

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 2021 and 2020 from financial assets at FVOCI.

The movements in net unrealized gain on financial assets at FVOCI, net of tax in 2021 and 2020 are as follows:

	2021	2020
Balance at beginning of year	₱38,922	₱40,284
Loss due to changes in fair value of investment in equity instruments	(755)	(1,362)
Balance at end of year	₱38,167	₱38,922

## 16. Property, Plant and Equipment

This account consists of:

	January 1, 2021	Acquisition through business combination (see Note 6)	Additions	Disposals	Reclassifications	December 31, 2021
<b>Cost</b>						
Land	₱2,967,593	₱65,671	₱31,697	₱-	₱-	₱3,064,961
Plant site improvements	2,206,926	-	-	-	1,266,089	3,473,015
Buildings and improvements	3,703,129	15,777	269,908	-	115,960	4,104,774
Machinery and equipment	2,150,869	3,325	115,075	-	1,833	2,271,102
Transportation and other equipment	525,105	402	60,769	(15,191)	(10,584)	560,501
	11,553,622	85,175	477,449	(15,191)	1,373,298	13,474,353
<b>Less Accumulated Depreciation</b>						
Plant site improvements	122,365	-	124,128	-	-	246,493
Buildings and improvements	1,310,860	-	148,819	-	-	1,459,679
Machinery and equipment	1,444,702	-	188,348	-	-	1,633,050
Transportation and other equipment	348,238	-	30,632	(11,882)	-	366,988
	3,226,165	-	491,927	(11,882)	-	3,706,210
	8,327,457	85,175	(14,478)	(3,309)	1,373,298	9,768,143
Construction in progress	1,063,297	-	1,119,893	-	(1,403,479)	779,711
<b>Net Book Value</b>	₱9,390,754	₱85,175	₱1,105,415	(₱3,309)	(₱30,181)	₱10,547,854

	January 1, 2020	Acquisition through business combination (see Note 6)	Additions	Disposals	Reclassifications	December 31, 2020
<b>Cost</b>						
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
<b>Less Accumulated Depreciation</b>						
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
<b>Net Book Value</b>	₱7,929,319	₱514,395	₱952,964	(₱5,924)	₱-	₱9,390,754

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 ₱24.1 million and ₱76.0 million at a capitalization rate ranging from 5.2% to 7.0% and 2.7% to 7.2% in 2021 and 2020, respectively.

Certain property and equipment of AU, COC, UI, UPANG, Philcement and UGC with aggregate amount of ₱5,141.9 million and ₱3,849.3 million as at December 31, 2021 and 2020, respectively, are used as collateral for their respective long-term debts obtained from local banks (see Note 23).

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

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.

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

## 17. Investment Properties

This account consists of:

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

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

	2021	2020	2019
Rental income	₱69,673	₱74,025	₱86,069
Depreciation and amortization (included under “General and administrative expenses” account) (see Notes 28 and 31)	(1,231)	(1,265)	(11,364)
	₱68,442	₱72,760	₱74,705



The fair values of the investment properties amounted to ₱2,861.8 million and ₱2,371.0 million as at December 31, 2021 and 2020, respectively, based on valuations performed by accredited independent appraisers on various dates from 2018 to 2021. The description of the valuation techniques used and key inputs to fair valuation are as follows:

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

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

While fair value of some investment properties was not determined as at December 31, 2021, the Company's management believes that cost of these investment properties approximate their fair values as at December 31, 2021.

PSHC's land amounting to ₱220.0 million as at December 31, 2021 and 2020 is used as a security for its long-term debt (see Note 23). Other than this, the Company has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties.

The Company sold certain investment properties and recognized a net gain of nil in 2021 and 2020 and ₱7.7 million in 2019.

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

## 18. Intangible Assets

Following are the details and movements in this account:

	Student List	Software Costs	Goodwill	Total
<b>Cost</b>				
At January 1, 2020	₱165,638	₱36,339	₱2,221,068	₱2,423,045
Additions	–	861	–	861
Disposals	–	–	–	–
At December 31, 2020	165,638	37,200	2,221,068	2,423,906
Additions	–	7,048	–	7,048
Acquisition through business combination	–	–	53,215	53,215
Reclassification	–	30,278	–	30,278
<b>At December 31, 2021</b>	<b>₱165,638</b>	<b>₱74,526</b>	<b>₱2,274,283</b>	<b>₱2,514,447</b>
<b>Amortization and Impairment</b>				
At January 1, 2020	₱165,638	₱25,760	₱403,132	₱594,530
Amortization (see Note 31)	–	3,703	–	3,703
At December 31, 2020	165,638	29,463	403,132	598,233
Amortization (see Note 31)	–	10,420	–	10,420
<b>At December 31, 2020</b>	<b>₱165,638</b>	<b>₱39,883</b>	<b>₱403,132</b>	<b>₱608,653</b>
<b>Net Book Value</b>				
At December 31, 2021	₱–	₱34,643	₱1,871,151	₱1,905,794
At December 31, 2020	–	7,737	1,817,936	1,825,673



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 2021 and 2020. The Company recognized impairment loss amounting to ₱14.1 million in 2019.

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## 19. Other Noncurrent Assets

This account consists of:

	2021	2020
Advances to suppliers and contractors	₱278,001	₱151,974
Indemnification assets (see Note 6)	38,114	24,367
Refundable deposits (see Note 36)	10,161	9,634
Creditable withholding taxes	7,812	7,812
Deposit	–	255,100
Others	7,135	9,382
	<b>₱341,223</b>	<b>₱458,269</b>

On September 18, 2019, PHN executed a binding Term Sheet with Song Lam, Vissai and Hoang Minh Truong for the investment via preferred shares in Song Lam, a subsidiary of Vissai. On May 18, 2021, PHN applied the deposit made in 2019 and completed the payment to Song Lam for the subscription of preferred shares. As at December 31, 2021 and 2020, PHN's deposit amounted to nil and ₱255.1 million, respectively.

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## 20. Notes Payable

This account consists of notes payable of the following subsidiaries:

	2021	2020
UGC	₱460,174	₱447,687
Philcement	450,000	368,223
SWU	20,000	190,000
PHN	–	150,000
AU	–	60,000
UI	–	60,000
COC	–	50,000
	<b>₱930,174</b>	<b>₱1,325,910</b>



The notes payable are unsecured short-term peso-denominated loans obtained from financial institutions with an annual interest rate ranging between 2.60% to 4.75% and 2.81% to 5.75% in 2021 and 2020, respectively.

