

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
For the Period Ending CY 2018**

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

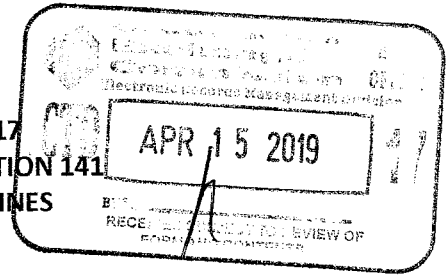
S T A M P S

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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



- 1. For the fiscal year ended *31 December 2018*
- 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. [REDACTED] (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:

Philippine Stock Exchange *60,000,000 common shares*

- 12. Check whether the issuer:

(a) Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports).

Yes [x] No []

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

Yes [] No [x]

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 2018, the aggregate market value of the voting stock held by non-affiliates of the Corporation is P138,906,904.16.

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission

Not applicable

DOCUMENTS INCORPORATED BY REFERENCE

15. If any document is incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

Information statement filed pursuant to SRC Rule 20 with respect to executive compensation.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

(1) Business Development

(a) Form and Date 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. Since then, 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.

(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 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.

(v) Raw Materials and Supplies

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

(vi) Major Customers

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

(vii) Dependency on single/few customers that account for 20% of sales.

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

(viii) Transactions with/Dependence on Related Parties

The Corporation entered into a Memorandum of Agreement on 26 November 1999 allegedly with Philcomsat whereby the Corporation agreed to finance the purchase of vehicles for the officers and managers of Philcomsat to the extent of P20,000,000.00 with interest at the rate of 3% over and above the average lending rate of commercial banks. The Corporation (as Lessor) and Philcomsat (as alleged Lessee) entered into a lease agreement for each vehicle. The term of each lease was three years, reckoned from the date of purchase of the vehicle or upon early repayment in full by and at the option of the latter, whichever comes first. The members of the Brodett-Araneta-Poblador-Lokin-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 16 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

This disclosure is not applicable to the Corporation's business as the Corporation has no principal product or service that requires government approval.

(xi) Effect of Governmental Regulations

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

(xii) Research and Development Activities

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

(xiii) Environmental Laws

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

(xiv) Number of Employees

As of 31 December 2018, the Board of Directors has not engaged any regular employee. The Corporation's businesses and concerns were managed and handled by the executives, staff members and consultants of Philcomsat, the 79% owner of the Corporation.

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

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

(xv) Major risks

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

(b) Additional Requirements as to Certain Issues or Issuers

(i) Debt Issues

This disclosure is not applicable to the Corporation.

(ii) Investment company securities

This disclosure is not applicable to the Corporation.

(iii) Mining and Oil companies

This disclosure is not applicable to the Corporation

Item 2. 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. Rent expense amounted to P1.4 million in 2018, P1.5 million in 2017 and P1.3 million in 2016. The Corporation does not intend to acquire property in the next twelve (12) months.

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 interlocutory 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 24 January 2019, the Court issued a Decision denying the Petition.

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, and is docketed as CA G. R. No. CV-109987. On 2 May 2018 and 5 June 2018, the parties filed their Appellants' and Appellee's Briefs. During the mediation set by the Court of Appeals on 23 January 2019, the parties refused to have their case mediated. The case is now deemed submitted for decision.

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 Poblador and 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.

Defendants then filed their Motion for Reconsideration against the said Resolution. Plaintiff, through undersigned counsel, then filed its Comment/Opposition last 7 March 2018. Thereafter, the Motion for Reconsideration was submitted for resolution. Thereafter, PHC filed a Motion for Preliminary Attachment to secure assets of Defendant Poblador as payment for the damages awarded. The Court, during the hearing last 8 March 2019, then ordered Defendants to file their Comment thereto.

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.

The Corporation is also involved in other litigation with the members of the previous management and ultimate liability, if any, will not materially affect the financial position and financial performance of the Corporation.

2. As Defendant/Respondent

Several cases for inspection of books were filed against the Corporation by Atty. Victor V. Africa. In 2018, Atty. Africa, with the concurrence of the Corporation, withdrew all the cases for which the Corporation acknowledges the goodwill of Atty. Africa in doing so.

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

The Corporation held its a stockholders' meeting within the fourth quarter of the fiscal year covered by this report.

- (a) The Annual Stockholders' Meeting was held on November 19, 2018 pursuant to the By-laws which mandate the holding of the meeting on the 3rd Monday of November.
- (b) In the said meeting, the directors elected were Katrina C. Ponce-Enrile, Erlinda I. Bildner, Ramon P. Jacinto, Pablo L. Lobregat, Marietta K. Ilusorio, Daniel C. Gutierrez, Santiago J. Ranada, Prudencio C. Somera, Julie Yap-Daza, Oliverio L. Laperal, Jr. and Jose Ramon C. Ozamiz. All of the said directors were re-elected and continued their term of office. The last three (3) enumerated above were elected as independent directors under Section 38 of the Code and SRC Rule 38 thereunder.
- (c) The matters voted upon and unanimously approved by the stockholders include the approval of the minutes of the previous meeting, the notation and approval of the management report and the audited financial statements, the ratification of acts of management and the committees and the appointment of the external auditor. In addition, all the votes were cast in favor of the reelection of the directors.
- (d) There has been no matter submitted to a vote of security holders otherwise than at a meeting of such security holders.
- (e) The Corporation filed SEC Form 17-C containing similar information with the Commission and the Philippine Stock Exchange.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

(1) Market Information

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

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

(2) Holders

The Corporation has approximately 1,174 stockholders and the following are the top 20 stockholders of the Corporation:

Name	No. of Shares	Percentage
Philippine Communications Satellite Corp.	796,590,390	79.94%
Prudencio Somera Jr.	100,000,100	10.03%
Oliverio G. Laperal	49,556,500	4.97%
PCD Nominee Corporation	16,274,534	1.63%
RCBC T/A 236-235	4,802,413	0.79%
E.R. Yap	4,000,000	0.40%
Marino Olondriz y Cia	2,985,600	0.29%

Jose Ma. Ozamiz	2,700,000	0.27%
RCBC T/A 36-250	2,689,000	0.26%
Philippine Oil Development Corporation	1,500,000	0.15%
Imperial Resources, Inc.	800,000	0.08%
Oliverio Laperal Jr.	786,743	0.07%
Benjamin Co Ca & Co., Inc.	504,300	0.05%
Regina Concepcion	481,000	0.04%
Rosa Maria Laperal	448,000	0.04%
Alexandra Laperal	440,000	0.04%
Ansaldo Godinez & Co., Inc.	368,250	0.03%
Nenita Dacillo	320,000	0.03%
Bridgestone Securities Corporation	307,425	0.03%
Platinum Securities, Inc.	250,000	0.02%

(3) Dividends

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

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

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

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

(1) Management's Discussions and Analysis

Prior to 2007, the Corporation was under the control of the nominees of the Presidential Commission on Good Government (PCGG), namely Enrique L. Locsin, Manuel A. Andal, Julio Jalandoni, Guy de Leon and ex-nominee Benito Araneta. Together with Philip Brodett, Atty. Luis Lokin, and Concepcion Poblador, they recklessly spent, invested in and made advances to failed ventures, mismanaged and dissipated the Company's funds.

Under the management of the Brodett-Araneta-Poblador-Lokin-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, PHC 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 PHC from the Brodett-Araneta-Poblador-Lokin-Locsin Group, SGV & Co., was commissioned to identify and inventory the accounting records and documents of the Company under the former management from 2005 to 2007. Thereafter, an independent audit was conducted beginning with the year 2005. Thus, for the years 2006, the independent external auditors engaged by present Management have issued clean, unqualified opinions on the Company's AFS.

Present Management will continue to seek justice for its stockholders by filing cases to recover the company funds from the Brodett-Araneta-Poblador-Lokin-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 100% owned subsidiary, Philcomsat Management Enterprises, Inc. (PMEI) which provides management and consultancy services and whose initial venture was the acquisition of Professional Stock Transfer, Inc., a stock transfer agency.

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

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

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

Other than the foregoing, the Corporation continues with its money market operations and investments.

Results of Operations (Consolidated)

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

Revenues: In the fiscal year ended December 31, 2018, the Corporation generated revenue of P48.6 million compared to P40.9 million in the year ended December 31, 2017 and P42.7 million in the year ended December 31, 2016. Interest income from money market placements and deposits for the year 2018 was P30.9 million compared to P25.3 million in 2017 and P16.3 million in 2016. 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. In 2018, the Corporation recorded a gain on the sale of its investment property of P99.1 million. These extraordinary gains are one-time events and are unlikely to be repeated in the coming years.

Expenses: Costs and expenses amounted to P36.4 million in 2018 compared to P45.4 million in 2017 and P68.4 million in 2016.

Operating and Net Income/Loss: For the last 3 fiscal years, revenue exceeded costs and expenses for the first time in 2018. The net loss for 2017 and 2016 were offset however by the gains on the settlement of the loans receivable and the reversal of allowance for doubtful accounts, thus resulting in positive net income for both years. Net income in 2018 was P94 million compared to P117.8 million in 2017 and P322.6 million in 2016.

Income Statement (Consolidated)
(P Million)

	2018	2017	2016
Revenue	48.6	40.9	42.7
Cost of Service	(36.4)	(45.4)	(68.5)
Settlement of L/R	0.0	151.2	273.0
Other Income/Reversals	101.6	(0.7)	125.0
Gross Profit	113.8	146.0	372.3
Provision for Tax	(19.7)	(28.1)	(49.7)
Net Income (Loss)	94.0	117.8	322.6
Other Comprehensive Income (Loss)	(45.8)	21.7	(18.9)
TOTAL COMPREHENSIVE INCOME	48.2	139.6	303.6

Financial Position

The company's comparative balance sheet is summarized below:

Balance Sheet (Consolidated)
(P Million)

	2018	2017	2016
Current Assets	429.7	330.4	288.4
Available-for-sale financial assets	922.8	879.3	784.0
Property & Equipment	0.4	0.5	0.0
Investment Properties	0.0	103.6	108.0
Receivables	62.0	56.0	47.0
Other Assets	4.0	4.2	1.4
Total Assets	1,419.0	1,374.0	1,228.9
Current Liabilities	10.3	12.5	7.6
Deposit for Future Subscription	18.9	18.9	18.9
Unrealized gain on changes in fair values of AFS financial assets	(39.8)	5.4	(16.3)
Stockholders' Equity	1,389.0	1,342.8	1,218.7

Balance Sheet Accounts (Consolidated)

Current Assets: Current assets of the Corporation as of December 31, 2018 totalled P429 million compared to P330 million in 2017 and P258.2 million in 2016. The Corporation has sufficient cash resources to meet any expected requirement during the next twelve (12) months. Cash and cash equivalents was P290.6 million at year-end 2018, compared to P104.9 million at year-end 2017 and P74.5 million in 2016. AFS financial assets totaled P922.8 million in 2018, compared to P879.3 million in 2017 and P784 million in 2016.

