

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 2019*
2. SEC Identification Number *11163*                      3. BIR Tax Identification No. *000-471-497-000-*
4. Exact name of issuer as specified in its charter *Philcomsat Holdings Corporation*
5. *Philippines*    6.  (SEC Use Only)  
Province, Country or other jurisdiction of                      Industry Classification Code:  
incorporation or organization

7. *12/F Telecom Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City 1200*                      Postal Code  
Address of principal office

8. *(632) 8815-8406*  
Issuer's telephone number, including area code

9. ....  
Former name, former address, and former fiscal year, if changed since last report.

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

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

11. Are any or all of these securities listed on a Stock Exchange.  
Yes  No   
If yes, state the name of such stock exchange and the classes of securities listed therein:  
*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  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 P144,970,749.56.

**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 of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

- (a) Any annual report to security holders
- (b) Any information statement filed pursuant to SRC Rule 20
- (c) Any prospectus filed pursuant to SRC Rule 8.1

None of the above documents are incorporated by reference.

**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**

Among the transactions with related parties are receivables from the Philippine Communications Satellite Corporation (Philcomsat), the Montemar Resort Development Corporation, and the Montemar Beach Club, Inc. The Corporation likewise has a lease agreement with Philcomsat for the rent of its office space. In addition, PSTI acts as stock transfer agent of the Corporation. Details of these 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 2019, 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 P1.26 in 2019, P1.24 million in 2018, P1.09 million in 2017. 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.

**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.

On April 25, 2019, the Court of Appeals issued a Decision granting the appeal. On May 30, 2019, PHC filed its Motion for Reconsideration, which is denied in a Resolution dated October 24, 2019.

On November 26, 2019, PHC elevated the case to the Supreme Court via a Petition for Review under Rule 45, docketed as G. R. No. 250293.

**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.

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.

On June 14, 2019, the CA issued a Decision denying both PHC's and Ms. Poblador's Petitions for Certiorari. On July 5 and 11, 2019, both parties filed their respective Motions for Reconsideration. On July 24, 2019, PHC filed its Comment to Ms. Poblador's Motion for Reconsideration. To date, no Comment to PHC's Motion for Reconsideration has yet been filed or received from Poblador.

**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.

After 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. On February 21, 2020, the Court promulgated its judgment finding accused Brodett guilty for the crime of theft, sentencing him to the penalty of imprisonment for a minimum period of four (4)

years, two (2) months, one (1) day, to a maximum period of sixteen (16) years and 4 months. He was also found civilly liable to pay PHC the amount of P14,235,700.00, with legal interest of 12% per annum from April 11, 2008 until June 30, 2013 and the total obligation plus 6% legal interest from July 1, 2013 until fully paid. Brodett manifested that he will file his Motion for Reconsideration of the said Decision.

**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.

**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 18, 2019 pursuant to the By-laws which mandate the holding of the meeting on the 3<sup>rd</sup> Monday of November.
- (b) In the said meeting, the directors elected were Katrina C. Ponce-Enrile, Erlinda I. Bildner, Pablo L. Lobregat, Marietta K. Ilusorio, Daniel C. Gutierrez, Santiago J. Ranada, Prudencio C. Somera, Victoria C. de los Reyes Julie Yap-Daza, Oliverio L. Laperal, Jr. and Jose Ramon C. Ozamiz. The last three (3) enumerated above were elected as independent directors under Section 38 of the Code and SRC Rule 38.
- (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 election of the above-enumerated 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.	796,595,690	79.94%
Prudencio Somera Jr.	100,000,100	10.03%
Oliverio G. Laperal	49,556,500	4.97%
PCD Nominee Corporation	15,864,534	1.63%
RCBC T/A 236-235	4,802,413	0.79%
J. I. Villarama	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.	776,743	0.07%
Benjamin Co Ca & Co., Inc.	504,300	0.05%
Regina Concepcion	481,000	0.04%
Rosa Maria Laperal	448,000	0.04%
Agrifino Cheng	410,000	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%

**(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 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 likewise entered into a joint venture with Philcomsat and Speedcast Limited for the implementation of the government's Free Wi-Fi For All project which involves the installation of 3,000 VSat Wi-Fi sites.

In 2016, the Corporation was able to recover a substantial amount from Ansear Realty & Development Corporation against whom the Corporation filed a case for collection. In 2017, the Corporation was able to collect the balance on the loan from Ansear.

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, 2019, the Corporation generated revenue of P58.3 million compared to P48.6 million in the year ended December 31, 2018 and P40.9 million in the year ended December 31, 2017. Total comprehensive income for the year ended December 31, 2019 amounted to P60.9 million compared to P47.9 million 2018 and P139.6 million in 2017. Note that the P139.6 million realized in 2017 was the result of the settlement of a loan receivable and is a one-time event, unlikely to be repeated.

**Expenses:** Costs and expenses continue to decrease from P45.4 million in 2017 to P36.7 million in 2018 and P33.5 million in 2019. This decrease contribute to the increase in the revenue of the Corporation.

**Operating and Net Income/Loss:** For the first time in the last 3 fiscal years, revenue exceeded costs and expenses in 2018 and was repeated in 2019. The net loss for 2017 was 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. Net income in 2019 was P20.6 million, compared to P93.8 million in 2018 and P117.9 million in 2017.

### Income Statement (Consolidated) (P Million)

	2019	2018	2017
Revenue	58.3	48.6	40.9
Costs and Expenses	(33.5)	(36.7)	(45.4)
Settlement of L/R	0.0	0.0	151.3
Sale of Investment Property	0.0	99.1	0.0
Gains or Losses on FX and Sales	(4.7)	2.5	(0.8)
Gross Profit	20.1	113.5	146.0
Provision for Tax	(0.5)	19.7	28.1
Net Income (Loss)	20.6	93.8	117.9
Other Comprehensive Income (Loss)	40.3	(45.9)	21.7
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>60.9</b>	<b>47.9</b>	<b>139.6</b>

### Financial Position

The company's comparative balance sheet is summarized below:

### Balance Sheet (Consolidated) (P Million)

	2019	2018	2017
Current Assets	438.1	429.7	330.5
Available-for-sale financial assets	998.2	922.9	879.3
Receivables	37.0	62.0	56.0
Other Assets	5.8	4.2	82.4
<b>Total Assets</b>	<b>1,479.1</b>	<b>1,418.8</b>	<b>1,374.0</b>
Current Liabilities	7.6	10.4	12.5
Non-current Liabilities	19.1	19.6	18.9
<b>Stockholders' Equity</b>	<b>1,452.4</b>	<b>1,388.8</b>	<b>1,342.8</b>

## Balance Sheet Accounts (Consolidated)

**Current Assets:** Current assets of the Corporation as of December 31, 2019 totalled P438.1 million compared to P429.8 million in 2018 and P330 million in 2017. Of these amounts, cash and cash equivalents totalled P208 million in 2019, compared to P290 in 2018 and P104.9 in 2017. The Corporation has sufficient cash resources to meet any expected requirement during the next twelve (12) months. The Corporation continued to increase its investments in AFS financial assets with P998.1 million in 2019 compared to P922.9 million in 2018 and P879.3 in 2017.

**Liabilities:** The Corporation is substantially debt-free and has no material commitments for capital expenditures. Total current liabilities in 2019 was only P7.6 million compared to P10.4 million in 2018 and P10.4 million in 2017.

**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 once again increased to P1,452.4 million in 2019 compared to P1,388.8 million in 2018 and P1,342.8 million in 2017.

## Key Performance Indicators ("KPI")

The Corporation's KPI for the years ended December 31, 2019, 2018, and 2017 follow:

Performance Indicator	Formula	2019	2018	2017
<b>Liquidity</b>				
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	57.05:1	40.04:1	26.3:1
<b>Leverage</b>				
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
<b>Profitability</b>				
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$	1.39%	6.61%	8.58%
Return on Equity	$\frac{\text{Net Income}}{\text{Total Equity}}$	1.42%	6.75%	8.78%

### Liquidity

The Corporation's current ratio for 2019 is 57.05 compared to 40.04 in 2018 and 26.3 in 2017. The Company's liquidity position remains strong.

### Leverage

Leverage is very low at 0.02:1 in 2019, 2018 and 2017.

## Profitability

As stated earlier, the increases in net income in 2017 and 2018 resulted from the settlement of a loan receivable and the sale of an investment property. As these are one-off events, the rate of profitability of the Corporation should normalize beginning 2019.

## **Notes to Financial Statements**

### *Accounting Policies and Principles*

The financial statements for the years 2019, 2018, and 2017 are presented in accordance with generally accepted accounting principles applied on a consistent basis.

### *Seasonality Aspects of the Business*

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

*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

The only event that may trigger a direct financial obligation that is material to the Corporation is a default by its 79% owner, Philcomsat, of the latter's obligation to Speedcast limited where the Corporation acted as guarantee for Philcomsat. The Corporation's exposure is less than 15% of the Corporation's total assets.

(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. Decrease in cash and cash equivalent due to an increase in the financial assets.
- b. Increase in current receivables due to their being estimated as the present value of all future cash flows discounted using applicable rates of similar types of instruments as at reporting date.
- c. Increase in other current assets due to the recognition of creditable withholding tax.
- d. Decrease in non-current receivables due to payment.
- e. Decrease in property and equipment as a result of depreciation.
- f. Decrease in trade payables due to the Corporation's policy of ensuring that there are sufficient capital inflows to match repayments of trade payables.

(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 2019 are attached hereto as Annex "A".

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

Pursuant to the SEC Rule on rotation of external auditors every five (5) years, and considering that Reyes Tacandong & Co. have been the Corporation's external auditors since 2015, the Corporation appointed the auditing firm of Mendoza Querido & Co. as external auditors at the last Annual Stockholders' Meeting held on November 18, 2019.

There have been no 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, 59, 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, 74, Filipino	Director/ President	December 2007 to November 18, 2019	Chairman and CEO - RJ Group of Companies, Rajah Broadcasting Work, RJ Music City, RJ Holdings, Inc., and RJ Venture Realty, Inc.
Erlinda I. Bildner, 73, 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, 64, 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, 68, 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, 77, Filipino	Director	December 2015 to Present	Journalist, editor-in-chief, columnist, book author, and award-winning television talk show host
Pablo L. Lobregat, 65, 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., 70, 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. 74, Filipino	Director	August 2004 to Present	Director – TKC Steel Corporation; Licensed Stockbroker; Columnist – Philippine Daily Inquirer
Santiago J. Ranada (ret), 82, 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
*Jose Ramon C. Ozamiz, 60, 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
Victoria C. de los Reyes, 68	Director/ Corporate Secretary	November 18, 2019 to Present	Partner, Roxas de los Reyes Laurel & Rosario Law Offices. Engaged in the general practice of law - specializing in corporate law, foreign investments, establishment of corporations and other corporate vehicles, registration of securities, JVs, M&As, proxy contests, intra-corporate disputes and domestic relations.

*\*Independent director.*

*\*\* Term of Office – Except for Mr. Jacinto, the above directors were re-elected during the Annual Stockholders' Meeting held on 19 November 2018 and served until 18 November 2019, 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 employee at present, the executives and consultants of Philcomsat (the owner of 79% of the Corporation) are expected to make a significant contribution in enhancing the business of the Corporation and efficiently managing its operations.

**(3) Family Relationships**

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

**(4) Involvement in Certain Legal Proceedings**

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

**Item 10. Executive Compensation**

**(1) and (2) Executive Officers**

Name	Position	Salary	Allowance	Bonus	Total
Ramon Jacinto*	President	1,500,000.00	0	0	1,500,000.00
Katrina C. Ponce-Enrile*/**	Chairman-EVP/President	600,000.00	0	50,000.00	650,000.00
Erlinda Bildner	Treasurer	600,000.00		50,000.00	650,000.00
Manolita L. Morales	Asst. Treasurer	1,020,000.00	0	85,000.00	1,105,000.00
Victoria de los Reyes	Corp. Secretary	540,000.00	120,000.00	45,000.00	705,000.00
Santiago J. Ranada **	Chairman		25,000.00	0	25,000.00
<b>Total</b>		<b>4,260,000.00</b>	<b>145,000.00</b>	<b>230,000.00</b>	<b>4,635,000.00</b>

**(3) Compensation of Directors**

Name	Position	Salary	Allowance	Bonus	Total
Katrina C. Ponce Enrile	Director	0	600,000.00	50,000.00	650,000.00
Ramon P. Jacinto*	Director	0	250,000.00	0	250,000.00
Erlinda I. Bildner	Director	0	300,000.00	25,000.00	325,000.00
Daniel C. Gutierrez	Director	0	300,000.00	25,000.00	325,000.00
Pablo L. Lobregat	Director	0	300,000.00	25,000.00	325,000.00
Oliverio L. Laperal, Jr.	Director	0	300,000.00	25,000.00	325,000.00
Victoria de los Reyes**	Director	0	25,000.00	0	25,000.00

Julie Yap Daza	Director	0	300,000.00	25,000.00	325,000.00
Marietta K. Ilusorio	Director	45,000.00	300,000.00	25,000.00	370,000.00
Santiago J. Ranada	Director	0	275,000.00	25,000.00	300,000.00
Jose Ramon C. Ozamiz	Director	0	300,000.00	25,000.00	325,000.00
Prudencio C. Somera, Jr.	Director	0	300,000.00	25,000.00	325,000.00
Total		45,000.00	3,550,000.00	275,000.00	3,870,000.00

*\*Until November 18, 2019*

*\*\*Beginning November 18, 2019*

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 2019, 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 2019, 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	Santiago J. Ranada	(R)	Filipino	-negligible-
Common	Marietta K. Ilusorio	(R)	Filipino	-negligible-

Common	Directors and Officers as a Group Unnamed	(R)	Filipino	<11%
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(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 direct 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 Notice dated 22 April 2020, the Corporation may file on or before 30 July 2020.

**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 2019 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 18 November 2019.


**SIGNATURES**

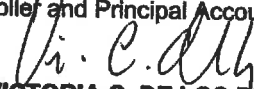
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Makati City on June 26, 2020.

By:

  
**KATRINA C. PONCE-ENRILE**  
Principal Executive Officer

  
**ERLINDA I. BILDNER**  
Principal Operating and Financial Officer

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

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


26 JUN 2020

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of June 2020 affiant(s) exhibiting to me his/their identification as follows:

NAMES	ID	DATE OF ISSUE	PLACE OF ISSUE
Katrina C. Ponce-Enrile			
Erlinda I. Bildner			
Martina D. Ladaw			
Victoria C. de los Reyes			

Doc. No. 276;  
Page No. 56;  
Book No.   ;  
Series of 2020.



  
**ATTY. BERNADETTE S. YANZON**  
NOTARY PUBLIC CITY OF MAKATI  
UNTIL 31 DECEMBER 2020  
NOTARIAL COMMISSION NO M-216  
12/F TELECOM PLAZA BUILDING  
316 SEN. GIL PUYAT AVE., MAKATI CITY  
IBP LIFETIME MEMBER NO 03264  
PTR NO 8117172, 01/02/2020, MAKATI CITY  
MCLE COMPLIANCE NO. VI-0022994, 03/29/2019  
ROLL OF ATTORNEY'S NO. 45724  
TIN: 211-177-746





# PHILCOMSAT HOLDINGS CORPORATION

12F Telecom Plaza 316 Sen. Gil Puyat Ave. 1200 City of Makati, Philippines  
Tel.No.: 8815-8406; Fax No.: 8816-2517 www.phc.com.ph

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Philcomsat Holdings Corporation and its Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019, 2018 and 2017, 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 the 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.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

Mendoza Querido & Co. and Reyes Tacandong & Co., the independent auditors appointed by the stockholders, have audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders have expressed its opinion on the fairness of presentation upon completion of such audit.

  
SANTIAGO J. RANADA, JR.  
Chairman of the Board

  
KATRINA C. PONCE-ENRILE  
President

  
ERLINDA I. BILDNER  
Treasurer

Signed this 9<sup>th</sup> day of June 2020



JUN 18 2020


SUBSCRIBED AND SWORN to before me this  
affiants exhibiting to me the following:

JUN 11, 2020  
day of June 2020 in Makati City,

<u>Name</u>	<u>Government ID No.</u>	<u>Place/Date of Issue</u>
Santiago J. Ranada Jr.	[REDACTED]	[REDACTED]
Katrina C. Ponce Enrile	[REDACTED]	[REDACTED]
Erlinda I. Bildner	[REDACTED]	[REDACTED]

Doc No. 207  
Page No. 42  
Book No. 14  
Series of 2020

JUN 11, 2020

  
**ATTY. HENRY D. ADASA**  
NOTARY PUBLIC, UNTIL DEC. 31, 2020  
NOTARIAL COMMISSION 2020-202 MIA  
IBP NO. 100920 - 01/03/2020, PASIG  
PTR NO. 5124087 - 01/03/2020 MIA  
ROLL NO. 20679, TYN: 372-528-620  
MCLE COMPL. NO. VII-0000165

**BUREAU OF INTERNAL REVENUE**  
REVENUE REGION IV - MAKATI CITY  
REVENUE DISTRICT OFFICE NO. 49  
NORTH MAKATI  
**RECEIVED**  
INITIAL: \_\_\_\_\_ DATE: \_\_\_\_\_  
RCD NAME: ARI \_\_\_\_\_  
RCD CODE: 678

JUN 18 2020



**Mendoza Querido & Co.**

16<sup>th</sup> Floor, The Salcedo Towers  
169 H.V. de la Costa St., Salcedo Village  
Makati City 1227 Philippines

T +63 2 867 1888

[www.mqc.com.ph](http://www.mqc.com.ph)

PRC/BOA Accreditation No. 0966

October 20, 2017, valid until

September 7, 2020

SEC Accreditation No. 0966-SEC (Group A)

March 2, 2017, valid until

April 29, 2021

**SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR**

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

We have audited the consolidated financial statements of Philcomsat Holdings and Subsidiaries (the Group) for year ended December 31, 2019, on which we have rendered the attached report dated June 9, 2020.

In compliance with the Revised Securities Regulation Rule 68, we are stating that the said Group has total number of one thousand one hundred fifty-two (1,152) stockholders owning one hundred (100) or more shares each.

