

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

Fiscal Year

SEC Form 17-A
Annual Report
For the Year Ending 31 December 2017

FORM TYPE

3rd Monday of
November

Annual Meeting

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

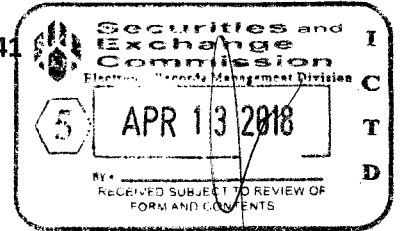
STAMPS

Remarks = pls. use black ink for scanning purposes

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 2017*
- 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 SEC Form 17-A on April 12, 2017 and its Quarterly Reports on SEC Form 17-Q on May 12, 2017, August 14, 2017 and November 16, 2017.

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 2017, the aggregate market value of the voting stock held by non-affiliates of the Corporation is P133,460,180.43.

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 2017.

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 PCGG into PHC's operations during 2005 to 2007 remains unexplainable. Several requests were made to the PCGG to withdraw its objection to the listing of the shares but it has refused to do so.

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.

The Corporation owns 100% of Philcomsat Management Enterprises, Inc. which in turn owns Professional Stock Transfer, Inc. and Elite Defense Security Services Corporation.

(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 an office space at 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.

(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.

(vi) Raw Materials and Supplies

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

(vii) Major Customers

The Corporation has no product or service or which it would have customers.

(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-Loecin 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-Loecin) 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-Loecin Group who availed of the privilege.

Details of other RPTs are found in Note 17 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 had no expenditures for research and development in the last three (3) fiscal years.

(xiii) Environmental Laws

The Corporation is not affected by environmental laws.

(xiv) Number of Employees

As of 31 December 2017, the Board of Directors has not engaged any regular employee. The Corporation's businesses and concerns are 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) office space 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 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 P90,936 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. 62

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.

On February 2, 2017, a Decision was issued finding Araneta and Lokin liable to pay PHC a) actual damages in the sum of P31,500,000.00 plus legal interest of 6% computed from May 26, 2010, the time of judicial demand until fully paid; b) P200,000.00 as and by way of exemplary damages; and c) P200,000.00 as and by way of attorney's fees, plus costs of suit. Araneta and Lokin filed their Motions for Reconsideration of the said Decision.

On August 14, 2017, the RTC Makati issued an Order denying the Motions for Reconsideration filed by both respondents. Thus, Araneta and Lokin filed their Notices of Appeal on September 6 and September 8, 2017, respectively.

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

The case is for Mandatory Injunction against defendants Concepcion Poblador and Alma Kristina Alobba to compel them to return to PHC the stock and transfer book, the stock certificate booklet, and other corporate documents in their possession. In addition to the prayer to compel defendants to return to PHC all corporate books and records in their possession, PHC also prays that the sum of Php200,000.00 be paid to them as costs of suit.

In a Resolution dated 22 December 2017, the Regional Trial Court issued a writ of mandatory injunction against Defendant Concepcion A. Poblador to surrender and deliver to Plaintiff all the documents prayed for. The said Defendant was likewise ordered to pay Plaintiff the sum of Php323,170.40 as attorney's fees and Php7,625.00 for cost of suit.

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.

On 26 April 2017, the Court (Special Third Division) issued a Resolution requiring Poblador to file a Rejoinder to PHC's Reply (To Poblador's Memorandum). The Court also returned the cases to completion state and deleted the directive that the same were submitted for Decision. Poblador filed her Rejoinder under date of 1 June 2017.

On 3 November 2017, PHC received the Court's (First Division) Resolution dated 11 October 2017 admitting Poblador's Rejoinder and requiring the parties to submit their Memoranda within thirty (30) days from notice thereof. Under date of 29 November 2017, Poblador filed a Manifestation adopting her previous Memorandum dated 22 December 2014. On 13 December 2017, PHC filed its Memorandum. The Office of the Solicitor General filed a Manifestation and Motion under date of 24 November 2017 asking that the DOJ Secretary be excused from filing a Memorandum.

d. People vs. Brodett, Ortega, Campa, Quintos, (Criminal Case No. 09-409), RTC Makati, Br. 59

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, which was denied in a Resolution dated 3 June 2016.

The case has been re-raffled to RTC Makati, Branch 59 and the trial for the presentation of Brodett's evidence is still not concluded.

e. 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.

2. As Defendant/Respondent

a. Victor V. Africa vs. de los Reyes and PHC (Civil Case No. 11-1260), RTC Makati Br. 132

This case is for the issuance of a Writ of Mandamus. Pursuant to Section 74 of the Corporation Code, Plaintiff is demanding that he be furnished with copies of the following: 1) the Minutes of the 2010 Board Meetings where it was decided that the authorized capital stock be increased, including the discussions thereon; and 2) documents containing information regarding the appointment of appraisal consultants, their final report, and the action of the Board thereon.

In addition, Plaintiff is asking for Php350,000.00 in actual, moral, and exemplary damages, for the cost of the suit, and attorney's fees.

The Regional Trial Court rendered a Decision in favor of Plaintiff. Apart from ordering the Corporation to allow Plaintiff to inspect the latter's records and books as demanded, PHC was further ordered to pay Plaintiff Php5,000.00 in moral damages, Php50,000.00 in exemplary damages, and Php200,000.00 in costs and legal fees.

This case is presently on appeal.

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

This case stems from a Complaint and a Supplemental Complaint for the inspection of corporate books and records under Section 74 of the Corporation Code. Plaintiff filed the same to demand that he be furnished with: 1) records pertaining to the meeting of the Board of Directors which resolved to set-up subsidiary corporations; 2) records pertaining to filling up of vacated posts of directors which he believed was contrary to established jurisprudence; 3) copies of the Minutes of the Meeting of the Board of Directors and of the Board-created/filled Committees from 01 June 2013 to 01 May 2014; and 4) copies of documents/papers related to the execution/satisfaction of judgment of the case against BPI.

In addition, Plaintiff is asking the court to award him at least Php455,000.00 in exemplary and moral damages, attorney's fees, and the cost of the suit.

This case is presently on appeal and docketed as CA G.R. SP No. 152510.

c. Victor V. Africa vs. V. de los Reyes, John/Jane Does and PHC (Civil Case No. R-MKT-16-00445), RTC Makati Br. 141

This is a case for inspection of corporate books and records under Section 74 of the Corporation Code. Plaintiff is demanding that he be furnished with copies of: 1) all documents showing the details of the "Related Party Transactions" enumerated in the Corporation's Quarterly Reports/FS for the period ending 30 September 2015; and 2) all documents that would show the nature and extent of the relationship between the parties involved in such "Related Party Transactions". Plaintiff has also filed a Motion to Admit Supplemental Complaint and a Supplemental Complaint making further demands for: 3) Minutes of the Board Meetings wherein it authorized the settlement of the collection case against Antonio Araneta and Ansear Realty for a total of Php700,000,000.00; 4) the receipt showing the partial payment of Php350,000,000.00; 5) documents pertaining to the disposition of the proceeds from said settlement; 6) Minutes of the Board Meeting wherein the previous 17 December 2009 resolution approving the increase in the Corporation's authorized capital was confirmed and ratified; and 7) documents pertaining to the Notes to Consolidated Statements for the year ending 31 December 2016.

In addition, Plaintiff is demanding at least Php355,000.00 in liquidated and exemplary damages, moral damages, and attorney's and legal fees.

The case is pending trial with the Regional Trial Court.

d. Victor V. Africa vs. V. de los Reyes, John/Jane Does and PHC (Civil Case No. R-MKT-17-01961), RTC Makati Br. 141

This is a case for inspection of corporate books and records under Section 74 of the Corporation Code. Plaintiff is demanding that he be furnished with copies of: 1) Minutes of the Meeting of the Board of Directors which authorized the settlement of the collection cases against Antonio Araneta and Ansear Realty and Development Corporation for a total amount of Php700,000.00; 2) the receipt showing the partial payment of Php350,000,000.00; 3) the disposition of the proceeds from said settlement; 4) Minutes of the Board Meeting wherein the previous 17 December 2009 resolution approving the increase in the Corporation's authorized capital was confirmed and ratified; and 5) documents pertaining to the Notes to Consolidated Statements for the year ending 31 December 2016.

In addition, Plaintiff is demanding at least Php355,000.00 in liquidated and exemplary damages, moral damages, and attorney's and legal fees.

The Regional Trial Court has referred the case to mediation.

3. **Appealed Cases**

- a. **Victoria de los Reyes and Philcomsat Holdings Corporation, Petitioners vs. Victor Africa, Respondent, CA G.R. SP No. 144651 [Civil Case No. 11-1260, Makati RTC Branch 132]**

This case originated from the adverse Decision of the Regional Trial Court rendered on 23 February 2016. The Company elevated the matter to the Court of Appeals on a Petition for Review with Prayer for Injunctive Relief arguing that the lower court was in error in granting the prayer of the Respondent.

The parties had filed all their respective pleadings. On 22 November 2016, the Court of Appeals issued a Resolution saying that the Petition is now deemed submitted for decision.

- b. **Victor Africa, Plaintiff-Appellant vs. Victoria de los Reyes and Philcomsat Holdings Corporation, Defendants-Appellees, CA G.R. SP No. 107030 [Civil Case No. 11-1260, Makati RTC Branch 132]**

This case originated from the Decision of the Regional Trial Court rendered on 23 February 2016. Plaintiff-Appellant elevated the matter to the Court of Appeals on a Notice of Appeal seeking the modification of the lower court's Decision. Specifically, he is seeking an increase in the moral damages awarded him from Php5,000.00 to Php50,000.00 and an order stating that the Board of Directors of PHC and Victoria de los Reyes be the ones jointly and severally made liable for payment of the judgment award.

On 08 September 2016, Plaintiff-Appellant filed his Appellant's Brief. Thereafter, on 02 November 2016, Defendants-Appellees filed their Appellee's Brief arguing that the appeal should be dismissed outright for, among other things, being the wrong mode of appeal. On 29 November 2016, Plaintiff-Appellant filed his Reply Brief which, Defendants-Appellee noted in its Compliance, was a day late.

On 10 January 2017, the Court of Appeals issued a Resolution stating that the case is now submitted for decision.

