SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17 – Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE (SRC) AND SRC RULE 17 (2)(b) THEREUNDER

1. For the quarterly period ended ***March 31, 2019***

2. Commission identification no. ***12397*** 3. BIR Tax Identification No. ***000-107-026***

4. ***PHINMA Corporation***
   Exact name of registrant as specified in its charter

5. ***Manila, Philippines***
   Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code : __________

7. ***12/F, Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City 1210***
   Address of registrant's principal office

8. ***(632) 870-01-00***
   Registrant's telephone number, including area code

9. Former name, former address, and former fiscal year, if changed since last report : **N/A**

10. Common Shares - **281,674,565** shares issued and outstanding

11. Are any or all of the securities listed on the Philippine Stock Exchange ?

    Yes (x) No ( )

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    Philippine Stock Exchange, Inc. **Common Shares**

12. Indicate by check mark whether the registrant :

    (a) Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11 (a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period the registrant was required to file such reports)

    Yes [x] No [ ]

(b) Has been subject to such filing requirements for the past 90 days.

Yes [x] No [ ]

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PART I - FINANCIAL INFORMATION

Item 1 Financial Statement

PHINMA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited	Audited
	March 31, 2019	December 31, 2018
	(In Thousands)	
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 8)	**₱1,793,709**	₱2,436,275
Short-term investments	**470,341**	323,984
Investments held for trading (Notes 9)	**810,943**	592,165
Trade and other receivables (Notes 10)	**1,772,663**	2,270,753
Inventories (Note 11)	**1,933,151**	1,339,726
Input value-added taxes	**34,591**	11,079
Derivative asset	**1,880**	1,911
Other current assets	**157,175**	217,304
	6,974,453	7,193,197
Noncurrent asset held for sale``	**1,827,667**	1,827,667
Total Current Assets	**8,802,120**	9,020,864
Noncurrent Assets		
Investments in associates and joint ventures (Note 12)	**1,264,503**	1,132,403
Financial assets at fair value through other comprehensive income	**235,992**	243,434
Property, plant and equipment (Notes 14)	**6,474,890**	6,244,433
Investment properties (Notes 15)	**604,601**	607,298
Intangible assets (Notes 16)	**1,771,902**	1,772,008
Deferred tax assets (Note 23)	**23,778**	37,481
Other noncurrent assets (Note 17)	**64,502**	56,172
Total Noncurrent Assets	**10,440,168**	10,093,229
	₱19,242,288	₱19,114,093

LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Notes 18)	**₱141,283**	₱244,005
Trade and other payables (Notes 19)	**1,870,695**	1,720,299
Trust receipts payable	**1,390,508**	877,655
Contract liabilities	**124,613**	771,418
Derivative liability	**1,644**	1,544
Income and other taxes payable	**108,994**	104,775
Current portion of long-term debt (Notes 20)	**209,214**	209,234
Due to related parties (Notes 22)	**82,551**	79,165
Total Current Liabilities	**3,929,502**	4,008,095

	Unaudited	Audited
	March 31, 2019	Dec. 31, 2018
	(In Thousands)	
Noncurrent Liabilities		
Long-term debt – net of current portion (Notes 20)	**₱6,725,036**	₱6,503,776
Deferred tax liabilities – net	**361,727**	362,537
Pension and other post-employment benefits	**190,520**	209,679
Other noncurrent liabilities	**51,209**	66,953
Total Noncurrent Liabilities	**7,328,492**	7,142,945
Total Liabilities	**11,257,994**	11,151,040
Equity attributable to equity holders of the parent		
Capital stock (Note 21)	**2,863,312**	2,863,312
Additional paid-in capital	**259,248**	259,248
Treasury shares	**(43,896)**	(42,717)
Exchange differences on translation of foreign operations	**(1,011)**	(1,011)
Equity reserves	**(27,709)**	(27,709)
Other comprehensive income	**79,484**	66,578
Share in other comprehensive income of associates	**(6,177)**	(6,177)
Retained earnings (Note 21)	**3,633,423**	3,671,143
Equity attributable to equity holders of the parent	**6,756,674**	6,782,667
Non-controlling Interest	**1,227,620**	1,180,386
Total Equity	**7,984,294**	7,963,053
	₱19,242,288	₱19,114,093

PHINMA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Unaudited	
	January – March	
	2019	2018
	(In Thousands)	
REVENUE		
Sale of goods	**₱2,084,057**	₱1,423,501
Tuition, school fees and other services	**686,328**	604,212
Hospital routine services	**27,002**	30,719
Consultancy services	**12,750**	13,986
Rental income	**13,695**	14,198
Investment income (Notes 7 and 8)	**28,266**	28,680
	2,852,098	2,115,296
COST AND EXPENSES		
Cost of sales	**1,806,175**	1,224,012
Cost of educational, hospitality and consultancy services	**310,094**	269,257
Operating expenses	**451,545**	431,486
	2,567,814	1,924,755
OTHER INCOME (CHARGES)		
Equity in net earnings of associates (Note 11)	**5,574**	(20,330)
Interest expense and other financial charges	**(120,058)**	(83,466)
Foreign exchange gains (losses) - net	**(10)**	15,877
Gain (loss) on derivatives	**(562)**	4,440
Gain (loss) on sale of asset	**2**	3,091
Others - net	**7,168**	11,391
	(107,886)	(68,997)
INCOME BEFORE INCOME TAX	**176,398**	121,544
PROVISION FOR (BENEFIT FROM) INCOME TAX	**50,073**	55,108
NET INCOME	**₱126,325**	₱66,436
Attributable To		
Equity holders of the parent	**₱74,953**	₱38,858
Non-controlling interest	**51,372**	27,578
Net income	**₱126,325**	₱66,436
Basic/Diluted Earnings Per Common Share - Attributable to Equity Holders of the Parent (Note 24)	**₱0.26**	₱0.14

PHINMA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited January – March 2019	2018
	(In Thousands)	
NET INCOME	**₱126,325**	₱66,436
OTHER COMPREHENSIVE INCOME (LOSS)		
Share in unrealized gain (loss) on change in fair value of AFS investments/financial asset at fair value through other comprehensive income	**12,906**	(968)
	12,906	(968)
TOTAL COMPREHENSIVE INCOME	**₱139,231**	₱65,468
Attributable To		
Equity holders of the parent	**₱87,859**	₱38,604
Non-controlling interest	**51,372**	26,864
Total Comprehensive Income	**₱139,231**	₱65,468

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Exchange Differences on Translation of Foreign Operations	Equity Reserves	Other Comprehensive Income	Share in Other Comprehensive Income of Associates	Retained Earnings Appropriated	Retained Earnings Unappropriated	Subtotal	Non-controlling Interests	Total Equity
Balance, January 1, 2019	₱2,863,312	₱259,248	(₱42,717)	(₱1,011)	(₱27,709)	₱66,578	₱(6,177)	₱1,300,000	₱2,371,143	₱6,782,667	₱1,180,386	₱7,963,053
Net income	–	–	–	–	–	–	–	–	74,953	74,953	51,372	126,325
Other comprehensive income (loss)	–	–	–	–	–	12,906	--	–	–	12,906	–	12,906
Total comprehensive income	–	–	–	–	–	12,906	--	–	74,953	87,859	51,372	139,231
Cash dividends	–	–	–	–	–	–	–	–	(112,673)	(112,673)	(4,138)	(116,811)
Dilution of non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	–
Buyback of shares	–	–	(1,179)	–	–	–	–	–	–	(1,179)	–	(1,179)
Appropriation for investments & buyback of shares	–	–	–	–	–	–	–	--	--	–	–	–
Balance, March 31, 2019	₱2,863,312	₱259,248	(₱43,896))	(₱1,011)	(₱27,709)	₱79,484	₱(6,177)	₱1,300,000	₱2,333,423	₱6,756,674	₱1,227,620	₱7,984,294
Balance, January 1, 2018	₱2,863,312	₱259,248	(₱16,907)	(₱58)	(₱88,549)	₱14,734	₱13,313	₱–	₱3,917,303	₱6,962,396	₱963,303	₱7,925,699
Net income	–	–	–	–	–	–	–	–	38,858	38,858	27,579	66,437
Other comprehensive income (loss)	–	–	–	–	–	–	(969)	–	–	(969)	–	(969)
Total comprehensive income	–	–	–	–	–	–	(969)	–	38,858	37,889	27,579	65,468
Cash dividends	–	–	–	–	–	–	–	–	(113,951)	(113,951)	–	(113,951)
Dilution of non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	–
Buyback of shares	–	–	–	–	–	–	–	–	–	–	–	–
Appropriation for investments & buyback of shares	–	–	–	–	–	–	–	1,300,000	(1,300,000)	–	–	–
Balance, March 31, 2018	₱2,863,312	₱259,248	(₱16,907)	(₱58)	(₱88,549)	₱14,734	₱12,344	₱1,300,000	₱2,542,210	₱6,886,334	₱990,882	₱7,877,216

PHINMA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	January – March 31,	
	2019	2018
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	**₱74,954**	₱121,545
Adjustments for:		
Depreciation and amortization	**98,393**	155,667
Equity in net earnings of associates (Note 11)	**(5,574)**	20,330
Loss (gain) on derivatives	**562**	(4,440)
Pension and other non-cash expense	**15,172**	(30,102)
Unrealized foreign exchange loss (gain) - net	**10**	(15,877)
Net loss on sale of property, plant and equipment and investment properties	**(2)**	(3,093)
Others	**(17)**	(15,830)
Operating income before working capital changes	**183,498**	228,200
Changes in working capital and others	**(22,195)**	126,683
Net cash provided by operating activities	**161,303**	354,883
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Investments held for trading	**(365,135)**	734,952
Property and equipment	**(326,153)**	(206,281)
Other noncurrent assets	**6,977**	28,918
Investments	**(124,233)**	51,280
Proceeds from sale of PPE and investment property	**2**	2
Dividends received	**17**	15,831
Net cash provided by (used in) investing activities	**(808,525)**	624,702
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of cash dividends	**(112,674)**	-
Proceeds from (payments of) :		
Short-term borrowing	**(102,722)**	226,877
Long-term borrowing	**221,241**	91,639
Buy back of shares	**(1,179)**	-
Net cash used in financing activities	**4,666**	318,516
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(642,556)**	1,298,101
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(10)**	15,877
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,436,275**	919,829
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱1,793,709**	₱2,233,807

1. **Corporate Information**

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

The 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:

Subsidiaries	Nature of Business	Calendar/ Fiscal Yearend	**March 31, 2019** PHN Direct Interest	Direct Interest of Subsidiary	PHN Effective Interest	December 31, 2018 PHN Direct Interest	Direct Interest of Subsidiary	PHN Effective Interest
Union Galvasteel Corporation (UGC)	Manufacturing and distribution of steel products	December 31	**96.82**	–	**96.82**	96.82	–	96.82
PHINMA Education Holdings, Inc. (PEHI) [a and b]	Holding company	March 31	**97.34**	–	**97.34**	97.34	–	97.34
Pamantasan ng Araullo (Araullo University), Inc. (AU) [a]	Educational institution	March 31	–	**77.85**	**75.78**	–	77.85	75.78
Cagayan de Oro College, Inc.(COC) [a]	Educational institution	March 31	–	**73.18**	**71.23**	–	73.18	71.23
University of Iloilo (UI) [a]	Educational institution	March 31	–	**69.23**	**67.39**	–	69.23	67.39
University of Pangasinan (UPANG) and Subsidiary[a]	Educational institution	March 31	–	**69.33**	**67.49**	–	69.33	67.49
Southwestern University (SWU) [a]	Educational institution	March 31	–	**84.34**	**82.10**	–	84.34	82.10
St. Jude College, Inc. (SJCI) [a and c]	Educational institution	December 31	–	**95.58**	**93.04**	–	95.58	93.04
Integrative Competitive Intelligence Asia, Inc. (ICI Asia)	Business research	December 31	**100.00**	–	**100.00**	100.00	–	100.00
Career Academy Asia, Inc. (CAA) [d]	Educational Institution	March 31	**90.00**	–	**90.00**	90.00	–	90.00
PhilCement Corporation (PhilCement) [e]	Distribution of cement products	December 31	**60.00**	–	**60.00**	60.00	–	60.00
P & S Holdings Corporation (PSHC)	Investment and real estate holdings	December 31	**60.00**	–	**60.00**	60.00	–	60.00
Asian Plaza, Inc. (API)	Lease of real property	December 31	**57.62**	–	**57.62**	57.62	–	57.62
One Animate Limited (OAL) and Subsidiary [f]	Business process outsourcing - animation services	December 31	**80.00**	–	**80.00**	80.00	–	80.00

(a) *Balances as at and for the year ended December 31 of these subsidiaries were used for consolidation purposes.*
(b) *In 2018, PEHI issued 310,703 shares to its officers resulting to change in ownership interests of PHN to 97.34%.*
(c) *On December 5, 2017, PEHI acquired 95.19% controlling interest in SJCI (see Note 6). On March 26, 2018, PEHI acquired 235 shares which increased PEHI's total interest from 95.19% to 95.58%.*
(d) *CAA has plans to cease its operations in September 2019.*
(e) *On September 22, 2017, PhilCement was incorporated with the Philippine SEC. In 2017, the Company subscribed to the 85.70% controlling interest in PhilCement. In 2018, the Company and Vietcement Terminal JSC subscribed additional shares resulting to change in ownership interests to 60% and 30%, respectively.*
(f) *OAL owns 100% interest in Toon City Animation, Inc. (Toon City). OAL and Toon City ceased operations in April 2013.*

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

The information on the segments of the Company is presented in Note 27 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 interim consolidated financial statements for the three (3) months ended March 31, 2019 and 2018 were reviewed and recommended for approval by the Audit Committee on April 12, 2019. The same consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on the same day.

2. Basis of Preparation and Consolidation and Statement of Compliance

Basis of Preparation and 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), investments held for trading, available-for-sale (AFS) investments and derivative financial instruments that are measured at fair value. The consolidated financial statements are presented in Philippine peso (₱) which is the Parent Company's functional and presentation currency. All values are rounded to the nearest thousand peso, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) which include statements named PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from the International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council (FRSC), and the availment of the relief granted by the SEC under Memorandum Circular Nos. 14-2018 and 3-2019 as discussed in Note 3.

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 Policies and Disclosures

Current Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new standards and amendments starting January 1, 2018. Except for the adoption of PFRS 9, *Financial Instruments*, and PFRS 15, *Revenue from Contracts with Customers*, the adoption of these new standards and amendments did not have any significant impact on the consolidated financial statements.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

- Amendments to PFRS 4, *Applying PFRS 9*, *Financial Instruments* with PFRS 4, *Insurance Contracts*

- Amendments to PAS 28, *Investments in Associates and Joint Ventures*, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance*

Consideration

- PFRS 9, *Financial Instruments*

  PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement*, for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Company applied PFRS 9 using modified retrospective approach, with an initial application date of January 1, 2018. The Company has not restated the comparative information, which continues to be reported under PAS 39. Differences arising from the adoption of PFRS 9 have been recognized directly in retained earnings, non-controlling interests and other comprehensive income as at January 1, 2018.

(a) Impairment

The adoption of PFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Company to recognize an allowance for ECL for all debt instruments not held at FVPL and contract assets.

Upon adoption of PFRS 9, the Company recognized additional impairment on the Company's trade and other receivables amounting to ₱105.7 million.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted PFRS 15 using modified retrospective approach, with an initial application date of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all open contracts as at January 1, 2018.

The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related Interpretations.

Standards Issued but not yet Effective

The standards, interpretation and amendments that are issued, but not yet effective, up to the date of issuance of the consolidated financial statements are listed below. The Company will adopt these standards, interpretation and amendments to existing standards which are relevant to the Company when these become effective. Except for PFRS 16, *Leases*, as discussed below, the Company does not expect the future adoption of these standards, interpretation and amendments to existing standards to have significant impact on the Company's consolidated financial statements.

Effective beginning on or after January 1, 2019

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

Under PFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

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

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of- use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Company is currently assessing the impact of adopting PFRS 16.

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

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

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

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the ECL model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted.

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

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

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

The interpretation specifically addresses the following:

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

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Company is currently assessing the impact of adopting this interpretation.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after

    January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

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

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

    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

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

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

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

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

Effective beginning on or after January 1, 2020

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

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

Deferred effectivity

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

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.
  On January 13, 2016, the FRSC deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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

4. Summary of Significant Accounting and Financial Reporting Policies

The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and all of its subsidiaries as at March 31, 2019.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represents the portion of profit or loss, other comprehensive income and net assets not held by the Group and are presented separately in the consolidated statements of income, consolidated statements of comprehensive income and within equity section the consolidated balance sheets , separately from equity attributable to owners of the Parent.

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 Note13). 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.

Noncurrent Asset Held for Sale. In 2018, the Company launched a strategic reorientation, which included the decision to sell its investment in PHINMA Energy, Corp. (PHEN) which is being accounted for as an investment in associate at equity method in order to focus the Company's resources in its other business segments. On November 9, 2018, a non-binding offer was received by 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. for a based transaction price of ₱1.7 billion subject to certain adjustments as discussed above which was received by the Company on December 26, 2018. An appropriate level of management signed the agreement on December 28, 2018.

In accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, the Company reclassified its investment in PHEN as a noncurrent asset held for sale as at December 31, 2018 since its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Further, the asset is available for immediate sale in its present condition since the Company currently has the intention and ability to transfer the asset to a buyer in its present condition. Although the sale must undergo some regulatory approvals to which the

Company and the buyer must comply, the investment for disposal is readily available for immediate sale as at December 31, 2018 because these approvals are usual and customary for sales of such assets. The sale also meets the criteria to be highly probable since a firm purchase commitment is already obtained when the binding offer was accepted by the Company.

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

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

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

Estimates and Assumptions

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

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

On December 5, 2017, the Company acquired 95.19% ownership in SJCI for ₱368.7 million which resulted in allocation of the purchase consideration to the identifiable asset acquired and liabilities assumed. The fair values of the identifiable assets and liabilities of SJCI as at the date of the acquisition were finalized in 2018 .

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

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

- General approach for cash in bank, short-term investments, and debt securities

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

- Simplified approach for trade and other receivables

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

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

- Incorporation of forward-looking information

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

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

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

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

- Grouping of instruments for losses measured on collective basis

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

  The following credit exposures are assessed individually:
  a. All stage 3 assets, which are considered to be specifically impaired, regardless of the class of financial assets; and
  b. Cash and cash equivalents, short-term investments and debt securities

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Provision for ECL amounted to ₱47.7 million in 2018. The allowance for ECL amounted to ₱738.4 million as at December 31, 2018. The carrying amounts of trade and other receivables, including long-term receivables, amounted to ₱2,270.8 million as at December 2018

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

Impairment of AFS Investments. The Company treats AFS equity investments as impaired when there has been a significant or prolonged declined in the fair value below its cost or when other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. "Significant" is generally referred to as 20% or more of the original cost of investment, and "prolonged" as period longer than 12 months. The Company evaluates factors including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

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 not recorded any provision for inventory obsolescence in March 2019 and December 2018 . The allowance for inventory obsolescence amounted to ₱6.9 million as at March 31, 2019 and December 31, 2018 . The carrying amounts of inventories amounted to ₱1,933.5 million and ₱1,339.7 million as at March 31, 2019 and December 31, 2018, respectively (see Note 11).

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.

In 2018, the Company recorded an impairment loss amounting to ₱252.18 million pertaining to its investment in PHEN when the Company reclassified the investment as a noncurrent asset held for sale at the lower of its carrying amount and fair value less cost to sell.

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

The carrying values of investments in associates amounted to ₱1,264.5 million and ₱1,132.4 million as at March 31, 2019 and December 31, 2018, respectively (see Note 13).

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

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

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

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

The Company did not recognize impairment loss on property, plant and equipment, investment properties and intangible assets in 2018.

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 ₱159.8 million as at December 31, 2018 . 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 amounted to ₱975.5 million as at December 31, 2018 .

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.

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 .

Pension costs amounted to ₱15.2 million and ₱63.8 million in March 2019 and December 2018, respectively. Pension and other-employment benefits liability amounted to ₱190.5 million and ₱209.7.0 million as at March 31, 2019 and December 31, 2018 , respectively.

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, quoted AFS investments, financial assets at FVOCI and derivatives instruments are recorded at fair value.

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 statement of financial position.

6. Business Combination and Goodwill

Acquisition of SJCI. On December 5, 2017, PEHI acquired a 95.19% controlling interest in SJCI for a total consideration of ₱368.7 million. Portion of the purchase price amounting to ₱65.1 million was placed in escrow which will be released to sellers upon fulfillment of certain conditions. SJCI is a school that operates secondary, tertiary and graduate programs as well as providing review center services and technical and vocational courses and training programs. The registered office address of SJCI is in Sampaloc, Manila.

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

	Fair Values Recognized at Acquisition Date
Total assets:	
Cash and cash equivalents	₱12,934
Trade and other current receivable	60,590
Other current assets	1,939
Property, plant and equipment	376,578
Indemnification assets	12,937
Total assets	464,978
Total liabilities:	
Trade and other current payables	38,416
Unearned income	35,708
Long-term payables	85,803

	Fair Values Recognized at Acquisition Date
Retirement liability	8,060
Deferred tax liability	18,926
Total liabilities	186,913
Total identifiable net assets acquired	278,065
Proportionate share of NCI in net assets acquired	(13,375)
Goodwill arising from acquisition	103,992
Purchase consideration transferred	₱368,682

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

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

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

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

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

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

In 2018, the valuation was completed, and the acquisition date fair value of the land and buildings and improvements were ₱376.6 million, a decrease of ₱65.7 million over the provisional value. The 2017 comparative information was restated to reflect the adjustment to the provisional amounts. As a result, there was a decrease in the non-controlling interest of ₱2.0 million and a corresponding increase in goodwill of ₱39.8 million, resulting in ₱104.0 million of total goodwill arising on the acquisition.