For the Firm: **MENDOZA QUERIDO & CO.**

**RICHARD S. QUERIDO**

Partner

CPA Certificate No. 84807

SEC Accreditation No. 1319-AR-1 (Group A),

March 2, 2017, valid until March 1, 2020

(extended per SEC MC No. 20 Series of 2019)

Tax Identification No. 102-094-633

BIR Accreditation No. 08-002617-002-2019,

January 21, 2019, valid until January 20, 2022

PTR No. 8148102, January 18, 2020, Makati City

June 9, 2020



JUN 18 2020

**Mendoza Querido & Co.**

16<sup>th</sup> Floor, The Salcedo Towers  
169 H.V. de la Costa St., Salcedo Village  
Makati City 1227 Philippines

T +63 2 887 1888

[www.mqc.com.ph](http://www.mqc.com.ph)

PRC/BOA Accreditation No. 0966

October 20, 2017, valid until

September 7, 2020

SEC Accreditation No. 0966-SEC (Group A)

March 2, 2017, valid until

April 29, 2021

**INDEPENDENT AUDITORS' REPORT**

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

*Opinion*

We have audited the consolidated financial statements of Philcomsat Holdings Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

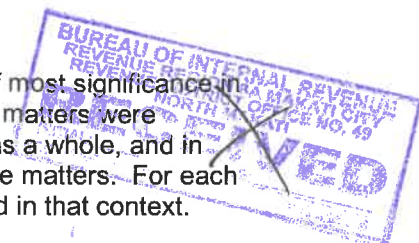
*Basis for Opinion*

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

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters.



11/18/2020

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

#### Valuation of Financial Assets

##### *Description of the Matter*

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 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 amount could significantly affect either the profit or loss or other comprehensive income.

##### *Audit Response*

To determine if the financial assets were reasonably valued, we compared the recorded amount of the financial assets with readily-available market prices and also reviewed the sufficiency of allowance for expected credit losses provided by management for 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, 5, 7, 20 and 21 to the consolidated financial statements.

##### *Other Matters*

The consolidated financial statements of the Group as at December 31, 2018 and 2017 were audited by another auditor whose report dated April 4, 2019 expressed an unqualified opinion on the consolidated financial statement.

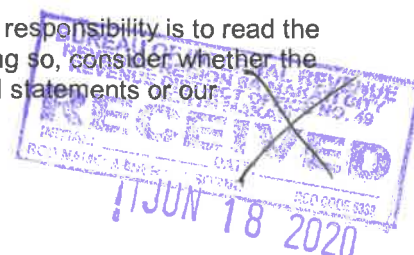
As part of our audit of the 2019 consolidated financial statements, we also audited the adjustments described in Note 27 that were applied to amend the 2018 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2018 consolidated financial statements of the Group other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2018 consolidated financial statements taken as a whole.

##### *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, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

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

In connection with our audit 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 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 PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

statements. We are responsible for the direction, supervision and performance of the 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 audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Richard S. Querido.

For the Firm: **MENDOZA QUERIDO & CO.**



**RICHARD S. QUERIDO**

Partner

CPA Certificate No. 84807

SEC Accreditation No. 1319-AR-1 (Group A),

March 2, 2017, valid until March 1, 2020

(extended per SEC MC No. 20 Series of 2019)

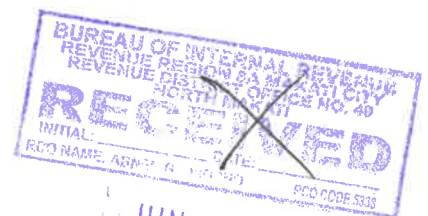
Tax Identification No. 102-094-633

BIR Accreditation No. 08-002617-002-2019,

January 21, 2019, valid until January 20, 2022

PTR No. 8148102, January 18, 2020, Makati City

June 9, 2020



JUN 18 2020

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2019**

*(With Comparative Figures for 2018)*

*(Amounts in Philippine Pesos)*

	2019	2018 (As restated)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 2, 3, 4, 20 and 21)	P208,057,744	P290,638,317
Receivables – current (Notes 2, 3, 5, 18, 20 and 21)	212,534,088	118,451,701
Due from related parties (Notes 2, 3, 18, 20 and 21)	13,255,799	17,255,800
Other current assets (Notes 2, 3 and 6)	4,290,781	3,433,889
<b>Total Current Assets</b>	<b>438,138,412</b>	<b>429,779,707</b>
<b>Noncurrent Assets</b>		
Receivables – noncurrent (Notes 2, 3, 5, 20 and 21)	37,000,000	62,000,000
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 2, 3, 7, 20 and 21)	998,192,651	922,850,176
Investment property (Notes 2, 3 and 8)	2,249,424	–
Right-of-use (ROU) assets (Notes 2, 3 and 12)	1,748,947	–
Property and equipment (Notes 2, 3, 9 and 26)	69,835	156,676
Goodwill (Notes 2, 3 and 10)	1,319,429	1,319,429
Deferred tax assets – net (Notes 2, 3 and 17)	413,222	478,130
Other noncurrent assets (Notes 2, 3 and 8)	–	2,232,100
<b>Total Noncurrent Assets</b>	<b>1,040,993,508</b>	<b>989,036,511</b>
	<b>P1,479,131,920</b>	<b>P1,418,816,218</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and statutory payables (Notes 2, 3, 11, 20 and 21)	P806,952	P5,163,193
Due to a related party (Notes 2, 3, 18, 20 and 21)	3,948,624	3,948,624
Customers' deposits (Notes 2, 3, 12, 20 and 21)	1,237,874	1,237,874
Lease liabilities – current (Notes 2, 3 and 12)	1,599,265	–
Income tax payable (Notes 2 and 17)	–	25,125
<b>Total Current Liabilities</b>	<b>7,592,715</b>	<b>10,374,816</b>
<b>Noncurrent Liabilities</b>		
Deposit for future stock subscription (Notes 2 and 18)	18,894,000	18,894,000
Lease liabilities – noncurrent (Notes 2, 3 and 12)	243,197	–
Deferred tax liabilities (Notes 2 and 17)	–	750,417
<b>Total Noncurrent Liabilities</b>	<b>19,137,197</b>	<b>19,644,417</b>
<b>Total Liabilities</b>	<b>26,729,912</b>	<b>30,019,233</b>
<b>Equity</b>		
Share capital (Notes 2 and 22)	996,391,254	996,391,254
Retained earnings (Notes 2, 7, 22 and 27)	457,631,100	432,270,114
Other equity reserves (Notes 2, 7 and 22)	(1,620,346)	(39,864,383)
<b>Total Equity</b>	<b>1,452,402,008</b>	<b>1,388,796,985</b>
	<b>P1,479,131,920</b>	<b>P1,418,816,218</b>

See accompanying Notes to Financial Statements.

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

**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
*(With Comparative Figures for 2017 and 2018)*  
*(Amounts in Philippine Pesos)*

	2019	2018 (As restated)	2017
<b>REVENUE</b> (Notes 2 and 13)	<b>P58,291,926</b>	P48,622,831	P40,955,574
<b>COSTS AND EXPENSES</b> (Notes 2, 14 and 27)	<b>(33,451,650)</b>	(36,689,261)	(45,425,121)
<b>GAIN ON SALE OF INVESTMENT PROPERTY</b> (Notes 2, 8 and 13)	-	99,112,396	-
<b>GAIN ON SETTLEMENT OF LOAN RECEIVABLE</b> (Notes 2, 5 and 13)	-	-	151,250,000
<b>OTHER INCOME (CHARGES) – net</b> (Notes 2, 7 and 16)	<b>(4,705,385)</b>	2,520,393	(746,262)
<b>INCOME BEFORE INCOME TAX</b>	<b>20,134,891</b>	113,566,359	146,034,191
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Notes 2, 3 and 17)			
Current	202,399	19,277,950	28,179,295
Deferred	(685,509)	478,422	(37,677)
	<b>(483,110)</b>	19,756,372	28,141,618
<b>NET INCOME</b>	<b>P20,618,001</b>	P93,809,987	P117,892,573
<b>EARNINGS PER SHARE</b> (Notes 2 and 19)	<b>P0.0207</b>	P0.0941	P0.1183

See accompanying Notes to Financial Statements.



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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
*(With Comparative Figures for 2017 and 2018)*  
*(Amounts in Philippine Pesos)*

	2019	2018 (As restated)	2017
<b>NET INCOME</b>	<b>P20,618,001</b>	<b>P93,809,987</b>	<b>P117,892,573</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b> (Notes 2 and 7)			
<i>Items that may be reclassified to profit or loss</i>			
Unrealized gain (loss) on debt instruments at FVOCI	26,302,694	(19,051,016)	-
Unrealized gain on available-for-sale (AFS) financial assets	-	-	23,273,043
Reversal of fair value changes of AFS financial assets sold	-	-	(1,563,412)
<i>Items that may not be reclassified to profit or loss</i>			
Unrealized gain (loss) on equity instruments at FVOCI	13,997,251	(26,777,834)	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P60,917,946</b>	<b>P47,981,137</b>	<b>P139,602,204</b>

See accompanying Notes to Financial Statements.



JUN 18 2020

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

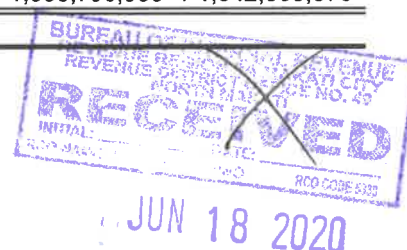
**FOR THE YEAR ENDED DECEMBER 31, 2019**

*(With Comparative Figures for 2017 and 2018)*

*(Amounts in Philippine Pesos)*

	2019	2018	2017
		(As restated)	
<b>SHARE CAPITAL</b> – P1 par value (Notes 2 and 22)			
Authorized – 1,000,000,000 shares			
Issued – 996,391,254 shares	P996,391,254	P996,391,254	P996,391,254
<b>RETAINED EARNINGS</b> (Notes 2, 7, 22 and 27)			
Balance at beginning of year, as reported	432,550,308	340,257,935	222,365,362
Prior period adjustment (Note 27)	(280,194)	–	–
Balance at beginning of year, as restated	432,270,114	340,257,935	222,365,362
Net income	20,618,001	93,809,987	117,892,573
Reclassification of cumulative fair value changes of equity instruments measured at FVOCI sold from other comprehensive income	4,742,985	(588,773)	–
Realized loss on sale of equity instruments measured at FVOCI	–	(1,209,035)	–
Balance at end of year	457,631,100	432,270,114	340,257,935
<b>OTHER EQUITY RESERVES</b> (Notes 2, 7 and 22)			
Balance at beginning of year	(39,864,383)	5,375,694	(16,333,937)
Unrealized gain (loss) for the year	40,299,945	(45,828,850)	23,273,043
Reclassification of cumulative fair value changes of debt instruments measured at FVOCI sold to profit or loss	2,687,077	–	–
Reclassification of cumulative fair value changes of equity instruments measured at FVOCI sold to retained earnings	(4,742,985)	588,773	–
Reversal of fair value changes of AFS financial assets sold	–	–	(1,563,412)
Balance at end of year	(1,620,346)	(39,864,383)	5,375,694
<b>NONCONTROLLING INTEREST</b>			
Balance at beginning of year	–	778,990	–
Effects of:			
Business combination	–	–	778,990
Deconsolidation	–	(778,990)	–
Balance at end of year	–	–	778,990
<b>TOTAL EQUITY</b>	<b>P1,452,402,008</b>	<b>P1,388,796,985</b>	<b>P1,342,803,873</b>

See accompanying Notes to Financial Statements.



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

**CONSOLIDATED STATEMENT OF CASH FLOWS**

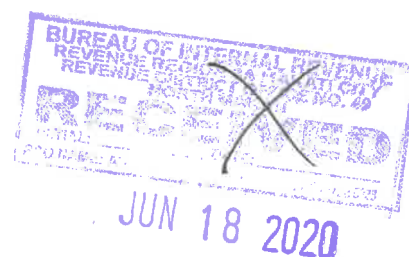
**FOR THE YEAR ENDED DECEMBER 31, 2019**

*(With Comparative Figures for 2017 and 2018)*

*(Amounts in Philippine Pesos)*

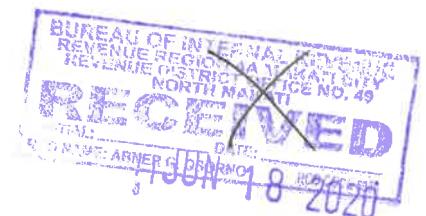
	2019	2018	2017
		(As restated)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>P20,134,891</b>	P113,566,359	P146,034,191
Adjustments for:			
Realized loss on sale of debt instruments measured at FVOCI (Notes 7 and 16)	<b>2,687,077</b>	-	-
Depreciation (Note 9)	<b>1,360,235</b>	1,503,130	4,401,702
Interest expense (Note 12)	<b>115,750</b>	-	-
Unrealized loss (gain) on financial assets at fair value through profit or loss (FVPL) (Notes 6 and 16)	<b>1,205</b>	(19,003)	(11,405)
Gain on sale of investment property (Note 8)	-	(99,112,396)	-
Gain on disposal of investment in a subsidiary (Note 10)	-	(25,076)	-
Gain on settlement of loans receivable (Note 5)	-	-	(151,250,000)
Gain on sale of AFS financial assets (Note 7)	-	-	(401,831)
Reversal of impairment of input value added tax (VAT) (Note 14)	-	-	(69,413)
Operating income (loss) before working capital changes	<b>24,299,158</b>	15,913,014	(1,296,756)
Decrease (increase) in:			
Receivables (Note 5)	<b>3,517,613</b>	2,967,861	(3,922,197)
Other current assets (Note 6)	<b>(159,673)</b>	57,005	1,359,608
Increase (decrease) in:			
Trade and statutory payables (Note 11)	<b>(4,356,241)</b>	2,354,434	934,975
Customers' deposits (Note 12)	-	(3,163,200)	3,163,200
Net cash generated from operations	<b>23,300,857</b>	18,129,114	238,830
Collection of notes and loans receivable (Note 5)	<b>7,000,000</b>	141,211,954	151,250,000
Acquisitions of:			
Financial assets at FVOCI and AFS financial assets (Note 7)	<b>(324,494,312)</b>	(116,937,793)	(160,235,044)
Notes and loans receivable (Note 5)	<b>(79,600,000)</b>	(68,500,000)	(52,466,588)
Short-term investments	-	-	(56,313)
Proceeds from redemption and maturity of:			
Financial assets at FVOCI and AFS financial assets (Note 7)	<b>289,451,782</b>	26,370,236	87,066,685
Short-term investments	-	7,441,238	-
Income tax paid	<b>(925,948)</b>	(19,284,939)	(28,179,295)
Net cash used in operating activities	<b>(85,267,621)</b>	(11,570,190)	(2,381,725)

Forward



	2019	2018 (As restated)	2017
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Collections of due from related properties (Note 18)	4,000,001	-	5,000,000
Proceeds from sale of:			
Investment property (Note 8)	-	201,388,000	-
Investment in a subsidiary – net of cash given up (Note 10)		1,749,000	-
Additions to property and equipment (Note 9)	-	(7,001)	(299,411)
Acquisition of subsidiary – net of cash acquired (Note 10)			(914,410)
Advances made to related parties (Note 18)	-	(3,444,007)	-
Additions to investment property (Note 8)	(17,324)	-	-
Increase in other noncurrent assets (Note 8)	-	(2,232,100)	-
Payments of subscription payable	-	(470,000)	-
Net cash provided by investing activities	3,982,677	196,983,892	3,786,179
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Advances made by a related party (Note 18)	-	335,359	3,600,000
Payments of:			
Lease liabilities (Note 12)	(1,179,879)	-	-
Interest on lease liabilities (Note 12)	(115,750)	-	-
Due to a related party (Note 18)	-	-	(4,535,933)
Net cash provided by (used in) financing activities	(1,295,629)	335,359	(935,933)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(82,580,573)</b>	<b>185,749,061</b>	<b>468,521</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>290,638,317</b>	<b>104,889,256</b>	<b>104,420,735</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>P208,057,744</b>	<b>P290,638,317</b>	<b>P104,889,256</b>
<b>NONCASH FINANCIAL INFORMATION</b>			
Transfer from other noncurrent assets to investment property (Note 8)	P2,232,100	P-	P-
Transfer to investment property from other noncurrent assets (Note 8)	(2,232,100)	-	-
Initial recognition of ROU assets relating to lease of office space (Note 12)	3,022,341	-	-
Initial recognition of lease liabilities (Note 12)	(3,022,341)	-	-
Settlement of subscription payable upon deconsolidation of investment in EDSSI (Note 10)	-	(1,251,000)	-
Subscription of shares of stock to EDSSI (Note 10)	-	-	1,721,000

See accompanying Notes to 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 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.

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 9, 2006, the SEC approved the extension of the Parent Company's corporate life for another fifty (50) years.

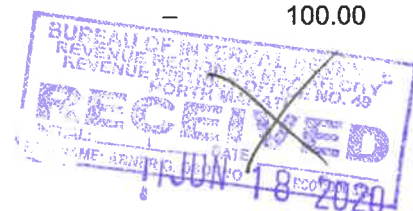
On May 23, 2016, the Parent Company's Board of Directors (BOD) confirmed and ratified its previous resolution increasing the authorized capital stock of the Parent Company from P1.0 billion, divided into 1,000,000,000 shares with par value of P1 per share, to P3.0 billion, divided into 3,000,000,000 shares with par value of P1 per share. As at report date, the resolution is awaiting ratification by the stockholders and pending application with 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 of its subsidiaries (collectively referred to as "the Group") were incorporated in the Philippines. The following are the subsidiaries and the respective percentages of ownership as at December 31, 2019 and 2018:

	Percentage of Ownership			
	2019		2018	
	Direct	Indirect	Direct	Indirect
Philcomsat Management Enterprises Inc. (PMEI)	100.00	–	100.00	–
Professional Stock Transfer Inc. (PSTI)*	–	100.00	–	100.00

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



The principal activities of the subsidiaries are as follows:

<u>Name of Subsidiaries</u>	<u>Principal Activities</u>
PMEI	Management services
PSTI	Stock transfer agency

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

#### Listing of Shares in Philippine Stock Exchange (PSE)

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

On May 3, 2007, the PSE suspended the trading of the Parent Company's shares due to 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 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, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 were approved and authorized for issue by the BOD on June 9, 2020.