Liabilities: The Corporation is substantially debt-free and has no material commitments for capital expenditures. Total current liabilities in 2018 was P10.3 million compared to P12.5 million in 2017 and P2.4 million in 2016. The decrease in current liabilities was due to the release of the security deposit to the Corporation's tenant as a result of the sale of the investment property.

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

Stockholders' Equity : This is the residual balance sheet amount after subtracting Liabilities from Assets. Stockholders' equity slightly increased to P1,389 billion in 2018 from P1,342 billion in 2017 and P1,200 billion in 2016.

Key Performance Indicators ("KPI")

The Company's KPI for the years ended December 31, 2018, 2017 and 2016 follow:

Performance Indicator	Formula	2018	2017	2016
<i>Liquidity</i>				
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	41.42:1	26.3:1	37.6:1
<i>Leverage</i>				
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Stockholders' Equity}}$	0.02:1	0.02:1	0.02:1
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	1.02:1	1.02:1	1.02:1
<i>Profitability</i>				
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$	6.62%	8.58%	26.2%
Return on Equity	$\frac{\text{Net Income}}{\text{Total Equity}}$	6.77%	8.78%	26.8%

Liquidity

The Company's current ratio is 41.42 in 2018 compared to 26.3 in 2017 and 37.6 in 2016. The Company's liquidity position remains strong.

Leverage

Leverage is very low at 0.02:1 in 2018, 2017 and 2016.

Notes to Financial Statements

Accounting Policies and Principles

The financial statements for the years 2018, 2017 and 2016 are presented in accordance with generally accepted accounting principles applied on a consistent basis.

Seasonality Aspects of the Business

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

Past and Future Financial Condition and Results of Operations – For 2017 and 2016, please refer to the above discussion. For prior years, please refer to the Corporation's previous annual reports. Inasmuch as there are no known material events or commitments that are likely to affect the Corporation, it is expected that the future financial condition and results of operation would remain the same as the present.

Material Changes

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

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 2017 and 2016 and the sale of the investment property in 2018.

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

- a. Increase in current assets, particularly cash and cash equivalent is due to the proceeds of the sale of the Corporation's investment property, which in turn decreased the non-current assets.
- b. Decrease in goodwill is the result of the divestment by the Corporation's subsidiary, PMEI of its investment in a security agency.
- c. Decrease in Current Liabilities is the result of the return of a security deposit to the Corporation's former tenant.

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

None.

Item 7. Financial Statements

The report of independent accountants and the audited financial statements of the Corporation for the fiscal year ending 31 December 2018 are attached hereto as Annex "A".

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

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, 58, Filipino	Chairman and Executive Vice-President	April 2007 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, 73, Filipino	Director/ President	December 2007 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, 72, Filipino	Director/ Treasurer/ CFO	April 2007 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, 63, Filipino	Director	December 2007 to Present	Partner-Soo Gutierrez Leogardo & Lee Law Offices; Law Professor and Bar Reviewer- Arellano University, Director- IBP, former Trustee-GSIS
Marietta K. Ilusorio, 67, Filipino	Director	May 2010 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, 76, Filipino	Director	December 2015 to Present	Journalist, editor-in-chief, columnist, book author, and award-winning television talk show host
Pablo L. Lobregat, 64, Filipino	Director	April 2007 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
*Oliverio L. Laperal, Jr.,69, Filipino	Director	November 2017 to present	Co-President and Director of Imperial Resources; Co-President and Managing Director of Filipinas Golf & Country Club; President & Managing Director of R.S. Video & Film Productions
Prudencio C. Somera, Jr. 73, Filipino	Director	August 2004 to Present	Director – TKC Steel Corporation; Licensed Stockbroker; Columnist – Philippine Daily Inquirer
Justice Santiago J. Ranada (ret), 81, Filipino	Director	December 2013 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	December 2013 to Present	Surgeon – Makati Medical Center; 22 years of practice; Diplomate, Philippine Board of Surgery, Fellow, Philippine College of Surgeons, Member, Philippine Medical Association, Makati Medical Society, Philippine Society of General Surgeons

**Independent director.*

**** Term of Office – The above directors were re-elected during the Annual Stockholders' Meeting held on 20 November 2017 and served until 19 November 2018, when the Corporation convened its Annual Stockholders' Meeting where they were all once again re-elected.**

(2) Significant Employees

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

(3) Family Relationships

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

(4) Involvement in Certain Legal Proceedings

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

Item 10. Executive Compensation (Please refer to SEC Form 20-IS for previous 2 years)

(1) and (2) Executive Officers

Name	Position	Salary	Allowance	Bonus	Total
Ramon Jacinto	President	0	7,400,000	490,000	7,890,000
Katrina C. Ponce-Enrile	Chairman-EVP				
Erlinda Bildner	Treasurer				
Manolita L. Morales	Asst. Treasurer				
Victoria de los Reyes	Corp. Secretary				
All other officers		0	4,380,000	215,000	4,595,000
Total		0	11,780,000	705,000	12,485,000

(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				
Oliverio L. Laperal, Jr.	Director				
Julie Yap Daza	Director				
Marietta K. Ilusorio	Director				
Santiago J. Ranada	Director				
Jose Ramon C. Ozamiz	Director				
Prudencio C. Somera, Jr.	Director				
Total		0	8,940,000	565,000	9,505,000

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

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

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

(5) *Warrants and Options Outstanding*

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

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

As of 31 December 2018, 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 2018, the security ownership of management is as follows:

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

(3) *Voting Trust Holders*

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

(4) *Changes in Control*

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

Item 12. Certain Relationships and Related Transactions

- (1) and (2) There is no transaction during the last two years or proposed transaction to which the Corporation was or is to be a party in which any director, executive officer, nominee for election as a director, security holder owning five percent (5%) or more or member of their immediate family had or is to have a director or indirect material interest.
- (3) The Corporation is 79% owned by the Philippine Communications Satellite Corporation which in turn is wholly-owned by the Philippine Overseas Telecommunication Corporation. The remaining 21% is owned by Prudencio Somera, Jr. and the general public.
- (4) There has been no transactions with promoters in the past five (5) years.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The details under this Item will be discussed in the Corporation's 2018 i-ACGR which, in accordance with SEC Memorandum Circular No. 15, Series of 2017, need not be attached to this Annual Report but will be submitted on or before 30 May 2019.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports

- (a) Exhibits. Statement of Management's Responsibility for Financial Statements and Audited Financial Statements for the fiscal period ending 31 December 2018 as Annex "A".
- (b) Reports on SEC Form 17-C. During the last 6 months, the Corporation filed SEC Form 17-C detailing the matters taken up during the Annual Stockholders' Meeting held on 19 November 2018.

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 0 1 1 1 6 3

COMPANY NAME

P	H	I	L	C	O	M	S	A	T	H	O	L	D	I	N	G	S	C	O	R	P	O	R	A	T	I	O	N	A	N	D	S	U	B
S	I	D	I	A	R	I	E	S																										

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

1	2	t	h	F	l	o	o	r	,	T	e	l	e	c	o	m	P	l	a	z	a	B	u	i	l	d	i	n	g	,	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						

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	Company's Telephone Number/s	Mobile Number
postmaster@phc.com.ph	(02) 815-8406	(02) 816-2517
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,174	3rd Monday of November	December 31

CONTACT PERSON INFORMATIONThe designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Erlinda I. Bildner	-	(02) 815-8406	(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

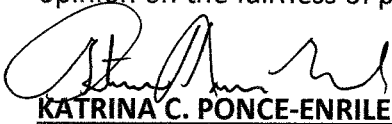
The Management of **Philcomsat Holdings Corporation and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the year ended **December 31, 2018**, in accordance with the prescribed financial reporting 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 & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.



KATRINA C. PONCE-ENRILE

Chairman of the Board



RAMON P. JACINTO

President



ERLINDA I. BILDNER

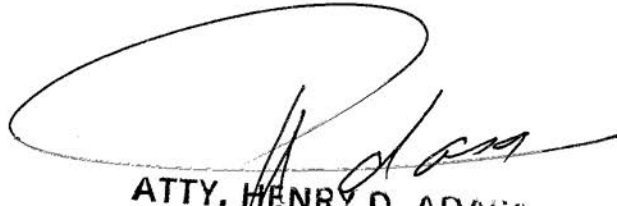
Treasurer/Chief Financial Officer

Signed this 4th day of April 2019

APR 04 2019

SUBSCRIBED AND SWORN to before me this ____ day of April 2019, by Katrina C. Ponce-Enrile with _____ Ramon P. Jacinto with _____ and Erlinda I. Bildner with _____

Doc. No. : 8 ;
Page No. : 3 ;
Book No. : 21 ;
Series of 2019.



ATTY. HENRY D. ADASA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2019
COMMISSION 17-23
PASADENIA ST. PASAY CITY
IBP NO. 047427 01/03/19 PASIG
PTR NO. 5825667 01/03/13 P.C.
MCLE COMPLIANCE NO. VI-0002830-4/14/2022
Ⓜ ROLL NO. 29679



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, 2018 and 2017, 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, 2018, 2017 and 2016, 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, 2018 and 2017, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2018, 2017 and 2016 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 audit 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 audit 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 Financial Assets

Financial assets, which comprise ninety-nine percent of the Group's total assets as at reporting date, are measured at either fair value or at amortized cost depending on the business model and contractual cash flow test of said assets in compliance with PFRS 9, *Financial Instruments*. Due to the price volatility attributable to market factors and certain judgments made by management in the estimation of the expected credit loss, the carrying amounts of financial assets may fluctuate significantly. Changes in the financial assets' carrying amount could significantly affect either the profit or loss or other comprehensive income.

To determine if the financial assets were reasonably valued, we compared the recorded amount of financial assets with readily-available market prices and also reviewed the sufficiency of the allowance for expected credit losses provided by management for the Group's debt instruments. We also reviewed if the measurement of these financial assets is consistent with management's business model and contractual cash flow test.

