

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

Month

3 1

Day

**SEC Form 17-A
2016 Annual Report**

FORM TYPE

**3rd Monday of
November**

Annual Meeting

Fiscal Year

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

996,391,254

Total No. of Stockholders

Total amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

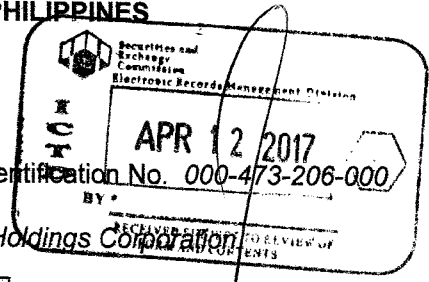
STAMPS

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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 2016
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 Telecom 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 [x] 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 14 April 2016 and its Quarterly Reports on SEC Form 17-Q on 17 May 2016 (amended), 12 August 2016 and 14 November 2016.

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 of 31 December 2016, the aggregate market value of the voting stock held by non-affiliates of the Corporation is P121,729,116.08.

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 2016.

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 Chairmen Andres Bautista and 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) Transactions with/Dependence on 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-Locsin 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-Locsin) 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-Locsin Group who availed of the privilege.

The Corporation's 100%-owned subsidiary, Philcomsat Management Enterprises, Inc., acquired 100% of Professional Stock Transfer, Inc.

Details of other RPTs are found in Note 18 of the attached Consolidated Financial Statements.

(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 2016, the 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 P86,605.42 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. On August 31, 2016, a Decision was issued denying the Petition. PHC decided to no longer pursue the case.

On 6 December 2016, a Petition for Certiorari was filed with the Court of Appeals, docketed as CA GR No. 148642, assailing the Orders dated 3 August 2016 and 3 October 2016 issued by RTC Makati, Br. 62, which denied the Urgent Motion to Inhibit filed by Benito R. Araneta.

The case has been re-raffed to RTC Makati, Branch 62. On November 7, 2016, PHC filed its Memorandum. On November 14, 2016, PHC filed an Urgent Motion praying that Araneta and Lokin be ordered to submit a new counter-bond since CAP General Insurance Corporation is already non-existing and under conservatorship. PHC's Urgent Motion is still pending resolution.

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 the trial for the presentation of Brodett's evidence is on-going.

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.

On 13 October 2016, a Resolution was issued denying the Motion for Reconsideration. PHC decided to no longer pursue the case with the Supreme Court.

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. The parties however settled the case amicably.

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. The RTC-Makati issued a Decision in favor of Mr. Africa. PHC filed a Petition for Review with the Court of Appeals. Mr. Africa filed his own appeal docketed as CA G.R. CV No. 107030. The cases are pending. 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. On 23 February 2016, RTC 132 Makati rendered a Decision in favor of Mr. Africa. The case was appealed by both parties to the Court of Appeals. Mr. Africa, however, likewise requested the RTC for the issuance of a writ of execution. The RTC ordered the Notice of Appeal of Mr. Africa stricken from the record and granted the writ of execution. After discussion with legal counsel, management complied with the writ and withdrew its appeal in the Court of Appeals.

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 P200,000.00, moral damages of P200,000.00 and attorney's fees of P50,000.00 plus P5,000.00 per

appearance. The case is undergoing trial. Mr. Africa owns 5,500 shares with a total par value of P5,500.00.

e. Victor V. Africa vs. V. de los Reyes, John/Jane Does and PHC (Civil Case No. R-MLT-16-00445), RTC Makati Br. 147

This is an intra-corporate controversy case filed by Victor Africa on 1 June 2016 against PHC, its Corporate Secretary, and unidentified persons for inspection of corporate orders, minutes or records and praying for moral damages of P200,000.00, exemplary damages of P100,000.00 and attorney's fees of P50,000.00 plus P5,000.00 per appearance. On 30 September 2016, PHC filed its Answer. The case is pending. As above stated, Mr. Africa owns 5,500 shares with a total par value of P5,500.00.

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 Erlinda Bildner) 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:

Name	No. of Shares	Percentage
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

Prior to 2007, the Corporation 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. Together with Philip Brodett, Atty. Luis Lokin, and Concepcion Poblador, they recklessly spent, invested in and made advances to failed ventures, mismanaged and dissipated the Company's funds.

Under the management of the Brodett-Araneta-Poblador-Lokin-Loocsin Group, the Corporation incurred more than P600M in losses and caused the erosion of Shareholders' Equity from P1,458 million in 2004 to P855.5 million. The book value per share plummeted from P1.46 to P0.85, below the par value per share of P1.00.

In addition, in May 2007, PHC shares were suspended from trading due to the failure of the Brodett-Araneta-Poblador-Lokin-Loocsin Group to file Audited Financial Statements with the SEC and PSE.

Upon the present Management's taking control of PHC from the Brodett-Araneta-Poblador-Lokin-Loocsin Group, SGV & Co., was 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. Thus, for the years 2006, the independent external auditors engaged by present Management have issued clean, unqualified opinions on the Company's AFS.

Present Management will continue to seek justice for its stockholders by filing cases to recover the company funds from the Brodett-Araneta-Poblador-Lokin-Loocsin Group.

Insofar as operations are concerned, the Articles of Incorporation limit the business of the Corporation to money market trading and holding of investments. Thus, the bulk of the Corporation's revenue comes from interest income. In order to diversify, the Corporation set up a 100% owned subsidiary, Philcomsat Management Enterprises, Inc. (PMEI) which provides management and consultancy services and whose initial venture was the acquisition of Professional Stock Transfer, Inc., a stock transfer agency.

The Corporation has likewise entered into a joint venture with PMEI, the Philippine Overseas Telecommunications Corporation (POTC), and other suppliers in their successful bid for a telecommunications project for the Philippine Navy.

The Corporation intends to enter into similar joint ventures to bid for projects with the Armed Forces of the Philippines.

For the year 2016, the Corporation was able to recover a substantial amount from Ansear Realty & Development Corporation against whom the Corporation filed a case for collection. Consequently, from a deficit of approximately P100 million, the Corporation now has P220 million in retained earnings.

Results of Operations (Registrant Only)

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

Revenues: In the fiscal year ended December 31, 2016, the Corporation generated revenue of P23.1 million compared to P28.5 million in the year ended December 31, 2015 and P41.2 million in the year ended December 31, 2014. Interest income from money market placements and deposits for the year 2016 was P16 million compared to P17 million in 2015 and P15.4 million in 2014. Interest income from money market placements and deposits traditionally represent the bulk of the Company's revenue.

In 2016, as a result of a settlement of a loan receivable, the Corporation recorded a gain of P273 million as well as a reversal of allowance for doubtful accounts in the amount of P125 million.

There was no rental income generated in 2016 and 2015 from the Corporation's Pacific Star office space in 2014. Rental income for 2014 was P10.9 million.

Expenses: Costs and expenses amounted to P51.2 million in 2016, P28.2 million in 2015 and P35.6 million in 2014.

Operating and Net Income/Loss: While the Corporation registered an operating loss in 2016 of P51 million as the cost of the settlement of loan receivable was booked, net income, on the other hand, reached P320 million in the same year.

Operating income in 2015 was P0.3 million and P5.6 million in 2014. Net income in 2015 was P0.8 million compared to P5.2 million 2014.

Income Statement (Registrant Only)
(P Million)

	2014	2015	2016
Revenue	41.2	28.5	23.1
Cost of Service	35.6	28.2	51.2
Gross Profit	5.6	0.309	28.0
Other Income (Expenses)	0.0	1.1	398.0
Provision for Tax	0.365	(0.578)	49.481
Net Income (Loss)	5.2	0.89	320.5
Unrealized Gain on Changes in Fair Values of AFS Financial Assets	3.3	(10.34)	(19.0)
NET INCOME/(LOSS)	8.5	(9.5)	301.5

Income Statement (Registrant and Subsidiaries)
(P Million)

	2014	2015	2016
Revenue	43.6	29.9	42.7
Cost of Service	5.3	0.91	14.7
Gross Profit	38.2	29.0	27.9
Other Income (Expenses)	0.00	0.67	0.00
Provision for Tax	0.41	(0.75)	49.69
Net Income (Loss)	5.0	0.97	322.6
Unrealized Gain on Changes in Fair Values of AFS Financial Assets	3.3	(10.34)	(19.0)
NET INCOME/(LOSS)	8.2	(9.3)	303.6

Financial Position

The company's comparative balance sheet is summarized below:

Balance Sheet (Registrant Only)
(P Million)

	2014	2015	2016
Current Assets	373.9	415.7	258.1
Available-for-sale financial assets	343.6	298.0	784.0
Property & Equipment	.01	.04	.03
Investment Properties	116.6	112.3	108.0
Investment in and Advances to PMEI	50	50	25
Receivables	34.0	39.0	47.0
Other Assets	12.0	5.5	0
Total Assets	930.2	921.5	1,222.0
Current Liabilities	2.3	3.0	2.3
Deposit for Future Subscription	18.9	18.9	18.9
Unrealized gain on changes in fair values of AFS financial assets	13.0	2.66	(16.3)
Stockholders' Equity	908.9	899.5	1,201

Balance Sheet (Registrant and Subsidiaries)
(P Million)

	2014	2015	2016
Current Assets	421.4	462.8	288.4
Available-for-sale financial assets	343.6	298.0	784.0
Property & Equipment	.77	.12	.06
Investment Properties	116.6	112.3	108.0
Receivables	34.0	39.0	47.0
Other Assets	12.0	5.5	0
Total Assets	930.9	920.2	1,228.9
Current Liabilities	2.4	2.3	7.66
Deposit for Future Subscription	18.9	18.9	18.9
Unrealized gain on changes in fair values of AFS financial assets	13.0	2.66	(16.3)
Stockholders' Equity	909.4	898.7	1,202.4

Balance Sheet Accounts

Current Assets: Current assets of the Corporation as of December 31, 2016 totalled P288.4 million compared to P415.7 million in 2015 and P373.9 million in 2014. The Corporation has sufficient cash resources to meet any expected requirement during the next twelve (12) months. Cash and cash equivalents was P74 million at year-end 2016, P243.6 million in 2015 and P313.4 million in 2014. AFS financial assets totaled P784 million in 2016, P298.0 million in 2015, and P343.5 million in 2014.