On 07 March 2017, the Court of Appeals promulgated its Decision which modified the lower court's ruling. Essentially, the Court of Appeals deleted the award for moral and exemplary damages and reduced the award of attorney's fees from Php200,000.00 to Php100,000.00.

On 28 July 2017, the Court of Appeals denied the Motion for Reconsideration of the Defendants-Appellees.

The case is on appeal with the Supreme Court.

- c. **Victoria de los Reyes and Philcomsat Holdings Corporation, Petitioners vs. Victor Africa, Respondent, SC G.R. No. 233171 [CA G.R. SP No. 107030, 13th Division of the Court of Appeals]**

On 22 August 2017, Petitioners filed a Petition for Review on Certiorari (with Prayer for the Issuance of a Temporary Restraining Order and a Writ of Preliminary Injunction). Respondent filed his Motion for Additional Time to File Comment dated 26 October 2017 and thereafter, his Comment (with Opposition to the Prayer for Issuance of TRO) with Leave to Admit dated 29 November 2017.

- d. **Victoria de los Reyes and Philcomsat Holdings Corporation, Petitioners vs. Victor Africa, Respondent, CA G.R. SP No. 152510 [Civil Case No. 14-481, Makati RTC Branch 137]**

On 14 September 2017, Petitioners filed a Petition for Review (with Prayer for Temporary Restraining Order and a Writ of Preliminary Injunction). Respondent filed his Compliance and Motion for Extension of Time to File Comment dated 27 November 2017 and a Final Motion for Extension of Time to File Comment dated 05 January 2018.

4. Others

- a. **In Re : Contempt Proceedings vs. Johnny Tan, Manuel Nieto, Philip Brodett, Enrique Locsin, Luis Lokin and Sikini Labastilla (SB-07-SCA-0005), 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, which is denied in a Resolution dated 29 September 2016. Lokin filed a Petition for Review with the Supreme Court and the same is still pending to date.

As far as Labastilla is concerned, on the other hand, his Petition for Review assailing his conviction was already denied by the Supreme Court, which denial attained finality on 29 March 2010. Thus, on 21 July 2017, the Sandiganbayan issued a Resolution ordering a warrant of arrest be issued against him.

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

Aside from the regular Agenda during the 2017 stockholders' meetings such as the approval of the minutes, the notation of the management Report and audited financial statements, the ratification of acts of the board of directors, the committees and management, the election of directors and the appointment of external auditor, there has been no other 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) shares are listed on the Exchange. The SEC approved the registration of the remaining 940,000,000 shares on August 31, 2000 but upon the objection of then PCGG Chairman Camilo Sabio, the PSE deferred action on the Corporation's application.

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.	796,595,690	79.94%
Prudencio Somera Jr.	100,000,100	10.04%
Oliverio Laperal	49,556,500	4.97%
PCD Nominee Corporation	16,274,534	1.52%
RCBC T/A	4,802,413	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%
RCBC T/A	2,689,000	0.26%
Philippine Oil Development Corporation	1,500,000	0.15%
Imperial Resources, Inc.	800,000	0.08%
Oliverio Laperal Jr.	776,743	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.	332,550	0.04%
Nenita Dacillo	320,000	0.03%
Bridgestone Securities Corporation	307,425	0.03%
RCBC T/A	300,000	0.03%

(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-Locsin 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, the Corporation's shares were suspended from trading due to the failure of the Brodett-Araneta-Poblador-Lokin-Locsin Group to file Audited Financial Statements with the SEC and PSE.

Upon the present Management's taking control of the Corporation from the Brodett-Araneta-Poblador-Lokin-Locsin Group, SGV & Co. was commissioned to identify and inventory the accounting records and documents of the former management from 2005 to 2007. Thereafter, an independent audit was conducted beginning with the year 2005. Since 2006, the independent external auditors engaged by present Management have been issuing clean, unqualified opinions on the Corporation's AFS.

Present Management sought and will continue to seek justice for its stockholders by filing cases to recover the company funds from the Brodett-Araneta-Poblador-Lokin-Locsin 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 subsidiary, Philcomsat Management Enterprises, Inc. (PMEI) which provides management and consultancy services and whose ventures include

Professional Stock Transfer, Inc., a stock transfer agency, and Elite Defense Security Services Corporation, a security 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. In 2017, the Corporation was able to collect the balance on the loan from Ansear and it now has P337.6 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, 2017, the Corporation generated revenue of P29.9 million compared to P23.1 million in the year ended December 31, 2016 and P28.5 million in the year ended December 31, 2015. Interest income from money market placements and deposits for the year 2017 was P25 million compared to P16 million in 2016 and P17 million in 2015. Interest income from money market placements and deposits traditionally represent the bulk of the Company's revenue.

In 2017, as a result of a settlement of a loan receivable, the Corporation recorded a gain of P151.3. In 2016, the gain was P273 million as well as a reversal of allowance for doubtful accounts in the amount of P125 million.

The Corporation also booked rental income of P125,323. There was no rental income generated in 2016 and 2015 from the Corporation's Pacific Star office space.

Expenses: Costs and expenses amounted to P36.6 million in 2017 compared to P51.2 million in 2016 and P28.2 million in 2015.

Operating and Net Income/Loss: While the Corporation registered an operating loss in 2017 of P6.6 million, this was offset by the gain on settlement of loan receivable. Thus, net income of the Corporation for the year reached P116.7 million. Net income before changes in the fair value of AFS financial assets in 2016 was P320 million and P0.9 million in 2016 and 2015, respectively.

Income Statement (Registrant Only)
(P Million)

	2015	2016	2017
Revenue	28.5	23.1	29.9
Cost of Service	28.2	51.2	36.5
Gross Profit	0.3	(28.1)	(6.6)
Other Income (Expenses)	0.0	398.0	151.3
Provision for Tax	0.6	49.5	27.9
Net Income (Loss)	0.9	320.5	116.7
Unrealized Gain on Changes in Fair Values of AFS Financial Assets	(10.3)	(19.0)	21.7
NET INCOME/(LOSS)	(9.4)	301.5	138.4

Income Statement (Registrant and Subsidiaries)
(P Million)

	2015	2016	2017
Revenue	29.9	42.7	40.9
Cost of Service	(30.4)	(68.5)	(46.3)
Settlement of L/R	0.0	273.0	151.2
Other Income/Reversals	0.7	125.0	0.0
Gross Profit	0.2	372.3	145.8
Provision for Tax	0.7	(49.7)	(28.1)
Net Income (Loss)	0.9	322.6	117.7
Unrealized Gain/Loss and Changes in Fair Values of AFS Financial Assets	(10.3)	(19.0)	21.7
NET INCOME/(LOSS)	(9.3)	303.6	139.4

Financial Position

The company's comparative balance sheet is summarized below:

Balance Sheet (Registrant Only)
(P Million)

	2015	2016	2017
Current Assets	415.7	258.1	301.1
Available-for-sale financial assets	298.0	784.0	879.3
Property & Equipment	0.0	0.0	0.3
Investment Properties	112.3	107.9	103.6
Investment in and Advances to PMEI	50.0	25.0	25.0
Receivables	39.0	47.0	56.0
Other Assets	5.5	0.0	0.0
Total Assets	921.5	1,222.0	1,365.3
Current Liabilities	3.0	2.3	7.0

Deposit for Future Subscription	18.9	18.9	18.9
Unrealized gain on changes in fair values of AFS financial assets	2.66	(16.3)	5.4
Stockholders' Equity	896.9	1,217.3	1,334.0

**Balance Sheet (Registrant and Subsidiaries)
(P Million)**

	2015	2016	2017
Current Assets	462.8	288.4	330.4
Available-for-sale financial assets	298.0	784.0	879.3
Property & Equipment	0.12	0.0	0.5
Investment Properties	112.3	108.0	103.6
Receivables	39.0	47.0	56.0
Other Assets	5.5	1.4	4.2
Total Assets	920.2	1,228.9	1374.0
Current Liabilities	2.3	7.6	12.5
Deposit for Future Subscription	18.9	18.9	18.9
Unrealized gain on changes in fair values of AFS financial assets	2.6	(16.3)	5.4
Stockholders' Equity	909.4	1218.7	1337.2

Balance Sheet Accounts (Registrant Only)

Current Assets: Current assets of the Corporation as of December 31, 2017 totalled P301 million compared to P258.2 million in 2016 and P415.7 million in 2015. The Corporation has sufficient cash resources to meet any expected requirement during the next twelve (12) months. Cash and cash equivalents was P80.3 million at year-end 2017, P74.5 million in 2016 and P243.6 million in 2015. AFS financial assets totaled P879.3 million in 2017, P784 million in 2016, and P298 million in 2014.

Liabilities: The Corporation is substantially debt-free and has no material commitments for capital expenditures. Total current liabilities in 2017 was to P7 million compared to P2.4 million in 2016 and P3 million in 2015. The increase in current liabilities was brought about by a P4.4 million security deposit on the lease of the Corporation's office space.

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 P1.3 billion in 2017 compared to P1.2 billion in 2016 and P899.5 million in 2015.

Key Performance Indicators ("KPI")

The Company's KPI for the years ended December 31, 2015, 2016 and 2017 follow:

Performance Indicator	Formula	2015	2016	2017
<i>Liquidity</i>				
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	135.31:1	109.4:1	42.7:1
<i>Leverage</i>				
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Stockholders' Equity}}$	0.02:1	0.02:1	0.02:1
<i>Profitability</i>				
Gross Profit Margin	$\frac{\text{Gross Profit}}{\text{Revenue}}$	0.01:1	16:1	4.83:1
Net Income Margin	$\frac{\text{Net Income from Operations}}{\text{Gross Profit}}$	2.86:1	0.87:1	0.81:1

Liquidity

The Company's current ratio is 42.7:1 in 2017, compared to 109.4:1 in 2016 and 135.31:1 in 2015. The Company's liquidity position remains strong.

Leverage

Leverage is very low at 0.02:1 in 2017, 2016 and 2015.

Notes to Financial Statements

Accounting Policies and Principles

The financial statements of the Corporation for the years 2017, 2016 and 2015 are presented in accordance with generally accepted accounting principles applied on a consistent basis.

Seasonality Aspects of the Business

The operations of the Corporation are not affected by seasonality or cyclicity.

