

# COVER SHEET

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S.E.C. Registration Number

P H I L C O M S A T   H O L D I N G S   C O R P .

(Company's Full Name)

1 2 T H   F L O O R ,   T E L E C O M   P L A Z A

3 1 6   S E N .   G I L   P U Y A T   A V E N U E

M A K A T I   C I T Y

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

**ERLINDA I. BILDNER**

Contact Person

**815-8406**

Company Telephone Number

1	2
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Month

3	1
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Day

Fiscal Year

**SEC FORM 17-A with  
Audited Financial Statements and  
Annual Corporate Governance Report  
(ACGR)**

FORM TYPE

**3<sup>rd</sup> Monday of  
November**

Annual Meeting

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

Amended Articles Number/Section

Total amount of Borrowings

**996,391,254**

Total No. of Stockholders

Domestic

Foreign

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To be accomplished by SEC Personnel concerned

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File Number

LCU

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Document I.D.

Cashier

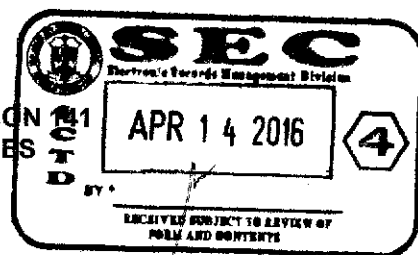
S T A M P S

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES



- 1. For the fiscal year ended *31 December 2015*
- 2. SEC Identification Number *11163*
- 3. BIR Tax Identification No. *000-473-206-000*
- 4. Exact name of issuer as specified in its charter *Philcomsat Holdings Corporation*
- 5. *Philippines*  
Province, Country or other jurisdiction of incorporation or organization
- 6.  (SEC Use Only)  
Industry Classification Code:
- 7. *12/F Telecoms Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City*      *1200*  
Address of principal office      Postal Code
- 8. *(632) 815-8406*  
Issuer's telephone number, including area code
- 9. ....  
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<i>Common</i>	<i>996,391,254</i>

- 11. Are any or all of these securities listed on a Stock Exchange.  
Yes [  ]    No [  ]

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

*The total authorized capital stock of the Corporation is 1,000,000,000 of which 60,000,000 common shares are listed at the Exchange. The remaining 940,000,000 common shares were registered with the SEC on August 31, 2000. On August 20, 2001, the PSE deemed the Corporation's application for listing abandoned and any re-application shall be treated as a new application after payment of a new processing fee. The Corporation intends to pursue the listing of the said 940,000,000 common shares.*

- 12. Check whether the issuer:

*The Corporation filed its Amended SEC Form 17-A on 16 April 2015 and its Quarterly Reports on SEC Form 17-Q on 18 May 2015 (amended), 13 August 2015 and 6 November 2015.*

- 13. State the aggregate market value of the voting stock held by non-affiliates of the Corporation.

*Per the last disclosure of previous Management, the aggregate market value of the voting stock held by non-affiliates of the Corporation as of 31 December 2005, is P193,719,464.19. On 2 May 2007, trading of the Corporation's shares was suspended. As a result of the losses,*

disbursements and expenses incurred by previous Management, and the cost of recovery of such losses, the present aggregate market value of the voting stock held by non-affiliates of the Corporation is P180,360,239.93.

## DOCUMENTS INCORPORATED BY REFERENCE

14. Documents incorporated by reference:

Annex "A"- Statement of Management's Responsibility for Financial Statements and Audited Financial Statements for the fiscal period ending 31 December 2015.

## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1. Business

#### (1) *Business Development*

##### (a) Form and Year of Organization of the Corporation

Philcomsat Holdings Corporation, formerly Liberty Mines, Inc., was incorporated on May 10, 1956. On January 10, 1997, the Corporation approved amendments of its Articles of Incorporation, changing its primary purpose from embarking in the discovery, exploitation, development and exploration of mineral oils, petroleum in its natural state, rock or carbon oils, natural oils and other volatile mineral substances to a holding company and changing its name and declassifying its shares. These changes were filed with the Securities and Exchange Commission (SEC) on April 14, 1997 and were approved by the SEC on July 23 and September 12, 1997 respectively. The authorized capital of the Corporation is One Billion Pesos (P1,000,000,000.00) divided into one billion (1,000,000,000) common shares with a par value of P1.00 per share. Of the total authorized capital stock, sixty million (60,000,000) shares are listed at the Philippine Stock Exchange (PSE). While the SEC approved the registration of the remaining 940,000,000 shares on August 31, 2000, the PSE considered the Corporation's application abandoned. A later attempt to revive the Corporation's application for listing at the PSE was deferred at the objection of then PCGG Chairman Camilo Sabio in his letter dated March 1, 2005 to the PSE. During the 2006 House Committee investigation into the anomalous losses of PHC, PCGG Chair Sabio promised to withdraw his objection to the listing of the said shares, but he failed to made good on his promise. PHC is not, and was never been a sequestered corporation; hence, the improper and intrusive interference by the Commission into PHC's operations during 2005 to 2007 remains unexplainable. Several requests were made to then PCGG Chairman Andres Bautista and to present PCGG Chairman Richard Amurao to withdraw the PCGG's objection to the listing of the shares but they have refused to do so.

##### (b) Bankruptcy, Receivership or Similar Proceeding

The Corporation is not involved in any bankruptcy, receivership or similar proceeding.

##### (c) Material Reclassification, Merger, Consolidation, Purchase/ Sale of Assets not in the Ordinary Course of Business

The Corporation is not involved in any material reclassification, merger, consolidation, purchase or sale of assets not in the ordinary course of business.

#### (2) *Business of the Corporation*

##### (a) Description

##### (i) Products/Services/Facilities

The Corporation holds investments in money market placements. It also owns real estate properties, specifically, the 2/F Pacific Star Building, Sen. Gil Puyat Avenue, Makati City. It has no product or service that contributes ten percent (10%) or more to sales or revenue.

The Corporation is a subsidiary of the Philippine Communications Satellite Corporation ("Philcomsat") which owns approximately seventy-nine percent (79%) of the outstanding capital stock of the Corporation.

(ii) Foreign Sales

The Corporation does not have any foreign sales or revenues.

(iii) Distribution of Products and Services

The Corporation does not distribute any facility, product and service.

(iv) Status of Publicly Announced New Product

The Corporation does not have a publicly announced new product.

(v) Competition

The Corporation does not have direct competitors for its money market operations.

(v) Raw Materials and Supplies

The Corporation's facilities, services and products do not require the use of raw materials and supplies.

(vii) Major Customers

This disclosure is not applicable to the Corporation's business.

(viii) Related Parties

The Corporation entered into a Memorandum of Agreement on 26 November 1999 allegedly with Philcomsat whereby the Corporation agreed to finance the purchase of vehicles for the officers and managers of Philcomsat to the extent of P20,000,000.00 with interest at the rate of 3% over and above the average lending rate of commercial banks. The Corporation (as Lessor) and Philcomsat (as alleged Lessee) entered into a lease agreement for each vehicle. The term of each lease was three years, reckoned from the date of purchase of the vehicle or upon early repayment in full by and at the option of the latter, whichever comes first. The members of the Brodett-Araneta-Poblador-Lokin-Lochin Group represented both the Corporation and Philcomsat on this Agreement, which has since been abrogated by the present Board of Directors. There is no record of any payment made by Philcomsat (Brodett-Araneta-Poblador-Lokin-Lochin) to the Corporation, nor is there record of full payment on the majority of the cars purchased under the Agreement by the members of the Brodett-Araneta-Poblador-Lokin-Lochin Group who availed of the privilege.

In 2014, with the approval of the Board of Directors and the stockholders, the Corporation set up a 100%-owned subsidiary, Philcomsat Management Enterprises, Inc. with an authorized capital stock of P50 million. By year-end 2015, PMEI owns 100% of Professional Stock Transfer, Inc.

(ix) Patents, Trademarks, Licenses, etc.

The Corporation does not own any patent, trademark, license or franchise.

(x) Government Approval

The Corporation obtains all requisite national and local government licenses, permits and fees for its operations.

(xi) Effect of Governmental Regulations

The Corporation does not expect to be affected by any existing or probable governmental regulations aside from those issued by the PSE and the SEC.

(xii) Research and Development Activities

The Corporation has no expenditures for research and development for the last three (3) fiscal years.

(xiii) Environmental Laws

This disclosure is not applicable to the Corporation's business and concerns.

(xiv) Number of Employees

As of 31 December 2015, the present Board of Directors has not engaged any regular employee. The Corporation's businesses and concerns were managed and handled by the executives, staff members and consultants of Philcomsat, the 79% owner of the Corporation.

The Corporation has no collective bargaining agreement and there had been no strikes or threats of strike within the past three (3) years.

The Corporation may consider employing full-time staff within the next twelve (12) months should the need arise. Management does not foresee granting any supplemental benefit or incentive arrangement with future employees.

(xv) Major risks

Being involved in money market operations, the major risks of the Corporation are the fluctuation of money market fund rates and inflation. Management carefully evaluates its placements to ensure that the Corporation's investments are typically safe and liquid and provide decent returns.

## **Item 2. Properties**

The Corporation owns one (1) unit located at the 2/F Pacific Star Building, Sen. Gil Puyat Avenue, Makati City with an area of 1,830.80 sqm. and covered by CCT No. 40895. This property is free from all liens and encumbrances. There are no limitations on ownership and usage of this property. The Corporation has no plans at the present time to acquire new properties.

The Corporation currently leases its office space at its current business address at the 12/F Telecoms Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City with a floor area of 160 sq. m. at P82,481.33 per month.

## **Item 3. Legal Proceedings**

The Corporation is a party to the following legal actions and proceedings which are not expected to have a material effect on its financial position.

### **1. As Plaintiff/Complainant/Petitioner**

#### **a. PHC vs. Araneta & Lokin (Civil Case No. 10-525), RTC Makati, Br. 56**

On 26 May 2010, PHC filed a collection suit against respondents Lokin and Araneta for the sum of P35.3 Million. This amount was the deposit of PHC with Bankwise,

which was utilized by Araneta as a guarantee and eventually the payment of his personal loan from said bank. The use of this deposit by Araneta was made possible through the help of Lokin who issued a Secretary's Certificate evidencing the spurious authority. Lokin and Araneta assailed the jurisdiction of the trial court claiming that it should be Sandiganbayan which has jurisdiction. They elevated, via Petitions for Certiorari, the issue on jurisdiction with the Court of Appeals. Their separate petitions therein were docketed as CA G. R. SP Nos. 120311 and 120354 and later consolidated. On 4 February 2014, the Company received copy of the Decision promulgated on 27 January 2014 by the Court of Appeals in the consolidated cases. The Decision DENIED both Araneta and Lokin's Petitions for Certiorari. Lokin filed a Motion for Reconsideration of the Decision. The Company filed a Comment/Opposition (to Motion for Reconsideration dated 19 February 2014 filed by Luis Lokin) dated 3 April 2014.

In the Resolution dated 16 September 2014, the Court of Appeals denied Lokin's Motion for Reconsideration.

On 6 January 2015, a Petition was filed by Benito R. Araneta assailing the Orders dated 26 August 2014 and 17 October 2014 issued by Judge Soriano in Civil Case No. 10-525. The said Orders declared as waived Araneta's right to present his witnesses whose compliant judicial affidavits have not been filed. On 24 November 2015 and 21 December 2015, PHC and Araneta filed their respective Memoranda.

On 26 October 2015, PHC filed a Petition for Certiorari with the Court of Appeals, docketed as CA G. R. No. 142748, assailing the RTC Makati, Branch 148 Joint Order dated 29 May 2015 and Order dated 13 August 2015 disallowing the testimony and the subpoena of our witness Mr. Merlin V. Lamson of Bangko Sentral ng Pilipinas.

In the meantime, the case has been re-raffled to RTC Makati, Branch 62, where the trial is currently on-going.

**b. PHC vs. Emerald Registry & Transfers Corporation, et al., (Civil Case No. 10-529) RTC Makati, Br. 149**

PHC filed a complaint against defendants seeking for the return of all corporate books and records in its possession including the list of all stockholders of PHC. The same is undergoing trial.

**c. PHC vs. Poblador (I.S. No. 08-B-1665), Office of the City Prosecutor of Makati**

*This is a complaint for estafa filed by PHC (represented by Jose Ma. Ozamiz) against Concepcion A. Poblador on 12 February 2008 to compel her to account for the P16.7 million advances she received. On 9 February 2009, the case was dismissed by the City Prosecutor. On 5 March 2009, PHC filed a Petition for Review with the Department of Justice. The DOJ issued a Resolution finding probable cause against Poblador but only for P247,093.00. PHC filed a partial motion for reconsideration and Poblador filed her own motion for reconsideration. On 30 October 2013, our Motion for Reconsideration were denied with finality. Based on records, it appears that an Information for P247,093.00 was filed with the Regional Trial Court of Makati, Branch 59, docketed as Criminal Case No. 13-310. The case was archived on 31 March 2014.*

On January 7, 2014, PHC filed a Petition for Certiorari praying that the DOJ file a new Information(s) against Ms. Poblador for Estafa for the total amount of PhP16,747,093. This case is docketed as CA G. R. SP No. 133378. On January 6, 2014, Ms. Poblador also filed a Petition for Certiorari docketed as CA G. R. SP No. 133362 praying that the Information filed against her be dismissed. Both cases are currently pending in the Court of Appeals and were consolidated on August 29, 2014. On November 25, 2014 and December 22, 2014, PHC and Concepcion Poblador filed their Memoranda, respectively. On 2 March 2015, a Resolution was issued that, with the filing of the necessary pleadings, the instant petitions are now considered submitted for decision.

**d. People vs. Brodett, Ortega, Campa, Quintos, (Criminal Case No. 09-409), RTC Makati**

This is a complaint for estafa filed by PHC (represented by Jose Ma. Ozamiz) on 8 May 2008 against Philip G. Brodett etc. for the misappropriation of P66.8 million in

company funds. The Makati City Prosecutor recommended the filing of a criminal information against Philip G. Brodett, Leonardo Val Ortega, Vicente Campa and Javier Quintos. On 24 April 2009, an Information was filed against Brodett, Ortega, Campa and Quintos with the RTC- Makati and warrants of arrest to be issued against the defendants. On 22 October 2009, the accused were arraigned. On 11 March 2015, the Court issued an Order resolving the Motion to Dismiss by Demurrer to Evidence filed by the accused, to dismiss the charges. The Motion was denied as to Brodett, granted as to Campa, and partially granted as to Quintos. On 10 June 2015, a Joint was issued denying the parties' motions for reconsideration.

On 17 August 2015, PHC filed a Petition for Certiorari with the Court of Appeals assailing the 11 March 2015 and 10 June 2015 Orders, docketed as CA G. R. No. 141950. On 26 October 2015, the Court issued a Resolution dismissing the petition. On 23 November 2015, the Office of the Solicitor General filed its Motion for Reconsideration.

The case has been re-raffled to RTC Makati, Branch 59 and is at the trial stage.

**e. PHC vs. Locsin, Brodett, Araneta, Lokin, Andal, Jalandoni and de Leon (I.S. No. 08-E-4465), Office of the City Prosecutor of Makati**

This is a complaint for estafa filed by PHC (represented by Erlinda I. Bildner) on 23 May 2008 against Enrique L. Locsin etc. for the P122.2 million misappropriated by the Enrique L. Locsin, Philip G. Brodett, Benito V. Araneta, Luis K. Lokin, Jr., Manuel D. Andal, Julio J. Jalandoni and Guy S. de Leon by making it appear that PHC made advances to its affiliates Philcomsat and POTC when such amount was not received either by Philcomsat or POTC. The case was dismissed by the DOJ. PHC filed a petition for certiorari assailing the resolution with the CA, which petition is docketed as CA GR No. 127282, and is now deemed submitted for resolution.

**f. PHC vs. Araneta (I.S. No. 08-E-4466), Office of the City Prosecutor of Makati**

This is a complaint for estafa filed by PHC (represented by Erlinda I. Bildner) on 23 May 2008 against Benito V. Araneta for misappropriating a total of P82.6 million. The complaint alleges that Mr. Araneta received the said amount supposedly for money market placements on behalf of PHC. After formal demand, Mr. Araneta failed to show proof that the same was placed nor was he able to account for the same. The City Prosecutor dismissed the Complaint on the ground that the intra-corporate issues are still pending in the courts. On 4 March 2009, PHC filed a Petition for Review with the Department of Justice. The case remains pending.

**g. PHC vs. Ansear Realty and Development Inc. et al. (Civil Case No. 10-744), RTC Makati, Br. 62**

This is a case for collection of a sum of money against Ansear and Antonio Araneta and prays that the defendants pay the Corporation approximately P600 million as payment of their loan with interest and penalties. The court issued a writ of preliminary attachment against the properties of the defendants as security for the Corporation's claim. On 23 November 2015, a Decision was issued rendering judgment in favor of PHC ordering defendants Ansear and Antonio Araneta to pay a) Philcomsat jointly and severally the sum of P125,000,000.00, representing the principal amount of the loan, plus the stipulated interest of 9% per annum compounded monthly computed from August 2000, plus penalty interest of 12% per annum compounded monthly computed from August 2001 accruing until the total amount of the obligation is fully paid; b) attorney's fees in the amount of P2,000,000.00; and c) costs of litigation. On 2 December 2015, the defendants filed their Notice of Appeal.

**2. As Defendant/Respondent**

**a. Philcomsat vs. Andal, Jalandoni, Lokin, Nieto, Brodett, Laperal, SanJose, Locsin, Somera, Araneta and Abad (Civil Case No. 06-095), RTC Makati Br. 61**

This is a case filed by Philcomsat against the Manuel D. Andal, etc. in their capacities as then directors and officers of PHC for the inspection of books and records of PHC. The RTC dismissed the case for lack of jurisdiction. The case has been elevated to

the Court of Appeals. The Court of Appeals has since remanded the case to the RTC for trial. The respondents however assailed the CA's ruling to the Supreme Court, as a result of which, trial at the RTC is held in abeyance.

**b. Victor V. Africa vs. de los Reyes and PHC (Civil Case No. 11-1260), RTC Makati Br. 49**

This is an intra-corporate controversy case filed by certain Victor Africa against PHC and its Corporate Secretary for mandamus. He prays that the court issue a writ of mandamus to compel the Corporate Secretary to allow him to inspect and copy corporate documents and to award him damages in the amount of P250,000.00. Mr. Africa sent a request for written interrogatories to the Corporate Secretary who in turn filed a motion to quash the same. The RTC allowed the request and such ruling was subject of a Petition for Certiorari with the Court of Appeals, docketed as CA G. R. No. 127847. The Petition is pending resolution. The RTC also granted Africa's request for inspection, which was assailed by PHC in the Court of Appeals, through a Petition for Certiorari, docketed as CA G. R. No. 133083. On 14 January 2015, a Decision was issued denying the Petition. PHC elevated the case in the Supreme Court, through a Petition for Certiorari, docketed as G. R. No. 218410, which was denied in a Resolution dated 2 September 2015. On 3 November 2015, PHC filed its Motion for Reconsideration. On 7 December 2015, PHC filed its Memorandum. The case before the RTC is pending Decision. Mr. Africa owns 5,500 shares with a total par value of P5,500.00.

**c. Victor V. Africa vs. de los Reyes, John/Jane Does and PHC (Civil Case No. 13-900), RTC Makati Br. 66**

This is an intra-corporate controversy case filed by certain Victor Africa against PHC, its Corporate Secretary and unidentified persons for inspection of corporate records. Mr. Africa prays that an order be issued compelling defendants to turn over corporate records specified in the complaint for inspection and copying, and that the Court award him damages of P200,000.00 and attorney's fees of P50,000.00 plus P5,000.00 per appearance. The Corporation and its secretary filed their Answer to the complaint. The Corporation is currently awaiting orders for the case to be set for mediation and/or pre-trial. As above stated, Mr. Africa owns 5,500 shares with a total par value of P5,500.00. On 7 December 2015, the parties filed their respective Memoranda. The case is pending Decision.

**d. Victor V. Africa vs. V. de los Reyes, John/Jane Does and PHC (Civil Case No. 14-481), RTC Makati Br. 137**

This is an intra-corporate controversy case filed by Victor Africa on 6 May 2014 against PHC, its Corporate Secretary, and unidentified persons for inspection of corporate orders, minutes or records. Mr. Africa prays that a writ of mandatory injunction ordering the defendants to turn over for inspection and copying the minutes of the Board Resolution authorizing the setting up of subsidiary corporations of PHC, the minutes of the Board meeting and the Board resolution pertaining to the filling up of the two vacancies in the Board of Directors previously held by holdover Directors and all other records and documents, and that the court award him exemplary damages of Php200,000.00, moral damages of P200,000.00 and attorney's fees of Php50,000.00 plus Php5,000.00 per appearance. As above stated, Mr. Africa owns 5,500 shares with a total par value of P5,500.00. The case is pending trial.

**3. Others**

**a. In Re : Contempt Proceedings vs. Johnny Tan, Manuel Nieto, Philip Brodett, Enrique Locsin, Luis Lokin and Sikini Labastilla (SB-07-SCA-005), Sandiganbayan**

This is a case initiated motu proprio by the Sandiganbayan on 26 June 2007 against Johnny Tan, Manuel Nieto, Philip Brodett, Enrique Locsin, Luis Lokin and Sikini Labastilla following the recommendation of the Senate in the Report of the Committee of Government Corporations and Public Enterprises. The Senate found that a PHC checkbook entry contained the notation that P2 million was disbursed alleged for a TRO

obtained from the Sandiganbayan. PHC (represented by ErlindaBildner) sought to intervene in order to formally present evidence. While its Motion for Intervention was denied, Ms. Bildner was summoned as a resource person. Luis K. Lokin, Jr. and Sikini C. Labastilla were found guilty of indirect contempt and sentenced to suffer 6 months imprisonment and to each pay a fine of P30,000.00. On 27 May 2009, Lokin filed a Motion for Reconsideration. The said motion has not been resolved. Labastilla filed a Petition for Review with the Supreme Court to question the decision but the same was denied. Labastilla's Motions for Reconsideration were likewise denied. Labastilla filed with the Sandiganbayan a Motion to Hold in Abeyance, which is also pending to date.

The Corporation is currently studying other possible civil, criminal and administrative cases against PCGG, its nominees and the members of the Brodett-Araneta-Poblador-Lokin-Locsin Group, their cohorts, agents and accomplices.

#### **Item 4. Submission of Matters to a Vote of Security Holders**

There has been no matter that was submitted to a vote of security holders in the past year.

