high-quality products and services. Philcement distributes its products in 40-kg bags, jumbo bugs, and bulk trucks, and continues to gain acceptance in key markets nationwide.

Its main product types include:

Union V Ultra Strength 50 is high strength cement, greatly suited for concrete applications, and exhibits high workability, early compressive strength, and consistency that exceeds both Philippine and international standards.

Union V Super Strength 40 is Philcement's general-purpose cement blended with mineral additives and designed for higher levels of workability and improved yield that exceeds both Philippine and international standards.

Union Type II is Philcement's Type II cement, for construction applications which require moderate heat of hydration and sulfate resistance.

Philcement's main Office and Facility are located in the Freeport Area of Bataan, Mariveles, Bataan. It continues to grow its distribution network nationwide similar to UGC.

Educational Services

PHINMA Education (PEHI) provides more opportunities to students from low-income families by offering academic scholarships and financial assistance on top of already accessible fees. Partnerships with local schools and communities are supplemented by multimedia campaigns across each institution's catchment areas.

Competition

Construction Materials

a) Steel Business

UGC's principal competitors are Manufacturers such as Puyat Steel Corporation, Chuayuco Steel Manufacturing Corporation and Sonic Steel Industries, Inc. There are also major roll formers such as DN Steel, Color Steel, Dwight Steel, United Steel Tech, Everglory and Philmetal. These roll formers are importing finished steel products bringing the market to a more competitive situation putting pressure on prices and margins.

b) Cement Business

The cement industry is composed of integrated manufacturers, finish mill operators, and cement importers. Among the integrated manufacturers are local companies (such as Eagle Cement Corporation, Northern Cement Corporation, Goodfound Cement, and Mabuhay Filcement) and multinational corporations (i.e. Holcim Philippines, Inc., Republic Cement and Building Materials, Cemex Holdings Philippines, and Taiheiyo Cement Philippines). Meanwhile, Big Boss Cement and Petra Cement operate finish mills for their cement production. Lastly, the importers of finished cement in the market, aside from local manufacturers who also import, include, among others, Cohaco Merchandising, NGC Lang Corporation, Fortem Cement Corporation, Saygin Construction Supply, and SCG Cement Philippines

Educational Services

PHINMA Education's competitors span both private and government-owned schools in each of the institutions' locales. In Nueva Ecija, PHINMA AU competes with Wesleyan University, Nueva Ecija University of Science and Technology, and Central Luzon State University. PHINMA COC's competitors in Misamis Oriental include Xavier University, Liceo de Cagayan University, Capitol University, Southern Philippines College, Lourdes College and the University of Science & Technology of Southern Philippines. Meanwhile, PHINMA UPang's competitors in Pangasinan are Colegio de Dagupan, University of Luzon, Lyceum Northwestern University, Pangasinan State University, and Urdaneta City University. In Iloilo, PHINMA UI's competitors are University of San Agustin, Central Philippine University, West Visayas State University, Western Institute of Technology and Iloilo Science and Technology University. SWU PHINMA's competitors in Cebu are University of San Carlos, University of Cebu, University of San Jose Recoletos, Cebu Doctor's University and Velez College. In Metro Manila, PHINMA SJC competes with Perpetual Help College of Manila, Philippine College of Health and Sciences, Universidad de Manila, Metropolitan Colleges, Arellano University, National Teachers College and Philippine College of Criminology.

Effect of Existing or Probable Government Regulations on the Business.

Construction Materials

a) Steel Business

The present tariff on importation of both raw materials and finished products are:

		AFTA-China	MFN
GI/PPGI	-	0%	7-10%
Cold Rolled Coils	-	0%	0%
Hot Rolled Coils-		0%	0%

Technical smuggling in the importation of steel products remains an industry and a government concern, such that the Bureau of Customs sets a uniform minimum valuation amount on various steel products for each tariff heading of steel products as the basis for the computation of duties and taxes. This improved the revenue collections of the Bureau of Customs as it minimized the under declaration of declared values of imported materials.

b) Cement Business

While there are no trade tariffs on cement arising from international agreements, in 2019, DTI imposed a safeguard duty on cement imported to the Philippines for three years (PHP 250 per ton on the first year, PHP225 per ton on the second year, and PHP 200 per ton on the third year). In October 2020, on the second year of its imposition, the DTI raised the safeguard duty to PHP 245 per ton instead of the programmed PHP 225 per ton.

Educational Services

Rules and regulations issued by the Commission on Higher Education (CHED), the Department of Education (DepEd), and the Technical Skills Development Authority (TESDA) affect the operations of the universities and colleges under PEHI. Some of the more salient effects include curricular requirements, faculty qualifications, and specifications of facilities. The universities and colleges are also governed by the rules and regulations prescribed by R.A. 9337, "An Act Amending Certain Sections of the National Internal Revenue Code (NIRC), as amended, and for other purposes. Under R.A. 9337, the universities and college are subject to a tax of 10% on their taxable income. However, if the gross income from unrelated trade, business or other activity exceeds 50% of the total gross income derived by such educational institution from all sources, the regular corporate income tax under the NIRC shall be imposed on the entire taxable income.

The establishment, operation, administration and management of the Universities and Colleges under PEHI are subject to the existing laws, rules and regulations, policies and standards of the Technical Skills Development Authority (TESDA), Commission on Higher Education (CHED) and Department of Education (DepEd). Regulations from these governing bodies affect the operations of PEHI.

Governmental Evaluation of Products

Construction Materials

a) Steel Business

The Department of Trade and Industry (DTI) under its Mandatory Labelling with Self-Declaration and Conformity, requires that importers and manufacturers ensure that labelling and marking requirements of the applicable product standard and of the Consumer Act of the Philippines (R.A. 7394) are marked on the product itself.