Material changes in Balance Sheet Accounts 5% or more (Registrant only)

- 1) Increase in current assets by 16.6% to P310 million.
- 2) Increase in non-current assets by 10.4% to P1 billion.
- 3) An increase in current liabilities by 198% to P7 million.
- 4) The foregoing resulted in an increase in retained earnings by 52.8% to P337.6 million.

Past and Future Financial Condition and Results of Operations – For 2015 and 2016, please refer to the above discussion. For prior years, please refer to the Corporation's previous annual reports. The substantial increase in the Corporation's retained earnings was a result of a one-time event, namely, the payment by Ansear Realty of its loan to the Corporation. With no other material event or commitment that is likely to affect the Corporation, it is expected that the future financial condition and results of operation would return to pre-2015 levels, i.e., income derived solely from its money market investments.

Material Changes

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

There is no known trend, event or uncertainty that would have a material impact on liquidity.

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

There is no event that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation.

(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.

There is no off-balance sheet transaction, arrangement, obligation or other relationship with unconsolidated entities or persons during the reporting period.

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

The company has no material commitment for capital expenditures.

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

There is no known trend, event or uncertainty that will have a material impact on sales.

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

There is no significant element of income from continuing operations except for payments on the loan receivable which were booked in 2016 and 2017.

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

- a. Increase in current assets by 16.6% to P310 million as a result of a 22% increase in receivables, mainly promissory notes issued by various banks and corporate notes and an 8% increase in cash and cash equivalents.
- b. Increase in non-current assets by 10.4% to P1 billion as a result of a 19% increase in non-current receivables, a 12% increase in AFS financial assets and a 642% increase in property and equipment.

- c. An increase in current liabilities of 198% to P7 million which is mainly due to the security deposit of the Corporation's tenant in its Pacific Star office space.
- d. The foregoing resulted in an increase in retained earnings by 52.8% to P337.6 million.

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

There are no seasonal aspects that are expected to have a material effect on FS.

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 2017 for which the aggregate amount billed in Philippine Pesos was P650,000.00 per year.

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 2017, Reyes Tacandong & Co. was requested to perform a quarterly review of the financial statements of the Corporation. The fees for this service amounted to P156,469.

For the year 2016, 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. In 2017, the Corporation did not require tax advisory services.

(c) All Other Fees

The Corporation did not need any other product or service from the external auditor/s, 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 2017 and 2016.

Item 7. Financial Statements

The report of independent accountants and the audited financial statements of the Corporation for the fiscal year ending 31 December 2017 are attached to the Statement of Management Responsibility (Annex "A")

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, 57, Filipino	Chairman and Executive Vice-President	November 2016 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, 72, Filipino	Director/ President	November 2016 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, 71, Filipino	Director/ Treasurer/ CFO	November 2016 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, 62, Filipino	Director	November 2016 to Present	Partner-Soo Gutierrez Leogardo & Lee Law Offices; Law Professor and Bar Reviewer-Arellano University, Director- IBP, former Trustee-GSIS
Marietta K. Ilusorio, 66, Filipino	Director	November 2016 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, 75, Filipino	Director	November 2016 to Present	Journalist, editor-in-chief, columnist, book author, and award-winning television talk show host
Pablo L. Lobregat, 63, Filipino	Director	November 2016 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 2016 to November 2017	Former Undersecretary, Department of Finance (Revenue Operation and Legal Affairs Group), former Managing Partner, Carag Jamora Somera & Villareal Law Offices
Prudencio C. Somera, Jr. 72, Filipino	Director	November 2016 to Present	Director – TKC Steel Corporation; Licensed Stockbroker; Columnist – Philippine Daily Inquirer
Justice Santiago J. Ranada (ret), 80, Filipino	Director	November 2016 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, 59, Filipino	Director	November 2016 to Present	Surgeon – Makati Medical Center; 23 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
*Oliverio L. Laperal, Jr., 68, Filipino	Director	November 2017 to Present	Co-President and Director of Imperial Resources; Co-President and Managing Director of Filipinas Golf & Country Club, Inc.; President & Managing Director of R.S. Video & Film Productions

**Independent director.*

*** Term of Office – The above directors were elected during the Annual Stockholders' Meeting held on 16 November 2016 and served until 20 November 2017, when the Corporation convened*

its Annual Stockholders' Meeting when they were all re-elected with the exception of Atty. Carlo A. Carag who was no longer nominated by the majority stockholder, Philcomsat, so that the Corporation would have 3 available seats for independent directors.

(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		4,680,000.00	3,000,000.00	0	7,680,000.00
All the other officers as a group unnamed		1,200,000.00	2,760,000.00	0	3,960,000.00
Total		5,880,000.00	5,760,000.00	0	11,640,000.00

(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		4,200,000.00	5,580,000.00	0	9,780,000.00

Aside from the foregoing, there are no other arrangements and contracts pursuant to which any director was or is to be compensated by the Corporation 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 2017, 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 2017, the following is the security ownership of Management:

Class	Name	Nature of Ownership	Citizenship	Percentage
Common	Katrina C. Ponce-Enrile	(R)	Filipino	-negligible-
Common	Erlinda I. Bildner	(R)	Filipino	-negligible-
Common	Ramon P. Jacinto	(R)	Filipino	-negligible-
Common	Victoria C. de los Reyes	(R)	Filipino	-negligible-
Common	John Benedict L. Sioson	(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 PFRS on Related Party Disclosures, the following are the elements of the transactions under Note 17 of the 2017 Audited Financial Statements:

(1) *Business Purpose of Arrangement*

Loans 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, to its sister companies, Montemar Resort Development Corporation and Montemar Beach Club, Inc., to its subsidiary, Philcomsat Management Enterprises, Inc. and paid professional fees to Professional Stock Transfer, Inc.

(3) Determination of Transaction Price

Amount of loan as well as the interest rate on the same depended on the needs of the related party.

(4) Disclosures of Transactions

None. As at 31 December 2017, the receivables from related parties amounted to only 1.33% of total equity.

(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 ACGR which, in accordance with SEC Memorandum Circular No. 20 dated 14 December 2016, was submitted to the SEC on 24 May 2017. The Corporation will file its 2017 ACGR, in accordance with SEC Memorandum Circular No. 15, Series of 2017, on or before May 30, 2018.

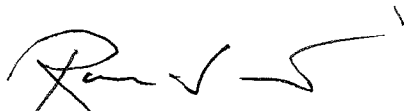
PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports

Statement of Management's Responsibility for Financial Statements and Audited Financial Statements for the fiscal period ending 31 December 2017 as Annex "A".

Pursuant to the requirement 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 10, 2018.

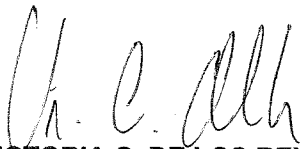
By:



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 10th day of April 2018, 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>
Ramon P. Jacinto		
Erlinda I. Bildner		
Victoria C. de los Reyes		
Martina D. Ladaw		

Doc No. : 269
Page No. : 55
Book No. : I
Series of 2018.



BILLIE KRISTEL D. CABAL
Notary Public until 31 December 2018
19th/F BDO Plaza, 8737 Paseo de Roxas, Makati City
PTR No. 6614439, Makati City, 03 January 2018
IBP No. 020803, Makati City, 03 January 2018
Roll No. 68065, Commission No. M-567

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

1,175

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

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 years ended **December 31, 2017, 2016 and 2015**, 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 is responsible in overseeing the Group's financial reporting process.

The Board of Directors 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 auditors appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, has expressed their opinion on the fairness of presentation upon completion of such audit.


KATRINA C. PONCE-ENRILE

Chairman of the Board and EVP


RAMON P. JACINTO

President and CEO


ERLINDA I. BILDNER


Treasurer and CFO

Signed this 5th day of April, 2018

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ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2018
IBP No. 654155-Lifetime Member
MCLE Compliance No. V-0006934
Appointment No. M-104 (2017-2018)
PTR No. 6607879 Jan. 3, 2018
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City



INDEPENDENT AUDITORS' 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, 2017 and 2016, 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 ended December 31, 2017, 2016 and 2015, 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, 2017 and 2016, and consolidated financial performance and consolidated cash flows for the years ended December 31, 2017, 2016 and 2015 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 *Auditors' 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 audits of the 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, 2017, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditors' report.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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.





Auditors' 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 auditors' 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, these 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 auditors' 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 auditors' 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 auditors' 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 auditors' 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. 6607962

Issued January 3, 2018, Makati City

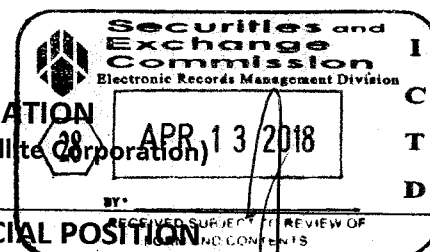
April 5, 2018

Makati City, Metro Manila



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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



	Note	December 31	
		2017	2016
ASSETS			
Current Assets			
Cash and cash equivalents	4	P104,889,256	P104,420,735
Short-term investments	5	7,441,238	7,384,925
Receivables – current	6	214,717,506	171,861,925
Other current assets	7	3,471,891	4,750,681
Total Current Assets		330,519,891	288,418,266
Noncurrent Assets			
Receivables – noncurrent	6	56,000,000	47,000,000
Available for sale (AFS) financial assets	8	879,320,504	784,040,683
Investment property	9	103,648,704	107,967,400
Property and equipment	10	521,822	63,300
Goodwill	11	4,024,916	1,319,429
Net deferred tax assets	19	206,134	168,457
Total Noncurrent Assets		1,043,722,080	940,559,269
		P1,374,241,971	P1,228,977,535
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	12	P4,529,759	P1,873,784
Customers' deposits	18	4,401,074	1,237,874
Due to a related party	17	3,613,265	4,549,198
Total Current Liabilities		12,544,098	7,660,856
Noncurrent Liability			
Deposit for future stock subscription	17	18,894,000	18,894,000
Equity			
Share capital		996,391,254	996,391,254
Retained earnings		340,257,935	222,365,362
Cumulative net unrealized gain (loss) on AFS financial assets	8	5,375,694	(16,333,937)
Equity attributable to equity holders of Parent Company		1,342,024,883	1,202,422,679
Non-controlling interest		778,990	–
Total Equity		1,342,803,873	1,202,422,679
		P1,374,241,971	P1,228,977,535