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## **2. Summary of Significant Accounting Policies**

### Basis of Preparation

The consolidated financial statements of the Group have been prepared in compliance with 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 Group's functional and presentation currency. All values are rounded to the nearest Peso, except as otherwise indicated.

The consolidated financial statements of the Group 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 prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

Fair values of financial assets at FVPL, financial assets at FVOCI, investment property and financial assets and liabilities are disclosed in Notes 6, 7, 8 and 21, respectively.

#### Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, "*Leases*"

PFRS 16 replaced PAS 17, "*Leases*", IFRIC 4, "*Determining whether an Arrangement contains a Lease*", SIC-15, "*Operating Leases – Incentives*", and SIC-27, "*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*". PFRS 16 requires lessees to account for all leases under a lease accounting model under which all major leases are recognized on-balance sheet similar to the accounting for finance leases under PAS 17. The new accounting standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard provides two recognition exemptions for lessees – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, the lessee should recognize a liability and an asset representing the right to use the underlying asset during the lease term. The lessee is required to recognize the interest on the lease liability and to amortize the ROU asset.

The lease liability should be reviewed when there are changes in the lease term and other events affecting the lease, such as future lease payments resulting from a change in the index or rate used to determine those payments. The remeasurement of the lease liability should be recognized as an adjustment to the ROU asset.

Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. The lessor should continue to classify leases using the same classification principle as in PAS 17 to distinguish the two types of leases: operating and finance leases.

Prior to adoption of PFRS 16, the Group classified its lease of office space as operating lease under PAS 17. The lease contracts expired on December 31, 2018 and August 31, 2019 and were renewed on January 1, 2019 and September 1, 2019, respectively. Accordingly, no adjustment on beginning retained earnings and the comparative information presented in 2018 consolidated financial statements have not been restated.

The accounting policies applicable to the Group as a lessor are not different from those under PAS 17. As such, PFRS 16 has no impact for leases where the Group acts as a lessor.

- Amendments to PFRS 9, "*Financial Instruments – Prepayment Features with Negative Compensation*"

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through OCI, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the consolidated financial statements of the Group.

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

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

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

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

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailment, or settlement during the period.

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

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

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

These amendments had no impact on the Group's consolidated financial statements as it did not have investments in associates and joint ventures.

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

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

The interpretation specifically addresses the following:

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

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Based on the Group's assessment, it has no material uncertain tax treatments. Accordingly, the adoption of this Interpretation has no significant impact on the consolidated financial statements.

*Annual Improvements to PFRSs 2015-2017 Cycle*

- Amendments to PFRS 3 and PFRS 11, "*Previously Held Interest in a Joint Operation*"

The amendments clarify that, when an entity obtains control of a business that is joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the asset and liabilities of joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

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

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

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

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

The amendments are currently not applicable to the Group and will apply only to any future dividends.

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

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

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

The amendments are currently not applicable to the Group since the Group has no borrowings.

New Accounting Standards, Amendments to Existing Standards and Interpretations  
Effective Subsequent to December 31, 2019

The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2019 are disclosed below. Except as otherwise indicated, the Group does not expect the adoption of the applicable new and amended PFRS to have a significant impact on the financial position or performance.

*Effective beginning on or after January 1, 2020*

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

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

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

The amendments will apply on future business combinations of the Group, if any.

- Amendments to PAS 1 and PAS 8, "*Definition of Material*"

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

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

The adoption of these amendments is not expected to have significant impact on the consolidated financial statements.

*Effective beginning on or after January 1, 2021*

- PFRS 17, "*Insurance Contracts*"

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

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

- A specific adaption for contracts with direct participation features (the variable fee approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

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

The amendments are not applicable to the Group since the Group does not have activities that are predominantly connected with insurance or issue insurance contracts.

#### *Deferred Effectivity*

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the FSRC deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The adoption of these amendments is not expected to have any significant impact on the consolidated financial statements.

#### *No Mandatory Effective Date*

- PFRS 9, "*Financial Instruments (Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39)*"

The amendments require the inclusion of general hedge accounting model in the notes disclosure to the financial statements. The amendments allow early adoption of the requirement to present fair value changes due to own credit on liabilities designated as at fair value through profit or loss to be presented in the other comprehensive income.

These amendments are not applicable to the Group and expected not to have impact on the consolidated financial statements.

#### 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 statement 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.

Noncontrolling 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 statement of comprehensive income and within equity in the consolidated statement of financial position. Noncontrolling interests represent the interests of minority shareholders.

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

The financial statements of the Parent Company and PMEI are prepared for the same reporting year.

PSTI and the Parent Company do not have the same reporting periods. PSTI prepares its financial statements as at and for the fiscal year ending June 30 which is different from the Parent Company's reporting period as at and for the calendar year ending December 31. For the purposes of consolidation, PSTI prepares financial statements (unaudited) as of and for the year ended December 31.

*Current versus Noncurrent Classification*

The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

Deferred income tax assets are classified as noncurrent assets.

## Financial Assets and Liabilities

### *Date of Recognition*

The Group recognizes a financial asset or a financial liability in the consolidated statement 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 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.

### *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, 2019 and 2018, the Group's marketable securities, presented under "other current assets" are classified under this category (see Note 6).

*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, 2019 and 2018, the Group's cash and cash equivalents, receivables (excluding advances subject to liquidation) and due from related parties are classified under this category (see Notes 4, 5 and 18).

*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 consolidated statement 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, 2019 and 2018, the Group designated its investments in quoted bonds, quoted shares of stocks, UITF and club membership as financial assets at FVOCI (see Note 7).

*Financial Liabilities at FVPL*

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of comprehensive income.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability at FVPL.

The Group does not have financial liabilities at FVPL as at December 31, 2019 and 2018.

*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, 2019 and 2018, the Group's accounts payable and accrued expenses, due to a related party and customers' deposits are classified under this category (see Notes 11, 12 and 18).

*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.

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

When the Company 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 statement 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 statement 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 statement 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 statement 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 Company; 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 Tax*

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 Company'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 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 Combinations 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 cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree 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 (excluding financial assets at FVPL), investment properties and property and equipment may be impaired. If any such indication exists, the Company 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 Subscription

Deposit for future stock subscription represents the amount received by the 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 Equity Reserves*

Other equity reserves comprise of items of income and expense that are not recognized in profit or loss in accordance with PFRS. Other equity reserves of the Group pertains to cumulative unrealized gains on financial assets at FVOCI.

#### 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 Company gives the lessee the right to use the leased property.

*Service Fees*

Performance obligation is satisfied over time with reference to the stage of completion at the reporting date measured principally on the basis of the estimated physical completion of the contract work. Billings and collections are made in relation to the specific provisions on the contract as agreed by the parties.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

*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, AFS financial assets and nonfinancial assets are computed as the difference between the proceeds and its carrying amount.

Costs and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of liability has arisen and can be measured reliably. Costs and expenses are recognized in the profit or loss in the period these 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.

Employee Benefits

The Group 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 Group 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.

## Leases

### *Accounting policies beginning January 1, 2019*

The Group assesses whether the contracts are, or contain, a lease. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

- i. the right to obtain substantially all of the economic benefits from use of the identified asset; and,
- ii. the right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Group also assesses whether a contract contains a lease for each potential separate lease component.

### *The Group as a Lessee*

At the commencement date, the Group recognizes ROU asset and lease liability for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

### *ROU Asset*

At commencement date of the lease contract, the Group measures ROU asset at cost. The initial measurement of ROU asset includes the following:

- the amount of the initial measurement of lease liabilities;
- lease payments made at or before the commencement date less any lease incentives received;
- initial direct costs; and
- an estimation of costs to be incurred by the Group in dismantling and removing the underlying asset, when applicable.

After the commencement date, the ROU asset is carried at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the related lease liability. The ROU asset is amortized over the lease term.

### *Lease Liability*

At commencement date, the Group measures a lease liability at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of a lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liability is also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

#### *Accounting policies prior to January 1, 2019*

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after the inception of the lease only if one of the following applies:

- a. there is a change in the contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or an 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.

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave 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 a Lessor*

The Company 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.

#### *The Group as a 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.

#### 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 by dividing net income over the 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 statement 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 End of the Reporting Period

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.

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### **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 subsidiary 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 Company'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 statement 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 property amounting to P2.2 million and nil as at December 31, 2019 and 2018, respectively (see Note 8).

#### *Determining Classification of Lease Arrangements and Appropriate Lease Term and Discount Rates*

The Group has entered into lease agreements as a lessor and lessee. Until December 31, 2018, the Group accounted for its lease agreements as operating lease.

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.

On January 1 and September 1, 2019, the Group's lease agreements of its office space were renewed and it qualified as leases under PFRS 16.

Lease liabilities and ROU assets were recognized. Payments of lease liabilities are allocated over the principal liability and finance costs. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of liability for each year. The ROU assets are depreciated over the lease term on a straight-line basis.

The lease of office space is renewable upon mutual agreement by both parties to be covered by a separate and new lease agreement. Accordingly, the renewal option was not considered in the lease term for purposes of the adoption of PFRS 16.

Significant management judgment was likewise exercised by the Group in determining the discount rate, whether implicit rate, if readily available or incremental rate, to be used in calculating the present value of ROUs asset and lease liabilities.

Reassessments are made on a continuing basis whether changes should be reflected on the amount of lease liability due to circumstances affecting lease payments and discount rates.

#### *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 2019, 2018 and 2017. The carrying amounts of financial assets at amortized cost and FVOCI are as follows:

	2019	2018
Cash and cash equivalents*	<b>P208,042,744</b>	P290,623,317
Receivables**	<b>249,011,396</b>	178,607,101
Due from related parties	<b>13,255,799</b>	17,255,800
Investment in quoted bonds measured at FVOCI	<b>673,893,960</b>	597,081,460

\*excluding cash on hand amounting to P15,000 as at December 31, 2019 and 2018.

\*\*excluding advances subject to liquidation totalling P522,692 and P1,844,600 as at December 31, 2019 and 2018, respectively.

#### *Determining Fair Value of Financial Assets at FVPL and FVOCI*

The Group carries financial assets at FVOCI at fair value in the consolidated statement 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 other comprehensive income.

The fair value of financial assets at FVPL amounted to P0.1 million as at December 31, 2019 and 2018 (see Note 6 and 21).

The fair value of financial assets at FVOCI amounted to P998.2 million and P922.9 million as at December 31, 2019 and 2018, respectively (see Note 7 and 21).

#### *Estimating Useful Lives of Investment Property and Property and Equipment*

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

The carrying amount of investment property amounted to P2.2 million and nil as at December 31, 2019 and 2018, respectively (see Note 8).

The carrying amount of the property and equipment amounted to P69,835 and P156,676 as at December 31, 2019 and 2018, respectively (see Note 9).

#### *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 2019, 2018 and 2017.

The carrying amounts of nonfinancial assets are as follows:

	2019	2018
Investment property	P2,249,424	P-
ROU asset	1,748,947	-
Advances subject to liquidation	522,692	1,844,600
Property and equipment	69,835	156,676
Other current assets*	4,178,716	3,320,619
Other noncurrent assets	-	2,232,100

\*excluding financial assets at FVPL amounting to P112,065 and P113,270 as at December 31, 2019 and 2018, 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, 2019 and 2018, 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 P1.3 million as at December 31, 2019 and 2018. No impairment loss was recognized in 2019 and 2018 (see Note 10).

#### *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 recognized deferred tax assets as at December 31, 2019 and 2018 amounted to P413,222 and P478,130, respectively (see Note 17).

The Company did not recognize a portion of its deferred tax assets amounting to P4.7 million and P4.3 million as at December 31, 2019 and 2018, respectively, because the 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 17).

## 4. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand and in banks	P36,015,079	P16,779,594
Cash equivalents	172,042,665	273,858,723
	<b>P208,057,744</b>	<b>P290,638,317</b>

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 earned from cash in banks and cash equivalents amounted to P9.5 million in 2019, P9.2 million in 2018 and P1.7 million in 2017 (see Note 13).

## 5. Receivables

This account consists of:

	2019	2018
Notes and loans receivable		
Promissory notes issued by various financial institutions	<b>P134,966,588</b>	P66,966,588
Corporate notes (Note 18)	<b>108,905,002</b>	104,305,002
Interest receivable	<b>3,923,356</b>	5,748,255
Advances subject to liquidation	<b>522,692</b>	1,844,600
Retainer fee receivable	<b>978,548</b>	1,292,289
Dividend receivable	<b>157,535</b>	214,825
Others	<b>92,634</b>	138,142
	<b>249,546,355</b>	180,509,701
Less allowance for ECL	<b>(12,267)</b>	(58,000)
	<b>249,534,088</b>	180,451,701
Less noncurrent portion	<b>(37,000,000)</b>	(62,000,000)
Current portion of receivables	<b>P212,534,088</b>	P118,451,701

Movements in the allowance for ECL are summarized below:

	2019	2018	2017
Balance at the beginning of the year	<b>P58,000</b>	P58,000	P58,000
Additions (Note 14)	<b>12,267</b>	-	-
Reversal	<b>(58,000)</b>	-	-
Balance at the end of the year	<b>P12,267</b>	P58,000	P58,000

### Notes and Loans Receivable

#### *Corporate Notes*

Corporate notes outstanding as at December 31, 2019 and 2018 pertain to short-term corporate promissory notes issued by various entities, with terms of thirty-five days up to one year and earn interest ranging from 5.5% to 11.0% 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 4% to 7% per annum.

Interest income earned from corporate notes and promissory notes issued by various financial institutions amounted to P11.0 million in 2019, P4.8 million in 2018 and P6.7 million in 2017 (see Note 13).

#### *Loan to Araneta*

The Parent Company had a loan to Araneta amounting to P125.0 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 P525.0 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 P125.0 million was reversed in 2016.

Proceeds in excess of the loan and interest receivable amounting to P340.6 million in 2016, net of legal and other costs of collection shouldered by the Parent Company amounting to P67.6 million, were recorded as a gain on settlement of loan receivable of P273.0 million in 2016.

The Parent Company received the final settlement of loan adjustment amounting to P175.0 million, inclusive of VAT, in 2017. Proceeds amounting to P156.3 million, net of legal fees related to the collection amounting to P5.0 million, were recorded as a gain on settlement of loan receivable of P151.3 million in 2017 (see Note 13).

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 Group.

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**6. Other Current Assets**

This account consists of:

	2019	2018
Creditable withholding tax	<b>P2,627,645</b>	1,929,221
Input VAT	<b>1,551,071</b>	1,374,464
Financial assets at FVPL (Note 16)	<b>112,065</b>	113,270
Prepaid insurance	-	16,934
	<b>P4,290,781</b>	P3,433,889

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.

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**7. Financial Assets at FVOCI**

This account consists of:

	2019	2018
Investments in:		
Quoted bonds	<b>P673,893,960</b>	P597,081,460
Quoted shares of stocks	<b>215,308,854</b>	203,301,266
UITFs	<b>103,889,837</b>	119,697,450
Club memberships	<b>5,100,000</b>	2,770,000
	<b>P998,192,651</b>	P922,850,176

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

	2019	2018	2017
<b>Cost</b>			
Balance at beginning of year	<b>P962,714,559</b>	P873,944,810	P800,374,620
Additions	<b>324,494,312</b>	116,937,793	160,235,044
Disposals	<b>(287,395,874)</b>	(28,168,044)	(86,664,854)
Balance at end of year	<b>999,812,997</b>	962,714,559	873,944,810
<b>Cumulative Unrealized Gain (Loss)</b>			
Balance at beginning of year	<b>(39,864,383)</b>	5,375,694	(16,333,937)
Unrealized fair value gain (loss) during the year	<b>40,299,945</b>	(45,828,850)	23,273,043
Reclassification of cumulative fair value changes of debt instruments measured at FVOCI sold to profit or loss (Note 16)	<b>2,687,077</b>	-	-
Reclassification of cumulative fair value changes of equity instruments measured at FVOCI sold to retained earnings	<b>(4,742,985)</b>	588,773	-
Reversal of fair value changes of AFS financial assets sold	-	-	(1,563,412)
Balance at end of year	<b>(1,620,346)</b>	(39,864,383)	5,375,694
<b>Carrying amount</b>	<b>P998,192,651</b>	P922,850,176	P879,320,504

Interest income earned from financial assets at FVOCI amounted to P24.0 million in 2019, P16.5 million in 2018 and P16.0 million in 2017 (see Note 13).

Dividend income earned from financial assets at FVOCI amounted to P7.8 million in 2019, P6.8 million in 2017 and P4.3 million in 2017 (see Note 13).

Realized loss on sale of debt instruments at FVOCI recognized directly to profit or loss amounted to P2.7 million in 2019 and nil in 2018.

Realized gain (loss) on sale of equity instruments at FVOCI recognized directly to retained earnings amounted to P4.7 million in 2019 and P0.6 million in 2018.

Gain on sale of AFS financial assets amounted to P0.4 million in 2017 (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 2019, 2018 and 2017.

## 8. Investment Property

Movements of the account are as follows:

	2019	2018
<b>Cost</b>		
Balance at beginning of year	P-	P164,772,000
Transfer from noncurrent assets	2,232,100	-
Additions	17,324	
Disposal	-	(164,772,000)
Balance at end of year	<b>2,249,424</b>	-
<b>Accumulated Depreciation</b>		
Balance at beginning of year	-	61,123,296
Depreciation	-	1,373,100
Disposal	-	(62,496,396)
Balance at end of year	-	-
<b>Carrying amount</b>	<b>P2,249,424</b>	P-

The investment property in 2019 represents parcel of land of one thousand two hundred (1,200) square meters located at Pasinay, Bagac, Bataan.

The acquisition cost and transaction costs advanced in 2018 was presented under other noncurrent asset in the consolidated statement of financial position.

In January 16, 2019, the land title was transferred to the name of PMEI. The amount in the account other noncurrent asset amounting to P2,232,100 was transferred under investment property in the consolidated statement of financial position. This transaction is considered as a noncash financial information in the statement of cash flows.

Additional transaction costs was incurred in connection with the processing of transfer of land title to the PMEI amounting to P17,234 in 2019.

The Group's investment property in 2018 pertains to a condominium unit located at 2nd Floor Pacific Star Building, Sen. Gil Puyat Avenue, Makati City.

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 12).