Likewise, the Bureau of Philippine Standard (BPS) administers a product certification scheme for products under its List of Products under Mandatory Certification with specific product coverage and classification in safety and performance. For products not included in the mandatory list, manufacturers may still apply for PS License under the voluntary product certification scheme. UGC's products fall under the voluntary product certification scheme.

b) Cement Business

DTI, through the Bureau of Philippine Standards, mandates that the importation of cement products must comply with the implementing guidelines under Department Administrative Order 17-06 "The New Rules and Regulations Concerning the Mandatory Certification of Portland Cement and Blended Hydraulic Cement with Pozzolan".

Under the same DAO, all importers and manufacturers abroad need to undergo a product certification scheme for cement products in compliance with applicable Philippine National Standards (PNS 07:2018 for OPC and PNS 63:2008 for blended hydraulic cement with pozzolan).

Raw Materials

Construction Materials

a) Steel Business

UGC's major raw materials in the production of color-coated sheets are galvanized iron sheets in coils or zinc-aluminum coated sheets in coils.

The sources of galvanized and zinc aluminum coated materials are China and Vietnam. There are no local manufacturers of these materials that can meet the quality of substrates for pre-painting.

b) Cement Business

Initially, Philcement mainly sources its finished cement products from its strategic partner in Vietnam. These cement products are inspected and tested for product quality under Philippine National Standards and American Standards for Testing and Materials (ASTM) standards before they leave the partner's port, and again undergo product quality testing when they arrive at local ports.

Research and Development

Construction Materials

a) Steel Business

UGC has a full time Research and Development Section and one of its main functions is to take the lead in the Continuous Improvement Program in order to enhance product quality, customer service and cost competitiveness. UGC is an ISO-certified company for its Quality and Environmental Management Systems.

Research and Development Cost * (in '000)

Period covered	Amount	% to Revenues
CY 2020	P2,654	0.06%
CY 2019	3,897	0.07%
CY 2018	867	0.01%

b) Cement Business

In its pursuit of delivering consistent and high-quality cement, Philcement Corporation expects to complete the construction of its cement laboratory at its Mariveles Facility in Q2 2021. The Head of Product Quality is the lead of R&D activities for cement.

No research and development costs incurred for CY 2020, 2019 and 2018.

Educational Services

PEHI's Academic System continually evolves to serve the needs of students and of the industry, both in the Philippine and global contexts.

Cost and Effects of Compliance with Environmental Matters

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

Construction Materials

a) Steel Business

UGC, as a corporate citizen, is committed to protect the environment and safeguard the health and safety of its employees. It strictly conforms to government environmental regulatory standards through its pollution control facilities for water and air. It continuously monitors its wastewater and air emissions and maintains and improves such facilities and processes to ensure environment friendly results. Regular tests conducted internally and by third parties show that effluents consistently met Department of Environmental and Natural Resources (DENR) and Laguna Lake Development Authority (LLDA) standards. In addition, UGC is a member of the Local Government Units (Calamba Green Stream Brigade and Laguna Water Conservancy), Pollution Control Association of the Philippines, Inc. (PCAPI) and Water Environment Association of the Philippines (WEAP) to strengthen its commitment and involvement for a better environment.

An Environmental Management Group which reports directly to the Vice President - Production is responsible for the implementation of the Company's Environmental Program including compliance with all laws and regulations on Environmental Standards.

b) Cement Business

Philcement has already set up a management system to ensure full compliance with the conditions set by DENR and the Authority of the Freeport Area of Bataan. In 2019, it has also began initiating corporate social responsibility programs in the communities where it operates.

Employees

As of December 31, 2020 and 2019, PHN and its subsidiaries had a total of 3,229 employees broken down as follows:

Officers and Employees

Company	No. of employees			
	CY 2020		CY 2019	
PHN (Holding Company)				
Management	**9**		3	
Staff	**22**	**31**	29	32
UGC				
Executive	**12**		11	
Managers	**72**		56	
Supervisors	**210**		381	
Rank and File	**525**	**819**	337	785
Philcement				
Executive	**4**		4	
Managers	**14**		12	
Supervisors	**17**		11	
Rank and File	**48**	**83**	38	65
Phinma Solar				
Executive	**4**		2	
Managers	**4**		4	
Supervisors	**4**	**12**	4	10
AU				

Academic	**211**		197	
Administrative	**76**	**287**	72	269
COC				
Academic	**347**		324	
Administrative	**77**	**424**	76	400
UPANG				
Academic	**319**		302	
Administrative	**72**	**391**	85	387
UI				
Academic	**230**		264	
Administrative	**69**	**299**	64	328
SWU				
Academic	**358**		519	
Administrative	**320**	**678**	362	881
SJCI				
Academic	**91**		95	
Administrative	**48**	**139**	44	139
RC				
Academic	**4**		-	
Administrative	**11**	**15**	-	-
RCL				
Academic	**4**		-	
Administrative	**2**	**6**	-	-
PEHI Rockwell				
Management	**40**		37	
Staff	**7**	**47**	7	44
ICI Asia, Inc.				
Management	**-**		2	
Staff	**-**	**-**	22	24
TOTAL		**3,221**		3,364

Employees of PHN and its subsidiaries are not subject to a Collective Bargaining Agreement (CBA) except for the following subsidiaries:

a) UPANG - CBA will expire in June 9, 2022 and
b) UGC - CBA been renewed on July 1, 2020 and will expire on June 30, 2025

Risk Factors

A) Risks relating to operations

1) Dependence on Key Facilities

Construction Materials

a) Steel Business

Substantially all of UGC's income has been, and will be derived from the sale of products produced or processed at UGC's production facilities. Any breakdown of or significant damage to UGC's production facilities could have a material adverse effect on the results of its operations. UGC maintains comprehensive property and casualty insurance policies on its production facilities under a broad name peril policy. However, there can be no assurance that the proceeds of UGC's insurance would be sufficient to insulate UGC from all effects of possible loss or damage. In addition, UGC has adopted Risks Management System covering preventive and preparedness action plans.

b) Cement Business

Similar to UGC, Philcement derives its revenues and income from the sale of cement products. Any breakdown of or significant damage to Philcement's processing facilities could have a material adverse effect on the results of its operations. While the equipment are still under warranty, substantial downtime could affect the efficiency of operations and attainment of financial goals and objectives.