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF INCOME

	Note	Years Ended December 31		
		2017	2016	2015
REVENUE	13	P40,955,574	P42,761,452	P29,961,250
COSTS AND EXPENSES	14	(46,182,788)	(68,467,224)	(30,415,684)
GAIN ON SETTLEMENT OF LOAN RECEIVABLE	6	151,250,000	273,018,929	-
REVERSAL OF ALLOWANCE FOR DOUBTFUL ACCOUNTS	6	-	125,000,000	-
OTHER INCOME	15	11,405	2,957	674,895
INCOME BEFORE INCOME TAX		146,034,191	372,316,114	220,461
PROVISION FOR (BENEFIT FROM) INCOME TAX	19			
Current		28,179,295	49,826,755	462,796
Deferred		(37,677)	(134,981)	(1,216,339)
		28,141,618	49,691,774	(753,543)
NET INCOME		P117,892,573	P322,624,340	P974,004
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		P117,892,573	P322,624,340	P889,283
Non-controlling interest		-	-	84,721
		P117,892,573	P322,624,340	P974,004
BASIC/DILUTED EARNINGS PER SHARE	20	P0.1183	P0.3238	P0.0009

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31		
		2017	2016	2015
NET INCOME		₱117,892,573	₱322,624,340	₱974,004
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Item that may be reclassified to profit or loss</i>				
Unrealized gain (loss) on AFS financial assets	8	23,273,043	(14,572,943)	(3,093,377)
Reversal of fair value changes of AFS financial assets sold	8	(1,563,412)	(4,424,714)	(7,251,143)
TOTAL COMPREHENSIVE INCOME (LOSS)		₱139,602,204	₱303,626,683	(₱9,370,516)
TOTAL COMPREHENSIVE INCOME (LOSS)				
ATTRIBUTABLE TO:				
Equity holders of the Parent Company		₱139,602,204	₱303,626,683	(₱9,455,237)
Non-controlling interest		-	-	84,721
		₱139,602,204	₱303,626,683	(₱9,370,516)

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

	Note	Years Ended December 31		
		2017	2016	2015
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		222,365,362	(100,258,978)	(100,738,986)
Net income		117,892,573	322,624,340	889,283
Effect of acquisition of non-controlling interest		-	-	(409,275)
Balance at end of year		340,257,935	222,365,362	(100,258,978)
CUMULATIVE NET UNREALIZED GAIN (LOSS) ON AFS FINANCIAL ASSETS				
	8			
Balance at beginning of year		(16,333,937)	2,663,720	13,008,240
Unrealized gain (loss) for the year		23,273,043	(14,572,943)	(3,093,377)
Reversal of fair value changes of AFS financial assets sold		(1,563,412)	(4,424,714)	(7,251,143)
Balance at end of year		5,375,694	(16,333,937)	2,663,720
NON-CONTROLLING INTEREST				
Balance at beginning of year		-	-	756,921
Effect of business combination	11	778,990	-	-
Net income		-	-	84,721
Effect of acquisition of non-controlling interest		-	-	(841,642)
Balance at end of year		778,990	-	-
		₱1,342,803,873	₱1,202,422,679	₱898,795,996

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P146,034,191	P372,316,114	P220,461
Adjustments for:				
Gain on settlement of loan receivable	6	(151,250,000)	(273,018,929)	-
Depreciation	9	4,401,702	4,383,991	4,437,591
Gain on sale of:				
AFS financial assets	8	(401,831)	(5,429,954)	(5,723,471)
Condominium unit	10	-	-	(673,783)
Provision for (reversal of) impairment of input value-added tax (VAT)	14	(69,413)	4,053,742	-
Unrealized gain on financial assets at fair value through profit or loss (FVPL)	15	(11,405)	(2,957)	-
Provision for (reversal of) impairment loss on receivables	6	-	(125,000,000)	58,000
Loss on settlement of BPI account	14	-	1,458,225	-
Operating loss before working capital changes		(1,296,756)	(21,239,768)	(1,681,202)
Decrease (increase) in:				
Receivables		(3,922,197)	(2,498,238)	(1,844,611)
Other current assets		1,359,608	(308,906)	(1,161,070)
Other noncurrent assets		-	-	(1,007,083)
Increase (decrease) in:				
Trade and other payables		934,975	808,281	(188,068)
Customers' deposits		3,163,200	-	-
Net cash generated from (used for) operations		238,830	(23,238,631)	(5,882,034)
Income tax paid		(28,179,295)	(48,975,529)	-
Net cash used in operating activities		(27,940,465)	(72,214,160)	(5,882,034)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
AFS financial assets	8	(160,235,044)	(952,245,625)	(64,748,637)
Notes and loans receivable		(52,466,588)	(153,016,956)	(5,000,000)
Subsidiary - net of cash acquired	11	(914,410)	-	-
Property and equipment	10	(299,411)	(4,643)	-
Short-term investments		(56,313)	-	-
Proceeds from:				
Collection of a note receivable	6	151,250,000	416,572,274	-
Sale and redemption of AFS financial assets		87,066,685	452,654,276	105,696,449
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	17	5,000,000	128,194,235	(89,083,260)
Release of restricted cash		-	-	7,518,975
Net cash provided by (used in) investing activities		P29,344,919	(P73,037,509)	P31,886,282

(Forward)

		2017	2016	2015
CASH FLOWS FROM A FINANCING ACTIVITY				
Increase (decrease) in due to a related party		(P935,933)	P4,549,198	P-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		468,521	(140,702,471)	26,004,248
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		104,420,735	245,123,206	219,118,958
CASH AND CASH EQUIVALENTS AT END OF YEAR		P104,889,256	P104,420,735	P245,123,206
NONCASH FINANCIAL INFORMATION				
Unpaid subscriptions for investment in EDSSI	11	P1,721,000	P-	P-
Accrued project costs	17	3,613,265	-	-
		P5,334,265	P-	P-

See accompanying Notes to Consolidated Financial Statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Corporate Information

Philcomsat Holdings Corporation (formerly Liberty Mines, Inc.) [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 its 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 Parent Company 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 pending application with the SEC.

The Parent Company is 80.81% 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, 2017 and 2016:

	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
Elite Defense Security Services, Inc. (EDSSI)**	Security manpower agency	—	82.69

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

**Acquired in 2017.

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, 2017, 2016 and 2015 were approved and authorized for issue by the BOD on April 5, 2018.

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 22, respectively.

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous reporting 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, 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 financing activities.
- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* – The amendments clarify the accounting for deferred tax where an asset is measured at fair value and the fair value is below the asset's tax base (e.g. deferred tax asset related to unrealized losses on debt instruments measured at fair value), as well as certain other aspects of accounting for deferred tax assets.
- Amendment to PFRS 12, *Disclosures of Interests in Other Entities – Clarification of the Scope of the Standard* – The amendment is part of the Annual Improvements to PFRS 2014-2016 Cycle and clarifies that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

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 in Issue But Not Yet Effective

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2017 and have not been applied in preparing the consolidated financial statements are summarized below.

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.

- PFRS 15, *Revenue from Contract with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).
- Amendment to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15* – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property* – The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of change in use. A mere change in management's intentions for the use of the property does not provide evidence of a change in use.

Effective for annual periods beginning on or after January 1, 2019 -

- PFRS 16, *Leases* – The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

Deferred effectivity -

- Amendment to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, is now deferred indefinitely until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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. The Group anticipates that the application of PFRS 9 might have a significant effect on amounts reported in respect of the Group's financial assets and financial liabilities. 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, 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 EDSSI.

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 trade 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, 2017 and 2016.

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. These were classified as part of "Other current assets" in the consolidated statements of financial position

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

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 bonds, shares of stock and club memberships.

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 (excluding advances subject to liquidation).

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 trade and other payables (excluding statutory payables), customers' 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.

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.

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.

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 Value-added Tax (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:

	<u>Number of Years</u>
Office equipment	3
Transportation equipment	3-5
Furniture and fixtures	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 reporting date.

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.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree pertaining to instruments that represent present ownership interests and entitle the holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interest are measured at fair value unless another management basis is required by PFRS. Acquisition-related costs incurred are expensed and included in costs and expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date, including the separation of embedded derivatives in host contracts by the acquiree, if any.

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.

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

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

If necessary information, such as fair value of assets and liabilities acquired, is not available by the end of the reporting period in which the business combination occurs, provisional amounts are used for a period not exceeding one year from the date of acquisition or measurement period. During this period, provisional amounts recognized for a business combination may be retrospectively adjusted if relevant information has been obtained or becomes available.

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 when the Parent Company is yet to obtain approval of the increase in its authorized capital stock as at reporting date, which is among the conditions prescribed by the SEC.

Equity

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

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss.

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:

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

Service Fees. Service fees are recognized by reference to the stage of completion of the transaction based on the assessment of project engineers at the end of the reporting period. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognized only to the extent of the expenses recognized that are recoverable.

Retainer Fee and Transfer Fee. Revenue is recognized under the accrual basis in accordance with the terms of the related agreements.

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.

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

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 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.

Employee Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

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 an asset in the consolidated statements of financial position 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, *Operating Segments*, due to their similar passive nature and economic characteristics.

Assessing 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.

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 reporting year are discussed below.

Estimating Revenue Based on Percentage of Completion. The Group reviews, and when necessary, revises the estimates of revenues as the related services are performed. Service fees recognized from joint venture projects amounted to ₱5.8 million in 2017, ₱15.2 million in 2016 and nil in 2015 (see Note 16).

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

The carrying amounts of receivables amounted to ₱270.7 million and ₱218.9 million as at December 31, 2017 and 2016, respectively. Allowance for doubtful accounts amounted to ₱58,000 as at December 31, 2017 and 2016 (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 ₱879.3 million and ₱784.0 million as at December 31, 2017 and 2016, respectively (see Note 8).

The fair value of financial assets at FVPL amounted to ₱114,154 and ₱102,749 as at December 31, 2017 and 2016, 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, 2017 and 2016. Fair value and carrying amount of AFS financial assets amounted to ₱879.3 million and ₱784.0 million as at December 31, 2017 and 2016, 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.

There were no changes in the estimated useful lives of investment property and property and equipment in 2017, 2016 and 2015.

The carrying amounts of the investment property amounted to ₱103.6 million and ₱108.0 million as at December 31, 2017 and 2016, respectively (see Note 9).

The carrying amounts of property and equipment amounted to ₱521,822 and ₱63,300 as at December 31, 2017 and 2016, 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.