Depreciation is recognized from the following:

	2019	2018	2017
ROU assets (Notes 12 and 14)	P1,273,394	P-	P-
Property and equipment (Notes 9 and 14)	86,841	130,030	83,006
Investment property (Note 14)	-	1,373,100	4,318,696
	<b>P1,360,235</b>	P1,503,130	P4,401,702

Depreciation expense from the investment property is recognized as part of cost of services in 2018 and as part of general and administrative expenses in 2017 (see Note 14).

## 9. Property and Equipment

Movements in this account are as follows:

	2018	Additions	Disposals	2019
<b>Cost</b>				
Transportation equipment	P5,011,638	P-	P-	<b>P5,011,638</b>
Furniture and fixtures	3,528,775	-	-	<b>3,528,775</b>
Office equipment	1,187,730	-	-	<b>1,187,730</b>
Office improvement	39,325	-	-	<b>39,325</b>
	<b>9,767,468</b>	<b>-</b>	<b>-</b>	<b>9,767,468</b>
<b>Less accumulated depreciation</b>				
Transportation equipment	4,952,685	32,566	-	<b>4,985,251</b>
Furniture and fixtures	3,528,775	-	-	<b>3,528,775</b>
Office equipment	1,090,007	54,275	-	<b>1,144,282</b>
Office improvement	39,325	-	-	<b>39,325</b>
	<b>9,610,792</b>	<b>86,841</b>	<b>-</b>	<b>9,697,633</b>
	<b>P156,676</b>			<b>P69,835</b>
<hr/>				
	2017	Additions	Disposals	2018
<b>Cost</b>				
Transportation equipment	P5,011,638	P-	P-	P5,011,638
Furniture and fixtures	3,528,775	-	-	3,528,775
Office equipment	1,460,922	7,001	(280,193)	1,187,730
Office improvement	39,325	-	-	39,325
	<b>10,040,660</b>	<b>7,001</b>	<b>(280,193)</b>	<b>9,767,468</b>
<b>Less accumulated depreciation</b>				
Transportation equipment	4,941,045	11,640	-	4,952,685
Furniture and fixtures	3,528,775	-	-	3,528,775
Office equipment	1,009,693	118,390	(38,076)	1,090,007
Office improvement	39,325	-	-	39,325
	<b>9,518,838</b>	<b>130,030</b>	<b>(38,076)</b>	<b>9,610,792</b>
	<b>P521,822</b>			<b>P156,676</b>

Depreciation expense from the property and equipment is allocated as follows:

	2019	2018	2017
Cost of services (Note 14)	<b>P440</b>	P873	P9,177
General and administrative expenses (Note 14)	<b>86,401</b>	129,157	73,829
	<b>P86,841</b>	<b>P130,030</b>	<b>P83,006</b>

Fully-depreciated property and equipment being used by the Company amounted to P8.7 million as at December 31, 2019 and 2018.

## 10. Business Combination and Goodwill

### Acquisition and Disposal of EDSSI

On December 5, 2017, the Group, through PMEI, obtained control of Elite Defense Security Services, Inc. (EDSSI), a security manpower agency, by acquiring 82.69 percent of EDSSI's outstanding shares and voting interest for a total consideration of P3.7 million. Subscriptions payable related to the acquisition amounted to P1.7 million as at December 31, 2017, P470,000 of which was paid in 2018.

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

Cash	P1,085,590
Receivables	466,796
Property and equipment	242,117
	<u>P1,794,503</u>

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

Total consideration transferred	P3,721,000
Noncontrolling interest	778,990
Fair value of identifiable assets	(1,794,503)
Goodwill	<u>P2,705,487</u>

In 2018, the Group disposed of its investment in EDSSI for P3.0 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 P25,076. Accordingly, the goodwill related to the acquisition of EDSSI amounting to P2.7 million was also derecognized in 2018.

#### Goodwill

Goodwill pertains to the acquisition of PSTI by PMEI amounting to P1.3 million.

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 2019, 2018 and 2017. Cash flows beyond that five-year period have been extrapolated using the Group's average historical growth rate.

No impairment on goodwill was recognized in the 2019, 2018 and 2017.

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## 11. Trade and Statutory Payables

This account consists of:

	2019	2018
Accounts payable and accrued expenses	<b>P244,248</b>	P4,544,760
Statutory payables	<b>562,704</b>	618,433
	<u><b>P806,952</b></u>	<u>P5,163,193</u>

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.

## 12. Lease Commitments

### The Group As a Lessee

The Group has a lease agreement with Philcomsat for its office space for a term of two years subject to renewal under mutual agreement of both parties. In 2019, the lease contracts were renewed. The annual rent is subject to escalation fee of 5%.

Amounts recognized in profit and loss:

	2019	2018	2017
Depreciation on ROU assets	P1,273,394	P-	P-
Interest on lease liabilities	115,750	-	-
Rent expense (Note 12)	235,024	1,433,430	1,480,288
	<b>P1,624,168</b>	<b>P1,433,430</b>	<b>P1,480,288</b>

Movements in the ROU assets as at December 31, 2019 are presented below:

	Amount
<b>Balance as at January 1, 2019</b>	<b>P-</b>
<b>Additions</b>	<b>3,022,341</b>
<b>Depreciation (Note 14)</b>	<b>(1,273,394)</b>
<b>Balance as at December 31, 2019</b>	<b>P1,748,947</b>

Depreciation expense from the ROU assets is allocated as part of cost of services amounting to P1,154,506 and as part of general and administrative expenses amounting to P118,888 (see Note 14).

Movements in the lease liabilities as at December 31, 2019 are presented below:

	Amount
<b>Balance as at January 1, 2019</b>	<b>P-</b>
<b>Additions</b>	<b>3,022,341</b>
<b>Interest expense (Note 14)</b>	<b>115,750</b>
<b>Payments</b>	<b>(1,295,629)</b>
<b>Balance as at December 31, 2019</b>	<b>P1,842,462</b>

Total cash outflows for the payment of lease liabilities amounted to P1.3 million in 2019.

The present value of the minimum lease payments for each of the following periods are as follows:

	2019	2018
Not later than one year	P1,599,266	P-
More than one year but not later than five years	243,196	-
More than five years	-	-
	<b>P1,842,462</b>	<b>P-</b>

The future minimum lease payments for each of the following periods are as follows:

	2019	2018
Not later than one year	P1,664,252	P-
More than one year but not later than five years	246,775	-
More than five years	-	-
Total minimum lease obligation	1,911,027	-
Less future finance charges on lease liabilities	68,565	-
	<b>P1,842,462</b>	<b>P-</b>

The Company's minimum lease payments are as follows:

December 31, 2019	Minimum lease payments	Interest	Principal
Not later than one year	P1,664,252	P64,987	P1,599,265
More than one year but not later than five years	246,775	3,578	243,197
More than five years	-	-	-
	<b>P1,911,027</b>	<b>P68,565</b>	<b>P1,842,462</b>

#### The Group As a Lessor

The Group 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 P1.0 million commencing on January 1, 2018 and ended when the Company sold the investment property in the second quarter of 2018. The Company also leased out parking slots to a certain tenant in 2018 and 2017. Rental deposit received amounting to P1.2 million and P4.4 million as at December 31, 2018 and 2017, respectively, is shown as "Customers' deposits" account in the consolidated statement of financial position. This will be refunded at the end of the lease term.

Rent income from the said lease amounted to nil in 2019, P4.4 million in 2018 and P0.1 million in 2017 (see Note 13).

### 13. Revenue

Disaggregation of revenue is as follows:

	2019	2018	2017
Revenue:			
Interest income	P44,589,348	P30,953,374	P25,385,292
Dividend income (Notes 7 and 27)	7,780,909	6,811,846	4,372,517
Retainer fee	4,939,143	2,012,316	3,999,768
Stock transfer fee	268,534	54,555	119,287
Rent income (Note 12)	-	4,359,200	125,323
Service fee (Note 15)	-	4,164,129	5,820,129
Gain on sale of AFS financial assets (Note 7)	-	-	401,831
Other service fee	713,992	267,411	731,427
	<b>P58,291,926</b>	<b>P48,622,831</b>	<b>P40,955,574</b>
Gain on sale of investment property (Note 8)	P-	P99,112,936	P-
Gain on settlement of loans receivable (Note 5)	P-	P-	P151,250,000

Interest income included in revenue as shown in the consolidated statements of income is earned from the following:

	2019	2018	2017
Cash and cash equivalents (Note 4)	<b>P9,524,726</b>	P9,209,346	P1,712,685
Short-term investments	–	441,238	978,423
Receivables (Note 5)	<b>11,015,574</b>	4,841,412	6,730,160
Financial assets at FVOCI (Note 7)	<b>24,049,048</b>	16,461,378	15,964,024
	<b>P44,589,348</b>	P30,953,374	P25,385,292

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

#### 14. Costs and Expenses

This account consists of:

	2019	2018	2017
<b>Cost of services:</b>			
Professional fee	<b>P1,583,976</b>	P630,344	P796,902
Salaries and other benefits	<b>1,335,397</b>	736,056	1,319,472
Transportation and travel	<b>263,088</b>	–	212,666
Rent (Note 12)	<b>164,516</b>	134,504	272,342
Communication, light and water	<b>168,279</b>	45,581	74,831
Dues and subscription	<b>51,967</b>	28,346	69,640
Depreciation (Notes 8, 9 and 12)	<b>36,106</b>	1,373,973	9,177
Project costs (Note 15)	–	4,645,029	4,977,265
	<b>3,603,329</b>	7,593,833	7,732,295
<b>General and administrative expenses:</b>			
Professional fees	<b>12,546,320</b>	11,382,253	12,080,961
Taxes and licenses	<b>5,335,030</b>	1,033,015	1,922,621
Directors' fees (Note 18)	<b>3,550,000</b>	5,840,000	6,922,500
Representation and entertainment	<b>1,986,151</b>	3,275,659	2,872,559
Bank charges (Note 28)	<b>1,453,534</b>	26,578	2,463
Transportation and travel	<b>1,451,450</b>	1,634,355	1,114,737
Depreciation (Notes 8, 9 and 12)	<b>1,324,129</b>	129,157	4,392,525
Legal fees	<b>932,169</b>	2,121,209	2,881,393
Communication, light and water	<b>326,958</b>	234,400	342,055
Office supplies	<b>197,631</b>	481,834	284,907
Dues and subscription	<b>193,504</b>	702,258	2,104,636
Interest expense (Note 12)	<b>115,750</b>	–	–
Trainings and seminars (Note 28)	<b>109,460</b>	111,413	140,286
Rent (Note 12)	<b>70,508</b>	1,298,926	1,207,946
Advertising (Note 28)	<b>37,000</b>	72,000	157,760
Insurance	<b>23,464</b>	142,825	600,382
Repairs and maintenance	<b>15,637</b>	341,130	545,884
Provision for ECL (Note 5)	<b>12,267</b>	–	–
Others (Note 28)	<b>167,359</b>	268,416	119,211
	<b>29,848,321</b>	29,095,428	37,692,826
	<b>P33,451,650</b>	P36,689,261	P45,425,121

## 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%	P4,164,129	P4,645,029
2017 Projects			
Procurement of Satellite Circuit Lease			
Contract for Transportable VSAT	100%	P1,656,000	P1,364,000
Managed VSAT Services	150%	4,164,129	3,613,265
		P5,820,129	P4,977,265

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 P4.2 million as at December 31, 2017 mainly pertains to revenue earned based on percentage of completion. This was subsequently billed and collected in 2018.

## 16. Other Income (Charges)

	2019	2018	2017
Realized loss on sale of debt instruments measured at FVOCI (Note 7)	(P2,687,077)	P–	P–
Unrealized foreign exchange gain (loss)	(2,017,103)	2,501,390	(757,667)
Unrealized gain (loss) on financial assets at FVPL (Note 6)	(1,205)	19,003	11,405
	(P4,705,385)	P2,520,393	(P746,262)

## 17. Income Tax

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

	2019	2018	2017
RCIT	P–	P19,248,514	P28,179,295
MCIT	202,399	29,436	–
	P202,399	P19,277,950	P28,179,295

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

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

	2019	2018	2017
Income tax at statutory rate	<b>P6,040,467</b>	P34,069,908	P43,810,257
Change in unrecognized deferred tax assets	<b>4,743,826</b>	(4,288,555)	(1,740,064)
Add (deduct) tax effects of:			
Nontaxable:			
Realized loss on sale of debt instruments measured at FVOCI	<b>806,123</b>	-	-
Unrealized loss (gain) on financial assets at FVPL	<b>362</b>	(5,701)	(3,422)
Gain on sale of AFS financial assets	-	-	(120,549)
Gain on sale of subsidiary	-	(7,523)	-
Difference between OSD and itemized deductions	-	(4,914,551)	(7,928,549)
Dividend income	<b>(2,334,273)</b>	(2,043,554)	(1,311,755)
Interest income already subjected to a final tax	<b>(11,813,607)</b>	(7,833,455)	(6,508,226)
Nondeductible expenses	<b>1,996,790</b>	667,590	103,147
Expired NOLCO and MCIT	<b>77,202</b>	4,112,213	1,840,779
	<b>(P483,110)</b>	P19,756,372	P28,141,618

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

	2019	2018
Deferred tax assets:		
NOLCO	<b>P279,838</b>	P338,859
MCIT	<b>129,704</b>	127,572
Allowance for doubtful accounts	<b>3,680</b>	17,400
Unrealized foreign exchange gain	-	(5,701)
	<b>P413,222</b>	P478,130
Deferred tax liability:		
Unrealized foreign exchange gain	P-	(P750,417)

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

	2019	2018
NOLCO	<b>P3,986,798</b>	P-
Unrealized foreign exchange loss	<b>605,131</b>	-
MCIT	<b>151,897</b>	-
	<b>P4,743,826</b>	P-

The Parent Company did not recognize deferred tax assets amounting to P4.7 million in 2019 and P4.3 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
2016	2019	P310,903	P214,795	P96,108	P-
2018	2021	818,626	-	-	818,626
2019	2022	13,289,327	-	-	13,289,327
		P14,418,856	P214,795	P96,108	P14,107,953

Details of MCIT are as follows:

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2016	2019	P48,370	P-	P48,370	P-
2017	2020	49,766	-	-	49,766
2018	2021	29,436	-	-	29,436
2019	2022	202,399	-	-	202,399
		P329,971	P-	P48,370	P281,601

## 18. Related Party Transactions

The Company has transactions with related parties as follows:

Nature of Transaction		Amount of Transactions (in millions)			Outstanding Balance (in millions)	
		2019	2018	2017	2019	2018
<b>Included under "Receivables"</b>						
<i>Company under Common Control</i>						
MBCI*	Notes receivable	<b>P20.0</b>	P6.5	P-	<b>P48.8</b>	P28.8
MBCI	Interest Income	<b>2.5</b>	0.2	1.0	-	-
<i>Immediate Parent</i>						
Philcomsat	Notes receivable	<b>14.0</b>	-	-	<b>14.0</b>	-
Philcomsat	Interest Income	<b>0.1</b>	-	-	<b>0.1</b>	-
					<b>P62.9</b>	P28.8
<i>*Montemar Beach Club Inc. (MBCI)</i>						
<b>Presented under "Due from Related Parties"</b>						
<i>Company under Common Control</i>						
MBCI	Cash advances	<b>(P3.9)</b>	P-	P-	<b>P9.6</b>	P13.5
MRDC*	Cash advances	-	-	-	<b>0.3</b>	0.3
<i>Immediate Parent</i>						
Philcomsat	Cash advances	-	-	-	<b>3.4</b>	3.4
<i>Subsidiary</i>						
PMEI	Cash advances	-	-	-	<b>0.6</b>	0.6
					<b>P13.9</b>	P17.8
<i>*Montemar Resort Development Corp. (MRDC)</i>						
<b>Presented under "Lease Liability"</b>						
<i>Immediate Parent</i>						
	Lease of office space					
Philcomsat		<b>(P1.1)</b>	P-	P-	<b>P1.2</b>	P-
Philcomsat	Interest expense	<b>(0.1)</b>	-	-	-	-
					<b>P1.2</b>	P-
<b>Presented under "Due to a Related Party"</b>						
<i>Immediate Parent</i>						
	Advances for project costs					
Philcomsat		<b>P-</b>	P0.3	P3.6	<b>P3.9</b>	P3.9
Philcomsat	Cash advances	-	-	(4.5)	-	-
					<b>P3.9</b>	P3.9

Nature of Transaction	Amount of Transactions (in millions)			Outstanding Balance (in millions)	
	2019	2018	2017	2019	2018
<u>Presented under "Deposit for Future Stock Subscription"</u>					
<i>Immediate Parent</i>					
Philcomsat	Future subscription	P-	P-	P-	P18.9
				<b>P18.9</b>	P18.9
<u>Included under "Costs and Expenses"</u>					
<i>Immediate Parent</i>					
Philcomsat	Rent of office space	(P1.5)	(P1.4)	(P1.5)	P-
	Association dues	(0.2)	(0.2)	(0.2)	-
Philcomsat	Utilities	(0.2)	(0.1)	(0.2)	-
<i>Subsidiary</i>					
PSTI	Professional fee as stock transfer agent	(1.0)	(0.2)	(0.1)	-
				<b>P-</b>	P-

The outstanding balance of cash advances to PMEI amounting to P0.6 million in 2019 and 2018 were eliminated in the consolidation.

The amount of transactions with PSTI amounting to P0.1 million in 2018, P0.2 million in 2018 and P0. million in 2017 were eliminated in the consolidation.

#### Receivable from MBCI and Philcomsat

Cash advances to MBCI and Philcomsat 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 Company 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. Related party transactions have been fairly evaluated since the Company treated it same with the transactions to the third parties.

#### Due to a Related Party

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

#### The Group as a Lessee

The Group 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.

#### Stock Transfer Agency

The Parent Company entered into agreement with PSTI to avail their services as stock transfer agent.

Compensation of Key Management Personnel

Compensation of the key management personnel of the Company consists only of directors' fees amounting to P3.6 million in 2019, P5.8 million in 2018 and P6.9 million in 2017 (see Note 14).