The Group's disclosures on its financial assets are included in Notes 3, 4, 6, 8 and 16 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, 2018, 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, 2018 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 audit 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 audit 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 audit 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 August 15, 2021

SEC Accreditation No. 1499-AR-1 Group A

Valid until July 17, 2021

BIR Accreditation No. 08-005144-012-2017

Valid until March 8, 2020

PTR No. 7334342

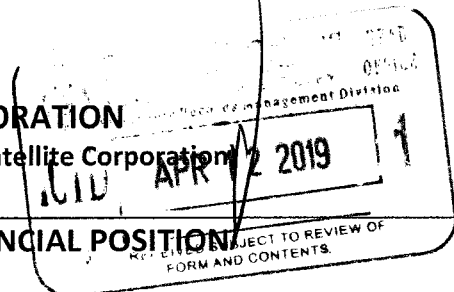
Issued January 3, 2019, Makati City

April 4, 2019

Makati City, Metro Manila

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



	Note	December 31 2018	2017
ASSETS			
Current Assets			
Cash and cash equivalents	4	P290,638,317	P104,889,256
Short-term investments	5	-	7,441,238
Receivables - current	6	118,451,701	200,905,713
Due from related parties	16	17,255,800	13,811,793
Other current assets	7	3,433,889	3,471,891
Total Current Assets		429,779,707	330,519,891
Noncurrent Assets			
Receivables - noncurrent	6	62,000,000	56,000,000
Financial assets at fair value through other comprehensive income (FVOCI) and available-for-sale (AFS) financial assets	8	922,850,176	879,320,504
Investment property	9	-	103,648,704
Property and equipment	10	436,870	521,822
Goodwill	11	1,319,429	4,024,916
Net deferred tax assets	18	478,130	206,134
Other noncurrent assets	9	2,232,100	-
Total Noncurrent Assets		989,316,705	1,043,722,080
		P1,419,096,412	P1,374,241,971
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	12	P5,163,193	P4,529,759
Due to a related party	16	3,948,624	3,613,265
Customers' deposits	17	1,237,874	4,401,074
Income tax payable		25,125	-
Total Current Liabilities		10,374,816	12,544,098
Noncurrent Liabilities			
Deposit for future stock subscription	16	18,894,000	18,894,000
Deferred tax liability	18	750,417	-
Total Noncurrent Liabilities		19,644,417	18,894,000
Equity			
Share capital		996,391,254	996,391,254
Retained earnings		432,550,308	340,257,935
Cumulative net unrealized gain (loss) on financial assets at FVOCI and AFS financial assets	8	(39,864,383)	5,375,694
Equity attributable to equity holders of Parent Company		1,389,077,179	1,342,024,883
Non-controlling interest		-	778,990
Total Equity		1,389,077,179	1,342,803,873
		P1,419,096,412	P1,374,241,971

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		
		2018	2017	2016
REVENUE	13	₱48,622,831	₱40,955,574	₱42,761,452
COSTS AND EXPENSES	14	(36,409,067)	(45,425,121)	(68,467,224)
GAIN ON SALE OF INVESTMENT PROPERTY	9	99,112,396	-	-
GAIN ON SETTLEMENT OF LOAN RECEIVABLE	6	-	151,250,000	273,018,929
REVERSAL OF IMPAIRMENT LOSS ON RECEIVABLES	6	-	-	125,000,000
OTHER INCOME (CHARGES) - Net		2,520,393	(746,262)	2,957
INCOME BEFORE INCOME TAX		113,846,553	146,034,191	372,316,114
PROVISION FOR (BENEFIT FROM) INCOME TAX	18			
Current		19,277,950	28,179,295	49,826,755
Deferred		478,422	(37,677)	(134,981)
		19,756,372	28,141,618	49,691,774
NET INCOME		₱94,090,181	₱117,892,573	₱322,624,340
EARNINGS PER SHARE	19	₱0.0944	₱0.1183	₱0.3238

See accompanying Notes to Consolidated Financial Statements.

PHILCOMSAT HOLDINGS CORPORATION
(A Subsidiary of Philippine Communications Satellite Corporation)
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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31		
		2018	2017	2016
NET INCOME		₱94,090,181	₱117,892,573	₱322,624,340
OTHER COMPREHENSIVE INCOME (LOSS)	8			
<i>Items that may be reclassified to profit or loss</i>				
Unrealized loss on debt instruments at FVOCI		(19,051,016)	–	–
Unrealized gain (loss) on AFS financial assets		–	23,273,043	(14,572,943)
Reversal of fair value changes of AFS financial assets sold		–	(1,563,412)	(4,424,714)
<i>Item that may not be reclassified to profit or loss</i>				
Unrealized loss on equity instruments at FVOCI		(26,777,834)	–	–
		(45,828,850)	21,709,631	(18,997,657)
TOTAL COMPREHENSIVE INCOME		₱48,261,331	₱139,602,204	₱303,626,683

See accompanying Notes to Consolidated Financial Statements.

PHILCOMSAT HOLDINGS CORPORATION
(A Subsidiary of Philippine Communications Satellite Corporation)
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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31		
		2018	2017	2016
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		340,257,935	222,365,362	(100,258,978)
Net income		94,090,181	117,892,573	322,624,340
Realized loss on sale of equity instruments measured at FVOCI	8	(1,209,035)	-	-
Reclassification of cumulative fair value changes of equity instruments measured at FVOCI sold from other comprehensive income	8	(588,773)	-	-
Balance at end of year		432,550,308	340,257,935	222,365,362
CUMULATIVE UNREALIZED GAIN (LOSS) ON FINANCIAL ASSETS AT FVOCI AND AFS FINANCIAL ASSETS				
	8			
Balance at beginning of year		5,375,694	(16,333,937)	2,663,720
Unrealized gain (loss) for the year		(45,828,850)	23,273,043	(14,572,943)
Reclassification of cumulative fair value changes of equity instruments measured at FVOCI sold to retained earnings		588,773	-	-
Reversal of cumulative fair value changes of AFS financial assets sold		-	(1,563,412)	(4,424,714)
Balance at end of year		(39,864,383)	5,375,694	(16,333,937)
NON-CONTROLLING INTEREST				
	11			
Balance at beginning of year		778,990	-	-
Effects of:				
Business combination		-	778,990	-
Deconsolidation		(778,990)	-	-
Balance at end of year		-	778,990	-
		₱1,389,077,179	₱1,342,803,873	₱1,202,422,679

See accompanying Notes to Consolidated Financial Statements.

PHILCOMSAT HOLDINGS CORPORATION
(A Subsidiary of Philippine Communications Satellite Corporation)
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CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱113,846,553	₱146,034,191	₱372,316,114
Adjustments for:				
Gain on sale of investment property	9	(99,112,396)	-	-
Depreciation	9	1,465,053	4,401,702	4,383,991
Gain on disposal of investment in a subsidiary	11	(25,076)	-	-
Unrealized gain on financial assets at FVPL		(19,003)	(11,405)	(2,957)
Gain on settlement of loan receivable	6	-	(151,250,000)	(273,018,929)
Gain on sale of AFS financial assets	8	-	(401,831)	(5,429,954)
Provision for (reversal of) impairment of input value-added tax (VAT)		-	(69,413)	4,053,742
Reversal of impairment loss on receivables	6	-	-	(125,000,000)
Loss on settlement of BPI account	14	-	-	1,458,225
Operating income (loss) before working capital changes		16,155,131	(1,296,756)	(21,239,768)
Decrease (increase) in:				
Receivables		2,967,861	(3,922,197)	(2,498,238)
Other current assets		57,005	1,359,608	(308,906)
Increase (decrease) in:				
Trade and other payables		2,354,434	934,975	808,281
Customers' deposits		(3,163,200)	3,163,200	-
Net cash generated from (used for) operations		18,371,231	238,830	(23,238,631)
Collection of notes and loans receivable		141,211,954	151,250,000	416,572,274
Acquisitions of:				
Financial assets at FVOCI and AFS financial assets	8	(116,937,793)	(160,235,044)	(952,245,625)
Notes and loans receivable		(68,500,000)	(52,466,588)	(153,016,956)
Short-term investments		-	(56,313)	-
Proceeds from sale and maturity of:				
Financial assets at FVOCI and AFS financial assets	8	26,370,236	87,066,685	452,654,276
Short-term investments		7,441,238	-	34,808,930
Income tax paid		(19,284,939)	(28,179,295)	(48,975,529)
Net cash used in operating activities		(11,328,073)	(2,381,725)	(273,441,261)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of:				
Investment property	9	201,388,000	-	-
Investment in a subsidiary - net of cash given up	11	1,749,000	-	-
Acquisitions of:				
Property and equipment	10	(249,118)	(299,411)	(4,643)
Subsidiary - net of cash acquired	11	-	(914,410)	-
Advances made to related parties	16	(3,444,007)	-	-
Increase in other noncurrent assets	9	(2,232,100)	-	-
Payments of subscription payable	11	(470,000)	-	-
Collections of due from related parties		-	5,000,000	128,194,235
Net cash provided by investing activities		₱196,741,775	₱3,786,179	₱128,189,592

(Forward)

	Note	Years Ended December 31		
		2018	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES				
Advances made by a related party	16	₱335,359	₱3,600,000	₱4,549,198
Payments of due to a related party	16	-	(4,535,933)	-
Net cash provided by (used in) financing activity		335,359	(935,933)	4,549,198
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		185,749,061	468,521	(140,702,471)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		104,889,256	104,420,735	245,123,206
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		₱290,638,317	₱104,889,256	₱104,420,735
NONCASH FINANCIAL INFORMATION				
Settlement of subscriptions payable upon deconsolidation of investment in EDSSI	11	(₱1,251,000)	₱-	₱-
Subscription of shares of stock of EDSSI	11	-	1,721,000	-

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 the Parent Company's 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, financial assets at FVOCI 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 79.94% 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, 2018 and 2017:

	Principal Activities	Percentage of Ownership			
		2018		2017	
		Direct	Indirect	Direct	Indirect
Philcomsat Management Enterprises Inc. (PMEI)	Management services	100.00	—	100.00	—
Professional Stock Transfer Inc. (PSTI)*	Stock transfer agency	—	100.00	—	100.00
Elite Defense Security Services, Inc. (EDSSI)*	Security agency	—	—	—	82.69

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

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

Listing of Shares in the PSE

The Parent Company's original 60.0 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 December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016 were approved and authorized for issue by the BOD on April 4, 2019.