Provision for (reversal of) impairment losses were recognized on input VAT amounting to (₱69,413) in 2017 and ₱4,053,742 in 2016 (see Note 14).

The carrying amounts of nonfinancial assets are as follows:

	Note	2017	2016
Investment property	9	₱103,648,704	₱107,967,400
Goodwill	11	4,024,916	1,319,429
Other current nonfinancial assets	7	3,357,737	4,647,932
Property and equipment	10	521,822	63,300

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 deferred tax assets amounting to ₱4.1 million and ₱5.9 million as at December 31, 2017 and 2016, respectively, because management has assessed that these may not be realized because future taxable income may not be sufficient against which the deferred tax assets can be utilized (see Note 19).

The Group's recognized deferred tax assets as at December 31, 2017 and 2016 amounted to ₱208,807 and ₱259,756, respectively (see Note 19).

4. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand and in banks	₱19,625,222	₱20,485,905
Cash equivalents	85,264,034	83,934,830
	₱104,889,256	₱104,420,735

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 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 13):

	Note	2017	2016	2015
Cash and cash equivalents		₱1,712,685	₱1,171,908	₱3,540,698
Short-term investments	5	978,423	627,965	3,680,534
Receivables	6	6,730,160	4,319,508	4,995,730
AFS financial assets	8	15,964,024	10,245,927	4,483,363
		₱25,385,292	₱16,365,308	₱16,700,325

5. Short-term Investments

This account amounting to ₱7.4 million as at December 31, 2017 and 2016, 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 ₱1.0 million in 2017, ₱0.6 million in 2016 and ₱3.7 million in 2015 (see Note 4).

6. Receivables

This account consists of:

	Note	2017	2016
Notes and loans receivable:			
Promissory notes issued by financial institutions		₱156,983,544	₱55,305,002
Corporate notes		73,500,000	136,711,954
Due from related parties	17	27,811,793	18,811,793
Accrued revenue	16	4,349,601	—
Interest receivable		2,677,486	3,269,405
Rent and retainer fee receivable		1,531,757	1,584,898
Dividend receivable		40,391	136,438
Advances subject to liquidation		3,880,934	3,100,435
		270,775,506	218,919,925
Less allowance for doubtful accounts		(58,000)	(58,000)
		270,717,506	218,861,925
Less noncurrent portion		(56,000,000)	(47,000,000)
Current portion of receivables		₱214,717,506	₱171,861,925

Movements in the allowance for doubtful accounts are summarized below:

	Note	2017	2016	2015
Balance at beginning of year		₱58,000	₱125,058,000	₱125,000,000
Provision	14	–	1,987,008	58,000
Reversal		–	(125,000,000)	–
Write-off		–	(1,987,008)	–
Balance at end of year		₱58,000	₱58,000	₱125,058,000

Notes and Loans Receivable

Promissory notes issued by Financial Institutions

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

Corporate Notes

Corporate notes outstanding as at December 31, 2017 and 2016 pertain to short-term corporate promissory notes issued by various entities, with terms of up to 90 days and earn interest at 2.8% per annum.

Interest income earned from promissory notes issued by banks and corporate notes amounted to ₱6.7 million in 2017 and ₱4.3 million in 2016 and ₱5.0 million in 2015 (see Note 4).

Loan to Araneta

The Parent Company had a loan to Araneta amounting to ₱125.0 million guaranteed by Araneta's company, Ansear Realty and Development Corporation (Ansear)'s lots. The note has long been past its due date and has been provided a full allowance for doubtful accounts since 2008. Moreover, 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 13).

The Parent Company received ₱525.0 million, inclusive of VAT, in 2016 as partial settlement of the loan and interest. 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, inclusive of VAT, in 2017. Proceeds amounting to ₱156.3 million, net of legal fees related to the collection amounting to ₱5.0 million, were recorded as a gain on settlement of loan receivable of ₱151.3 million in 2017.

Rent and Retainer Fee Receivable

This account consist of tenant and retainer fee receivables which are collectible on demand and are noninterest-bearing.

Advances Subject to Liquidation

Advances subject to liquidation pertains mainly to advances made to officers for operations of the Company.

7. Other Current Assets

This account consists of:

	2017	2016
CWTs	₱1,718,437	₱3,161,705
Input VAT	1,622,366	1,466,220
Financial assets at FVPL	114,154	102,749
Prepaid insurance	16,934	16,934
Others	-	3,073
	₱3,471,891	₱4,750,681

The fair value of financial assets at FVPL is determined in based on 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 financial assets at FVPL is classified as Level 1.

The Group recognized provision for (reversal of) impairment of input VAT amounting to (₱69,413) in 2017 and ₱4.1 million in 2016 (see Note 14).

8. AFS Financial Assets

This account consists of:

	2017	2016
Investments in:		
Managed funds	₱463,989,483	₱491,605,641
Quoted bonds	314,509,831	223,883,280
Quoted shares of stock	98,121,190	66,101,762
Club memberships	2,700,000	2,450,000
	₱879,320,504	₱784,040,683

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

	2017	2016	2015
Cost:			
Balance at beginning of year	₱800,374,620	₱295,353,317	₱330,577,658
Additions	160,235,044	952,245,625	64,748,637
Disposals	(86,664,854)	(447,224,322)	(99,972,978)
Balance at end of year	873,944,810	800,374,620	295,353,317
Cumulative unrealized gain (loss):			
Balance at beginning of year	(16,333,937)	2,663,720	13,008,240
Fair value gain (loss) during the year	23,273,043	(14,572,943)	(3,093,377)
Fair value changes of AFS sold reclassified through profit and loss	(1,563,412)	(4,424,714)	(7,251,143)
Balance at end of year	5,375,694	(16,333,937)	2,663,720
	₱879,320,504	₱784,040,683	₱298,017,037

Interest income earned from AFS financial assets amounted to ₱16.0 million in 2017, ₱10.2 million in 2016 and ₱4.5 million in 2015 (see Note 4).

Dividend income earned from AFS financial assets amounted to ₱5.0 million in 2017, ₱1.9 million in 2016 and ₱3.0 million in 2015 (see Note 13).

Gain on sale of AFS financial assets amounted to ₱0.4 million in 2017, ₱5.4 million in 2016 and ₱5.7 million in 2015 (see Note 13).

The fair value of these financial assets are determined in based on 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 2017, 2016 and 2015.

9. Investment Property

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

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

	2017	2016
Cost		
Balance at beginning and end of year	₱164,772,000	₱164,772,000
Accumulated Depreciation		
Balance at beginning of year	56,804,600	52,485,904
Depreciation	4,318,696	4,318,696
Balance at end of year	61,123,296	56,804,600
Carrying Amount	₱103,648,704	₱107,967,400

The fair value of the condominium unit amounted to ₱247.2 million based on the Group's latest appraisal dated May 31, 2017 (Level 1 – Directly Observable Input).

The Parent Company leased portion of its investment property to a certain tenant commencing on January 1, 2018 and ending on December 31, 2020 (see Note 18).

Depreciation is recognized from the following (see Note 14):

	Note	2017	2016	2015
Investment property		₱4,318,696	₱4,318,696	₱4,318,696
Property and equipment	10	83,006	65,295	118,895
		₱4,401,702	₱4,383,991	₱4,437,591

10. Property and Equipment

This account consists of:

	2017				Total
	Office Equipment	Transportation Equipment	Furniture and Fixtures	Office Improvement	
Cost					
Balance at beginning of year	₱942,212	₱4,950,745	₱3,528,775	₱39,325	₱9,461,057
Effect of business combination (see Note 11)	280,193	–	–	–	280,193
Additions	238,518	60,893	–	–	299,411
Balance at end of year	1,460,923	5,011,638	3,528,775	39,325	10,040,661
Accumulated Depreciation					
Balance at beginning of year	906,072	4,923,585	3,528,775	39,325	9,397,757
Effect of business combination (see Note 11)	38,076	–	–	–	38,076
Depreciation	65,546	17,460	–	–	83,006
Balance at end of year	1,009,694	4,941,045	3,528,775	39,325	9,518,839
Carrying Amount	₱451,229	₱70,593	₱–	₱–	₱521,822
	2016				
	Office Equipment	Transportation Equipment	Furniture and Fixtures	Office Improvement	Total
Cost					
Balance at beginning of year	₱937,569	₱4,950,745	₱3,528,775	₱39,325	₱9,456,414
Additions	4,643	–	–	–	4,643
Balance at end of year	942,212	4,950,745	3,528,775	39,325	9,461,057
Accumulated Depreciation					
Balance at beginning of year	848,537	4,915,825	3,528,775	39,325	9,332,462
Depreciation	57,535	7,760	–	–	65,295
Balance at end of year	906,072	4,923,585	3,528,775	39,325	9,397,757
Carrying Amount	₱36,140	₱27,160	₱–	₱–	₱63,300

Fully-depreciated property and equipment still in use amounted to ₱8.7 million as at December 31, 2017 and 2016.

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 15).

11. Business Combination

Acquisition of EDSSI

On December 5, 2017, the Group, through PMEI, obtained control of EDSSI, a security manpower agency, by acquiring 82.69 percent of EDSSI's outstanding shares and voting interest for a total consideration of ₱3.7 million. Subscriptions payable related to the acquisition amounted to ₱1.7 million as at December 31, 2017 (see Note 12).

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

Cash	₱1,085,590
Receivables	466,796
Property and equipment	242,117
	<u>₱1,794,503</u>

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

Total consideration transferred	₱3,721,000
Non-controlling interest	778,990
Fair value of net identifiable assets	(1,794,503)
Goodwill	<u>₱2,705,487</u>

The net income of EDSSI was consolidated from December 5, 2017, the date of the acquisition. Had EDSSI been consolidated from January 1, 2017, the consolidated statement of income for the year ended December 31, 2017 would have included additional revenue of ₱1.1 million and additional net loss of ₱1.4 million.

Goodwill

Goodwill pertains to the acquisition of the following subsidiaries:

	2017	2016
EDSSI	₱2,705,487	₱-
PSTI	1,319,429	1,319,429
	<u>₱4,024,916</u>	<u>₱1,319,429</u>

Management assessed that the recoverable amount of EDSSI, the CGU to which the goodwill is allocated, exceeds its carrying amount. In estimating the related value in use, management used a cash flow projection based on past performance of the acquiree covering a five-year period at a discount rate of 4.44% in 2017. Cash flows beyond that five-year period have been extrapolated using the Group's average historical growth rate.