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

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**19. Earnings Per Share**

Basic/diluted earnings per share is computed as follows:

	2019	2018	2017
Net income	<b>P20,618,001</b>	P93,809,987	P117,892,573
Weighted average number of shares outstanding	<b>996,391,254</b>	996,391,254	996,391,254
	<b>P0.0207</b>	P0.0941	P0.1183

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**20. Financial Risk Management Objectives and Policies**

The Group's principal financial instruments are comprised of cash and cash equivalents, 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 Company 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 2019, 2018 and 2017.

	Increase (Decrease) in PSEi Index	Increase (Decrease) in Other Comprehensive Income
<b>2019</b>	<b>8%</b>	<b>P16,649,174</b>
<i>Forward</i>	<b>(4%)</b>	<b>(9,628,656)</b>

	Increase (Decrease) in PSEi Index	Increase (Decrease) in Other Comprehensive Income
2018	21%	43,271,778
	(7%)	(13,658,584)
2017	2%	1,805,738
	(17%)	(17,106,723)

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, 2019, 2018 and 2017.

#### *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, 2019, 2018 and 2017, the Group 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 PHP BVAL reference rate fluctuations. The table below sets forth the impact of changes in PHP BVAL in the Group's other comprehensive income in 2019, 2018 and 2017.

	Increase (Decrease) in PHP BVAL	Increase (Decrease) in Other Comprehensive Income
2019	73%	<b>P493,016,241</b>
	(1%)	<b>(5,476,114)</b>
2018	22%	133,984,842
	(33%)	(199,564,529)
2017	15%	44,648,986
	(24%)	(73,639,339)

#### Foreign Exchange Risk

The Group's foreign-currency denominated financial instrument consists of cash in banks and cash equivalents totaling US\$1.1 million as at December 31, 2019 and 2018. 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, 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 Company 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 and FVOCI represent the maximum exposure to credit risk as at the reporting date as follows:

	2019	2018
Cash and cash equivalents*	<b>P208,042,744</b>	P290,623,317
Receivables**	<b>249,011,396</b>	178,607,101
Due from related parties	<b>13,255,799</b>	17,255,800
Financial assets at FVPL***	<b>112,065</b>	113,270
Financial assets at FVOCI	<b>998,192,651</b>	922,850,176

\*excluding cash on hand amounting to P15,000 as at December 31, 2019 and 2018.

\*\*excluding advances subject to liquidation amounting to P522,692 and P1,844,600 as at December 31, 2019 and 2018, respectively.

\*\*\*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 through the use of cash. 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 Company's financial liability based on contractual undiscounted payments:

	2019				Total
	On Demand	1 to 3 months	3 to 12 months	More than 12 months	
<b>Accounts payable and accrued expenses</b>	<b>P-</b>	<b>P244,248</b>	<b>P-</b>	<b>P-</b>	<b>P244,248</b>
<b>Due to a related party</b>	<b>3,948,624</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,948,624</b>
<b>Customers' deposits</b>	<b>1,237,874</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,237,874</b>
<b>Lease liability</b>	<b>-</b>	<b>296,533</b>	<b>1,302,732</b>	<b>-</b>	<b>1,599,265</b>
	<b>P5,186,498</b>	<b>P540,781</b>	<b>P1,302,732</b>	<b>P-</b>	<b>P7,030,011</b>

	2018				Total
	On Demand	1 to 3 months	3 to 12 months	More than 12 months	
Accounts payable and accrued expenses	P-	P4,544,760	P-	P-	P4,544,760
Due to a related party	3,948,624	-	-	-	3,948,624
Customers' deposits	1,237,874	-	-	-	1,237,874
	<b>P5,186,498</b>	<b>P4,544,760</b>	<b>P-</b>	<b>P-</b>	<b>P9,731,258</b>

## 21. Fair Value Measurement

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

### Financial Assets

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	<b>P208,057,744</b>	<b>P208,057,744</b>	P290,638,317	P290,638,317
Receivables*	<b>249,011,396</b>	<b>249,011,396</b>	178,607,101	178,607,101
Due from related parties	<b>13,255,799</b>	<b>13,255,799</b>	17,255,800	17,255,800
Financial assets at FVPL**	<b>112,065</b>	<b>112,065</b>	113,270	113,270
Financial assets at FVOCI:				
Quoted bonds	<b>673,893,960</b>	<b>673,893,960</b>	597,081,460	597,081,460
Quoted shares of stocks	<b>215,308,854</b>	<b>215,308,854</b>	203,301,266	203,301,266
UITFs	<b>103,889,837</b>	<b>103,889,837</b>	119,697,450	119,697,450
Club memberships	<b>5,100,000</b>	<b>5,100,000</b>	2,770,000	2,770,000
	<b>P1,468,629,655</b>	<b>P1,468,629,655</b>	<b>P1,409,464,664</b>	<b>P1,409,464,664</b>

\*excluding advances subject to liquidation totaling P522,692 and P1,844,600 as at December 31, 2019 and 2018, respectively.

\*\*presented under other current assets.

### Financial Liabilities

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Accounts payable and accrued expenses	<b>P244,248</b>	<b>P244,248</b>	P4,544,760	P4,544,760
Due to a related party	<b>3,948,624</b>	<b>3,948,624</b>	P3,948,624	3,948,624
Customers' deposits	<b>1,237,874</b>	<b>1,237,874</b>	1,237,874	1,237,874
Lease liability	<b>1,599,265</b>	<b>1,599,265</b>	-	-
	<b>P7,030,011</b>	<b>P7,030,011</b>	<b>P9,731,258</b>	<b>P9,731,258</b>

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 and Cash Equivalents, Due from Related Parties, Accounts Payable and Accrued Expenses and Customers' Deposits.* 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 values 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 2019 and 2018. The fair value measurement of these receivables is classified as Level 2 (Significant observable inputs).

*Lease Liability.* The carrying amount of lease liability approximate its fair value because the initial recognition of lease liability is based on the discounted value of lease rentals and expected payments at the end of the lease.

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## 22. Capital Management

The primary objective of the Company'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 Company manages its capital structure and makes adjustments when there are changes in economic conditions.

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

	2019	2018
Total Debt	<b>P26,729,912</b>	P25,894,965
Total Equity	<b>1,452,402,008</b>	1,386,112,172
Debt-to-equity ratio	<b>0.02:1</b>	0.02:1

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## 23. Changes in Liabilities Arising from Financing Activities

The following table summarizes the changes in liabilities arising from financing activities as at

	2018	Additions	Payments	2019
Recognition of lease liability	P-	P3,022,341	P1,179,879	<b>P1,842,462</b>

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## 24. Operating Segment Information

The Group is organized into operating segments based on the type of product or service. The Group's reportable operating segments relates to investing of 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:

Revenue as Disaggregated	Operating Segment
Interest income	Investing of funds
Dividend income	Investing of funds
Rent income	Investing of funds
	Service agreement with the government /
Service fees	Management services
Retainer fee	Stock transfer agency
Stock transfer fee	Stock transfer agency
Other service 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

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 statement of comprehensive income.

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

2019				
Segment	Investing of Funds	Management Services	Stock Transfer Agency	Total
Segment revenue	P52,370,257	P—	P5,921,669	P58,291,926
Segment profit	52,999,774	—	2,316,933	55,316,707
Interest income	9,209,346	—	—	9,209,346
Depreciation	1,239,882	—	120,353	1,360,235
Provision for (benefit from) income tax	(598,520)	(34,250)	149,660	(483,110)
Total assets	1,445,354,720	30,156,591	3,620,609	1,479,131,920
Total liabilities	21,364,100	4,601,866	763,946	26,729,912
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	1,386,096,610	29,852,683	2,866,925	1,418,816,218
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 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

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

2019			
	Reportable Segments	Not Attributable to Reportable Segments	Consolidated Balances
Revenue	P58,291,926	P–	P58,291,926
Cost and expenses	(5,946,035)	(27,505,615)	(33,451,650)
Other charges	(4,705,385)	–	(4,705,385)
Income before income tax	47,640,506	(27,505,615)	20,134,891
Benefit from income tax	(483,110)	–	(483,110)
Net income	P48,123,616	(P27,505,615)	P20,618,001
Assets	P1,477,812,491	P1,319,429	P1,479,131,920
Liabilities	P26,729,912	P–	P26,729,912

2018			
	Reportable Segments	Not Attributable to Reportable Segments	Consolidated Balances
Revenue	P48,622,831	P–	P48,622,831
Cost and expenses	(8,740,647)	(27,948,614)	(36,689,261)
Gain on sale of investment property	99,112,396	–	99,112,396
Other income	2,520,393	–	2,520,393
Income before income tax	141,514,973	(27,948,614)	113,566,359
Provision for income tax	19,756,372	–	19,756,372
Net income	P121,758,601	(P27,948,614)	P93,809,987
Assets	P1,416,203,526	P2,612,692	P1,418,816,218
Liabilities	P30,019,233	P–	P30,019,233

2017			
	Reportable Segments	Not Attributable to Reportable Segments	Consolidated Balances
Revenue	P40,955,574	P-	P40,955,574
Cost and expenses	(13,340,570)	(32,084,551)	(45,425,121)
Gain on settlement of loan receivable	151,250,000	-	151,250,000
Other charges	(746,262)	-	(746,262)
Income before income tax	178,118,742	(32,084,551)	146,034,191
Provision for income tax	28,141,618	-	28,141,618
Net income	P149,977,124	(P32,084,551)	P117,892,573
<b>Assets</b>	<b>P1,367,917,628</b>	<b>P6,324,343</b>	<b>P1,374,241,971</b>
<b>Liabilities</b>	<b>P31,438,098</b>	<b>P-</b>	<b>P31,438,098</b>

Differences between the reportable segment's 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 2019, 2018 and 2017, which cannot be directly attributed to any reportable segment.

## 25. Civil Cases

An action was filed in the Sandiganbayan by a group claiming to be directors and officers of POTC and Philcomsat seeking to enjoin the present directors and officers of POTC and Philcomsat from representing themselves as 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 SC issued a Resolution denying the Motions for Reconsideration filed by the opposing parties. On March 27, 2014, the July 23, 2013 Decision has become final and executory.

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

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## 26. Litigation

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

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

PHC, through the valid and incumbent directors (Bildner Group) filed a Motion for Issuance of Writ of Execution with the Regional Trial Court (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 Parent 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 June 6, 2019, PHC filed an Ex-Parte Motion to Resolve the pending motion to appoint Virgilio R. Santos as the auditing accounting firm for the execution of the SC Decision dated July 3, 2013 issued in GR Nos. 184622, 184712-14, 186066 and 186590. There was a status conference held in this case on December 13, 2019 where the Court required the defendants to provide a name of their selected accountant to move forward with the audit. The defendants failed or refused again to comply, so the Court is likely to appoint Philcomsat's proposed accountant, Virgilio R. Santos, to do the audit.

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.

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. PCGG filed its Reply on February 17, 2020.

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 P35.3 million.

On February 2, 2017, a Decision was issued finding Araneta and Lokin liable to pay PHC a) actual damages in the sum of P31.5 million plus legal interest of 6% computed from May 26, 2010, the time of judicial demand until fully paid; b) P200,000 as and by way of exemplary damages; and c) P200,000 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. On April 25, 2019, the CA issued a Decision granting Araneta's appeal. On May 30, 2019, PHC filed its Motion for Reconsideration of the said Decision. On July 11, 2019, Araneta filed its Comment thereto, in accordance with the Resolution dated June 6, 2019 issued by the CA to file the same. On October 24, 2019, the Court of Appeal issued a Resolution denying PHC's Motion for Reconsideration.

On November 26, 2019, PHC elevated the case to the Supreme Court via Petition for Review on Certiorari under Rule 45.

- **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 P66.8 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 P27.0 million and P9.3 million which allegedly came from PHC funds and not in the whole amount of P66.8 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. After 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. On February 21, 2020, the Court promulgated its judgment finding accused Brodett guilty for the crime of theft, sentencing him to the penalty of imprisonment for a minimum period of four (4) years, two (2) months, one (1) day, to a maximum period of sixteen (16) years and 4 months. He was also found civilly liable to pay PHC the amount of P14,235,700, with legal interest of 12% per annum from April 11, 2008 until June 30, 2013 and the total obligation plus 6% legal interest from July 1, 2013 until fully paid. Brodett manifested that he will file his Motion for Reconsideration of the said Decision.

- 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 P65.0 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 P15.0 million and P11.0 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. On July 5, 2019, the Sandiganbayan issued a Resolution which a) granted the accused Demurrers to Evidence; b) dismissed the cases against them; c) lifted and set aside the Hold Departure Orders against them; and d) ordered released the bail bonds they posted, if any. On July 30, 2019, the Private Prosecution filed its Motion for Reconsideration of the said Resolution on the civil aspect of the case, which was denied in a Resolution dated October 25, 2019. The Parent Company decided not to pursue the case with the Supreme Court.

- Criminal Complaint Against Concepcion A. Poblador

A criminal complaint for estafa was filed against Ms. Poblador for allegedly receiving cash advances amounting to P14.5 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 P0.2 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 P16.7 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 P0.2 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.

On June 14, 2019, the CA issued a Decision denying both PHC's and Ms. Poblador's Petitions for Certiorari. On July 5 and 11, 2019, both parties filed their respective Motions for Reconsideration. On July 24, 2019, PHC filed its Comment to Ms. Poblador's Motion for Reconsideration. To date, no Comment to PHC's Motion for Reconsideration has yet been filed or received from Poblador.

- 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.

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## 27. Prior Period Adjustment

The beginning balance of retained earnings for 2019 has been restated due to the correction of previously issued 2018 consolidated financial statements. The adjustment is mainly in the following accounts:

Accounts	Increase (Decrease)
Property and equipment	(P280,194)
Retained earnings	(280,194)

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## 28. Reclassification of Accounts

The following accounts in 2018 and 2017 have been reclassified to conform with 2019 financial statement presentation:

Reclassified from	Reclassified to	2018	2017
Others	Trainings and seminars	P111,413	P140,286
Dividend income	Other service fee	110,335	616,427
Others	Advertising	72,000	157,760
Others	Bank charges	26,578	2,463

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## 29. Events After the Reporting Period

The Group derives its income from money market placements, bank deposits and other financial assets and investments. Its financial operations were affected by the closure of financial markets at the beginning of the government-mandated lockdown of the National Capital Region. The Group did not make any new investments during the first month of the lockdown; investments which matured during the period were extended on a monthly basis. Subsequently, the Group adapted to the "new normal" as banks and other financial institutions operated under a skeletal force and "work from home" arrangements. With respect to its portfolio, the Group strives to determine which corporate issues will be adversely affected by the COVID 19 pandemic and continues to monitor developments which may have a substantial impact on their operations.



**Mendoza Querido & Co.**

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Makati City 1227 Philippines

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PRC/BOA Accreditation No. 0966  
October 20, 2017, valid until  
September 7, 2020  
SEC Accreditation No. 0966-SEC (Group A)  
March 2, 2017, valid until  
April 29, 2021

**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
Philcomsat Holdings Corporation and Subsidiaries  
12<sup>th</sup> 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 and for the year ended December 31, 2019, included in this Form 17-A and have issued our report thereon dated June 9, 2020. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedules required by paragraph 7, Part II of Revised Securities Regulation Code (SRC) Rule 68 (Annex 68-J), Reconciliation of Retained Earnings Available for Dividend Declaration and Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Co-Subsidiaries are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised SRC Rule 68 (2019), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

For the Firm: **MENDOZA QUERIDO & CO.**

**RICHARD S. QUERIDO**

Partner  
CPA Certificate No. 84807  
SEC Accreditation No. 1319-AR-1 (Group A),  
March 2, 2017, valid until March 1, 2020  
(extended per SEC MC No. 20 Series of 2019)  
Tax Identification No. 102-094-633  
BIR Accreditation No. 08-002617-002-2019,  
January 21, 2019, valid until January 20, 2022  
PTR No. 8148102, January 18, 2020, Makati City

June 9, 2020

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

**Schedule A. Financial Assets**  
**December 31, 2019**

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amounts of Bonds and Notes	Amount Shown in Statement of Financial Position	Value based on Market Quotations at End of Reporting Period	Income Received and Accrued
<b>Notes and loans receivable</b>				
<i>Promissory notes issued by various financial institutions</i>				
Orix Metro Leasing and Finance Corporation	P75,000,000	P75,000,000	P75,000,000	
BDO Unibank, Inc.	19,000,000	19,000,000	19,000,000	
Metrobank Card Corporation	13,000,000	13,000,000	13,000,000	
Toyota Financial Services Philippines Corporation	10,000,000	10,000,000	10,000,000	
Union Bank of the Philippines	10,000,000	10,000,000	10,000,000	
Security Bank Corporation	4,966,588	4,966,588	4,966,588	
Sterling Bank of Asia	2,000,000	2,000,000	2,000,000	
Retail Treasury Bonds	1,000,000	1,000,000	1,000,000	
<i>Corporate notes</i>				
Montemar Beach Club Inc.	48,805,002	48,805,002	48,805,002	
HMR Philippines, Inc.	25,000,000	25,000,000	25,000,000	
San Miguel Properties Inc.	20,000,000	20,000,000	20,000,000	
Philippine Communications Satellite Corporation	14,000,000	14,000,000	14,000,000	
Elite Defense Security Services, Inc.	1,100,000	1,100,000	1,100,000	
		<b>P243,871,590</b>	<b>P243,871,590</b>	<b>P11,015,574</b>