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 financial assets measured at FVPL and financial assets measured at FVOCI. 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 market 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 measured at FVPL, financial assets measured at FVOCI, investment property and other financial instruments are disclosed in Notes 7, 8, 9 and 21.

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, *Financial Instruments* – This standard replaces PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It provides requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting, recognition, 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 these are held and its 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” (ECL) model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for an objective evidence of impairment.

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.

The Group adopted the modified retrospective approach in accounting for PFRS 9. Since prior year carrying amounts did not change as a result of the adoption, there were no adjustments made to balances as at January 1, 2018.

The following table shows the original classification categories under PAS 39 and the new classification categories under PFRS 9 for each class of the Group's financial assets as at January 1, 2018:

	Classification under PAS 39	Classification under PFRS 9	Carrying Amount under PAS 39	Carrying Amount under PFRS 9
Cash and cash equivalents*	Loans and receivables	Financial assets at amortized cost	₱104,874,256	₱104,874,256
Short-term investments	Loans and receivables	Financial assets at amortized cost	7,441,238	7,441,238
Receivables**	Loans and receivables	Financial assets at amortized cost	253,293,217	253,293,217
Due from related parties	Loans and receivables	Financial assets at amortized cost	13,811,793	13,811,793
Marketable securities***	Financial assets at FVPL	Financial assets at FVPL	114,154	114,154
Quoted bonds, quoted shares of stock, unit investment trust funds (UITFs), club memberships	AFS financial assets	Financial assets at FVOCI	879,320,504	879,320,504

* excluding cash on hand amounting to ₱15,000 as at December 31, 2018 and 2017.

**excluding advances subject to liquidation amounting to ₱3,612,496 as at January 1, 2018.

***presented under other current assets.

The Group assessed that the adoption of PFRS 9, specifically on determining impairment loss using simplified and general approach, has no impact on the carrying amount of the Group's financial assets at amortized cost and FVOCI.

- PFRS 15, *Revenue from Contracts with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue* and their 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.).

Based on the Group's assessment, all of the Group's contracts with customers generally undertake to provide single performance obligation at a fixed price which is mainly the rendering of services. Thus, the allocation of transaction price to the single performance obligation is not applicable. The Group recognizes revenue as the services are rendered over

time. Accordingly, the adoption of PFRS 15 has no impact in the timing of the Group's revenue recognition.

- Amendments 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 that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.

The adoption of the amendments to PFRS 15 and PAS 40 did not have any material effect on the financial statements. Additional disclosure requirements are disclosed in 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, 2018 and have not been applied in preparing the consolidated financial statements are summarized below.

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

- PFRS 16, *Leases* – This standard will replace PAS 17, *Leases* and its related interpretations. 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.
- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes*, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a 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, was deferred indefinitely in December 2015 but earlier application is still permitted.

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.

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 comprehensive 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.

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 a financial 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 and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments 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" Difference. Where the transaction 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" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss 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" difference.

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

The Group does not have financial liabilities at FVPL as at December 31, 2018 and 2017.

Financial Assets at FVPL. Financial assets at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Group had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Group may, at initial recognition, designate a financial asset meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets.

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

As at December 31, 2018 and 2017, the Group's marketable securities, presented under "other current assets" are classified under this category (see Note 7).

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2018 and 2017, the Group's cash and cash equivalents, short-term investments, receivables (excluding advances subject to liquidation) and due from related parties are classified under this category (see Notes 4, 5, 6 and 16).

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Group may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at December 31, 2018 and 2017, the Group designated its investments in quoted bonds, quoted shares of stocks, UITF and club membership as financial assets at FVOCI (see Note 8).

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

As at December 31, 2018 and 2017, the Group's trade and other payables (excluding statutory payables), due to a related party and customers' deposits are classified under this category (see Notes 12, 16 and 17).

Reclassification

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of Financial Assets at Amortized Cost and FVOCI

The Group records an allowance for ECL which is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For retainer fee receivable, the Group has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments and other financial assets at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

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 has expired;
- the Group retains the right to receive cash flows from the financial 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 right to receive cash flows from the financial 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 right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial 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, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the consolidated statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount 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 intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Advances Subject to Liquidation

Advances subject to liquidation pertain to cash advances to employees used for the Group's operations that are subject to liquidation. These are initially measured at cost less impairment in value, if any.

Other Current Assets

Other current assets consist of:

Creditable Withholding Taxes. 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.

Investment Property

Investment property is defined as a property, such as land or building, 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 any impairment in value. 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.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

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

The useful lives of each of the property and equipment are 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.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

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.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured until it is finally settled and accounted for within equity.

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

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

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU, to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Deposit for Future Stock Subscription

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

This is presented as part of liability because the Company is yet to comply with the conditions prescribed by the SEC.

Equity

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

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration.

Other Comprehensive Income. Other comprehensive income comprises items of income and expenses (including items previously presented under the consolidated statements of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS. These are subsequently closed against retained earnings.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group perform its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

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.

Dividend Income. Dividend income is recognized when the Company's right to receive the dividend is established.

Rent Income. Rent income is recognized on a straight-line basis over the lease term since performance obligation is satisfied over time during the period when the Group gives the lessee the right to use the leased property.

Service Fees. Performance obligation is satisfied and service fees are recognized over time in 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.

Gain on Sale of Financial and Nonfinancial assets. Gain on sale of financial assets at FVOCI, FVPL, AFS financial assets, and nonfinancial assets are computed as the difference between the proceeds and its carrying amount.

Cost and Expense 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.

Cost of Services. Cost of services are recognized as expense when the related service is performed.

General and Administrative Expenses. General and administrative expenses are incurred in the direction and general administration of day-to-day operation of the Group and are generally recognized when the service is used or the expense is 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.

The Group as Lessor. The Group has entered into lease agreements as a lessor. The Group determined that it retains significant risks and rewards of ownership on properties leased to tenants under operating lease 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.

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 and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. 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.

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.

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 investing of funds in various financial assets, service agreements with the government and stock transfer agency. 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'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, accounting 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 estimates and assumptions 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 PFRS 9. 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 Group's business model and its contractual cash flow characteristics 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.

Classification of financial instruments is disclosed in Note 2 to the consolidated financial statements.

Distinguishing Investment Properties and Owner-occupied Properties. The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property is held primarily to earn rentals or capital appreciation or both or used for operations and administrative purposes of the Group.

Carrying amount of investment properties amounting to nil and ₱103.6 million as at December 31, 2018 and 2017, respectively (see Note 9).

Classifying Lease Agreements. 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.

The Group accounted for its lease agreements as operating lease (see Note 17).

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.

Assessing ECL on Debt Instruments. The Group determines the ECL based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on the financial instrument that are possible within 12 months after reporting date. When there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL.

The Group assessed that the credit risk on debt instruments has not increased significantly since initial recognition as these financial assets are determined to have low credit risk and are entered into with reputable banks, financial institutions and other counterparties.

No ECL on these debt instruments was recognized in 2018, 2017 and 2016. The carrying amounts of financial assets at amortized cost and FVOCI are as follows:

Asset Type	Note	2018	2017
Cash and cash equivalents*	4	₱290,623,317	₱104,874,256
Short-term investments	5	–	7,441,238
Receivables**	6	178,607,101	253,293,217
Due from related parties	16	17,255,800	13,811,793
Investment in quoted bonds measured at FVOCI	8	597,081,460	516,891,265

*excluding cash on hand amounting to ₱15,000 as at December 31, 2018 and 2017.

**excluding advances subject to liquidation totaling ₱1,844,600 and ₱3,612,496 as at December 31, 2018 and 2017.

Determining Fair Value of Financial Assets at FVPL and FVOCI. The Group carries financial assets at FVPL and FVOCI at fair value in the consolidated statements of financial position. Determining the fair value of financial assets at FVPL and FVOCI requires extensive use of accounting estimates and judgment. The Group determined the fair values of financial assets at FVPL and FVOCI 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 financial assets at FVPL amounted to ₱0.1 million as at December 31, 2018 and 2017 (see Note 7).

The fair value of financial assets at FVOCI amounted to ₱922.9 million and ₱879.3 million as at December 31, 2018 and 2017, respectively (see Note 8).

Estimating Impairment Losses on Nonfinancial Assets Other than Goodwill. An impairment review is performed when certain impairment indicators are present. The Group determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

No impairment loss was recognized in 2018 and 2017 and 2016.

The carrying amounts of nonfinancial assets are as follows:

	Note	2018	2017
Advances subject to liquidation	6	₱1,844,600	₱3,612,496
Other noncurrent assets	9	2,232,100	–
Other current assets*	7	3,320,619	3,357,737
Property and equipment	10	436,870	521,822
Investment property	9	–	103,648,704

*excluding financial assets at FVPL amounting to ₱113,270 and ₱114,514 as at December 31, 2018 and 2017, respectively.

Estimating Impairment Losses on Goodwill. The Group tests annually whether any impairment in goodwill is to be recognized, in accordance with related accounting policy in Note 2. The recoverable amounts of CGUs have been determined based on the higher of fair value less costs to sell and value in use calculations which require the use of estimates. Based on the impairment testing conducted, the recoverable amounts of the CGUs as at December 31, 2018 and 2017, calculated based on value in use are greater than the corresponding carrying amounts (including goodwill) of the CGUs. The carrying amount of goodwill amounted to ₱1.3 million and ₱4.0 million as at December 31, 2018 and 2017, respectively. No impairment loss was recognized in 2018 and 2017 (see Note 11).

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's recognized deferred tax assets as at December 31, 2018 and 2017 amounted to ₱478,130 and ₱206,134, respectively (see Note 18).

The Group did not recognize a portion of its deferred tax assets amounting to ₱4.3 million as at December 31, 2017 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 18).

4. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand and in banks	₱16,779,594	₱19,625,222
Cash equivalents	273,858,723	85,264,034
	₱290,638,317	₱104,889,256

Cash in banks earn interest at prevailing bank deposit rates.

Cash equivalents pertain to special savings and time deposits, with terms of varying periods up to three (3) 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	2018	2017	2016
Cash and cash equivalents		₱9,209,346	₱1,712,685	₱1,171,908
Short-term investments	5	441,238	978,423	627,965
Receivables	6	4,841,412	6,730,160	4,319,508
Financial assets at FVOCI	8	16,461,378	15,964,024	10,245,927
		₱30,953,374	₱25,385,292	₱16,365,308

5. Short-term Investments

This account amounting to nil and ₱7.4 million as at December 31, 2018 and 2017, respectively, pertains to time deposits with term of more than three months to one year and earns interest at the prevailing time deposit rates.