No impairment on goodwill was recognized in 2017, 2016 and 2015.

12. Trade and Other Payables

This account consists of:

	Note	2017	2016
Accounts payable		₱1,733,065	₱490,538
Subscriptions payable	11	1,721,000	–
Statutory payables		1,075,694	915,452
Accrued expenses		–	467,794
		₱4,529,759	₱1,873,784

Accounts payable are noninterest-bearing and are normally settled on a 30-day credit term.

Statutory payables pertain to expanded withholding taxes and other payables to government agencies remitted in the subsequent month.

Accrued expenses pertain primarily to accrued trust and brokers' fees and dues and subscriptions in 2016.

13. Revenue

This account consists of:

	Note	2017	2016	2015
Interest income	4	₱25,385,292	₱16,365,308	₱16,700,325
Service fees	16	5,820,129	15,192,292	–
Dividend income	8	4,988,944	1,894,219	3,003,242
Retainer fee		3,999,768	3,605,786	1,632,893
Gain on sale of AFS financial assets	8	401,831	5,429,954	5,723,471
Rent income	18	125,323	–	–
Stock transfer fee		119,287	83,894	75,233
Income from option money	6	–	–	2,432,515
Others		115,000	189,999	393,571
		₱40,955,574	₱42,761,452	₱29,961,250

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

14. Costs and Expenses

This account consists of:

	Note	2017	2016	2015
Cost of service:				
Project costs	16	₱4,977,265	₱13,182,534	₱-
Salaries and other benefits		1,319,472	1,446,734	614,760
		6,296,737	14,629,268	614,760
General and administrative expenses:				
Professional fees		₱12,877,863	₱13,081,911	₱9,210,370
Directors' fees	17	6,922,500	7,593,235	6,919,167
Depreciation	9	4,401,702	4,383,991	4,437,591
Legal fees		2,881,393	10,734,364	487,501
Representation and entertainment		2,872,559	2,604,907	701,037
Dues and subscription		2,174,276	2,342,382	2,638,017
Taxes and licenses		1,922,621	1,262,134	1,142,917
Rent expense	18	1,480,288	1,289,375	989,776
Transportation and travel		1,327,403	1,117,643	181,874
Insurance		600,382	285,654	1,273,768
Repairs and maintenance		545,884	495,002	519,821
Communication, light and water		416,886	387,812	603,265
Stationery, print and office supplies		284,907	348,788	-
Provision for impairment of receivables	6	-	1,987,008	58,000
Loss on settlement of BPI account		-	1,458,225	-
Others		1,177,387	4,465,525	637,820
		39,886,051	53,837,956	29,800,924
		₱46,182,788	₱68,467,224	₱30,415,684

15. Other Income

This account consists of:

	Note	2017	2016	2015
Unrealized gain on financial assets at FVPL		₱11,405	₱2,957	₱1,112
Gain on sale of condominium unit	10	-	-	673,783
		₱11,405	₱2,957	₱674,895

16. Service Contracts

The Group, through PMEI, entered into various projects with the government in 2017 and 2016 as follows:

Project	Percentage of Completion	Service Fees	Project Costs
2017 Projects:			
Procurement of Satellite Circuit Lease Contract for Philippine Coast Guard's Transportable Very Small Aperture Terminal System (VSAT) Managed VSAT Services for the Armed Forces of the Philippines	100%	₱1,656,000	₱1,364,000
	50%	4,164,129	3,613,265
		₱5,820,129	₱4,977,265
2016 Project –			
Establishment of VSAT with Hybrid Power in Pag-Asa Island	100%	₱15,192,292	₱13,182,534

The Group, aside from the installation of the VSAT system, will provide round-the clock technical support to the contractors during the duration of the Projects.

Service fees and project costs pertaining to each project are recognized based on percentage of completion.

Accrued revenue amounting to ₱4.3 million as at December 31, 2017 mostly pertains to revenue earned based on percentage of completion (see Note 6).

17. Related Party Transactions

The Group has transactions with related parties as follows:

Relationship	Nature of Transaction	Amount of Transactions (in millions)			Outstanding Balance (in millions)		
		2017	2016	2015	2017	2016	
Included under "Receivables"							
Montemar Beach Club, Inc. (MBCI)	Company under common control	Cash advances	₱5.5	₱-	₱-	₱27.5	₱18.5
		Interest income	1.0	0.7	0.7	-	-
Montemar Resort Development Corp. (MRDC)	Company under common control	Cash advances	-	-	-	0.3	0.3
						₱27.8	₱18.8
Presented under "Due to a Related Party"							
Philcomsat	Immediate parent	Cash advances	(₱4.5)	₱4.5	₱-	₱-	₱4.5
		Project costs	3.6	-	-	3.6	-
		Rent of office space	(1.0)	(1.0)	(1.0)	-	-
						₱3.6	₱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 of 5%, while cash advances to MRDC are noninterest-bearing. All cash advances are demandable at the instance of the Group.

Terms of Cash Advances from a Related Party

Cash advances from Philcomsat are noninterest-bearing and payable on demand.

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 ₱1.1 million in 2017 and ₱1.0 million in 2016 and 2015 (see Note 18).

Compensation of Key Management Personnel

Compensation of the key management personnel of the Parent Company consists only of directors' fees amounting to ₱6.9 million in 2017, ₱7.6 million in 2016 and ₱6.9 million in 2015.

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

18. 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 a certain tenant. Monthly rental subject to a 5% annual escalation amounted to ₱1.0 million for a lease term of 36 months, commencing on January 1, 2018 and ending on December 31, 2020. Security deposit received amounting to ₱4.4 million and ₱1.2 million as at December 31, 2017 and 2016, respectively, is shown as "Customers' deposits" account in the consolidated statements of financial position.

Future annual minimum lease receivables over the remaining term of the lease are as follows:

Not later than one year	₱12,652,800
Later than one year but not later than five years	27,234,612
	<u>₱39,887,412</u>

Moreover, the Parent Company also leased out certain parking slots to a certain tenant in 2017. Rent income from the said lease amounted to ₱125,323 in 2017 (see Note 13).

The Group as a Lessee

The Group has a lease agreement with Philcomsat for its office space for a term of one year subject to renewal under mutual agreement of both parties. Rent expense amounted to ₱1.5 million in 2017, ₱1.3 million in 2016 and ₱1.0 million in 2015.

As at December 31, 2017 and 2016, the Group has no outstanding commitments under non-cancellable operating leases.

19. Income Tax

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

	2017	2016	2015
RCIT	₱28,129,529	₱49,778,385	₱189,214
MCIT	49,766	48,370	273,582
	₱28,179,295	₱49,826,755	₱462,796

The Parent Company's income tax was computed using Optional Standard Deduction (OSD) in 2017 and 2016 while itemized deductions in 2015.

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:

	2017	2016	2015
Income tax at statutory rate	₱43,810,257	₱111,694,834	₱66,138
Difference between OSD and itemized deductions	(7,928,549)	(21,241,067)	-
Change in unrecognized deferred tax assets	(1,740,064)	(47,129,639)	3,413,438
(Forward)			
Add (deduct) tax effects of:			
Interest income already subjected to a final tax	(6,508,226)	(4,347,654)	(3,562,035)
Expired NOLCO	1,840,779	9,629,973	-
Dividend income	(1,311,755)	(568,266)	(900,973)
Nondeductible expenses	(20,824)	1,653,593	229,889
	₱28,141,618	₱49,691,774	(₱753,543)

The components of the recognized net deferred tax assets (liabilities) of the Group are as follows:

	2017	2016
Deferred tax assets:		
MCIT	₱98,136	₱48,370
NOLCO	93,271	193,986
Allowance for doubtful accounts	17,400	17,400
	208,807	259,756
Deferred tax liabilities:		
Unrealized gain on financial assets at FVPL	(2,673)	(887)
Accruals	-	(90,412)
	(2,673)	(91,299)
	₱206,134	₱168,457

The Parent Company did not recognize deferred tax assets (DTA) pertaining to NOLCO amounting to ₱4,112,213 in 2017 and ₱5,852,277 in 2016, because management assessed that these may not be realized because future taxable income may not be sufficient against which the tax benefits can be claimed or deducted.

As at December 31, 2017, 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
2014	2017	₱6,135,930	₱-	₱6,135,930	₱-
2015	2018	13,707,377	-	-	13,707,377
2016	2019	310,903	-	-	310,903
Total		₱20,154,210	₱-	₱6,135,930	₱14,018,280

20. Basic/Diluted Earnings per Share

Basic/diluted earnings per share is computed as follows:

	2017	2016	2015
Net income attributable to equity holders of the Parent Company	₱117,892,573	₱322,624,340	₱889,283
Weighted average no. of shares outstanding	996,391,254	996,391,254	996,391,254
	₱0.1183	₱0.3238	₱0.0009

21. 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 (excluding advances subject to liquidation), AFS financial assets, financial assets at FVPL, trade and other payables and customers' deposits. The main risks arising from the Group's financial instruments are market, credit and liquidity risks.

Market Risk

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

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

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

The Group measures the sensitivity of its investment securities by using PSE index (PSEi) fluctuations. The table below sets forth the impact of changes in PSEi in other comprehensive income in 2017, 2016 and 2015.

	Increase (Decrease) in PSEi Index	Increase (Decrease) in Other Comprehensive Income
2017	2% (17%)	₱1,805,738 (17,106,723)
2016	17% (9%)	11,493,480 (6,112,778)
2015	17% (5%)	5,054,732 (1,488,362)

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, 2017, 2016 and 2015.

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, 2017 and 2016, the Company has repricedable 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 2017, 2016 and 2015.