#### **Item 5. Market for Issuer's Common Equity and Related Stockholder Matters**

##### **(1) Market Information**

The Corporation's shares of stock are listed on the Philippine Stock Exchange, though not currently traded due to the suspension imposed by the Exchange. The authorized capital stock of the Corporation is one billion (1,000,000,000) shares, with a par value of P1.00 per share, of which sixty million (60,000,000) is listed in the Exchange. The SEC approved the registration of the remaining 940,000,000 shares on August 31, 2000 but the PSE deferred action on the Corporation's application upon the objection of then PCGG Chairman Camilo Sabio.

The principal market for the Corporation's common equity is the Philippine Stock Exchange. Trading of the corporation's shares has been suspended since May 2007, thus there have been no high and low sales prices within the last two (2) fiscal years and any subsequent period for which Financial Statements are required by SRC Rule 68.

##### **(2) Holders**

The following are the top 20 stockholders of the Corporation:

<b>Name</b>	<b>No. of Shares</b>	<b>Percentage</b>
Philippine Communications Satellite Corp.	796,590,390	79.94%
Prudencio Somera Jr.	100,000,100	10.04%
Oliverio Laperal	49,556,500	4.97%
PCD Nominee Corporation	15,095,534	1.52%
RCBC T/As	7,871,213	0.79%
E.R. Yap	4,000,000	0.40%
Marino Olondriz y Cia	2,985,600	0.30%
Jose Ma. Ozamiz	2,700,000	0.27%
Philippine Oil Development Corporation	1,500,000	0.15%
Imperial Resources, Inc.	800,000	0.08%
Oliverio Laperal Jr.	786,743	0.08%
Benjamin Co Ca & Co., Inc.	504,300	0.05%
Regina Concepcion	481,000	0.05%
Rosa Maria Laperal	448,000	0.04%
Alexandra Laperal	440,000	0.04%
Ansaldo Godinez & Co., Inc.	368,250	0.04%
Nenita Dacillo	320,000	0.03%
Bridgestone Securities Corporation	307,425	0.03%
Platinum Securities, Inc.	250,000	0.03%
Alfonso Olondriz	205,000	0.02%

**(3) Dividends**

The Corporation has not declared any dividends on any class of its common equity in the two most recent fiscal years and any subsequent interim period for which financial statements are to be presented in accordance with SRC Rule 68. There are no restrictions that limit the payment of dividends on common shares at present, or in the future.

**(4) Recent sales of Unregistered Securities or Exempt Securities; Recent Issuance of Securities Constituting an Exempt Transaction**

There has been no issuance of new securities, securities issued in exchange for property, services or other securities, and new securities resulting from the modification of outstanding securities.

**Item 6. Management's Discussion and Analysis or Plan of Operation.**

**(1) Management's Discussions and Analysis**

From August 31, 2004, and throughout 2005, 2006 and 2007, PHC was under the control of the nominees of the Presidential Commission on Good Government (PCGG), namely Enrique L. Locsin, Manuel A. Andal, Julio Jalandoni, Guy de Leon and ex-nominee Benito Araneta each of whom received "I desire" letters from the President to represent PCGG on the boards of POTC and/or Philcomsat, the 81% owner of PHC. The PCGG Nominees, together with Philip Brodett, Atty. Luis Lokin, Amb. Manuel H. Nieto, Jr. and Concepcion Poblador, spent recklessly, invested in and made advances to failed ventures, mismanaged and dissipated the Company's funds totaling over a half billion pesos -- in just three and a half years. The independent external auditors have uncovered huge losses and recommended write-offs for PHC totaling over P570 million.

In 2007, after eleven Senate Investigation hearings pursuant to SR No. 455 filed by Sen. Miriam Defensor Santiago, into the "anomalous losses" "due to alleged improprieties by PHC", the Senate Committee on Public Corporations and Government Enterprises found "overwhelming mismanagement by the PCGG and its nominees over POTC, Philcomsat and PHC resulting in deterioration of the financial condition of these corporations. Most notable of which are the soaring operating expenses of PHC, the generous compensation packages for government nominees, the PHC advances to its affiliates beyond the reach of PCGG comptrollers, and the existence of suspicious bank accounts." Citing "the lack of transparency and accountability", the Committee expressed "an urgent need to put an end to [this] fraud, abuse and wastage."

In his 2008 Privilege Speech "Ali Baba and the Forty Thieves", Sen. Juan Ponce Enrile exposed the PCGG, the PCGG Nominees and, their cohorts, lawyers, "PR" agents, and the alleged cash payments to the judiciary and other branches of government as responsible for the P481.2 million looting and plunder of the Company.

The Company's astounding losses as a result of the fraud and overwhelming mismanagement from 2004 through 2007 are all the more egregious given that the August 31, 2004 election to the PHC Board of Directors of the members of the Brodett-Araneta-Poblador-Lokin-Locsin Group had been invalidated by the following:

- Makati RTC Branch 138 Decision dated October 14, 2006 which invalidated the proxy of Enrique Locsin for the election of the members of the Brodett-Araneta-Poblador-Lokin-Locsin Group to the PHC Board of Directors on August 31, 2004
- Writ of Execution dated April 20, 2007, which ordered the implementation of the Makati RTC Decision, including directing the Brodett-Araneta-Poblador-Lokin-Locsin Group to "render an accounting of funds of PHC since 2004 up to the present."
- Consolidated Decision of the Court of Appeals, dated September 30, 2008, which affirmed the RTC Decision that invalidated the proxy issued in favor of Enrique Locsin and/or Manuel H. Nieto for purposes of the Annual Stockholders' Meeting (ASM) in

August 31, 2004, and declared the proxy issued in favor of the incumbent Board of Directors of PHC for the said purpose, valid.

Under the management of Brodett-Araneta-Poblador-Lokin-Loocsin Group, the Company's more than P600M in losses and write-offs caused the erosion of Shareholders' Equity from P1,458 million as of December 31, 2004 to P855.5 million as of December 31, 2009 -- a 41% plunge. PHC's Book Value per share plummeted from P1.46 to P0.85, below the par value per share of P1.00.

Upon the present management's taking control of PHC from the illegitimate Brodett-Araneta-Poblador-Lokin-Loocsin Group, SGV & Co., were commissioned to identify and inventory the accounting records and documents of the Company under the former Management from 2005 to 2007. Thereafter, an independent audit was conducted beginning with the year 2005. PHC has just released its Audited Financial Statements (AFS) for fiscal years ending 2006, 2007, 2008 AND 2009. As a result of the significant disclosures and substantial write-offs, PHC's independent external auditor, Mendoza Querido & Co., has issued a clean, unqualified opinion on the Company's AFS.

Pursuant to the Senate Committee recommendations stemming from the "overwhelming mismanagement" of, "improprieties" by, and anomalous losses attributed to PHC's former "Directors and Officers", the Sandiganbayan, in its *moto proprio* investigation, has cited ex-PHC counsel and former director, Luis K. Lokin and ex-PHC counsel Sikini Labastilla in contempt and imposed upon each a sentence of six months and a fine of P30,000.00. In its ongoing investigation, the Supreme Court has found Atty. Luis Lokin to be "blatantly lying and obviously hiding the truth". The RTC Makati Branch 148 is conducting a trial on estafa charges involving Philip G. Brodett and certain officers of the now defunct Bankwise, where the former PHC management entrusted the substantial portion of its deposits.

In May 2007, PHC shares were suspended from trading due to the failure of its former Board of Directors and Management to file Audited Financial Statements with the SEC and PSE. The incumbent Board of Directors is exerting its best efforts to submit the reportorial requirements that the former Board failed to submit in order for the PSE to lift the restriction on the trading of the Corporation's stock.

The Corporation's incumbent directors and officers will continue to seek justice for its stockholders by filing cases to recover the company funds from the Brodett-Araneta-Poblador-Lokin-Loocsin Group.

## Results of Operations

### Operations and Financial Condition for the last three (3) Fiscal Years of Registrant

**Revenues:** In the fiscal year ended December 31, 2015, the Corporation generated Revenues of P28.5 million compared to P41.2 million in the year ended December 31, 2014 and P33.8 million in 2013. Interest income from money market placements and deposits for the year 2015 was P17 million compared to P15.4 million in 2014 and P16.5 million in 2013. Interest income from money market placements and deposits has traditionally represent the bulk of the Company's revenues.

There was no rental income in 2015 as a result of the termination by the lessee of the lease over the Corporation's Pacific Star office space in 2014. Rental income for 2014 was P10.9 million in 2014 and P12.8 million in 2013. As a result, the Corporation suffered a total comprehensive loss of P2.2 million compared to a total comprehensive income of P19.9 million in 2014 and P66.7 million in 2013.

**Expenses:** Cost of service remained the same from 2013 to 2015 at P4.3 million.

General and Administrative Costs on the other hand, decreased to P23.9 million in 2015 from P31 million in 2014 and P40 million in.

**Operating and Net Income/Loss:** As previously stated, the company's operations consist mainly of interest income on its money market placements and bank deposits, gains from securities trading, as well as rental income from its office condominium unit in the Pacific Star Building. In 2015, the Corporation recorded other comprehensive loss of P3 million compared to income of P14.7 million in 2014 and a loss P6.2 million in 2013.

**Income Statement  
(P Million)**

	2013	2014	2015
Revenue	33.8	41.2	28.5
Cost of Service	4.3	4.3	4.3
Gross Profit	29.5	36.9	24.2
General & Administrative	(40.5)	(31.2)	(23.9)
Other Income (Expenses)	84.2	0.0	1.1
Provision for Tax	0.212	0.365	0.273
Net Income (Loss)	73.0	5.2	0.89
Unrealized Gain on Changes in Fair Values of AFS Financial Assets	(6.2)	14.7	(3.0)
<b>NET INCOME/(LOSS)</b>	<b>66.7</b>	<b>19.9</b>	<b>(2.2)</b>

**Financial Position**

The company's comparative balance sheet is summarized below:

**Balance Sheet  
(P Million)**

	2013	2014	2015
Current Assets	412.5	373.9	415.7
Available-for-sale financial assets	303.4	343.6	298.0
Held to Maturity Investments	-	-	-
Property & Equipment	.02	.07	.04
Investment Properties	120.9	116.6	112.3
Investment in and Advances to PMEI	-	50	50
Receivables	51.2	34.0	39.0
Other Assets	89.9	12.0	5.5
<b>Total Assets</b>	<b>931.7</b>	<b>930.2</b>	<b>921.5</b>
Liabilities	12.4	2.3	3.0
Deposit for Future Subscription	18.9	18.9	18.9
Unrealized gain on changes in fair values of AFS financial assets	9.7	13.0	2.7
<b>Stockholders' Equity</b>	<b>900.4</b>	<b>908.9</b>	<b>899.5</b>

**Balance Sheet Accounts**

**Current Assets:** Current assets of the Corporation as of December 31, 2015 totalled P415.7 million compared to P373.9 million in 2014 and P412.5 million in 2013. The Corporation has sufficient cash resources to meet any expected requirement during the next twelve (12) months. Cash and cash equivalents totalled P243.6 million at year-end 2015 compared to P189.3 million at year-end 2014 and P313.4 million as of year-end 2013. AFS financial assets totalled P298.0 million in 2015, a decrease from P343.6 million in 2014 and P303.4 million in 2013.

**Liabilities** :The Corporation is substantially debt-free and has no material commitments for capital expenditures. Accounts payable is P3 million in 2015, compared to P2.3 million in 2014 and P12.4 million in 2013.

**Deposit for Future Subscription** : This represents the excess amount of the market value of the two properties which Philcomsat contributed in exchange for the number of the Corporation's shares received; as such, this amount is for the account of Philcomsat's future subscription to Corporation's common shares.

**Stockholders' Equity** : This is the residual balance sheet amount after subtracting Liabilities from Assets. Stockholders' Equity suffered a slight decrease from P900.4 million in 2013 and P908.9 million in 2014 to P899.5 million in 2015 as a result of a smaller net unrealized gain on AFS financial assets. The Corporation however was able to reduce its stockholder's deficit from P105.7 million in 2013 to P100.4 million in 2014 to only P99.6 million in 2015.

Key Performance Indicators ("KPI")

The Company's KPI for the years ended December 31, 2013, 2014 and 2015 follow:

Performance Indicator	Formula	CY 2013	CY 2014	CY 2015
<i>Liquidity</i>				
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	33.25:1	158.22:1	135.31:1
<i>Leverage</i>				
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Stockholders' Equity}}$	.03:1	.02:1	.02:1
<i>Profitability</i>				
Gross Profit Margin	$\frac{\text{Gross Profit}}{\text{Revenue}}$	-32.4%	13.64%	1.09%
Net Income Margin	$\frac{\text{Net Income from Operations}}{\text{Gross Profit}}$	2.16%	13.64%	1.09%

**Liquidity**

The Company's current ratio is 45.8:1 compared to 33.25:1 in 2013 and 158.22:1 in 2014. The Company's liquidity position remains strong.

**Leverage**

Leverage remained at 0.02:1 in 2015 compared to 0.02:1 in 2014 and 0.03:1 in 2013. The Company's leverage position is negligible.

**Notes to Financial Statements**

*Accounting Policies and Principles*

The financial statements of PHC for the years 2015, 2014 and 2013 are presented in accordance with generally accepted accounting principles applied on a consistent basis.

*Seasonality Aspects of the Business*

The operations of PHC are not affected by seasonality or cyclicity.

*Material changes in Balance Sheet Accounts 5% or more*

- Reason for Losses from Operations – Despite the fact that the office space of the Corporation was untenanted and that general and administrative expenses decreased in 2015, the Corporation still posted an income of P0.8 million, which unfortunately would result in a net loss due to the unrealized losses from changes in fair values of AFS financial assets.

2) Past and Future Financial condition and Results of Operations – Not applicable

3) Material Changes

(a) Any Known Trends, Events or Uncertainties (Material Impact on Liquidity)

None.

(b) Event that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation

None.

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

None.

(d) Material Commitments for capital expenditures and expected sources of funds for such expenditures.

None.

(e) Any Known Trends, events or Uncertainties (Material Impact on Sales)

None.

(f) Any Significant Elements of Income or Loss (from continuing operations)

None.

(g) Causes for Any Material Changes from Period to Period of FS which shall include vertical and horizontal analyses of any material item (5%)

As a percentage of total assets, current assets increased to 45% in 2015 compared to 40% in 2014.

1. Available for Sale financial assets decreased by 13% as some investments in government securities and corporate bonds matured and some mutual funds were redeemed; proceeds were placed in Cash and Cash Equivalents which increased by 29%.
2. Short-term investments decreased by 64% as funds were shifted to receivables with improved yields; Receivables (current) doubled from 2014 to 2015.
3. Other Current Assets increased by 19% because of increased prepaid expenses.
4. Non- Current Assets increased by 15% because of an additional investment in a long term promissory note.
5. Other Non-Current Assets decreased by 54% as previously frozen funds at the Rizal Commercial Banking Corp. were released and reclassified as Cash in bank.
6. Deferred Tax Assets increased by 100% as the company recognized MCIT in 2015.

(h) Seasonal Aspects that have a Material Effect on the FS

None.

## INFORMATION ON INDEPENDENT ACCOUNTANT

### (1) External Audit Fees and Services

#### (a) Audit-related Fees

1. The audit of the Corporation's annual financial statements or services that are normally provided with statutory and regulatory filings or engagements for those fiscal years:

The Corporation engaged the services of the independent auditors Mendoza Querido & Co. to audit its financial statements which comprise the statement of financial position, statement of comprehensive income, changes in equity and cash flows and notes comprising a summary of significant accounting policies and other explanatory information and to render an opinion on the said statements for the year ended December 2014 for which the aggregate amount billed in Philippine Pesos was P510,000.00.

Inasmuch as Mendoza Querido & Co. had already acted as the Corporation's independent auditor for five (5) consecutive years, pursuant to SEC regulations, the Corporation was constrained to appoint a new independent auditor, Reyes Tacandong & Co. to audit its financial statements which comprise the statement of financial position, statement of comprehensive income, changes in equity and cash flows and notes comprising a summary of significant accounting policies and other explanatory information and to render an opinion on the said statements for the year ended December 2015 for which the aggregate amount billed in Philippine Pesos was P800,000.00

2. Other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements. The registrant shall describe the nature of the services comprising the fees disclosed under this category.

For the year 2015, none.

For the year 2014, none.

#### (b) Tax Fees

The Corporation did not engage the services of the external auditors on the services described above for the two (2) years 2015 and 2014.

#### (c) All Other Fees

The Corporation did not need any products or services described above, hence there were no fees paid to the external auditor/s other than those reported under (a) and (b) above for the two (2) years 2015 and 2014.

### Item 7. Financial Statements

The report of independent accountants and the audited financial statements of the Corporation for the fiscal year ending 31 December 2015 are attached hereto as Annex "B".

### Item 8. Information on Independent Accountant and Other Related Matters

The Audit Committee's specific responsibilities include the approval of all the terms of engagement of the independent auditors, including the audit services within the scope of the engagements, and the fees to be paid to the independent auditors and review the appointment and fee arrangements with any other external auditors employed for other specific audit purposes.

### Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There have been no changes in or disagreements with the corporation's external auditors on accounting and financial disclosure in the last two (2) fiscal years.

### PART III - CONTROL AND COMPENSATION INFORMATION

#### Item 9. Directors and Executive Officers of the Issuer

Name and Age	Position	Period Served	Professional and Business Experience
Katrina C. Ponce-Enrile, 56	Chairman/ EVP	December 2014 to present	President and CEO- Philippine Overseas Telecommunications Corporation President and CEO- Montemar Resort and Development Corporation, President and CEO-Montemar Beach Club, Inc., Director and CFO-Philippine Communications Satellite Corporation, President and CEO- JAKA Group of Companies
Ramon P. Jacinto, 71	Director/ President	December 2014 to present	Chairman and CEO - RJ Group of Companies, Rajah Broadcasting Work, RJ Music City, RJ Holdings, Inc., and RJ Venture Realty, Inc.
Erlinda I. Bildner, 70	Director/ Treasurer/ CFO	December 2014 to present	President and CEO-Philippine Communications Satellite Corporation, Vice-Chair and Director- Philippine Overseas Telecommunications Corporation, Director and CFO- Montemar Resort and Development Corporation, Director-Montemar Beach Club, Inc., Director and Chair, Finance Committee – Baguio Country Club
Daniel C. Gutierrez, 61	Director	December 2014 to present	Partner-Soo Gutierrez Leogardo & Lee Law Offices; Law Professor and Bar Reviewer-Arellano University, Director- IBP.
Robert Jude B. Jaworski, Jr., 45	Director	December 2014 to December 2015	Former Representative, Lone District of Pasig; President, Shaahan, Reonick, Le Calier, Inc.; President Asiacon Management Development Corporation; President, Team America Sports, Inc.; President, Asian Center for Foreign Languages; Member, Board of Trustees, Brent International School.
Pablo L. Lobregat, 63	Director	December 2014 to present	President-Crystal Sugar Co., Inc., President/Chairman-Oceanic Wireless Network, Inc., President-Aerocom Investors & Managers, Inc., Vice-Chairman/Director –Philippine Communications Satellite Corporation, Director-Philippine Overseas Telecommunications Corporation
Marietta K. Ilusorio, 65	Director	December 2014 to present	Vice-President and Director, POTC Vice-President and Director, Philcomsat Director, Montemar Beach Club, Inc.
Prudencio C. Somera, 73	Director	December 2014 to present	Director- Basic Consolidated, Inc., Steel Alliance, Inc., Financial Services Consultant, Licensed Stockbroker, Charter President & Paul Harris Fellow-Rotary Club of Pasig West, Rotary International,

			Lifetime Member – UP MBA Society, Columnist – Business World, Resource Speaker on capital market, investments, stock market trading, investment banking and other financial services subject in various industry seminars, colleges and graduate schools lectures.
Abraham R. Abesamis, 66	Director	December 2014 to November 2015	Former Commissioner, National Telecommunications Commission, Chairman, Philippine Navy Board of Senior Officers, Member, BOSO-Headquarters Philippine Navy, Member, General Court Martial, Deputy Chief of Staff of Communications, Electronics and Information Systems, Proprietor of Abesamis Drugstore and GPA Pawnshop
Santiago J. Ranada, 78*	Director	December 2014 to present	Partner, Ranada Malaya Sanchez & Simpao, 28 years of service in the Philippine judiciary as RTC Judge and CA Justice
Jose Ramon Ozamiz, 57*	Director	December 2014 to present	Surgeon – Makati Medical Center, 22 years of practice; Diplomate, Philippine Board of Surgeons; Fellow – Philippine College of Surgeons; Member, Philippine Medical Association, Makati Medical Society and Philippine Society of General Surgeons.

\*Independent director.

\*\* Term of Office – The above directors were elected during the Annual Stockholders' Meeting held on December 16, 2014 and served until 9 November 2015, when the Corporation convened its Annual Stockholders' Meeting where a majority were re-elected.

(2) *Significant Employees*

As the Corporation has no regular employees at present, the executives and consultants of Philcomsat (the owner of more than 79% of the Corporation) are expected to make a significant contribution in enhancing the business of the Corporation and efficiently managing its operations.

(3) *Family Relationships*

None of the above-named directors and executive officers is related to another within the fourth (4th) civil degree of consanguinity or affinity, aside from Ms. Erlinda I. Bildner and Ms. Marietta K. Ilusorio who are sisters.

(4) *Involvement in Certain Legal Proceedings*

During the past five (5) years no incumbent director or executive officer was involved in any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; any conviction by final judgment in a criminal proceeding, domestic or foreign; any order, judgment, or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; or was found by a domestic or foreign court of competent jurisdiction in a civil action, the Securities and Exchange Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation.

## Item 10. Executive Compensation

### (1) and (2) Executive Officers

Name	Position	Salary	Allowance	Bonus	Total
Ramon Jacinto	President				
Erlinda Bildner	Treasurer				
Victoria de los Reyes	Corp. Secretary				
All the above-named officers as a group		3,185,000.00	0	0	3,185,000.00
All the other officers as a group unnamed		3,236,000.00	0	0	3,236,000.00
Total		6,421,000.00	0	0	6,421,000.00

### (3) Compensation of Directors

Name	Position	Salary	Allowance	Bonus	Total
Katrina C. Ponce Enrile	Director				
Ramon P. Jacinto	Director				
Erlinda I. Bildner	Director				
Daniel C. Gutierrez	Director				
Pablo L. Lobregat	Director				
Abraham R. Abesamis*	Director				
Robert Jude B. Jaworski, Jr.**	Director				
Marietta K. Ilusorio	Director				
Santiago J. Ranada	Director				
Jose Ramon C. Ozamiz	Director				
Prudencio C. Somera, Jr.	Director				
Total		3,850,000.00	2,265,000.00	0	6,115,000.00

\*Until November 9, 2015

\*\*Until December 16, 2015

Aside from the foregoing, there are no other arrangements and contracts pursuant to which any director was or is to be compensated directly or indirectly during the last fiscal year and the ensuing year.