The cash outflow related to the acquisition is as follows:

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

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

7. Transactions with Non-controlling Interests and Others

Dilution and Acquisition of Ownership Interest of NCI in PhilCement

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

Dilution of Ownership Interest in PEHI
On 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 P80.1 million. The transaction resulted to increase in "Non-controlling interests" by ₱76.1 million and increase in "Equity reserves" account by ₱31.5 million.

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

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

Acquisition of NCI and Sale of Investment in Fuld U.S.

On March 27, 2017, PHN acquired 10.5 shares representing 10.03% ownership in Fuld U.S. for P18.7 million. The transaction resulted in decrease in "Non-controlling interests" and "Equity reserves" accounts by ₱15.5 million and ₱3.2 million, respectively.

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

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

8. **Cash and Cash Equivalents**

	Unaudited **March 31, 2019**	Audited Dec. 31, 2018
	(In Thousands)	
Cash on hand and in banks	**₱492,163**	₱463,099
Short-term deposits	**1,301,546**	1,973,176
	₱1,793,709	₱2,436,275

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

9. **Investments Held for Trading**

This account consists of investments in:

	Unaudited **March 31, 2019**	Audited Dec. 31, 2018
	(In Thousands)	
Unit Investment Trust Funds (UITFs)	**₱702,079**	₱454,906
Investment in treasury bills	**103,253**	132,450
Marketable equity securities	**5,611**	4,809
	₱810,943	₱592,165

10. **Trade and Other Receivables**

This account consists of:

	Unaudited **March 31, 2019**	Audited Dec. 31, 2018
	(In Thousands)	
Trade	**₱1,915,185**	₱2,402,981
Due from related parties	**188,069**	188,693
Advances to suppliers and contractors	**193,742**	131,724
Advances to officers and employees	**72,463**	65,441
Subscription receivable	**-**	14,166
Others	**228,336**	206,108
	2,597,796	3,009,113
Less allowance for doubtful accounts	**825,133**	738,360
	₱1,772,663	₱2,270,753

11. **Inventories**

This account consists of:

	Unaudited	Audited
	March 31, 2019	Dec. 31, 2018
	(In Thousands)	
At cost:		
Finished goods	**₱1,640,906**	₱1,125,880
Raw materials	**170,445**	85,093
Other inventories	**70,467**	69,700
At net realizable value -		
Spare parts and others	**51,332**	59,053
	₱1,933,150	₱1,339,726

12. **Investments in Associates**

The Company's associations consist of the following :

	Percentage of Ownership			
	March 2019		December 2018	
	Direct	**Effective**	Direct	Effective
Investment in associates :				
PHINMA Property Holdings Corporation (PPHC) [(a)]	**40.21**	**45.46**	35.42	42.71
ABCIC Property Holdings, Inc. (APHI)	**26.51**	**28.13**	26.51	28.13
Coral Way City Hotel Corporation (Coral Way) [(b)]	**23.75**	**26.44**	23.75	26.44
PHINMA Hospitality, Inc (PHI) [(c)]	**–**	**20.88**	–	20.88
Interests in joint ventures :				
PHINMA Saytanar [(d)]	**–**	**48.67**	–	48.67
PHINMA Solar [(e)]	**–**	**48.41**	–	48.41

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

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:

	Unaudited	Audited
	March 31, 2019	Dec. 31, 2018
PPHC	**₱551,183**	₱555,639
APHI	**137,644**	137,093

PHI	**136,836**	133,898
Coral Way	**81,422**	79,771
	₱907,085	₱906,401

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

	Unaudited	Audited
	March 31, 2019	Dec. 31, 2018
Acquisition costs:		
Balance at beginning of year	**₱2,134,923**	₱3,073,857
Additions	**-**	181,878
Disposal	**-**	(239)
Reclassification	**-**	(1,120,910)
Balance at end of year	**2,134,923**	2,134,923
Accumulated equity in net income (losses):		
Balance at beginning of year	**(950,267)**	142,634
Effect of adoption of new standards	**-**	(145,312)
Equity in net earnings (losses)	**6,940**	(101,091)
Dividends	**-**	(53,431)
Reclassification to noncurrent asset held for sale	**-**	(823,690)
Reclassification to financial assets at FVOCI	**-**	17,639
Sale of financial assets at FVOCI	**-**	12,984
Disposal	**-**	-
Balance at end of year	**(943,327)**	(950,267)
Share in other comprehensive income (loss) of associates:		
Balance at beginning of year	**(6,654)**	12,313
Effect of adoption of new standards	**-**	3,552
Share in other comprehensive income (loss)	**(6,256)**	909
Sale of equity instruments at FVOCI	**-**	(12,984)
Reclassification to noncurrent asset held for sale	**-**	(10,444)
Balance at end of year	**(12,910)**	(6,654)
Impairment of investments	**(271,601)**	(271,601)
	₱907,085	₱906,401

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

Summarized statements of financial position as at March 31, 2019 and December 31, 2018 follow:

	March 31, 2019		December 31, 2018	
	PPHC	**APHI**	PPHC	APHI
Total assets	₱4,770,528	₱489,022	₱5,200,306	₱485,751
Total liabilities	**(3,368,405)**	**(439)**	(3,467,417)	(139)
Non-controlling interests	**(810)**	**-**	–	–
	1,401,313	**488,583**	1,732,889	485,612
Proportion of the Parent Company's ownership	**42.71%**	**28.13%**	42.71%	28.13%
Equity attributable to Equity Holders of the Parent	**598,501**	**137,438**	740,117	136,603

	March 31, 2019		December 31, 2018	
	PPHC	**APHI**	PPHC	APHI
Valuation differences	**(47,318)**	**206**	(184,478)	490
Carrying amount of the investments	**551,183**	**137,644**	₱555,639	₱137,093

Summarized statements of comprehensive income follow:

	March 31, 2019		December 31, 2018	
	PPHC	**APHI**	PPHC	APHI
Revenues	**437,316**	**2,094**	₱2,298,639	₱134,847
Cost of sales	**(252,145)**	**-**	(1,589,825)	16,083
Depreciation and amortization	**(2,689)**	**-**	(12,709)	-
Interest income	**11,466**	**614**	43,983	1,597
Interest expense	**(35,905)**	**-**	(144,046)	-
Other income (expenses) - net	**(134,553)**	**(507)**	(495,347)	-
Net income (loss) before tax	**23,490**	**2,201**	100,695	152,527
Income tax	**(19,754)**	**123**	(70,561)	(319)
Net income (loss)	**3,736**	**2,078**	30,134	152,208
Other comprehensive income (loss)	**-**	**1,474**	-	123
Total comprehensive income	**3,736**	**3,552**	₱30,134	₱152,331
Company's share of total comprehensive income (loss)	₱1,698	₱–	₱14,317	₱–
Dividends received	₱-	₱-	₱-	₱–

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

a. PHEN

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

On March 3, 2017, the BOD of PHEN declared cash dividend amounting to ₱195.4 million, equivalent to ₱0.04 per share, to all common stockholders of record as at March 17, 2017 and was paid on March 31, 2017.

On February 28, 2018, the BOD of PHEN declared cash dividends amounting to ₱195.6 million, equivalent to ₱0.04 per share, to all common stockholders of record as at March 14, 2018 and was paid on April 5, 2018.

Dividends received by the Company from PHEN amounted to ₱51.3 million both in 2018 and 2017.

The Company acquired additional shares in PHEN amounting to ₱1.6 million and ₱0.3 million in 2018 and 2017, respectively.

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 March 31, 2019 and 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.

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, 2018, the Transfer of Certificate of Title over the property has yet to be transferred in the name of PPHC. PPHC is yet to issue the shares to the Company and APHI, pending approval of the request for increase in capital stock of PPHC by SEC as at March 21, 2019.

c. PHINMA Petroleum

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

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

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

d. AB Capital/APHI

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

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

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

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

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

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

e. Coral Way City Hotel Corporation (Coral Way)

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

On February 24, 2017, the BOD of Coral Way declared cash dividend amounting to ₱10.0 million, equivalent to ₱0.26 per share, to all common stockholders of record as of December 31, 2016 and were paid on April 10, 2017.

On November 28, 2017, the BOD of Coral Way declared cash dividend amounting to ₱10.0 million, equivalent to ₱0.26 per share, to all common stockholders of record as of October 31, 2017 and were paid on December 15, 2017.

On March 26, 2018, the BOD of Coral Way declared cash dividend amounting to ₱9.0 million , equivalent to ₱0.24 per share , to all common stockholders of record as of December 31, 2017 and were paid on April 15, 2018.

f. PHINMA Hospitality, Inc (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, 2018 and 2017.

Interests in Joint Ventures

The Company’s interests in joint venture in PHINMA Solar is incorporated in the Philippines while the interests in PHINMA Saytanar was incorporated in Myanmar. The reporting period of the joint ventures ends at December 31 as the end of reporting period of PHINMA Solar and PHINMA Saytanar, respectively. The company embarked on a new joint venture with Tripersada Global Manajemen, to form PT Ind Manajemen (IPM) in West Java, Indonesia.

The detailed carrying values of interests in joint ventures (accounted for under the equity method) are as follows:

	March 31, 2019	Dec. 31, 2018
PHINMA Solar	**₱224,635**	₱-224,440
PT Ind Phi Manajemen (IPM)	**132,783**	-
PHINMA Saytanar	**-**	1,562
Balance at end of year	**357,418**	226,002

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

	Unaudited	Audited
	March 31, 2019	Dec. 31, 2018
Acquisition costs:		
Balance at beginning of year	**₱232,541**	₱-
Additions	**132,783**	232,541
Balance at end of year	**365,324**	232,541
Accumulated equity in net income (losses):		
Balance at beginning of year	**(6,567)**	-
Equity in net earnings (losses)	**(1,367)**	(6,567)
Balance at end of year	**(7,934)**	(6,567)
Share in other comprehensive income (loss) of associates:		
Balance at beginning of year	**28**	-
Share in other comprehensive income (loss)	**-**	28
Balance at end of year	**28**	28
	₱357,418	₱226,001

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

Summarized statements of financial position of PHINMA Solar is as follow:

	Unaudited	Audited
	March 31, 2019	Dec. 31, 2018

Total assets	**₱436,480**	₱435,696
Total Liabilities	**(2,091)**	(2,686)
Non-controlling interests	**-**	-
	434,389	433,010
Proportion of the Parent Company's ownership	**50%**	50%%
Equity attributable to Equity Holders of the Parent	**217,195**	216,505
Valuation differences	**7,440**	7,735
Carrying amount of the investment	**₱224,635**	₱224,240

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

a. PHINMA Saytanar

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

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

b. PHINMA Solar

In 2018, UGC entered into a share purchase agreement with PHEN or the 50% ownership of the Company in PSEC for a total consideration of ₱225.0 million. Under the SPA, the Company shall pay PHEN ₱180.0 million in 2018 equivalent to 40% interest, with the remaining ₱45.0 million for the 10% interest will be paid upon receipt of Certificate Authorizing Registration (CAR) or March 2019, whichever comes later.