Interest expense incurred from notes payable amounted to ₱122.5 million, ₱163.5 million and ₱99.2 million in 2021, 2020 and 2019, respectively (See Note 32).

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## 21. Trade and Other Payables

This account consists of:

	2021	2020
Trade	₱1,147,227	₱1,000,014
Accruals for:		
Professional fees and others (see Note 33)	516,924	418,538
Personnel costs (see Notes 30 and 33)	152,670	132,549
Interest (see Notes 23 and 32)	65,403	107,027
Freight, hauling and handling	42,186	8,846
Dividends	228,251	175,068
Deposit liabilities	7,613	4,757
Escrow	—	28,989
Others	154,422	84,315
	<b>₱2,314,696</b>	<b>₱1,960,103</b>

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.



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## 22. Contract Liabilities

This account consists of:

	2021	2020
Unearned revenues	₱1,200,172	₱411,888
Customers' deposits	126,970	197,386
	<b>₱1,327,142</b>	<b>₱609,274</b>

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 next financial year.

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## 23. Long-term Debt

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

### PHN Fixed Rate Bonds due 2024

	2021
Principal	₱3,000,000
Less debt issuance cost	42,984
	<b>₱2,957,016</b>

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

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

The balance of unamortized debt issuance cost follows:

	2021
Beginning of year	₱–
Additions	48,559
Amortization	(5,575)
End of year	<b>₱42,984</b>



Long- Term Loans

	2021	2020
PEHI	<b>₱2,093,000</b>	₱2,162,000
PHN	<b>1,970,000</b>	1,990,000
Philcement	<b>1,621,223</b>	726,334
SWU	<b>595,000</b>	600,000
UGC	<b>524,375</b>	606,875
UPANG	<b>253,025</b>	272,350
AU	<b>232,220</b>	242,960
UI	<b>192,000</b>	200,000
COC	<b>162,342</b>	172,784
PSHC	<b>124,957</b>	128,931
Phinma Solar	<b>20,000</b>	-
	<b>7,788,142</b>	7,102,234
Less debt issuance cost	<b>62,043</b>	43,830
	<b>7,726,099</b>	7,058,404
Less current portion - net of debt issuance cost	<b>544,032</b>	519,381
	<b>₱7,182,067</b>	₱6,539,023

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, 2021, the Company is in compliance with the required financial ratios and other loan covenants. As at December 31, 2020, 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.

Certain assets amounting ₱5,361.9 million and ₱4,069.3 million as at December 31, 2021 and 2020, respectively, are mortgaged as collaterals for the respective long-term debts as follows (see Note 16 and 17):

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



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

The balance of unamortized debt issuance cost follows:

	<b>2021</b>	2020
Beginning of year	<b>₱43,830</b>	₱50,792
Additions	<b>30,964</b>	1,796
Amortization	<b>(12,751)</b>	(8,758)
End of year	<b>₱62,043</b>	₱43,830

Interest expense (including amortization of debt issuance costs) pertaining to the long-term debt was presented as part of “Interest expense and other financing charges” account in the consolidated statements of income amounting to ₱502.3 million, ₱434.4 million and ₱349.8 million in 2021, 2020 and 2019, respectively (see Note 32).

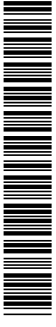




The details of long-term loans are summarized below:

Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms		Final Installment	Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts <sup>(6)</sup>	
				Installments	Final Installment					December 31, 2021	December 31, 2020
PEHI	₱1,500,000 <sup>(1)</sup>	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	₱446,372	₱470,486	
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	791,251	831,525	
PEHI	1,000,000 <sup>(1)</sup>	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	456,048	471,304	
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	

(Forward)



Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms			Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts <sup>(1)</sup>	
				Installments	Final Installment					December 31, 2021	December 31, 2020
PEHI	₱364,000 <sup>(2)</sup>	December 27, 2021	RCBC	16 equal quarterly payments of ₱2.73 million with the remaining balance to be paid on maturity date. First principal payment will commence on March 27, 2022.	December 7, 2025	Nominal interest rate of 4.85%	December 27, 2021	₱364,000	₱361,277		
COC	100,000 <sup>(2)</sup>	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	6,268	11,197	
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	6,434	11,468	
COC	125,000 <sup>(3)</sup>	June 24, 2018	CBC	28 unequal quarterly payments as follows: 8 quarterly installments of ₱0.3 million from October 9, 2021 to July 9, 2023; 8 quarterly installments of ₱1.6 million from October 9, 2023 to July 9, 2025; 8 quarterly installment of ₱3.1 million from October 9, 2025 to July 9, 2027 and 4 quarterly installments of ₱21.3 million from October 9, 2027 to July 9, 2028. First principal payment will commence on July 9, 2021.	July 9, 2028	Fixed rate of 6.25% p.a. for the first five years; for remaining five years, higher of applicable five-year PDST-R2 plus a spread of up to 100 bps or 6.25% p.a.	July 9, 2018	125,000	124,224	125,720	
COC	25,000 <sup>(4)</sup>	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	

(Forward)



Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms		Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts <sup>(6)</sup>	
				Installments	Final Installment				December 31, 2021	December 31, 2020
UI	₱200,000 <sup>(6)</sup>	December 12, 2017	CBC	Quarterly principal payments as follows: ₱1.0 million per quarter for the 3 <sup>rd</sup> and 4 <sup>th</sup> year from initial drawdown; ₱1.5 million per quarter for the 5 <sup>th</sup> and 6 <sup>th</sup> year; ₱2.5 million per quarter for the 7 <sup>th</sup> until 9 <sup>th</sup> year; and, ₱37.5 million per quarter for the 10 <sup>th</sup> year.	December 20, 2027	Fixed for the first seven years. Applicable seven-year PDST-R2 a spread up to 1.25%, and for the remaining three years, the applicable three-year PDST-R2 plus a spread up to 1.25%.	December 20, 2017	₱100,000	₱94,903	₱98,579
UI	200,000 <sup>(6)</sup>	December 12, 2017	CBC	Principal payments will be the same with the first drawdown. As per agreement both the first and second drawdown will be repaid at the same dates and terms.	December 20, 2027	Fixed for the first seven years. Applicable seven-year PDST-R2 a spread up to 1.25%, and for the remaining three years, the applicable three-year PDST-R2 plus a spread up to 1.25%.	April 24, 2018	100,000	95,467	99,312
AU	57,000 <sup>(6)</sup>	November 29, 2019	CBC	20 equal quarterly payments of ₱3.0 million with the remaining balance to be paid on maturity date. First principal payment commenced on February 29, 2020.	November 29, 2024	Fixed rate for the first five years based on five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT.	November 29, 2019	53,700	31,939	42,472
AU	100,000 <sup>(6)</sup>	November 29, 2019	CBC	27 equal quarterly payments of ₱1.5 million starting from November 29, 2022 to May 5, 2029 with the remaining balance of ₱60.3 million to be paid on maturity date. First principal payment will commence on February 28, 2023.	November 29, 2029	Fixed rate for the first five years based on the five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT. Interest rate is subject for repricing for the remaining five years based on: i. Initial interest rate; or ii. Then prevailing five-year Benchmark rate plus interest spread, whichever is higher.	November 29, 2019	100,000	99,059	98,832