### (4) Employment Contracts/Termination of Employment/Change-in-Control Arrangements

There are no employment contracts between the Corporation and any of its executive officers. There are likewise no compensatory plans or arrangements with respect to any executive officer which result or will result from his resignation, retirement or any other termination of his employment or from any change in control of the Corporation or a change in the executive officer's responsibilities following any change in control of the Corporation.

### (5) Warrants and Options Outstanding

There are no outstanding warrants or options held by the Corporation's executive officers and directors. There is no action proposed to be taken with regard to any bonus, profit-sharing or other compensation plan, contract or arrangement in which any director, nominee for election as a director or executive officer of the Corporation will participate, any pension or retirement plan in which any such person will participate, and any granting or extension to any such person of any options, warrants or rights to purchase any securities.

## Item 11. Security Ownership of Certain Beneficial Owners and Management

### (1) Security Ownership of Certain Record and Beneficial Owners

As of 31 December 2015, and based on the latest available information, except for Philcomsat and Mr. Prudencio C. Somera, Jr., there is no other person or group, directly or indirectly appearing as stockholder on record or beneficial owner of more than 5% of any class of voting shares of the Corporation.

Class	Name, Address of Record Owner and Relationship with Issuer	Name, Address of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	%
n/a	n/a	n/a	n/a	n/a	n/a

(2) *Security Ownership of Management*

As of 31 December 2015, and based on the latest available information, except for Ms. Bildner, Ms. Ilusorio, Ms. Ponce-Enrile, Mr. Jacinto, and Mr. Somera, the remaining directors are nominees of Philcomsat and have been assigned at least 100 shares each to qualify as a director of the Corporation.

Class	Name	Nature of Ownership	Citizenship	Percentage
Common	Prudencio C. Somera, Jr.	(R)	Filipino	10.04%
Common	Erlinda I. Bildner	(R)	Filipino	-negligible-
Common	Katrina C. Ponce-Enrile	(R)	Filipino	-negligible-
Common	Ramon P. Jacinto	(R)	Filipino	-negligible-
Common	Marietta K. Ilusorio	(R)	Filipino	-negligible-
Common	Directors and Officers as a Group Unnamed	(R)	Filipino	<11%

(3) *Voting Trust Holders*

There are no persons holding more than 5% of a class under a voting trust agreement.

(4) *Changes in Control*

There are no arrangements that may result in a change in control of the Corporation.

**Item 12. Certain Relationships and Related Transactions**

In addition to the disclosures in the financial statements required under SFAS/IAS No. 24 on Related Party Disclosures, the following are the elements of the transactions under Note 20 of the 2015 Audited Financial Statements:

(1) **Business Purpose of Arrangement**

Financial Assistance to other corporations-members of the Philcomsat Group.

(2) **Identification of the Business and Nature of Relationship**

The Corporation provided loans to its mother company, Philcomsat, as well as to its sister companies, Montemar Resort Development Corporation and Montemar Beach Club, Inc., invested in a 100%-owned subsidiary, Philcomsat Management Enterprises, Inc. and paid professional fees to Professional Stock Transfer, Inc.

(3) **Determination of Transaction Price**

Amount of loan depended on the needs of the related party.

(4) **Disclosures of Transactions**

None

(5) **Other Contractual Commitments as a result of arrangement**

None

## **PART IV – CORPORATE GOVERNANCE**

### **Item 13. Corporate Governance**

Please refer to attached ACGR.

## **PART V - EXHIBITS AND SCHEDULES**

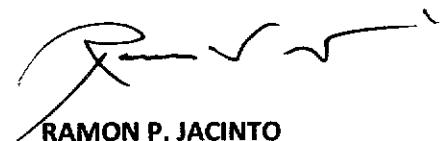
### **Item 14. Exhibits and Reports**


- (a) Statement of Management's Responsibility as Annex "A".
- (b) The Report of the Independent Accountants and Audited Financial Statements for the year ended 31 December 2015 is attached and incorporated by reference in this report as Annex "B".
- (c) Annual Corporate Governance Report.

**SIGNATURES**

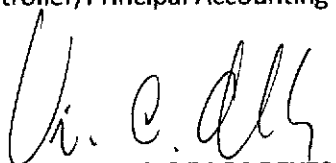
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April 14, 2016.

By:

  
**RAMON P. JACINTO**  
President/CEO

  
**MARTINA D. LADAW**  
Comptroller/Principal Accounting Officer

  
**ERLINDA I. BILDNER**  
Treasurer

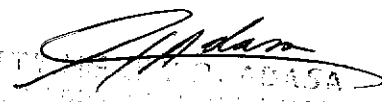



  
**VICTORIA C. DE LOS REYES**  
Corporate Secretary

APR 14 2016

**SUBSCRIBED AND SWORN** to before me this \_\_\_ day of April 2016, affiants exhibiting to me the following identification, as follows:

NAMES	ID/PASSPORT NO.	DATE OF ISSUE PLACE OF ISSUE
Ramon P. Jacinto	EB8057474	May 8, 2013/DFA Manila
Erlinda I. Bildner	482515523	March 25, 2011/USA
Martina D. Ladaw	DL. No. N04-11-014217	November 11, 2013/Quezon City
Victoria C. de los Reyes	EB5500795	May 29, 2012/DFA Manila

Doc. No. : 139  
Page No. : 25  
Book No. : 34  
Series of 2016.

  
NOTARY PUBLIC  
ATTEST:   
NOTARY PUBLIC  
ATTEST:   
NOTARY PUBLIC  
ATTEST:   
NOTARY PUBLIC

# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 0 1 1 1 6 3

### COMPANY NAME

PHILCOMSAT HOLDINGS CORPORATION AND SUBSIDIARIES

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

12th Floor, Telecom Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City

Form Type

A A C F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

### COMPANY INFORMATION

Company's Email Address

postmaster@phc.com.ph

Company's Telephone Number/s

(02)815-8406

Mobile Number

(02)816-2517

No. of Stockholders

1,204

Annual Meeting (Month / Day)

3<sup>rd</sup> Monday of November

Fiscal Year (Month / Day)

December 31

### CONTACT PERSON INFORMATION

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

Name of Contact Person

Ms. Erlinda I. Bildner

Email Address

N/A

Telephone Number/s

(02)815-8406

Mobile Number

(02)815-2517

### CONTACT PERSON'S ADDRESS

12<sup>th</sup> Floor, Telecom Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City

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

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

# PHILCOMSAT HOLDINGS CORPORATION

12F Telecom Plaza Bldg., Sen. Gil Puyat Ave. 1200 City of Makati, Manila, Philippines  
Tel. No., 815-8406 ; Fax No. : 816-2517

March 30, 2016

## STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Philcomsat Holdings Corporation and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2015, 2014 and 2013, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

Reyes Tacandong & Co., the independent auditors appointed by the stockholders for the period December 31, 2015, have examined the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.



**KATRINA C. PONCE-ENRILE**

Chairman of the Board



**RAMON P. JACINTO**

President



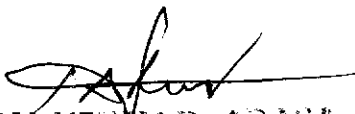
**ERLINDA I. BILDNER**

Treasurer/Chief Financial Officer

**SUBSCRIBED AND SWORN** to before me this 14<sup>th</sup> day of April 2016, affiants exhibiting to me the following identification, as follows:

<b>NAMES</b>	<b>ID/PASSPORT NO.</b>	<b>DATE OF ISSUE/PLACE OF ISSUE</b>
Katrina C. Ponce-Enrile	PP No. EB9495098	November 4, 2013/DFA Manila
Ramon P. Jacinto	PP No. EB8057474	May 8, 2013/DFA Manila
Erlinda I. Bildner	Senior Citizen ID No. 50405	Makati City

Doc. No. : 217  
Page No. : 44  
Book No. : XX  
Series of 2016.

  
**ATTY. HENRY D. ADASA**  
NOTARY PUBLIC  
UNTIL DEC. 31, 2016  
S.C. ROLL NO. 29679  
1852 SAN MARCELINO ST. MALATE MLA  
IBP NO. 9895457 01/04/2016 Z.N.  
PTR NO. 4915147 01/04/2016 MLA.  
MCLE COMPLIANCE NO. III-0023245



## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
Philcomsat Holdings Corporation and Subsidiaries  
12th Floor, Telecom Plaza Building,  
316 Sen. Gil Puyat Avenue, Makati City

We have audited the accompanying consolidated financial statements of Philcomsat Holdings Corporation and Subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Philcomsat Holdings Corporation and Subsidiaries as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

*Other Matter*

The consolidated financial statements of Philcomsat Holdings Corporation and Subsidiaries as at and for the years ended December 31, 2014 and 2013 were audited by another auditor whose report dated April 10, 2015, expressed an unmodified opinion on those statements.

**REYES TACANDONG & Co.**

MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 1499-A Group A

Valid until August 31, 2018

BIR Accreditation No. 08-005144-12-2014

Valid until March 31, 2017

PTR No. 5321846

Issued January 5, 2016, Makati City

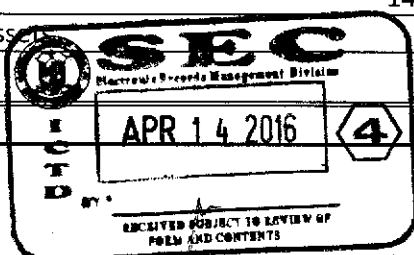
March 30, 2016

Makati City, Metro Manila

**PHILCOMSAT HOLDINGS CORPORATION**  
(A Subsidiary of Philippine Communications Satellite Corporation)  
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015**  
(With Comparative Figures for 2014)

	Note	2015	2014
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	P245,123,206	P219,118,958
Short-term investments	7	42,193,855	118,433,614
Receivables - current	8	171,094,311	80,224,440
Other current assets	9	4,432,646	3,628,422
Total Current Assets		462,844,018	421,405,434
<b>Noncurrent Assets</b>			
Receivables - noncurrent	8	39,000,000	34,000,000
Available for sale (AFS) financial assets	10	298,017,037	343,585,898
Investment property	11	112,286,096	116,604,792
Property and equipment	12	123,952	769,064
Goodwill	13	1,319,429	2,570,346
Deferred tax assets	23	1,121,368	-
Other noncurrent assets	14	5,518,139	12,030,031
Total Noncurrent Assets		457,386,021	509,560,131
		P920,230,039	P930,965,565
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	15	P1,065,503	P1,168,850
Customers' deposits	22	1,237,874	1,237,874
Total Current Liabilities		2,303,377	2,406,724
<b>Noncurrent Liabilities</b>			
Deposit for future stock subscription	16	18,894,000	18,894,000
Net deferred tax liability	23	236,666	247,412
Total Noncurrent Liabilities		19,130,666	19,141,412
<b>Equity</b>			
Share capital		996,391,254	996,391,254
Deficit		(100,258,978)	(100,738,986)
Net unrealized gain on AFS financial assets	10	2,663,720	13,008,240
Equity attributable to equity holders of the Parent			
Company		898,795,996	908,660,508
Non-controlling interest		-	756,921
Total Equity		898,795,996	909,417,429
		P920,230,039	P930,965,565



See accompanying Notes to Consolidated Financial Statements.

**PHILCOMSAT HOLDINGS CORPORATION**  
(A Subsidiary of Philippine Communications Satellite Corporation)  
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
(With Comparative Figures for 2014 and 2013)

	Note	2015	2014	2013
<b>REVENUE</b>	17	<b>₱29,961,250</b>	₱43,638,124	₱33,819,807
<b>COST OF SERVICES</b>	18	<b>(917,313)</b>	(5,345,451)	(4,318,696)
<b>GROSS PROFIT</b>		<b>29,043,937</b>	38,292,673	29,501,111
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	19	<b>(29,498,371)</b>	(32,874,102)	(40,481,853)
<b>OTHER INCOME - Net</b>	20	<b>674,895</b>	98	84,169,765
<b>INCOME BEFORE INCOME TAX</b>		<b>220,461</b>	5,418,669	73,189,023
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>	23			
Current		<b>462,796</b>	413,056	212,353
Deferred		<b>(1,216,339)</b>	-	-
		<b>(753,543)</b>	413,056	212,353
<b>NET INCOME</b>		<b>₱974,004</b>	₱5,005,613	₱72,976,670
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the Parent Company		<b>₱889,283</b>	₱4,972,448	₱72,976,670
Non-controlling interest		<b>84,721</b>	33,165	-
		<b>₱974,004</b>	₱5,005,613	₱72,976,670
<b>BASIC/DILUTED EARNINGS PER SHARE</b>	24	<b>₱0.0009</b>	₱0.0050	₱0.0732

*See accompanying Notes to Consolidated Financial Statements.*

**PHILCOMSAT HOLDINGS CORPORATION**  
(A Subsidiary of Philippine Communications Satellite Corporation)  
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
(With Comparative Figures for 2014 and 2013)

	Note	2015	2014	2013
<b>NET INCOME</b>		<b>₱974,004</b>	₱5,005,613	₱72,976,670
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Item that may be reclassified to profit or loss</i>				
Unrealized gain (loss) on AFS financial assets - net of reclassification adjustments	10	(10,344,520)	3,271,609	(5,552,467)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>(₱9,370,516)</b>	₱8,277,222	₱67,424,203
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>				
<b>ATTRIBUTABLE TO:</b>				
Equity holders of the Parent Company		(₱9,455,237)	₱8,244,057	₱67,424,203
Non-controlling interest		84,721	33,165	-
		<b>(₱9,370,516)</b>	₱8,277,222	₱67,424,203

*See accompanying Notes to Consolidated Financial Statements.*

**PHILCOMSAT HOLDINGS CORPORATION**  
**(A Subsidiary of Philippine Communications Satellite Corporation)**  
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(With Comparative Figures for 2014 and 2013)**

	Note	2015	2014	2013
<b>SHARE CAPITAL - ₱1 par value</b>				
Authorized - 1,000,000,000 shares				
Issued - 996,391,254 shares		₱996,391,254	₱996,391,254	₱996,391,254
<b>DEFICIT</b>				
Balance at beginning of year		(100,738,986)	(105,711,434)	(178,688,104)
Net income		889,283	4,972,448	72,976,670
Effect of acquisition of non-controlling interest	13	(409,275)	-	-
Balance at end of year		(100,258,978)	(100,738,986)	(105,711,434)
<b>CUMULATIVE NET UNREALIZED GAIN ON AFS</b>				
<b>FINANCIAL ASSETS</b>				
	10			
Balance at beginning of year		13,008,240	9,736,631	15,289,098
Unrealized gain (loss) for the year		(3,093,377)	14,663,231	(6,242,276)
Reversal of fair value changes of AFS sold		(7,251,143)	(11,391,622)	689,809
Balance at end of year		2,663,720	13,008,240	9,736,631
<b>NON-CONTROLLING INTEREST</b>				
Balance at beginning of year		756,921	-	-
Net income		84,721	33,165	-
Effect of acquisition of non-controlling interest	13	(841,642)	-	-
Effect of business combination		-	723,756	-
Balance at end of year		-	756,921	-
		<b>₱898,795,996</b>	<b>₱909,417,429</b>	<b>₱900,416,451</b>

*See accompanying Notes to Consolidated Financial Statements.*

**PHILCOMSAT HOLDINGS CORPORATION**  
**(A Subsidiary of Philippine Communications Satellite Corporation)**  
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**DECEMBER 31, 2015**  
**(With Comparative Figures for 2014 and 2013)**

	Note	2015	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		P220,461	P5,418,669	P73,189,023
Adjustments for:				
Gain on sale of:				
AFS financial assets	10	(5,723,471)	(11,170,104)	(429,088)
Condominium unit	12	(673,783)	-	-
HTM investments		-	-	(1,054,479)
Depreciation and amortization	11	4,437,591	4,385,754	4,346,268
Provision for impairment loss on receivables	8	58,000	267,862	-
Loss on foreign exchange in AFS and HTM		-	-	1,826,746
Operating income (loss) before working capital changes		(1,681,202)	(1,097,819)	77,878,470
Decrease (increase) in:				
Receivables		(1,844,611)	1,326,911	29,933,739
Other current assets		(1,161,070)	(690,625)	(513,171)
Other noncurrent assets		(1,007,083)	(8,644,559)	40,247
Increase (decrease) in:				
Trade and other payables		(188,068)	(10,198,932)	2,422,530
Customers' deposits		-	-	411,930
Net cash provided by (used in) operating activities		(5,882,034)	(19,305,024)	110,173,745
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from:				
Sale and retirement of AFS financial assets	10	105,696,449	62,252,466	7,464,578
Retirement of short-term investments		76,239,759	-	200,322,757
Sale of condominium unit		1,200,000	-	-
Sale of financial assets at FVPL		62,996	-	-
Sale of held-to-maturity investments		-	-	33,014,939
Increase in due from related parties	21	(89,083,260)	(43,397,994)	(21,807,437)
Acquisitions of:				
AFS financial assets	10	(64,748,637)	(88,034,350)	(140,212,500)
Notes and loans		(5,000,000)	(29,000,000)	(5,000,000)
Short-term investments		-	(59,149,738)	-
Property and equipment	12	-	(77,084)	(18,670)
Release of restricted cash	14	7,518,975	86,489,093	-
Acquisition of subsidiary, net of cash acquired	13	-	(2,769,257)	-
Advances for the purchase of shares	13	-	(1,250,917)	-
Net cash provided by (used in) investing activities		31,886,282	(74,937,781)	73,763,667
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>26,004,248</b>	<b>(94,242,805)</b>	<b>183,937,412</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>219,118,958</b>	<b>313,361,763</b>	<b>129,424,351</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>P245,123,206</b>	<b>P219,118,958</b>	<b>P313,361,763</b>

See accompanying Notes to Consolidated Financial Statements.

**PHILCOMSAT HOLDINGS CORPORATION**  
**(A Subsidiary of Philippine Communications Satellite Corporation)**  
**AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(With Comparative Information for 2014 and 2013)**

**1. Corporate Information**

General Information

Philcomsat Holdings Corporation (the Parent Company) was incorporated and registered with the Securities and Exchange Commission (SEC) on May 10, 1956 with the primary purpose of embarking in the discovery, exploration, development and exploitation of mineral oils, petroleum in its natural state, rock or carbon oils and other volatile mineral substance and with the secondary purpose of engaging in the business of mining in general. The Company ceased oil and mining operations in 1992.

On July 23, 1997, the SEC approved the amended Articles of Incorporation of the Company consisting of a) change in its primary purpose from a mining company to a holding company and revision of its secondary purpose clauses; and b) change of the corporate name from Liberty Mines, Inc. to Philcomsat Holdings Corporation. On May 9, 2006, the SEC approved the extension of corporate life for another fifty (50) years.

The Parent Company started operations as a holding company on January 1, 2000. Its operations consist primarily of leasing its condominium unit and its motor vehicles in connection with the company-financed car assistance program provided by Philippine Communications Satellite Corporation (Philcomsat) for its officers and directors. The Company also derives income from money market placements and bank deposits.

The Parent Company is 79.65% owned by Philcomsat, a company incorporated in the Philippines. The ultimate holding company is Philippine Overseas Telecommunications Corporation (POTC), a company also incorporated in the Philippines.

The Parent Company and all subsidiaries (collectively referred to as "the Group") were incorporated in the Philippines. The following are the subsidiaries and the respective percentages of ownership and principal activities as at December 31, 2015 and 2014:

	Principal Activities	Percentage of Ownership	
		2015	2014
Philcomsat Management Enterprises Inc. (PMEI)	Management services	<b>100.00</b>	100.00
Professional Stock Transfer Inc. (PSTI)*	Stock transfer agency	<b>100.00</b>	70.56

*\*Parent Company's ownership in PSTI is indirect through PMEI.*

The registered address of the Parent Company is at 12th floor, Telecom Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City.

#### Listing of Shares in PSE

The Parent Company's original 60 million shares are listed and traded in the Philippine Stock Exchange (PSE). The remaining 940 million shares were registered with SEC on August 31, 2000 but deemed abandoned for listing by the PSE on August 31, 2001. Any reapplication filed by the Company for the unlisted shares shall be treated as new application.

On May 3, 2007, the PSE suspended the trading of the Parent Company's shares pending compliance with certain structured reportorial requirements. On December 3, 2008, the SEC ordered the suspension of the Parent Company's registration of securities from the date of the receipt of the order until the Parent Company is able to submit the reportorial requirements and fully pay the corresponding penalties.

On April 1, 2014, the Parent Company, through its legal counsel, submitted to the SEC a letter of request for the lifting of the order of suspension on the trading of the Parent Company's shares and for a compromise on the payment of penalties on certain grounds. The SEC, on December 29, 2015, finally decided to lift the order of suspension of the registration of the 60 million listed shares and to direct the Parent Company to file an updated Registration Statement considering the extended time since its shares were last traded.

As at the date of the report, the Parent Company is still in the process of preparing the updated Registration Statement.

#### Approval of the Financial Statements

The consolidated financial statements of the Group as at and for the year ended December 31, 2015 were approved and authorized for issue by the Board of Directors (BOD) on March 30, 2016.

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## **2. Basis of Preparation and Statement of Compliance**

#### Basis of Preparation

The consolidated financial statements of the Group have been prepared on the historical cost basis, except for AFS financial assets and financial assets through FVPL, which are carried at fair value. The consolidated financial statements are presented in the Philippine Peso (Peso) which is the Company's functional and presentation currency. All values are rounded to the nearest Peso except as otherwise indicated.

#### Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee.

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### 3. Summary of Changes in PFRS

#### Adoption of New and Revised PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and revised PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2015:

- Amendment to PAS 24, *Related Party Disclosures - Key Management Personnel* - The amendment clarified how payments to entities providing key management personnel services are to be disclosed.
- Amendment to PAS 40, *Investment Property - Clarifying the Interrelationship between PFRS 3, Business Combination, and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property* - The amendment clarified the application of PFRS 3 and PAS 40 in respect of acquisitions of investment property. PAS 40 assists preparers to distinguish between investment property and owner-occupied property and PFRS 3 determines whether the acquisition of an investment property is a business combination.
- Amendment to PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets* - The amendment required the disclosure of judgments made by management in applying the aggregation criteria to operating segments, and clarifies that reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly.
- Amendment to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables and Portfolio Exception* - The amendment clarified that the portfolio exception in PFRS 13 - allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis - applies to all contracts (including non-financial) within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* or PFRS 9, *Financial Instruments*.