13. Financial Assets at FVOCI

This account consists of :

	Unaudited	Audited
	March 31, 2019	Dec. 31, 2018
	(In Thousands)	
Listed equity instruments	**₱103,290**	₱133,062
Non-listed equity securities	**132,702**	110,372
	₱235,992	₱243,434

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

No dividends were received in March 2019 and December 2018 from financial assets at FVOCI.

14. **Property, Plant and Equipment**

This account consists of:

	January 1, 2019	Additions	Disposals	Reclassifications	March 31,2019
Cost					
Land	₱2,245,453	186,322	-	(116)	2,431,659
Plant site improvements	182,191	-	-	-	182,191
Buildings and improvements	2,924,947	187,279	(1,637)	(15,866)	3,094,723
Machinery and equipment	1,554,106	199,266	(1,251)	(7,994)	1,744,127
Transportation and other equipment	486,290	9,125	(1,169)	-	494,251
	7,392,987	581,992	(4,052)	(23,976)	7,946,951
Less Accumulated Depreciation					
Plant site improvements	39,427	608	-	-	40,035
Buildings and improvements	1,029,091	63,531	(1,281)	(33,700)	1,057,641
Machinery and equipment	1,154,596	23,727	(1,608)	289,407	1,466,122
Transportation and other equipment	321,732	10,644	(1,151)	(189)	331,023
	2,544,846	98,510	(4,053)	255,518	2,894,821
	4,848,141	483,482	1	(279,494)	5,052,130
Construction in progress	1,396,292	690	-	25,778	1,422,760
Net Book Value	₱6,244,433	₱484,172	₱1	(₱253,716)	₱6,474.890

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

15. **Investment Properties**

This account consists of:

	January 1, 2019	Additions	Disposals	March 31, 2019
Cost:				
Land	**₱576,724**	**₱–**	**₱–**	**₱576,724**
Buildings for lease	**95,625**	**–**	**–**	**95,625**
	672,349	**–**	**–**	**672,349**
Less accumulated depreciation -				
Buildings for lease	**65,051**	**2,697**	**–**	**67,748**
	₱607,298	**(₱2,697)**	**₱–**	**₱604,601**

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

16. **Intangibles**

Following are the details and movements of this account:

	Student List	Software Costs	Trademarks with Indefinite Useful Life	Goodwill	Total
Cost					
At January 1, 2017	**₱165,638**	**₱22,087**	**₱53,286**	**₱2,404,252**	**₱2,645,263**
Additions	**–**	**720**	**–**	**103,992**	**104,712**
Disposal	**–**	**–**	**(53,286)**	**(348,462)**	**(401,748)**
At December 31, 2017	**₱165,638**	**₱22,807**	**₱–**	**₱2,159,782**	**₱2,348,227**
Additions	**–**	**954**	**–**	**–**	**954**
At December 31, 2018	**₱165,638**	**₱23,761**	**₱–**	**₱2,159,782**	**₱2,349,181**
Additions	**–**		**–**	**–**	**–**
At March 31, 2019	**₱165,638**	**₱23,761**	**₱–**	**₱2,159,782**	**₱2,349,181**
Amortization and Impairment					
At January 1, 2017	**₱150,296**	**₱13,254**	**₱–**	**₱580,196**	**₱743,746**
Amortization	**11,505**	**4,643**	**–**	**–**	**16,148**
Disposal	**–**	**–**	**–**	**(191,184)**	**(191,184)**
At December 31, 2017	**₱161,801**	**₱17,897**	**₱–**	**₱389,012**	**₱568,710**
Amortization	**3,837**	**4,626**	**–**	**–**	**8,463**
At December 31, 2018	**₱165,638**	**₱22,523**	**₱–**	**₱389,012**	**₱577,173**
Amortization		**105**	**–**	**–**	**105**
At March 31, 2019	**₱165,638**	**₱22,628**	**₱–**	**₱389,012**	**₱577,278**

	Student List	Software Costs	Trademarks with Indefinite Useful Life	Goodwill	Total
Net Book Value					
At March 31, 2019	**₱–-**	**₱1,133**	**₱–**	**₱1,770,770**	**₱1,771,903**
At December 31, 2018	₱–-	₱1,238	₱–	₱1,770,770	₱1,772,008

17. **Other Noncurrent Assets**

This account consists of:

	Unaudited	Audited
	March 31, 2019	Dec. 31, 2018
	(In Thousands)	
Indemnification assets	**₱12,937**	₱12,937
Refundable deposits	**9,245**	9,148
Creditable withholding taxes	**7,993**	7,993
Input VAT – net of allowance for impairment of unrecoverable amount of ₱123.3 million in March 2019 and December 2018 .	**3,032**	3,032
Others - net of allowance for doubtful advances of ₱51.5 million in March 2019 and December 2018	**31,295**	23,062
	₱64,502	₱56,172

18. **Notes Payable**

This account consists of notes payable of :

	Unaudited	Audited
	March 31, 2019	Dec. 31, 2018
	(In Thousands)	
Philcement	**₱100,000**	₱200,000
UGC	**30,783**	34,505
AU	**10,500**	9,500
	₱141,283	₱244,005

19. **Trade and Other Payables**

This account consists of:

	Unaudited	Audited
	March 31, 2019	Dec. 31, 2018
	(In Thousands)	
Trade	**₱992,635**	₱937,858
Accruals for :		

Professional fees and others	**321,251**	367,301
Personnel costs	**89,471**	51,963
Interest	**51,627**	48,801
Freight, hauling and handling	**24,110**	6,199
Dividends	**43,694**	62,662
Deposit liabilities	**155,875**	61,848
Provisions	**46,547**	46,547
Subscription payable	**45,000**	45,000
Escrow	**24,732**	24,732
Others	**75,753**	67,388
	₱1,870,695	₱1,720,299

20. **Contract Liabilities**

This account consists of :

	Unaudited	Audited
	March 31, 2019	Dec. 31, 2018
	(In Thousands)	
Unearned revenues	**₱ 26,848**	₱671,819
Customers' deposits	**97,765**	99,599
	₱124,613	₱771,418

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

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

21. **Long-term Debt**

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

	Unaudited	Audited
	March 31, 2019	Dec. 31, 2018
	(In Thousands)	
PEHI	**₱2,272,250**	₱2,300,000
PHN	**2,000,000**	2,000,000
UGC	**751,250**	771,875
SWU	**600,000**	600,000
UPANG	**323,780**	332,670
UI	**200,000**	200,000
COC	**190,508**	193,040
Philcement	**444,000**	160,000
PSHC	**128,884**	128,884

AU	**69,375**	72,225
	6,980,048	6,758,694
Less debt issuance cost	**45,798**	45,684
	6,934,250	6,713,010
Less current portion - net of debt issuance cost	**209,214**	209,234
	₱6,725,036	₱6,503,776

The balance of unamortized debt issuance cost follows:

	Unaudited	Audited
	March 31, 2019	Dec. 31, 2018
	(Amounts in Thousands)	
Beginning of year	**₱45,684**	₱34,173
Amortization	**(3,361)**	(5,066)
Additions	**3,475**	16,577
End of year	**₱45,798**	₱45,684

PEHI

On December 7 and December 8, 2015, PEHI obtained a ten-year term loan from Rizal Commercial Banking Corporation (RCBC) and China Banking Corporation (CBC) in the amount of ₱1.4 billion and ₱900 million, respectively. Below is a summary of the terms of the said loans:

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

Bank	RCBC
Amount drawn	₱500.0 million
Tenure	Ten (10) years term loan
Repayment	Principal shall be payable in 27 equal quarterly repayment of ₱3.75 million and final quarter payment of ₱398.8 million
Drawdown date	December 7, 2015

Start of amortization payment	March 7, 2019
End of term loan	December 7, 2025
Interest rate	Repricing after 5th year: interest rate then current (5.3179%) or applicable 5-year benchmark rate + 1.35% spread, or 5.00% floor rate, whichever is higher

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

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

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

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

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

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

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

PHN
On May 23 and 30, 2017, PHN obtained a ten-year term loan from Security Bank Corporation (SBC) for a total amount of ₱2.0 billion. Below is a summary of the terms of the said loans:

Bank	SBC
Amount drawn	₱2.0 billion
Tenure	Ten (10)-year term loan inclusive of three (3) years grace period
Repayment	Principal repayment shall commence at the end of the 3rd year from initial drawdown date until maturity date; balloon payment amounting to ₱1.9 billion or 94% of principal amount on maturity date.
Prepayment	Allowed starting at the end of the 12th quarter from the 1st drawdown date subject to certain conditions
Drawdown date	May 23 and 30, 2017
Start of amortization payment	August 24, 2020
End of term loan	May 21, 2027
Interest rate	6.0%

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

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

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

As at December 31, 2018, the Company is in compliance with the terms of the loan agreement. Interest expense arising from the bank loan amounted to ₱120.0 million and ₱83.5 million in March 2019 and March 2018 , respectively.

UGC

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

UGC made principal repayments amounting to ₱39.4 million as at December 31, 2018.

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

Bank	BDO
Amount drawn	₱218.8 million
Tenure	Seven (7)-year term loan
Repayment	Payable on 28 equal quarterly payments of ₱4.4 million with the remaining balance to be paid on maturity date
Prepayment	Allowed after third year without penalty
Drawdown date	March 25, 2013
End of term loan	July 20, 2023
Interest rate	Interest rate is based on the 7-year PDST-R2 plus a 1.40% spread or 5.5%, whichever is higher. No repricing of interest rate from borrowing date to maturity date.
Use of proceeds	Extend maturity date of the original loan to July 20, 2023

In 2015, UGC obtained a ten-year term loan from SBC and BDO in the amount of ₱75.0 million each. UGC made principal repayments amounting to ₱22.5 million on the ₱75.0 million BDO loan and ₱22.5 million on the ₱75.0 million SBC loan. Below is the summary of the said loans:

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

Bank	SBC
Amount drawn	₱75.0 million
Tenure	Ten (10) years from initial drawdown date
Repayment	Payable in forty (40) equal quarterly installments commencing at the end of the 1st quarter following the initial drawdown date.
Prepayment	Allowed subject to the following conditions: ▪ 30 days prior notice and said notice shall be irrevocable ▪ Allowed in whole or in part on any interest payment date ▪ Prepayments shall be applied in reverse order ▪ Break funding cost based on the difference between the contracted

Drawdown date	November 12, 2015
Start of amortization payment	December 31, 2015
End of term loan	November 5, 2025
Interest rate	The interest rate on the SBC loan for the first 5 years is based on the 5-year PDST-R2 plus a 1.35% spread or 5.5%, whichever is higher, and to be repriced at the end of the fifth year for the remaining 5 years at an interest rate based on the 3-day average of the 5-year PDST-R2 plus a 1.35% spread or the interest rate set for the first 5 years, whichever is higher.
Collateral	A parcel of land with improvements thereon located along Davao-Agusan Highway, Brgy. Ilang, Davao City Four (4) parcel of land with improvements thereon located along Chipeco Avenue extension corner Villa de Calamba Road, Brgy. Real, Calamba City.