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amounts of Bonds and Notes	Amount Shown in Statement of Financial Position	Value based on Market Quotations at End of Reporting Period	Income Received and Accrued
<b>Financial assets at FVOCI</b>				
<i>Investments in quoted bonds</i>				
BDO - Trust & Investments Group Managed Bonds	P142,341,000	P148,989,056	P148,989,056	
BDO Private Bank Managed Bonds	75,950,000	77,007,579	77,007,579	
Ayala Land, Inc.	56,770,000	53,412,356	53,412,356	
SM Prime Holdings, Inc.	46,630,000	44,605,604	44,605,604	
Metropolitan Bank & Trust Company	38,000,000	39,124,381	39,124,381	
Retail Treasury Bonds	36,000,000	36,576,313	36,576,313	
Aboitiz Power Corporation	32,170,000	32,159,713	32,159,713	
Philippine Savings Bank	31,000,000	31,025,192	31,025,192	
Ayala Corporation	26,970,000	24,982,383	24,982,383	
Petron Corporation	21,000,000	20,569,884	20,569,884	
Torre Lorenzo Development Corp.	20,000,000	20,000,000	20,000,000	
STI Education Systems Holdings, Inc.	20,000,000	19,427,880	19,427,880	
Doubledragon Properties Corp.	20,000,000	16,587,172	16,587,172	
EW Peso Intermediate Term Bond Fund	13,000,000	14,759,828	14,759,828	
Aboitiz Equity Ventures, Inc.	14,000,000	13,912,294	13,912,294	
SMC Global Power Holdings Corporation	11,800,000	11,644,585	11,644,585	
Philam Bond Fund	10,000,000	10,091,700	10,091,700	
Smart Communications, Inc.	10,000,000	10,000,000	10,000,000	
Manila Electric Co.	10,000,000	9,935,255	9,935,255	
Rockwell Land Corporation	6,500,000	6,434,633	6,434,633	
San Miguel Corporation	6,000,000	6,021,968	6,021,968	
SM Investments Corporation	5,000,000	5,050,522	5,050,522	
East West Banking Corporation	5,000,000	5,000,000	5,000,000	
Megaworld Corporation	5,000,000	4,775,790	4,775,790	
South Luzon Tollways Corporation	4,700,000	4,594,508	4,594,508	
Forward				

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amounts of Bonds and Notes	Amount Shown in Statement of Financial Position	Value based on Market Quotations at End of Reporting Period	Income Received and Accrued
Philippine Long Distance Telephone Co.	2,000,000	2,012,403	2,012,403	
Robinsons Land Corp.	1,500,000	1,513,039	1,513,039	
Manila North Tollway Corp.	1,000,000	996,656	996,656	
Filinvest Land Inc.	1,000,000	992,186	992,186	
Cyberzone Properties, Inc.	1,000,000	991,080	991,080	
Security Bank Corporation	700,000	700,000	700,000	
<i>Investments in quoted shares of stock</i>				
BDO Private Bank Managed Equity	346,286 shares	45,590,257	45,590,257	
BDO - Trust & Investments Group Managed Equity	1,075,406 shares	35,768,313	35,768,313	
Sun Life Prosperity Philippine Equity Fund	3,878,305 shares	16,328,440	16,328,440	
Arthaland Corporation	146,900 shares	14,880,970	14,880,970	
D.M. Wenceslao and Associates, Inc.	1,500,000 shares	14,850,000	14,850,000	
Eagle Cement Corporation	783,400 shares	11,641,324	11,641,324	
Wilcon Depot, Inc.	605,000 shares	10,890,000	10,890,000	
Cirtex Holdings Phils. Corp.	150,000 shares	7,002,672	7,002,672	
GT Capital Holdings, Inc.	10,000 shares	6,500,000	6,500,000	
San Miguel Corporation	85,700 shares	6,480,000	6,480,000	
Petron Corporation	6,000 shares	6,186,000	6,186,000	
San Miguel Food and Beverage, Inc.	16,500 shares	5,962,500	5,962,500	
Del Monte Pacific Limited	10,000 shares	5,074,400	5,074,400	
Pilipinas Shell Petroleum Corp.	150,000 shares	4,920,000	4,920,000	
Ayala Land, Inc.	100,000 shares	4,550,000	4,550,000	
SM Prime Holdings, Inc.	100,000 shares	4,210,000	4,210,000	
Doubledragon Properties Corp.	31,000 shares	3,115,500	3,115,500	
BDO Unibank, Inc.	16,869 shares	2,665,302	2,665,302	
Phoenix Petroleum Phils.	2,000 shares	2,044,000	2,044,000	

Forward

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amounts of Bonds and Notes	Amount Shown in Statement of Financial Position	Value based on Market Quotations at End of Reporting Period	Income Received and Accrued
Ayala Corporation	3,760 shares	1,876,240	1,876,240	
First Gen. Corporation	10,460 shares	1,170,474	1,170,474	
Cebu Landmasters, Inc.	150,000 shares	724,500	724,500	
Chelsea Logistics Holdings Corp.	100,000 shares	550,000	550,000	
Intl. Cont. Terminal Serv. Inc.	4,170 shares	536,262	536,262	
Axelum Resources Corp.	200,000 shares	522,000	522,000	
DMCI Holdings, Inc.	75,000 shares	495,750	495,750	
JG Summit Holdings, Inc.	5,000 shares	404,000	404,000	
8990 Holdings, Inc.	2,000 shares	195,200	195,200	
Robinsons Land Corp.	6,343 shares	174,750	174,750	
<i>Investments in UITFs</i>				
Sun Life Prosperity Balanced Fund	11,771,306 shares	45,484,326	45,484,326	
Philam Strategic Growth Fund	66,408 shares	35,380,854	35,380,854	
Sun Life Prosperity GS Fund	6,038,647 shares	10,270,531	10,270,531	
Sun Life Prosperity Dynamic Fund	5,346,450 shares	5,212,789	5,212,789	
BDO - Trust & Investments Group Managed Funds	23,473,6453 shares	2,833,438	2,833,438	
Capital Accumulation Global Fund of Funds	500 shares	2,827,964	2,827,964	
BDO Private Bank Managed Funds	8,755.54 shares	1,056,858	1,056,858	
SB Asia Pacific EQ Feeder Fund Class F	15,000	823,077	823,077	
<i>Investments in club memberships</i>				
Montemar Beach Club Inc.	10 shares	3,500,000	3,500,000	
Makati Sports Club, Inc.	1 share	1,600,000	1,600,000	
		<b>P998,192,651</b>	<b>P998,192,651</b>	<b>P31,829,957</b>

**PHILCOMSAT HOLDINGS CORPORATION**

*(A Subsidiary of Philippine Communications Satellite Corporation)*

**AND SUBSIDIARIES**

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

December 31, 2019

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
<i>Included under "Receivables"</i>							
Montemar Beach Club Inc.	P28,805,002	P20,000,000	P-	P-	P48,805,002	P-	P48,805,002
Philippine Communications Satellite Corporation	-	14,000,000	-	-	14,000,000	-	14,000,000
<i>Presented under "Due from Related Parties"</i>							
Montemar Beach Club Inc.	13,505,544	-	4,000,001	-	9,505,543	-	9,505,543
Philippine Communications Satellite Corporation	3,444,006	-	-	-	3,444,006	-	3,444,006
Montemar Resort Development Corp.	306,250	-	-	-	306,250	-	306,250
	<b>P46,060,802</b>	<b>P34,000,000</b>	<b>P4,000,001</b>	<b>P-</b>	<b>P76,060,801</b>	<b>P-</b>	<b>P76,060,801</b>

Notes receivables from Montemar Beach Club Inc. and Philippine Communications Satellite Corporation bears interest of 4% to 7% with terms of 180 days to one year. Cash advances to Montemar Beach Club Inc., Philippine Communications Satellite Corporation and Montemar Resort Development Corp. are noninterest-bearing. All cash advances are demandable at the instance of the Group.

**PHILCOMSAT HOLDINGS CORPORATION**

*(A Subsidiary of Philippine Communications Satellite Corporation)*

**AND SUBSIDIARIES**

**Schedule C. Amounts Receivable from Related Parties which are  
Eliminated during the Consolidation of Financial Statements**

December 31, 2019

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
Philcomsat Management Enterprises, Inc	P630,332	P8,185	P-	P-	P638,517	P-	P638,517



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

**Schedule E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)**

December 31, 2019

Name of related party	Balance at Beginning of Period	Balance at End of Period
Not applicable		

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

**Schedule F. Guarantees of Securities and Other Issues**  
**December 31, 2019**

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which Statement is Filed	Nature of Guarantee
		Not applicable		

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

**Schedule G. Capital Stock**

December 31, 2019

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding at shown under related Statement of Financial Position	Number of Shares Reserved for Options, Warrants, Rights	Number of Shares Held by Related Parties	Directors, Officers and Employees	Others
Common share	1,000,000,000	996,391,254	—	796,595,690	100,107,143	99,688,421

**PHILCOMSAT HOLDINGS CORPORATION**

*(A Subsidiary of Philippine Communications Satellite Corporation)*

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR  
DIVIDEND DECLARATION**

**DECEMBER 31, 2019**

	Amount
Unappropriated retained earnings, beginning of the year	P429,585,301
Adjustments in previous year's reconciliation	(993,306)
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning of the year	428,591,995
Net income during the period closed to retained earnings	19,891,426
Reclassification of cumulative fair value changes of equity instruments measured at FVOCI sold from other comprehensive income	4,742,985
Movement in deferred tax liability	(750,417)
<b>TOTAL RETAINED EARNINGS, END OF THE YEAR AVAILABLE FOR DIVIDEND</b>	<b>P452,475,989</b>

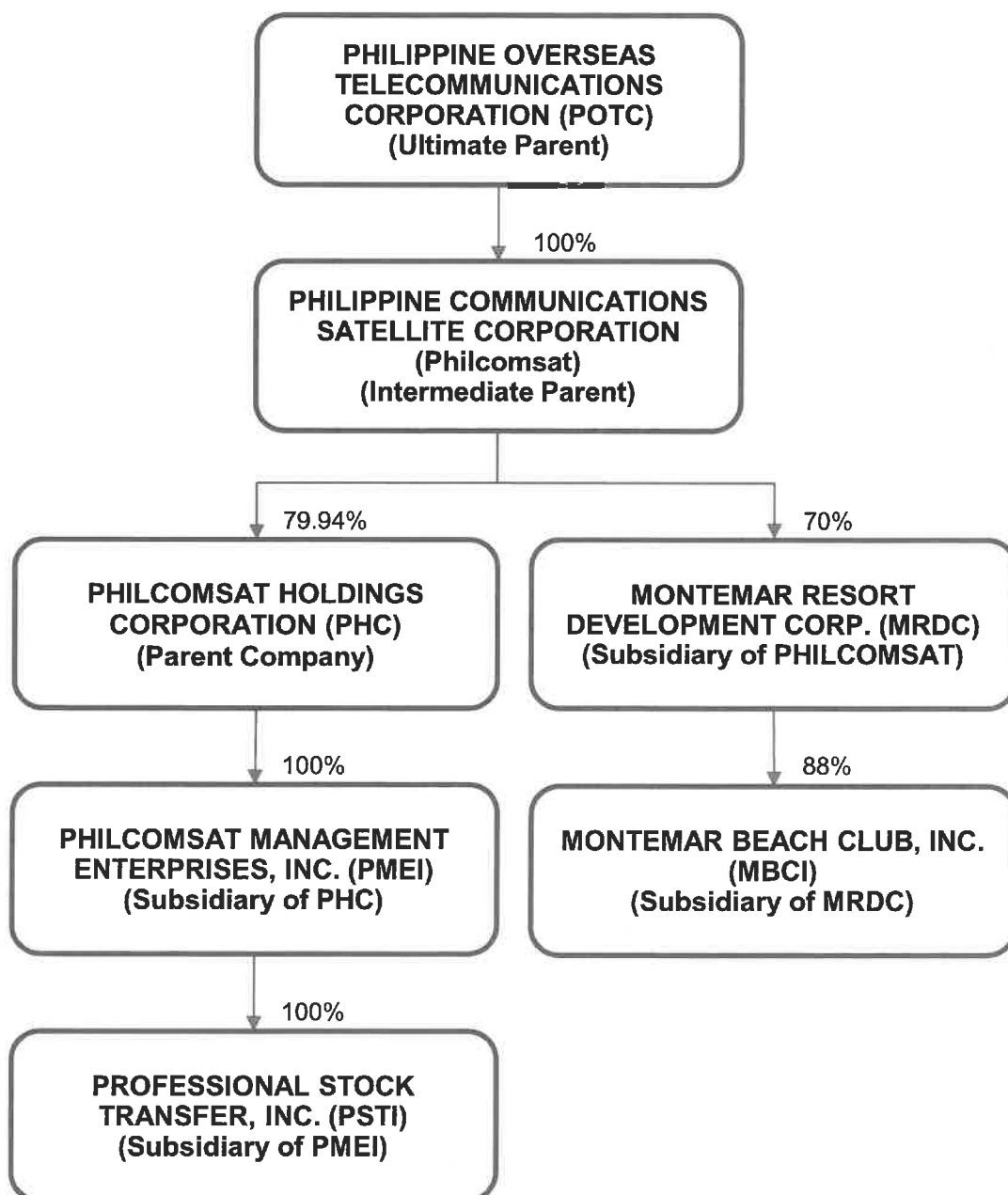
Reconciliation:	Amount
Unappropriated retained earnings at end of period as shown in the separate financial statements	P454,219,712
Unrealized foreign exchange gain - net	(1,743,723)
<b>TOTAL RETAINED EARNINGS, END OF THE YEAR AVAILABLE FOR DIVIDEND</b>	<b>P452,475,989</b>

*See accompanying Notes to Financial Statements.*

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

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**Map Showing the Relationships Between and Among the Companies  
in the Group, its Ultimate Parent Company and Co-Subsidiaries**  
DECEMBER 31, 2019





**Mendoza Querido & Co.**

16<sup>th</sup> Floor, The Salcedo Towers  
169 H.V. de la Costa St., Salcedo Village  
Makati City 1227 Philippines

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[www.mqc.com.ph](http://www.mqc.com.ph)

PRC/BOA Accreditation No. 0966  
October 20, 2017, valid until  
September 7, 2020  
SEC Accreditation No. 0966-SEC (Group A)  
March 2, 2017, valid until  
April 29, 2021

**INDEPENDENT AUDITORS' REPORT ON  
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors  
Philcomsat Holdings Corporation and Subsidiaries  
12<sup>th</sup> 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 and Subsidiaries (the Group) as at and for the year ended December 31, 2019, and have issued our report thereon dated June 9, 2020. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at and for the year ended December 31, 2019 and no material exceptions were noted.

For the Firm: **MENDOZA QUERIDO & CO.**

**RICHARD S. QUERIDO**

Partner

CPA Certificate No. 84807

SEC Accreditation No. 1319-AR-1 (Group A),

March 2, 2017, valid until March 1, 2020

(extended per SEC MC No. 20 Series of 2019)

Tax Identification No. 102-094-633

BIR Accreditation No. 08-002617-002-2019,

January 21, 2019, valid until January 20, 2022

PTR No. 8148102, January 18, 2020, Makati City

June 9, 2020

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

**Schedule of Financial Soundness Indicators**  
**December 31, 2019 and 2018**

Ratio	Formula	2019	2018
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	57.71:1 P438,138,412 7,592,715	41.43:1 P429,779,707 10,374,816
Acid test ratio	$\frac{\text{Current assets} - \text{inventory} - \text{prepayments}}{\text{Current liabilities}}$	57.71:1 P438,138,412 7,592,715	41.42:1 P429,762,773 10,374,816
Solvency ratio	$\frac{\text{Net income before depreciation and amortization}}{\text{Total liabilities}}$	0.72:1 P21,978,236 26,729,912	3.18:1 P95,313,117 30,019,233
Debt-to-equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	0.02:1 P26,729,912 1,452,402,008	0.02:1 P30,019,233 1,388,796,985
Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	1.02:1 P1,479,131,920 1,452,402,008	1.02:1 P1,418,816,218 1,388,796,985
Interest rate coverage ratio	$\frac{\text{Operating EBITDA}}{\text{Net Interest}}$	NA	NA
Return on equity	$\frac{\text{Net income}}{\text{Average total equity}}$	1% P20,618,001 1,420,599,497	7% P93,809,987 1,365,800,429
Return on assets	$\frac{\text{Net income}}{\text{Average total assets}}$	1% P20,618,001 1,448,974,069	7% P93,809,987 1,396,529,095
Net profit margin	$\frac{\text{Net income}}{\text{Total revenue}}$	35% P20,618,001 58,291,926	193% P93,809,987 48,622,831

# 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   S u b s i d i a r y   o f

P h i l i p p i n e   C o m m u n i c a t i o n s

S a t e l l i t e   C o r p o r a t i o n

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 F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

### COMPANY INFORMATION

Company's Email Address

postmaster@phc.com.ph

Company's Telephone Number/s

(02)8815-8406

Mobile Number

No. of Stockholders

1174

Annual Meeting  
Month/Day

3rd Monday of November

Fiscal Year  
Month/Day

December 31

### CONTACT PERSON INFORMATION

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

Name of Contact Person

Miss Erlinda I. Bildner

Email Address

Telephone Number/s

(02)8815-8406

Mobile Number

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 of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



# PHILCOMSAT HOLDINGS CORPORATION

12F Telecom Plaza 316 Sen. Gil Puyat Ave. 1200 City of Makati, Philippines  
Tel.No.: 8815-8406; Fax No.: 8816-2517 www.phc.com.ph

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

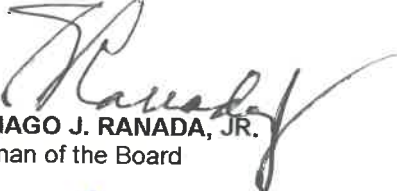
The Management of Philcomsat Holdings Corporation (the Parent Company) is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein, for the years ended December 31, 2019, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Parent Company'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 Parent Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Parent Company's financial reporting process.

The Board of Directors reviews and approves the separate financial statements including the schedules attached therein, and submits the same to the stockholders.

Mendoza Querido & Co. and Reyes Tacandong & Co., the independent auditors appointed by the stockholders, have audited the separate financial statements in accordance with Philippine Standards on Auditing, and in its report to the stockholders have expressed its opinion on the fairness of presentation upon completion of such audit.