Interest income earned from short-term investments amounted to ₱0.4 million in 2018, ₱1.0 million in 2017 and ₱0.6 million in 2016 (see Note 4).

6. Receivables

This account consists of:

	Note	2018	2017
Notes and loans receivable:			
Corporate notes		₱104,305,002	₱95,805,002
Promissory notes issued by financial institutions		66,966,588	148,678,542
Interest receivable		5,748,255	2,677,486
Advances subject to liquidation		1,844,600	3,612,496
Retainer fee receivable		1,292,289	1,690,911
Dividend receivable		214,825	40,391
Nontrade receivables		138,142	109,284
Accrued revenue	15	–	4,349,601
		180,509,701	256,963,713
Less allowance for ECL		(58,000)	(58,000)
		180,451,701	256,905,713
Less noncurrent portion		(62,000,000)	(56,000,000)
Current portion of receivables		₱118,451,701	₱200,905,713

Movements in the allowance for ECL are summarized below:

	Note	2018	2017	2016
Balance at beginning of year		₱58,000	₱58,000	₱125,058,000
Reversal		–	–	(125,000,000)
Balance at end of year		₱58,000	₱58,000	₱58,000

Notes and Loans Receivable

Corporate Notes

Corporate notes outstanding as at December 31, 2018 and 2017 pertain to short-term corporate promissory notes issued by various entities, with terms of up to 90 days and earn interest ranging from 2.8% to 5.0% per annum.

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% per annum.

Interest income earned from corporate notes and promissory notes issued by various financial institutions amounted to ₱4.8 million in 2018 and ₱6.7 million in 2017 and ₱4.3 million in 2016 (see Note 4).

Loan to Araneta

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

The lots owned by 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 related interest. 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 settlement of loan adjustment 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.

Retainer Fee Receivable

This account consists of 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:

	2018	2017
Creditable withholding tax	₱1,929,221	₱1,718,437
Input VAT	1,374,464	1,622,366
Financial assets at FVPL	113,270	114,154
Prepaid insurance	16,934	16,934
	₱3,433,889	₱3,471,891

The fair value of financial assets at FVPL is determined 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 measured at FVPL is classified as Level 1 (Quoted bonds, shares of stock and club memberships) and level 2 (UITFs).

8. Financial Assets at FVOCI and AFS Financial Assets

This account consists of:

	2018	2017
Investments in:		
Quoted bonds	P597,081,460	P516,891,265
Quoted shares of stock	203,301,266	204,539,168
UITFs	119,697,450	155,190,071
Club memberships	2,770,000	2,700,000
	P922,850,176	P879,320,504

The Group previously accounted for these financial assets as AFS financial assets under PAS 39. As at January 1, 2018, the Group made an irrevocable designation to classify these financial assets as financial assets at FVOCI in accordance with PFRS 9. Accordingly, all gains and losses up to the sale of the investments in quoted shares, UITFs and club memberships are closed directly to equity, without any recycling to profit or loss.

Movements of financial assets at FVOCI and cumulative unrealized gain (loss) on financial assets at FVOCI are as follows:

	2018	2017	2016
Cost			
Balance at beginning of year	P873,944,810	P800,374,620	P295,353,317
Additions	116,937,793	160,235,044	952,245,625
Disposals	(28,168,044)	(86,664,854)	(447,224,322)
Balance at end of year	962,714,559	873,944,810	800,374,620
Cumulative Unrealized Gain (Loss)			
Balance at beginning of year	5,375,694	(16,333,937)	2,663,720
Unrealized fair value gain (loss) during the year	(45,828,850)	23,273,043	(14,572,943)
Reclassification of cumulative fair value changes of financial assets at FVOCI sold	588,773	-	-
Reversal of fair value changes of AFS financial assets sold	-	(1,563,412)	(4,424,714)
Balance at end of year	(39,864,383)	5,375,694	(16,333,937)
Carrying Amount	P922,850,176	P879,320,504	P784,040,683

Interest income earned from financial assets at FVOCI amounted to P16.5 million in 2018, P16.0 million in 2017 and P10.2 million in 2016 (see Note 4).

Dividend income earned from financial assets at FVOCI amounted to P6.9 million in 2018, P5.0 million in 2017 and P1.9 million in 2016 (see Note 13).

Realized loss on sale of equity instruments at FVOCI recognized directly to retained earnings amounted to P0.6 million in 2018.

Gain on sale of AFS financial assets amounted to P0.4 million in 2017 and P5.4 million in 2016 (see Note 13).

The fair value of these financial assets are determined based on quoted market bid prices at the close of business as at reporting date since most of these are actively traded in an organized financial market. The fair value measurement of the financial assets at FVOCI is classified as Level 1 (Quoted bonds, shares of stock and club memberships) and level 2 (UITFs).

No ECL was recognized for investments in quoted bonds in 2018, 2017 and 2016.

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 as at December 31, 2017.

Movements of the account are as follows:

	2018	2017
Cost		
Balance at beginning of year	P164,772,000	P164,772,000
Disposal	(164,772,000)	-
Balance at end of year	-	164,772,000
Accumulated Depreciation		
Balance at beginning of year	61,123,296	56,804,600
Disposal	(62,496,396)	-
Depreciation	1,373,100	4,318,696
Balance at end of year	-	61,123,296
Carrying Amount	P-	P103,648,704

The condominium unit with a net carrying value of P102.3 million was sold in 2018 for P201.4 million, resulting to a gain on sale amounting to P99.1 million (see Note 13). The Parent Company leased a portion of the condominium unit commencing on January 1, 2018 and ended on the date of sale of investment property (see Note 17).

The fair value of the condominium unit amounted to P247.2 million based on the Company's latest appraisal dated May 31, 2017 (Level 1 – Directly Observable Input).

The Group made advances to land owners amounting to P2.2 million for the acquisition of land in 2018. The land title has not yet been transferred as at reporting date. Consequently, the advances to land owners are presented under "Other noncurrent assets" account in consolidated statements of financial position.

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

	Note	2018	2017	2016
Investment property		P1,373,100	P4,318,696	P4,318,696
Property and equipment	10	91,953	83,006	65,295
		P1,465,053	P4,401,702	P4,383,991

Depreciation expense from the investment property is recorded as part of cost of services in 2018 and as part of general and administrative expenses in 2017 and 2016.

10. Property and Equipment

Movements in this account are as follows:

	2018				Total
	Office Equipment	Transportation Equipment	Furniture and Fixtures	Office Improvement	
Cost					
Balance at beginning of year	₱1,460,923	₱5,011,638	₱3,528,775	₱39,325	₱10,040,661
Additions	249,118	-	-	-	249,118
Effect of deconsolidation (see Note 11)	(280,193)	-	-	-	(280,193)
Balance at end of year	1,429,848	5,011,638	3,528,775	39,325	10,009,586
Accumulated Depreciation					
Balance at beginning of year	1,009,694	4,941,045	3,528,775	39,325	9,518,839
Depreciation	80,313	11,640	-	-	91,953
Effect of deconsolidation (see Note 11)	(38,076)	-	-	-	(38,076)
Balance at end of year	1,051,931	4,952,685	3,528,775	39,325	9,572,716
Carrying Amount	₱377,917	₱58,953	₱-	₱-	₱436,870

	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
Additions	238,518	60,893	-	-	299,411
Effect of business combination (see Note 11)	280,193	-	-	-	280,193
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
Depreciation	65,546	17,460	-	-	83,006
Effect of business combination (see Note 11)	38,076	-	-	-	38,076
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

Fully-depreciated property and equipment still in use amounted to ₱8.7 million as at December 31, 2018 and 2017.

11. Business Combination and Goodwill

Acquisition and Disposal 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, ₱470,000 of which was paid in 2018.

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
	₱1,794,503

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	₱2,705,487

In 2018, the Group disposed of its investment in EDSSI for ₱3.0 million and deconsolidated EDSSI's assets and liabilities and the remaining unpaid subscriptions from the Group's consolidated balances, resulting to gain on disposal of ₱25,076. Accordingly, the goodwill related to the acquisition of EDSSI amounting to ₱2.7 million was also derecognized in 2018.

Goodwill

Goodwill pertains to the acquisition of the following subsidiaries:

	2018	2017
PSTI	₱1,319,429	₱1,319,429
EDSSI	-	2,705,487
	₱1,319,429	₱4,024,916

Management assessed that the recoverable amount of PSTI, 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 2018, 2017 and 2016. 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 2018, 2017 and 2016.

12. Trade and Other Payables

This account consists of:

	Note	2018	2017
Accounts payable and accrued expenses		₱4,544,760	₱1,733,065
Statutory payables		618,433	1,075,694
Subscriptions payable	11	-	1,721,000
		₱5,163,193	₱4,529,759

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

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

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

13. Revenue

Disaggregation of revenue is as follows:

	Note	2018	2017	2016
Revenue:				
Interest income	4	₱30,953,374	₱25,385,292	₱16,365,308
Dividend income	8	6,922,181	4,988,944	1,894,219
Rent income	17	4,359,200	125,323	–
Service fees	15	4,164,129	5,820,129	15,192,292
Retainer fee		2,012,316	3,999,768	3,605,786
Stock transfer fee		54,555	119,287	83,894
Gain on sale of AFS financial assets	8	–	401,831	5,429,954
Others		157,076	115,000	189,999
		₱48,622,831	₱40,955,574	₱42,761,452
Gain on sale of investment property	9	₱99,112,396	₱–	₱–
Gain on settlement of loan receivable	6	₱–	₱151,250,000	₱273,018,929

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

14. Costs and Expenses

This account consists of:

	Note	2018	2017	2016
Cost of services:				
Project costs	15	₱4,645,029	₱4,977,265	₱13,182,534
Depreciation	9	1,373,100	–	–
Salaries and other benefits		736,056	1,319,472	1,446,734
		6,754,185	6,296,737	14,629,268
General and administrative expenses:				
Professional fees		12,012,597	12,877,863	13,081,911
Directors' fees	16	5,840,000	6,922,500	7,593,235
Representation and entertainment		3,275,659	2,872,559	2,604,907
Legal fees		2,121,209	2,881,393	10,734,364
Rent expense	17	1,433,430	1,480,288	1,289,375
Transportation and travel		1,392,238	1,327,403	1,117,643
Taxes and licenses		1,033,015	1,922,621	1,262,134
Dues and subscription		730,604	2,174,276	2,342,382
Stationery, print and office supplies		481,834	284,907	348,788
Repairs and maintenance		341,130	545,884	495,002
Communication, light and water		279,981	416,886	387,812
Insurance		142,825	600,382	285,654
Depreciation	9	91,953	4,401,702	4,383,991
Provision for impairment of receivables	6	–	–	1,987,008
Loss on settlement of BPI account		–	–	1,458,225
Others		478,407	419,720	4,465,525
		29,654,882	39,128,384	53,837,956
		₱36,409,067	₱45,425,121	₱68,467,224

15. Service Contracts

The Group, through PMEI, entered into various projects with the government in 2018 and 2017 as follows:

Project	Percentage of Completion	Service Fees	Project Costs
2018 Project -			
Managed VSAT Services	100%	₱4,164,129	₱4,645,029
2017 Projects:			
Procurement of Satellite Circuit Lease			
Contract for Transportable VSAT	100%	₱1,656,000	₱1,364,000
Managed VSAT Services	50%	4,164,129	3,613,265
		₱5,820,129	₱4,977,265

Projects costs incurred consist of contracted services for the installation of the VSATs.