(Forward)



Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms			Interest Rate	Dates Drawn	Outstanding Amounts <sup>(1)</sup>	
				Installments	Final Installment	Amount Drawn			December 31, 2021	December 31, 2020
AU	₱100,000 <sup>(1)</sup>	November 29, 2019	CBC	28 unequal quarterly payments as follows: 8 quarterly installments of ₱2.5 million from February 28, 2023 to November 29, 2024; 16 quarterly installments of ₱3.8 million from February 28, 20205 to November 29, 2028 and 4 quarterly installment of ₱5.0 million from February 28, 2029 to November 29, 2029. First principal payment will commence on February 28, 2023.	November 29, 2029	Fixed rate for the first five years based on the five-year Benchmark rate of the term plus interest spread or a floor rate of 5.25% plus applicable GRT. Interest rate is subject for repricing for the remaining five years based on: i. Initial interest rate or ii. Then prevailing five-year Benchmark rate plus interest spread, whichever is higher.	November 29, 2019	₱100,000	₱99,086	₱98,819
UPANG	190,000 <sup>(1)</sup>	March 27, 2018	CBC	32 unequal quarterly payments as follows: ₱1.9 million from June 27, 2020 to March 27, 2022; ₱2.9 million from June 27, 2022 to March 27, 2025; ₱4.8 million from June 27, 2025 to March 27, 2027; and ₱25.7 million from June 27, 2027 to March 27, 2028..	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	175,844	183,287
UPANG Urdaneta	100,000 <sup>(1)</sup>	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	76,045	87,817

(Forward)



Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms		Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts <sup>(b)</sup>	
				Installments	Final Installment				December 31, 2021	December 31, 2020
SWU	₱400,000 <sup>(a)</sup>	December 6, 2017	RCBC	28 quarterly payments of ₱1.0 million. First principal payment will commence on March 7, 2021.	December 7, 2027	Interest is payable quarterly in arrears, commencing at the end of the first quarter from the initial drawdown date. Interest shall be fixed at 6.66% from years one to five and at 6.94% onwards until maturity.	December 7, 2017; December 20, 2017; March 29, 2018 April 18, 2018	₱100,000 200,000 100,000	₱98,887 198,193 98,822	₱99,738 199,545 99,642
SWU	200,000 <sup>(a)</sup>	April 18, 2018	CBC	28 equal quarterly payments of ₱0.5 million with the remaining balance to be paid on maturity date. First principal payment will commence on July 18, 2021.	April 18, 2028	Fixed for the first five years, applicable five-year PDST-R2 plus a spread of up to 125 bps. For the remaining five years, applicable five-year PDST-R2 plus a spread of up to 125 bps.	April 18, 2018	200,000	197,773	199,130
PHN	2,000,000 <sup>(a)</sup>	May 23, 2017	SBC	Principal repayment shall commence at the end of the 3 <sup>rd</sup> 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	1,960,818	1,979,362
UGC	400,000 <sup>(a)</sup>	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 5 <sup>th</sup> year for the remaining 5 years at an interest rate based on 5 year interest rate basis prevailing on the relevant interest setting date plus a margin of 1.00% per annum divided by 0.95 or the initial interest rate divided by 0.95, whichever is higher.	July 13, 2018	400,000	272,187	309,924

(Forward)



Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms		Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts <sup>(10)</sup>	
				Installments	Final Installment				December 31, 2021	December 31, 2020
UGC	₱100,000	July 12, 2018	SBC	40 quarterly payments of ₱2.5 million	July 13, 2028	First 5 years based on the 5-year Peso Benchmark Rate plus 1% spread, subject to the following floor rates of 6.40% for drawdowns made on or before June 7, 2018 or 6.45% for drawdowns made after June 7, 2018 and to be repriced at the end of the fifth year at an interest rate equivalent to the higher of the 5-year Peso Benchmark Rate on repricing date plus 1% spread and interest rate for the first 5 years.	July 13, 2018	₱100,000	₱66,928	₱76,936
UGC	218,750 <sup>(12)</sup>	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	126,486	143,703
UGC	75,000 <sup>(13)</sup>	November 3, 2015	BDO	40 equal quarterly payments	November 3, 2025	First 5 years is based on the 5-year PDST-R2 plus a 1.4% spread or 5.5%, whichever is higher, and on year 5 based on a rate to be negotiated by the Parties within 30 banking days prior to the interest repricing date.	November 3, 2015	75,000	29,844	37,260
UGC	75,000 <sup>(13)</sup>	November 12, 2015	SBC	40 equal quarterly payments	November 5, 2025	First 5 years is based on the 3-day average of the 5-year PDST-R2 plus a 1.35% spread or 5.5%, whichever is higher, and to be repriced at the end of the fifth year for the remaining 5 years at an interest rate based on the 3-day average of the 5-year PDST-R2 plus a 1.35% spread or the interest rate set for the first 5 years, whichever is higher.	November 12, 2015	75,000	29,844	37,260

(Forward)



Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms			Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts <sup>(6)</sup>	
				Installments	Final Installment					December 31, 2021	December 31, 2020
Philcement	₱875,000 <sup>(4, 5)</sup>	June 1, 2018	SBC	14 equal quarterly payments (6)	October 25, 2023	Interest rate is based on the 5-year PDST-R2 reference rate for securities with 5-year tenor plus 1.25% spread, subject to floor rate of 5.5% per annum. No repricing of interest rate from availment date to maturity date.	October 25, 2018 January 03, 2019 January 22, 2019 January 25, 2019 April 26, 2019 May 21, 2019 July 5, 2019 September 4, 2019	₱160,000 160,000 59,000 65,000 18,555 81,439 251,977 51,418	₱90,822 90,966 33,616 37,049 10,517 46,395 143,551 29,285	₱135,794 136,114 50,353 55,504 15,714 69,489 215,012 43,857	
Philcement	720,000 <sup>(7)</sup>	February 26, 2021	SBC	8 quarterly principal payments of ₱10.3 million, 9 quarterly principal payments of ₱20.5 million and remaining balance to be paid at maturity date	June 13, 2025	Interest rate of 6.73% GRT inclusive, fixed rate up to maturity	February 26, 2021	369,363	326,261	-	
Philcement	500,000 <sup>(8)</sup>	March 19, 2021	SBC	8 quarterly principal payments of ₱9.7 million, 9 quarterly principal payments of ₱19.5 million and remaining balance to be paid at maturity date	March 30, 2026	Interest rate of 6.84% GRT inclusive, fixed rate up to maturity	March 19, 2021	500,000	309,720	-	
Philcement	500,000 <sup>(8)</sup>	March 19, 2021	SBC	20 unequal quarterly payments as follows: ₱1.0 million from September 30, 2021 to December 29, 2021; ₱2.5 million from March 30, 2022 to December 29, 2022; ₱5.0 million from March 30, 2023 to December 29, 2023; ₱58.4 million from March 29, 2024 to December 27, 2024; ₱49.2 million from	March 30, 2026	Interest rate of 5.1% GRT inclusive, fixed rate up to March 29, 2024 and for the remaining two years, the applicable two-year BVAL plus 40 bps, subject to a floor rate of 5.1%	March 19, 2021	500,000	493,961	-	

(Forward)



Debtor	Loan Amount	Date of Loan Agreement	Lender	Terms		Interest Rate	Dates Drawn	Amount Drawn	Outstanding Amounts <sup>(10)</sup>		
				Installments	Final Installment				December 31, 2021	December 31, 2020	
Phinna Solar	₱20,000 <sup>(19)</sup>	June 25, 2021	DBP	Principal repayment to commence at the end of the fifth (5th) quarter from date of Initial Draw Down. Principal shall be payable in thirty-six equal quarterly installments.	August 13, 2031	4.875% (4.924% GRT inc.) for the 1st 5 years. Next 5 years based on the relevant SYR BVAL + 1% spread with a floor rate not lower than the rate prior to repricing (4.875%). Interest to be paid on quarterly basis	August 31, 2021	₱20,000		P-	
PSHC	154,000 <sup>(20)</sup>	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	124,957	128,931	
<b>Total</b>									<b>₱7,726,099</b>	<b>₱7,058,404</b>	

<sup>(1)</sup> The purpose of this debt is to finance the acquisition of majority ownership in AU, COC, UPANG, UI and SWU by PEHI.

<sup>(2)</sup> The purpose of this debt is to finance various capital expenditures of COC.

<sup>(3)</sup> The purpose of this debt is to finance the expansion and development plans of COC.

<sup>(4)</sup> The purpose of this debt is for general funding requirements of COC.

<sup>(5)</sup> The purpose of this debt is to finance the expansion and development plans including school building upgrades and improvement of existing facilities of UI.

<sup>(6)</sup> The purpose of this debt is to finance various capital expenditures and to refinance existing obligations of AU.

<sup>(7)</sup> The purpose of this debt is to finance various capital expenditures and to refinance existing obligations of UPANG and subsidiary.

<sup>(8)</sup> The purpose of this debt is to finance the building development, expansion and purchase of equipment for SFU's Hospital and building developments of SWU.

<sup>(9)</sup> The purpose of this loan is to refinance investments in subsidiaries and other general corporate purposes.

<sup>(10)</sup> Amounts are net of unamortized debt discount and/or debt issue cost.

<sup>(11)</sup> The purpose of this loan is to refinance the outstanding loan of the UGC with SBC in the principal amount of ₱182.3 million and to finance general working capital requirements, and acquisition of equipment and plant structural components of UGC.

<sup>(12)</sup> The purpose of this amended loan is to extend maturity date of old loan to July 20, 2023.

<sup>(13)</sup> The purpose of this loan is to finance plant expansions in Calamba, Davao and Pampanga.

<sup>(14)</sup> 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.

<sup>(15)</sup> Availment of loan is staggered based on pre-agreed drawdown schedule during the availability period.

<sup>(16)</sup> The quarterly installment will commence at the end of the sixth quarter following the initial drawdown date of October 25, 2018.

<sup>(17)</sup> The purpose of this loan is to partially finance the acquisition of Phase 2 port terminal. This is a continuation of the remaining tenor with the original SNPSI loan.

<sup>(18)</sup> The purpose of this loan is to refinance short-term project costs and finance the mixer facility.

<sup>(19)</sup> The purpose of this loan is to refinance the general corporate requirements of the rooftop solar projects.

<sup>(20)</sup> The purpose of this loan is to finance the acquisition of land from UPPC.

<sup>(21)</sup> The purpose of this loan is to refinance the loan used to partially finance the investment through acquisition by PEHI of majority stock ownership in AU, COC, UPANG, UI and SWU.





## 24. Equity

### a. Capital Stock

The composition of the Parent Company's capital stock as at December 31, 2021 and 2020 is as follows:

	Number of Shares	
	2021	2020
Preferred - cumulative, nonparticipating, ₱10 par value		
Class AA - Authorized	<b>50,000,000</b>	50,000,000
Class BB - Authorized	<b>50,000,000</b>	50,000,000
Issued and subscribed	—	—
Common - ₱10 par value		
Authorized	<b>420,000,000</b>	420,000,000
Issued	<b>286,303,550</b>	286,303,550
Subscribed	<b>39,994</b>	39,994
Issued and subscribed	<b>286,343,544</b>	286,343,544
Treasury shares	<b>14,427,179</b>	13,970,579

The issued and outstanding shares as at December 31, 2021 and 2020 are held by 1,223 and 1,227 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, 2021 and 2020.

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

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

### b. Retained Earnings

#### *Appropriated*

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



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

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

#### *Unappropriated*

On 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.

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

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 ₱943.7 million and ₱44.2 million as at December 31, 2021 and 2020, respectively.

#### c. Buyback of Shares

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

In 2021, 2020 and 2019, the Parent Company bought back 456,600 shares, 215,800 shares and 9,216,300 shares which amounted to ₱7.2 million, ₱1.9 million and ₱91.7 million, respectively.

#### d. Put Option over Non-controlling Interests

In 2020, Asian Development Bank invested amounting to ₱625.0 million for 1.1 million shares of PEHI. As a result, additional non-controlling interest put liability is recognized amounting to ₱450.0 million.

Accretion of interest of non-controlling interest put liability amounted to ₱277.0 million and ₱235.8 million as at December 30, 2021 and 2020, respectively.