On July 13, 2018, UGC obtained a ten-year term loan from BDO and SBC in the amount of ₱400.0 million and ₱100.0 million respectively. UGC made principal repayments ₱10.0 million on the ₱400.0 million BDO loan and ₱2.5 million on the ₱100.0 million SBC loan.

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

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

Bank	SBC
Amount drawn	₱100.0 million
Tenure	Ten (10)-year term loan
Repayment	Principal shall be payable in 40 equal quarterly repayment of ₱2.5 million
Drawdown date	July 13, 2018
Start of amortization payment	October 11, 2018
End of term loan	July 13, 2028
Interest rate	6.65%
Collateral	The properties described in and covered by Transfer Certificate of Title Nos. T-351833, T-351834, T-351835, and T-351836 of the Registry of Deeds of Calamba, Laguna and Transfer Certificate of Title No. 146-2015005044 (former TCT No. T-302300) of the Registry of Deeds of Davao City, including all improvements existing thereon.
Use of proceeds	To finance maturing Security Bank loan, finance capital expenditure, and permanent working capital requirements.

As at December 31, 2018 and 2017, the loans from the lenders are collateralized by a mortgage agreement on the UGC's land, plant site improvements, buildings and installations, and machinery and equipment of Calamba and Davao plants with carrying value amounting to ₱545.0 million and ₱511.1 million, respectively. In addition, UGC is required to maintain maximum debt to equity ratio of 2:5, current ratio of at least 1.0x and debt service coverage ratio of atleast 1.25x under its loan covenants. As at December 31, 2018 and 2017, UGC is in compliance with all of its loan covenants. Interest expense arising from the bank loans amounted to ₱36.0 million and ₱30.5 million in 2018 and 2017, respectively.

SWU

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

Bank	RCBC
Amount drawn	₱300.0 million drawn as at December 31, 2017
Additional amount	₱100.0 million was drawn on March 27, 2018
Tenure	Ten (10) years from the date of initial drawdown for the payment of the principal amortization, with three (3) years grace period
Repayment	Payable in 28 quarterly amortizations on the principal payment date, provided that the annual principal payments shall be 1% of the beginning principal balance to commence at the end of the 13th quarter from the initial drawdown date, with the remaining principal balance to be paid upon maturity

Prepayment	The school may prepay the loan in part or in full, without any prepayment penalties after the 5th year of the term, subject to the payment of all accrued interests, charges and obligations provided in the agreement computed up to the date of prepayment, provided that certain conditions are complied with.
Drawdown date	December 7 and 20, 2017 and March 27, 2018
Start of amortization payment	March 7, 2021 (13th quarter from initial drawdown)
End of term loan	December 7, 2027
Interest rate	Interest shall be fixed at 6.655% from years one to five and at 6.936% onwards until maturity.

Collateral	Clean (Negative Pledge)
Use of proceeds	₱200.0 million shall be used to partially finance the building development, expansion and purchase of equipment of Sacred Heart Hospital; and ₱200.0 million shall be used to partially finance the developments of SWU.

On April 6, 2018, SWU obtained a ten-year term loan from CBC in the amount of ₱200.0 million. Below is a summary of the terms of the said loans:

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

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

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

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

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

As at December 31, 2018, SWU is not yet required to comply with the financial ratios. Interest expense arising from the bank loans amounted to ₱0.6 million and ₱0.4 million in 2018 and 2017, respectively.

UPANG

On December 21, 2012, a 7-year term loan agreement was signed by UPANG and CBC for a maximum principal amount of ₱250.0 million. The proceeds were used to refinance existing obligations and to fund the capital expenditures for the school year 2012-2013. The loans are collateralized with land costing ₱121.8 million and with a revalued amount of ₱480.7 million. The terms of the loan are as follows:

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

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

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

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

- No material change in the character of business; permit any material change in ownership of control of its stocks; participate in or enter into merger or consolidation which would result in a material change in control; voluntarily suspend its business operations or dissolve its affairs;

amend its Articles of Incorporation and By-laws that would cause a material adverse change in financial ability and capacity of UPANG and; re-organize, undertake a quasi-reorganization, reduce its capital, change in its fiscal year, which would cause a material adverse change in the financial ability or capacity of the University.

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

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

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

- Debtor shall maintain a minimum debt service coverage ratio of 1.2x starting fiscal year 2017-2018;

- Debtor shall maintain a maximum debt to equity ratio of 1.75x, starting fiscal year 2017-2018; and

- Debtor shall maintain a minimum current ratio of 1.00x starting fiscal year 2017-2018.

As at December 31, 2018 and 2017, UPANG is in compliance with the terms of its loan agreements.

UPANG Urdaneta

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

Bank	RCBC
Amount drawn	₱100.0 million
Tenure	Ten (10)-year term loan with three (3) years grace period
Repayment	Principal shall be paid in the amounts of ₱0.6 million quarterly in year 4, ₱1.7 million quarterly in year 5, ₱2.7 million quarterly in year 6, ₱3.8 million quarterly in year 7, ₱4.4 million quarterly in year 8, ₱4.4 million quarterly in year 9, ₱7.5 million in year 10

Interest rate	Interest shall be fixed rate at 5.5926% (5.6485% with GRT) for the first seven (7) years of the term based on 3-day average of 7-year PDST-R2 +1.42% spread, subject to repricing at the end of the seventh (7th) year based on the interest rate then current or the 3 day average of 3-year PDST R-2 plus 1.42%, whichever is higher

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

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

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

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

As at December 31, 2018 and 2017, UPANG Urdaneta is in compliance with the terms of the loan agreement.

Interest expense arising from the bank loans of UPANG and UPANG Urdaneta amounted to ₱19.2 million and ₱11.6 million in 2018 and 2017, respectively.

UI

UI entered into a 10-year term loan agreement with CBC for ₱200.0 million of which ₱100.0 million had been drawn on December 20, 2017 and the remaining ₱100.0 million was drawn on April 24, 2018. The loan has a three (3)-year grace period and the principal is payable quarterly to start on March 20, 2021 for the first ₱100.0 million with fixed interest rates for the first seven years and subject to repricing afterwards. The terms of the loan are as follows:

Bank	CBC
Amount drawn	₱100.0 million
Tenure	10 years from initial drawdown
Repayment	Repay the principal amount of the loan on each principal repayment date within a period of 10 years from initial drawdown date, inclusive of three (3) years grace period.
Prepayment	Provided that no event of default has occurred, the borrower may repay all or part of the loan, together with the accrued interest and other charges accruing thereon up to the date of prepayment subject to conditions.
Drawdown date	December 20, 2017
Start of amortization payment	March 20, 2018
End of term loan	December 20, 2027
Interest rate	6.3321%

Collateral	Real estate mortgage on twenty-three (23) continuous parcel of commercial lots including improvements located at Rizal Mapa St. and General Blanco St. with total net usable area of 9,887 sqm. with a total appraised value of ₱243.4 million and total loanable value of ₱163.9 million. One parcel of commercial lot including improvements located at cor. Rizal and Mapa St. with net usable area of 1,606 sqm. registered under University of Iloilo with a total appraised value of ₱43.4 million and total loanable value of ₱25.8 million.
Use of proceeds	Partially fund the University of Iloilo's expansion and development plans which includes school, buildings, upgrades and improvement of existing facilities.

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

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

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

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

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

As at December 31, 2018, UI is in compliance with all of its debt covenants.

COC

COC entered into a 10-year term loan agreement with CBC for ₱100.0 million of which ₱50.0 million had been drawn on March 27, 2013 and the other ₱50.0 million had been drawn on July 18, 2013.

The loan is payable quarterly at ₱2.5 million with fixed interest rates for the first seven (7) years and subject to quarterly repricing afterwards. The

terms of the loan are as follows:

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

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

Bank	CBC
Amount drawn	₱125.0 million
Tenure	Ten (10)-year term loan
Repayment	Loan has three (3) years grace period. Principal is payable in twenty-eight (28) quarterly amortizations to start on the 13^{th} quarter.

Prepayment	COC may, at its option, prepay after five (5) years without prepayment penalty of 3.0%.
Drawdown date	July 9, 2018
Start of amortization payment	October 9, 2021
End of term loan	April 9, 2028
Interest rate	Fixed for five (5) years at 6.25% per annum. After the fifth (5th) year anniversary of the Initial Drawdown Date up to the Loan Maturity Date, the Interest Rate will be based on the higher of (i) Applicable Five (5) Year PDST-R2 plus a spread of up to 100 bps or (ii) 6.25% p.a.
Collateral	Same land and improvements covered by the 2013 term loan
Use of proceeds	The proceeds of the loan shall be used by the Borrower to partially finance the Borrower's expansion and development plans and for other general corporate purposes.

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

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

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

PhilCement

PhilCement entered into a 5-year term loan agreement with SBC for ₱875.0 million of which ₱160.0 million had been drawn on October 25, 2018. The principal is payable in fourteen (14) equal quarterly installments commencing at the end of the 6th quarter following initial drawdown date. and the terms of the loan are as follows:

Bank	SBC
Amount drawn	₱160.0 million

Tenure	5 years from initial drawdown date
Repayment	The principal will be payable in fourteen (14) equal quarterly installments commencing at the end of the 6th quarter following initial drawdown date.
Prepayment	The Borrower may prepare the Facility subject to the following conditions: a. Thirty (30) days prior notice and said notice shall be irrevocable b. Minimum amounts of P10 million and/or multiples thereof c. Prepayments shall be applied in Inverse order of maturity d. Break-funding cost, if any, shall be for the account of the Borrower.
Drawdown date	October 25, 2018
Interest rate	Prevailing SBC lending rate, fixed equivalent to the 5-year Peso Benchmark Rate plus 125 spread, subject to floor rate of 5.5% p.a. Gross Receipts Tax (GRT) shall be for the account of the Borrower

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

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

As at December 31, 2018, PhilCement is not yet required to comply with its required financial ratios. Interest expense arising from the bank loans amounted to ₱2.1 million in 2018.