2) Availability of Raw Materials

Construction Materials

a) Steel Business

The industry is dependent largely on imports for raw materials and finished products.

b) Cement Business

Philcement has a strategic partnership with the largest privately owned cement firm in Vietnam.

3. Logistics (Inbound and Outbound)

a) Cement Business

For the cement business, its operations are mainly dependent on the reliability of logistics services, such as delivery of cement to its facilities and warehouses and land and vessel transport to customers.

B) Financial Risks

1. Impact of Tariff Rates and Exchange Rate Fluctuations

Construction Materials

a) Steel Business

Considering that the industry is import dependent on both the upstream (raw materials) and downstream (intermediate and finished products), any volatility of the exchange rate and adjustment in the tariff rates will impact on product cost and market price of the finished product.

b) Cement Business

The business of Philcement is affected by the risks of volatility in foreign exchange and interest rates, which affects the competitiveness of its products to market as well as the company's leverage for more efficient operations.

2. Non-compliance With Financial Covenants

Construction Materials

a) Steel Business

UGC existing syndicated loans which provide certain restrictions and requirements, including restrictions on declaration and payment of dividends, incurrence of new long-term debt, entering into management agreement other than with PHINMA, entering into merger or consolidation with any other company without prior consent of the creditors and maintenance of financial ratios.

As of December 31, 2020, UGC's debt to equity ratio is 2.31:1, which is compliant with the ratio of 2.50:1 required under its loan covenant.

b) Cement Business

Philcement has an existing loan agreement which include, among others, certain restrictions and requirements such as the maintenance of certain current, debt-to-equity and debt service ratios.

As at December 31, 2020, the Company is not compliant with the loan covenants. Philcement, however, has obtained the necessary waiver issued by the bank.

Educational Services

PEHI and its subsidiaries' existing bank loans provide certain requirements and restrictions, including incurrence of other loans, entering into management agreements other than with PHINMA, entering into merger or consolidation with any other company without prior consent of the creditors, and maintenance of debt-to-equity ratio, current ratio and debt service coverage ratio.

As of December 31, 2020, some schools are not in compliance with its debt covenants, but will re-assess on its fiscal year-end.

C. Risks relating to the Philippines and the industry

1) Political and Economic Factors

Construction Materials

a) Steel Business

UGC is primarily engaged in the manufacture of pre-painted iron sheets and polyurethane panels for construction in the Philippines. UGC sales are driven by construction activities, mostly private investments and the government expenditures for infrastructure.

b) Cement Business

Philcement is mainly engaged in processing, marketing, sales and distribution of cement and other cement products to customers nationwide. Similar to UGC, revenues are supported by the expansion in economic activities, mainly through the construction sector. Additional infrastructure spending to promote growth also adds a positive boost to the industry.

2. ***Heightened Competition in the Cement and Steel Industry***

Construction Materials

a) Steel Business

Local manufacturers has to face stiff competition from roll formers and stockists who import finished steel products from foreign sources like China, Korea and Vietnam.

b) Cement Business

With the last five years, the cement industry has become more competitive, heightening risks of volatility in market prices. With the slowdown in construction activity due to the lingering effects of the Covid-19 pandemic in 2020, Philcement expects heightened competition in the domestic cement industry

Properties

Table - Property, Plant and Equipment (in thousands)

	Dec. 31, 2020*	**Dec. 31, 2019***
Cost		
Land	**P2,967,593**	P2,446,231
Plant site improvements	**2,206,616**	186,872
Buildings and improvements	**3,703,129**	3,394,995
Machinery and equipment	**2,119,057**	1,899,185
Transportation and other equipment	**523,500**	508,273
	11,519,895	8,435,556
Less : accumulated depreciation		
Plant site improvements	**121,840**	46,742
Buildings and improvements	**1,317,004**	1,171,551
Machinery and equipment	**1,408,034**	1,313,486
Transportation and other equipment	**346,985**	333,830
	3,193,863	2,865,609
	8,326,032	5,569,947
Construction in progress	**1,064,722**	2,415,332
Net Book Value	**P9,390,754**	P7,985,279

**Source: Audited financial statements as of December 31, 2020 and 2019.*

Additions in construction in progress mainly pertains to the construction of Cement Terminal Facility in Mariveles, Bataan which started in 2018. This project will be completed in first quarter of 2021.

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.

Legal Proceedings

Cohaco Merchandising & Development Corp., Fortem Cement Corporation, NGC Land Corp., Pabaza Import and Export Inc., and Philcement Corporation vs. Secretary Of Trade And Industry, Secretary of Finance, Commissioner Of Customs, And Chairman of The Tariff Commission (Court of Tax Appeals Case No. 10185)

On October 11, 2019, Philcement Corporation, a subsidiary of the Company, together with other cement importers Cohaco Merchandising & Development Corp., Fortem Cement Corporation, NGC Land Corp., Pabaza Import and Export Inc. , filed a Petition for Review with the Court of Tax Appeals praying for the reversal and nullification of the decision of the Secretary of the Department of Trade and Industry ("DTI") dated 27 August 2019, or DTI Department Administrative Order ("DAO") No. 19-13, safeguard duties (the "Duties) on imported cement classified. Said petitioners also seek a declaration that they are not liable for payment of said Duties and a refund of the Duties already paid. They principally assert that their importations cause no serious injury or threat of serious injury to the domestic cement industry. Further, consistent with the position of the Philippine Competition Commission, the imposition of the Duties would weaken competitive pressure and endanger the realization of huge benefits that a competitive landscape in the cement industry would bring. The said petition is still pending before the CTA.