Liabilities: The Corporation is substantially debt-free and has no material commitments for capital expenditures. Total current liabilities in 2016 decreased to P2.4 million from P3 million in 2015, compared to P2.4 million in 2014.

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 increased to P1.2 billion in 2016 from P899.5 million in 2015 and P908.9 million in 2014.

Key Performance Indicators ("KPI")

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

Performance Indicator	Formula	CY 2014	CY 2015	CY 2016
<i>Liquidity</i>				
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	158.22:1	135.31:1	109.4:1
<i>Leverage</i>				
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Stockholders' Equity}}$.02:1	.02:1	.0197:1
<i>Profitability</i>				
Gross Profit Margin	$\frac{\text{Gross Profit}}{\text{Revenue}}$	13.64%	1.09%	(1.2%)
Net Income Margin	$\frac{\text{Net Income from Operations}}{\text{Gross Profit}}$	13.64%	1.09%	1.09%

Liquidity

The Company's current ratio is 109.4:1 compared to 135.31:1 in 2015 and 158.22:1 in 2014. The Company's liquidity position remains strong.

Leverage

Leverage is very low at 0.02:1 in 2016, 2015 and 2014.

Notes to Financial Statements

Accounting Policies and Principles

The financial statements of PHC for the years 2016, 2015 and 2014 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

- 1) Decrease in Current Assets by 40% is a result of shift to Available for Sale Assets which increased by 163% from 2015 to 2016 and Receivables (non current) which increased by 20.5% in the same period.

- 2) Decrease in Advances to subsidiary from P50 million to nil from 2015 to 2016 as PMEI paid off its advances.
- 3) Decrease in Current Liabilities by 23% as an amount due to PMEI was settled.
- 4) Unrealized Gain in the Fair Value of Available for Sale Assets was P2.7 million in 2015 while an unrealized loss of P16 million was recorded end 2016 as the benchmark Philippine Stock Exchange index (PSEi) closed the year at record lows.

Past and Future Financial Condition and Results of Operations – For 2014 and 2015, please refer to the above discussion. For prior years, please refer to the Corporation's previous annual reports. Inasmuch as there are no known material events or commitments that are likely to affect the Corporation, it is expected that the future financial condition and results of operation would remain the same as the present.

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,

1. Current assets decreased from 45% in 2015 to to 21% in 2016.
2. Cash in banks decreased from 26% to 6%
3. Available for Sale financial assets increased to 64% from 32% as some investments in short term time deposits were government securities and corporate bonds matured and some mutual funds were used to acquire longer term financial instruments.
4. Share capital decreased from 108% of total assets to 82% as the P100 million deficit was wiped out as a result of extraordinary income which increased retained earnings to 18% of total assets.

(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 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 years ended December 2016 and 2015 for which the aggregate amount billed in Philippine Pesos was P650,000.00 and P800,000, respectively. Prior to 2015, Mendoza Querido & Co. acted as the Corporation's independent auditor for five (5) consecutive years.

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 2016, none.

For the year 2015, none.

(b) Tax Fees

In 2016, the Corporation engaged the services of Reyes Tacandong & Co. for tax advisory services in relation to the collection of a past due loan extended to Antonio Araneta guaranteed by Ansear Realty and Development Corp.; the fee paid for this engagement was P2,700,000.00.

(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 2016 and 2015.

Item 7. Financial Statements

The report of independent accountants and the audited financial statements of the Corporation for the fiscal year ending 31 December 2016 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, Age and Citizenship	Position	Period Served	Professional and Business Experience
Katrina C. Ponce-Enrile, 56, Filipino	Chairman and Executive Vice-President	November 2015 to Present	President and CEO- Philippine Overseas Telecommunications 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, Filipino	Director/ President	November 2015 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, Filipino	Director/ Treasurer/ CFO	November 2015 to Present	President and CEO-Philippine Communications Satellite Corporation, Vice-Chair and Director-Philippine Overseas Telecommunications Corporation, Director-Montemar Beach Club, Inc., Director and Chair, Finance Committee -- Baguio Country Club
Daniel C. Gutierrez, 61, Filipino	Director	November 2015 to Present	Partner-Soo Gutierrez Leogardo & Lee Law Offices; Law Professor and Bar Reviewer-Arellano University, Director- IBP, former Trustee-GSIS
Marietta K. Ilusorio, 65, Filipino	Director	November 2015 to Present	Director and Vice President, Philippine Overseas Telecommunications Corporation; Director and Vice-President, Philippine Communications Satellite Corporation; Director, Montemar Beach Club, Inc.
*Julie Y. Daza, 74, Filipino	Director	November 2015 to Present	Journalist, editor-in-chief, columnist, book author, and award-winning television talk show

			host
Pablo L. Lobregat, 62, Filipino	Director	November 2015 to Present	President-Crystal Sugar Co., Inc., President/Chairman-Oceanic Wireless Network, Inc., President-Aerocom Investors & Managers, Inc., Director –Philippine Communications Satellite Corporation, Director-Philippine Overseas Telecommunications Corporation
Carlo A. Carag, 58, Filipino	Director	November 2015 to Present	Former Undersecretary, Department of Finance (Revenue Operation and Legal Affairs Group), former Managing Partner, Carag Jamora Somera & Villareal Law Offices
Prudencio C. Somera, Jr. 71, Filipino	Director	November 2015 to Present	Director – TKC Steel Corporation; Licensed Stockbroker; Columnist – Philippine Daily Inquirer
Justice Santiago J. Ranada (ret), 79, Filipino	Director	November 2015 to Present	Partner, Ranada, Malaya Sanchez & Simpao, Specializes in the banking, insurance, maritime and real estate industries and in corporate rehabilitation proceedings, 28 years of service in the Philippine Judiciary as RTC Judge and CA Justice
*Dr. Jose Ramon C. Ozamiz, 58, Filipino	Director	November 2015 to Present	Surgeon – Makati Medical Center; 22 years of practice; Diplomate, Philippine Board of Surgery, Fellow, Philippine College of Surgeons, Member, Philippine Medical Association, Makati Medical Society, Philippine Society of General Surgeons

**Independent director.*

*** Term of Office – The above directors were elected during the Annual Stockholders' Meeting held on 9 November 2015 and served until 16 November 2016, when the Corporation convened its Annual Stockholders' Meeting when they were all 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				
Katrina C. Ponce-Enrile	Chairman-EVP				
Erlinda Bildner	Treasurer				
Manolita L. Morales	Asst. Treasurer				
Victoria de los Reyes	Corp. Secretary				
All the above-named officers as a group		3,520,000.00	2,250,000.00	0	5,770,000.00
All the other officers as a group unnamed		135,000.00	2,410,000.00	0	2,545,000.00
Total		3,655,000.00	4,660,000.00	0	8,315,000.00

(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				
Carlo A. Carag	Director				
Julie Yap Daza	Director				
Marietta K. Ilusorio	Director				
Santiago J. Ranada	Director				
Jose Ramon C. Ozamiz	Director				
Prudencio C. Somera, Jr.	Director				
Total		3,655,000.00	4,660,000.00	0	8,315,000.00

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 2016, 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 2016, 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 18 of the 2016 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

The details under this Item are found in the Corporation's 2016 ACGR which, in accordance with SEC Memorandum Circular No. 20 dated 14 December 2016, need not be attached to this Annual Report but will be submitted on or before 30 May 2017.

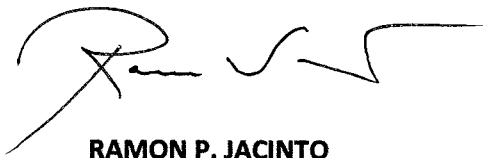
PART V - EXHIBITS AND SCHEDULES

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 2016 is attached and incorporated by reference in this report as Annex "B".

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 12, 2017

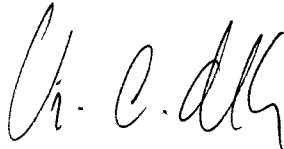
By:



RAMON P. JACINTO
Principal Executive and Operating Officer



ERLINDA I. BILDNER
Principal Financial Officer



VICTORIA C. DE LOS REYES
Corporate Secretary



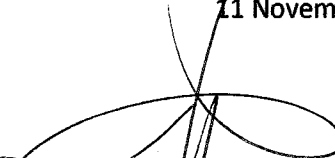
MARTINA D. LADAW
Comptroller/Principal Accounting Officer

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) SS.

SUBSCRIBED AND SWORN to before me this 12th day of April 2017, affiants exhibiting to me the following identification, as follows:

<u>NAMES</u>	<u>ID/PASSPORT NO.</u>	<u>DATE OF ISSUE/PLACE OF ISSUE</u>
Ramon P. Jacinto	Passport No. EB8057474	May 8, 2013/DFA Manila
Erlinda I. Bildner	Senior Citizen No. 50405	Makati City
Victoria C. de los Reyes	Passport No. PO328629A	20 September 2016, DFA Manila
Martina D. Ladaw	D/L No. N04-11-014217	11 November 2013, LTO Quezon City

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Book No. : XX
Series of 2017.