Service fees and project costs pertaining to each project are recognized based on percentage of completion. Accrued revenue amounting to ₱4.2 million as at December 31, 2017 mainly pertains to revenue earned based on percentage of completion (see Note 6). This was subsequently billed and collected.

16. 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)	
		2018	2017	2016	2018	2017
Included under "Receivables"						
Montemar Beach Club, Inc. (MBCI)	Company under common control	₱6.5	₱-	₱-	₱28.8	₱22.3
	Notes receivable	0.2	1.0	0.7	-	-
	Interest income				₱28.8	₱22.3
Presented under "Due from Related Parties"						
MBCI	Company under common control	₱-	₱-	₱-	₱13.5	₱13.5
Philcomsat	Immediate parent	3.4	-	-	3.4	-
Montemar Resort Development Corp. (MRDC)	Company under common control	-	-	-	0.3	0.3
	Cash advances				₱17.2	₱13.8
Presented under "Due to a Related Party"						
Philcomsat	Immediate parent	₱0.3	₱3.6	₱-	₱3.9	₱3.6
	Advances for project costs					
	Cash advances	-	(4.5)	4.5	-	-
	Rent of office space	1.4	1.5	1.3	-	-
					₱3.9	₱3.6
Presented under "Deposit for Future Stock Subscription"						
Philcomsat	Immediate parent	₱-	₱-	₱-	₱18.9	₱18.9

Receivable from MBCI

Cash advances to MBCI are unsecured and due on demand and bear interest at 5% to 6% per annum and will be settled in cash.

Receivable from Philcomsat and MRDC

Cash advances to Philcomsat at MRDC are unsecured, noninterest-bearing, due on demand and will be settled in cash.

The Group did not recognize any provision for ECL on due from related parties in 2018 since the counterparties have sufficient liquid assets to settle the unpaid amounts as at reporting period. This assessment is undertaken each financial year through review of the financial position of the related party and the market in which the related party operates.

Due to a Related Party

Due to a related party are unsecured, noninterest-bearing, due on demand and will be settled in cash.

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 ₱1.4 million in 2018, ₱1.5 million in 2017 and ₱1.3 million in 2016 (see Note 17).

Compensation of Key Management Personnel

Compensation of the key management personnel of the Group consists only of directors' fees amounting to ₱5.8 million in 2018, ₱6.9 million in 2017 and ₱7.6 million in 2016.

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

17. Leases

The Group as a Lessor

The Parent Company previously 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 commencing on January 1, 2018 and ended when the Parent Company sold the investment property in the second quarter of 2018. The Parent Company also leased out parking slots to a certain tenant in 2018 and 2017. Rental deposit received amounting to ₱1.2 million and ₱4.4 million as at December 31, 2018 and 2017, respectively, is shown as "Customers' deposits" account in the consolidated statements of financial position. This will be refunded at the end of the lease term.

Rent income from the said lease amounted to ₱4.4 million in 2018 and ₱0.1 million 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 ₱1.4 million in 2018, ₱1.5 million in 2017 and ₱1.3 million in 2016 (see Note 16).

As at December 31, 2018 and 2017, the Group has no outstanding commitments under non-cancellable operating leases.

18. Income Tax

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

	2018	2017	2016
RCIT	₱19,248,514	₱28,179,295	₱49,826,755
MCIT	29,436	-	-
	₱19,277,950	₱28,179,295	₱49,826,755

The Parent Company's income tax was computed using Optional Standard Deduction (OSD) in 2018, 2017 and 2016.

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

	2018	2017	2016
Income tax at statutory rate	₱34,153,966	₱43,810,257	₱111,694,834
Change in unrecognized deferred tax assets	(4,339,513)	(1,740,064)	(47,129,639)
Add (deduct) tax effects of:			
Nontaxable:			
Interest income already subjected to a final tax	(7,833,455)	(6,508,226)	(4,347,654)
Difference between OSD and itemized deductions	(4,914,551)	(7,928,549)	(21,241,067)
Dividend income	(2,076,654)	(1,311,755)	(568,266)
Gain on sale of a subsidiary	(7,523)	-	-
Expired and applied NOLCO	4,112,213	1,840,779	9,629,973
Nondeductible expenses	661,889	(20,824)	1,653,593
	₱19,756,372	₱28,141,618	₱49,691,774

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

	2018	2017
Deferred tax asset - PMEI -		
NOLCO	₱194,462	₱-
Deferred tax asset - PSTI:		
NOLCO	144,397	93,271
MCIT	127,572	98,136
Allowance for doubtful accounts	17,400	17,400
Unrealized foreign exchange gain	(5,701)	(2,673)
	₱478,130	₱206,134
Deferred tax liability - Parent Company -		
Unrealized foreign exchange gain	(₱750,417)	₱-

The components of the Group's unrecognized deferred tax assets are as follows:

	2018	2017
NOLCO	₱-	₱4,112,213
Unrealized foreign exchange loss	-	227,300
	₱-	₱4,339,513

The Parent Company did not recognize deferred tax assets amounting to ₱4.3 million in 2017, 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.

Details of NOLCO are as follows:

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2015	2018	₱13,707,377	₱-	₱13,707,377	₱-
2016	2019	310,903	-	-	310,903
2018	2021	818,626	-	-	818,626
Total		₱14,836,906	₱-	₱13,707,377	₱1,129,529

Details of MCIT are as follows:

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2016	2019	₱48,370	₱-	₱	₱48,370
2017	2020	49,766	-	-	49,766
2018	2021	29,436	-	-	29,436
Total		₱127,572	₱-	₱-	₱127,572

19. Earnings per Share

Basic/diluted earnings per share is computed as follows:

	2018	2017	2016
Net income	₱94,090,181	₱117,892,573	₱322,624,340
Weighted average no. of shares outstanding	996,391,254	996,391,254	996,391,254
	₱0.0944	₱0.1183	₱0.3238

20. Financial Risk Management Objectives and Policies

The Group's principal financial instruments are comprised of cash and cash equivalents, short-term investments, receivables (excluding advances subject to liquidation), due from related parties, financial assets at FVPL and FVOCI, trade and other payables (excluding statutory payables), customers' deposits, and due to a related party. 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 financial assets at FVOCI. 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 financial assets at FVOCI 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 2018, 2017 and 2016.

	Increase (Decrease) in PSEi Index	Increase (Decrease) in Other Comprehensive Income
2018	21% (7%)	₱43,271,778 (13,658,584)
2017	2% (17%)	1,805,738 (17,106,723)
2016	17% (9%)	11,493,480 (6,112,778)

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, 2018, 2017 and 2016.

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, 2018 and 2017, the Company has repriceable financial assets, specifically investments in quoted bonds classified as financial assets at FVOCI. 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 2018, 2017 and 2016.

	Increase (Decrease) in PDST-R2	Increase (Decrease) in Other Comprehensive Income
2018	22% (33%)	₱133,984,842 (199,564,529)
2017	15% (24%)	45,881,099 (75,671,456)
2016	2% (42%)	(5,154,990) 93,696,187

Foreign Exchange Risk

The Group's foreign-currency denominated financial instrument consists of cash in banks and cash equivalents totaling US\$1.1 million and US\$0.6 million as at December 31, 2018 and 2017, 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 refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial assets that potentially subject the Group to credit risk consist primarily of cash in banks and cash equivalents, receivables (excluding advances subject to liquidation), due from related parties, short-term investments and debt instruments measured at FVOCI.

The Group enters into contracts only with recognized, credit-worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group obtains guarantees where appropriate to mitigate credit risk.

Financial Assets

The Group limits its credit risk by depositing its cash with highly reputable and pre-approved financial institutions and by providing loans to counterparties with sufficient liquid assets to settle the loan balance when demanded.

As discussed in Note 3 to the financial statements, the Group considers credit risk in measuring ECL of debt instruments at amortized cost. Since all of these financial assets of the Group are considered to have low credit risk, impairment loss is limited to 12 months ECL.

The Group has no concentration of credit risk. The carrying amounts of the Group's financial assets at amortized cost, FVPL and FVOCI represent the maximum exposure to credit risk as at the reporting date as follows:

	2018	2017
Cash and cash equivalents*	₱290,623,317	₱104,874,256
Short-term investments	-	7,441,238
Receivables**	178,607,101	253,293,217
Due from related parties	17,255,800	13,811,793
Financial assets at FVPL***	113,270	114,154
Financial assets at FVOCI	922,850,176	879,320,504

* excluding cash on hand amounting to ₱15,000 as at December 31, 2018 and 2017.

**excluding advances subject to liquidation amounting to ₱3,612,496 as at January 1, 2018.

***presented under other current assets.

Generally, receivables are written-off if collection cannot be made despite exhausting all extra-judicial and legal means of collection. The maximum exposure to credit risk at reporting date is the carrying value of the financial assets. The Group does not hold collateral as security.

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:

	2018				Total
	On Demand	1 to 3 Months	3 to 12 Months	More than 12 Months	
Trade and other payables*	₱-	₱4,544,760	₱-	₱-	₱4,544,760
Due to a related party	3,948,624	-	-	-	3,948,624
Customers' deposits	1,237,874	-	-	-	1,237,874
	₱5,186,498	₱4,544,760	₱-	₱-	₱9,731,258

*Excluding statutory payables amounting to ₱618,433 as at December 31, 2018.