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, and for the months January to February of 2021, are as follows:

Period	High	Low
Calendar Year 2021		
January – February	11.00	9.45
March 1 - 15	12.40	10.96
Calendar Year 2020		
January – March	10.08	7.90
April – June	9.00	8.20
July – September	9.10	8.36
October - December	10.00	8.00
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

Source: Philippine Stock Exchange, Inc.

Dividends on Common Shares

Cash Dividends Payment on Common Shares

The payment by PHN of dividends shall be subject to the availability of retained earnings following the SEC rule on calculation of available retained earnings for dividend declaration, loan covenants and financial ratios.

PHN declares cash or stock dividends to its common stockholders in amounts determined by the Board taking into consideration the results of the Company's operations, its cash position, investments and capital expenditure requirements, and unrestricted retained earnings. The Company also declares special cash dividends where appropriate.

Dividends declared and paid from 2010 to 2021 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 29, 2019
November 11, 2019	Cash	P0.40 per share	November 25,	December 9, 2019
February 28, 2020	Cash	P0.40 per share	March 17, 2020	March 27, 2020

On March 2, 2021 the Board of Directors declared cash dividend of P 0.40 per share to all shareholders of record as of April 14, 2021 payable May 5, 2021.

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 December 31, 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 December 31, 2020, PHN has 272,372,965 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)	166,873,950	61.27%
2	PCD Nominee Corp. (Filipino)	64,249,338	23.59%
3	PCD Nominee Corp. (Non-Filipino)	17,201,466	6.32%
4	Magdaleno B. Albarracin, Jr.	9,745,459	3.58%
5	Philippine Remnants Company	1,176,308	0.43%
6	Victor J. del Rosario	1,069,245	0.39%
7	Roberto M. Laviña	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, Jr.	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		**265,153,69**	**97.35%**

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
Troy A. Luna	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
Pythagoras L. Brion, Jr.	Senior Vice President
Regina B. Alvarez	Senior Vice President – Finance and CFO
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 and Related Party Transactions 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 Nominations 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
June 24, 2020

PHINMA CORPORATION
MINUTES OF THE ANNUAL MEETING
OF STOCKHOLDERS

Held through remote communication
via www.asm.phinmacorp.ph
on Wednesday, 24 June 2020, at 10:00 a.m.

I. CALL TO ORDER

The Chairman of the Board, Mr. Oscar J. Hilado, called the meeting to order at 10:00 a.m. and presided over the same. The Corporate Secretary, Atty. Troy A. Luna, recorded the minutes of the meeting.

The Chairman began the meeting by explaining to the stockholders that the Corporation decided to conduct the meeting remotely to avoid any health and safety risk on the part of the stockholders because of the current pandemic. The Chairman said that it was the first stockholders' meeting of its kind to be conducted by the Corporation in accordance with the rules of the Securities and Exchange Commission ("SEC").

The Chairman thereafter introduced the Directors present at the meeting. The Chairman also recognized the presence of the Corporation's Corporate Secretary, and the independent third party stock transfer agent, Stock Transfer Service, Inc. ("STSI"), represented at the meeting by Mr. Antonio M. Laviña.

The Chairman further acknowledged the presence of the Corporation's independent external auditors, Sycip Gorres Velayo & Company, represented at the meeting by the Chairman Mr. Carlitos G. Cruz, Country Managing Partner Mr. Wilson P. Tan, Ms. Vivian C. Ruiz, Mr. Ramon Dizon, Ms. Belinda T. Beng Hui and Ms. Maricris See.

II. PROOF OF NOTICE AND DETERMINATION OF QUORUM

The Chairman asked the Corporate Secretary if notices of the meeting were sent to the stockholders.

The Corporate Secretary certified that Notices with the agenda were posted on the website of the Corporation, was published in the Philippine Daily Inquirer and the Philippine Star for two (2) consecutive days on June 2 and 3, 2020, and was disclosed to the SEC and the Philippine Stock Exchange, in accordance with the rules of the SEC.

The Chairman then asked the Corporate Secretary to inform the stockholders of the procedures for attendance, voting on each item of the agenda and participation in the meeting.

The Corporate Secretary explained that, as stated in the Notice, stockholders may participate and attend the meeting only by remote communication. Stockholders who have informed the Corporation of their attendance through a dedicated email provided by the Corporation in the said Notice (phncorsec@phinma.com.ph), on or before June 19, 2020, shall be considered present at the meeting. The Corporate Secretary then recited the following rules of conduct and procedures that applied to the meeting, which were contained in the explanation on each item of the agenda posted on the website of the corporation and earlier disclosed:

1. Stockholders may cast their votes through a form named "Ballot/Proxy" sent together with the Information Statement, which stockholders may submit on or before June 19, 2020 to the same dedicated email address.

2. All the items in the agenda for approval by the stockholders may be approved only by affirmative vote of the stockholders owning at least majority of the outstanding capital stock present or represented at the meeting, provided that there is a quorum, except the election of Directors which will be based on the number of votes cast by the stockholders present or represented at the meeting for each or more nominees for election as Directors, as described in the Information Statement.

3. The votes received have been tabulated by the Corporation's independent stock transfer agent, STSI.

4. Each proposed resolution for approval by the stockholders will be shown on the screen and the number of affirmative votes received for the approval of such resolution shall be reported by the Corporate Secretary.

5. Questions from stockholders have been received through the same dedicated email address. These will be answered during the meeting, subject to appropriateness, relevancy and time limits.