ATTY. GERVACIO B. ORTIZ JR.
Notary Public/City of Makati
Until December 31, 2018
IBP No. 656155-Lifetime Member
MCLE Compliance No. V-0006934
Appointment No. M-104-(2017-2018)
PTR No. 5909514 Jan. 3, 2017
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio del Pilar, Makati City

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

1,174

Annual Meeting (Month / Day)

3rd 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)816-2517

CONTACT PERSON'S ADDRESS

12th 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., 316 Sen. Gil Puyat Ave., Makati City 1200 Philippines
Tel. No.: 815-8406; Fax No. : 816-2517

March 22, 2017

STATEMENT OF MANAGEMENT'S 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 including the schedules attached therein for the year ended **December 31, 2016**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors (Trustees) is responsible in overseeing the Group's financial reporting process.

The Board of Directors (Trustees) reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Reyes Tacandong and Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.



KATRINA C. PONCE-ENRILE
Chairman of the Board/
Executive Vice President



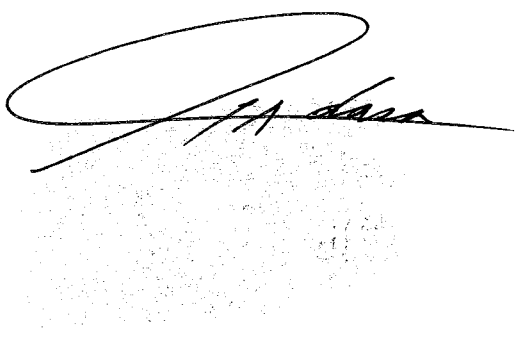
ERLINDA I. BILDNER
Treasurer/Chief Financial Officer

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) SS.

SUBSCRIBED AND SWORN to before me this 12th day of April 2017, affiants exhibiting to me the following identification, as follows:

<u>Names</u>	<u>Government Issued ID No.</u>	<u>Place and Date of Issue</u>
Katrina C. Ponce-Enrile Erlinda I. Bildner	PP# EB9495098 Senior Citizen ID No. 50405	4 November 2013, DFA Manila Makati City

Doc No. : 2
Page No. : 1
Book No. : XI
Series of 2017.



A handwritten signature in black ink is written over a faint, circular embossed stamp. The signature is cursive and appears to read 'A. Ponce-Enrile'. The stamp is mostly illegible but seems to contain some text around the perimeter.



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

Opinion

We have audited the accompanying consolidated financial statements of Philcomsat Holdings Corporation and Subsidiaries ("the Group"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audits of the consolidated financial statements of the current period. The matter was addressed in the context of our audits of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.





Valuation of Available for Sale (AFS) Financial Assets

AFS financial assets, which comprise more than fifty percent of the Group's total assets, are measured at fair value as at financial reporting date. Due to the price volatility attributable to market factors, the carrying values of AFS financial assets may fluctuate significantly. Management has to determine the fair values using accounting estimates and judgment and to analyze the impact of the changes. Changes in the fair value could either affect profit or loss or other comprehensive income.

To determine if the AFS financial assets were reasonably valued, we compared the recorded amount of financial assets with readily-available market prices and reviewed management's assessment of the changes.

The Group's disclosures on its AFS financial assets are included in Notes 3 and 8 to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

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

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

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2014 were audited by another auditor whose report dated April 10, 2015, expressed unmodified opinion on those statements.

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

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





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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.





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

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

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

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

The engagement partner on the audits resulting in this independent auditor's report is Michelle R. Mendoza-Cruz.

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. 08-005144-012-2014

Valid until March 31, 2017

PTR No. 5908530

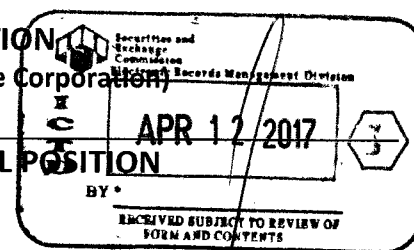
Issued January 3, 2017, Makati City

March 22, 2017

Makati City, Metro Manila



PHILCOMSAT HOLDINGS CORPORATION
 (A Subsidiary of Philippine Communications Satellite Corporation)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



December 31

	Note	2016	2015
ASSETS			
Current Assets			
Cash and cash equivalents	4	P104,420,735	P245,123,206
Short-term investments	5	7,384,925	42,193,855
Receivables - current	6	171,861,925	171,094,311
Other current assets	7	4,750,681	4,432,646
Total Current Assets		288,418,266	462,844,018
Noncurrent Assets			
Receivables - noncurrent	6	47,000,000	39,000,000
Available for sale (AFS) financial assets	8	784,040,683	298,017,037
Investment property	9	107,967,400	112,286,096
Property and equipment	10	63,300	123,952
Goodwill	11	1,319,429	1,319,429
Net deferred tax assets	20	168,457	1,121,368
Other noncurrent assets	12	-	5,518,139
Total Noncurrent Assets		940,559,269	457,386,021
		P1,228,977,535	P920,230,039
LIABILITIES AND EQUITY			
Current Liabilities			
Accrued expenses and other current liabilities	13	P1,873,784	P1,065,503
Due to a related party	18	4,549,198	-
Customer's deposits	19	1,237,874	1,237,874
Total Current Liabilities		7,660,856	2,303,377
Noncurrent Liabilities			
Deposit for future stock subscription	18	18,894,000	18,894,000
Net deferred tax liabilities	20	-	236,666
Total Noncurrent Liabilities		18,894,000	19,130,666
Equity			
Share capital		996,391,254	996,391,254
Retained earnings (deficit)		222,365,362	(100,258,978)
Cumulative net unrealized gain (loss) on AFS			
financial assets	8	(16,333,937)	2,663,720
Total Equity		1,202,422,679	898,795,996
		P1,228,977,535	P920,230,039

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(With Comparative Figures for 2014)

	Note	2016	2015	2014
REVENUE	14	₱42,761,452	₱29,961,250	₱43,638,124
COST OF SERVICES	15	(14,763,714)	(917,313)	(5,345,451)
GROSS PROFIT		27,997,738	29,043,937	38,292,673
GENERAL AND ADMINISTRATIVE EXPENSES	16	(53,703,510)	(29,498,371)	(32,874,102)
GAIN ON SETTLEMENT OF LOAN RECEIVABLE	6	273,018,929	-	-
REVERSAL OF ALLOWANCE FOR DOUBTFUL ACCOUNTS	6	125,000,000	-	-
OTHER INCOME	17	2,957	674,895	98
INCOME BEFORE INCOME TAX		372,316,114	220,461	5,418,669
PROVISION FOR (BENEFIT FROM) INCOME TAX	20			
Current		49,826,755	462,796	413,056
Deferred		(134,981)	(1,216,339)	-
		49,691,774	(753,543)	413,056
NET INCOME		₱322,624,340	₱974,004	₱5,005,613
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		₱322,624,340	₱889,283	₱4,972,448
Non-controlling interest		-	84,721	33,165
		₱322,624,340	₱974,004	₱5,005,613
BASIC/DILUTED EARNINGS PER SHARE	21	₱0.3238	₱0.0009	₱0.0050

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(With Comparative Figures for 2014)

	Note	2016	2015	2014
NET INCOME		₱322,624,340	₱974,004	₱5,005,613
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Item that may be reclassified to profit or loss</i>				
Unrealized gain (loss) on AFS financial assets	8	(14,572,943)	(3,093,377)	14,663,231
Reversal of fair value changes of AFS financial assets sold	8	(4,424,714)	(7,251,143)	(11,391,622)
TOTAL COMPREHENSIVE INCOME (LOSS)		₱303,626,683	(₱9,370,516)	₱8,277,222
TOTAL COMPREHENSIVE INCOME (LOSS)				
ATTRIBUTABLE TO:				
Equity holders of the Parent Company		₱303,626,683	(₱9,455,237)	₱8,244,057
Non-controlling interest		-	84,721	33,165
		₱303,626,683	(₱9,370,516)	₱8,277,222

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(With Comparative Figures for 2014)

	Note	2016	2015	2014
SHARE CAPITAL - ₱1 par value				
Authorized - 1,000,000,000 shares				
Issued - 996,391,254 shares		₱996,391,254	₱996,391,254	₱996,391,254
RETAINED EARNINGS (DEFICIT)				
Balance at beginning of year		(100,258,978)	(100,738,986)	(105,711,434)
Net income		322,624,340	889,283	4,972,448
Effect of acquisition of non-controlling interest		-	(409,275)	-
Balance at end of year		222,365,362	(100,258,978)	(100,738,986)
CUMULATIVE NET UNREALIZED GAIN (LOSS)				
ON AFS FINANCIAL ASSETS				
	8			
Balance at beginning of year		2,663,720	13,008,240	9,736,631
Unrealized gain (loss) for the year		(14,572,943)	(3,093,377)	14,663,231
Reversal of fair value changes of AFS financial assets sold		(4,424,714)	(7,251,143)	(11,391,622)
Balance at end of year		(16,333,937)	2,663,720	13,008,240
NON-CONTROLLING INTEREST				
Balance at beginning of year		-	756,921	-
Net income		-	84,721	33,165
Effect of acquisition of non-controlling interest		-	(841,642)	-
Effect of business combination		-	-	723,756
Balance at end of year		-	-	756,921
		₱1,202,422,679	₱898,795,996	₱909,417,429

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(With Comparative Figures for 2014)