**SANTIAGO J. RANADA, JR.**  
Chairman of the Board



**KATRINA C. PONCE-ENRILE**  
President



**ERLINDA I. BILDNER**  
Treasurer

Signed this 9th day of June 2020

**SUBSCRIBED AND SWORN** to before me this  
affiants exhibiting to me the following:

**JUN 11 2020**  
day of **JUN 11 2020** 2020 in Makati City,

<u>Name</u>	<u>Government ID No.</u>	<u>Place/Date of Issue</u>
Santiago J. Ranada Jr.	[REDACTED]	[REDACTED]
Katrina C. Ponce Enrile	[REDACTED]	[REDACTED]
Erlinda I. Bildner	[REDACTED]	[REDACTED]

Doc No. 206  
Page No. 44  
Book No. 11  
Series of 2020

**JUN 11 2020**



**ATTY. HENRY D. ADASA**  
NOTARY PUBLIC, UNTIL DEC. 31, 2020  
NOTARIAL COMMISSION 2020-162 MLA  
IBP NO. 100920 - 01/03/2020, PASIG  
PTR NO. 9124057 - 01/03/2020 MLA  
ROLL NO. 29679, TIN: 172-528-620  
MCLE COMPL. NO. VII-0000165



**Mendoza Querido & Co.**

16<sup>th</sup> Floor, The Salcedo Towers  
169 H.V. de la Costa St., Salcedo Village  
Makati City 1227 Philippines

T +63 2 887 1888

[www.mqc.com.ph](http://www.mqc.com.ph)

PRC/BOA Accreditation No. 0966  
October 20, 2017, valid until  
September 7, 2020  
SEC Accreditation No. 0966-SEC (Group A)  
March 2, 2017, valid until  
April 29, 2021

**SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR**

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

We have audited the separate financial statements of Philcomsat Holdings Corporation (a subsidiary of Philippine Communications Satellite Corporation) [the Company] for year ended December 31, 2019, on which we have rendered the attached report dated June 9, 2020.

In compliance with the Revised Securities Regulation Rule 68, we are stating that the said Company has total number of one thousand one hundred fifty-two (1,152) stockholders owning one hundred (100) or more shares each.

For the Firm: **MENDOZA QUERIDO & CO.**

**RICHARD S. QUERIDO**

Partner

CPA Certificate No. 84807

SEC Accreditation No. 1319-AR-1 (Group A),

March 2, 2017, valid until March 1, 2020

(extended per SEC MC No. 20 Series of 2019)

Tax Identification No. 102-094-633

BIR Accreditation No. 08-002617-002-2019,

January 21, 2019, valid until January 20, 2022

PTR No. 8148102, January 18, 2020, Makati City

June 9, 2020

**Mendoza Querido & Co.**

16<sup>th</sup> Floor, The Salcedo Towers  
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March 2, 2017, valid until  
April 29, 2021

**INDEPENDENT AUDITORS' REPORT**

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

**Report on the Audit of the Separate Financial Statements***Opinion*

We have audited the separate financial statements of Philcomsat Holdings Corporation (a subsidiary of Philippine Communications Satellite Corporation) [the Company], which comprise the separate statement of financial position as at December 31, 2019 and the separate statement of income, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

*Basis for Opinion*

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company 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 our audit of the separate 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.

*Other Matters*

The separate financial statements of the Company as at December 31, 2018 and 2017 were audited by another auditor whose report dated April 4, 2019 expressed an unqualified opinion on the separate financial statement.

## *Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements*

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

In preparing the separate financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

## *Auditors' Responsibilities for the Audit of the Separate Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the separate 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate 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 Company to express an opinion on the separate financial statements. We are responsible for the direction, supervision and performance of the 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 audit.

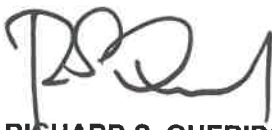
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### **Report on the Supplementary Information Required Under Revenue Regulation No. 15- 2010**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 26 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management of Philcomsat Holdings Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Richard S. Querido.

For the Firm: **MENDOZA QUERIDO & CO.**



**RICHARD S. QUERIDO**

Partner

CPA Certificate No. 84807

SEC Accreditation No. 1319-AR-1 (Group A),

March 2, 2017, valid until March 1, 2020

(extended per SEC MC No. 20 Series of 2019)

Tax Identification No. 102-094-633

BIR Accreditation No. 08-002617-002-2019,

January 21, 2019, valid until January 20, 2022

PTR No. 8148102, January 18, 2020, Makati City

June 9, 2020

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

**SEPARATE STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2019**

*(With Comparative Figures for 2018)*

*(Amounts in Philippine Pesos)*

	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 2, 3, 4, 18 and 19)	P203,536,493	P267,464,138
Receivables – current (Notes 2, 3, 5, 16, 18 and 19)	195,901,364	116,255,407
Due from related parties (Notes 2, 3, 16, 18 and 19)	13,894,316	17,886,132
Other current assets (Notes 2, 3 and 6)	1,167,806	396,073
<b>Total Current Assets</b>	<b>414,499,979</b>	<b>402,001,750</b>
<b>Noncurrent Assets</b>		
Receivables – noncurrent (Notes 2, 3, 5, 18 and 19)	37,000,000	62,000,000
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 2, 3, 7, 18 and 19)	993,268,917	922,850,176
Investment in subsidiaries (Notes 2, 3 and 8)	25,000,000	25,000,000
Right-of-use asset (ROU) (Notes 2, 3 and 12)	1,154,506	–
Property and equipment (Notes 2, 3 and 10)	69,835	155,211
<b>Total Noncurrent Assets</b>	<b>1,056,493,258</b>	<b>1,010,005,387</b>
	<b>P1,470,993,237</b>	<b>P1,412,007,137</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and statutory payables (Notes 2, 3, 11, 18 and 19)	P653,422	P4,987,549
Customers' deposits (Notes 2, 3, 12, 18 and 19)	1,237,874	1,237,874
Lease liability (Notes 2, 3, 12, 18 and 19)	1,217,321	–
Income tax payable (Notes 2 and 15)	–	25,125
<b>Total Current Liabilities</b>	<b>3,108,617</b>	<b>6,250,548</b>
<b>Noncurrent Liabilities</b>		
Deposit for future stock subscription (Notes 2 and 16)	18,894,000	18,894,000
Deferred tax liability (Notes 2 and 15)	–	750,417
<b>Total Noncurrent Liabilities</b>	<b>18,894,000</b>	<b>19,644,417</b>
<b>Total Liabilities</b>	<b>22,002,617</b>	<b>25,894,965</b>
<b>Equity</b>		
Share capital (Notes 2 and 20)	996,391,254	996,391,254
Retained earnings (Notes 2, 7 and 20)	454,219,712	429,585,301
Other equity reserves (Notes 2, 7 and 20)	(1,620,346)	(39,864,383)
<b>Total Equity</b>	<b>1,448,990,620</b>	<b>1,386,112,172</b>
	<b>P1,470,993,237</b>	<b>P1,412,007,137</b>

See accompanying Notes to Financial Statements.

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

**SEPARATE STATEMENT OF INCOME**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

*(With Comparative Figures for 2018 and 2017)*

*(Amounts in Philippine Pesos)*

	2019	2018	2017
<b>REVENUE</b> (Notes 2 and 13)	<b>P51,502,701</b>	P41,513,799	P29,923,763
<b>COSTS AND EXPENSES</b> (Notes 2, 14 and 24)	<b>(27,505,615)</b>	(29,503,469)	(35,645,581)
<b>REALIZED LOSS ON SALE OF DEBT INSTRUMENTS MEASURED AT FVOCI</b> (Notes 2 and 7)	<b>(2,687,077)</b>	–	–
<b>UNREALIZED FOREIGN EXCHANGE GAIN (LOSS)</b> (Note 2)	<b>(2,017,103)</b>	2,501,390	(757,667)
<b>GAIN ON SALE OF INVESTMENT PROPERTY</b> (Notes 2, 9 and 13)	–	99,112,396	–
<b>GAIN ON SETTLEMENT OF LOAN RECEIVABLE</b> (Notes 2, 5 and 13)	–	–	151,250,000
<b>INCOME BEFORE INCOME TAX</b>	<b>19,292,906</b>	113,624,116	144,770,515
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Notes 2, 3 and 15)			
Current	151,897	19,248,514	27,911,975
Deferred	(750,417)	750,417	–
	<b>(598,520)</b>	19,998,931	27,911,975
<b>NET INCOME</b>	<b>P19,891,426</b>	P93,625,185	P116,858,540
<b>EARNINGS PER SHARE</b> (Notes 2 and 17)	<b>P0.0200</b>	P0.0940	P0.1173

*See accompanying Notes to Financial Statements.*

**PHILCOMSAT HOLDINGS CORPORATION**  
**(A Subsidiary of Philippine Communications Satellite Corporation)**  
**SEPARATE STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
*(With Comparative Figures for 2018 and 2017)*  
**(Amounts in Philippine Pesos)**

	2019	2018	2017
<b>NET INCOME</b>	<b>P19,891,426</b>	P93,625,185	P116,858,540
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b> (Notes 2 and 7)			
<i>Items that may be reclassified to profit or loss</i>			
Unrealized gain (loss) on debt instruments at FVOCI	26,302,694	(19,051,016)	–
Unrealized gain on available-for-sale (AFS) financial assets	–	–	23,273,043
Reversal of fair value changes of AFS financial assets sold	–	–	(1,563,412)
<i>Items that may not be reclassified to profit or loss</i>			
Unrealized gain (loss) on equity instruments at FVOCI	13,997,251	(26,777,834)	–
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P60,191,371</b>	P47,796,335	P138,568,171

*See accompanying Notes to Financial Statements.*

**PHILCOMSAT HOLDINGS CORPORATION**  
**(A Subsidiary of Philippine Communications Satellite Corporation)**  
**SEPARATE STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
*(With Comparative Figures for 2018 and 2017)*  
**(Amounts in Philippine Pesos)**

	2019	2018	2017
<b>SHARE CAPITAL</b> – P1 par value (Notes 2 and 20)			
Authorized – 1,000,000,000 shares			
Issued – 996,391,254 shares	<b>P996,391,254</b>	P996,391,254	P996,391,254
<b>RETAINED EARNINGS</b> (Notes 2, 7 and 20)			
Balance at beginning of year	<b>429,585,301</b>	337,757,924	220,899,384
Net income	<b>19,891,426</b>	93,625,185	116,858,540
Reclassification of cumulative fair value changes of equity instruments measured at FVOCI sold from other comprehensive income	<b>4,742,985</b>	(588,773)	–
Realized loss on sale of equity instruments measured at FVOCI	–	(1,209,035)	–
Balance at end of year	<b>454,219,712</b>	429,585,301	337,757,924
<b>OTHER EQUITY RESERVES</b> (Notes 2, 7 and 20)			
Balance at beginning of year	<b>(39,864,383)</b>	5,375,694	(16,333,937)
Unrealized gain (loss) for the year	<b>40,299,945</b>	(45,828,850)	23,273,043
Reclassification of cumulative fair value changes of debt instruments measured at FVOCI sold to profit or loss	<b>2,687,077</b>	–	–
Reclassification of cumulative fair value changes of equity instruments measured at FVOCI sold to retained earnings	<b>(4,742,985)</b>	588,773	–
Reversal of fair value changes of AFS financial assets sold	–	–	(1,563,412)
Balance at end of year	<b>(1,620,346)</b>	(39,864,383)	5,375,694
<b>TOTAL EQUITY</b>	<b>P1,448,990,620</b>	P1,386,112,172	P1,339,524,872

See accompanying Notes to Financial Statements.

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

**SEPARATE STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

*(With Comparative Figures for 2018 and 2017)*

**(Amounts in Philippine Pesos)**

	2019	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>P19,292,906</b>	P113,624,116	P144,770,515
Adjustments for:			
Realized loss on sale of debt instruments measured at FVOCI (Note 7)	<b>2,687,077</b>	–	–
Depreciation (Note 10)	<b>1,239,882</b>	1,500,220	4,371,111
Interest expense (Note 12)	<b>111,397</b>	–	–
Gain on sale of investment property (Note 9)	–	(99,112,396)	–
Gain on settlement of loans receivable (Note 5)	–	–	(151,250,000)
Gain on sale of AFS financial assets (Note 7)	–	–	(401,831)
Reversal of impairment of input value added tax (VAT) (Note 14)	–	–	(69,413)
Operating income (loss) before working capital changes	<b>23,331,262</b>	16,011,940	(2,579,618)
Decrease (increase) in:			
Receivables (Note 5)	<b>3,354,043</b>	(1,926,628)	342,081
Other current assets (Note 6)	<b>(150,861)</b>	773,684	8,031
Increase (decrease) in:			
Trade and statutory payables (Note 11)	<b>(4,334,127)</b>	2,340,801	1,524,486
Customers' deposits (Note 12)	–	(3,163,200)	3,163,200
Net cash generated from operations	<b>22,200,317</b>	14,036,597	2,458,180
Collection of notes and loans receivable (Note 5)	<b>7,000,000</b>	141,211,954	151,250,000
Acquisitions of:			
Financial assets at FVOCI and AFS financial assets (Note 7)	<b>(319,570,578)</b>	(116,937,793)	(160,235,044)
Notes and loans receivable (Note 5)	<b>(65,000,000)</b>	(67,500,000)	(52,466,588)
Short-term investments	–	–	(56,613)
Proceeds from redemption and maturity of:			
Financial assets at FVOCI and AFS financial assets (Note 7)	<b>289,451,782</b>	26,370,236	87,066,685
Short-term investments	–	7,441,238	–
Income tax paid	<b>(797,894)</b>	(19,071,257)	(26,655,645)
Net cash provided by (used in) operating activities	<b>(66,716,373)</b>	(14,449,025)	1,360,975
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Collections of due from related properties (Note 16)	<b>3,991,816</b>	–	5,000,000
Proceeds from sale of investment property (Note 9)	–	201,388,000	–
Additions to property and equipment (Note 10)	–	(7,001)	(290,680)
Net cash provided by investing activities	<b>3,991,816</b>	201,380,999	4,709,320
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of:			
Lease liability (Notes 12 and 21)	<b>(1,091,691)</b>	–	–
Interest on lease liability (Note 12)	<b>(111,397)</b>	–	–
Net cash used in financing activities	<b>(1,203,088)</b>	–	–

Forward

	2019	2018	2017
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(63,927,645)</b>	186,931,974	6,070,295
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>267,464,138</b>	80,532,164	74,461,869
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>P203,536,493</b>	P267,464,138	P80,532,164
<b>NONCASH FINANCIAL INFORMATION</b>			
Initial recognition of right-of-use asset relating to lease of office space (Note 12)	<b>P2,309,012</b>	P-	P-
Initial recognition of lease liability (Note 12)	<b>(2,309,012)</b>	-	-
	<b>P-</b>	P-	P-

*See accompanying Notes to Financial Statements.*

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

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**NOTES TO SEPARATE FINANCIAL STATEMENTS**

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**1. General Information**

Corporate Information

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

On July 23, 1997, the SEC approved the amended Articles of Incorporation of the Company consisting of: a) change in its primary purpose from 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.

The Company started operations as a holding company on January 1, 2000. The Company derives income from money market placements, bank deposits, financial assets at FVOCI and other investments.

On May 9, 2006, the SEC approved the extension of corporate life for another fifty (50) years.

On May 23, 2016, the Company's Board of Directors (BOD) confirmed and ratified its previous resolution increasing the authorized capital stock of the Company from P1.0 billion, divided into 1,000,000,000 shares with par value of P1 per share, to P3.0 billion, divided into 3,000,000,000 shares with par value of P1 per share. As at report date, the resolution is awaiting ratification by the stockholders and pending application with SEC.

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

Listing of Shares in Philippine Stock Exchange (PSE)

The Company's original 60 million shares are listed and used to be traded in the PSE.

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

On April 1, 2014, the 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 Company to file an updated Registration Statement.

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

#### Approval of the Separate Financial Statements

The separate financial statements of the Company as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 were approved and authorized for issue by the BOD on June 9, 2020.

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## **2. Summary of Significant Accounting Policies**

### Basis of Preparation

The separate financial statements of the Company have been prepared in compliance with 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 separate 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 separate financial statements of the Company have been prepared on the historical cost basis, except for 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 Company 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 separate 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 prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

Fair values of financial assets at FVOCI, investment property and financial assets and liabilities are disclosed in Notes 7, 9 and 19, respectively.

#### Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, "*Leases*"

PFRS 16 replaced PAS 17, "*Leases*", IFRIC 4, "*Determining whether an Arrangement contains a Lease*", SIC-15, "*Operating Leases – Incentives*", and SIC-27, "*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*". PFRS 16 requires lessees to account for all leases under a lease accounting model under which all major leases are recognized on-balance sheet similar to the accounting for finance leases under PAS 17. The new accounting standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard provides two recognition exemptions for lessees – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, the lessee should recognize a liability and an asset representing the right to use the underlying asset during the lease term. The lessee is required to recognize the interest on the lease liability and to amortize the ROU asset.

The lease liability should be reviewed when there are changes in the lease term and other events affecting the lease, such as future lease payments resulting from a change in the index or rate used to determine those payments. The remeasurement of the lease liability should be recognized as an adjustment to the ROU asset.

Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. The lessor should continue to classify leases using the same classification principle as in PAS 17 to distinguish the two types of leases: operating and finance leases.

Prior to adoption of PFRS 16, the Company classified its lease of office space as operating lease under PAS 17. The lease contract expired on December 31, 2018 and was renewed on January 1, 2019. Accordingly, no adjustment on beginning retained earnings and the comparative information presented in 2018 separate financial statements have not been restated.

The accounting policies applicable to the Company as a lessor are not different from those under PAS 17. As such, PFRS 16 has no impact for leases where the Company acts as a lessor.

- Amendments to PFRS 9, "*Financial Instruments – Prepayment Features with Negative Compensation*"

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through OCI, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the separate financial statements of the Company.

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

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

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

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

The amendments had no impact on the separate financial statements of the Company as it did not have any plan amendments, curtailment, or settlement during the period.

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

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

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

These amendments had no impact on the Company's separate financial statements as it did not have investments in associates and joint ventures.

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

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

The interpretation specifically addresses the following:

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

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Based on the Company's assessment, it has no material uncertain tax treatments. Accordingly, the adoption of this Interpretation has no significant impact on the separate financial statements.

#### *Annual Improvements to PFRSs 2015-2017 Cycle*

- Amendments to PFRS 3 and PFRS 11, "*Previously Held Interest in a Joint Operation*"

The amendments clarify that, when an entity obtains control of a business that is joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the asset and liabilities of joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

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

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the separate financial statements of the Company as there is no transaction where joint control is obtained.

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

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

The amendments are currently not applicable to the Company and will apply only to any future dividends.

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

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

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

The amendments are currently not applicable to the Company since the Company has no borrowings.

#### New Accounting Standards, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2019

The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2019 are disclosed below. Except as otherwise indicated, the Company does not expect the adoption of the applicable new and amended PFRS to have a significant impact on the financial position or performance.

#### *Effective beginning on or after January 1, 2020*

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

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

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

The amendments will apply on future business combinations of the Company, if any.