The adoption of the foregoing new and revised PFRS did not have any material effect on the consolidated financial statements. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

#### New and Revised PFRS Not Yet Adopted

Relevant new and revised PFRS which are not yet effective for the year ended December 31, 2015 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2016:

- Amendments to PAS 1, *Presentation of Financial Statements* - The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to PAS 16, *Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Amortisation* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.
- Amendment to PFRS 7, *Financial Instruments: Disclosures* - The amendment adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.
- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.
- Amendments to PFRS 10, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28 - *Investment Entities: Applying the Consolidation Exception* – The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

Effective for annual periods beginning on or after January 1, 2018:

- PFRS 9 – This standard will replace PAS 39 (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognized.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS is not expected to have any material effect on the consolidated financial statements of the Group except for PFRS 9. Additional disclosures will be included in the consolidated financial statements, as applicable.

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#### 4. Summary of Significant Accounting and Financial Reporting Policies

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. Subsidiaries are entities controlled by the Parent Company. In assessing control, the Parent Company considers if it is exposed, or has right, to variable returns from its investment with the subsidiary and if it has the ability to affect those returns.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases. The results of operations of the subsidiaries acquired or disposed of during the period are included in the consolidated statements of income from the date of acquisition or up to the date of disposal, as appropriate.

Changes in the controlling equity ownership (i.e., acquisition of non-controlling interest or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.

All intragroup balances, transactions, income and expenses and unrealized gains and losses are eliminated in full.

Non-controlling interests pertain to the portion of profit or loss and the net assets in subsidiaries not held by the Parent Company and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position. Non-controlling interests represent the interests of minority shareholders in PSTI.

The financial statements of subsidiaries are prepared for the same reporting year using uniform accounting policies as that of the Parent Company.

##### Financial Instruments

*Date of Recognition.* The Group recognizes a financial asset or liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

*Initial Recognition.* Financial assets and liabilities are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

*“Day 1” Profit.* When the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” profit) in the consolidated statement of comprehensive income, unless it qualifies for recognition as some other type of asset. In cases where data which is not observable is used, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” profit amount.

*Classification of Financial Instruments.* The Group classifies its financial instruments into the following categories: financial assets and financial liabilities at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, loans and receivables and other financial liabilities at amortized cost. The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Group does not have HTM investments as at December 31, 2015 and 2014.

*Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

This category includes cash in banks and cash equivalents, short-term investments and receivables.

*AFS Financial Assets.* AFS financial assets are those non-derivative financial assets that are designated as AFS and are not classified in any of the other categories. Management’s intention is to sell the AFS financial assets when the need for cash arises.

After initial measurement, AFS financial assets are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded, net of tax, from reported earnings and are reported as net unrealized gain in AFS financial assets in the equity section of the consolidated statement of financial position.

When the AFS financial assets is derecognized or determined to be impaired, the cumulative gain or loss previously recognized in equity is recognized as gain or loss on sale of AFS financial assets in the consolidated statement of comprehensive income.

This category includes quoted investments in shares of stock, bonds, managed funds and club memberships.

*Financial Assets at FVPL.* Financial assets at FVPL include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognized in the consolidated statement of comprehensive income.

This category includes the Group's investment in Bank of the Philippine Islands (BPI).

*Other Financial Liabilities.* This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This category includes trade and other payables, customers' deposits and deposit for future stock subscription.

#### Derecognition of Financial Instruments

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

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

#### Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that

loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. Any subsequent reversal of an impairment loss is recognized in the profit or loss.

*Assets Carried at Amortized Cost.* If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in the profit or loss.

In relation to receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired receivables are derecognized when they are assessed as uncollectible.

*AFS Financial Assets.* If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in other comprehensive income, is transferred from equity to the consolidated statement of comprehensive income. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in consolidated statement of comprehensive income. Reversals of impairment losses on debt instruments are reversed through the consolidated statement of comprehensive income if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss is recognized in the consolidated statement of comprehensive income.

The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its costs or where there are objective evidence that impairment exists. The Group treats 'significant' generally as 20% or more of the original cost of investments, and 'prolonged' as greater than six months. In addition, the Group evaluates other factors including normal volatility in share prices for quoted securities and the future cash flows and discounted factors for unquoted securities.

#### Offsetting of Financial Instruments

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

### Fair Value Measurement

The Group uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair values of financial assets at FVPL, AFS financial assets, investment property and financial instruments are disclosed in Notes 9, 10, 11 and 26, respectively.

### Other Current Assets

*Creditable Withholding Taxes (CWTs).* Creditable withholding tax is an amount that is withheld from income payments. This is deducted from income tax payable.

*Prepayments.* Prepayments include expenses already paid but not yet incurred. These are measured at cost less amortization.

### Investment Properties

Investment properties are defined as properties such as land or building or part of building or both held for the purposes of earning rentals, for capital appreciation or both. These properties are not held to be used in production or sale in the ordinary course of business.

Investment properties are initially measured at acquisition cost. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of asset given up. Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and impairment in value, if any. Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged against current operations in the period in which the costs are incurred.

Depreciation of investment properties are computed using the straight-line method over the estimated useful lives of the assets. The Group's condominium unit recognized under investment properties has an estimated useful life of 40 years. The condominium unit's useful life and depreciation method are reviewed and adjusted, if appropriate, at each financial year-end.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

#### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. Cost also includes any asset retirement obligation and interest on borrowed funds used. When property and equipment are sold or retired, their costs and accumulated depreciation and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the profit or loss of such period.

The estimated useful lives of property and equipment are as follows:

	Number of Years
Transportation equipment	3-5
Furniture and fixtures	3
Office equipment	3
Office improvement	3-5

The useful life of each of the property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets. The property and equipment's useful lives and depreciation and amortization method are reviewed and adjusted, if appropriate, at each financial year-end.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year the item is derecognized.

#### Goodwill

Goodwill arises from the acquisition of PSTI. The goodwill represents the excess of PMEI's cost of acquiring PSTI over the fair value of the latter's identifiable net assets.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest, and any previous interest held, over the net fair value of the identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

### Other Noncurrent Assets

*Deferred Input VAT.* Deferred input VAT represents the unamortized amount of input VAT on capital goods. Deferred input VAT with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

*Other Noncurrent Assets.* Other noncurrent assets also include cash in banks that are currently under litigation and are restricted for current use. These accounts are presented as part of noncurrent assets until the legal restriction for its disbursement is settled and its availability for disbursement is determined reliably.

### Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that its investment properties and property and equipment may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Any impairment loss is recognized in the profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such reversal, the depreciation charge are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### Deposits for Future Stock Subscription

Deposits for future stock subscription represent the amount received by the Parent Company which it records as such with a view of applying the same as payment for additional issuance of shares or increase in capital stock.

This is presented as part of liability since not all conditions prescribed by the SEC had been complied with by the Parent Company.

#### Capital

Capital is measured at par value for all shares issued.

#### Deficit

Deficit represents the cumulative balance of net income or loss, net of any dividend declaration.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

*Rent Income.* Rent income is recognized on a straight-line basis over the lease term.

*Interest Income.* Interest income is recognized as the interest accrues, taking into account the effective yield of the asset.

*Dividend Income.* Revenue is recognized when the Group's right to receive the payment is established.

*Gain on sale of financial and non-financial assets.* Gain on sale of financial assets through FVPL, available-for-sale financial assets, held to maturity investments and nonfinancial assets are computed as the difference between the proceeds and its carrying amount.

*Income from option money, retainer fee and transfer fee.* Revenue is recognized under the accrual basis in accordance with the terms of the related agreements.

#### Costs and Expenses Recognition

Costs and expenses are recognized in profit or loss upon consumption of the goods and/or utilization of the service or at the date they are incurred.

#### Operating Lease

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

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

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

*The Group as Lessor.* Leases where the Group does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the periods in which they are earned.

*The Group as Lessee.* The Group has entered into a lease agreement as a lessee. Critical judgment was exercised by management to distinguish such lease agreement as an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements.

#### Earnings Per Share

Basic earnings per share is computed based on weighted average number of issued and outstanding common shares during the year.

Diluted earnings per share is computed as if the potential common share or instrument that may entitle the holder to common share were exercised as of the beginning of the year.

#### Foreign Currency Transaction

Transactions in foreign currencies are initially recorded using the functional currency exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are restated using the closing functional currency exchange rate at the financial reporting date. Foreign exchange gains and losses arising from foreign currency transactions and restatement of balances are recognized in profit or loss.

#### Related Party Relationships and Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Parent Company; (2) associates; and (3) individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the Parent Company and close members of the family of any such individual. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

The key management personnel of the Group and post-employment benefit plan for the benefit of Group's employees, if any, are also considered to be related parties.

#### Income Taxes

*Current Tax.* Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the reporting date.

*Deferred Tax.* Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward benefits of minimum corporate income tax (MCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused NOLCO and carry-forward benefits of MCIT can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax law) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### Value-Added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of VAT except:

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

The net amount of VAT payable to the tax authority is included as part of "Trade and other payables" account in the consolidated statement of financial position.

#### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a consolidated asset but only when the receipt of the reimbursement is virtually certain.

#### Contingencies

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

#### Events after Reporting Date

Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events), if any, are reflected in the consolidated financial statements when material. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

#### Segment Information

The Group is engaged in the leasing of its condominium unit and investing of its funds in various financial assets. The Group has aggregated these revenue-generating activities into a single operating segment as these segments are both passive in nature and have the same economic characteristics. The Group considers such as its primary and only operating segment. The Group's revenue-generating assets are located in the Philippines.

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## **5. Significant Judgments, Accounting Estimates and Assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the reporting date. However, uncertainty about the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

#### Judgments

In the process of applying the Group's policies, the Group has made certain judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements.

*Classifying Operating Leases.* The Group has entered into lease agreements as a lessor and lessee. Critical judgment was exercised by the Group to distinguish such lease agreement as an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. The Group accounted for its lease agreements as operating lease.

*Classifying Financial Instruments.* The Group exercises judgment in classifying financial instruments in accordance with PAS 39. The Group classifies a financial instrument, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Group's consolidated statement of financial position.

*Establishing Control Over Investment in Subsidiaries.* The Group determines that it has control over its subsidiaries by considering, among others, its power over 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. The following are also considered:

- Rights arising from other contractual agreements; and
- The Group's voting rights and potential voting rights.

*Classifying Investment Properties.* The Company classifies its condominium unit as investment properties based on its current intentions as to how the properties will be used. When the properties are held to earn rentals or for capital appreciation or both, the properties are classified as investment properties.

*Determining Functional Currency.* The functional currency of the Company has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Company operates.

*Determining Operating Segments.* Although each revenue-generating activity represents a separate operating segment, management has concluded that there is basis for aggregation into a single operating segment as allowed under PFRS 8 due to their similar passive nature and economic characteristics.

#### Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation of uncertainty at reporting date that may have significant risks of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Estimating Allowance for Impairment Losses of Receivables.* The Group maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of allowance is evaluated by the Group on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customers, average age of accounts and collection experience. The Group performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment losses. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

The carrying values of receivables amounted to ₱210.1 million as at December 31, 2015 (₱114.2 million as at December 31, 2014). Allowance for doubtful accounts amounted to ₱125.1 million as at December 31, 2015 (₱125.0 million as at December 31, 2014) (see Note 8).

*Determining Fair Value of AFS Financial Assets and Financial Assets at FVPL.* The Group carries AFS financial assets and financial assets at FVPL at fair value in the consolidated statement of financial position. Determining the fair value of AFS financial assets and financial assets at FVPL requires extensive use of accounting estimates and judgment. The significant components of fair value measurement were determined using quoted prices of the financial assets or in its absence, through verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates). The amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in the fair value of these financial assets and liabilities would affect profit and loss and other comprehensive income.

The fair value of AFS financial assets amounted to ₱298.0 million as at December 31, 2015 (₱343.6 million as at December 31, 2014) (see Note 10).

The fair value of financial assets at FVPL amounted to ₱0.1 million as at December 31, 2015 (₱0.2 million as at December 31, 2014) (see Note 9).

*Estimating Impairment of AFS Financial Assets.* The Group follows the guidance of PAS 39 in determining when an asset is other-than-temporarily impaired. That requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; the financial health of and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its costs or where there are objective evidence that impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats 'significant' generally as 20% or more of the original cost of investments, and 'prolonged' as greater than six months. In addition, the Group evaluates other factors including normal volatility in share prices for quoted securities and the future cash flows and discounted factors for unquoted securities. If assumptions are made regarding the duration and extent to which the fair value is less than cost, the Group would suffer an additional loss representing the write down of cost to its fair value.

Fair value and carrying value of AFS financial assets amounted to ₱298.0 million as at December 31, 2015 (₱343.6 million as at December 31, 2014) (see Note 10). No allowance for impairment was provided for AFS financial assets as at December 31, 2015 and 2014.

*Estimating Useful Lives of Investment Properties and Property and Equipment.* The Group estimates the useful lives of investment properties and property and equipment based on the period over which they are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the investment properties and property and equipment. In addition, the estimation of the useful lives of investment property and property and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets.

The carrying values of investment properties amounted to ₱112.3 million as at December 31, 2015 (₱116.6 million as at December 31, 2014) (see Note 11).

The carrying values of property and equipment amounted to ₱0.1 million as at December 31, 2015 (₱0.8 million as at December 31, 2014) (see Note 12).

*Estimating Impairment of Investment Properties, Property and Equipment, Goodwill, Other Current and Noncurrent Assets.* PFRS requires that an impairment review be performed when certain impairment indicators are present. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amount of investment properties, property and equipment, goodwill and other current and noncurrent assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposal of such assets. Any resulting impairment loss could have a material adverse impact on the Group's financial position and financial performance.

The carrying values of investment properties amounted to ₱112.3 million as at December 31, 2015 (₱116.6 million as at December 31, 2014) (see Note 11).

The carrying values of property and equipment amounted to ₱0.1 million as at December 31, 2015 (₱0.8 million as at December 31, 2014) (see Note 12).

The carrying values of goodwill amounted to ₱1.3 million as at December 31, 2015 (₱1.3 million as at December 31, 2014) (see Note 13).

The carrying values of other current and noncurrent non-financial assets totaled ₱8.4 million as at December 31, 2015 (₱6.5 million as at December 31, 2014) (see Notes 9 and 14).

No impairment was recognized in 2015 and 2014.

*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 Group determines the fair values using valuation techniques and generally accepted valuation approaches performed by independent valuation specialists. 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 fair values of the identifiable net assets acquired from PSTI amounted to ₱2.5 million (see Note 13).

*Assessing Recoverability of Deferred Tax Assets.* The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the following reporting periods. This forecast is based on the Group's past results and future expectations on revenue and expenses.

The Group has unrecognized deferred tax assets as at December 31, 2015 amounting to ₱53.0 million (₱60.9 million as at December 31, 2014) (see Note 23).

*Estimating Provisions and Contingencies.* The Group evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings.

No provision has been recorded as at December 31, 2015 and 2014.

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## 6. Cash and Cash Equivalents

This account consists of:

	2015	2014
Cash on hand and in banks	P9,572,547	P37,955,935
Cash equivalents	235,550,659	181,163,023
	<b>P245,123,206</b>	<b>P219,118,958</b>

Cash in banks earn interest at the prevailing bank deposit rates.

Cash equivalents pertain to special savings and time deposits, with maturity of varying periods of up to three months depending on the immediate cash requirements of the Company, and earn interest at the prevailing special savings and time deposits rates.

Interest income earned from cash in banks and cash equivalents amounted to P3.5 million in 2015 (P4.1 million in 2014 and P3.6 million in 2013).

Interest income included in revenue (see Note 17) as shown in the consolidated statement of comprehensive income is earned from the following:

	Note	2015	2014	2013
Cash and cash equivalents		P3,540,698	P4,050,817	P3,625,902
Short-term investments	7	3,680,534	1,852,857	8,568,547
Receivables	8	4,995,730	6,281,133	1,839,359
AFS financial assets	10	4,483,363	3,363,862	2,480,314
		<b>P16,700,325</b>	<b>P15,548,669</b>	<b>P16,514,122</b>

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## 7. Short-term Investments

This account amounting to P42.2 million as at December 31, 2015 (P118.4 million as at December 31, 2014) pertains to time deposits with term of more than three months to one year and earns interest at the prevailing time deposit rates.

Interest income earned from short-term investments amounted to P3.7 million in 2015 (P1.9 million in 2014 and P8.6 million in 2013) (see Note 6).

## 8. Receivables

This account consists of:

	Note	2015	2014
Trade		<b>₱1,080,467</b>	₱968,589
Notes and loans		<b>164,000,000</b>	159,000,000
Due from related parties	21	<b>147,006,028</b>	57,922,768
Interest receivable		<b>1,687,917</b>	935,149
Dividend receivable		<b>299,091</b>	573,923
Others		<b>21,078,808</b>	19,824,011
		<b>335,152,311</b>	239,224,440
Less allowance for doubtful accounts		<b>(125,058,000)</b>	(125,000,000)
		<b>210,094,311</b>	114,224,440
Less noncurrent portion		<b>(39,000,000)</b>	(34,000,000)
Current portion of receivables		<b>₱171,094,311</b>	₱80,224,440

Movements in the allowance for doubtful accounts are summarized below:

	2015	2014	2013
Balance at beginning of year	<b>₱125,000,000</b>	₱125,000,000	₱125,000,000
Provision	<b>58,000</b>	267,862	–
Write-off	–	(267,862)	–
Balance at end of year	<b>₱125,058,000</b>	₱125,000,000	₱125,000,000

Notes and loans receivable includes noncurrent unsecured promissory notes amounting to ₱39.0 million as at December 31, 2015 (₱34.0 million as at December 31, 2014) issued by various banks with terms ranging from two to ten years and earn interest ranging from 3% to 7% a year.

Note receivable amounting to ₱125.0 million pertains to an unsecured loan to Araneta as guaranteed by Araneta's company, Ansear Realty and Development Corporation (Ansear). The note has long been past its due date and has been provided a full valuation allowance since 2008. Interest on the loan was not recognized in the books. The Parent Company filed a complaint for the collection of the note and the interest therefrom (Araneta case).

In its decision dated November 2015, the Regional Trial Court (the Court) ordered Araneta and Ansear to pay the full amount of the loan plus the stipulated interest of 9% a year, penalty interest of 12% a year and attorney's fees and costs of litigation.

The lots of Ansear, which are subject to a writ of attachment as ordered by the Court, were sold in January 2016 to settle the loan and the interest. In 2015, the Parent Company received ₱2.4 million from the option in relation to the sale. This was recognized as income from option money in the consolidated statement of income (see Note 17).

The Parent Company received ₱350.0 million in January 2016 as settlement of the loan and partial payment of the interest. The Parent Company expects to receive the balance of ₱350.0 million by 2017.

Other receivables include filing fees and other litigation expenses amounting to ₱18.6 million incurred by the Company in the Araneta case, which is recorded as a receivable from the defendant.

Interest income earned from receivables amounted to ₱5.0 million in 2015 (₱6.3 million in 2014 and ₱1.8 million in 2013) (see Note 6).

#### 9. Other Current Assets

This account consists of:

	2015	2014
CWTs	₱2,695,974	₱2,711,541
Prepaid insurance and legal fees	1,636,880	754,093
Financial assets at FVPL	99,792	162,788
	<b>₱4,432,646</b>	<b>₱3,628,422</b>

#### 10. AFS Financial Assets

This account consists of:

	2015	2014
Investments in:		
Managed funds	₱176,025,067	₱199,815,650
Quoted bonds	91,354,868	95,498,286
Quoted shares of stock	29,912,102	47,546,962
Club memberships	725,000	725,000
	<b>₱298,017,037</b>	<b>₱343,585,898</b>

Movements of AFS financial assets and unrealized cumulative gain on AFS are as follows:

	2015	2014	2013
Cost:			
Balance at beginning of year	₱330,577,658	₱293,625,670	₱160,448,660
Additions	64,748,637	88,034,350	140,212,500
Disposals	(99,972,978)	(51,082,362)	(7,035,490)
Balance at end of year	295,353,317	330,577,658	293,625,670
Unrealized cumulative gain:			
Balance at beginning of year	13,008,240	9,736,631	15,289,098
Fair value gain (loss) during the year	(3,093,377)	14,663,231	(6,242,276)
Fair value changes of AFS sold reclassified through profit and loss	(7,251,143)	(11,391,622)	689,809
Balance at end of year	2,663,720	13,008,240	9,736,631
	<b>₱298,017,037</b>	<b>₱343,585,898</b>	<b>₱303,362,301</b>

Interest income earned from AFS financial assets amounted to ₱4.5 million in 2015 (₱3.4 million in 2014 and ₱2.5 million in 2013) (see Note 6).

Dividend income earned from AFS financial assets amounted to ₱3.0 million in 2015 (₱3.2 million in 2014 and ₱2.4 million in 2013) (see Note 17).

Gain on sale of AFS financial assets amounted to ₱5.7 million in 2015 (₱11.2 million in 2014 and ₱0.4 million in 2013) (see Note 17).

The fair value of these financial assets are determined in reference to quoted market bid prices at the close of business on the reporting date since most of these are actively traded in an organized financial market. The fair value measurement of the AFS financial assets is classified as Level 1 (Quoted market prices).

No impairment loss was recognized in 2015, 2014, and 2013.

## 11. Investment Property

The Company has a condominium unit located at 2<sup>nd</sup> Floor Pacific Star Building, Sen. Gil Puyat Avenue, Makati City. This is accounted for as an investment property, being held for the purpose of generating rental revenue and for capital appreciation.

Movements of the Company's investment property are as follows:

	2015	2014
<b>Cost</b>		
Balance at beginning and end of year	<b>₱164,772,000</b>	₱164,772,000
<b>Accumulated Depreciation</b>		
Balance at beginning of year	<b>48,167,208</b>	43,848,512
Depreciation	<b>4,318,696</b>	4,318,696
Balance at end of year	<b>52,485,904</b>	48,167,208
<b>Carrying Amount</b>	<b>₱112,286,096</b>	₱116,604,792

The fair value of the condominium unit amounted to ₱114.9 million based on statutory zonal valuation (Level 2 – Directly or Indirectly Observable Input).

The Company leased the investment property with monthly rental amounting to ₱1.1 million for a term of eighteen months, commencing on March 15, 2013 and ending on September 14, 2014. Rent income earned from the investment property amounted to nil in 2015 (₱10.9 million in 2014 and ₱12.8 million in 2013) (see Note 17).