PSHC

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

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

Initially, the said loan is payable in two installments amounting to ₱44.0 million on July 15, 2008 and ₱110.0 million on July 15, 2013. On July 8, 2008, a Memorandum of Agreement was executed by UPPC and PSHC amending the maturity date of the ₱44.0 million from July 15, 2008 to July 15, 2013. A recomputation of the effective interest rate of 10.52% was made in 2008 to reflect the change in the payment terms of the liability in 2013. On December 20, 2012, another Memorandum of Agreement was executed by UPPC and PSHC amending the payment term of the ₱154.0 million from July 15, 2013 to July 15, 2018. A recomputation of the effective interest rate of 9.28% was made to reflect the change in the payment terms in the liability. On September 19, 2014, PSHC paid ₱25.0 million as partial payment of outstanding balance of land. A recomputation of the effective interest rate of 7.82% was made to reflect the change in the payment terms in the liability.

On July 1, 2015, another Memorandum of Agreement was executed amending the interest rate from 9.1% to 7.6% per annum. A recomputation of the effective interest rate of 9.33% was made to reflect the change in the payment terms in the liability. On July 1, 2015 and January 1, 2016, another Memorandum of Agreement was executed amending the interest rate to 7.6% and 6.8% per annum, respectively. The effective interest rate after the change in interest rates are 7.82% to 7.0%, respectively. On March 2017, UPPC and PSHC executed a Memorandum of Agreement amending the interest rate to 6.8% per annum effective January 1, 2016. The effective interest rate after the change in interest rate is 7.00%. On the same date, PSHC also extended the maturity of the loan, originally due on July 15, 2018 to July 15, 2023.

Additional interest expense resulting from the accretion of loan payable amounted to ₱0.02 million in 2018 and ₱0.24 million in 2017 (see Note 32). The details of the loan are as follows:

	2018	2017
Loan payable to UPPC	**₱129,000**	₱129,000
Less: unamortized discount	**116**	136
	₱128,884	₱128,864

To secure the payment of the loan, PSHC constituted a mortgage over its land amounting to ₱220.0 million in favor of certain creditors of UPPC (see Note 17).

The payable of PSHC to UPPC incurs an annual interest at a rate subject to mutual agreement by UPPC and PSHC on each anniversary date. Interest expense incurred on the amount payable to UPPC amounted to ₱8.8 million in 2018 and 2017 (see Note 32).

The loan agreement did not state any debt covenant that PSHC is required to comply with.
On December 11, 2013, a 10-year Term Loan Agreement was signed by the AU and RCBC for a principal amount of ₱125.0 million. The loan is payable quarterly at ₱3.1 million. The University's land and buildings and improvements amounting to ₱138.2 million are mortgaged as collateral for its long-term debt.

AU

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

The terms of the loan are as follows:

Bank	RCBC
Amount drawn	₱125.0 million
Tenure	10 years
Repayment	Quarterly

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

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

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

As at December 31, 2018, AU is not yet required to comply with its required financial ratios. Interest expense arising from the bank loans amounted to ₱5.9 million and ₱4.9 million in 2018 and 2017, respectively.

22. Equity

a. Capital Stock

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

	Number of Shares	
	Unaudited	Audited
	March 31, 2019	Dec. 31, 2018

	Number of Shares	
	Unaudited	Audited
	March 31, 2019	Dec. 31, 2018
Preferred - cumulative, nonparticipating, ₱10 par value		
Class AA		
Authorized	**50,000,000**	50,000,000
Class BB		
Authorized	**50,000,000**	50,000,000
Common - ₱10 par value		
Authorized	**420,000,000**	420,000,000
Issued		
Balance at beginning of year	**286,303,550**	286,303,550
Stock dividend	**-**	-
Balance at end of year	**286,303,550**	286,303,550
Subscribed	**39,994**	39,994
Issued and subscribed	**286,343,544**	286,343,544
Treasury shares	**4,668,979**	4,538.479

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

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

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

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

b. Retained Earnings

Appropriated

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

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

Unappropriated

On March 4, 2016, the Parent Company's BOD declared a cash dividend of ₱0.40 per share or an equivalent of ₱103.7 million, to all common shareholders of record as at March 18, 2016. The cash dividends were paid on March 31, 2016.

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

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

On March 6, 2018, the Parent Company's BOD declared a cash dividend of ₱0.40 per share or an equivalent of ₱113.0 million, to all common shareholders of record as at March 22, 2018. The cash dividends were paid on April 6, 2018.

The balance of retained earnings includes Parent Company's accumulated equity in net earnings of subsidiaries and associates which are not currently available for dividend declaration until declared by the respective subsidiaries and associates amounting to ₱1,067.8 million and ₱788.6 million as at December 31, 2018 and 2017, respectively.

In 2016, UGC issued a stock purchase plan in which a cash bonus will be paid out in five (5) equal annual amortizations from 2016 to 2020 to eligible officers/grantees approved by the Executive Committee. The grantees are required to use the proceeds of the bonus to buy the shares of UGC at a price of ₱8.95 per share, the book value of share at the date of grant. The Company issued 217,307 shares amounting to ₱1.9 million and 237,604 shares amounting to P2.1 million in 2017 and 2016, respectively.

= Prior to 2017, the Company records the expense in relation to the stock purchase plan at the time of the issuance of cash bonus and purchase of shares by the officers/grantees based on the amount of cash bonus pegged at the book value per share in 2016 since the impact is not significant to the related account balances. Based on PFRS 2, *Share-based Payments*, for equity-settled share- based payment transactions, the entity shall measure the goods or services received, and the corresponding increase in equity, at the fair value of the equity instruments granted.

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

The value of the outstanding shares that have vested and/or have been exercised under the Stock Purchase Plan for the comparative period December 31, 2017 was grossed up in 2018 to conform with the measurement at fair value.

c. Stock Purchase Plan

Following are the salient features of the Parent Company's Stock Purchase Plan:

Purpose	To motivate the Senior Officers to achieve the Parent Company's goals, to help make the personal goals and corporate goals congruent and to reward the senior officers for the resulting increase in the value of PHN shares.
Prices of share	The officers shall purchase shares of stock of PHN from those set aside under the Stock Purchase Plan at the average closing price of PHN shares in the stock market for 20 trading days, in no case shall the price be lower than par value.
Tranches	1/3 of the maximum shares can be purchased upon date of first notice and 1/3 each every year thereafter provided that work performance is deemed acceptable.
Holding period	One-third of the shares shall not be sold or transferred to a 3rd party for at least one year from the date of each purchase or until retirement whichever comes first. Another one-third of the shares shall not be sold or transferred to a 3rd party for at least two years from the date of each purchase or until retirement whichever comes first. The last one-third of the shares shall not be sold or transferred to a 3rd party for at least three years from the date of each purchase or until retirement whichever comes first. Any such sale or transfer shall be considered null and void.

On April 2, 2009 and April 20, 2010, the BOD and shareholders of PHN, respectively, approved the setting aside of 8.4 million shares from the unsubscribed portion of the Parent Company's 420 million authorized common shares for stock purchase by the Senior Officers of this Corporation. On January 26, 2012, the Philippine SEC approved the Parent Company's Stock Purchase Plan while the PSE approved for listing the 8.4 million shares on May 23, 2012.

Under the Stock Purchase Plan, officers of the Parent Company can purchase ₱30.5 million worth of shares over three years, subject to certain conditions. The shares can be purchased at the average closing price of PHN shares in the market 20 days prior to each notice, but in no case shall the price be less than par value.

As at December 31, 2016, shares acquired under the Stock Purchase Plan totaled 2,703,501 shares. Total cumulative expense recognized in relation to the Stock Purchase Plan amounted to ₱44.8 million in 2016. The stock purchase plan has ended in 2016.

d. Buyback of Shares

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

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

In 2018 and 2017, the Parent Company bought back 3,071,200 shares and 58,300 shares which amounted to ₱25.8 million and ₱0.6 million, respectively.

23. **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, 2018 and 2017, the Company's impairment of receivables from related parties amounted to nil. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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

March 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	**₱94,144**	**₱36,535**	**₱3,830**	Noninterest-bearing	Unsecured, no impairme nt
Associates						
PPHC, PHEN	Share in expenses	**1,794**	–	**2,256**	Noninterest-bearing	Unsecured, no impairme nt
Other related parties						
CDCC	Advances	**12,480**	**-**	**170,099**	Noninterest-bearing	Unsecured, No impairment
	Share in expenses	**28,985**	**52,215**	**11,715**	Noninterest-bearing	Unsecured, no impairme nt
UPPC	Consultancy Fee	**1,926**	–	**169**	Noninterest-bearing	Unsecured, no impairme nt
			₱88,750	**₱188,069**		

December 2018						
Company	Nature	Amount/ Volume	Amount Due to Related Parties	Amount Due from Related Parties (see Note 11)	Terms	Conditions
Ultimate Parent						
PHINMA Inc.	Share in expenses, management fees and bonus	**₱234,522**	**₱26,887**	**₱2,784**	Noninterest-bearing	Unsecured, no impairme nt
Associates						
PPHC, PHEN, PPG	Share in expenses	**8,950**	–	**3,176**	Noninterest-bearing	Unsecured, no impairme nt
PHEN, Coral Way, PHI,	Dividend income	**53,093**	–	–	Noninterest-bearing	Unsecured, no impairme nt
Other related parties						
PHI	Subscription payable	–	**52,278**	–	Noninterest-bearing	Unsecured
Phinma Power, T-O Ins. CIP II, PFI, Phinma	Share in expenses	**44,617**	–	**548**	Noninterest-bearing	Unsecured, no impairme

December 2018						
Company	**Nature**	**Amount/ Volume**	**Amount Due to Related Parties**	**Amount Due from Related Parties** (see Note 11)	**Terms**	**Conditions**
Renewable						nt
UPPC	Consultancy Fee	**2,481**	–	**1,138**	Noninterest-bearing	Unsecured, no impairme nt
CDCC, Aznar, PSEd, PTC Myanmar	Grant of noninterest-bearing advances	**11,089**	–	**181,047**	Noninterest-bearing	Unsecured, no impairme nt
			₱79,165	**₱188,693**		

PHINMA, Inc. The Parent Company has a 5-year management contract with PHINMA, Inc. up to June 30, 2019, renewable thereafter mutual agreement. Under this contract, PHINMA, Inc. has a general management authority with corresponding responsibility over all operations and personnel of the Parent Company including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance and other business activities of the Parent Company. Under the existing management agreement, the Parent Company pays PHINMA, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of the Parent Company's net income.

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

PPHC. The Parent Company grants interest-bearing advances to PPHC for a period of 30-60 days. The Parent Company also bills PPHC for their share in expenses.

Management and Directors' Compensation

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

Management fees and bonuses, presented as "Professional fees and outside services" under "General and administrative expenses" account, amounted to ₱68.3 million and ₱198.8 million in March 31, 2019 and December 31, 2018 , respectively . 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 ₱50.8 million and ₱112.5 million as of March 31, 2019 and December 31, 2018, respectively .

PHN, UGC, AHC, 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 ₱12.5 million and ₱80.5 million in March 31, 2019 and December 31, 2018 respectively . 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 ₱6.8 million and ₱52.0 million as of March 31, 2019 and December 31, 2018 respectively .