	2017				Total
	On Demand	1 to 3 Months	3 to 12 Months	More than 12 Months	
Trade and other payables*	₱-	₱3,454,065	₱-	₱-	₱3,454,065
Due to a related party	3,613,265	-	-	-	3,613,265
Customers' deposits	4,401,074	-	-	-	4,401,074
	₱8,014,339	₱3,454,065	₱-	₱-	₱11,468,404

*Excluding statutory payables amounting to ₱1,075,694 as at December 31, 2017.

21. Fair Value Measurement

The table below presents the financial assets and liabilities of the Group whose carrying amounts approximate fair values due to the short-term nature of the transactions:

Financial Assets

	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents*	₱290,623,317	₱290,623,317	₱104,859,256	₱104,859,256
Short-term investments	–	–	7,441,238	7,441,238
Receivables**	178,607,101	172,227,867	253,293,217	257,179,259
Due from related parties	17,255,800	17,255,800	13,811,793	13,811,793
Financial assets at FVPL***	113,270	113,270	114,154	114,154
Financial assets at FVOCI:				
Quoted bonds	597,081,460	597,081,460	516,891,265	516,891,265
Quoted shares of stock	203,301,266	203,301,266	204,539,168	204,539,168
UITFs	119,697,450	119,697,450	155,190,071	155,190,071
Club memberships	2,770,000	2,770,000	2,700,000	2,700,000
	₱1,409,449,664	₱1,403,070,430	₱1,206,452,658	₱1,262,726,204

*excluding cash on hand amounting to ₱15,000 as at December 31, 2018 and 2017.

**excluding advances subject to liquidation amounting to ₱1,844,600 and ₱3,612,496 as at December 31, 2018 and 2017.

***presented under other current assets.

Financial Liabilities

	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Trade and other payables*	₱4,544,760	₱4,544,760	₱3,454,065	₱3,454,065
Due to a related party	3,948,624	3,948,624	3,613,265	3,613,265
Customers' deposits	1,237,874	1,237,874	4,401,074	4,401,074
	₱9,731,258	₱9,731,258	₱11,468,404	₱11,468,404

*Excluding statutory payables amounting to ₱618,433 and ₱1,075,694 as at December 31, 2018 and 2017, respectively.

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

Cash in Banks and Cash Equivalents, Short-term Investments, Due from Related Parties, Due to a Related Party, Customers' Deposits and Trade and Other Payables (excluding statutory payables). Due to the short-term nature of transactions, the carrying amounts approximate their fair values as at reporting date.

Financial Assets at FVPL and FVOCI. 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 (UITFs).

Receivables (excluding Advances Subject to Liquidation). The fair values of receivables are estimated as the present value of all future cash flows discounted using applicable rates of similar type of instruments as at reporting date. The discount rates used ranged from 6.0% to 7.0% in 2018 and 2017. The fair value measurement of these receivables is classified as Level 2 (Significant observable inputs).

22. 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 when there are changes in economic conditions.

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

	2018	2017
Total Debt	₱30,019,233	₱31,438,098
Total Equity	1,389,077,179	1,342,803,873
Debt-to-equity ratio	0.022:1	0.023:1

23. 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 funds in various financial assets, service agreements with the government and stock transfer agency.

The disaggregated revenue, as disclosed in Note 13, was assigned to the operating segments as follows:

<u>Revenue as Disaggregated</u>	<u>Operating Segment</u>
Interest income	Investing of funds
Dividend income	Investing of funds
Rent income	Investing of funds
Service fees	Service agreements with the Government
Retainer fee	Stock transfer agency
Stock transfer fee	Stock transfer agency
Gain on sale of a subsidiary	Investing of funds
Gain on sale of AFS financial assets	Investing of funds
Gain on sale of investment property	Investing of funds
Gain on settlement of loans receivable	Investing of funds

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 that presented in the consolidated statements of comprehensive income.

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

2018				
Segment	Investing of Funds	Service Agreements with the Government	Stock Transfer Agency	Total
Segment revenue	P42,234,755	P4,189,205	P2,198,871	P48,622,831
Segment profit (loss)	119,975,120	(432,835)	2,216,316	121,758,601
Gain on sale of investment property	99,112,396	-	-	99,112,396
Interest income	30,953,374	-	-	30,953,374
Depreciation	1,373,100	-	-	1,373,100
Provision for (benefit from) income tax	19,998,931	(194,462)	(48,097)	19,756,372
Total assets	1,386,376,804	29,852,683	2,866,925	1,419,096,412
Total liabilities	29,945,758	-	73,475	30,019,233
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

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:

	2018		
	Reportable Segments	Not Attributable to Reportable Segments	Consolidated Balances
Revenue	₱48,622,831	₱-	₱48,622,831
Costs and expenses	(8,740,647)	(27,668,420)	(36,409,067)
Gain on sale of investment property	99,112,396	-	99,112,396
Others income	2,520,393	-	2,520,393
Income before income tax	141,514,973	(27,668,420)	113,846,553
Provision for income tax	19,756,372	-	19,756,372
Net income	₱121,758,601	(₱27,668,420)	₱94,090,181
Assets	₱1,416,483,720	₱2,612,692	₱1,419,096,412
Liabilities	₱30,019,233	₱-	₱30,019,233
	2017		
	Reportable Segments	Not Attributable to Reportable Segments	Consolidated Balances
Revenue	₱40,955,574	₱-	₱40,955,574
Costs and expenses	(14,098,237)	(32,084,551)	(46,182,788)
Gain on settlement of loan receivable	151,250,000	-	151,250,000
Unrealized gain on financial assets at FVPL	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	₱149,977,124	(₱32,084,551)	₱117,892,573
Assets	₱1,367,917,628	₱6,324,343	₱1,374,241,971
Liabilities	₱31,438,098	₱-	₱31,438,098
	2016		
	Reportable Segments	Not Attributable to Reportable Segments	Consolidated Balances
Revenue	₱42,761,452	₱-	₱42,761,452
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
Unrealized gain on financial assets at FVPL	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	₱369,368,906	(₱46,744,566)	₱322,624,340
Assets	₱1,227,658,106	₱1,319,429	₱1,228,977,535
Liabilities	₱26,554,856	₱-	₱26,554,856

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 2018, 2017 and 2016, which cannot be directly attributed to any reportable segment.

24. 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 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. The group alleging that they are the POTC and Philcomsat board of directors, however, appealed the case with 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).

25. 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 (RTC) 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. On February 9, 2018, an Order was issued directing PHC, within thirty (30) days from receipt, to submit its preferred accounting firm who will conduct the accounting of all funds and other assets received from POTC, PHC and Philcomsat since September 2004. On February 22, 2018, PHC filed its Ex-Parte Manifestation and Motion, in compliance with the said Order. On July 11, 2018, the Sheriff of the Office of the Clerk of Court of Makati served the Writ of Execution to Manuel Andal, Benito Araneta, Philip Brodett, Enrique Locsin, Concepcion Poblador and Johnny Tan.

On May 2, 2017, the Presidential Commission on Good Government (PCGG) and Locsin filed with the Court of Appeals (CA) a Petition for Certiorari and Prohibition with Very Urgent Prayer for Issuance of Temporary Restraining Order and/or Writ of Preliminary Injunction assailing the Order dated February 20, 2017 issued by the RTC. On January 30, 2018, the CA issued a Decision dismissing the Petition. On February 22, 2018, PCGG and Locsin filed their Motion for Reconsideration with Motion to Exclude the PCGG from the instant Petition, which are both denied in a Resolution dated June 27, 2018. On August 8, 2018, PCGG filed its Motion for Reconsideration on the denial of its Motion for Exclusion. On October 29, 2018, Philcomsat filed its Opposition thereto. The said Motion for Reconsideration is still pending to date.

Meanwhile, PCGG and Locsin filed a Petition for Review with the Supreme Court (SC) questioning the Decision issued by the CA dated January 30, 2018, which dismissed their Appeal. Philcomsat filed its comment thereto on November 6, 2018.

Separately, Brodett filed his Petition for Certiorari under Rule 65 with the CA assailing the Order issued by the RTC, which denied his Motion for Clarification on the issue of rendering an accounting of the funds. The CA denied his Petition on the ground that clarification may only be allowed if the order involves a clerical error but not when it is an alleged erroneous judgment or dispositive portion of the decision. Since Brodett's Motion for Clarification was raised questioning the grant of a writ of execution, the CA held that it cannot be subject of a motion for clarification. On December 15, 2017, the CA's dismissal was issued and the case was considered terminated. Brodett still filed his Motion for Reconsideration, which was denied on May 10, 2018. Brodett elevated the matter to the SC via Petition for Review but the SC denied the same in a Resolution dated August 29, 2018.

- 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. On April 20, 2018 and May 7, 2018, PHC received Lokin and Araneta's Appellant's Briefs, respectively. On June 5, 2018, PHC filed its Appellee's Brief. On September 18, 2018, PHC filed a Compliance submitting proof of service of its Appellee's Brief to defendants in accordance with the CA's Resolution dated July 2, 2018.

- 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 presentation of defense evidence has already been concluded. On June 5, 2018, the accused filed their Formal Offer of Evidence, which was partially admitted by the Court on August 28, 2018.

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

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

- Criminal Complaint Against 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. On July 17, 2018, the prosecution's witness completed her testimony.

The prosecution has already filed its Formal Offer of Evidence and rested its case. On November 29, 2018, accused Andal with leave of court filed a Demurrer to Evidence while accused Locsin filed his own on December 3, 2018.

- 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 on June 1, 2017 under a Motion to Admit Attached Rejoinder.

On November 29, 2017, Poblador filed a Manifestation adopting her previous Memorandum dated December 22, 2014 as her compliance with the Resolution dated October 11, 2017. The Office of the Solicitor General filed a Manifestation and Motion on November 24, 2017 asking that the DOJ Secretary be excused from filing a Memorandum.

Based on the Resolution of the Court requiring the parties anew to file their respective Memorandum, PHC's (2nd) Memorandum was filed on December 13, 2017, within the extended period prayed for.

- Inspection of Books Cases

Several cases for inspection of books were filed against the Corporation by Atty. Victor V. Africa. In 2018, Atty. Africa, with the concurrence of the Corporation, withdrew all the cases and the Corporation acknowledges the goodwill of Atty. Africa in doing so. Atty. Africa has since sold all his 5,500 common shares in the Corporation.

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 December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016 on which we have rendered our report dated April 4, 2019.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has one thousand one hundred fifty-one (1,151) stockholders owning one hundred (100) or more shares each as at December 31, 2018.