Depreciation is recognized from the following:

	Note	2015	2014	2013
Investment property		<b>₱4,318,696</b>	₱4,318,696	₱4,318,696
Property and equipment	12	<b>118,895</b>	67,058	27,572
		<b>₱4,437,591</b>	₱4,385,754	₱4,346,268

Depreciation is charged to the following:

	Note	2015	2014	2013
Cost of services	18	<b>₱95,615</b>	₱4,362,965	₱4,318,696
General and administrative expenses	19	<b>4,341,976</b>	22,789	27,572
		<b>₱4,437,591</b>	₱4,385,754	₱4,346,268

## 12. Property and Equipment

This account consists of:

	2015					Total
	Condominium Unit	Transportation Equipment	Furniture and Fixtures	Office Equipment	Office Improvement	
<b>Cost</b>						
Balance at beginning of year	₱1,205,078	₱4,950,745	₱3,528,775	₱937,569	₱39,325	₱10,661,492
Disposals	(1,205,078)	–	–	–	–	(1,205,078)
Balance at end of year	–	4,950,745	3,528,775	937,569	39,325	9,456,414
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	650,742	4,904,185	3,528,766	769,410	39,325	9,892,428
Depreciation and amortization	28,119	11,640	9	79,127	–	118,895
Disposals	(678,861)	–	–	–	–	(678,861)
Balance at end of year	–	4,915,825	3,528,775	848,537	39,325	9,332,462
<b>Carrying Amount</b>	₱–	₱34,920	₱–	₱89,032	₱–	₱123,952

	2014					Total
	Condominium Unit	Transportation Equipment	Furniture and Fixtures	Office Equipment	Office Improvement	
<b>Cost</b>						
Balance at beginning of year	₱–	₱4,892,545	₱3,486,626	₱247,715	₱–	₱8,626,886
Effect of business combination (Note 13)	1,205,078	–	42,149	670,970	39,325	1,957,522
Additions	–	58,200	–	18,884	–	77,084
Balance at end of year	1,205,078	4,950,745	3,528,775	937,569	39,325	10,661,492
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	–	4,892,545	3,486,626	229,803	–	8,608,974
Effect of business combination (Note 13)	626,640	–	42,140	508,291	39,325	1,216,396
Depreciation and amortization	24,102	11,640	–	31,316	–	67,058
Balance at end of year	650,742	4,904,185	3,528,766	769,410	39,325	9,892,428
<b>Carrying Amount</b>	₱554,336	₱46,560	₱9	₱168,159	₱–	₱769,064

Fully-depreciated property and equipment still in use amounted to ₱8.7 million as at December 31, 2015 (₱8.6 million as at December 31, 2014).

In 2015, PSTI's condominium unit, which was originally used as its office space, was sold for ₱1.2 million resulting to a gain on sale of ₱0.7 million (see Note 20).

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### 13. Business Combination and Acquisition of Non-controlling Interests

#### Business Combination

On June 30, 2014, the Parent Company, through its subsidiary, PMEI, obtained control of PSTI, a stock transfer agency, by acquiring 70.56 percent of the shares and voting interest in the PSTI for a total cash consideration of ₱3.1 million.

The identifiable assets and liabilities of PSTI at the date of acquisition are as follows:

Cash	₱284,827
Receivables	1,491,179
Financial assets at FVPL	162,788
Prepaid expenses	225,846
Property and equipment	741,126
Deferred tax asset	161,837
Trade and other payables	(199,943)
Deferred tax liability	(409,249)
<u>Carrying and fair value of net identifiable assets</u>	<u>₱2,458,411</u>

Goodwill was recognized as a result of the acquisition as follows:

Total consideration transferred	₱3,054,084
Non-controlling interests, based on their proportionate interest in the recognized amounts of the asset and liabilities of PSTI	723,756
Fair value of net identifiable assets	(2,458,411)
<u>Goodwill</u>	<u>₱1,319,429</u>

The initial consideration of ₱4.3 million was adjusted to ₱3.1 million when the acquisition was finalized in 2015. A downward adjustment of ₱1.3 million resulted to a final amount of goodwill of ₱1.3 million in 2015. No restatement was made in 2014 since the amount is immaterial.

#### Acquisition of Non-controlling Interests

On December 16, 2015, PMEI acquired the remaining 29.44 percent of the shares and voting interest in PSTI for a consideration of ₱1.3 million.

Details of the acquisition are as follows:

Total consideration transferred	₱1,250,917
Carrying amount of non-controlling interest at date of acquisition	841,642
<u>Adjustment to deficit</u>	<u>₱409,275</u>

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**14. Other Noncurrent Assets**

This account consists of:

	2015	2014
Deferred input VAT	<b>₱4,059,914</b>	₱3,052,831
Time deposit with BPI	<b>1,458,225</b>	1,458,225
Cash in bank with Rizal Commercial Banking Corporation (RCBC)	-	7,518,975
	<b>₱5,518,139</b>	₱12,030,031

Time Deposit with BPI

The time deposit at BPI has an initial period of 35 days earning an interest rate of 2.5% p.a. subject to automatic renewal and interest rate resetting by BPI upon maturity.

Included in this account are the Peso and US Dollar time deposits with BPI which were frozen on December 13, 2007 upon the issuance of a writ of preliminary injunction against BPI, following a complaint filed by the current officers of the Parent Company against the bank. In August 19, 2008, BPI filed an interpleader case with respect to the said accounts but only after allowing unauthorized disbursements in the approximate amount of ₱102.0 million. The case was docketed as Civil Case No. 07-840 and was heard and tried by RTC-62 Makati City, which issued a Decision finding BPI liable to pay the Parent Company ₱102.0 million in actual damages. By way of amicable settlement, the Parent Company and BPI executed a Compromise Agreement dated November 20, 2013 whereby BPI paid the Company ₱86.0 million. The outstanding balance of ₱1.5 million remains unsettled with BPI (see Note 20).

Cash in Bank with RCBC

Cash in bank with RCBC was involved in an interpleader case filed by RCBC on February 15, 2008. The cash was restricted for use pending the resolution of the case. The case was decided with finality in a Resolution dated January 21, 2015. Consequently, the bank released the deposit on May 21, 2015 and the restricted cash in bank was reclassified to cash and cash equivalents.

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**15. Trade and Other Payables**

This account consists of:

	2015	2014
Statutory payables	<b>₱778,893</b>	₱562,337
Accounts payable and accrued expenses	<b>286,610</b>	604,533
Others	-	1,980
	<b>₱1,065,503</b>	₱1,168,850

Statutory payables pertain to expanded withholding taxes and output VAT payable.

Accounts payable and accrued expenses pertain primarily to accrued trust and brokers' fees and dues and subscriptions.

## 16. Deposit for Future Stock Subscription

Investment properties with appraised value of ₱405.1 million were assigned to the Parent Company in payment of Philcomsat's unpaid subscriptions to the Parent Company's capital stock. The assigned properties were later recovered by the government through the Comprehensive Agrarian Reform Law (CARL), which was duly protested by Philcomsat.

In view of the pending protest, the Board of Directors (BOD) approved on August 12, 1999 Philcomsat's proposal for substitution of the assigned assets. On January 14, 2000, a Deed of Assignment was made between the Parent Company and Philcomsat for the substitution of the assigned properties.

The fair market values of the substituted assigned properties, as determined by an independent appraiser in 1997, amounted to ₱424.0 million. The excess of fair market values of the substituted properties over the fair market values of the properties previously assigned amounting to ₱18.9 million is presented as "deposit for future stock subscription" under other noncurrent liability in the consolidated statement of financial position.

## 17. Revenue

This account consists of:

	Note	2015	2014	2013
Interest income	6	<b>₱16,700,325</b>	₱15,548,669	₱16,514,122
Gain on sale of AFS financial assets	10	<b>5,723,471</b>	11,170,104	429,088
Dividend income	10	<b>3,003,242</b>	3,209,796	2,369,328
Income from option money	8	<b>2,432,515</b>	–	–
Retainer fee		<b>1,632,893</b>	1,852,429	–
Transfer fee		<b>75,233</b>	74,578	–
Rent income	22	–	10,900,485	12,834,990
Gain on sale of held to maturity investments		–	–	1,054,479
Others		<b>393,571</b>	882,063	617,800
		<b>₱29,961,250</b>	<b>₱43,638,124</b>	<b>₱33,819,807</b>

## 18. Cost of Services

This account consists of:

	Note	2015	2014	2013
Salaries and other benefits		<b>₱614,760</b>	₱720,925	₱–
Transportation		<b>118,178</b>	92,642	–
Depreciation	11	<b>95,615</b>	4,362,965	4,318,696
Communication, light and water		<b>83,444</b>	71,164	–
Others		<b>5,316</b>	97,755	–
		<b>₱917,313</b>	<b>₱5,345,451</b>	<b>₱4,318,696</b>

## 19. General and Administrative Expenses

This account consists of:

	Note	2015	2014	2013
Professional fee		<b>₱9,210,370</b>	₱9,569,574	₱14,929,251
Directors' fee	21	<b>6,919,167</b>	6,945,000	11,022,941
Depreciation	11	<b>4,341,976</b>	22,789	27,572
Dues and subscription		<b>2,638,017</b>	440,311	393,600
Insurance		<b>1,273,768</b>	1,326,507	1,248,783
Taxes and licenses		<b>1,142,917</b>	7,075,974	1,259,360
Rent expense	21	<b>989,776</b>	942,644	897,756
Representation and entertainment		<b>701,037</b>	2,930,447	704,211
Repairs and maintenance		<b>519,821</b>	522,337	496,384
Legal fee		<b>487,501</b>	1,753,405	7,761,388
Communication, light and water		<b>98,430</b>	86,816	95,624
Impairment loss on receivables	8	<b>58,000</b>	267,862	-
Donations		-	35,000	1,000,000
Others		<b>1,117,591</b>	955,436	644,983
		<b>₱29,498,371</b>	₱32,874,102	₱40,481,853

## 20. Other Income - Net

This account consists of:

	Note	2015	2014	2013
Gain on sale of condominium unit	12	<b>₱673,783</b>	₱-	₱-
Foreign exchange gain (loss)		<b>1,112</b>	98	(1,830,235)
Recovery from losses	14	-	-	86,000,000
		<b>₱674,895</b>	₱98	₱84,169,765

In 2007, the Parent Company filed a complaint against BPI for allowing unauthorized withdrawal from the corporate accounts. BPI was later found to be liable to pay the Parent Company ₱102.0 million in actual damages. By way of amicable settlement, the Parent Company and BPI executed a compromise agreement dated November 20, 2013 whereby BPI paid the Parent Company ₱86.0 million in exchange for the withdrawal of the complaint (see Note 14).

## 21. Related Party Transactions

In the normal course of business, the Group has transactions with related parties as follows:

	Relationship	Nature of Transaction	Amount of Transactions (in millions)			Outstanding Balance (in millions)	
			2015	2014	2013	2015	2014
<b>Included under "Receivables"</b>							
Philcomsat	Immediate parent	Cash advances	<b>₱78.3</b>	₱7.5	₱14.2	<b>₱116.5</b>	₱38.2
		Rent of office space	<b>(1.0)</b>	(0.9)	(0.9)	-	-
Montemar Beach Club, Inc. (MBCI)	Company under common control	Cash advances	-	19.4	-	<b>19.4</b>	19.4
		Interest income	<b>0.7</b>	0.7	-	-	-
POTC	Ultimate parent	Cash advances	<b>10.8</b>	-	-	<b>10.8</b>	-
Montemar Resort Development Corp. (MRDC)	Company under common control	Cash advances	-	-	-	<b>0.3</b>	0.3
						<b>₱147.0</b>	<b>₱57.9</b>
<b>Included under "Deposit for Future Stock Subscription"</b>							
Philcomsat	Immediate parent	Excess of subscription	<b>₱-</b>	₱-	₱-	<b>₱18.9</b>	₱18.9

### Terms of Cash Advances to Related Parties

Cash advances to Philcomsat and MBCI bear interest at 4% and 5%, respectively, while cash advances to POTC and MRDC are noninterest-bearing. All cash advances are demandable at the instance of the Group.

### The Parent Company as a Lessee

The Parent Company has a lease agreement with Philcomsat for the rent of its office space located at the 12<sup>th</sup> Floor, Telecom Plaza Building, 316 Sen. Gil Puyat Ave., Makati City. The lease term is for one year and is renewable under mutual agreement of both parties. Rent expense amounted to ₱1.0 million in 2015 (₱0.9 million in 2014 and 2013) (see Note 19).

### Compensation of Key Management Personnel

Compensation of the key management personnel of the Parent Company consists of directors' fees amounting to ₱6.9 million in 2015 (₱6.9 million in 2014 and ₱11.0 million in 2013).

The Company does not have any regular employees. The accounting and management services are under the management of Philcomsat.

## 22. Leases

### The Parent Company as a Lessor

The Parent Company leased a portion of its condominium unit located at 2<sup>nd</sup> Floor Pacific Star Building, Gil Puyat Avenue, Makati City to Insbrooks Holdings Co., Inc. Monthly rental amounted to ₱1.2 million for a lease term of 18 months, commencing on March 15, 2013 and ending on September 14, 2014. Security deposit, equivalent to one month rent is shown as part of "Customers' deposits" account in the consolidated statement of financial position. The lease was terminated on October 31, 2014.

Rent income is accounted for on a straight-line basis over the lease term. Rent income amounted to nil in 2015 (₱10.9 million in 2014 and ₱12.8 million in 2013) (see Note 17).

Direct operating expenses arising from investment properties that generated rental income during the period pertains only to depreciation amounting to nil in 2015 (P4.3 million in 2014 and 2013).

As at December 31, 2015 and 2014, the Group has no outstanding commitments under non-cancellable operating leases.

The Parent Company as a Lessee

Rent expense arises from rental of its office space. Rent expense amounted to P1.0 million in 2015 (P0.9 million in 2014 and 2013) (see Note 21). The lease has a term of one year subject to renewal under mutual agreement of both parties.

As at December 31, 2015 and 2014, the Group has no outstanding commitments under non-cancellable operating leases.

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**23. Income Tax**

The composition of provision for income tax is as follows:

	2015	2014	2013
MCIT	P273,582	P365,291	P212,353
RCIT	189,214	47,765	–
	<b>P462,796</b>	<b>P413,056</b>	<b>P212,353</b>

The reconciliation of the income tax expense computed at statutory tax rate to actual income tax expense (benefit) as presented in the consolidated statement of income is summarized as follows:

	2015	2014	2013
Income tax at statutory rate	P66,138	P1,625,601	P21,956,707
Change in unrecognized deferred tax assets	(7,865,616)	2,226,152	9,530,267
Add (deduct) tax effects of:			
Expired NOLCO and MCIT	11,279,054	–	–
Interest income already subjected to final tax	(3,562,035)	(4,664,601)	(4,954,237)
Dividend income	(900,973)	(962,939)	(710,798)
Nondeductible expenses	229,889	2,188,843	190,414
Recovery from losses	–	–	(25,800,000)
	<b>(P753,543)</b>	<b>P413,056</b>	<b>P212,353</b>

The components of deferred tax assets of the Parent Company and PMEI are as follows:

	2015	2014	2013
Unrecognized:			
Allowance for doubtful accounts	P37,500,000	P37,500,000	P37,500,000
NOLCO	15,482,250	22,640,402	20,779,511
Unrealized foreign exchange loss	(334)	(30)	–
MCIT	–	707,160	341,869
	<b>P52,981,916</b>	<b>P60,847,532</b>	<b>P58,621,380</b>
Recognized:			
MCIT	P851,226	P–	P–
NOLCO	270,142	–	–
	<b>P1,121,368</b>	<b>P–</b>	<b>P–</b>

The components of PSTI's net deferred tax liability are as follows:

	2015	2014
Deferred tax liability:		
Accruals	<b>₱254,066</b>	₱409,249
Deferred tax assets:		
Allowance for doubtful accounts	<b>17,400</b>	-
MCIT	-	84,225
NOLCO	-	77,612
	<b>17,400</b>	161,837
	<b>₱236,666</b>	₱247,412

As at December 31, 2015, the Group has NOLCO that can be carried forward and claimed as deduction against the regular taxable income as follows:

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2012	2015	₱37,188,434	₱23,307	₱37,165,127	₱-
2013	2016	32,099,911	-	-	32,099,911
2014	2017	6,438,370	235,400	-	6,202,970
2015	2018	14,205,094	-	-	14,205,094
<b>Total</b>		<b>₱89,931,809</b>	<b>₱258,707</b>	<b>₱37,165,127</b>	<b>₱52,507,975</b>

Details of the Group's MCIT as at December 31, 2015 which can be applied against future income tax due are as follows:

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2012	2015	₱158,145	₱28,629	₱129,516	₱-
2013	2016	233,730	21,377	-	212,353
2014	2017	399,510	34,219	-	365,291
2015	2018	273,582	-	-	273,582
<b>Total</b>		<b>₱1,064,967</b>	<b>₱84,225</b>	<b>₱129,516</b>	<b>₱851,226</b>

#### 24. Basic/Diluted Earnings Per Share

Basic/diluted earnings per share is computed as follows:

	2015	2014	2013
Net income attributable to equity holders of the Parent Company	<b>₱889,283</b>	₱4,972,448	₱72,976,670
Weighted average no. of shares outstanding	<b>996,391,254</b>	996,391,254	996,391,254
	<b>₱0.0009</b>	₱0.0050	₱0.0732

## 25. Financial Risk Management Objectives and Policies

The Group's principal financial instruments are comprised of cash in banks and cash equivalents, short-term investments, receivables, AFS financial assets, financial assets at FVPL, trade and other payables and customers' deposits. The main risks arising from the Group's financial instruments are market, credit and liquidity risks.

### Market Risk

Market risk is the risk that the value of an investment will decrease due to movements in market factors such as, but not limited to, equity price risk or the risk that the stock prices will change; interest rate risk or the risk that interest rates will change and currency risk or the risk that foreign exchange rates will change.

The central focus of the Group's market risk management is AFS financial assets. The Group has established a risk management/measure system to mitigate the adverse effects in fluctuations of the price or market value of these financial assets. The current policies of the Group are anchored on the selective purchase of shares of stock and establishment of trading and stop loss limits on dealer trading activities to manage possible financial losses to be incurred from trading activities.

*Equity price risk.* Equity price risk is the risk that the fair values of equity instruments recognized under AFS financial assets decrease as the result of changes in the levels of equity indices and the value of individual stocks.

The Group measures the sensitivity of its investment securities by using PSE index (PSEi) fluctuations. The table below sets forth the impact of changes in PSEi in other comprehensive income in 2015, 2014 and 2013.

	Increase (Decrease) in PSEi Index	Increase (Decrease) in Other Comprehensive Income
<b>2015</b>	17% (5%)	<b>₱5,054,732</b> <b>(1,488,362)</b>
2014	3% (19%)	₱1,203,705 (9,125,206)
2013	26% (6%)	₱18,221,301 (3,944,406)

The sensitivity of the equity is the effect of the assumed changes in the PSEi on the net unrealized gain (loss) for the year, based on the adjusted beta rate of equity securities as at December 31, 2015, 2014 and 2013.

*Interest rate risk.* Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. As at December 31, 2015, 2014 and 2013, the Company has repriceable financial assets, specifically investments in quoted bonds classified as AFS investments. Accordingly, the Group is subject to fair value interest rate risk.

The Group measures the sensitivity of its investment securities by using PDST-R2 rate fluctuations. The table below sets forth the impact of changes in PDST-R2 in the Company's other comprehensive income in 2015, 2014 and 2013.

	Increase (Decrease) in PDST-R2	Increase (Decrease) in Other Comprehensive Income
<b>2015</b>	14% (26%)	<b>(P12,684,355)</b> <b>23,509,494</b>
2014	20% (7%)	(P19,324,710) 6,877,897
2013	26% (29%)	(P18,606,259) 20,542,381

#### Foreign Exchange Risk

The Group's foreign-currency denominated financial instrument consists of cash in banks amounting to US\$482 as at December 31, 2015 and 2014. The Group's exposure to foreign currency risk is insignificant.

The Group's objective is to reduce the exposure to foreign currency risk at a minimum since revenues are peso-denominated.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit risk is primarily attributable to its trade and other receivables. The Group has adopted stringent procedure in extending credit terms to clients and manages its credit risk by setting up exposure limits by each counterparty or group of counterparties. The Group transacts only with a recognized and creditworthy customers with whom it has already firmly established good business relationship.

It is the Group's policy that all customers who wish to contract on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to the bad debt is not significant.

With respect to credit risk arising from cash of the Group, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group has assessed the credit quality of cash as high grade since these are deposited in or transacted with reputable banks, which have low probability of insolvency.

The aging analysis of the Group's financial assets is as follows:

	2015					Total
	Neither Past Due nor Impaired	Past Due but not impaired			Impaired	
		30 Days	More than 60 Days			
Cash and cash equivalents*	P245,108,206	P--	P--	P--		P245,108,206
Short-term investments	42,193,855	--	--	--		42,193,855
Receivables	75,997,376	--	134,096,935	125,058,000		335,152,311
Financial assets at FVPL	99,792	--	--	--		99,792
AFS financial assets	298,017,037	--	--	--		298,017,037
Time deposits	--	--	1,458,225	--		1,458,225
	<b>P661,416,266</b>	<b>P--</b>	<b>P135,555,160</b>	<b>P125,058,000</b>		<b>P922,029,426</b>

\*Excluding cash on hand amounting to P15,000.

	2014					Total
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	
		30 Days	More than 60 Days			
Cash and cash equivalents*	P219,103,958	P-	P-	P-	P219,103,958	
Short-term investments	118,433,614	-	-	-	118,433,614	
Receivables	74,137,599	5,026,900	35,059,941	125,000,000	239,224,440	
Financial assets at FVPL	162,788	-	-	-	162,788	
AFS financial assets	343,585,898	-	-	-	343,585,898	
Time deposits	-	-	8,977,200	-	8,977,200	
	<b>P755,423,857</b>	<b>P5,026,900</b>	<b>P44,037,141</b>	<b>P125,000,000</b>	<b>P929,487,898</b>	

\*Excluding cash on hand amounting to P15,000.