6. Stockholders may also send questions or comments within one (1) week after the meeting.

The Chairman then asked the Corporate Secretary if there was a quorum for the meeting. The Corporate Secretary, based on the tabulation of attendance, informed the body that there were present or duly represented at the meeting, more than **82.9%** of the issued and outstanding capital stock of the Corporation or **225,751,802** shares. 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 12 April 2019.

The Chairman requested the Corporate Secretary to discuss the resolution to dispense with the reading of the said Minutes and to approve the same, which resolution was shown on the screen. The Corporate Secretary explained that the Minutes were distributed to the stockholders as Annex D of the Information Statement.

The Corporate Secretary then informed the body that based on the tabulation of votes, shareholders owning a total of **225,751,802** shares or **100%** of the shares present or represented at the meeting voted in favor of the resolution to dispense with the reading of the Minutes and for the approval thereof. The Minutes of the Annual Meeting of Stockholders held on 12 April 2019 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 and the Corporation's audited consolidated financial statements for the year ended 31 December 2019.

Financial Report

The Corporation's Senior Vice President - Finance, Ms. Regina B. Alvarez, presented a brief recap of the Corporation's audited financial statements for the year 2019.

Consolidated revenues amounted to Php11.3 billion in 2019, a 14% increase over that of the previous year, due to increased revenues from the Corporation's core businesses particularly the Education Group and Construction Materials Group.

Despite a 10% increase in consolidated costs and expenses in 2019, income from operations reportedly grew from Php576 million in 2018 to Php1.1 billion in 2019.

Equity in net earnings of affiliates turned around from a loss of Php108 million in 2018 to earnings of Php44 million in 2019 as the Company divested from its holdings in the Energy business. Accordingly, consolidated EBITDA increased from Php1.1 billion in 2018 to Php1.4 billion in 2019.

In terms of contribution per business unit to net income of the parent, the Construction Materials Group posted the largest contribution to net income of the parent, followed by the Education Group. Net income to equity holders of the parent increased to Php233 million from Php26 million in 2018 while consolidated net income increased from Php175 million in 2018 to Php437 million in 2019.

On the Corporation's statement of financial position, total assets as of year-end 2019 amounted to Php22.4 billion. Of these, approximately Php9.9 billion were current assets, Php3.2 billion of which were cash and short-term investments.

Total liabilities, on the other hand, amounted to Php14 billion.

The Corporation reportedly continued to have a strong balance sheet, with current ratio at 1.93:1 and debt-to-equity ratio at 1.68:1. Book value per share as of December 31, 2019 stood at Php24.42.

Ms. Alvarez reported that the Board declared a cash dividend Php0.40 per share which was paid last March 27, 2020.

Management Report

The Corporation's President and Chief Executive Officer, Mr. Ramon R. del Rosario, Jr., followed with the results of operations during the preceding year. He first discussed the impact of the current COVID-19 pandemic on operations and how the Company responded thereto.

As reported by Mr. Del Rosario, the Company focused on three key areas: the safety of its people, the continuity of its business and the well-being of the communities. According to Mr. Del Rosario, Management immediately implemented a work from home policy for all employees, while providing the employees with the tools and support needed to work from home. Skeletal staff such as security and janitorial services were deployed at operational sites. To further provide support to the Company's employees, Management advanced salary and a pro-rated portion of their 13th month pay.

Led by the PHINMA Foundation, the PHINMA Group rolled out PHINMA Reaches Out 2020 and deployed over Php30 million to support communities with a focus on those most in need of support. Financial assistance was provided to no work, no pay, third-party personnel who support PHINMA. Food assistance and medical supplies were likewise provided to communities where the Company's businesses operate. The Company also worked with partners like PBSP, Caritas, Dela Salle and Ateneo, among others, to support health professionals and workers on the front lines as well as feed thousands of the most vulnerable families when and where no other assistance was available.

Mr. Del Rosario reported that during the quarantine period, the Company's businesses suffered a decline in revenue especially when Luzon was under Enhanced Community Quarantine. To ensure that the Company's Strategic Business Units had ample cash to see themselves through the crisis, liquidity was reviewed on a daily basis while stringent financial planning, involving the testing and retesting of assumptions, happened on a regular basis.

In Education, classes were able to conclude with final exams largely waived. Graduation, however, was reportedly postponed. In the Construction Materials Group, the Company ceased operations in North and Central Luzon, Visayas and Mindanao. With the lifting of Enhanced Community Quarantine in local areas, sites were later on opened. Philcement Mariveles terminal got a special permit from the Freeport Area of Bataan to unload a pending vessel in mid-April. PHINMA Properties, on the other hand, was able to maintain strong sales efforts during the period with 271 units reserved from March 15 to May 31, purely through online sales and with virtual walkthroughs. The Company's two hotels in the Mall of Asia area, Microtel and TRYP by Wyndham, provided safe, secure lodging to frontliners during the period with robust occupancy rates.

Mr. Del Rosario reported that in June 2019, the Company completed the sale of its energy business, allowing it to focus investments in core businesses, particularly education and construction materials.

Mr. Del Rosario noted that in 2019, PHINMA Education Holdings closed its acquisition of Republican College. Freshmen enrollment increased by 24% despite challenges faced by the private tertiary industry. As of School Year 2019-2020, PHINMA Education enrollment grew to 74,187 students nationwide.

PHINMA Education graduates continued to perform well in board accreditation exams, with the various schools posting a 100% first-timers passing rate in 40 different licensure exams.

In terms of expansion, in February 2019, PHINMA Education entered into a joint venture with an Indonesian educational institution to establish PT Ind Phil Management to manage tertiary schools in Indonesia, the first of which was STIKES Kharisma in Karawang, West Java, a school known for its nursing and IT programs.

To support its rapid business growth, in 2019, PHINMA Education forged a partnership with Kaizenvest, the Netherlands Development Finance Company, and the Asian Development Bank for the capital infusion of P1.875 Billion to support local and international acquisitions and expansion.