	Note	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱372,316,114	₱220,461	₱5,418,669
Adjustments for:				
Gain on settlement of loan receivable	6	(273,018,929)	-	-
Provision for (reversal of) impairment loss on receivables	6	(125,000,000)	58,000	267,862
Depreciation	9	4,383,991	4,437,591	4,385,754
Provision for impairment of input value-added tax (VAT)	16	4,053,742	-	-
Write-off of time deposit	16	1,458,225	-	-
Gain on sale of:				
AFS financial assets	14	(5,429,954)	(5,723,471)	(11,170,104)
Condominium unit	10	-	(673,783)	-
Unrealized gain on financial assets at fair value through profit or loss (FVPL)	17	(2,957)	-	-
Operating loss before working capital changes		(21,239,768)	(1,681,202)	(1,097,819)
Decrease (increase) in:				
Receivables		(2,498,238)	(1,844,611)	1,326,911
Other current assets		(308,906)	(1,161,070)	(690,625)
Other noncurrent assets		-	(1,007,083)	(8,644,559)
Increase (decrease) in accrued expenses and other current liabilities		808,281	(188,068)	(10,198,932)
Net cash used for operations		(23,238,631)	(5,882,034)	(19,305,024)
Income tax paid		(48,975,529)	-	-
Net cash used in operating activities		(72,214,160)	(5,882,034)	(19,305,024)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
AFS financial assets	8	(952,245,625)	(64,748,637)	(88,034,350)
Notes and loans receivables		(153,016,956)	(5,000,000)	(29,000,000)
Property and equipment	10	(4,643)	-	(77,084)
Short-term investments		-	-	(59,149,738)
Proceeds from:				
Sale and retirement of AFS financial assets	14	452,654,276	105,696,449	62,252,466
Collection of a note receivable	6	416,572,274	-	-
Redemption of short-term investments		34,808,930	76,239,759	-
Sale of condominium unit		-	1,200,000	-
Sale of financial assets at FVPL		-	62,996	-
Decrease (increase) in due from related parties	18	128,194,235	(89,083,260)	(43,397,994)
Release of restricted cash		-	7,518,975	86,489,093

(Forward)

	2016	2015	2014
Acquisition of subsidiary, net of cash acquired	P-	P-	(P2,769,257)
Advances for the purchase of shares	-	-	(1,250,917)
Net cash provided by (used in) investing activities	(73,037,509)	31,886,282	(74,937,781)
CASH FLOWS FROM A FINANCING ACTIVITY			
Increase in due to a related party	4,549,198	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(140,702,471)	26,004,248	(94,242,805)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	245,123,206	219,118,958	313,361,763
CASH AND CASH EQUIVALENTS AT END OF YEAR	P104,420,735	P245,123,206	P219,118,958

See accompanying Notes to Consolidated Financial Statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(With Comparative Information for 2014)

1. General Information

Corporate 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 Parent Company ceased oil and mining operations in 1992.

On July 23, 1997, the SEC approved the amended Articles of Incorporation of the Parent Company consisting of a) change in its primary purpose from an exploration and 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. The Parent Company derives income from money market placements, bank deposits, AFS financial assets and other investments.

On May 23, 2016, the Parent Company's Board of Directors (BOD) confirmed and ratified its previous resolution increasing the authorized capital stock of the Corporation from ₱1.0 billion, divided into 1,000,000,000 shares with a par value of ₱1 per share, to ₱3.0 billion, divided into 3,000,000,000 shares with a par value of ₱1 per share. As at report date, the resolution is awaiting ratification by the stockholders and approval from the SEC.

The Parent Company is 79.65% owned by Philippine Communications Satellite Corporation (Philcomsat), a company incorporated in the Philippines. The ultimate parent company is Philippine Overseas Telecommunications Corporation (POTC), a company also incorporated in the Philippines. Philcomsat and POTC are both engaged in the telecommunications business.

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, 2016 and 2015:

	Principal Activities	Percentage of Ownership	
		Direct	Indirect*
Philcomsat Management Enterprises Inc. (PMEI)	Management services	100.00	–
Professional Stock Transfer Inc. (PSTI)	Stock transfer agency	–	100.00

*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 the PSE

The Parent Company's original 60 million shares are listed and used to be traded in the Philippine Stock Exchange (PSE).

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 request for the lifting of the order of suspension and for a compromise payment of the penalties. The SEC, on December 29, 2015, lifted the order of suspension and directed the Parent Company to file an updated Registration Statement.

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

Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at and for the years ended December 31, 2016 and 2015 (with comparative figures for 2014) were approved and authorized for issue by the BOD on March 22, 2017.

2. Summary of Significant Accounting Policies

Basis of Preparation

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.

Measurement Bases

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.

The consolidated financial statements have been prepared on the historical cost basis, except for AFS financial assets and financial assets through fair value through profit or loss (FVPL), which are carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and,
- 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 7, 8, 9 and 23, respectively.

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2016:

- Amendments to PFRS 10, IFRS 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.
- Amendments to PAS 1, *Presentation of Financial Statements: Disclosure Initiative* – 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 Amortization* – 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.

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

New and Amended PFRS Not Yet Adopted

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2016 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2017:

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from their financing activities.
- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* – The amendments clarify the accounting for deferred tax assets related to unrealized losses on debt instruments measured at fair value, to address diversity in practice.

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

- PFRS 9, *Financial Instruments* – 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 amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group except for PFRS 9 and PFRS 16. The Group anticipates that the application of PFRS 9 and PFRS 16 might have a significant effect on amounts reported in respect of the Group’s financial assets and financial liabilities and leases. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed. Additional disclosures will be included in the consolidated financial statements, as applicable.

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 in 2014.

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

Financial Assets and Liabilities

Date of Recognition. The Group recognizes a financial asset or liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial 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 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 Group recognizes the difference between the transaction price and fair value (a "Day 1" profit) in the consolidated statements of 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 statements of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group 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, 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 and financial liabilities at FVPL as at December 31, 2016 and 2015.

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 statements 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 or loss on AFS financial assets in the equity section of the consolidated statements 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 statements of income.

This category includes investments in managed funds, quoted shares of stock and bonds, 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 statements of comprehensive income.

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

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated 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 accrued expenses, customer's deposits and due to a related party.

Derecognition of Financial Assets and Liabilities

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

- the right 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 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 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 receivables. The carrying amount of the receivables 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 statements of income. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in consolidated statements of income. Reversals of impairment losses on debt instruments are reversed through the consolidated statements of 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 statements 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 statements 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.

Other Current Assets

Other current assets consist of:

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

Input VAT. Input VAT represents tax imposed on the Group by its suppliers for the acquisition of goods and services required under the Philippine taxation laws and regulations. Input VAT is recognized as an asset and will be used to offset the Group's current VAT liability.

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

Prepayments are classified in the consolidated statements of financial position as current assets when the cost of goods or services related to the prepayment are expected to be incurred within one year or the Group's normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

Investment Property

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

Investment property is 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 an investment property is computed using the straight-line method over the estimated useful life of the asset. The Group's condominium unit recognized as an investment property 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

Other noncurrent assets consist of:

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.

Time Deposit with the Bank of the Philippine Islands (BPI). Time deposit with BPI pertains to cash in bank that is under litigation and is restricted for current use. This account is 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, property and equipment and goodwill 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.

Deposit for Future Stock Subscription

Deposit for future stock subscription represents 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 because the Parent Company is yet to comply with the conditions prescribed by the SEC.

Equity

Share Capital. Share capital is measured at par value for all shares issued.

Retained Earnings (Deficit). Retained earnings (deficit) represent 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 Nonfinancial assets. Gain on sale of financial assets through FVPL, AFS financial assets, HTM investments and nonfinancial assets are computed as the difference between the proceeds and its carrying amount.

Service Fees, 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 Transactions

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.

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.

Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-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.

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 the 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.

3. 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 have the most significant effect on the amounts recognized in the consolidated financial statements.

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 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 statements of financial position.

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

Classifying Operating Leases. The Group has entered into lease agreements as a lessor and as a 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.

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.

Allowance for doubtful accounts amounted to ₱58,000 and ₱125.1 million as at December 31, 2016 and 2015, respectively. The carrying values of receivables amounted to ₱218.9 million and ₱210.1 million as at December 31, 2016 and 2015, respectively (see Note 6).

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 statements 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 Group determined the fair values of financial assets at FVPL and AFS financial assets using a combination of available market prices in active markets for identical assets (Level 1) and prices computed using significant observable inputs (Level 2). 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 ₱784.0 million and ₱298.0 million as at December 31, 2016 and 2015, respectively (see Note 8).

The fair value of financial assets at FVPL amounted to ₱102,749 and ₱99,792 as at December 31, 2016 and 2015, respectively (see Note 7).

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.

No allowance for impairment was provided for AFS financial assets as at December 31, 2016 and 2015. Fair value and carrying value of AFS financial assets amounted to ₱784.0 million and ₱298.0 million as at December 31, 2016 and 2015, respectively (see Note 8).

Estimating Useful Lives of Investment Property and Property and Equipment. The Group estimates the useful lives of investment property 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 the investment property amounted to ₱108.0 million and ₱112.3 million as at December 31, 2016 and 2015, respectively (see Note 9).

The carrying values of property and equipment amounted to ₱63,300 and ₱123,952 as at December 31, 2016 and 2015, respectively (see Note 10).

Estimating Impairment of Nonfinancial 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 property, 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.

Impairment losses were recognized on input VAT amounting to ₱4.1 million in 2016 and nil in 2015 (nil in 2014) (see Note 16).

The carrying values of the investment property amounted to ₱108.0 million and ₱112.3 million as at December 31, 2016 and 2015, respectively (see Note 9).