Past due accounts are generally less than 90 days. The credit quality of the Group's financial assets that are neither past due nor impaired as at December 31, 2015 and 2014 are as follows:

	2015			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks and cash equivalents	P245,108,206	P-	P-	P245,108,206
Short-term investments	42,193,855	-	-	42,193,855
Receivables	47,315,205	28,682,171	-	75,997,376
Financial assets at FVPL	99,792	-	-	99,792
AFS financial assets	298,017,037	-	-	298,017,037
	<b>P632,734,095</b>	<b>P28,682,171</b>	<b>P-</b>	<b>P661,416,266</b>

	2014			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks and cash equivalents	P219,103,958	P-	P-	P219,103,958
Receivables	57,642,601	16,494,998	-	74,137,599
Short-term investments	118,433,614	-	-	118,433,614
Financial assets at FVPL	162,788	-	-	162,788
AFS financial assets	343,585,898	-	-	343,585,898
	<b>P738,928,859</b>	<b>P16,494,998</b>	<b>P-</b>	<b>P755,423,857</b>

High grade receivables pertain to those receivables from clients or customers that consistently pay before the maturity date. Standard grade receivable includes those that are collected on their due dates even without an effort from the Group to follow them up while receivables which are collected on their due dates provided that Group made a persistent effort to collect them are included under substandard grade receivables. Past due receivables and advances include those that are either past due but still collectible or determined to be individually impaired.

#### Liquidity Risk

The Group seeks to manage its liquid funds through cash planning on a monthly basis. The Group uses historical figures and experiences, and forecasts from its collection and disbursements. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. Moreover, it continuously assesses conditions in the financial markets for possible business opportunities.

The Group's objective is to maintain a balance between continuity of funding and flexibility using noninterest-bearing advances from its related parties. The Group considers its available funds and its liquidity in managing its financial requirements. For its short-term funding, the Group's policy is to ensure that there are sufficient capital inflows to match repayments of trade and other payables.

The tables below summarize the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	2015				Total
	On Demand	1 to 3 Months	3 to 12 Months	More than 12 Months	
Trade and other payables*	P286,610	P-	P-	P-	P286,610
Customers' deposits	1,237,874	-	-	-	1,237,874
Deposit for future stock subscription	-	-	-	18,894,000	18,894,000
	<b>P1,524,484</b>	<b>P-</b>	<b>P-</b>	<b>P18,894,000</b>	<b>P20,418,484</b>

\*Excluding statutory payables amounting to P778,853.

	2014				Total
	On Demand	1 to 3 Months	3 to 12 Months	More than 12 Months	
Trade and other payables*	P606,513	P-	P-	P-	P606,513
Customers' deposits	1,237,874	-	-	-	1,237,874
Deposit for future stock subscription	-	-	-	P18,894,000	18,894,000
	<b>P1,844,387</b>	<b>P-</b>	<b>P-</b>	<b>P18,894,000</b>	<b>P20,738,387</b>

\*Excluding statutory payables amounting to P562,337.

## 26. Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial assets and liabilities as at December 31, 2015 and 2014.

### Financial Assets

	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents*	P245,108,206	P245,108,206	P219,103,958	P219,103,958
Short-term investments	42,193,855	42,193,855	118,433,614	118,433,614
Receivables	210,094,311	210,094,311	114,224,440	114,224,440
Financial assets at FVPL	99,792	99,792	162,788	162,788
AFS financial assets	298,017,037	298,017,037	343,585,898	343,585,898
Time deposits	1,458,225	1,458,225	8,977,200	8,977,200
	<b>P796,971,426</b>	<b>P796,971,426</b>	<b>P804,487,898</b>	<b>P804,487,898</b>

\*Excluding cash on hand amounting to P15,000 as at December 31, 2015 and 2014.

### Financial Liabilities

	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Trade and other payables*	<b>₱286,610</b>	<b>₱286,610</b>	₱606,513	₱606,513
Customers' deposits	<b>1,237,874</b>	<b>1,237,874</b>	1,237,874	1,237,874
Deposit for future stock subscriptions	<b>18,894,000</b>	<b>18,894,000</b>	18,894,000	18,894,000
	<b>₱20,418,484</b>	<b>₱20,418,484</b>	₱20,738,387	₱20,738,387

\*Excluding statutory payables amounting to ₱778,893 and ₱562,337 as at December 31, 2015 and 2014, respectively.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

*Cash in Banks and Cash Equivalents, Short-term Investments, Receivables, Trade and Other Payables.* Due to the short-term nature of transactions, the carrying values approximate their fair values as at reporting date.

*AFS Financial Assets and Financial Assets at FVPL.* The fair value of these financial assets are determined in reference to quoted market bid prices at the close of business on the reporting date since most of these are actively traded in an organized financial market. The fair value measurement of these financial assets is classified as Level 1 (Quoted market prices).

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### 27. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group monitors its capital structure using debt-to-equity ratio which is gross debt divided by equity. The Group's debt-to-equity ratio is as follows:

	2015	2014
Total Debt	<b>₱21,434,043</b>	₱21,548,136
Total Equity	<b>898,795,996</b>	909,417,429
Debt-to-equity ratio	<b>.024:1</b>	.024:1

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### 28. Operating Segment Information

The Group's only reportable operating segment is that relating to the leasing of its condominium unit and investing of its funds to various financial assets. The Group aggregated both activities since these are both passive in nature and have the same economic characteristics.

All of the assets relating to the Group's operating segment are located in the Philippines. Accordingly, reporting operating segments per geographical business operation is not required.

Segment assets, liabilities and revenue and expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and expenses are consistent with the consolidated statement of comprehensive income. The presentation and classification of segment assets and liabilities are consistent with the consolidated statement of financial position.

Significant segment information of the Group's reportable segment is as follows:

	2015	2014	2013
Segment revenue	<b>₱27,859,553</b>	₱40,829,054	₱33,202,007
Segment profit	<b>23,267,275</b>	36,157,750	28,670,958
Interest income	<b>16,700,325</b>	15,548,669	16,514,122
Depreciation	<b>4,318,696</b>	4,318,696	4,318,696
Provision for income tax	<b>273,582</b>	352,608	212,353
Total assets	<b>846,713,022</b>	891,337,850	903,731,047
Total liabilities	<b>1,237,874</b>	1,237,874	1,237,874

Reconciliation of the reportable segment information with the balances in the consolidated statement of financial position and consolidated statement of income is as follows:

	2015		
	Reportable Segment	Reconciling Items	Consolidated Balances
Revenue	<b>₱27,859,553</b>	<b>₱2,101,697</b>	<b>₱29,961,250</b>
Cost of service	-	<b>(917,313)</b>	<b>(917,313)</b>
Gross profit	<b>27,859,553</b>	<b>1,184,384</b>	<b>29,043,937</b>
General and administrative expenses	<b>(4,318,696)</b>	<b>(25,179,675)</b>	<b>(29,498,371)</b>
Other income - net	-	<b>674,895</b>	<b>674,895</b>
Income before income tax	<b>23,540,857</b>	<b>(23,320,396)</b>	<b>220,461</b>
Provision for income tax	<b>273,582</b>	<b>(1,027,125)</b>	<b>(753,543)</b>
Net income	<b>₱23,267,275</b>	<b>(₱22,293,271)</b>	<b>₱974,004</b>
Assets	<b>₱846,713,022</b>	<b>₱73,517,017</b>	<b>₱920,230,039</b>
Liabilities	<b>₱1,237,874</b>	<b>₱20,196,169</b>	<b>₱21,434,043</b>

	2014		
	Reportable Segment	Reconciling Items	Consolidated Balances
Revenue	₱40,829,054	₱2,809,070	₱43,638,124
Cost of service	(4,318,696)	(1,026,755)	(5,345,451)
Gross profit	36,510,358	1,782,315	38,292,673
General and administrative expenses	-	(32,874,102)	(32,874,102)
Other income	-	98	98
Income before income tax	36,510,358	(31,091,689)	5,418,669
Provision for income tax	352,608	60,448	413,056
Net income	₱36,157,750	(₱31,152,137)	₱5,005,613
Assets	₱891,337,850	₱39,627,715	₱930,965,565
Liabilities	₱1,237,874	₱20,310,262	₱21,548,136

	2013		
	Reportable Segment	Reconciling Items	Consolidated Balances
Revenue	₱33,202,007	₱617,800	₱33,819,807
Cost of service	(4,318,696)	–	(4,318,696)
Gross profit	28,883,311	617,800	29,501,111
General and administrative expenses	–	(40,481,853)	(40,481,853)
Other income	–	84,169,765	84,169,765
Income before income tax	28,883,311	44,305,712	73,189,023
Provision for income tax	212,353	–	212,353
Net income	₱28,670,958	₱44,305,712	₱72,976,670
Assets	₱903,731,047	₱27,985,117	₱931,716,164
Liabilities	₱1,237,874	₱30,061,839	₱31,299,713

Differences between the reportable segment's gross profit and the Group's consolidated gross profit pertain primarily to PSTI's revenue from stock transfer agency, which segment has not reached the quantitative threshold set by PFRS 8. In addition to the Group's stock transfer agency segment, another contributor to the differences between the segment net profit, segment assets and segment liabilities and the Group's consolidated net profit, consolidated assets and consolidated liabilities are certain corporate assets, liabilities and expenses which cannot be attributed specifically to the reportable operating segment.

In 2015, the Group does not have a customer for which 10% or more of the revenue were derived from. In 2014 and 2013, the Group derived from Insbrooks Holdings, Inc. revenues amounting to ₱10.9 million and ₱12.8 million, respectively, which are more than 10% of its consolidated revenue through the lease of its condominium unit.

## 29. Civil Cases

An action was filed in the Sandiganbayan by a group claiming to be directors and officers of POTC and Philcomsat seeking to enjoin the present directors and officers of POTC and Philcomsat from representing themselves as such directors and officers and representative in the Parent Company. The Parent Company sought the dismissal of the complaint against it on the ground that it is not a real party-in-interest since the injunction being sought is not directed against it. The Sandiganbayan issued a decision dismissing the case filed by the group alleging that they are the POTC and Philcomsat board of directors. They appealed to the Supreme Court on November 10, 2008. The Supreme Court consolidated this case with three other cases.

On July 3, 2013, the Supreme Court in GR Nos. 184622, 184712-14, 186066 and 186590 ruled in favor of the Bildner Group and declared the Bildner Group as the legitimate board of directors of the Parent Company. The July 3, 2013 Decision attained finality on October 23, 2013 when the Supreme Court issued a Resolution denying the Motions for Reconsideration filed by the opposing parties. On March 27, 2014, the July 23, 2013 Decision has become final and executory.

The Parent Company also filed cases for the recovery of advances made by former directors and officers of the Parent Company. These cases are now pending resolution with the Department of Justice (DOJ).

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### 30. Litigation

The following cases were filed by the Parent Company to recover assets allegedly withdrawn or misappropriated by former directors and officers:

- Criminal Complaint against Araneta for Non-Return of PHC Deposits

A criminal complaint for estafa was filed against Araneta for money market placements amounting to ₱65.0 million which allegedly were not returned to the Parent Company. The case was dismissed on February 9, 2009 for lack of probable cause. The appeal filed on March 4, 2009 is pending decision with the DOJ.

- Criminal Complaint against Brodett and Bankwise Officers Using Spurious Bank Accounts for Parent Company's Deposits

On May 8, 2008, the Parent Company filed a criminal complaint against Brodett, a former director of the Parent Company, and certain officers of Bankwise for alleged unauthorized deposits, withdrawals and transfers of Parent Company funds aggregating ₱66.8 million. The case was re-raffled to RTC Branch 59 on August 27, 2015 and is ongoing presentation of evidence.

- Criminal Complaint against Locsin, Brodett, Araneta, Lokin, Andal, Jalandoni and de Leon ("Respondents")

The case filed on May 23, 2008 alleged that the respondents caused the unauthorized disbursement and misappropriation of the Parent Company funds amounting to ₱122.0 million. The case was dismissed by the DOJ on July 21, 2010. A Petition for Certiorari was filed with the Court of Appeals on November 9, 2015 and is awaiting decision.

- Criminal Complaint Against Poblador

A criminal complaint for estafa was filed against Poblador for allegedly receiving cash advances amounting to ₱14.5 million, which she failed to account for and return to the Parent Company after formal demands. On February 9, 2009, the DOJ issued a Resolution finding Poblador liable only for ₱0.2 million. On January 7, 2014, the Parent Company filed a Petition for Certiorari praying that the DOJ file new information against Poblador for estafa for the total amount of ₱16.7 million. The case is still awaiting decision.

- Complaint for Collection Against Araneta and Lokin

On May 26, 2010, a complaint for collection of sum of money and damages, with an application for a Writ of Preliminary Attachment dated May 24, 2010 was filed by the Parent Company against Araneta and Lokin. This complaint is based on the alleged personal back to back loans with Bankwise procured by Araneta using Parent Company funds as collateral, with the help of Lokin, in the amount of ₱35.3 million. On December 14, 2011, the Company filed a Motion to Set Case for Pre-trial. The case is currently ongoing trial and presentation of evidence.

- **Criminal Complaint Against Lokin and Andal for Alleged Excessive Amounts of Salaries and Bonuses**

On September 11, 2006, the Parent Company filed a complaint against Locsin and Andal with the office of the Ombudsman seeking for the latter to file criminal and administrative charges against them for alleged excessive amounts of salaries and bonuses from the Parent Company. The Ombudsman filed Informations for Violation of the Anti-Graft and Corrupt Practice Act on December 7, 2011 against both Andal and Locsin with the Sandiganbayan for receiving a total of ₱15.0 million and ₱11.0 million, respectively, from 2003 to 2005, from the Parent Company. The case is currently ongoing trial and presentation of evidence.

- **Complaint Against Lokin for Alleged Exorbitant Legal Fees**

On October 16, 2008, the Parent Company filed a case against Lokin by reason of the alleged exorbitant legal fees paid to the latter totaling ₱31.0 million for the period 2003 to 2007. The position papers of the respective parties have been filed. The case is awaiting resolution.

The Group is also involved in other litigations, claims and disputes which are normal to its business. Management believes that the ultimate liability, if any, with respect to these litigations, claims and disputes will not materially affect the financial position and financial performance of the Group.



**REPORT OF INDEPENDENT AUDITOR  
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE  
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors  
Philcomsat Holdings Corporation and Subsidiaries  
12th Floor, Telecom Plaza Building,  
316 Sen. Gil Puyat Avenue, Makati City

We have audited the accompanying consolidated financial statements of Philcomsat Holdings Corporation and Subsidiaries (the Company), as at and for the year ended December 31, 2015, on which we have rendered our report dated March 30, 2016.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has one thousand one hundred eighty one (1,181) stockholders owning one hundred (100) or more shares each.

**REYES TACANDONG & Co.**

MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 1499-A Group A

Valid until August 31, 2018

BIR Accreditation No. 08-005144-12-2014

Valid until March 31, 2017

PTR No. 5321846

Issued January 5, 2016, Makati City

March 30, 2016

Makati City, Metro Manila



**REPORT OF INDEPENDENT AUDITOR  
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
Philcomsat Holdings Corporation and Subsidiaries  
12th Floor, Telecom Plaza Building  
316 Sen. Gil Puyat Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Philcomsat Holdings Corporation and Subsidiaries (the Group) and have issued our report thereon dated March 30, 2016. Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules as at December 31, 2015 are the responsibility of the Group's management. These supplementary schedules include the following:

- Adoption of Effective Accounting Standards and Interpretations
- Financial Soundness Indicators
- Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedules required by Part II of SRC Rule 68, as Amended

These schedules are presented for purposes of complying with Securities Regulation Code Rule 68 Part II, as amended, and are not part of the consolidated financial statements. This information have been subjected to the auditing procedures applied in the audit of the consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respect in relation to the consolidated financial statements taken as a whole.

**REYES TACANDONG & Co.**

MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

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Valid until March 31, 2017

PTR No. 5321846

Issued January 5, 2016, Makati City

March 30, 2016

Makati City, Metro Manila

**PHILCOMSAT HOLDINGS CORPORATION**  
**(A Subsidiary of Philippine Communications Satellite Corporation)**  
**AND SUBSIDIARIES**

**SUPPLEMENTARY SCHEDULE OF ADOPTION OF**  
**EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS**  
**DECEMBER 31, 2015**

Title	Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b>			
Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary	✓		

**Philippine Financial Reporting Standards (PFRSs)**

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Transition			✓
	Amendments to PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Operating Segments- Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets			✓
	Financial Instruments: Classification and Measurement of Financial Liabilities			✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		

### Philippine Accounting Standards (PASs)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1 (Revised): Puttable Financial			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Instruments and Obligations Arising on Liquidation			
	Amendments to PAS 1 (Revised): Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Property Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits			✓
	Amendment to PAS 19 (Revised): Defined Benefit Plans: Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Related Party Disclosures - Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27 (Amended): Investment Entities			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets			✓
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property – Clarifying the Interrelationship between PFRS 3, Business Combination and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property	✓		
PAS 41	Agriculture			✓

## Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9: Embedded Derivatives <sup>1</sup>			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

## PHILIPPINE INTERPRETATIONS - SIC

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**PHILCOMSAT HOLDINGS CORPORATION**  
**(A Subsidiary of Philippine Communications Satellite Corporation)**  
**AND SUBSIDIARIES**

**SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
Current assets	P462,844,018	P421,405,434
Current liabilities	2,303,377	2,406,724
Liquidity ratio	200.94:1	175.10:1
Total liabilities	P21,434,043	P21,548,136
Total equity	898,795,996	908,660,508
Debt-to-equity ratio	0.02:1	0.02:1
Gross profit	P29,043,937	P38,292,673
Revenue	29,961,250	43,638,124
Gross profit margin	0.97%	0.88%
Net income	P974,004	P5,005,613
Revenue	29,961,250	43,638,124
Net income margin	0.03%	0.11%
Net income	P974,004	P5,005,613
Total assets	920,230,039	930,965,565
Return on assets	0.11%	0.54%

**PHILCOMSAT HOLDINGS CORPORATION**  
**(A Subsidiary of Philippine Communications Satellite Corporation)**  
**AND SUBSIDIARIES**

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**SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**DECEMBER 31, 2015**

Unappropriated retained earnings, <i>as adjusted to available for dividend distribution,</i> <i>beginning</i>	(P100,407,349)
Net Income during the period closed to retained earnings	889,283
Less deferred tax benefit recognized during the period	(1,216,339)
<b>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION</b>	<b>(P100,734,405)</b>

Reconciliation:

Unappropriated retained earnings at end of period as shown in the financial statements	(P100,258,978)
Effect of acquisition of NCI	409,275
Deferred tax assets, net of deferred tax liability) as shown in the financial statements	(884,702)
<b>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION</b>	<b>(P100,734,405)</b>

**PHILCOMSAT HOLDINGS CORPORATION**  
**(A Subsidiary of Philippine Communications Satellite Corporation)**  
**AND SUBSIDIARIES**

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**SEC Supplementary Schedule as Required by Part II of SRC Rule 68 as Amended**  
**DECEMBER 31, 2015**

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**PHILCOMSAT HOLDINGS CORPORATION**  
**(A Subsidiary of Philippine Communications Satellite Corporation)**  
**AND SUBSIDIARIES**

**A. Financial Assets**  
**DECEMBER 31, 2015**

<i>Name of issuing entity and association of each issue</i>	<i>Number of shares or principal amount of bonds and notes</i>	<i>Amount shown in the balance sheet</i>	<i>Value based on market quotation at end of reporting period</i>	<i>Income received and accrued</i>
<i>Short-term investments</i>				
Planter's Development Bank	₱42,193,855	₱42,193,855	₱42,193,855	₱3,680,534
<i>Notes and loans receivable - noncurrent</i>				
Unionbank of the Philippines	₱10,000,000	₱10,000,000	₱10,000,000	₱320,250
BDO Unibank	10,000,000	10,000,000	10,000,000	297,750
BDO Unibank	9,000,000	9,000,000	9,000,000	278,100
Metrobank Card Corp.	5,000,000	5,000,000	5,000,000	107,992
Metrobank Card Corp.	5,000,000	5,000,000	5,000,000	282,963
	<b>₱39,000,000</b>	<b>₱39,000,000</b>	<b>₱39,000,000</b>	<b>₱1,287,055</b>
<i>Financial assets at FVPL</i>				
Bank of the Philippine Islands	1,056 shares	₱99,792	₱99,792	₱950
<i>AFS financial assets</i>				
Aboitiz Bond	₱4,170,000	₱4,272,998	₱4,272,998	₱167,384
ABS-CBN FR Bond	₱5,000,000	4,880,277	4,880,277	205,900
Ayala Corp. Preferred Shares	13,760 shares	7,206,480	7,206,480	289,188
Ayala Land, Inc. Shares	100,000 shares	3,445,000	3,445,000	-
Ayala Land, Inc. Bonds	₱6,000,000	5,980,169	5,980,169	485,842
AEV 2020 Bonds	₱12,000,000	11,670,276	11,670,276	391,361
BDO Unibank Shares	25,000 shares	2,625,000	2,625,000	7,500
BDO AFS 84-3-139-0360	₱11,617,971	11,839,413	11,839,413	154,078
BDO AFS 84-3-139-0004	₱10,157,510	9,014,787	9,014,787	225,306
First Gen. Corp. Shares	10,460 shares	1,249,970	1,249,970	47,687
Filinvest Land, Inc. Bonds	₱3,000,000	2,990,480	2,990,480	75,277
GTCAP Bond	₱2,500,000	2,497,173	2,497,173	112,627
ICTSI Shares	4,170 shares	293,151	293,151	-
JG Summit Bond	₱2,000,000	2,039,580	2,039,580	38,854
Makati Sports Club, Inc.	1 share	350,000	350,000	-
Meralco FR Bond	₱10,000,000	10,063,362	10,063,362	742,891
MNTC FR Bond	₱1,000,000	1,012,102	1,012,102	28,920
Montemar Beach Club, Inc.	5 shares	375,000	375,000	-
Petron P2A Preferred Shares	500 shares	535,000	535,000	26,512
Philam Strategic Growth Fund	110,408 shares	55,837,742	55,837,742	-
Philam Bond Fund	2,307,782 shares	9,197,896	9,197,896	-
PLDT FR Bond	₱2,000,000	2,038,703	2,038,703	80,600
Retail Treasury Bonds	₱20,000,000	20,117,135	20,117,135	720,000
SLTC Bonds	₱4,700,000	4,548,432	4,548,432	81,966
SMC Preferred Shares	90,700 shares	12,387,500	12,387,500	927,616
SMIC Bonds	₱1,000,000	1,053,581	1,053,581	33,500
SMPH 2021 Bonds	₱5,000,000	4,983,067	4,983,067	-
SM Prime Holdings, Inc. Shares	100,000 shares	2,170,000	2,170,000	-
Sun Life Prosperity Balanced Fund	11,771,306 shares	42,248,394	42,248,394	-
Sun Life Prosperity Dynamic Fund	5,346,450 shares	4,951,882	4,951,882	-
Sun Life Prosperity Equity Fund	3,878,305 shares	14,828,312	14,828,312	-
Sun Life Prosperity GS Fund	6,038,647 shares	9,203,502	9,203,502	-
UITF Peso Bonds	₱28,882,913	32,110,673	32,110,673	-
		<b>₱298,017,037</b>	<b>₱298,017,037</b>	<b>₱4,843,009</b>

**PHILCOMSAT HOLDINGS CORPORATION**  
**(A Subsidiary of Philippine Communications Satellite Corporation)**  
**AND SUBSIDIARIES**

**B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal  
Stockholders (Other than Related Parties)**  
**DECEMBER 31, 2015**

<i>Name and Designation of Debtor</i>	<i>Balance at Beginning of Period</i>	<i>Additions</i>	<i>Amounts Collected</i>	<i>Current</i>	<i>Noncurrent</i>	<i>Balance at End of Period</i>
<b>Included under "Receivables"</b>						
Philcomsat	₱38,220,975	₱78,311,721	₱-	₱116,532,696	₱-	₱116,532,696
MBCI	19,395,543	-	-	19,395,543	-	19,395,543
MRDC	306,250	-	-	306,250	-	306,250
POTC	-	10,771,539	-	10,771,539	-	10,771,539
	₱57,922,768	₱89,083,260	₱-	₱147,006,028	₱-	₱147,006,028

Cash advances to Philcomsat and MBCI bear interest at 4% and 5%, respectively, while cash advances to POTC and MRDC are noninterest-bearing. All cash advances are demandable at the instance of the Group.