## 25. Revenue from Contracts with Customers

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

	2021	2020	2019
Revenue source:			
Sale of goods	<b>₱12,452,783</b>	₱9,837,225	₱7,988,639
Tuition, school fees and other services	<b>3,087,927</b>	1,711,509	2,396,104
Hospital routine services	<b>179,029</b>	151,337	160,254
Installation services	<b>75,360</b>	472,914	525,748
Consultancy services	<b>25,034</b>	2,125	49,702
<b>Total revenue from contracts with customers</b>	<b>₱15,820,133</b>	₱12,175,110	₱11,120,447
Timing of recognition:			
Goods transferred at a point in time	<b>₱12,452,783</b>	₱9,837,225	₱7,988,639
Services transferred over time	<b>3,367,350</b>	2,337,885	3,131,808
<b>Total revenue from contracts with customers</b>	<b>₱15,820,133</b>	₱12,175,110	₱11,120,447

“Others - net” in the consolidated statement of income includes miscellaneous income which consists of miscellaneous cash receipts. In 2021, 2020 and 2019, miscellaneous income amounted to ₱23.6 million, ₱51.1 million and ₱52.1 million, respectively.

### Contract balances

	2021	2020
Trade receivables	<b>₱4,480,589</b>	₱3,144,700
Contract liabilities	<b>1,327,142</b>	609,274

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

Contract liabilities include unearned revenue from tuition, school and other service fees and deposits from customer for future goods and services. Contract liabilities amounting to ₱1,327.1 million as at December 31, 2021 are expected to be recognized as revenue within one year upon completion of the school term and delivery of roofing and other steel products or performance of installation service (see Note 22).



## 26. Investment Income

This account consists of:

	2021	2020	2019
Interest income on:			
Financial assets at fair value through profit or loss	<b>₱118,939</b>	₱–	₱–
Cash and cash equivalents (see Note 9)	<b>7,823</b>	17,233	52,727
Receivables	<b>5,104</b>	–	–
Due from related parties and others	<b>320</b>	473	1,064
Short-term investments	–	–	7,401
Investments held for trading (see Note 10)	–	6,862	4,159
	<b>132,186</b>	24,568	65,351
Net gains from investments held for trading (see Note 10)	<b>15,970</b>	27,854	52,919
Dividend income	<b>224</b>	194	125
	<b>₱148,380</b>	₱52,616	₱118,395

## 27. Cost of Sales, Educational, Hospital, Installation and Consultancy Services

This account consists of:

	2021	2020	2019
Cost of sales	<b>₱10,115,988</b>	₱7,659,460	₱6,312,840
Cost of educational services	<b>1,201,999</b>	849,006	1,135,887
Cost of hospital services	<b>124,731</b>	118,287	100,303
Cost of installation services	<b>63,425</b>	390,190	445,213
Cost of consultancy services	–	19,887	89,012
	<b>₱11,506,143</b>	₱9,036,830	₱8,083,255

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

	2021	2020	2019
Inventories used (see Note 12)	<b>₱8,868,376</b>	₱7,187,400	₱6,248,448
Personnel costs (see Note 30)	<b>976,817</b>	775,101	784,908
Depreciation (see Note 31)	<b>506,881</b>	409,297	240,934
Packaging materials	<b>320,810</b>	89,940	1,315
Power and fuel	<b>123,851</b>	69,544	23,187
Subscription	<b>87,981</b>	34,866	6,514
Laboratory and school supplies	<b>83,976</b>	74,694	70,868
Rent (see Note 38)	<b>81,151</b>	88,046	67,061
Repairs and maintenance	<b>69,481</b>	37,183	47,636
Review expenses	<b>26,697</b>	5,689	10,497
Graduation expenses	<b>20,135</b>	17,843	41,074

(Forward)



	2021	2020	2019
School materials, publication and supplies	<b>₱7,197</b>	₱6,820	₱15,762
School affiliations and other expenses	<b>5,528</b>	5,910	17,702
Accreditation expenses	<b>2,315</b>	1,198	1,552
Sports development and school activities	<b>1,379</b>	1,690	102,380
Educational tour expenses	<b>909</b>	16,788	29,332
Installation costs	-	-	1,936
Others	<b>322,659</b>	214,821	372,149
	<b>₱11,506,143</b>	₱9,036,830	₱8,083,255

## 28. General and Administrative Expenses

This account consists of:

	2021	2020	2019
Personnel costs (see Notes 30 and 33)	<b>₱871,284</b>	₱545,280	₱647,679
Provision for ECLs (see Note 11)	<b>185,897</b>	168,492	96,512
Professional fees and outside services (see Note 33)	<b>179,209</b>	274,049	353,589
Depreciation and amortization (see Note 31)	<b>80,545</b>	69,977	110,103
Security and janitorial	<b>64,071</b>	63,578	55,650
Taxes and licenses	<b>55,208</b>	59,592	44,652
Utilities	<b>40,048</b>	40,432	77,815
Rent (see Note 38)	<b>22,313</b>	24,405	13,579
Donations	<b>16,183</b>	9,552	8,494
Insurance	<b>15,321</b>	16,186	12,539
Office supplies	<b>10,920</b>	8,100	9,716
Communications	<b>10,756</b>	9,918	9,950
Transportation and travel	<b>8,734</b>	13,210	20,451
Repairs and maintenance	<b>6,339</b>	5,599	9,112
Meetings and conferences	<b>3,974</b>	3,761	6,815
Advertising and promotions	<b>1,579</b>	1,016	47,768
Impairment of goodwill (see Note 5)	-	-	14,120
Others	<b>107,733</b>	82,706	84,410
	<b>₱1,680,114</b>	₱1,395,853	₱1,622,954



## 29. Selling Expenses

This account consists of:

	2021	2020	2019
Personnel costs (see Note 30)	<b>₱238,625</b>	₱210,866	₱173,156
Freight, handling and hauling	<b>79,466</b>	74,575	112,131
Advertising	<b>65,080</b>	34,557	22,535
Installation cost	<b>31,789</b>	24,934	11,943
Taxes and licenses	<b>31,497</b>	32,246	31,525
Insurance	<b>26,215</b>	6,312	4,784
Commission	<b>22,478</b>	30,585	72,558
Postage, telephone and telegraph	<b>19,095</b>	11,795	11,513
Outside services	<b>18,963</b>	31,087	17,177
Transportation and travel	<b>18,507</b>	17,840	33,142
Depreciation (see Note 31)	<b>15,164</b>	17,403	7,693
Supplies	<b>10,640</b>	9,862	16,399
Repairs and maintenance	<b>6,186</b>	4,874	14,209
Entertainment, amusement and recreation	<b>2,498</b>	2,730	4,559
Rental and utilities	<b>2,426</b>	2,758	3,643
Others	<b>6,728</b>	11,270	13,560
	<b>₱595,357</b>	₱523,694	₱550,527