The carrying values of property and equipment amounted to ₱63,300 and ₱123,952 as at December 31, 2016 and 2015, respectively (see Note 10).

The carrying values of goodwill amounted to ₱1.3 million as at December 31, 2016 and 2015 (see Note 11).

The carrying values of other current and noncurrent nonfinancial assets totaled ₱4.6 million and ₱8.4 million as at December 31, 2016 and 2015, respectively (see Notes 7 and 12).

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 did not recognize a portion of its DTA amounting to ₱5.9 million and ₱53.0 million as at December 31, 2016 and 2015, respectively, because management assessed that these may not be realized because future taxable income may not be sufficient against which the deferred tax assets can be utilized.

The Group's recognized deferred tax assets as at December 31, 2016 and 2015 amounted to ₱0.3 million and ₱1.1 million, respectively (see Note 20).

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 recognized in 2016, 2015 and 2014.

4. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand and in banks	₱20,485,905	₱9,572,547
Cash equivalents	83,934,830	235,550,659
	₱104,420,735	₱245,123,206

Cash in banks earn interest at prevailing bank deposit rates.

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

Interest income included in revenue as shown in the consolidated statements of income is earned from the following (see Note 14):

	Note	2016	2015	2014
Cash and cash equivalents		₱1,171,908	₱3,540,698	₱4,050,817
Short-term investments	5	627,965	3,680,534	1,852,857
Receivables	6	4,319,508	4,995,730	6,281,133
AFS financial assets	8	10,245,927	4,483,363	3,363,862
		₱16,365,308	₱16,700,325	₱15,548,669

5. Short-term Investments

This account amounting to ₱7.4 million and ₱42.2 million as at December 31, 2016 and 2015, respectively, 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 ₱0.6 million in 2016 and ₱3.7 million in 2015 (₱1.9 million in 2014) (see Note 4).

6. Receivables

This account consists of:

	Note	2016	2015
Trade		₱1,584,898	₱1,080,467
Notes and loans receivable:			
Corporate notes		136,711,954	–
Promissory notes issued by various banks		55,305,002	39,000,000
Loan to Araneta		–	125,000,000
Due from related parties	18	18,811,793	147,006,028
Interest receivable		3,269,405	1,687,917
Dividend receivable		136,438	299,091
Others		3,100,435	21,078,808
		218,919,925	335,152,311
Less allowance for doubtful accounts		(58,000)	(125,058,000)
		218,861,925	210,094,311
Less noncurrent portion		(47,000,000)	(39,000,000)
Current portion of receivables		₱171,861,925	₱171,094,311

Movements in the allowance for doubtful accounts are summarized below:

	Note	2016	2015	2014
Balance at beginning of year		₱125,058,000	₱125,000,000	₱125,000,000
Provision	16	1,987,008	58,000	267,862
Reversal		(125,000,000)	–	–
Write-off		(1,987,008)	–	(267,862)
Balance at end of year		₱58,000	₱125,058,000	₱125,000,000

Trade Receivables

Trade receivables pertain to receivable from tenant and retainer fee which are collectible on demand and are noninterest-bearing.

Corporate Notes

Corporate notes outstanding as at December 31, 2016 pertain to short-term corporate promissory notes issued by various entities, with terms of up to 90 days and earn interest at 2.4% per annum.

Promissory Notes Issued by Various Banks

Unsecured promissory notes are issued by various banks with terms ranging from two to ten years and earn interest ranging from 3% to 7% a year.

Interest income earned from promissory notes issued by banks and corporate notes amounted to ₱4.3 million in 2016 and ₱5.0 million in 2015 (₱6.3 million in 2014) (see Note 4).

Loan to Araneta

Loan to Araneta amounting to ₱125.0 million as at December 31, 2015 pertains to a loan 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 allowance for doubtful accounts since 2008. The Parent Company ceased to recognize interest on the loan and filed a complaint for the collection of the note (Araneta case).

In 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 statements of income (see Note 14).

The Parent Company received ₱525.0 million, inclusive of VAT, in 2016 as partial settlement of the loan and interest. Due to the settlement, the full allowance for doubtful accounts on the note amounting to ₱125.0 million was reversed in 2016. Proceeds in excess of the loan and interest receivable amounting to ₱340.6 million in 2016, net of legal and other costs of collection shouldered by the Company amounting to ₱67.6 million, were recorded as a gain on settlement of loan receivable of ₱273.0 million in 2016. The Parent Company received the final installment amounting to ₱175.0 million in the first quarter of 2017.

Other Receivables

Other receivables pertain mainly to advances from officers and employees subject to liquidation. The outstanding balance as at December 31, 2015 included judicial bonds and other court fees paid by the Company related to the Araneta case, which were recorded as a receivable from Araneta amounting to ₱18.6 million. This amount was part of the settlement made in 2016.

7. Other Current Assets

This account consists of:

	2016	2015
CWTs	₱3,161,705	₱2,695,974
Input VAT	1,466,220	-
Financial assets at FVPL	102,749	99,792
Prepayments:		
Insurance	16,934	36,880
Legal fees	-	1,600,000
Others	3,073	-
	₱4,750,681	₱4,432,646

The Group recognized provision for impairment of input VAT amounting to ₱4.1 million in 2016 and nil in 2015 (nil in 2014) (see Note 16).

8. AFS Financial Assets

This account consists of:

	2016	2015
Investments in:		
Managed funds	₱491,605,641	₱176,025,067
Quoted bonds	223,883,280	91,354,868
Quoted shares of stock	66,101,762	29,912,102
Club memberships	2,450,000	725,000
	₱784,040,683	₱298,017,037

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

	2016	2015	2014
Cost:			
Balance at beginning of year	₱295,353,317	₱330,577,658	₱293,625,670
Additions	952,245,625	64,748,637	88,034,350
Disposals	(447,224,322)	(99,972,978)	(51,082,362)
Balance at end of year	800,374,620	295,353,317	330,577,658
Cumulative unrealized gain (loss):			
Balance at beginning of year	2,663,720	13,008,240	9,736,631
Fair value gain (loss) during the year	(14,572,943)	(3,093,377)	14,663,231
Fair value changes of AFS sold reclassified through profit and loss	(4,424,714)	(7,251,143)	(11,391,622)
Balance at end of year	(16,333,937)	2,663,720	13,008,240
	₱784,040,683	₱298,017,037	₱343,585,898

Interest income earned from AFS financial assets amounted to ₱10.2 million in 2016 and ₱4.5 million in 2015 (₱3.4 million in 2014) (see Note 4).

Dividend income earned from AFS financial assets amounted to ₱1.9 million in 2016 and ₱3.0 million in 2015 (₱3.2 million in 2014) (see Note 14).

Gain on sale of AFS financial assets amounted to ₱5.4 million in 2016 and ₱5.7 million in 2015 (₱11.2 million in 2014) (see Note 14).

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 bonds, quoted shares of stock and club memberships) and Level 2 (Managed funds).

No impairment loss was recognized in 2016 and 2015 (nil in 2014).

9. Investment Property

The Company's investment property pertains to its condominium unit located at 2nd Floor Pacific Star Building, Sen. Gil Puyat Avenue, Makati City.

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

	2016	2015
Cost		
Balance at beginning and end of year	₱164,772,000	₱164,772,000
Accumulated Depreciation		
Balance at beginning of year	52,485,904	48,167,208
Depreciation	4,318,696	4,318,696
Balance at end of year	56,804,600	52,485,904
Carrying Amount	₱107,967,400	₱112,286,096

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 to a certain lessee at a monthly rental of ₱1.1 million for a term of eighteen months, commencing on March 15, 2013. The lease was terminated on September 14, 2014.

Rent income earned from the investment property amounted to ₱10.9 million in 2014. Operating expense directly related to the investment property's rental income during the period pertains only to depreciation amounting to nil in 2016 and 2015 (₱4.3 million in 2014) (see Note 19).

Depreciation is recognized from the following:

	Note	2016	2015	2014
Investment property		₱4,318,696	₱4,318,696	₱4,318,696
Property and equipment	10	65,295	118,895	67,058
		₱4,383,991	₱4,437,591	₱4,385,754

Depreciation is charged to the following:

	Note	2016	2015	2014
General and administrative expenses	16	₱4,330,112	₱4,341,976	₱22,789
Cost of services	15	53,879	95,615	4,362,965
		₱4,383,991	₱4,437,591	₱4,385,754

10. Property and Equipment

This account consists of:

	2016				Total
	Transportation Equipment	Furniture and Fixtures	Office Equipment	Office Improvement	
Cost					
Balance at beginning of year	₱4,950,745	₱3,528,775	₱937,569	₱39,325	₱9,456,414
Additions	-	-	4,643	-	4,643
Balance at end of year	4,950,745	3,528,775	942,212	39,325	9,461,057
Accumulated Depreciation					
Balance at beginning of year	4,915,825	3,528,775	848,537	39,325	9,332,462
Depreciation	7,760	-	57,535	-	65,295
Balance at end of year	4,923,585	3,528,775	906,072	39,325	9,397,757
Carrying Amount	₱27,160	₱-	₱36,140	₱-	₱63,300

	2015					Total
	Condominium Unit	Transportation Equipment	Furniture and Fixtures	Office Equipment	Office Improvement	
Cost						
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
Accumulated Depreciation						
Balance at beginning of year	650,742	4,904,185	3,528,766	769,410	39,325	9,892,428
Depreciation	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
Carrying Amount	₱-	₱34,920	₱-	₱89,032	₱-	₱123,952

Fully-depreciated property and equipment still in use amounted to ₱8.7 million as at December 31, 2016 and 2015.

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 17).