Moving forward, PHINMA Education would continue extending its reach in greater Manila and other strategic areas such as the CALABARZON region. PHINMA Education was also looking at broadening its geographic reach with affordable education within Southeast Asia.

In 2019, the Company's Construction Materials Group continued its rapid growth with Union Galvasteel Corporation maintaining its industry leadership with almost 10 million equivalent sheets sold during the year. Philcement Corporation was able to complete construction of its cement facility in Mariveles, Bataan. The facility, which had an initial capacity of 2 million tons of cement per year, allowed Philcement to support the Build, Build, Build program of the Government by addressing the local shortage of cement.

For 2020, the increased capacity from Philcement's Mariveles facility would enable further inroad of the Company's Union Cement brand into the market. It was also expected that the Construction Materials Group would develop more synergies across its three companies while its strengthened regional partnerships unlock the potential of a larger Asian market for its products and services in the future.

Moving on to housing, Mr. Del Rosario reported that in 2019, PHINMA Property Holdings Corporation (PHINMA Properties) continued strategic changes to its business which resulted in a strong improvement on its profitability by starting development of pipeline projects, both within and outside of Metro Manila to secure future growth and profitability for the Company. PHINMA Properties also continued to innovate by launching its first business targeted towards the shared economy, a co-working facility in partnership with Acceler8.

For 2020, PHINMA Properties would continue developing a pipeline of core affordable projects while exploring new business lines such as shared economy rental models.

Finally, Mr. Del Rosario reported that 2019 marked the second year of operations of TRYP by Wyndham hotel in the Mall of Asia area. The hotel was able to improve its occupancy rate to 76% and ended the year with a modest profit. Microtel Mall of Asia hotel, on the other hand, continued its robust performance.

Moving forward and despite significant challenges from the COVID-19 outbreak, PHINMA Hospitality was reportedly looking forward to further expanding the Microtel and TRYP brands across the country.

2020 was expected to be a challenging year for the Company because of the COVID-19 pandemic. The Company, however, was hopeful that its businesses can achieve modest growth in 2021, then eventually return to a more vigorous growth path as it continued its commitment to its various stakeholders. Mr. Del Rosario thereafter expressed his gratitude to the Corporation's Board of Directors, Management teams and employees. He added that the Corporation would maintain its commitment to improve shareholder values, and extended the Corporation's gratitude for the shareholders' unwavering support.

Following the reports of Management, the Chairman asked the Corporate Secretary to inform the stockholders of the questions received from stockholders. The Corporate Secretary said questions were received from three stockholders which he read and which were answered by the President one-by-one.

Question from Stockholder Cipriano M. Amando, Jr. : I have read the PSE disclosure on the investment in Phinma Education Holdings. Phinma Education has funds of approximately PHP2 billion. Does PHINMA plan additional investments in the education business?

In response, Mr. Del Rosario confirmed that the Company had plans for additional investment in the education business. Mr. Del Rosario took the opportunity to thank the Corporation's new investors particularly Asian Development Bank, the Netherlands Development Finance Company and Kaizenvest. He then explained the importance of these investments in improving the education business of the Corporation. PHINMA Education was reportedly looking at expansions in both the Philippines and Southeast Asia. Locally, PHINMA Education was looking at expanding in the NCR Region and the CALABARZON and other key cities. In Southeast Asia, PHINMA Education reportedly had a management contract with an Indonesian Educational institution as reported earlier, which the Corporation intend to grow further. In the long run, PHINMA Education was looking at countries with similar demographics such as Vietnam, Laos, Cambodia and Myanmar.

Question from Stockholder Beatriz M. Balagot: How has the COVID disruption affected the Construction Management Group's profitability and what is your short-term and long-term outlook?

Mr. Del Rosario replied that like every other business in the world, the pandemic had affected the Corporation's businesses including the Construction Materials business. Following the shut-down of operations of Union Galvasteel Corporation and Philcement Corporation, in compliance with the nationwide Enhanced Community Quarantines, they began opening offices in mid-April, as allowed by local and national authorities. Riding on the importance of the *Build Build Build* and infrastructure development program of the Government, Management believed that the Construction Materials Group was well-positioned to support this program. Management remain committed in utilizing its nationwide distribution network and efficient logistics to provide high quality, reliable construction materials to its customers on a timely basis.

Question from Stockholder Antonio Dumaliang: Will PHINMA's strategic investments help tide it over the COVID crisis?

Mr. Del Rosario said that the businesses they were currently in were businesses of the highest priority in terms of the needs of the Filipinos. In particular, he said that PHINMA Education provided affordable, high quality education to the most vulnerable.

While there were still challenges in education particularly with respect to the opening of classes, the Corporation continued to tell the Government very strongly that face-to-face education cannot be replaced because of the significant impact it would have on education as well as dropout rates. Mr. Del Rosario added that PHINMA Education was geared up to provide some degree of distance learning to adjust to the requirements of the Government.

For the Construction Materials Group, Mr. Del Rosario explained that as long as the Government would be successful in implementing its infrastructure development plans, then the Corporation would be well-positioned to participate in the said program.

PHINMA Properties was also well-positioned to address the market especially those who need housing very badly. Focusing more on areas outside of Metro Manila where the demand continued to be very big.

Finally, while the Hospitality business was expected to face challenges, Mr. Del Rosario said that they were also well-position in terms of location and market. Even during the height of the pandemic, the Corporation's hotels did reasonably well. Currently, PHINMA Hospitality was offering its facilities to the OFWs and seafarers and would be very quick in responding to opportunities when the tourism market re-emerge.

Mr. Del Rosario thereafter informed the stockholders that while the Corporation had put the safety of its employees at highest priority, the Corporation lost two regular employees in the course of the year. Mr. Del Rosario extended the Corporation's condolences and support to the families of the deceased.