## 30. Personnel Expenses

This account consists of:

	2021	2020	2019
Salaries, employee benefits and bonuses	<b>₱1,985,948</b>	₱1,468,122	₱1,521,557
Pension and other post- employment benefits (see Note 35)	<b>79,732</b>	55,924	58,206
Training	<b>9,602</b>	6,150	17,986
Others	<b>11,444</b>	1,051	7,994
Stock options	—	—	—
	<b>₱2,086,726</b>	₱1,531,247	₱1,605,743

## 31. Depreciation and Amortization

	2021	2020	2019
Property, plant and equipment and investment properties (see Notes 16 and 17): Cost of sales, educational, installation, hospital, and consultancy services (see Note 27)	<b>₱436,338</b>	₱352,850	₱216,932
<i>(Forward)</i>			



	2021	2020	2019
General and administrative expenses (see Note 28)	<b>₱51,498</b>	₱55,615	₱106,866
Selling expenses (see Note 29)	<b>5,322</b>	10,093	7,534
Intangible assets (see Note 18):			
General and administrative expenses (see Note 28)	<b>8,533</b>	2,890	3,237
Selling expenses (see Note 29)	<b>1,887</b>	813	–
Right-of-use assets (see Note 38):			
Cost of sales, educational, hospital installation and consultancy services (see Note 27)	<b>70,543</b>	56,447	24,002
General and administrative expenses (see Note 28)	<b>20,514</b>	11,472	–
Selling expenses (see Note 29)	<b>7,955</b>	6,497	159
	<b>₱602,590</b>	₱496,677	₱358,730

### 32. Interest Expense and Other Financing Charges

This account consists of:

	2021	2020	2019
Interest expense on long-term debts (see Note 23)	<b>₱502,281</b>	₱434,424	₱349,810
Interest expense on notes payable (see Note 20)	<b>122,542</b>	163,497	99,242
Interest expense on lease liabilities (see Note 38)	<b>22,523</b>	23,363	13,387
Other financing charges	<b>1,902</b>	5,484	1,349
	<b>₱649,248</b>	₱626,768	₱463,788

### 33. Related Party Transactions

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

The Company has a policy that requires approval of related party transaction by the Audit and Related Party Transactions Committee of the BOD when these breach certain limits and/or when these are not of a usual nature.



Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2021, 2020 and 2019, 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:

2021						
Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 11)	Terms	Conditions
<u>Ultimate Parent</u>						
PHINMA Inc.	Share in expenses, management fees and bonus	₱280,141	₱130,456	₱686	Noninterest-bearing	Unsecured, no impairment
<u>Associates</u>						
PPHC	Share in expenses	1,575	–	3,139	Noninterest-bearing	Unsecured, no impairment
APHI	Share in expenses	6	–	6	Noninterest-bearing	Unsecured, no impairment
<u>Other related parties</u>						
T-O Insurance Brokers, Inc., PHINMA Hospitality Inc., PHINMA Foundation, Inc. Phinma Prism, PHINMA Plaza Condominium Corp	Share in expenses	19,259	52,363	7,575	Noninterest-bearing	Unsecured, no impairment
PTC Myanmar, IPM	Share in expenses	17	59	1,523	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy Fee	3,152	–	800	Noninterest-bearing	Unsecured, no impairment
			<b>₱182,878</b>	<b>₱13,729</b>		

2020						
Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 11)	Terms	Conditions
<u>Ultimate Parent</u>						
PHINMA Inc.	Share in expenses, management fees and bonus	₱165,140	₱98,265	₱1,495	Noninterest-bearing	Unsecured, no impairment
<u>Associates</u>						
PPHC	Share in expenses	1,126	7	1,743	Noninterest-bearing	Unsecured, no impairment
<u>Other related parties</u>						
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 noninterest-bearing advances	5,140	–	5,140	91 days, 6.15116%	Unsecured, no impairment

(Forward)





2020						
Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 11)	Terms	Conditions
Community Developers and Construction Corporation (CDCC), PTC Myanmar	Grant of noninterest-bearing advances	₱599	₱-	₱3,778	Noninterest-bearing	Unsecured, no impairment
UPPC	Consultancy Fee	3,458	-	1,291	Noninterest-bearing	Unsecured, no impairment
			₱151,110	₱15,961		

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

#### Management and Directors' Compensation

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

Management fees and bonuses, presented as "Professional fees and outside services" under "General and administrative expenses" account, amounted to ₱63.3 million, ₱127.7 million and ₱257.5 million in 2021, 2020 and 2019, respectively (see Note 28). The related unpaid amount, presented as "Accruals for professional fees and others" under "Trade and other payables" account in the consolidated statements of financial position, amounted to ₱38.5 million and ₱93.1 million as at December 31, 2021 and 2020, respectively (see Note 21).

PHN, UGC, UI and AU recognized bonus to directors computed based on net income with pre-agreed adjustments. Directors' bonus, presented in "Personnel costs" under "General and administrative expenses" account, amounted to ₱102.5 million, ₱111.3 million and ₱100.5 million in 2021, 2020 and 2019, respectively (see Note 28). The related unpaid amount, presented in "Accruals for personnel costs" under "Trade and other payables" account in the consolidated statements of financial position, amounted to ₱58.5 million and ₱96.7 million as at December 31, 2021 and 2020, respectively (see Note 21).

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

	2021	2020	2019
Short-term employee benefits	<b>₱189,558</b>	₱240,879	₱208,063
Post-employment benefits (see Note 35):			
Retirement benefits	<b>15,945</b>	49,936	42,373
Vacation and sick leave	<b>1,900</b>	3,827	6,466
	<b>₱207,403</b>	₱294,642	₱256,902



### 34. Income Taxes

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

	2021	2020
Deferred tax assets:		
NOLCO	₱109,546	₱47,600
Lease liabilities	74,238	60,073
Pension liability	35,464	38,694
Allowance for ECLs	33,234	29,322
Accrued expenses	22,276	19,863
Management bonus	7,003	9,186
Allowance for inventory write-down	2,754	3,014
Others	1,751	12,546
	<b>286,266</b>	<b>220,298</b>
Deferred tax liabilities:		
Excess of fair value over cost	(427,761)	(422,410)
Right-of-use assets	(67,273)	(48,247)
Unrealized gain on change in fair value of financial assets at FVPL and derivative asset	(56,381)	(2,463)
Accrued income	(29,735)	-
Fair value adjustments on property, plant and equipment of subsidiaries	(25,019)	(30,023)
Unamortized debt issuance costs	(2,585)	(2,458)
Unrealized foreign exchange gain	(1,190)	(2,002)
Unamortized capitalized borrowing cost	(455)	(621)
Others	(104)	(597)
	<b>(610,503)</b>	<b>(508,821)</b>
	<b>(₱324,237)</b>	<b>(₱288,523)</b>