	Increase (Decrease) in PDST-R2	Increase (Decrease) in Other Comprehensive Income
2017	15% (24%)	₱45,881,099 (75,671,456)
2016	2% (42%)	(5,154,990) 93,696,187
2015	14% (26%)	(12,684,355) 23,509,494

Foreign Exchange Risk

The Group's foreign-currency denominated financial instrument consists of cash in banks amounting to US\$100,726 and US\$482 as at December 31, 2017 and 2016, respectively. 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 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:

	2017				
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired
	High Grade	Standard Grade	Total		
Cash in banks and cash equivalents	P104,889,256	P-	P104,889,256	P-	P-
Short-term investments	7,441,238	-	7,441,238	-	-
Receivables	266,836,572	-	266,836,572	-	58,000
Financial assets at FVPL	114,154	-	114,154	-	-
AFS financial assets	879,320,504	-	879,320,504	-	-
	P1,258,601,724	P-	P1,258,601,724	P-	P58,000

	2016				
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired
	High Grade	Standard Grade	Total		
Cash in banks and cash equivalents	P104,405,735	P-	P104,405,735	P-	P-
Short-term investments	7,384,925	-	7,384,925	-	-
Receivables	215,761,490	-	215,761,490	-	58,000
Financial assets at FVPL	102,749	-	102,749	-	-
AFS financial assets	784,040,683	-	784,040,683	-	-
	P1,111,695,582	P-	P1,111,695,582	P-	P58,000

The credit quality of the Group's financial assets that are neither past due nor impaired as at December 31, 2017 and 2016 are as follows:

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:

	2017				Total
	On Demand	1 to 3 Months	3 to 12 Months	More than 12 Months	
Customers' deposits	P4,401,074	P-	P-	P-	P4,401,074
Due to a related party	3,613,265	-	-	-	3,613,265
Trade and other payables*	3,454,065	-	-	-	3,454,065
	P11,468,404	P-	P-	P-	P11,468,404

*Excluding statutory payables amounting to P1.1 million as at December 31, 2017.

	2016				Total
	On Demand	1 to 3 Months	3 to 12 Months	More than 12 Months	
Due to a related party	P4,549,198	P-	P-	P-	P4,549,198
Customers' deposits	1,237,874	-	-	-	1,237,874
Trade and other payables	958,332	-	-	-	958,332
	P6,745,404	P-	P-	P-	P6,745,404

*Excluding statutory payables amounting to P0.9 million as at December 31, 2016.

22. 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, 2017 and 2016.

Financial Assets

	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash in banks and cash equivalents	P104,874,256	P104,874,256	P104,405,735	P104,405,735
Short-term investments	7,441,238	7,441,238	7,384,925	7,384,925
Receivables	266,836,572	266,836,572	215,761,490	215,761,490
Financial assets at FVPL	114,154	114,154	102,749	102,749
AFS financial assets:				
Managed funds	463,989,483	463,989,483	491,605,641	491,605,641
Quoted bonds	314,509,831	314,509,831	223,883,280	223,883,280
Quoted shares of stock	98,121,190	98,121,190	66,101,762	66,101,762
Club memberships	2,700,000	2,700,000	2,450,000	2,450,000
	P1,258,586,724	P1,258,586,724	P1,111,695,582	P1,111,695,582

Financial Liabilities

	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Trade and other payables	₱4,401,074	₱4,401,074	₱958,332	₱958,332
Due to a related party	3,613,265	3,613,265	4,549,198	4,549,198
Customers' deposits	3,454,065	3,454,065	1,237,874	1,237,874
	₱11,468,404	₱11,468,404	₱6,745,404	₱6,745,404

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 (excluding Advances Subject to Liquidation), Due to a Related Party, Customers' Deposits and Trade and Other Payables. Due to the short-term nature of transactions, the carrying amounts 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).

23. 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:

	2017	2016
Total Debt	₱31,438,098	₱26,554,856
Total Equity	1,342,803,873	1,202,422,679
Debt-to-equity ratio	0.023:1	0.022:1

24. Operating Segment Information

The Group is organized into operating segments based on the type of product or service. The Group's reportable operating segments relates to investing of its funds in various financial assets, service agreements with the government and stock transfer agency.

All of the assets relating to the Group's operating segments 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 statements 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 segments is as follows:

2017				
Segment	Investing of Funds	Service Agreements with the Government	Stock Transfer Agency	Total
Segment revenue	P30,284,964	P5,820,129	P4,850,481	P40,955,574
Segment profit	149,304,293	191,428	481,403	149,977,124
Gain on settlement of loan receivable	151,250,000	-	-	151,250,000
Interest income	24,768,866	-	-	24,768,866
Depreciation	4,318,696	-	-	4,318,696
Provision for income tax	27,911,975	-	-	27,911,975
Total assets	1,336,392,355	28,604,107	2,921,166	1,367,917,628
Total liabilities	25,941,820	5,361,545	134,733	31,438,098
2016				
Segment	Investing of Funds	Service Agreements with the Government	Stock Transfer Agency	Total
Segment revenue	P23,111,534	P15,496,799	P4,153,119	P42,761,452
Segment profit	367,330,863	1,628,959	409,084	369,368,906
Gain on settlement of loan receivable	273,018,929	-	-	273,018,929
Reversal of allowance for doubtful accounts	125,000,000	-	-	125,000,000
Interest income	16,365,308	-	-	16,365,308
Depreciation	4,318,696	-	-	4,318,696
Provision for (benefit from) income tax	337,497	567,623	(356,753)	548,367
Total assets	1,193,136,367	31,747,638	2,774,101	1,227,658,106
Total liabilities	21,254,137	4,561,638	739,081	26,554,856
2015				
Segment	Investing of Funds	Stock Transfer Agency	Total	
Segment revenue	P27,859,553	P1,787,525	P29,647,078	
Segment profit	23,268,387	269,342	23,537,729	
Interest income	16,700,325	-	16,700,325	
Depreciation	4,318,696	-	4,318,696	
Provision for income tax	273,582	-	273,582	
Total assets	869,918,481	1,858,407	871,776,888	
Total liabilities	21,193,236	77,860	21,271,096	

Reconciliation of the total balances for the reportable segments with the balances in the consolidated statements of financial position and consolidated statements of income is as follows:

2017			
	Reportable Segments	Not Attributable to Reportable Segments	Consolidated Balances
Revenue	P40,955,574	P-	P40,955,574
Costs and expenses	(14,098,237)	(32,084,551)	(46,182,788)
Gain on settlement of loan receivable	151,250,000	-	151,250,000
Other income	11,405	-	11,405
Income before income tax	178,118,742	(32,084,551)	146,034,191
Provision for income tax	(28,141,618)	-	(28,141,618)
Net income	P149,977,124	(P32,084,551)	P117,892,573
Assets	P1,367,917,628	P6,324,343	P1,374,241,971
Liabilities	P31,438,098	P-	P31,438,098
2016			
	Reportable Segments	Not Attributable to Reportable Segments	Consolidated Balances
Revenue	P42,761,452	P-	P42,761,452
Costs and expenses	(21,722,658)	(46,744,566)	(68,467,224)
Gain on settlement of loans 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	419,060,680	(46,744,566)	372,316,114
Provision for income tax	(49,691,774)	-	(49,691,774)
Net income	P369,368,906	(P46,744,566)	P322,624,340
Assets	P1,227,658,106	P1,319,429	P1,228,977,535
Liabilities	P26,554,856	P-	P26,554,856

	2015		
	Reportable Segments	Not Attributable to Reportable Segments	Consolidated Balances
Revenue	₱29,647,078	₱314,172	₱29,961,250
Costs and expenses	(5,835,767)	(23,905,022)	(29,740,789)
Income before income tax	23,811,311	(23,590,850)	220,461
Provision for income tax	(273,582)	-	(273,582)
Benefit from deferred income tax of the Parent Company and PMEI not directly attributable to any reportable segment	-	1,027,125	1,027,125
Net income	₱23,537,729	(₱22,563,725)	₱974,004
Assets	₱871,776,888	₱48,543,151	₱920,230,039
Liabilities	₱21,271,096	₱162,947	₱21,434,043

Differences between the reportable segments' assets, liabilities, revenue and net income and the Group's consolidated assets, liabilities, revenue and net income pertain primarily to goodwill and the Parent Company's operating expenses in 2017 and 2016 and goodwill and the assets and liabilities of PMEI and operating expenses of the Parent Company and PMEI in 2015, which cannot be directly attributed to any reportable segment.

25. 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 of 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 (SC) on November 10, 2008. The SC consolidated this case with three other cases.

On July 3, 2013, the SC 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).

26. Litigation

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

- Philippine Communications Satellite Corporation Against Philcomsat Holdings Corp. (PHC and former directors), Luis Lokin Jr., Enrique Locsin and Philip Brodett (Locsin Group)

PHC, through the valid and incumbent directors (Bildner Group) filed a Motion for Issuance of Writ of Execution with the Regional Trial Court of Makati Branch 138 as court of origin, following the final resolution of SC declaring the election of Locsin Group as PHC's officers and directors. Accordingly, the SC ordered the Locsin Group to render an accounting and return of funds allegedly received from the Company. An Order granting the Motion was issued on February 20, 2017, resulting to the issuance of the Writ of Execution on February 28, 2017. On January 9, 2018, PHC filed a manifestation for the implementation of the Writ of Execution.

- 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 Benito Araneta and Luis Lokin Jr., former directors of the Parent Company for an 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 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 Notices of Appeal on September 6 and September 8, 2017, respectively. On January 16, 2018, the Court of Appeals (CA) required defendants to file Appellant's Brief within 45 days from receipt thereof.

- 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 for *estafa* for misappropriation of corporate funds 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.

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 the evidence for the accused. Brodett has already presented his evidence while accused Ortega's presentation continues.

- **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.

- **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, and for other fees, including ₱2.0 million supposedly for a "Sandiganbayan TRO" and another ₱2.0 million supposedly for purposes of "PR for the SC Injunction".

On February 26, 2017, the Integrated Bar of the Philippines decided to "consolidate" this case (CBD Case No. 08-2311) with CBD No. 09-2495 for similarity of issues, and meted the penalty against Lokin for both cases in the aggregate total of three (3) years' suspension, thus rendering the 3 years' suspension imposed in CBD Case No. 09-2495.

- **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 the accused for alleged excessive amounts of salaries and bonuses from the Parent Company for their personal gain, and in clear violation of Memorandum Circulars which limit the salary received by public officials. The Ombudsman filed Informations for Violation of the Anti-Graft and Corrupt Practices 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.

Due to the need for the prosecution's witness to identify, and testify on, voluminous accounting records showing the guilt of the accused, the Court ordered the parties to enter into a stipulation of facts to expedite the proceedings. Andal, through counsel, stipulated on the facts propounded by the Prosecution. During the hearing on September 28, 2017, Locsin, through counsel, asked for time to study the prosecution's documents.