There being no other questions submitted by the shareholders, the Corporate Secretary, upon the request of the Chairman, presented the resolution for the approval by the stockholders of the Annual Report together with the Audited Financial Statements and the notes thereto for the year ended December 31, 2019, which resolution was shown on the screen.

The Corporate Secretary then informed the body that based on the tabulation of votes, shareholders holding **225,751,802** shares or **100%** of shares present or represented at the meeting, voted in favor of the resolution. The Annual Report together with the Audited Financial Statements and the notes thereto for the year ended December 31, 2019 were therefore approved.

V. RATIFICATION OF ALL ACTS OF THE BOARD, 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 Board of Directors, Committees and Management since the last meeting of stockholders.

At the request of the Chairman, the Corporate Secretary presented the proposed resolution for approval by the stockholders, which resolution was shown on the screen.

Thereafter, the Corporate Secretary informed the body that based on the tabulation of votes, shareholders owning a total of **225,751,802** shares or **100%** of shares present or represented at the meeting, voted in favor of the proposed resolution. The resolution for the approval and ratification by the stockholders of all acts of the Board of Directors, Executive Committee and other Committees of the Board, officers and management was therefore approved.

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, acting as and with functions of a nominations committee, reportedly pre-screened and shortlisted 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)

Considering that there were only eleven (11) nominees to fill eleven (11) seats in the Board, and there being no objection to the distribution of the said votes equally among the said nominees, **225,751,802** votes were cast for each nominee, equivalent to **82.9%** of the total outstanding shares of the Corporation. The said nominees were therefore declared duly-elected as members of the Board of Directors for the ensuing year, and until their successors are duly elected and qualified.

The Chairman congratulated all the current members of Corporation's Board for their re-election to the Board. The Chairman also thanked them for their past service and for giving the Corporation their precious time and talent for another year.

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.

After presenting the resolution for approval by the stockholders, which resolution was shown on the screen, and the votes received by the same, the Corporate Secretary informed the body that based on the tabulation of votes, stockholders owning a total of **225,751,802** shares or **100%** of shares present or represented at the meeting, voted in favor of the said proposed resolution. 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 was therefore approved.

VIII. ADJOURNMENT

The Chairman informed the stockholders that they may still email their questions or comments within one (1) week from the meeting. The Corporation would answer all questions relevant to the meeting and the matters taken up.

There being no other business to discuss, the Chairman declared the meeting adjourned.

The Corporation thereafter shared videos from its business units particularly the latest video from PHINMA Education and the PhilCement Mariveles Terminal Launch video.

TROY A. LUNA
Corporate Secretary

ATTEST:

OSCAR J. HILADO
Chairman of the Board

ANNEX E

Various Resolutions

Summary of Significant Resolutions Approved by the Board of Directors
since the Last Annual Meeting of the Shareholders
(February 28 to December 2020)
FOR RATIFICATION BY THE STOCKHOLDERS

Regular Meeting of the Board of Directors
February 28, 2020

Nomination and designation of Mr. Eduardo A. Sahagun as member of the Board of Management of Song Lam Cement Joint Stock Company where the Company is investing in preferred shares, upon closing of the transaction.

- Nomination and designation of Mr. Edmund Alan A. Qua Hiansen as Chief Financial Officer of Song Lam Cement Joint Stock Company upon closing of the transaction.

- Appointment and designation of Mr. Qua Hiansen as authorized representative (legal representative) of the Corporation for liaising with official parties for and in connection with the investment of the Corporation in Song Lam Cement Joint Stock Company.

- 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 2019.

- Declaration of a cash dividend in the amount of Php 0.40 per share to all stockholders of record as of 17 March 2020.

- Extension of share buyback program of the Corporation from February 2020 to 28 February 2022.

- Reversal of Php 1.3 billion appropriation of retained earnings in 2018 as follows: a) Php 1 billion for investment in Education and Construction Materials business and b) Php 300 million buyback of Phinma Corporation shares.

- Appropriation of Php 2.4 billion from unrestricted retained earnings for the following : a) Php2.25 billion for investment in Construction Materials business until 31 December 2020 ; and b) Buyback of Phinma Corporation shares in the amount of up to Php 165.5 million until 2021

- Nomination for election as Directors for the ensuing year the current members of the Board, as endorsed by the Corporate Governance and Related Party Transactions Committee.

- Scheduling of the Annual Shareholders Meeting for April 6, 2020 at 3:00 pm at Palm Grove, Rockwell Club, 23 Amorsolo Drive, Rockwell Center, Makati City, approval of the agenda, and delegation to the Executive Committee of authority to postpone the said Annual Shareholders Meeting, to set the new date, time, venue and other details, in the event of a need for such postponement.

- Delegation to the Audit Committee of authority to decide on the nomination of Sycip Gorres Velayo & Co. as external auditor for the year 2020.

Regular Meeting of the Board of Directors
June 24, 2020

- Approval of the financial statements of the Corporation as of and for the period ended, March 31, 2020.

- Grant of authority to transact with different banks for the opening, maintenance and/or closure of accounts, both in local and foreign currency, and availment of bank products and credit facilities as well as designation of authorized signatories for the said banking transactions.

- 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 transactions.

- Grant of authority to execute and/or extend existing Indemnity Agreements with the different banks, Investment Houses and Brokers which allow for continuous transactions through electronic instructions as long as Working from Home (WFH) or Alternative Working Arrangement (AWA) is in place as well as the designation of the authorized signatories for the said transactions.

- Grant of authority to negotiate with the different banks, Investment Houses and Brokers for permanent arrangement to honor the Electronic Instructions and acceptance of Electronic Signatures of authorized representative and signatories.