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

	2021	2020
Deferred tax assets - net	₱101,013	₱133,911
Deferred tax liabilities - net	(425,250)	(422,434)
	<b>(₱324,237)</b>	<b>(₱288,523)</b>

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:

	2021	2020
NOLCO	₱745,046	₱818,225
Allowance for impairment loss	203,874	203,874
Allowance for ECLs	122,172	116,474
Accrued personnel costs and employee benefits	81,118	48,425
Unamortized past service costs	17,825	13,998
Pension liability	7,930	23,934

(Forward)



	2021	2020
Unrealized loss on change in fair value of FVOCI	<b>₱5,503</b>	₱77,417
MCIT	<b>2,770</b>	3,831
Unrealized foreign exchange losses	–	120,794
	<b>₱1,186,238</b>	₱1,426,972

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 ₱3.2 million can be deducted against RCIT due while NOLCO totaling ₱1,054.1 million can be claimed as deduction against taxable income, as follows:

Date Paid/Incurred	Expiry Date	Amount	
		MCIT	NOLCO
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
December 31, 2021	December 31, 2024	596	–
December 31, 2021	December 31, 2026	–	473,872
		<b>₱3,191</b>	<b>₱1,054,114</b>

MCIT amounting to ₱1.2 million and ₱1.0 million, respectively expired in 2021 and 2020. Expired NOLCO amounted ₱249.9 million and ₱389.5 million in 2021 and 2020. No MCIT and NOLCO were claimed as deduction against regular taxable income in 2021 and 2020.

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

	2021	2020	2019
Applicable statutory tax rate	<b>25.0%</b>	30.0%	30.0%
Income tax effects of:			
Income of school’s subject to lower income tax rate of 10%/1%	<b>(13.5)</b>	(2.0)	(24.0)
Interest income subjected to lower final tax rate	<b>(0.1)</b>	(1.2)	(5.6)
Equity in net earnings of associates and joint ventures	<b>(0.4)</b>	(0.1)	(2.1)
Change in unrecognized deferred tax assets and others	<b>(6.1)</b>	(10.3)	32.7
Effective tax rates	<b>4.9%</b>	16.4%	31.0%



Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Proprietary educational institutions and hospitals which are nonprofit previously subject to a tax of 10% on their taxable income, shall be imposed a tax rate of 1% beginning July 1, 2020 until June 30, 2023.

Applying the provisions of the CREATE Act, the Company, except the schools, has been subjected to the lower RCIT rate of 25% of taxable income or the reduced MCIT rate of 1% of gross income, effective July 1, 2020.

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

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

	<b>2021</b>	2020
Net pension liability	<b>₱194,312</b>	₱184,285
Vacation and sick leave	<b>65,008</b>	69,468
Defined contribution plan	<b>(101)</b>	(100)
	<b>₱259,219</b>	₱253,653

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

	<b>2021</b>	2020	2019
Net pension expense	<b>₱66,091</b>	₱37,008	₱48,083
Vacation and sick leave	<b>12,775</b>	18,043	9,545
Defined contribution plan	<b>866</b>	873	578
	<b>₱79,732</b>	₱55,924	₱58,206



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:

	2021	2020	2019
Current service cost	<b>₱60,858</b>	₱53,659	₱40,646
Net interest cost	<b>5,233</b>	11,993	9,283
Past service cost	–	(28,644)	(1,672)
Net transfer of obligation	–	–	(174)
<b>Net pension expense</b>	<b>₱66,091</b>	<b>₱37,008</b>	<b>₱48,083</b>

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

	2021	2020
Present value of defined benefit obligation	<b>₱541,312</b>	₱566,320
Fair value of plan assets	<b>(347,000)</b>	(382,035)
<b>Pension liability</b>	<b>₱194,312</b>	<b>₱184,285</b>

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

	2021	2020
Balance at beginning of year	<b>₱566,320</b>	₱578,296
Benefits paid from plan assets	<b>(106,884)</b>	(56,072)
Current service cost	<b>60,858</b>	53,659
Interest cost on defined benefit obligation	<b>20,390</b>	28,972
Benefits paid from operating funds	<b>(13,182)</b>	(14,047)
Acquisition / deconsolidation of subsidiaries	<b>1,503</b>	(3,122)
Past service cost	–	(28,644)
Actuarial losses:		
Experience adjustments	<b>34,016</b>	14,312
Changes in financial assumptions	<b>(21,709)</b>	6,877
Changes in demographic assumptions	–	(13,911)
<b>Balance at end of year</b>	<b>₱541,312</b>	<b>₱566,320</b>

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

	2021	2020
Balance at beginning of year	<b>₱382,035</b>	₱345,048
Benefits paid	<b>(106,884)</b>	(56,072)
Actual contributions	<b>47,337</b>	79,278
Interest income included in net interest cost	<b>15,157</b>	16,979
Acquisition of subsidiaries	–	329
Actual return excluding amount included in net interest cost	<b>8,442</b>	(3,527)
Net acquired assets due to employee transfers	<b>913</b>	–
<b>Balance at end of year</b>	<b>₱347,000</b>	<b>₱382,035</b>
<b>Actual return on plan assets</b>	<b>₱23,599</b>	<b>₱13,452</b>



Change in net pension liability are as follows:

	2021	2020
Balance at beginning of year	₱184,285	₱233,248
Pension expense	66,091	37,008
Contributions	(47,337)	(79,278)
Benefits paid from operating fund	(13,182)	(14,047)
Acquisition / deconsolidation of subsidiaries	1,503	(3,451)
Remeasurements in OCI	3,865	10,805
Net acquired asset due to employee transfers	(913)	-
<b>Pension liability</b>	<b>₱194,312</b>	<b>₱184,285</b>

The Company expects to contribute ₱75.1 million to its retirement fund in 2022.