- **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 directing the filing of an Information against Ms. Poblador 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. On January 10, 2014, the Parent Company received a Petition for Certiorari filed by Ms. Poblador seeking the reversal of the Resolution directing the filing of an Information for estafa against her for ₱0.2 million. On August 29, 2014, the two Petitions were consolidated.

On April 26, 2017, subsequent to the filing of the parties' respective Memoranda, the CA issued a Resolution requiring Ms. Poblador to file a Rejoinder to the Parent Company's Reply (to the Memorandum of Poblador). In the meantime, the case was returned to "Completion State" pending the filing of the Rejoinder. Poblador filed her Rejoinder under date of June 1, 2017 under a Motion to Admit Attached Rejoinder. The parties are awaiting further orders from the Court.

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 AUDITORS
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, 2017, on which we have rendered our report dated April 5, 2018.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has one thousand one hundred fifty-two (1,152) 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. 08-005144-012-2017

Valid until March 8, 2020

PTR No. 6607962

Issued January 3, 2018, Makati City

April 5, 2018

Makati City, Metro Manila





REPORT OF INDEPENDENT AUDITORS 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 April 5, 2018. 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, 2017 are the responsibility of the Group's management. These supplementary schedules include the following:

- Adoption of Effective Accounting Standards and Interpretations
- Financial Soundness Indicators
- 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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Valid until March 8, 2020

PTR No. 6607962

Issued January 3, 2018, Makati City

April 5, 2018
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, 2017**

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 (PFRS)

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: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	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	✓		
	Amendment to PFRS 7: Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments	✓		
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendment to PFRS 12: Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓

Philippine Accounting Standards (PAS)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
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	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendment to PAS 19: Discount Rate: Regional Market Issue			✓
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: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
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			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
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: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and 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	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property	✓		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓

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	PAS 19 - 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			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
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			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

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

SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
<i>Liquidity</i>		
Current assets	P330,519,891	P288,418,266
Current liabilities	12,544,098	7,660,856
Liquidity ratio	26.35:1	37.65:1
<i>Leverage</i>		
Total liabilities	P31,438,098	P26,554,856
Total equity	1,342,648,873	1,202,422,679
Debt-to-equity ratio	0.02:1	0.02:1
Total assets	P1,374,086,971	P1,228,977,535
Total equity	1,342,803,873	1,202,422,679
Asset-to-equity ratio	1.02:1	1.02:1
<i>Profitability</i>		
Net income	P117,892,573	P322,624,340
Total assets	1,374,241,971	1,228,977,535
Return on assets	8.58%	26.25%
Net income	P117,892,573	P322,624,340
Total equity	1,342,803,873	1,202,422,679
Return on equity	8.78%	26.83%

PHILCOMSAT HOLDINGS CORPORATION
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SEC Supplementary Schedule as Required by Part II of SRC Rule 68 as Amended
DECEMBER 31, 2017

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PHILCOMSAT HOLDINGS CORPORATION
(A Subsidiary of Philippine Communications Satellite Corporation)
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A. Financial Assets
DECEMBER 31, 2017

<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	₱7,441,238	₱7,441,238	₱7,441,238	₱978,423
<i>Notes and loans receivable</i>				
<i>Promissory notes issued by various financial institutions</i>				
Amalgamated Investment Bancorporation	₱80,711,954	₱80,711,954	₱80,711,954	
BDO Unibank	19,000,000	19,000,000	19,000,000	
Sterling Bank	15,000,000	15,000,000	15,000,000	
Unionbank of the Philippines	10,000,000	10,000,000	10,000,000	
Chinabank Savings	8,305,002	8,305,002	8,305,002	
United Coconut Planters Bank	7,000,000	7,000,000	7,000,000	
Security Bank	4,966,588	4,966,588	4,966,588	
Toyota Financial Services	7,000,000	7,000,000	7,000,000	
Metrobank Card Corp.	5,000,000	5,000,000	5,000,000	
<i>Corporate notes</i>				
PSI Healthcare	22,500,000	22,500,000	22,500,000	
HMR Philippines, Inc.	25,000,000	25,000,000	25,000,000	
Lapanday	26,000,000	26,000,000	26,000,000	
	₱230,483,544	₱230,483,544	₱230,483,544	₱6,730,160
<i>Financial assets at FVPL</i>				
Bank of the Philippine Islands	1,056 shares	₱114,154	₱114,154	₱-
<i>AFS financial assets</i>				
<i>Managed funds</i>				
Unit Investment Trust Funds	25,882,913 shares	₱2,549,005	₱2,549,005	
Sun Life Prosperity Balanced Fund	11,771,306 shares	47,044,024	47,044,024	
Sun Life Prosperity Equity Fund	3,878,305 shares	17,765,352	17,765,352	
Sun Life Prosperity GS Fund	6,038,647 shares	9,356,280	9,356,280	
Philam Strategic Growth Fund	110,408 shares	5,647,455	5,647,455	
Philam Bond Fund	2,307,782 shares	64,970,692	64,970,692	
Sun Life Prosperity Dynamic Fund	5,346,450 shares	9,346,517	9,346,517	
BDO Managed Funds	249,163,544 shares	297,197,988	297,197,988	
Security Bank Money Market Fund	10,112,170 shares	10,112,170	10,112,170	
<i>Investments in quoted bonds</i>				
Retail Treasury bonds	5,000,000	20,395,301	20,395,301	
UITF Peso bond	13,000,000	13,340,563	13,340,563	
Meralco bonds	10,000,000	9,881,518	9,881,518	
Aboitiz Equity Ventures bonds	12,000,000	11,862,129	11,862,129	
Ayala Land, Inc. bonds	55,450,000	53,479,984	53,479,984	
ABS-CBN bonds	5,000,000	4,745,236	4,745,236	
SM Prime Holdings bonds	24,130,000	32,182,845	32,182,845	

(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>
South Luzon Tollways Corp. bonds	₱4,700,000	₱4,470,186	₱4,470,186	
Aboitiz Power bonds	9,368,652	9,151,775	9,151,775	
GT Capital Holdings bonds	8,500,000	10,214,470	10,214,470	
JG Summit Holdings bonds	2,000,000	2,023,678	2,023,678	
PLDT bonds	2,000,000	2,024,408	2,024,408	
Filinvest Land, Inc. bonds	3,000,000	3,052,638	3,052,638	
SM Investments Corp. bonds	6,000,000	6,025,148	6,025,148	
Manila North Tollways Corp. bonds	1,000,000	1,003,826	1,003,826	
SMC bonds	6,800,000	6,613,386	6,613,386	
Ayala Corp. bonds	19,270,000	25,300,069	25,300,069	
Petron bonds	21,000,000	14,694,503	14,694,503	
Double Dragon bonds	20,000,000	18,549,570	18,549,570	
PCOR bonds	6,000,000	5,771,581	5,771,581	
STI ESG bonds	20,000,000	20,138,282	20,138,282	
Megaworld bonds	5,000,000	5,066,096	5,066,096	
Toyota Financial Services bonds	5,000,000	5,000,000	5,000,000	
Smart Communications bonds	10,000,000	9,970,346	9,970,346	
EWB bonds	5,000,000	5,000,000	5,000,000	
APPM bonds	3,000,000	3,056,206	3,056,206	
RLCPM bonds	1,500,000	1,478,717	1,478,717	
ROCKPM bonds	1,500,000	1,522,025	1,522,025	
Cyberzone Properties, Inc. bonds	1,000,000	1,005,845	1,005,845	
Cartek bonds	7,500,000	7,489,500	7,489,500	
<u>Investments in quoted shares of stock</u>				
SMC preferred shares	90,700 shares	11,574,555	11,574,555	
Ayala Corp. preferred shares	13,760 shares	7,247,160	7,247,160	
Ayala Land, Inc. shares	100,000 shares	3,975,000	3,975,000	
BDO Unibank shares	35,000 shares	6,866,516	6,866,516	
First Gen. Corp. shares	10,460 shares	1,151,646	1,151,646	
International Container Terminal Services, Inc. shares	4,170 shares	439,935	439,935	
SM Prime Holdings, Inc. shares	100,000 shares	8,299,363	8,299,363	
Petron preferred shares	500 shares	530,000	530,000	
Double Dragon preferred shares	31,000 shares	3,303,700	3,303,700	
DMCI Holdings shares	75,000 shares	1,057,500	1,057,500	
JG Summit Holdings shares	5,000 shares	360,500	360,500	
Robinsons Land Corp. shares	5,000 shares	106,500	106,500	
Arthaland preferred shares	131,800 shares	15,827,450	15,827,450	
Shell Philippines shares	150,000 shares	9,150,000	9,150,000	
GT Capital Holdings shares	4,000 shares	4,120,000	4,120,000	
Wilcon Depot shares	605,000 shares	5,009,400	5,009,400	
Cebu Landmasters shares	150,000 shares	732,000	732,000	
Eagle Cement shares	150,000 shares	11,578,752	11,578,752	
Chelsea Corp. shares	100,000 shares	878,000	878,000	
Del Monte Pacific shares	10,000 shares	5,712,813	5,712,813	
8990 Holdings shares	2,000 shares	200,400	200,400	
<u>Club memberships</u>				
Montemar Beach Club, Inc.	10 shares	2,200,000	2,200,000	
Makati Sports Club, Inc.	1 share	500,000	500,000	
		₱879,320,504	₱879,320,504	₱21,354,799

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, 2017

<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"						
MBCI	₱18,505,543	₱14,000,000	₱5,504,924	₱27,000,619	₱-	₱27,000,619
MRDC	306,250	-	-	306,250	-	306,250
	₱18,811,793	₱14,000,000	₱5,504,924	₱27,306,869	₱-	₱27,306,869

Cash advances to MBCI bear interest at 5%, while cash advances to 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, 2017

<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.	P630,332	P-	P630,332

PHILCOMSAT HOLDINGS CORPORATION
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D. Intangible Assets - Other Assets
DECEMBER 31, 2017

<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	P2,705,487	P-	P4,024,916

PHILCOMSAT HOLDINGS CORPORATION
 (A Subsidiary of Philippine Communications Satellite Corporation)
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H. SHARE CAPITAL
DECEMBER 31, 2017

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

PHILCOMSAT HOLDINGS CORPORATION
 (A Subsidiary of Philippine Communications Satellite Corporation)
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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, 2017