**PHILCOMSAT HOLDINGS CORPORATION**  
(A Subsidiary of Philippine Communications Satellite Corporation)  
**AND SUBSIDIARIES**

**C. Amounts Receivable from and Payable to Related Parties which are Eliminated During  
the Consolidation of the Financial Statements**  
DECEMBER 31, 2015

<i>Name of related party</i>	<i>Balance at beginning of period</i>	<i>Balance at end of period</i>
Philippine Management Enterprise, Inc.	P-	P773,210

**PHILCOMSAT HOLDINGS CORPORATION**  
(A Subsidiary of Philippine Communications Satellite Corporation)  
**AND SUBSIDIARIES**

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**D. Intangible Assets - Other Assets**  
**DECEMBER 31, 2015**

<i>Description</i>	<i>Beginning balance</i>	<i>Additions at cost</i>	<i>Charged to cost and expenses</i>	<i>Ending balance</i>
Goodwill	₱2,570,346	₱-	₱1,250,917	₱1,319,429

**PHILCOMSAT HOLDINGS CORPORATION**  
 (A Subsidiary of Philippine Communications Satellite Corporation)  
**AND SUBSIDIARIES**

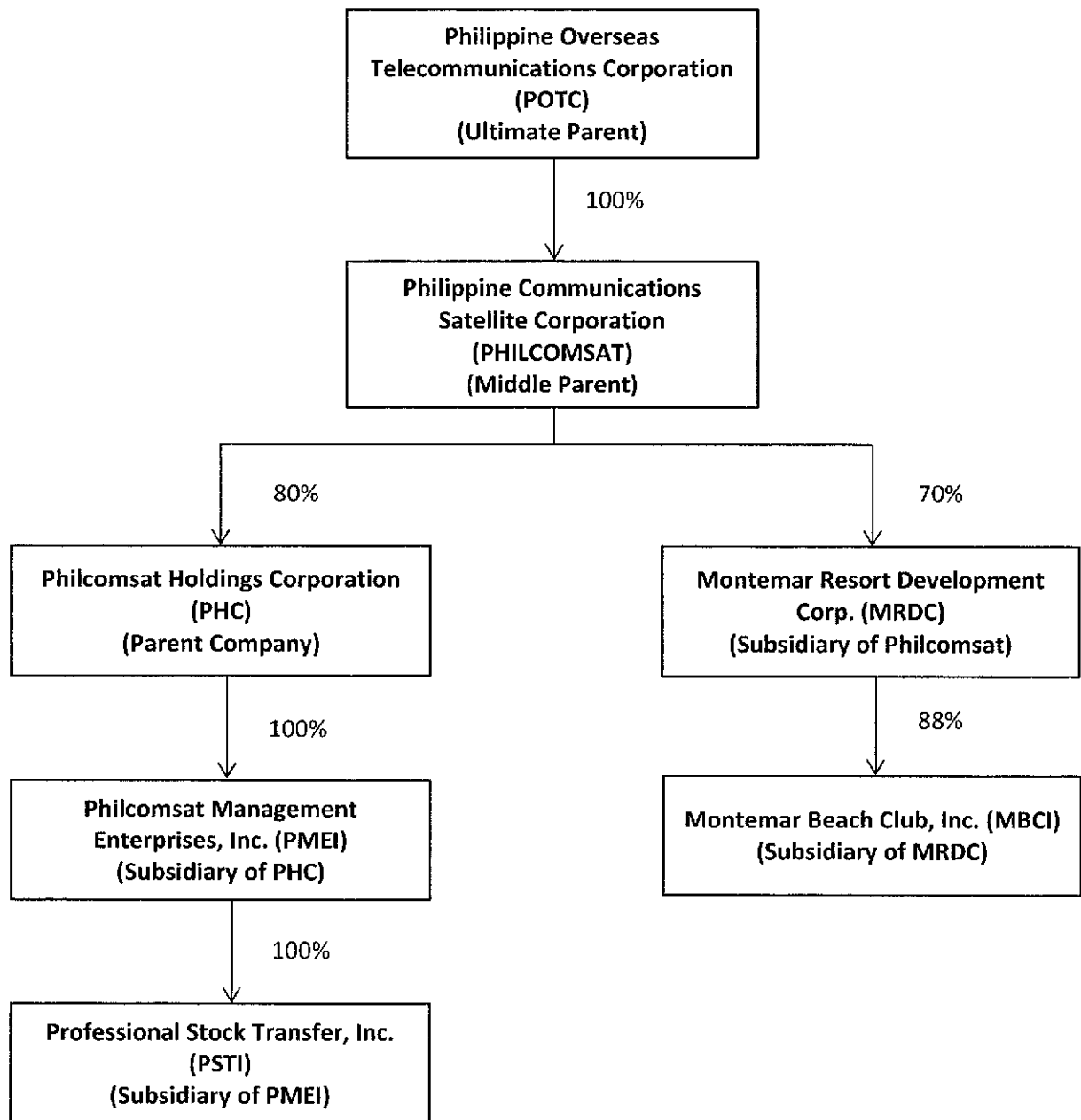
**H. SHARE CAPITAL**  
**DECEMBER 31, 2015**

<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under the related statements of financial position caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Number of shares held by</i>		
				<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
Share Capital - ₱1 par value	1,000,000,000	996,391,254	–	796,590,790	100,022,500	99,777,964

**PHILCOMSAT HOLDINGS CORPORATION**  
(A Subsidiary of Philippine Communications Satellite Corporation)  
**AND SUBSIDIARIES**

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**I. Map Showing the Relationships Between and Among the Companies in the  
Group, its Ultimate Parent Company and Co-Subsidiaries**  
DECEMBER 31, 2015

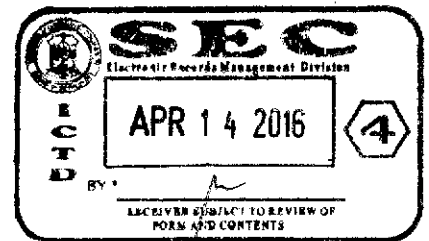


**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year 2015
2. Exact Name of Registrant as Specified in its Charter PHILCOMSAT HOLDINGS CORPORATION
3. 12/F TELECOM PLAZA, 316 SEN. GIL PUYAT AVENUE, MAKATI CITY      1200  
Address of Principal Office      Postal Code
4. SEC Identification Number 11163      5. (SEC Use Only)  
Industry Classification Code 
6. BIR Tax Identification Number 000-471-497
7. (632) 815-8406  
Issuer's Telephone number, including area code
8. ....  
Former name or former address, if changed from the last report



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## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	11
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Actual number of Directors for the year	11
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#### (a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type (Executive (ED), Non- Executive (NED) or Independent Director (ID))	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
Katrina C. Ponce-Enrile	ED	Philcomsat	Philcomsat	24 Apr 2007	16 Dec 2014	Annual	7
Ramon P. Jacinto	ED	Philcomsat	Philcomsat	11 Dec 2007	16 Dec 2014	Annual	7
Erlinda I. Bildner	ED	Philcomsat	Philcomsat	24 Apr 2007	16 Dec 2014	Annual	7
Daniel C. Gutierrez	NED	Philcomsat	Philcomsat	11 Dec 2007	16 Dec 2014	Annual	7
Pablo L. Lobregat	NED	Philcomsat	Philcomsat	24 Apr 2007	16 Dec 2014	Annual	7
Abraham R. Abesamis	NED	Philcomsat	Philcomsat	11 Dec 2007	16 Dec 2014	Annual	7
Marietta K. Ilusorio	NED	Philcomsat	Philcomsat	28 May 2010	16 Dec 2014	Annual	4
Prudencio C. Somera	NED	Philcomsat	Philcomsat	11 Dec 2007	16 Dec 2014	Annual	7
Robert Jude Jaworski, Jr.	NED	Philcomsat	Philcomsat	28 May 2010	16 Dec 2014	Annual	4
Jose Ramon C. Ozamiz	ID		Jose Ma. Ozamiz (Father)	19 Dec 2013	16 Dec 2014	Annual	1
Santiago J. Ranada, Jr.	ID		Jose Ma. Ozamiz (None)	19 Dec 2013	16 Dec 2014	Annual	1

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

- All stockholders are treated equally and without discrimination.
- The rights of minority stock holders are respected and they have the right to vote, the right to dividends, appraisal rights, the right to propose the holding of meetings, the right to propose items for discussion, and the right of inspection in accordance with law, jurisprudence and best practice.
- The Board shall make accurate and timely information available to all shareholders.
- The Board is responsible for fostering the long-term success of the Corporation and sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders.

(c) How often does the Board review and approve the vision and mission?

The Board reviews the vision and mission whenever a proposal is set forth that may have the tendency to veer from it.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group<sup>2</sup>

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

<sup>1</sup> On 9 November 2015, the Corporation held its Annual Stockholders' Meeting where a majority of the members of the Board was reelected. The details for the incumbent board will be reported in the ACGR for 2016.

<sup>2</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Katrina C. Ponce-Enrile	Philcomsat, PMEI, POTC	Executive, Executive, Executive
Ramon P. Jacinto	Philcomsat, PMEI, POTC	Non-Executive, Executive, Non-Executive
Erlinda I. Bildner	Philcomsat, PMEI, POTC	Executive, Executive, Executive
Abraham R. Abesamis	Philcomsat, PMEI	Non-Executive, Non-Executive
Pablo B. Lobregat	Philcomsat, POTC	Non-Executive, Non-Executive
Marietta K. Ilusorio	Philcomsat, POTC	Executive, Executive
Daniel C. Gutierrez	PMEI	Non-Executive
Robert Jude B. Jaworski, Jr.	Philcomsat, PMEI	Non-Executive, Non-Executive

- Philcomsat = Philippine Communications Satellite Corporation;
- PMEI – Philcomsat Management Enterprises, Inc.;
- POTC = Philippine Overseas Telecommunication Corporation.

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Katrina C. Ponce-Enrile	JAKA Corporation	Executive

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Katrina C. Ponce-Enrile	Philcomsat	Director
Ramon P. Jacinto	Philcomsat	Director
Erlinda I. Bildner	Philcomsat	Director
Daniel C. Gutierrez	Philcomsat	Director
Pablo L. Lobregat	Philcomsat	Director
Marietta K. Ilusorio	Philcomsat	Director
Abraham R. Abesamis	Philcomsat	Director
Robert Jude B. Jaworski, Jr.	Philcomsat	Director

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
<b>Executive Director</b>		No limit
<b>Non-Executive Director</b>		No limit
<b>CEO</b>		No limit

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Katrina C. Ponce-Enrile	100	0	-neg-
Ramon P. Jacinto	7,500	0	-neg-
Erlinda I. Bildner	1,200	0	-neg-
Daniel C. Gutierrez	100	0	-neg-
Pablo L. Lobregat	100	0	-neg-
Santiago J. Ranada	100	0	-neg-
Marietta K. Ilusorio	10,000	0	-neg-
Robert Jude B. Jaworski, Jr.	100	0	-neg-
Prudencio C. Somera, Jr.	100,000,100	0	10.03%
Abraham R. Abesamis	100	0	-neg-
Jose Ramon C. Ozamiz	100	0	-neg-
<b>TOTAL</b>	<b>100,019,500</b>	<b>0</b>	<b>10.03%</b>

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes  No

Identify the Chair and CEO:

Chairman of the Board	Katrina C. Ponce-Enrile
CEO/President	Ramon P. Jacinto

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary; Supervise the creation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors; and Maintain qualitative and timely lines of communication and information between the Board and Management.	Presides at all meetings of stockholders; Exercises general supervision over all other officers; Borrow money for the Corporation; Executives all contracts and agreements, Signs, indorses and delivers all checks, drafts, bill of exchange, promissory notes and orders of payment; Makes the reports to the directors
Accountabilities	Accountable when meetings are not held in a regular or orderly manner	When he or any officer is remiss in his/her duties
Deliverables	Ensures that meetings are held in a regular and orderly manner	Ensure that all reports are accurate and timely filed

3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions? *There is no specific plan for the succession of Management. The President and key management positions are filled up by election during the organizational meeting of the Board of Directors.*

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain. *All nominees to the Board are screened by the Nominations Committee who is tasked to ensure diversity of experience and background of the directors.*

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain. *All nominees to the Board are screened by the Nominations Committee who is tasked to ensure that at least one non-executive director has experience in the industry the company belongs to.*

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	<b>Executive</b>	<b>Non-Executive</b>	<b>Independent Director</b>
<b>Role</b>	Carries out resolutions of the Board of Directors	Ensures that proposals are thoroughly discussed by the Board.	Studies proposals from an objective and disinterested point of view
<b>Accountabilities</b>	Accountable when resolutions are not carried out	Accountable when illegal acts are committed by the Board	Accountable when illegal acts are committed by the Board
<b>Deliverables</b>	Enforcement of resolutions of the Board	Approval or disapproval of Board resolutions	Approval or disapproval of Board resolutions

Provide the company's definition of "independence" and describe the company's compliance to the definition.

*Independent director means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship, which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director. The independent directors of the company are independent of management and free of any business or relationship that could reasonably be perceived to materially interfere with their exercise of independent judgment in carrying out their responsibilities as director.*

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain. *The independent directors have a term limit of five consecutive years. There has been no independent director who had served for five years. The Board will consider a policy of limiting the term of such independent director to four additional years.*

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

<b>Name</b>	<b>Position</b>	<b>Date of Cessation</b>	<b>Reason</b>
None			

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

<b>Procedure</b>	<b>Process Adopted</b>	<b>Criteria</b>
<b>a. Selection/Appointment</b>		
(i) Executive Directors	Approved by Nominations Committee	Prior experience and background, must not have outstanding liabilities to the Corporation and is not an adverse party to a case in which the Corporation or any company within the group is a party

(ii) Non-Executive Directors	Approved by Nominations Committee	Prior experience and background plus must not have outstanding liabilities to the Corporation and is not an adverse party to a case in which the Corporation or any company within the group is a party
(iii) Independent Directors	Approved by Nominations Committee	Prior experience and background, complies with definition of "independent" plus must not have outstanding liabilities to the Corporation and is not an adverse party to a case in which the Corporation or any company within the group is a party
<b>b. Re-appointment</b>		
(i) Executive Directors	Approved by Nominations Committee	Prior experience and background plus must not have outstanding liabilities to the Corporation and is not an adverse party to a case in which the Corporation or any company within the group is a party
(ii) Non-Executive Directors	Approved by Nominations Committee	Prior experience and background plus must not have outstanding liabilities to the Corporation and is not an adverse party to a case in which the Corporation or any company within the group is a party
(iii) Independent Directors	Approved by Nominations Committee	Prior experience and background, complies with definition of "independent" plus must not have outstanding liabilities to the Corporation and is not an adverse party to a case in which the Corporation or any company within the group is a party
<b>c. Permanent Disqualification</b>		
(i) Executive Directors	Recommended by Nominations Committee or Compliance Officer	Violation of law, code of corporate governance or corporate policies
(ii) Non-Executive Directors	Recommended by Nominations Committee or Compliance Officer	Violation of law, code of corporate governance or corporate policies
(iii) Independent Directors	Recommended by Nominations Committee or Compliance Officer	Violation of law, code of corporate governance or corporate policies
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	Recommended by Nominations Committee or Compliance Officer	Violation of law, code of corporate governance or corporate policies
(ii) Non-Executive Directors	Recommended by	Violation of law, code of

	Nominations Committee or Compliance Officer	corporate governance or corporate policies
(iii) Independent Directors	Recommended by Nominations Committee or Compliance Officer	Violation of law, code of corporate governance or corporate policies
<b>e. Removal</b>		
(i) Executive Directors	Recommended by Board and Approved by Stockholders	Violation of law, code of corporate governance or corporate policies
(ii) Non-Executive Directors	Recommended by Board and Approved by Stockholders	Violation of law, code of corporate governance or corporate policies
(iii) Independent Directors	Recommended by Board and Approved by Stockholders	Violation of law, code of corporate governance or corporate policies
<b>f. Re-instatement</b>		
(i) Executive Directors	Approved by Nominations Committee	Prior experience and background plus must not have outstanding liabilities to the Corporation and is not an adverse party to a case in which the Corporation or any company within the group is a party
(ii) Non-Executive Directors	Approved by Nominations Committee	Prior experience and background plus must not have outstanding liabilities to the Corporation and is not an adverse party to a case in which the Corporation or any company within the group is a party
(iii) Independent Directors	Approved by Nominations Committee	Prior experience and background, complies with definition of "independent" plus must not have outstanding liabilities to the Corporation and is not an adverse party to a case in which the Corporation or any company within the group is a party
<b>g. Suspension</b>		
(i) Executive Directors	Recommended by Compliance Officer and Approved by Board	Violation of law, code of corporate governance or corporate policies
(ii) Non-Executive Directors	Recommended by Compliance Officer and Approved by Board	Violation of law, code of corporate governance or corporate policies
(iii) Independent Directors	Recommended by Compliance Officer and Approved by Board	Violation of law, code of corporate governance or corporate policies

Voting Result of the last Annual General Meeting (December 16, 2014)

Name of Director	Votes Received
Katrina C. Ponce-Enrile	At the last Annual General Meeting in which at least 90% of the total outstanding capital stock was present, the corporate secretary was instructed to cast all votes (except for 5,500 shares representing 0.0005%) equally among the nominees.
Ramon P. Jacinto	
Erlinda I. Bildner	
Daniel C. Gutierrez	
Pablo L. Lobregat	
Marietta K. Ilusorio	
Robert Jude B. Jaworski	
Prudencio C. Somera, Jr.	
Santiago J. Ranada	
Jose Ramon C. Ozamiz	
Abraham R. Abesamis	

6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any. *The President and Treasurer give a briefing to the new directors.*
- (b) State any in-house training and external courses attended by Directors and Senior Management<sup>3</sup> for the past three (3) years: *The directors and senior management attended Corporate Governance Seminars in accordance with the requirements of the Securities and Exchange Commission.*
- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Ramon P. Jacinto	13 Jan 2015	Corporate Governance Seminar	Center for Global Best Practices
Erlinda I. Bildner	13 Jan 2015	Corporate Governance Seminar	Center for Global Best Practices
Daniel C. Gutierrez	13 Jan 2015	Corporate Governance Seminar	Center for Global Best Practices
Marietta K. Ilusorio	13 Jan 2015	Corporate Governance Seminar	Center for Global Best Practices
Prudencio C. Somera, Jr.	13 Jan 2015	Corporate Governance Seminar	Center for Global Best Practices
Santiago J. Ranada	13 Jan 2015	Corporate Governance Seminar	Center for Global Best Practices
Jose Ramon C. Ozamiz	13 Jan 2015	Corporate Governance Seminar	Center for Global Best Practices
Victoria C. de los Reyes	13 Jan 2015	Corporate Governance Seminar	Center for Global Best Practices
Abraham R. Abesamis	13 Jan 2015	Corporate Governance Seminar	Center for Global Best Practices
Robert Jude B. Jaworski, jr.	13 Jan 2015	Corporate Governance Seminar	Center for Global Best Practices
John Benedict L. Sioson	13 Jan 2015	Corporate Governance Seminar	Center for Global Best Practices
Manolita L. Morales	13 Jan 2015	Corporate Governance Seminar	Center for Global Best Practices
Martina K. Ladaw	13 Jan 2015	Corporate Governance Seminar	Center for Global Best Practices
Lorna Patajo-Kapunan	13 Jan 2015	Corporate Governance Seminar	Center for Global Best Practices
Javier T. Ibazeta	13 Jan 2015	Corporate Governance Seminar	Center for Global Best Practices

<sup>3</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

## B. CODE OF BUSINESS CONDUCT & ETHICS

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	Directors should ensure that their personal interests do not conflict with those of the Corporation. He should avoid situations that may compromise his impartiality. Any actual or potential conflict of interest should be fully and immediately disclosed and the director concerned should refrain from participating in the decision-making process.	Management should ensure that their personal interests do not conflict with those of the Corporation. He should avoid situations that may compromise his impartiality. Any actual or potential conflict of interest should be fully and immediately disclosed and the officer concerned should refrain from participating in the decision-making process.	Not applicable as the Company currently does not have employees
(b) Conduct of Business and Fair Dealings	Directors are encouraged to always conduct business and dealings fairly	Directors are encouraged to always conduct business and dealings fairly	Not applicable
(c) Receipt of gifts from third parties	Only token gifts of small value from third parties are allowed.	Only token gifts of small value from third parties are allowed.	Not applicable
(d) Compliance with Laws & Regulations	Directors are mandated to always comply with laws and regulations	Officers are mandated to always comply with laws and regulations	Not applicable
(e) Respect for Trade Secrets/Use of Non-public Information	Directors are mandated to respect trade secrets and to not disclose non-public information	Officers are mandated to respect trade secrets and to not disclose non-public information	Not applicable
(f) Use of Company Funds, Assets and Information	Use of company funds, assets and information are subject to scrutiny and may be cause for removal	Use of company funds, assets and information are subject to scrutiny and may be cause for removal	Not applicable
(g) Employment & Labor Laws & Policies	Directors are mandated to follow employment and labor laws and policies	Officers are mandated to follow employment and labor laws and policies	Not applicable
(h) Disciplinary action	Directors may be subject to disciplinary action	Officers may be subject to disciplinary action	Not applicable
(i) Whistle Blower	Directors who are so tasked will investigate all complaints fairly and will ensure that the complainant and/or his identity are protected.	Officers who are so tasked will investigate all complaints fairly and will ensure that the complainant and/or his identity are protected.	Not applicable
(j) Conflict Resolution	Directors are encouraged to resort to alternative dispute resolutions to resolve conflicts	Officers are encouraged to resort to alternative dispute resolutions to resolve conflicts	Not applicable

- 2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees? Yes.
- 3) Discuss how the company implements and monitors compliance with the code of ethics or conduct. *All directors and officers are expected to comply with the code of ethics or conduct. The Compliance Officer notes any complaint or deviation from the same.*
- 4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	All transactions are recorded and negotiated and entered into under conditions equivalent to those prevailing in an arm's length transaction.
(2) Joint Ventures	All transactions are recorded and negotiated and entered into under conditions equivalent to those prevailing in an arm's length transaction.
(3) Subsidiaries	All transactions are recorded and negotiated and entered into under conditions equivalent to those prevailing in an arm's length transaction.
(4) Entities Under Common Control	All transactions are recorded and negotiated and entered into under conditions equivalent to those prevailing in an arm's length transaction.
(5) Substantial Stockholders	All transactions are recorded and negotiated and entered into under conditions equivalent to those prevailing in an arm's length transaction.
(6) Officers including spouse/children/siblings/parents	RPT with officers including spouse, children, siblings and parents are discouraged and require prior disclosure to the Board.
(7) Directors including spouse/children/siblings/parents	RPT with directors including spouse, children, siblings and parents are discouraged and require prior disclosure to the Board.
(8) Interlocking director relationship of Board of Directors	Due to the ownership structure of the Group, interlocking directors cannot be avoided. However, all transactions between members of the group are entered into by different directors/executive officers to avoid a situation where the authorized signatory of one party is likewise the authorized signatory of the other.