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

	2021	2020
Discount rates	4-5%	3-5%
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 ₱347.0 million and ₱382.0 million as at December 31, 2021 and 2020, respectively. The major assets are as follows:

	2021	2020
Cash and short-term investments	₱179,631	₱284,528
Marketable equity securities	114,059	47,661
Others	53,310	49,846
	<b>₱347,000</b>	<b>₱382,035</b>

As at December 31, 2021 and 2020, the carrying amount of the retirement fund approximates its fair value. Cash and short-term investments include liquid investments in Special Deposit Accounts (SDAs), government securities and mutual funds and UITFs. Marketable equity securities can be sold through the PSE. These include shares of stock of the Parent Company with a fair value of ₱4.4 million and ₱2.2 million as at December 31, 2021 and 2020.

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:

	2021	2020
	Increase (Decrease)	
Discount rate:		
Increase by 1%	(₱40,463)	(₱43,515)
Decrease by 1%	46,891	50,537

(Forward)



	2021	2020
	Increase (Decrease)	
Salary increase rate:		
Increase by 1%	<b>₱49,303</b>	₱52,600
Decrease by 1%	<b>(41,387)</b>	(46,061)

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

	2021	2020
Within the next 12 months	<b>₱37,505</b>	₱41,846
Between 2 and 5 years	<b>175,787</b>	193,786
Beyond 5 years	<b>2,017,570</b>	1,709,710

The average duration of the defined benefit obligation as at December 31, 2021 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 in 2021 and 2020 and ₱0.6 million in 2019 to the defined contribution plan, which were recognized as expense. The Company has advances to the defined contribution plan amounting to ₱0.1 million as at December 31, 2021 and 2020.

#### 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:

	2021	2020	2019
Current service cost	<b>₱12,936</b>	₱24,290	₱5,415
Actuarial losses	<b>(2,533)</b>	(9,124)	3,064
Interest cost	<b>2,372</b>	2,877	1,066
Vacation and sick leave expense	<b>₱12,775</b>	₱18,043	₱9,545



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

	2021	2020
Balance at beginning of year	₱69,468	₱54,511
Current service cost	12,936	24,290
Benefits paid	(17,235)	(3,086)
Actuarial gains	(2,533)	(9,124)
Interest cost	2,372	2,877
<b>Balance at end of year</b>	<b>₱65,008</b>	<b>₱69,468</b>

### 36. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash and cash equivalents, investments held for trading and investments in equity instruments classified as financial assets at FVOCI in Philippine Peso and U.S. dollar currencies. The main purpose of these financial instruments is to finance the Company's investments. The Company also has financial assets and liabilities, such as trade and other receivables and trade and other payables that arise directly from operations.

The main risks arising from the Company's treasury transactions are credit risk, liquidity risk, market risk, foreign currency risk, interest rate risk and equity price risk. Careful study, skill, prudence and due diligence are exercised at all times in the handling of the funds of the Company.

The basic parameters approved by the Investment Committee are:

Investment Objective	Safety of Principal
Tenor	Three year maximum for any security, with average duration between one and two years
Exposure Limits	<ul style="list-style-type: none"> <li>a. For banks and fund managers: maximum of 20% of total funds of the Company per bank or fund</li> <li>b. For peso investments: minimal corporate exposure except for registered bonds</li> <li>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</li> <li>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</li> <li>e. For derivative transactions - limits are set up to 100% of asset subject to derivative transaction with the objective of neutrality of gain/loss</li> </ul>

#### Credit Risk

Credit risk is the risk that the Company will incur a loss arising from customers, clients or counterparties that fail to discharge their contractual obligations. Due to the Company's investing and operating activities, the Company is exposed to the potential credit-related losses that may occur as a result of an individual, counterparty or issuer being unable or unwilling to honor its contractual obligations.





In managing credit risk on these financial instruments, the Company transacts only with the Company's duly accredited domestic and foreign banks. Investments per financial institution are subject to a maximum of 20% of the Company's investible funds. It is the Company's policy that investments cannot exceed 10% of the trust or mutual fund's total assets.

A comprehensive credit and business review in coordination with dealers or underwriters is performed whenever the Company invests in non-rated securities. Furthermore, the Company monitors the credit quality of corporate and sovereign bonds with reference to credit rating studies and updates from the major rating agencies. The Company's exposure to credit risk on its cash and cash equivalents and trade and other receivables arises from default of the counterparties with maximum exposures equal to the carrying amounts of the instruments.

	2021	2020
Financial assets at amortized cost:		
Cash and cash equivalents	₱3,695,914	₱2,888,863
Trade and other receivables	4,935,304	3,422,386
Refundable deposits*	38,773	38,528
Deposit**	-	255,100
	<b>₱8,669,991</b>	<b>₱6,604,877</b>

\*Presented under "Input value-added taxes and other current assets" and "Other noncurrent assets" account in the consolidated statements of financial position.

\*\*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:

	2021			Total
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Financial Assets at Amortized Cost:</b>				
Cash and cash equivalents*	₱3,676,836	₱-	₱-	₱3,676,836
Other receivables:		-	-	
Due from related parties	13,729	-	-	13,729
Advances to officers and employees	53,958	-	-	53,958
Accrued interest receivables	139,137	-	-	139,137
Others	411,535	-	-	411,535
Refundable deposits**	38,773	-	-	38,773
<b>Gross Carrying Amount</b>	<b>₱4,333,968</b>	<b>₱-</b>	<b>₱-</b>	<b>₱4,333,968</b>

\*Excluding cash on hand.

\*\*Presented under "Input value-added taxes and other current assets" and "Other noncurrent assets" account in the consolidated statements of financial position.



	2020			Total
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Financial Assets at Amortized Cost:				
Cash and cash equivalents*	₱2,806,553	₱-	₱-	₱2,806,553
Other receivables:		-	-	
Due from related parties	15,961	-	-	15,961
Advances to officers and employees	47,050	-	-	47,050
Accrued interest receivables	18,666	-	-	18,666
Others	394,091	-	-	394,091
Refundable deposits**	38,528	-	-	38,528
Deposit***	255,100	-	-	255,100
Gross Carrying Amount	₱3,575,949	₱-	₱-	₱3,575,949

\*Excluding cash on hand.

\*\*Presented under "Input value-added taxes and other current assets" and "Other noncurrent assets" account in the consolidated statements of financial position.

\*\*\*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:

	Receivables from customers					Total
	Days past due					
	Current	<30 Days	30-60 Days	61-90 Days	>91 Days	
Expected credit loss rate	5%	10%	10%	59%	72%	24%
Estimated total gross carrying amount default	₱2,427,509	₱506,153	₱115,519	₱277,157	₱993,267	4,319,605
Expected credit loss	110,180	49,673	11,862	163,345	716,619	1,051,679

	Receivables from customers					Total
	Days past due					
	Current	<30 Days	30-60 Days	61-90 Days	>91 Days	
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

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.