11. Goodwill

A Goodwill amounting to ₱1.3 million was recognized in 2015 as a result of the acquisition of PSTI, a stock transfer agency, by PMEI, a subsidiary.

No impairment on Goodwill was recognized in 2016 and 2015.

12. Other Noncurrent Assets

This account consists of the following as at December 31, 2015:

Deferred input VAT	₱4,059,914
Time deposit with BPI	1,458,225
	₱5,518,139

The outstanding balance of the time deposit with BPI as at December 31, 2015 amounting to ₱1.5 million, which was part of a previous settlement with BPI, was written off in 2016 (see Note 16).

13. Accrued Expenses and Other Current Liabilities

This account consists of:

	2016	2015
Accrued expenses	₱958,332	₱286,610
Statutory payables	915,452	778,893
	₱1,873,784	₱1,065,503

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

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

14. Revenue

This account consists of:

	Note	2016	2015	2014
Interest income	4	₱16,365,308	₱16,700,325	₱15,548,669
Service fees		15,192,292	-	-
Gain on sale of AFS financial assets	8	5,429,954	5,723,471	11,170,104
Retainer fee		3,605,786	1,632,893	1,852,429
Dividend income	8	1,894,219	3,003,242	3,209,796
Stock transfer fee		83,894	75,233	74,578
Income from option money	6	-	2,432,515	-
Rent income	19	-	-	10,900,485
Others		189,999	393,571	882,063
		₱42,761,452	₱29,961,250	₱43,638,124

Service Fees

On November 7, 2014, PMEI and POTC, together with PHC, Communication Transmission System, Inc. (COMTSI) and Integration Specialist for Instrumentation Technology Incorporated (INSPECIT) entered into a joint venture for the establishment of a hybrid power system in Pag-asa Island for the Armed Forces of the Philippines' project (the Pag-asa Island Project). PMEI was the manager of the Project. INSPECIT supplied, installed and maintained all equipment for the Project. POTC and COMTSI provided their technical expertise and equipment for the Project.

As at December 31, 2016, the Project has been completed. Service fees earned from the Project amounting to ₱15.2 million and cost of services related to the service fees amounting to ₱13.2 million were recognized in 2016 (see Note 15).

Retainer Fee

Retainer fee pertains to monthly retainer fees earned by PSTI being a stock-transfer agent.

15. Cost of Services

This account consists of:

	Note	2016	2015	2014
Cost of services	14	₱13,182,534	₱-	₱-
Salaries and other benefits		1,309,057	614,760	720,925
Transportation		203,545	118,178	92,642
Depreciation	9	53,879	95,615	4,362,965
Communication, light and water		14,249	83,444	71,164
Others		450	5,316	97,755
		₱14,763,714	₱917,313	₱5,345,451

Cost of services pertains to payments to contractors engaged in the Pag-asa Island Project (see Note 14).

16. General and Administrative Expenses

This account consists of:

	Note	2016	2015	2014
Professional fees		₱13,081,911	₱9,210,370	₱9,569,574
Legal fees		10,734,364	487,501	1,753,405
Directors' fees	18	7,593,235	6,919,167	6,945,000
Depreciation	9	4,330,112	4,341,976	22,789
Provision for impairment of input VAT	7	4,053,742	-	-
Representation and entertainment		2,604,907	701,037	2,930,447
Dues and subscription		2,342,382	2,638,017	440,311
Provision for impairment of receivables	6	1,987,008	58,000	267,862
Loss on settlement of BPI account	12	1,458,225	-	-
Rent expense	19	1,289,375	989,776	942,644
Taxes and licenses		1,262,134	1,142,917	7,075,974
Transportation and travel		914,099	-	-
Repairs and maintenance		495,002	519,821	522,337
Communication, light and water		373,563	98,430	86,816
Stationery, print and office supplies		348,788	-	-
Insurance		285,654	1,273,768	1,326,507
Donations		-	-	35,000
Others		549,009	1,117,591	955,436
		₱53,703,510	₱29,498,371	₱32,874,102

17. Other Income

This account consists of:

	Note	2016	2015	2014
Unrealized gain on financial assets at FVPL		₱2,957	₱-	₱-
Gain on sale of condominium unit	10	-	673,783	-
Foreign exchange gain		-	1,112	98
		₱2,957	₱674,895	₱98

18. 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	2016	2015
Included under "Receivables"							
Philcomsat	Immediate parent	Cash advances (collections)	(₱116.5)	₱78.3	₱7.5	₱-	₱116.5
		Rent of office space	(1.0)	(1.0)	(0.9)	-	-
Montemar Beach Club, Inc. (MBCI)	Company under common control	Cash advances	-	-	19.4	18.5	19.4
		Interest income	0.7	0.7	0.7	-	-
POTC	Ultimate parent	Cash advances (collections)	(10.8)	10.8	-	-	10.8
Montemar Resort Development Corp. (MRDC)	Company under common control	Cash advances	-	-	-	0.3	0.3
						₱18.8	₱147.0
Presented under "Due to a Related Party"							
Philcomsat	Immediate parent	Cash advances	₱4.5	₱-	₱-	₱4.5	₱-
Presented under "Deposit for Future Stock Subscription"							
Philcomsat	Immediate parent	Excess of subscription	₱-	₱-	₱-	₱18.9	₱18.9

Terms of Cash Advances to Related Parties

Cash advances to MBCI bear interest at 5%, while cash advances to Philcomsat, 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 12th 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 2016 and 2015 (₱0.9 million in 2014).

Compensation of Key Management Personnel

Compensation of the key management personnel of the Parent Company consists of directors' fees amounting to ₱7.6 million in 2016 and ₱6.9 million in 2015 (₱6.9 million in 2014).

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

19. Leases

The Group as a Lessor

The Parent Company leased a portion of its condominium unit located at 2nd 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 "Customer's deposits" account in the consolidated statement of financial position. The lease was terminated on September 14, 2014.

Rent income is accounted for on a straight-line basis over the lease term. Rent income amounted to nil in 2016 and 2015 (₱10.9 million in 2014) (see Note 14).

Direct operating expenses arising from investment properties that generated rental income during the period pertains only to depreciation amounting to nil in 2016 and 2015 (₱4.3 million in 2014).

As at December 31, 2016 and 2015, the Group has no outstanding commitments under non-cancellable operating leases.

The Group as a Lessee

Rent expense arises from the rental of office space of the Parent Company and PSTI. Rent expense amounted to ₱1.3 million in 2016 and ₱1.0 million in 2015 (₱0.9 million in 2014) (see Note 16). The lease has a term of one year subject to renewal under mutual agreement of both parties.

As at December 31, 2016 and 2015, the Group has no outstanding commitments under non-cancellable operating leases.

20. Income Tax

The composition of provision for current income tax is as follows:

	2016	2015	2014
RCIT	₱49,778,385	₱189,214	₱47,765
MCIT	48,370	273,582	365,291
	₱49,826,755	₱462,796	₱413,056

The Parent Company's income tax was computed using Optional Standard Deduction (OSD) in 2016 and itemized deductions in 2015 and 2014.

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

	2016	2015	2014
Income tax at statutory rate	₱111,694,834	₱66,138	₱1,625,601
Change in unrecognized deferred tax assets	(47,129,639)	3,413,438	2,226,152
Difference between OSD and itemized deductions	(21,241,067)	-	-
Add (deduct) tax effects of:			
Expired NOLCO	9,629,973	-	-
Interest income already subjected to final tax	(4,347,654)	(3,562,035)	(4,664,601)
Dividend income	(568,266)	(900,973)	(962,939)
Nondeductible expenses	1,653,593	229,889	2,188,843
	₱49,691,774	(₱753,543)	₱413,056

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

	2016	2015
Unrecognized:		
NOLCO	₱5,852,277	₱15,482,250
Allowance for doubtful accounts	-	37,500,000
Unrealized foreign exchange loss	-	(334)
	₱5,852,277	₱52,981,916
Recognized:		
MCIT	₱-	₱851,226
NOLCO	-	270,142
	₱-	₱1,121,368

The components of PSTI's recognized net deferred tax assets (liabilities) are as follows:

	2016	2015
Deferred tax assets:		
NOLCO	₱193,986	₱-
MCIT	48,370	-
Allowance for doubtful accounts	17,400	17,400
	259,756	17,400
Deferred tax liabilities:		
Accruals	(90,412)	(254,066)
Unrealized gain on financial assets at FVPL	(887)	-
	(91,299)	(254,066)
	₱168,457	(₱236,666)

As at December 31, 2016, 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
2013	2016	₱32,099,911	₱900,473	₱31,199,438	₱-
2014	2017	6,202,970	-	-	6,202,970
2015	2018	14,205,094	-	-	14,205,094
2016	2019	285,799	-	-	285,799
Total		₱52,793,774	₱900,473	₱31,199,438	₱20,693,863

Details of the Group's MCIT as at December 31, 2016 which can be applied against future income tax due are as follows:

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2013	2016	₱212,353	₱212,353	₱-	₱-
2014	2017	365,291	365,291	-	-
2015	2018	273,582	273,582	-	-
2016	2019	38,013	-	-	38,013
Total		₱889,239	₱851,226	₱-	₱38,013

21. Basic/Diluted Earnings Per Share

Basic/diluted earnings per share is computed as follows:

	2016	2015	2014
Net income attributable to equity holders of the Parent Company	₱322,624,340	₱889,283	₱4,972,448
Weighted average no. of shares outstanding	996,391,254	996,391,254	996,391,254
	₱0.3238	₱0.0009	₱0.0050

22. 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 customer's 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 2016, 2015 and 2014.