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None
Name of Officer/s	None
Name of Significant Shareholders	None

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	None
Group	None

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,<sup>4</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
None		

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
Philcomsat	Parent Company	Philcomsat is the owner of 79% of the total issued and outstanding capital stock

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None		

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	Conciliation and Mediation Conferences
Corporation & Third Parties	Conciliation and Mediation Conferences
Corporation & Regulatory Authorities	Conciliation and Mediation Conferences

**C. BOARD MEETINGS & ATTENDANCE**

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year? **Yes.**
- 2) Attendance of Directors

<sup>4</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Katrina C. Ponce-Enrile	16 Dec 2014	6	6	100
Member	Ramon P. Jacinto	16 Dec 2014	6	5	83
Member	Erlinda I. Bildner	16 Dec 2014	6	6	100
Member	Daniel C. Gutierrez	16 Dec 2014	6	6	100
Member	Pablo L. Lobregat	16 Dec 2014	6	4	66
Member	Prudencio C. Somera	16 Dec 2014	6	4	66
Member	Abraham R. Abesamis	16 Dec 2014	6	6	100
Member	Marietta K. Ilusorio	16 Dec 2014	6	5	84
Member	Robert Jude B. Jaworski, Jr.	16 Dec 2014	6	6	100
Independent	Jose Ramon C. Ozamiz	16 Dec 2014	6	6	100
Independent	Santiago J. Ranada	16 Dec 2014	6	6	100

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? *No.*

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain. *No*

5) Access to Information

(a) How many days in advance are board papers<sup>5</sup> for board of directors meetings provided to the board? *Between 5 and 10 days or as soon as the same have been prepared by the director/officer-proponent.*

(b) Do board members have independent access to Management and the Corporate Secretary? *Yes.*

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc? *The role of the company secretary is defined in the Manual on Corporate Governance and includes assisting the in the preparation of the Agenda, facilitating training of directors and keeping directors updated regarding any relevant statutory and regulatory changes.*

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative. *Yes.*

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes  No

Committee	Details of the procedures
Executive	Request from Chairman and/or Secretary
Audit	Request from Chairman and/or Secretary
Nomination	Request from Chairman and/or Secretary
Remuneration	Request from Chairman and/or Secretary
Others (specify)	Request from Chairman and/or Secretary

<sup>5</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
Any director may use any form of communication to receive external advice at any time during the discussion on any proposal. A director may likewise request that action be deferred on any proposal until external advice is received.	-same-

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
None		

**D. REMUNERATION MATTERS**

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Negotiated, based on work done and responsibilities and liabilities assumed, and is the lowest based on industry standards	Negotiated, based on work done and responsibilities and liabilities assumed, and is the lowest based on industry standards
(2) Variable remuneration	Not applicable	Not applicable
(3) Per diem allowance	Not applicable	Not applicable
(4) Bonus	As recommended by Compensation Committee based on work done and responsibilities and liabilities assumed, and is the lowest based on industry standards	As recommended by Compensation Committee based on work done and responsibilities and liabilities assumed, and is the lowest based on industry standards
(5) Stock Options and other financial instruments	Not applicable	Not applicable
(6) Others (specify)	Not applicable	Not applicable

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	<b>Remuneration Policy</b>	<b>Structure of Compensation Packages</b>	<b>How Compensation is Calculated</b>
Executive Directors	Based on work done and responsibilities and liabilities assumed	Is the lowest based on industry standards	As recommended by Compensation Committee
Non-Executive Directors	Based on work done and responsibilities and liabilities assumed	Is the lowest based on industry standards	As recommended by Compensation Committee

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

<b>Remuneration Scheme</b>	<b>Date of Stockholders' Approval</b>
No	

### 3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

<b>Remuneration Item</b>	<b>Executive Directors</b>	<b>Non-Executive Directors (other than independent directors)</b>	<b>Independent Directors</b>
(a) Fixed Remuneration	6,690,000	2,545,000	380,000.00
(b) Variable Remuneration	Not applicable	Not applicable	Not applicable
(c) Per diem Allowance	Not applicable	Not applicable	Not applicable
(d) Bonuses	Not applicable	Not applicable	Not applicable
(e) Stock Options and/or other financial instruments	Not applicable	Not applicable	Not applicable
(f) Others (Specify)	Not applicable	Not applicable	Not applicable
<b>Total</b>			

<b>Other Benefits</b>	<b>Executive Directors</b>	<b>Non-Executive Director (other than independent directors)</b>	<b>Independent Directors</b>
1) Advances	Not applicable	Not applicable	Not applicable
2) Credit granted	Not applicable	Not applicable	Not applicable
3) Pension Plan/s Contributions	Not applicable	Not applicable	Not applicable
(d) Pension Plans, Obligations incurred	Not applicable	Not applicable	Not applicable
(e) Life Insurance Premium	Not applicable	Not applicable	Not applicable
(f) Hospitalization Plan	Not applicable	Not applicable	Not applicable
(g) Car Plan	Not applicable	Not applicable	Not applicable

(h) Others (Specify)	Not applicable	Not applicable	Not applicable
<b>Total</b>			

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
None				

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
None		

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Manolita L. Morales	3,156,000
Victoria C. de los Reyes	
Lorna Patajo-Kapunan	
Javier Miguel T. Ibazeta	
John Benedict L. Sioson	

**E. BOARD COMMITTEES**

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	3	2	0	None	Acts on matters delegated by Board	Acts on matters delegated by Board	Acts on matters delegated by Board
Audit	3	0	1	Drafted but pending approval	See Manual on Corporate Governance	See Manual on Corporate Governance	See Manual on Corporate Governance
Nomination	1	1	1	None	See Manual on Corporate Governance	See Manual on Corporate Governance	See Manual on Corporate Governance
Remuneration	0	2	0	None	See Manual on Corporate Governance	See Manual on Corporate Governance	See Manual on Corporate Governance

## 2) Committee Members

### (a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ED)	Katrina C. Ponce-Enrile	16 Dec 2014	3	3	100	4
Member (ED)	Ramon P. Jacinto	16 Dec 2014	3	3	100	4
Member (NED)	Abraham R. Abesamis	16 Dec 2014	3	3	100	4
Member (ED)	Erlinda I. Bildner	16 Dec 2014	3	3	100	4
Member (NED)	Daniel C. Gutierrez	16 Dec 2014	3	3	100	4

### (b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Santiago J. Ranada	16 Dec 2014	1	1	100	1
Member (NED)	Ramon P. Jacinto	16 Dec 2014	1	1	100	1
Member (ED)	Erlinda I. Bildner	16 Dec 2014	1	1	100	4
Member (ED)	Katrina C. Ponce-Enrile	16 Dec 2014	1	1	100	4
Member	Manolita L. Morales	16 Dec 2014	1	1	100	4

Disclose the profile or qualifications of the Audit Committee members. – *Is chaired by an independent director. Includes the Chairman, the President, the Treasurer and the Asst. Treasurer.*

Describe the Audit Committee's responsibility relative to the external auditor. *The Audit Committee recommends the external auditor to the Board of Directors, who in turn recommends to the stockholders. The Audit Committee makes sure that the external auditor has unhampered access to all records of the Corporation and to any officer or director of the Corporation.*

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Robert Jude B. Jaworski, Jr.	16 Dec 2014	1	1	100	1
Member (ED)	Katrina C. Ponce-Enrile	16 Dec 2014	1	1	100	4
Member (I)	Jose Ramon C. Ozamiz	16 Dec 2014	1	1	100	1

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Lorna Patajo-Kapunan	16 Dec 2014	1	1	100	4
Member (NED)	Abraham R. Abesamis	16 Dec 2014	1	1	100	4
Member (NED)	Robert Jaworski, Jr.	16 Dec 2014	1	1	100	1

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive		
Audit	Julie Y. Daza	Appointed Chairman vice S. Ranada
Nomination		
Remuneration		
Others (specify)		

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	Recommended actions to the Board	Recommended actions to the Board
Audit	Reviewed audit controls, Recommended reappointment of external auditor	Efficiency of audit controls and qualification of external auditor
Nomination	Recommended nominees to the Board	Qualifications to nominees to the Board
Remuneration	Reviewed compensation packages	Recommended appropriate compensation packages

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	None at the moment	None at the moment
Audit	Same as last year	Same as last year
Nomination	Same as last year	Same as last year
Remuneration	Same as last year	Same as last year

## F. RISK MANAGEMENT SYSTEM

### 1) Disclose the following:

- (a) Overall risk management philosophy of the company - *The Corporation's principal financial instruments comprise cash and cash equivalents, receivables, investments in debt instruments, securities, short-term and long-term bank loans and other similar instruments. The Corporation is very prudent whenever an investment opportunity arises to ensure that such investment will earn an adequate yield and any gain will help the Corporation achieve its strategic goals. As with other corporations in the same industry, the main risks in the use of these financial instruments are credit risk, liquidity risk, interest rate risk, foreign currency risk, and equity price risk. The performance of all investments and their attendant risks are monitored by the Business Development Committee.*
- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof; - *The directors have reviewed the effectiveness of the risk management system and commented on the adequacy thereof.*
- (c) Period covered by the review – 2015
- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; - *At every meeting, the directors are provided with a list of financial assets for their review and comments.*
- (e) Where no review was conducted during the year, an explanation why not. – n/a

### 2) Risk Policy

#### (a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Credit risk, liquidity risk, interest rate risk, foreign currency risk, and equity price risk	The performance of all investments and their attendant risks are monitored by the Business Development Committee and the Board of Directors	Ensure that such investment will earn an adequate yield and any gain will help the Corporation achieve its strategic goals.

#### (b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Not applicable		

#### (c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
As with any corporation where the majority stockholder holds a substantial portion of the total outstanding capital stock, the risk to minority shareholders is that the latter are unable to nominate themselves to the Board of Directors or pass resolutions without the assent of the majority. However, this is not due to the fault of the majority stockholder as it had long intended to list its shares in order to cede control but the PCGG had objected to such listing despite the fact that the Corporation is not sequestered.

### 3) Control System Set Up

#### (a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the

company:

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
<i>Credit risk, liquidity risk, interest rate risk, foreign currency risk, and equity price risk</i>	<i>The performance of all investments and their attendant risks are monitored by the Business Development Committee and the Board of Directors</i>	<i>The performance of all investments and their attendant risks are monitored by the Business Development Committee and the Board of Directors</i>

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
Not applicable		

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

<b>Committee/Unit</b>	<b>Control Mechanism</b>	<b>Details of its Functions</b>
None		

**G. INTERNAL AUDIT AND CONTROL**

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

- (a) Explain how the internal control system is defined for the company; - *The internal control system provides the Board, senior management and stockholders with reasonable assurance that the key organizational and procedural controls are effective, appropriate and complied with.*
- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate; - *The directors reviewed the effectiveness of the internal control system and consider them effective and adequate*
- (c) Period covered by the review; *2015*
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; - *The internal controls are reviewed periodically as directors are given financial reports on a regular basis. Directors assess the effectiveness of the internal control system through a comparison of the transactions undertaken by the company with the reports.*
- (e) Where no review was conducted during the year, an explanation why not. - *Not applicable.*

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Internal Auditor	Performs such duties as may be inherent in the title	In-house	Martina K. Ladaw	Reports to the Audit Committee, and if requested, to the Board of Directors and the Treasurer

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee? *The appointment and/or removal of the internal auditor or the accounting/auditing firm is recommended by the audit committee and approved by the board. In addition, the auditing firm is elected by the stockholders at the annual stockholders' meeting.*

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel? *The internal auditor is required to submit periodic reports to the audit committee and has direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel.*

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
None	

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	Not Applicable
Issues <sup>6</sup>	Not Applicable
Findings <sup>7</sup>	Not Applicable
Examination Trends	Not Applicable

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

<sup>6</sup> "Issues" are compliance matters that arise from adopting different interpretations.

<sup>7</sup> "Findings" are those with concrete basis under the company's policies and rules.

Policies & Procedures	Implementation
All expenses are accompanied by receipts	Internal auditors keeps receipts as evidence of expenses
All disbursements are approved by the appropriate authority	Internal auditor makes sure that vouchers are signed and approved by the appropriate authority
All income and expenses must be recorded	Internal auditor ensures proper recording of all income and expenses

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
Must not have any relationship with any person in the group. Due diligence is conducted and accreditation is ascertained.	Must not have any relationship with any person in the group.	Must not have any relationship with any person in the group.	Not applicable

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance. *Chairman, CEO, Compliance Officer and Independent Director.*

**H. ROLE OF STAKEHOLDERS**

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	Not Applicable	Not Applicable
Supplier/contractor selection practice	Not Applicable	Not Applicable
Environmentally friendly value-chain	Not Applicable	Not Applicable
Community interaction	Not Applicable	Not Applicable
Anti-corruption programmes and procedures?	See Whistleblowers Policy	See Whistleblowers Policy
Safeguarding creditors' rights	Not Applicable	Not Applicable

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?  
*No.*

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare? *While the Corporation*

currently has no regular employees, in the future, it would give importance to their safety, health and welfare. The Corporation would provide a safe working environment with health and medical benefits and ensure that the employees' working hours are reasonable. The Corporation would likewise provide training and development programs in the employees' respective fields on an "as needed" basis.

(b) Show data relating to health, safety and welfare of its employees. *Not applicable*

(c) State the company's training and development programmes for its employees. Show the data. *Not applicable*

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures. *Not applicable*

What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation. *While the Corporation has no employees, it will investigate all complaints fairly and ensure that the complainant and/or his identity are protected.*

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Philcomsat	796,590,790	79.94%	-none-
Prudencio C. Somera, Jr.	100,000,100	10.03%	-none-

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
None			
<b>TOTAL</b>			

### 2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	No
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Yes
Number of board of directors/commissioners meetings held during the year	No
Attendance details of each director/commissioner in respect of meetings held	No
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure. *The Whistle Blowing policy is indicated in the company website. The attendance details of the directors and the number of meetings held is indicated in the ACGR. Remuneration is indicated as a group, not individually.*

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Reyes Tacandong & Co.	800,000.00	-none-

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.  
*SEC, PSE, mail and web*

5) Date of release of audited financial report: *15 April 2015*

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) Disclosure of RPT

RPT	Relationship	Nature	Value
Advances	Affiliate	Loans	< 5% per affiliate
Investments	Affiliate	Investments	< 5% per affiliate

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders? When RPTs are involved, the Board ensures that loans and advances will be fully paid considering the financial capability of the affiliate and that investments are made only when the affiliate has the potential to earn. In any case, the Board strives to limit any such RPT to less than 5% of the Corporation's total funds and charges interest.

**J. RIGHTS OF STOCKHOLDERS**

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

<b>Quorum Required</b>	50% + 1 share
------------------------	---------------

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

<b>System Used</b>	Simple majority
<b>Description</b>	Unless a higher majority is required by the Corporation Code, a majority of 50% + 1 vote is needed to approve corporate acts.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
None	

Dividends

Declaration Date	Record Date	Payment Date
None		

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
Open Forum	Chairman opens the floor during the stockholders' meetings for questions.
After meeting tete-a-tete	Any stockholder may approach the Chairman, any director or any member of the board committees to pose a question or point of clarification

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
  - a. Amendments to the company's constitution – *An explanation is included in the Company's information statement and at the meeting the floor is opened for questions.*
  - b. Authorization of additional shares – *An explanation is included in the Company's information statement and at the meeting the floor is opened for questions.*
  - c. Transfer of all or substantially all assets, which in effect results in the sale of the company – *An explanation is included in the Company's information statement and at the meeting the floor is opened for questions.*
3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? *No. SRC only requires 15 business days.*
  - a. Date of sending out of most recent notices: *19 October 2015*
  - b. Date of the most recent Annual/Special Stockholders' Meeting: *9 November 2015*
4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting. *Only questions regarding the financial statements specifically the Revenue and the G&A. These were answered by the Treasurer.*
5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Approval of Minutes	90%	-negligible-	
Approval of Mgt. Report	90%	-negligible-	
Approval of Mgt. Acts	90%	-negligible-	

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:  
16 December 2014, immediately after the meeting.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None	

(f) Stockholders' Attendance

(i) Details of Attendance in the most recent Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	8	9 Nov 2015	Poll	<10%	~80%	~90%

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? *The Office of the Corporate Secretary is tasked to count and/or validate votes at the ASM/SSMs.*

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares. *One share has as many votes as there are number of directors in accordance with the Corporation Code, which allows cumulative voting. The company has only one class of shares.*

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	All proxies are deemed to be duly executed and accepted by the proxy holder unless contested.
Notary	Proxies need not be notarized.
Submission of Proxy	Submission must be by deadline set by Corporation.
Several Proxies	Later valid proxy nullifies earlier proxy.
Validity of Proxy	Proxies are generally valid for the meeting for which they are submitted unless otherwise indicated in the proxy.
Proxies executed abroad	Proxies executed abroad must be duly subscribed to and consularized.

Invalidated Proxy	Invalidated proxies are not allowed to vote.
Validation of Proxy	Validation is held prior to the meeting.
Violation of Proxy	Violation of the instructions by the proxy holder nullifies his vote.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
Notice is sent in accordance with the By-laws and the Securities Regulation Code	Notice is sent at least 15 business days prior to the date of the annual stockholders' meeting.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	1,200
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	19 October 2015
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	19 October 2015
State whether CD format or hard copies were distributed	CD Format
If yes, indicate whether requesting stockholders were provided hard copies	Yes

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Not currently applicable
The amount payable for final dividends.	Not currently applicable
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.  
*The Corporation has negative retained earnings and cannot declare dividends at this time.*

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
Company treats minority stockholders in the same respectable manner as majority stockholders. Any stockholder must likewise treat the company and its management with respect.	Any demand by a stockholder who has displayed a hostile attitude to the company will be treated with caution and upon proper assessment of the legal risks by the general counsel. Otherwise, general requests by stockholders are acquiesced to.

(b) Do minority stockholders have a right to nominate candidates for board of directors? Yes.

#### K. INVESTORS RELATIONS PROGRAM

- 1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee. *External and internal communications are reviewed by at least two officers of the Corporation before they are disseminated.*
- 2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	To disseminate as much information as possible in accordance with the Manual on Corporate Governance, existing laws and regulations and jurisprudence
(2) Principles	-same-
(3) Modes of Communications	Mail, telephone, SEC, PSE and web
(4) Investors Relations Officer	Javier T. Ibazeta, 815-8406, 817-9430, info@phc.com.ph

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets? *Not applicable*

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price. *Not applicable*

#### L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
None	

#### M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	None	None
Board Committees	Review by Board of Directors	Functions in accordance with company policies
Individual Directors	Review by Board of Directors	Functions in accordance with company policies
CEO/President	Review by Board of Directors	Functions in accordance with company policies

**N. INTERNAL BREACHES AND SANCTIONS**


Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

<b>Violations</b>	<b>Sanctions</b>
If by director	Warning, Reprimand, Suspension, Removal
If by officer	Warning, Reprimand, Suspension, Removal
If by management	Warning, Reprimand, Suspension, Removal
If by employee	Warning, Reprimand, Suspension, Removal

Pursuant to the requirements of the Securities and Exchange Commission, this Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on 14<sup>th</sup> day of April 2016.

**SIGNATURES**

  
**KATRINA C. PONCE-ENRILE**  
 Chairman of the Board

  
**RAMON P. JACINTO**  
 Chief Executive Officer


  
**JAVIER MIGUEL T. IBAZETA**  
 Assistant Compliance Officer

  
**JOSE RAMON C. OZAMIZ**  
 Independent Director

**SUBSCRIBED AND SWORN** to before me this 14<sup>th</sup> day of April 2016, affiants exhibiting to me the following identification, as follows:

<b>NAMES</b>	<b>ID/PASSPORT NO.</b>	<b>DATE OF ISSUE/PLACE OF ISSUE</b>
Katrina C. Ponce-Enrile	EB9495098	November 4, 2013/DFA Manila
Ramon P. Jacinto	EB8057474	May 8, 2013/DFA Manila
Javier Miguel T. Ibazeta	N01-91-127696	August 26, 2015, LTO Las Piñas
Jose Ramon C. Ozamiz	VIN No. 7602-0306A-B1857 JCO100010	Comelec Makati, IV District

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 Book No. : 153  
 Series of 2016.

  
**ATTY. ROBERTON KLUZ**  
 NOTARY PUBLIC  
 Until December 31, 2017  
 Appt. No. M-20, Makati City  
 IBP #1009529, Sept. 24, 2015-RSM  
 PTR #5321594, Jan. 04, 2016-Makati  
 S.C. Roll No. 59597  
 PRC E-Compliance No. IV-0011330  
 Unit 301 3rd Flr. Vamnos Bldg.  
 101 Urban Avenue, Brgy. Pio del Santos  
 Makati City