24. **Income Tax**

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

	Unaudited	Audited
	March 31, 2019	Dec. 31, 2018
	(In Thousands)	
Deferred tax assets – net	**₱23,778**	₱37,481
Deferred tax liabilities - net	**(361,727)**	(362,537)
	(₱337,949)	(₱325,056)

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, 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 ₱3.6 million can be deducted against RCIT due while NOLCO totaling ₱925.5 million can be claimed as deduction against taxable income, as follows:

		Amount	
Date Paid/Incurred	Expiry Date	MCIT	NOLCO
December 31, 2016	December 31, 2019	1,338	286,099
December 31, 2017	December 31, 2020	984	389,509
December 31, 2018	December 31, 2021	1,236	249,861
		₱3,558	₱925,469

MCIT amounting to ₱0.7 million and ₱0.6 million, respectively expired in 2018 and 2017. Expired NOLCO amounted ₱123.5 million and ₱123.0 million in 2018 and 2017. No MCIT and NOLCO were claimed as deduction against regular taxable income in 2018 and 2017.

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

Pension and other post-employment benefits consist of:

	Unaudited March 2019	December 2018
	In thousands	
Net pension liability	**₱144,123**	**₱164,713**
Vacation and sick leave	**46,306**	**44,966**
Defined contribution plan	**91**	**-**
	₱190,520	**₱209,679**

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

	March 2019	December 2018
	In thousands	
Net pension expense	**₱13,713**	**₱55,834**
Vacation and sick leave	**1,341**	**7,460**
Defined contribution plan	**118**	**521**
	₱15,172	**₱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:

	March 2019	December 2018
Current service cost	**₱13,713**	₱45,952
Net interest cost	**-**	9,882
Net pension expense	**₱13,713**	₱55,834

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

	March 2019	December 2018
Present value of defined benefit obligation	**₱503,496**	₱490,746
Fair value of plan assets	**(359,372)**	(326,033)
Pension liability	**₱144,123**	₱164,713

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

	March 2019	December 2018

Balance at beginning of year	**₱490,746**	₱543,082
Current service cost	**13,713**	45,952
Interest cost on defined benefit obligation	**-**	25,915
Benefits paid from plan assets	**-**	(18,811)
Benefits paid from operating funds	**(963)**	(15,435)
Acquisition of subsidiary		-
Past service cost	**-**	-
Actuarial (gains)/losses:		
Changes in financial assumptions	**-**	(55,609)
Changes in demographic assumptions	**-**	(24,364)
Experience adjustments	**-**	(9,984)
Effect of curtailment	**-**	-
Balance at end of year	**₱503,496**	₱490,746

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

	March 2019	**December 2018**
Balance at beginning of year	**₱326,033**	₱261,387
Actual return excluding amount included in net interest cost	**-**	(6,084)
Actual contributions	**33,339**	73,508
Interest income included in net interest cost	**-**	16,033
Benefits paid	**-**	(18,811)
Balance at end of year	**₱359,372**	₱326,033
Actual return on plan assets	**₱-**	₱9,949

Change in net pension liability are as follows:

	March 2019	**December 2018**
Balance at beginning of year	**₱164,713**	**₱281,695**
Pension expense	**13,713**	**55,834**
Contributions	**(33,339)**	**(73,508)**
Remeasurements in OCI	**-**	**(83,873)**
Acquisition and disposal of subsidiaries/adjustment	**-**	**-**
Benefits paid from operating fund	**(963)**	**(15,435)**
Pension liability	**₱144,123**	**₱164,713**

The Company expects to contribute ₱54.3 million to its retirement fund in 2019.

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

	December 2018
Discount rates	5–7%
Rates of salary increase	3–6%

The Company has established a retirement fund that is managed by a trustee. The carrying value and fair value of the retirement fund of the Company amounts to ₱359.3 million and ₱354.2 million as at March 31, 2019 and December 31, 2018, respectively. The major assets are as follows:

	December 2018
Cash and short-term investments	**₱220,068**
Marketable equity securities	**133,881**
Others	**292**
	₱354,241

Cash and short-term investments include liquid investments in Special Deposit Accounts (SDAs), government securities and mutual funds and UITFs. Marketable equity securities can be sold through the PSE.

The voting rights over the shares are exercised by the trustee through the retirement committee, the members of which are directors or officers of the Parent Company.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	December 2018 Increase (Decrease)
Discount rate:	
Increase by 1%	**(₱23,437)**
Decrease by 1%	**26,727**
Salary increase rate:	
Increase by 1%	**29,389**
Decrease by 1%	**(26,154)**

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

	2018
Within the next 12 months	**₱70,659**
Between 2 and 5 years	**223,521**
Beyond 5 years	**1,676,675**

The average duration of the defined benefit obligation at the end of the year is between 9 to 18 years.

B. Vacation and Sick Leave

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

Vacation and sick leave expense consists of:

	March 2019	December 2018
Current service cost	**₱1,341**	₱3,932
Interest cost	**-**	2,212
Actuarial losses	**-**	1,316
Vacation and sick leave expense	**₱1,341**	₱7,460

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

	March **2019**	December 2018
Balance at beginning of year	**₱44,966**	₱39,234
Current service cost	**1,341**	3,932
Interest cost	**-**	2,212
Actuarial losses (gains)	**-**	1,316
Benefits paid	**-**	(1,728)
Balance at end of year	**₱46,306**	₱44,966

26. EPS Computation

	Unaudited	
	March 31, 2019	March 31, 2018
(a) Net income attributable to equity holders of the parent	**₱74,953**	₱38,858
(b) Number of shares outstanding at beginning of year	**281,675**	284,876
Basic/Diluted EPS attributable to equity holders of the parent (a/e)	**₱.27**	₱.14

27. Segment Information

For management purposes, the Company's operating businesses are organized and managed separately according to business activities and have five reportable operating segments as follows:

- Investment holdings – The Parent Company and PSHC are engaged in investment holding activities of shares of stocks and other financial instruments.
- Property development – API and PHI leases its real and personal properties. PPHC is engaged in real estate development.
- Construction materials – The Company has created this new segment to encompass the previous steel operating segment and the operations of the newly-incorporated cement trading entity, PhilCement

Corporation. UGC handles the manufacturing and trading of iron and steel products. The Company has assessed that the nature of the products and services and the type or class of customers for these products and services are related.

- Energy – PHEN is involved in power generation and trading, oil and mineral exploration, exploitation and production.
- Educational services – PEHI holds interest in AU, COC, UPANG, UI and SWU which offer graduate, tertiary, secondary and elementary education services. CAA is organized to engaged in providing technical vocational education and training programs. SJCI, a newly-acquired educational institution by PEHI, is also categorized under educational services segment.
- BPO – ICI Asia (formerly Fuld Philippines) is   engaged in strategic consulting.

The BOD (Chief Operating Decision Maker) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Segment result is defined as the segment's income generated from its own operations, net of its share in the equity in net earnings of associates and investment income, before deducting interest and financing charges, provison 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	Energy	Educational Services	BPO	Eliminations	Total Operations
					(In Thousands)			
For the Period January – March 31, 2019								
Revenues								
Segment revenue	**₱129,776**	**₱445**	**₱2,084,057**	–	**₱722,686**	**₱12,750**	**(₱125,866)**	**₱2,823,848**
Investment income	**17,836**	**1,447**	**849**	–	**8,120**	–	–	**28,251**
Total revenues	**₱147,612**	**₱1,892**	**₱2,084,906**	–	**₱730,806**	**₱12,750**	**(₱125,866)**	**₱2,852,100**
Results								
Segment results	**₱80,106**	**(₱79)**	**₱147,206**	–	**₱159,972**	**₱1,600**	**(₱125,866)**	**262,939**
Investment income	**17,836**	**1,447**	**849**	–	**8,120**	–	–	**28,251**
Equity in net earnings of an associate	–	**4,739**	195	–	(1,562)	–	**2,201**	**5,574**
Interest expense and financing charges	**(31,483)**	–	**(37,401)**	–	**(51,483)**	–	–	**(120,367)**
Benefit from (provision for) income tax	**(225)**	**(5)**	**(33,080)**	–	**(16,236)**	**(527)**	–	**(50,073)**
Share of non-controlling interest	–	–	–	–	**(37,230)**	–	**(14,141)**	**(51,371)**
Net income attributable to equity holders of parent	**₱66,234**	**₱6,102**	**₱77,768**	**₱–**	**₱61,582**	**₱1,074**	**(₱137,806)**	**₱74,953**

	Investment Holdings	Property Development	Construction Materials	Energy	Educational Services	BPO	Eliminations	Total Operations
					(In Thousands)			
For the Period January – March 31, 2018								
Revenues								
Segment revenue	**₱57,439**	**₱412**	**₱1,423,501**	–	**₱644,709**	**₱13,968**	**(₱53,431)**	**₱2,086,616**
Investment income	**9,127**	**132**	**257**	–	**19,164**	–	–	**28,680**
Total revenues	**₱66,566**	**₱544**	**₱1,423,758**	–	**₱663,873**	**₱13,968**	**(₱53,431)**	**₱2,115,296**
Results								
Segment results	**₱38,123**	**₱21**	**₱96,602**	–	**₱126,130**	**₱1,102**	**(₱65,316)**	**₱196,661**
Investment income	**9,127**	**132**	**257**	–	**19,164**	–	–	**28,680**
Equity in net earnings of an associate	–	**(29,227)**	–	**11,366**	–	–	**(2,468)**	**(20,330)**
Interest expense and financing charges	**(30,891)**	–	**(16,434)**	–	**(36,142)**	–	–	**(83,466)**
Benefit from (provision for) income tax	**(370)**	**(5)**	**(24,059)**	–	**(30,275)**	**(398)**	–	**(55,108)**
Share of non-controlling interest	–	–	–	–	**(31,386)**	–	**3,808**	**(27,578)**

Net income attributable to equity holders of parent	**₱15,989**	**(₱29,079)**	**₱56,366**	**₱ 11,366**	**₱47,491**	**₱704**	**(₱63,976))**	**₱38,859**

	Investment Holdings	Property Development	Construction Materials	Energy	Educational Services	BPO	Eliminations	Total Operations
					(In Thousands)			
For the Period January – December 31, 2018								
Revenues								
Segment revenue	₱464,899	₱2,574	₱7,263,544	₱–	₱2,523,045	₱64,661	(₱388,621)	₱9,930,102
Results								
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 an associate	–	56,049	(2,276)	(157,097)	(4,514)	–	180	(107,658)
Interest expense and financing charges	(135,909)	–	(95,724)	–	(165,701)	(1,050)	–	(398,384)
Benefit from (provision for) income tax	7,402	20	116,836	–	46,116	2,473	2,720	175,567
Share of non-controlling interest	–	–	–	–	132,395	–	(16,552)	148,947
Net income attributable to equity holders of parent	₱437,172	₱8,232	₱278,205	(₱157,097)	₱225,111	₱2,194	(₱801,394)	₱25,874

Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations

For the three-month period ended March 31, 2019, consolidated net income of Phinma Corporation grew 90.2% over the same period in 2018 to P126.3 million. Consolidated revenues during this period increased by 35% year-on year to P2.9 billion.