	Increase (Decrease) in PSEi Index	Increase (Decrease) in Other Comprehensive Income
2016	17% (9%)	₱11,493,480 (6,112,778)
2015	17% (5%)	₱5,054,732 (1,488,362)
2014	3% (19%)	₱1,203,705 (9,125,206)

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, 2016, 2015 and 2014.

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, 2016, 2015 and 2014, the Company has repricable 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 2016, 2015 and 2014.

	Increase (Decrease) in PDST-R2	Increase (Decrease) in Other Comprehensive Income
2016	2% (42%)	(₱5,154,990) 93,696,187
2015	14% (26%)	(₱12,684,355) 23,509,494
2014	20% (7%)	(₱19,324,710) 6,877,897

Foreign Exchange Risk

The Group's foreign-currency denominated financial instrument consists of cash in banks amounting to US\$482 as at December 31, 2016 and 2015. 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:

	2016				
	Neither Past Due nor Impaired	Past Due but not Impaired			Total
		30 Days	More than 60 Days	Impaired	
Cash in banks and cash equivalents	P104,405,735	P-	P-	P-	P104,405,735
Short-term investments	7,384,925	-	-	-	7,384,925
Receivables	218,861,925	-	-	58,000	218,919,925
Financial assets at FVPL	102,749	-	-	-	102,749
AFS financial assets	784,040,683	-	-	-	784,040,683
	P1,114,796,017	P-	P-	P58,000	P1,114,854,017

	2015				
	Neither Past Due nor Impaired	Past Due but not Impaired			Total
		30 Days	More than 60 Days	Impaired	
Cash in banks 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
	P661,416,266	P-	P135,555,160	P125,058,000	P922,029,426

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, 2016 and 2015 are as follows:

2016				
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks and cash equivalents	P104,405,735	P-	P-	P104,405,735
Short-term investments	7,384,925	-	-	7,384,925
Receivables	218,861,925	-	-	218,861,925
Financial assets at FVPL	102,749	-	-	102,749
AFS financial assets	784,040,683	-	-	784,040,683
	P1,114,796,017	P-	P-	P1,114,796,017

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
	P632,734,095	P28,682,171	P-	P661,416,266

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 liability based on contractual undiscounted payments:

2016					
	On Demand	1 to 3 Months	3 to 12 Months	More than 12 Months	Total
Due to a related party	P4,549,198	P-	P-	P-	P4,549,198
Customer's deposits	1,237,874	-	-	-	1,237,874
Accrued expenses	958,332	-	-	-	958,332
	P6,745,404	P-	P-	P-	P6,745,404

	2015				Total
	On Demand	1 to 3 Months	3 to 12 Months	More than 12 Months	
Customer's deposits	₱1,237,874	₱-	₱-	₱-	₱1,237,874
Accrued expenses	286,610	-	-	-	286,610
	1,524,484	₱-	₱-	₱-	₱1,524,484

23. Financial Assets and Liabilities

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, 2016 and 2015.

Financial Assets

	2016		2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash in banks and cash equivalents	₱104,405,735	₱104,405,735	₱245,108,206	₱245,108,206
Short-term investments	7,384,925	7,384,925	42,193,855	42,193,855
Receivables	218,861,925	218,861,925	210,094,311	210,094,311
Financial assets at FVPL	102,749	102,749	99,792	99,792
AFS financial assets				
Managed funds	491,605,641	491,605,641	176,025,067	176,025,067
Quoted bonds	223,883,280	223,883,280	91,354,868	91,354,868
Quoted shares of stock	66,101,762	66,101,762	29,912,102	29,912,102
Club memberships	2,450,000	2,450,000	725,000	725,000
Time deposits	-	-	1,458,225	1,458,225
	₱1,114,796,017	₱1,114,796,017	₱796,971,426	₱796,971,426

Financial Liabilities

	2016		2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Due to a related party	₱4,549,198	₱4,549,198	₱-	₱-
Customer's deposits	1,237,874	1,237,874	1,237,874	1,237,874
Accrued expenses	958,332	958,332	286,610	286,610
	₱6,745,404	₱6,745,404	₱1,524,484	₱1,524,484

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, Time Deposits, Due to a Related Party, Customer's Deposits and Accrued Expenses. 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, except for managed funds, 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 of managed funds are determined through reference to the quoted price of the underlying securities in the fund. The fair value measurement of these financial assets is classified as Level 1 (Quoted bonds, shares of stock and club memberships) and Level 2 (Managed funds).

24. 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:

	2016	2015
Total Debt	₱26,554,856	₱21,434,043
Total Equity	1,202,422,679	898,795,996
Debt-to-equity ratio	0.022:1	0.024:1

25. Operating Segment Information

The Group's reportable operating segments relate to the leasing of its condominium unit and investing of its funds in 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 statements of financial position.

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

	2016	2015	2014
Segment revenue	₱23,689,481	₱27,859,553	₱40,829,054
Segment profit	19,033,288	23,267,275	36,157,750
Interest income	16,365,308	16,700,325	15,548,669
Depreciation	4,318,696	4,318,696	4,318,696
Provision for income tax	337,497	273,582	352,608
Total assets	1,218,048,335	846,713,022	891,337,850
Total liabilities	1,237,874	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:

	2016		
	Reportable Segment	Reconciling Items	Consolidated Balances
Revenue	P23,689,481	P19,071,971	P42,761,452
Cost of service	-	(14,763,714)	(14,763,714)
Gross profit	23,689,481	4,308,257	27,997,738
General and administrative expenses	(4,318,696)	(49,384,814)	(53,703,510)
Gain on settlement of loan receivable	-	273,018,929	273,018,929
Reversal of allowance for doubtful accounts	-	125,000,000	125,000,000
Other income	-	2,957	2,957
Income before income tax	19,370,785	352,945,329	372,316,114
Provision for income tax	337,497	49,354,277	49,691,774
Net income	P19,033,288	P303,591,052	P322,624,340
Assets	P1,218,048,335	P10,929,200	P1,228,977,535
Liabilities	P1,237,874	P25,316,982	P26,554,856
	2015		
	Reportable Segment	Reconciling Items	Consolidated Balances
Revenue	P27,859,553	P2,101,697	P29,961,250
Cost of service	-	(917,313)	(917,313)
Gross profit	27,859,553	1,184,384	29,043,937
General and administrative expenses	(4,318,696)	(25,179,675)	(29,498,371)
Other income	-	674,895	674,895
Income before income tax	23,540,857	(23,320,396)	220,461
Provision for income tax	273,582	(1,027,125)	(753,543)
Net income	P23,267,275	(P22,293,271)	P974,004
Assets	P846,713,022	P73,517,017	P920,230,039
Liabilities	P1,237,874	P20,196,169	P21,434,043

	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

Differences between the reportable segment's gross profit and the Group's consolidated gross profit pertain primarily to PMEI's income from the Pag-asa Island Project and 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 2016 and 2015, the Group does not have a customer for which 10% or more of the revenue were derived from. In 2014, the Group derived from Insbrooks Holdings, Inc. revenue amounting to ₱10.9 million, which is more than 10% of its consolidated revenue through the lease of its condominium unit.

26. 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 representatives 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).

27. Litigation

The following cases were filed by the Parent Company to recover assets allegedly withdrawn or misappropriated by the former 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 still pending decision with the DOJ as at report date.

- 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. The complaint alleged that the unauthorized deposits, withdrawals and transfers of the Parent Company's funds in the amount of ₱66.8 million was processed through spurious bank accounts and involved the co-mingling and transfer of funds between the Parent Company's accounts and certain personal accounts. The case was re-raffled to RTC Branch 59 on August 27, 2015 and is ongoing presentation of evidence.

On June 14, 2016, an Order was issued allowing Brodett to present his defense only with respect to the ₱27.0 million and ₱9.3 million which allegedly came from PHC funds and not in the whole amount of ₱66.8 Million. On July 1, 2016, a Motion for Reconsideration of the said Order was filed by the Private Prosecutor (Parent Company). On August 30, 2016, the Private Prosecutor (Parent Company) filed a Reply to Brodett's Comment/Opposition dated August 25, 2016. The case is currently ongoing trial and presentation of Brodett's 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 therefore, the misappropriation of the Parent Company's 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, 2012.

On March 29, 2016, a decision was issued dismissing the case against respondents. On April 27, 2016, a motion for reconsideration of the said Decision was filed. On August 2, 2016, the Parent Company received a copy of Lokin's Comment/Opposition (to the Motion for Reconsideration) dated July 22, 2016. On October 13, 2016, a Resolution was issued denying the Motion for Reconsideration. The Parent Company decided to no longer pursue the case with the Supreme Court.

- Criminal Complaint Against Concepcion A. Poblador

A criminal complaint for estafa was filed against Ms. 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 Ms. 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 Ms. 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 the Parent Company's 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 Parent Company has finished presenting rebuttal evidence.

On November 7, 2016, the Parent Company filed its Memorandum. On November 14, 2016, the Parent Company also filed an Urgent Motion praying that Araneta and Lokin be ordered to submit a new counter-bond since CAP General Insurance Corporation is already non-existing and under conservatorship. On February 2, 2017, a Decision was issued finding Araneta and Lokin liable to pay PHC a) actual damages in the sum of ₱31.5 million plus legal interest of 6% computed from May 26, 2010, the time of judicial demand until fully paid; b) ₱200,000 as and by way of exemplary damages; and c) ₱200,000 as and by way of attorney's fees, plus costs of suit. Araneta and Lokin filed their Motions for Reconsideration of the said Decision. The Parent Company's Urgent Motion and Araneta and Lokin's Motions for Reconsideration is still pending resolution.

- Criminal Complaint Against Locsin 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 for presentation of the prosecution's 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 and the case is submitted for 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.