REYES TACANDONG & Co.


MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid August 15, 2021

SEC Accreditation No. 1499-AR-1 Group A

Valid until July 17, 2021

BIR Accreditation No. 08-005144-012-2017

Valid until March 8, 2020

PTR No. 7334342

Issued January 3, 2019, Makati City

April 4, 2019

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) as at December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016 and have issued our report thereon dated April 4, 2019. 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, 2018 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 August 15, 2021

SEC Accreditation No. 1499-AR-1 Group A
Valid until July 17, 2021

BIR Accreditation No. 08-005144-012-2017
Valid until March 8, 2020

PTR No. 7334342

Issued January 3, 2019, Makati City

April 4, 2019

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, 2018

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			✓
PFRSs Practice Statement 2: Making Materiality Judgments			✓

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			✓
	Amendments to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards - Deletion of Short-term Exemptions for First-time Adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		

PFRS	Title	Adopted	Not Adopted	Not Applicable
	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			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> with PFRS 4, <i>Insurance Contracts</i>			✓
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 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	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			✓
	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			✓
PFRS 15	Revenue from Contracts with Customers	✓		
	Amendments to PFRS 15: Clarifications to PFRS 15	✓		

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	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
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			✓
	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 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			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	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			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	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 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	✓		
	Amendments to PAS 40: Transfers of Investment 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 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 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			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓

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-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, 2018 AND 2017

	2018	2017
<i>Liquidity</i>		
Current assets	₱429,779,707	₱330,519,891
Current liabilities	10,374,816	12,544,098
Liquidity ratio	41.43:1	26.35:1
<i>Leverage</i>		
Total liabilities	₱30,019,233	₱31,438,098
Total equity	1,389,077,179	1,342,648,873
Debt-to-equity ratio	0.02:1	0.02:1
Total assets	₱1,419,096,412	₱1,374,086,972
Total equity	1,389,077,179	1,342,803,873
Asset-to-equity ratio	1.02:1	1.02:1
<i>Profitability</i>		
Net income	₱94,090,181	₱117,892,573
Total assets	1,419,096,412	1,374,241,971
Return on assets	6.62%	8.58%
Net income	₱94,090,181	₱117,892,573
Total equity	1,389,077,179	1,342,803,873
Return on equity	6.77%	8.78%

PHILCOMSAT HOLDINGS CORPORATION
(A Subsidiary of Philippine Communications Satellite Corporation)
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SEC Supplementary Schedule as Required by Part II of SRC Rule 68 as Amended
DECEMBER 31, 2018

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

A. Financial Assets
DECEMBER 31, 2018

<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>Notes and loans receivable</i>				
<i>Promissory notes issued by various financial institutions</i>				
BDO Unibank	P19,000,000	P19,000,000	P19,000,000	
Toyota Financial Services	17,000,000	17,000,000	17,000,000	
Sterling Bank	15,000,000	15,000,000	15,000,000	
Unionbank of the Philippines	10,000,000	10,000,000	10,000,000	
Security Bank	4,966,588	4,966,588	4,966,588	
Amalgamated	1,000,000	1,000,000	1,000,000	
<i>Corporate notes</i>				
Orix Metro Leasing	50,000,000	50,000,000	50,000,000	
Montemar Beach Club	28,805,002	28,805,002	28,805,002	
HMR Philippines, Inc.	25,000,000	25,000,000	25,000,000	
Elite Defense Security Services, Inc.	500,000	500,000	500,000	
	P171,271,590	P171,271,590	P171,271,590	P4,841,412
<i>Financial assets at FVOCI</i>				
<i>Investment in UITFs</i>				
Philam Strategic Growth Fund	110,408 shares	P56,844,666	P56,844,663	
Sun Life Prosperity Balanced Fund	11,771,306 shares	42,981,747	42,981,747	
Sun Life Prosperity GS Fund	6,038,647 shares	9,298,913	9,298,913	
BDO Private Bank - Managed Funds	36,163 shares	4,953,335	4,953,335	
Sun Life Prosperity Dynamic Fund	5,346,450 shares	4,927,823	4,927,823	
Security Bank USD Feeder Fund	15,000 shares	690,966	690,966	
<i>Investments in quoted bonds</i>				
BDO IMA Trust Managed Bonds	130,109,340	126,651,514	126,651,514	
BDO Private Bank Managed Bonds	67,818,665	62,528,180	62,528,180	
Ayala Land, Inc. bonds	55,450,000	48,026,995	48,026,995	
MBTC Fixed Rate Bond	35,000,000	35,609,551	35,609,551	
PSBANK bond fund	30,000,000	30,000,000	30,000,000	
SM Prime Holdings bonds	34,130,000	29,085,286	29,085,286	
Aboitiz Power bonds	29,368,652	28,666,556	28,666,556	
Ayala Corp. bonds	26,970,000	23,603,965	23,603,965	
Petron bonds	21,000,000	19,566,065	19,566,065	
STI ESG bonds	20,000,000	18,564,417	18,564,417	
Retail Treasury bonds	5,000,000	18,236,787	18,236,787	
Double Dragon bonds	20,000,000	16,028,559	16,028,559	
Eastwest UITF Peso bond	13,000,000	13,655,932	13,655,932	
GT Capital Holdings bonds	14,000,000	12,298,990	12,298,990	
SMC bonds	12,500,000	12,063,663	7,063,663	
Aboitiz Equity Ventures bonds	12,000,000	11,533,383	11,533,383	
Smart Communications bonds	10,000,000	10,032,956	10,032,956	
Meralco bonds	10,000,000	9,458,823	9,458,823	

(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>
Philam bond fund	2,307,782 shares	₱9,046,505	₱9,046,505	
Cirtek bonds	7,500,000	7,887,000	7,887,000	
SM Investments Corp. bonds	6,000,000	5,440,295	5,440,295	
EWB bonds	5,000,000	5,000,000	5,000,000	
ABS-CBN bonds	5,000,000	4,814,192	4,814,192	
Megaworld bonds	5,000,000	4,468,577	4,468,577	
South Luzon Tollways Corp. bonds	4,700,000	4,488,555	4,488,555	
Filinvest Land, Inc. bonds	3,000,000	2,985,326	2,985,326	
APPM bonds	3,000,000	2,835,453	2,835,453	
UB UITF dollar bond fund	500 shares	2,569,803	2,569,803	
JG Summit Holdings bonds	2,000,000	1,980,901	1,980,901	
PLDT bonds	2,000,000	1,913,467	1,913,467	
ROCKPM bonds	1,500,000	1,438,260	1,438,260	
RLCPM bonds	1,500,000	1,393,781	1,393,781	
Manila North Tollways Corp. bonds	1,000,000	952,742	952,742	
Cyberzone Properties, Inc. bonds	1,000,000	926,139	926,139	
<u>Investments in quoted shares of stock</u>				
BDO Private Bank Manged Equity Fund	367,247 shares	46,856,398	46,856,398	
BDO Trust IMA Managed Equity Funds	1,142,076 shares	32,498,768	32,498,768	
Sun Life Prosperity Philippine Equity Fund	3,878,305 shares	15,741,652	15,741,652	
DM Wenceslao	500,000 shares	13,920,000	13,920,000	
Arthaland preferred shares	146,900 shares	14,776,500	14,776,500	
Eagle Cement shares	783,400 shares	11,829,340	11,829,340	
SMC preferred shares	90,700 shares	11,430,265	11,430,265	
SM Prime Holdings, Inc. shares	100,000 shares	11,154,436	11,154,436	
Wilcon Depot shares	605,000 shares	7,623,000	7,623,000	
Shell Philippines shares	150,000 shares	7,162,500	7,162,500	
Ayala Corp. preferred shares	13,760 shares	6,663,200	6,663,200	
BDO Unibank shares	41,869 shares	5,476,465	5,476,465	
Del Monte Pacific shares	10,000 shares	5,310,580	5,310,580	
Ayala Land, Inc. shares	100,000 shares	4,060,000	4,060,000	
Double Dragon preferred shares	31,000 shares	3,062,800	3,062,800	
First Gen. Corp. shares	10,460 shares	1,058,552	1,058,552	
DMCI Holdings shares	75,000 shares	958,500	958,500	
San Miguel Corporation	1,000,000 shares	945,999	945,999	
Chelsea Corp. shares	100,000 shares	646,000	646,000	
Cebu Landmasters shares	150,000 shares	621,000	621,000	
Petron preferred shares	500 shares	490,000	490,000	
International Container Terminal Services, Inc. shares	4,170 shares	417,000	417,000	
JG Summit Holdings shares	5,000 shares	278,500	278,500	
8990 Holdings shares	2,000 shares	192,000	192,000	
Robinsons Land Corp. shares	6,343 shares	127,811	127,811	
<u>Club memberships</u>				
Montemar Beach Club, Inc.	10 shares	2,200,000	2,200,000	
Makati Sports Club, Inc.	1 share	570,000	570,000	
		₱922,850,176	₱922,850,176	₱16,461,378

PHILCOMSAT HOLDINGS CORPORATION
(A Subsidiary of Philippine Communications Satellite Corporation)
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**B. Amounts Receivable from Directors, Officers, Employees, Related Parties and
Principal Stockholders (Other than Related Parties)**

DECEMBER 31, 2018

<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	₱35,810,545	₱6,500,000	₱—	₱42,310,545	₱—	₱42,310,545
Philcomsat	—	3,444,006	—	3,444,006	—	3,444,006
MRDC	306,250	—	—	306,250	—	306,250
	₱36,116,795	₱9,944,006	₱—	₱46,060,801	₱—	₱46,060,801

Cash advances to MBCI bear interest at 5% to 6%, while cash advances to Philcomsat and MRDC are noninterest-bearing. All cash advances are demandable at the instance of the Group.

PHILCOMSAT HOLDINGS CORPORATION
(A Subsidiary of Philippine Communications Satellite Corporation)
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**C. Amounts Receivable from Related Parties which are Eliminated During the
Consolidation of the Financial Statements**

DECEMBER 31, 2018

<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, 2018

<i>Description</i>	<i>Beginning balance</i>	<i>Additions at cost</i>	<i>Disposals at cost</i>	<i>Ending balance</i>
Goodwill	₱4,024,916	₱-	(₱2,705,487)	₱1,319,429

PHILCOMSAT HOLDINGS CORPORATION
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H. SHARE CAPITAL
DECEMBER 31, 2018

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

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

I. Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Co-Subsidiaries
DECEMBER 31, 2018