- Grant of authority to sell the Corporation's motor vehicle and designation of authorized signatory for this purpose.

Organizational Meeting of the Board of Directors
June 24, 2020

- Appointment of the following as officers of the Corporation with positions across their respective names for the ensuing year and until their successors are elected/appointed:

Name	Position
Oscar J. Hilado	Chairman
Ramon R. del Rosario, Jr.	Vice Chairman, President & Chief Executive Officer
Roberto M. Laviña	Senior Executive Vice President and Chief Operating Officer
Victor J. del Rosario	Executive Vice President
Pythagoras L. Brion, Jr.	Senior Vice President
Regina B. Alvarez	Senior Vice President & CFO
Cecille B. Arenillo	Vice President and Compliance Officer
Nanette P. Villalobos	Vice President and Treasurer
Rizalina P. Andrada	Vice President – Finance
Rolando D. Soliven	Vice President – Group Corporate Assurance
Peter Angelo V. Perfecto	Vice President – Public Affairs
Danielle R. del Rosario	Vice President, Director for Strategy
Edmund Alan A. Qua Hiansen	Assistant Vice President, Investor Relations Officer

Ma. Gracia M. Purisima	Assistant Treasurer
Troy A. Luna	Corporate Secretary
Ma. Concepcion Z. Sandoval	Assistant Corporate Secretary

- Transfer of the related-party transactions function from the current Corporate Governance and Related Party Transactions Committee to the Audit Committee.

- Re-establishment of the following Committees and the election of the same members for the year 2020:

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

Nominations and Corporate Governance 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 6, 2020

- Approval of the financial statements of the Corporation as of and for the period ended June 30, 2020.

- Approval of the sale and transfer of all shares of stocks of INTEGRATIVE COMPETITIVE INTELLENGE ASIA, INC. (“ICI Asia”) owned by the Corporation to Mr. Roderick Y. Barro and delegation to the Executive Committee the final approval of the terms and conditions thereof and designation of Mr. Victor J. del Rosario as authorized representative and signatory for the transaction.

- Approval of the amendments to the Related Party Transaction Policy and Audit Committee Charter.

- Grant of authority to transact with Multinational Investments Bancorporation (MIB) as Broker/Fund Arranger for Short Term Private Placement and other related transactions of up to Php 300 million as well as designation of authorized signatories for the said transaction.

- Grant of authority to transact with different banks for the opening, maintenance and/or closure of accounts and availment of bank products and credit facilities as well as designation of authorized signatories for the said banking transactions.

- Grant of authority to execute and/or extend existing Indemnity Agreements with foregoing banks, Investment Houses and Brokers which allow for continuous transactions through electronic instructions as long as Working from Home (WFH) or Alternative Working Arrangement (AWA) is in place as well as the designation of the authorized signatories for the said transactions.

- Grant of authority to negotiate with the different banks, Investment Houses and Brokers for permanent arrangement to honor the Electronic Instructions and acceptance of Electronic Signatures of authorized representative and signatories.

Regular Meeting of the Board of Directors
November 5, 2020

- Approval of the financial statements of the Corporation as of and for the period ended, September 30, 2020.

- Approval of the Corporation’s investment in preferred shares of PhilCement Corporation under the terms and conditions presented during the meeting.

- Election of a new director of the Corporation.

- Appointment of Ms. Daniel R. del Rosario as Chief Risk Officer.

- Declaration of redundancy of the position of Mr. Roderick Y. Barro as Vice President of the Corporation and the designation of Mr. Roberto M. Laviña as the Corporation’s authorized officer to sign, execute and deliver such documents necessary to declare and confirm the said redundancy of position, facilitate the payment of benefits due to Mr. Barro and complete the separation of Mr. Barro from service to the Corporation.

- Approval of the proposed amendments to the Corporation's Manual on Corporate Governance.

- Approval of the proposed amendments to the Nominations and Governance Committee Charter.

- Approval of the proposed change in name of Nominations and Governance Committee as Corporate Governance and Nominations Committee and Audit and Related Party Transactions Committee as Audit Committee .

- Approval of the proposed Declaration Forms for Directors and Officers.

- Appointment of Mr. Moises Tondo as Chief Accountant with respect to the Corporation's account with Vietin Bank in Vietnam.

- Designation of the official and alternate email addresses of the Corporation, including cell phone numbers, in compliance with the requirements of the Securities and Exchange Commission (SEC).

- Approval for the Corporation to file and send documents to SEC through the said official and/or alternate email addresses and cell phone numbers in accordance with the rules and regulations of SEC.

- Approval for SEC to send notices, letter-replies, orders, decisions and/or documents emanating from it, for the purpose of complying with the notice requirement of administrative due process.

- Grant access to official and/or alternate email addresses and cell phone numbers to designated users.

- Grant authority to change or substitute official and/or alternate email addresses and cell phone numbers and access to Mr. Roberto M. Laviña or Mr. Victor J. del Rosario, with the power and authority to sign, execute and deliver documents and perform such other acts as may be required or necessary for the said change or substitution.

- Appointment of authorized representative of the Corporation in Paul Aznar case.

Special Meeting of the Board of Directors
December 21, 2020

- Approval for the Corporation to exercise its pre-emptive rights and subscribe to 24,727,961 convertible common shares of Union Galvasteel Corporation (UGC).

- Designation of Mr. Roberto M. Laviña and Mr. Victor J. del Rosario as authorized representatives of the Corporation, in connection with the said offer and subscription to convertible common shares of UGC.

- Approval for the Corporation to sell, transfer and assign to UGC all its shares of stock in PHINMA Solar Corporation, at the price of P218,347,888.

- Designation of Mr. Roberto M. Laviña and Mr. Victor J. del Rosario as authorized representatives of the Corporation, in connection with sale, transfer and assignment of the PHINMA Solar shares of stocks.