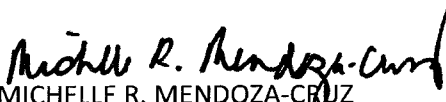
**REPORT OF INDEPENDENT AUDITOR
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

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 Group), as at and for the year ended December 31, 2016, on which we have rendered our report dated March 22, 2017.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has one thousand one hundred fifty-three (1,153) 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. 5908530
Issued January 3, 2017, Makati City

March 22, 2017
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 22, 2017. Our audits were 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, 2016 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 audits 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

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

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BIR Accreditation No. 08-005144-12-2014

Valid until March 31, 2017

PTR No. 5908530

Issued January 3, 2017, Makati City

March 22, 2017

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, 2016

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements			
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	Title	Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	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 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			✓
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			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
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)
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SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
<i>Liquidity</i>		
Current assets	P288,418,266	P462,844,018
Current liabilities	7,660,856	2,303,377
Liquidity ratio	37.65:1	200.94:1
<i>Leverage</i>		
Total liabilities	P26,554,856	P21,434,043
Total equity	1,202,422,679	898,795,996
Debt-to-equity ratio	0.02:1	0.02:1
Total assets	P1,228,977,535	P920,230,039
Total equity	1,202,422,679	898,795,996
Asset-to-equity ratio	1.02:1	1.02:1
<i>Profitability</i>		
Gross profit	P27,997,738	P29,043,937
Revenue	42,761,452	29,961,250
Gross profit ratio	65.47%	96.94%
Net income	P322,624,340	P974,004
Total assets	1,228,977,535	920,230,039
Return on assets	26.25%	0.11%
Net income	P322,624,340	P974,004
Total equity	1,202,422,679	898,795,996
Return on equity	26.83%	0.11%

PHILCOMSAT HOLDINGS CORPORATION
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SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2016

Unappropriated retained earnings, <i>as adjusted to available for dividend distribution, beginning</i>	(P100,292,454)
Net Income during the period closed to retained earnings	322,624,340
Less deferred tax benefit recognized during the period	(134,981)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	P222,196,905

Reconciliation:

Unappropriated retained earnings at end of period as shown in the financial statements	P222,365,362
Net deferred tax assets as shown in the financial statements	(168,457)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	P222,196,905

PHILCOMSAT HOLDINGS CORPORATION
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SEC Supplementary Schedule as Required by Part II of SRC Rule 68 as Amended
DECEMBER 31, 2016

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

A. Financial Assets
DECEMBER 31, 2016

<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>				
Amalgamated Investment Bancorporation	P7,384,925	P7,384,925	P7,384,925	P627,965
<i>Notes and loans receivable</i>				
Amalgamated Investment Bancorporation	P86,711,954	P86,711,954	P86,711,954	P894,974
PSI Healthcare	25,000,000	25,000,000	25,000,000	-
HMR Philippines, Inc.	25,000,000	25,000,000	25,000,000	333,333
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	415,200
BDO Unibank	9,000,000	9,000,000	9,000,000	278,100
Chinabank Savings	8,305,002	8,305,002	8,305,002	-
Metrobank Card Corp.	8,000,000	8,000,000	8,000,000	256,000
Metrobank Card Corp.	5,000,000	5,000,000	5,000,000	248,400
Metrobank Card Corp.	5,000,000	5,000,000	5,000,000	159,200
	P192,016,956	P192,016,956	P192,016,956	P2,905,457
<i>Financial assets at FVPL</i>				
Bank of the Philippine Islands	1,056 shares	P102,749	P102,749	P-
<i>AFS financial assets</i>				
<i>Investments in quoted shares of stock</i>				
Arthaland preferred shares	131,800 shares	P15,032,680	P15,032,680	P-
SMC preferred shares	90,700 shares	11,745,600	11,745,600	277,679
Shell Philippines shares	10,050,000	10,050,000	10,050,000	-
Ayala Corp. preferred shares	13,760 shares	7,475,440	7,475,440	203,023
GT Capital Holdings shares	4,000,000	4,064,000	4,064,000	-
BDO Unibank shares	35,000 shares	3,920,000	3,920,000	7,500
Double Dragon preferred shares	31,000 shares	3,214,700	3,214,700	52,259
Ayala Land, Inc. shares	100,000 shares	3,200,000	3,200,000	-
SM Prime Holdings, Inc. shares	100,000 shares	2,835,000	2,835,000	-
First Gen. Corp. shares	10,460 shares	1,265,660	1,265,660	-
Shakey's Philippines shares	1,013,400	1,013,400	1,013,400	-
DMCI Holdings shares	75,000 shares	994,500	994,500	-
Petron preferred shares	500 shares	522,500	522,500	23,016
JG Summit Holdings shares	5,000 shares	338,250	338,250	80,707
Robinsons Land Corp. shares	5,000 shares	130,000	130,000	-
International Container Terminal Services, Inc. shares	4,170 shares	300,032	300,032	-

(Forward)

<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>
<u>Investments in quoted bonds</u>				
Ayala Land, Inc. bonds	₱55,450,000	₱54,703,277	₱54,703,277	944,895
SM Prime Holdings bonds	24,130,000	23,189,869	23,189,869	129,660
Petron bonds	21,000,000	20,902,875	20,902,875	–
GT Capital Holdings bonds	8,500,000	8,484,469	8,484,469	139,230
SM Investments Corp. bonds	6,000,000	6,023,628	6,023,628	22,750
Ayala Corp. bonds	19,270,000	18,886,682	18,886,682	37,000
Double Dragon bonds	20,000,000	18,461,858	18,461,858	–
Aboitiz Equity Ventures bonds	12,000,000	11,776,667	11,776,667	273,180
UITF Peso bond	13,000,000	13,312,917	13,312,917	21,867
Meralco bonds	10,000,000	9,839,907	9,839,907	167,500
Aboitiz Power bonds	9,368,652	9,424,158	9,424,158	696,622
SMC bonds	6,800,000	6,664,418	6,664,418	–
ABS-CBN bonds	5,000,000	4,938,143	4,938,143	154,425
South Luzon Tollways Corp. bonds	4,700,000	4,582,342	4,582,342	–
Retail Treasury bonds	5,000,000	4,560,673	4,560,673	120,000
Filinvest Land, Inc. bonds	3,000,000	3,053,800	3,053,800	53,104
PLDT bonds	2,000,000	2,059,373	2,059,373	60,450
JG Summit Holdings bonds	2,000,000	2,016,167	2,016,167	–
Manila North Tollways Corp. bonds	1,000,000	1,002,057	1,002,057	29,295
<u>Managed funds</u>				
Unit Investment Trust Funds	25,882,913	29,194,576	29,194,576	44,131
BDO AFS 31-3-203-6005	913,013shares	23,082,582	23,082,582	1,805,710
BDO AFS 84-3-139-0004	195,039shares	8,349,798	8,349,798	1,385,673
BDO AFS 84-3-139-0360	13,430shares	11,521,450	11,521,450	1,675,893
BDO AFS 84-3-139-0007	101,540,388	93,571,390	93,571,390	1,620,019
BDO - Trust (IMA)	175,119,383	171,985,607	171,985,607	2,114,558
Sun Life Prosperity Balanced Fund	11,771,306shares	41,105,401	41,105,401	–
Sun Life Prosperity GS Fund	6,038,647shares	9,098,429	9,098,429	–
Sun Life Prosperity Dynamic Fund	5,346,450shares	4,792,023	4,792,023	–
Sun Life Prosperity Equity Fund	3,878,305shares	14,528,518	14,528,518	–
Philam Strategic Growth Fund	110,408shares	54,133,042	54,133,042	–
Philam Bond Fund	2,307,782shares	9,337,285	9,337,285	–
SBC-SB Peso Money Market Fund	16,382,291shares	20,905,540	20,905,540	–
<u>Club memberships</u>				
Montemar Beach Club, Inc.	10shares	2,000,000	2,000,000	–
Makati Sports Club, Inc.	1share	450,000	450,000	–
		₱784,040,683	₱784,040,683	₱12,140,146

PHILCOMSAT HOLDINGS CORPORATION
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**B. Amounts Receivable from Directors, Officers, Employees, Related Parties and
Principal Stockholders (Other than Related Parties)**
DECEMBER 31, 2016

<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>
Included under "Receivables"						
Philcomsat	₱116,532,696	₱59,752,802	₱176,285,498	₱-	₱-	₱-
MBCI	19,395,543	-	890,000	18,505,543	-	18,505,543
MRDC	306,250	-	-	306,250	-	306,250
POTC	10,771,539	10,771,539	10,771,539	-	-	-
	₱147,006,028	₱70,524,341	₱187,947,037	₱18,811,793	₱-	₱18,811,793

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

PHILCOMSAT HOLDINGS CORPORATION
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**C. Amounts Receivable from Related Parties which are Eliminated During the
Consolidation of the Financial Statements**
DECEMBER 31, 2016

<i>Name of related party</i>	<i>Balance at beginning of period</i>	<i>Additions</i>	<i>Balance at end of period</i>
Philippine Management Enterprises, Inc.	P-	P630,332	P630,332

PHILCOMSAT HOLDINGS CORPORATION
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D. Intangible Assets - Other Assets
DECEMBER 31, 2016

<i>Description</i>	<i>Beginning balance</i>	<i>Additions at cost</i>	<i>Charged to cost and expenses</i>	<i>Ending balance</i>
Goodwill	P1,319,429	P-	P-	P1,319,429

PHILCOMSAT HOLDINGS CORPORATION
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H. SHARE CAPITAL
DECEMBER 31, 2016

<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
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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, 2016