Consolidated revenues of Phinma Education Holdings, Inc. (Phinma Education), the Corporation's education holding company, increased 10% to P731 million in the first three months of 2019, due to higher enrolment and improved student retention. The higher enrolment is attributed to the return of first year college students after the implementation of the K-12 program. Consolidated net income of Phinma Education was P99 million during the period.

Revenues attributable to steel products of subsidiary *Union Galvasteel Corporation* (UGC) also increased to P1.3 billion. UGC posted net income of P56 million for the period despite delays in the implementation of government projects, due to the delay in passing the 2019 national budget.

Philcement Corporation posted net income of P22 million for the three-month period ended March 31, 2019 as a result of strong sales efforts buoyed by higher selling price of cement. During the period, Philcement sold 4.5 million bags of cement.

Phinma Corporation equitized income from Phinma Property Holding Corporation (PPHC) amounting to P1.5 million during the first three months of 2019, reversing an equitized loss of P22.3 million. PPHC continued to benefit from improved margins due to higher selling prices and through control of costs.

Beginning January 1, 2019, Phinma Corporation has ceased equitization of results of operations of Phinma Energy Corporation (PHEN), in accordance with the agreement for the sale of shares in PHEN to AC Energy, Inc.

Consolidated expenses of Phinma Corporation increased to P2.6 billion mainly due to expanded volume of business. Income from operations increased 49% to P284 million during the period from P191 million in the previous year.

Consolidated net income attributable to equity holders of the parent amounted to P75 million, an increase from P39 million in the first three months of 2018. Phinma Corporation has a healthy balance sheet with cash and cash equivalents of P2.6 billion that are set aside for further expansion.

The results of operations of PHN subsidiaries for the three months ended March 31, 2019 are as follows:

Union Galvasteel Corporation

1. Marketing

For the three months ended March 31, 2019, the company sold 2.4 million sheets, an increase of 4.6% from 2.3million sheets sold over the same period in 2018.

2. Financials

During the period, net income of P 55.8 million was generated on revenues of P1.3 billion, which approximates income of the same period last year in the amount of P56.4 million.

Phinma Education Holdings, Inc. (Phinma Education)

For the three months ended March 31, 2019, Phinma Education registered consolidated revenues of P730.6 million, a 10% increase compared to P663.4 million for the same period last year. System-wide student enrolment increased to 69,663 for the School Year (SY) 2018-2019 school year compared to 61,959 students the previous year. Phinma Corporation's share in net income of Phinma Education was P60 million for the first quarter 2019.

Career Academy Asia Corporation (CAA)

For the three month period ended March 31, 2019 CAA posted a net loss of P0.11 million.

Integrative Competitive Intelligence Asia, Inc. (ICI-Asia)

ICI-Asia posted revenues of P12.8 million and net income of P1.2 Million for the three month period ended March 31, 2019, compared to P13.99 million in revenues and P 0.91 million in net income for the same period in 2018. Increase in net income is attributable to an 11.85% decrease in expenses.

Key Performance Indicators (KPI)

The top five (5) KPI's used to measure the financial performance of PHN and its subsidiaries as of the three (3) month period ended March, 2019 compared to the same period in the previous year are shown in the following table:

Financial KPI	Definition	March 2019	March 2018
Profitability			
Return on Equity (ROE)	Net income / Ave. total equity attributable to PHN equity holders	1.11%	0.56%
Gross Profit Margin	Gross profit / Net sales	25.80%	29.41%
Efficiency			
Cash Flow Margin	Cash flow from operating activities / Net sales	5.66%	16.78%
Liquidity			
Current Ratio	Current assets / Current liabilities	2.24 : 1.00	2.11 : 1.00
Debt-to Equity Ratio	Total liabilities / Total equity	1.41 : 1.00	1.16 : 1.00

Profitability

The return on equity for the period of 1.11% is higher than 0.56 return for the same period the previous year due to increase in net income. However, gross profit margin decreased from 29.41% in 2018 to 25.80% in 2019 mainly due to higher consolidated cost of sales of PEHI during the quarter.

Efficiency

Net cash inflow from operations in the amount of P144.7 million for the three months ended March 31, 2019 was lower compared to P354.9 million over the same period last year due to increase in UGC and PhilCement inventories.

Liquidity

Current ratio as of end March slightly increased from 2.11:1.00 in 2018 to 2.24:1.00 in 2019 due to increase in Inventories and Trade and other receivables.

Debt-equity ratio of PHN and its subsidiaries as of end March 2019 was 1.41 :1.

The accompanying interim condensed consolidated financial statements of Phinma Corporation for the three (3) months ended March 31, 2019 have been prepared in accordance with PAS 34, Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of December 31, 2018.

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit and loss 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. On any known trend, demand, commitment, event and uncertainty that will result in or likely to decrease its liquidity in any material way :

   PHN does not anticipate having any cash flow or liquidity problems nor does it anticipate any default or breach of any of its existing loans.

b. On any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

None

c. On material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other person created during the reporting period:

None

d. On material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures:

None

e. On any known trend, event or uncertainty that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations:

The operations of Phinma Corporation and its subsidiaries continue to be affected by the economic performance of the Philippines and in the countries in which they operate.

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 seasonal 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 increase in the account represents increase of the parent company's short-term investments from P324 million in Dec. 2018 to P470 million as of end March 2019.

Investments held for trading

The increase in the account represents transfer of fund from the short term placements.

Trade and other receivables - net

The decrease in the account is due to collection of tuition fees and other receivables of the six schools namely AU, COC, UPang, UI, SWU and St. Jude.

Inventories

The increase in the account in the amount of P593 million represents increase in UGC and Philcement finished goods inventory.

Input tax

The increase in the account is attributable to input tax of Philcement amounting to P20 million.

Derivative Asset

The derivative asset in the amount of P 1.8 million is largely due to deliverable forward contracts of PHN with an aggregate notional amount of US$8.7 million outstanding as of March 31, 2019.

Other current assets

The movement in the account of P60 million represents a decrease in various assets of the schools and Philcement amounting to P24 million and P36 million, respectively.

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 P132.8 million.

Deferred tax assets

The decrease in the account of P14 million represents decrease in deferred tax assets of UGC.

Other noncurrent assets

The increase in other noncurrent assets in the amount of P8 million represents increase in other noncurrent assets of UI and St. Jude.

LIABILITIES

Notes payable

The decrease in the account represents payment of short-term borrowings of Philcement in the amount of P100 million.

Trade and other payables

The increase in trade and other payables represents dividends payable of PHN declared in March 2019 and an increase in payables of the schools.

Trust receipts payable

The increase of P513 million in the account is attributable to an increase in UGC and Philcement trust receipts payable, amounting to P272 million and P241 million respectively.

Contract Liabilities

The decrease in the account is attributable to AU, COC, Upang, UI, and SWU. Tuition fees for the semester are accrued as receivable at the start of the semester and the corresponding liability is booked under Contract Liabilites. The latter decreases as the revenue is earned over the semester.

Derivative liability

Philcement has outstanding deliverable forward contracts with a notional amount of US$5 million as of March 31, 2019. Philcement recognized an unrealized loss on derivatives of P2.1 million as of March 31, 2019.

Due to related parties

The P3.4 million decrease in the account represents payment of accounts to the ultimate parent company.

Deferred tax liabilities

The decrease in the account represents decrease in deferred tax liabilities of COC and UPANG.

Pension and other post employment

The decrease in the account amounting to P20 million represents decrease in accrued retirement of UGC and the schools in the amount of P3 million and P 16 million respectively.

Deferred rent revenue

The decrease in the account represents decrease in deferred rent revenue of SWU.

Other noncurrent liabilities

The decrease in the account in the amount of P16 million represents a decrease in other noncurrent liabilities of PEHI parent and AU.

EQUITY

Other comprehensive income

The movement in the account represents an increase in the fair value of financial assets of the parent company as of March 31, 2019.

Material Changes in Income Statement Accounts

Revenues

The P737 million movement in the account is mainly due to an increase in revenues of Philcement, UGC and the schools amounting to P596 million, P65 million and P67 million respectively.

Cost of Sales

The P623 million increase in cost of sales represents increase in cost of sales of Philcement and the schools due to higher volume and enrolment.

Operating expenses

The P20 million increase in the account represents an increase in operating expenses of the parent company, UGC, and Philcement.

Financial charges

The increase in financial charges in the amount of P37 million represents the increase in the financial charges of UGC in the amount of P12 million due to increase in Trust Receipts Payable. Interest expense of Philcement and the schools likewise increased by P9 million and 13 million, respectively due to increase in debt to support expansion in operations.

Equity in net earnings of associates

During the period, PHN equitized a modest P1.5 million income from Phinma Property Holdings Corporation (PPHC), an improvement over the equitized loss of P 22 million during the same period last year.

Foreign exchange loss

Foreign exchange loss of March 31, 2019 arose from the restatement of dollar placements from an average rate of P52.58 in December 31, 2018 to P 52.50 as of March 31, 2019.

Gain on sale of asset

There was no disposal of property during the period.

Net loss on derivatives

PHN and UGC recognized a realized gain of P1.9 and 0.14 million respectively on non-deliverable foreign currency forward contracts . This was offset by a net loss of P1.6 million as of March 31, 2019 on Philcement deliverable forward contracts. The aggregate notional amount is US$ 13.7 million with an average contracted deliverable forward rate of P52.97 / USD.

Other income (charges)

The decrease in the account in the amount of P4 million represents decrease in other income of SWU in the amount of P12 million offset by the increase in other income of PHN, UGC and PEHI, amounting to P1.6 million, P2 million and P4.7 million respectively.

Provision for income tax

The decrease in provision for income tax from P55 million to P50 million is attributable to decrease in income of SWU.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHINMA CORPORATION

REGINA B. ALVAREZ	**NANETTE P. VILLALOBOS**
Senior Vice President - Finance	Vice President and Treasurer

May 15, 2019

PHINMA CORPORATION
Consolidated Aging of A/R-Trade
As of March 31, 2019
in thousands

Current	711,267
1 - 30 days	227,428
31 - 60 days	99,728
61 - 90 days	73,090
Over 90 days	803,673
TOTAL	**1,915,186**
Less : Allow. For Doubtful Accounts	659,729
Net Trade Receivable	**1,255,457**

PHINMA CORPORATION
Consolidated Aging of A/R- Non Trade
As of March 31, 2019
(in thousands)

Current	346,905
0 - 30 days	22,440
31 - 60 days	20,092
61 - 90 days	15,688
Over 90 days	277,486
TOTAL	**682,610**
Less : Allow. For Doubtful Accounts	165,404
Net Non-Trade Receivable	**517,207**