- Amendments to PAS 1 and PAS 8, "*Definition of Material*"

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

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

The adoption of these amendments is not expected to have significant impact on the separate financial statements.

*Effective beginning on or after January 1, 2021*

- PFRS 17, "*Insurance Contracts*"

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

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

- A specific adaption for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

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

The amendments are not applicable to the Company since the Company does not have activities that are predominantly connected with insurance or issue insurance contracts.

*Deferred Effectivity*

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, "*Business Combinations*". Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the FSRC deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

These amendments may apply to future transactions of the Company.

#### *No Mandatory Effective Date*

- PFRS 9, "Financial Instruments (Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39)"

The amendments require the inclusion of general hedge accounting model in the notes disclosure to the financial statements. The amendments allow early adoption of the requirement to present fair value changes due to own credit on liabilities designated as at fair value through profit or loss (FVPL) to be presented in the other comprehensive income.

These amendments are not applicable to the Company and expected not to have impact on the separate financial statements.

#### *Current versus Noncurrent Classification*

The Company presents assets and liabilities in the separate statement of financial position based on current or noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

Deferred income tax assets are classified as noncurrent assets.

#### *Financial Assets and Liabilities*

##### *Date of Recognition*

The Company recognizes a financial asset or a financial liability in the separate statement 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 Company 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 Company 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 Company determines the appropriate method of recognizing the "Day 1" difference.

#### *Classification*

The Company 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 Company's business model and its contractual cash flow characteristics.

#### *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 Company 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 Company 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.

The Company does not have financial assets at FVPL as at December 31, 2019 and 2018.

#### *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, 2019 and 2018, the Company's cash and cash equivalents, receivables (excluding advances subject to liquidation) and due from related parties are classified under this category (see Notes 4, 5 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 Company 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 separate statement 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, 2019 and 2018, the Company designated its investments in quoted bonds, quoted shares of stocks, UITF and club membership as financial assets at FVOCI (see Note 7).

#### *Financial Liabilities at FVPL*

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the separate statement of comprehensive income.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Company has not designated any financial liability as at FVPL.

The Company does not have financial liabilities at FVPL as at December 31, 2019 and 2018.

#### *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 Company 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, 2019 and 2018, the Company's trade payables and customers' deposits are classified under this category (see Notes 11 and 12).

#### *Reclassification*

The Company 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.

*Impairment of Financial Assets at Amortized Cost and FVOCI*

The Company 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 Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

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

When the Company 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 Company'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 Company 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 separate statement 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 Company 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 separate statement 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 separate statement 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 separate statement 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 Company; 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 Company 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 Company'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 Tax*

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 Company 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 Company's current VAT liability.

### *Prepayments*

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

### Investment in Subsidiaries

The Company's investment in subsidiaries, entity over which the Company has control, is accounted for under the cost method of accounting in the separate financial statements. In assessing control, the 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. These are carried in the separate statement of financial position at cost less any impairment in value.

Investment in subsidiaries is derecognized upon sale or disposal. Any gain or loss arising from derecognition, computed as the difference between proceeds from the disposal and the carrying amount of the investment sold, is recognized in the separate statement of comprehensive income at the time of sale or disposal.

### 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 Company'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 Company accounts for such property in accordance with the policy stated under property 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

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.

#### Impairment of Nonfinancial Assets

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

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

#### Deposit for Future Subscription

Deposit for future stock subscription represents the amount received by the 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 Equity Reserves*

Other equity reserves comprise of items of income and expense that are not recognized in profit or loss in accordance with PFRS. Other equity reserves of the Company pertains to cumulative unrealized gains on financial assets at FVOCI.

#### 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 Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company 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 Company gives the lessee the right to use the leased property.

*Gain on Sale of Financial and Nonfinancial assets*

Gain on sale of financial assets at FVOCI, 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 when a decrease in future economic benefit related to a decrease in an asset or an increase of liability has arisen and can be measured reliably. Costs and expenses are recognized in the profit or loss in the period these are incurred.

Leases

*Accounting policies beginning January 1, 2019*

The Company assesses whether the contracts are, or contain, a lease. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, it has both of the following:

- i. the right to obtain substantially all of the economic benefits from use of the identified asset; and,
- ii. the right to direct the use of the identified asset.

If the Company has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Company also assesses whether a contract contains a lease for each potential separate lease component.

*The Company as a Lessee*

At the commencement date, the Company recognizes ROU asset and lease liability for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

*ROU Asset*

At commencement date of the lease contract, the Company measures ROU asset at cost. The initial measurement of ROU asset includes the following:

- the amount of the initial measurement of lease liabilities;
- lease payments made at or before the commencement date less any lease incentives received;
- initial direct costs; and
- an estimation of costs to be incurred by the Company in dismantling and removing the underlying asset, when applicable.

After the commencement date, the ROU asset is carried at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the related lease liability. The ROU asset is amortized over the lease term.

#### *Lease Liability*

At commencement date, the Company measures a lease liability at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of a lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liability is also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

#### *Accounting policies prior to January 1, 2019*

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after the inception of the lease only if one of the following applies:

- a. there is a change in the contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or an 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.

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

*The Company as a Lessor*

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

*The Company as a Lessee*

The Company 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.

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 Company; (2) associates; and (3) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

The key management personnel of the Company and post-employment benefit plan for the benefit of Company'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 by dividing net income over the 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 Company 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 Company expects a provision to be reimbursed, the reimbursement is recognized as an asset in the separate statement of financial position but only when the receipt of the reimbursement is virtually certain.

#### Contingencies

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

#### Events After the Reporting Period

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

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

The preparation of the Company's separate 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 Company's policies, the Company has made certain judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the separate financial statements.

#### *Establishing Control Over Investment in a Subsidiary*

The Company determines that it has control over its subsidiary 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 Company's voting rights and potential voting rights.

#### *Classifying Financial Instruments*

The Company exercises judgment in classifying financial instruments in accordance with PFRS 9. The Company 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 Company'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 Company's separate statement of financial position.

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

#### *Distinguishing Investment Properties and Owner-occupied Properties*

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

*Determining Classification of Lease Arrangements and Appropriate Lease Term and Discount Rates*

The Company has entered into lease agreements as a lessor and lessee. Until December 31, 2018, the Company accounted for its lease agreements as operating lease.

Critical judgment was exercised by the Company 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.

On January 1, 2019, the Company's lease agreement of its office space was renewed and it qualified as leases under PFRS 16.

Lease liability and ROU asset were recognized. Payments of lease liability is allocated over the principal liability and finance costs. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of liability for each year. The ROU asset is depreciated over the lease term on a straight-line basis.

The lease of office space is renewable upon mutual agreement by both parties to be covered by a separate and new lease agreement. Accordingly, the renewal option was not considered in the lease term for purposes of the adoption of PFRS 16.

Significant management judgment was likewise exercised by the Company in determining the discount rate, whether implicit rate, if readily available or incremental rate, to be used in calculating the present value of ROU asset and lease liability.

Reassessments are made on a continuing basis whether changes should be reflected on the amount of lease liability due to circumstances affecting lease payments and discount rates.

*Assessing Provisions and Contingencies*

The Company 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 Company 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 Company 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 2019, 2018 and 2017. The carrying amounts of financial assets at amortized cost and FVOCI are as follows:

	2019	2018
Cash and cash equivalents*	<b>P203,526,493</b>	P267,454,138
Receivables**	<b>232,724,210</b>	176,870,519
Due from related parties	<b>13,894,316</b>	17,886,132
Investment in quoted bonds measured at FVOCI	<b>993,268,917</b>	597,081,460

\*excluding cash on hand amounting to P10,000 as at December 31, 2019 and 2018.

\*\*excluding advances subject to liquidation totaling P177,154 and P1,384,888 as at December 31, 2019 and 2018, respectively.

#### *Determining Fair Value of Financial Assets at FVOCI*

The Company carries financial assets at FVOCI at fair value in the separate statement of financial position. Determining the fair value of financial assets at FVOCI requires extensive use of accounting estimates and judgment. The Company determined the fair values of financial assets at 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 other comprehensive income.

The fair value of financial assets at FVOCI amounted to P993.3 million and P922.9 million as at December 31, 2019 and 2018, respectively (see Note 7 and 19).

#### *Estimating Useful Lives of Investment Property and Property and Equipment*

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

The investment property was sold in 2018 (see Note 9).

The carrying amount of the property and equipment amounted to P69,835 and P155,211 as at December 31, 2019 and 2018, respectively (see Note 10).

#### *Estimating Impairment Losses on Nonfinancial Assets*

An impairment review is performed when certain impairment indicators are present. The Company 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 Company 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 2019, 2018 and 2017.

The carrying amounts of nonfinancial assets are as follows:

	2019	2018
Investment in a subsidiary	<b>P25,000,000</b>	P25,000,000
ROU asset	<b>1,154,506</b>	–
Advances subject to liquidation	<b>177,154</b>	1,384,888
Property and equipment	<b>69,835</b>	155,211
Other current assets	<b>1,167,806</b>	396,073

*Assessing Recoverability of Deferred Tax Assets*

The Company'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 Company's past results and future expectations on revenue and expenses.

The Company did not recognize its deferred tax assets amounting to P4.7 million and P4.3 million as at December 31, 2019 and 2018, respectively because the 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 15).

**4. Cash and Cash Equivalents**

This account consists of:

	2019	2018
Cash on hand and in banks	<b>P31,493,828</b>	P16,320,729
Cash equivalents	<b>172,042,665</b>	251,143,409
	<b>P203,536,493</b>	P267,464,138

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 Company, and earn interest at prevailing special savings and time deposits rates.

Interest income earned from cash in banks and cash equivalents amounted to P8.9 million in 2019, P8.6 million in 2018 and P1.4 million in 2017 (see Note 13).

**5. Receivables**

This account consists of:

	2019	2018
Notes and loans receivable		
Promissory notes issued by various financial institutions	<b>P134,966,588</b>	P66,966,588
Corporate notes (Note 16)	<b>93,805,002</b>	103,805,002
Interest receivable	<b>3,795,085</b>	5,744,088
Advances subject to liquidation	<b>177,154</b>	1,384,888
Dividend receivable	<b>157,535</b>	214,825
Others	–	140,016
<i>Forward</i>	<b>232,901,364</b>	178,255,407

	2019	2018
Less noncurrent portion	(37,000,000)	(62,000,000)
Current portion of receivables	<b>P195,901,364</b>	P116,255,407

The Company did not recognize any provision for ECL on receivables in 2019, 2018 and 2017.

#### Notes and Loans Receivable

##### *Corporate Notes*

Corporate notes outstanding as at December 31, 2019 and 2018 pertain to short-term corporate promissory notes issued by various entities, with terms of thirty-five days up to one year and earn interest ranging from 5.5% to 11.0% 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 4% to 7% per annum.

Interest income earned from corporate notes and promissory notes issued by various financial institutions amounted to P10.9 million in 2019, P4.8 million in 2018 and P6.7 million in 2017 (see Note 13).

##### *Loan to Araneta*

The Company had a loan to Araneta amounting to P125.0 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 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 Company received P525.0 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 P125.0 million was reversed in 2016.

Proceeds in excess of the loan and interest receivable amounting to P340.6 million in 2016, net of legal and other costs of collection shouldered by the Company amounting to P67.6 million, were recorded as a gain on settlement of loan receivable of P273.0 million in 2016.

The Company received the final settlement of loan adjustment amounting to P175.0 million, inclusive of VAT, in 2017. Proceeds amounting to P156.3 million, net of legal fees related to the collection amounting to P5.0 million, were recorded as a gain on settlement of loan receivable of P151.3 million in 2017.

##### *Advances Subject to Liquidation*

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

## 6. Other Current Assets

This account consists of:

	2019	2018
Creditable withholding tax	P620,872	P-
Input VAT	546,934	379,139
Prepaid insurance	-	16,934
	<b>P1,167,806</b>	<b>P396,073</b>

## 7. Financial Assets at FVOCI

This account consists of:

	2019	2018
Investments in:		
Quoted bonds	P668,970,226	P597,081,460
Quoted shares of stocks	215,308,854	203,301,266
UITFs	103,889,837	119,697,450
Club memberships	5,100,000	2,770,000
	<b>P993,268,917</b>	<b>P922,850,176</b>

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

	2019	2018	2017
<b>Cost</b>			
Balance at beginning of year	P962,714,559	P873,944,810	P800,374,620
Additions	319,570,578	116,937,793	160,235,044
Disposals	(287,395,874)	(28,168,044)	(86,664,854)
Balance at end of year	<b>994,889,263</b>	<b>962,714,559</b>	<b>873,944,810</b>
<b>Cumulative Unrealized Gain (Loss)</b>			
Balance at beginning of year	(39,864,383)	5,375,694	(16,333,937)
Unrealized fair value gain (loss) during the year	40,299,945	(45,828,850)	23,273,043
Reclassification of cumulative fair value changes of debt instruments measured at FVOCI sold to profit or loss	2,687,077	-	-
Reclassification of cumulative fair value changes of equity instruments measured at FVOCI sold to retained earnings	(4,742,985)	588,773	-
Reversal of fair value changes of AFS financial assets sold	-	-	(1,563,412)
Balance at end of year	<b>(1,620,346)</b>	<b>(39,864,383)</b>	<b>5,375,694</b>
<b>Carrying amount</b>	<b>P993,268,917</b>	<b>P922,850,176</b>	<b>P879,320,504</b>

Interest income earned from financial assets at FVOCI amounted to P23.9 million in 2019, P16.5 million in 2018 and P16.0 million in 2017 (see Note 13).

Dividend income earned from financial assets at FVOCI amounted to P7.7 million in 2019, P6.8 million in 2018 and P4.4 million in 2017 (see Note 13).

Realized loss on sale of debt instruments at FVOCI recognized directly to profit or loss amounted to P2.7 million in 2019 and nil in 2018.

Realized gain (loss) on sale of equity instruments at FVOCI recognized directly to retained earnings amounted to P4.7 million in 2019 and P0.6 million in 2018.

Gain on sale of AFS financial assets amounted to P0.4 million in 2017 (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 2019, 2018 and 2017.

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## 8. Investment in a Subsidiary

This account pertains to investment in shares of stock of Philcomsat Management Enterprises, Inc. (PMEI). PMEI is engaged in providing business management services. PMEI is wholly-owned subsidiary of the Company as at December 31, 2019 and 2018.

The key financial information of PMEI is as follows:

	2019	2018
Assets	<b>P33,142,164</b>	P32,457,320
Liabilities	<b>4,601,866</b>	4,580,384
Net assets	<b>28,540,298</b>	27,876,936
Net income	<b>663,362</b>	177,786

PMEI obtained control of Philippine Stock Transfer, Inc. (PSTI) by acquiring 70.56 percent of the shares and voting interest in PSTI on June 2014 and the remaining 29.44 percent in December 2015. PSTI is engaged in the stock and transfer agency business. Accordingly, the Company indirectly became the Parent Company of PSTI.

PSTI and the Company do not have the same reporting periods. PSTI prepares its financial statements as at and for the fiscal year ending June 30 which is different from the Company's reporting period as at and for the calendar year ending December 31.

The key financial information of PSTI based on available financial statements (unaudited) as of and for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Assets	<b>P3,620,082</b>	P2,721,064
Liabilities	<b>763,946</b>	262,658
Net assets	<b>2,856,136</b>	2,458,405
Net income	<b>63,213</b>	(32,193)

The carrying amount of the investment in a subsidiary amounted to P25.0 million as at December 31, 2019 and 2018.

## 9. Investment Property

The Company'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, 2018.

Movements of the account are as follows:

	2019	2018
<b>Cost</b>		
Balance at beginning of year	P-	P164,772,000
Additions		-
Disposal	-	(164,772,000)
Balance at end of year	-	-
<b>Accumulated Depreciation</b>		
Balance at beginning of year	-	61,123,296
Depreciation	-	1,373,100
Disposal	-	(62,496,396)
Balance at end of year	-	-
<b>Carrying amount</b>	<b>P-</b>	<b>P-</b>

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 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 12).

Depreciation is recognized from the following:

	2019	2018	2017
ROU asset (Notes 12 and 14)	<b>P1,154,506</b>	P-	P-
Property and equipment (Notes 10 and 14)	<b>85,376</b>	127,120	52,415
Investment property (Note 14)	-	1,373,100	4,318,696
Balance at end of year	<b>P1,239,882</b>	P1,500,220	P4,371,111

Depreciation expense from the investment property is recognized as part of cost of services in 2018 and as part of general and administrative expenses in 2017 (see Note 14).

## 10. Property and Equipment

Movements in this account are as follows:

	2018	Additions	Disposals	2019
<b>Cost</b>				
Transportation equipment	P5,011,638	P-	P-	<b>P5,011,638</b>
Furniture and fixtures	3,486,626	-	-	<b>3,486,626</b>
Office equipment	508,030	-	-	<b>508,030</b>
	9,006,294	-	-	<b>9,006,294</b>
<b>Less accumulated depreciation</b>				
Transportation equipment	4,952,685	32,566	-	<b>4,985,251</b>
Furniture and fixtures	3,486,626	-	-	<b>3,486,626</b>
Office equipment	411,772	52,810	-	<b>464,582</b>
	8,851,083	85,376	-	<b>8,936,459</b>
	P155,211			<b>P69,835</b>

	2017	Additions	Disposals	2018
<b>Cost</b>				
Transportation equipment	P5,011,638	P–	P–	P5,011,638
Furniture and fixtures	3,486,626	–	–	3,486,626
Office equipment	501,029	7,001	–	508,030
	8,999,293	–	–	9,006,294
<b>Less accumulated depreciation</b>				
Transportation equipment	4,942,030	10,655	–	4,952,685
Furniture and fixtures	3,486,626	–	–	3,486,626
Office equipment	295,307	116,465	–	411,772
	8,723,963	127,120	–	8,851,083
	P275,330			P155,211

Depreciation expense from the property and equipment is recognized as part of general and administrative expenses in 2019, 2018 and 2017 (see Note 14).

Fully-depreciated property and equipment being used by the Company amounted to P8.7 million as at December 31, 2019 and 2018.

## 11. Trade and Statutory Payables

This account consists of:

	2019	2018
Trade payables	<b>P239,362</b>	P4,562,167
Statutory payables	<b>414,060</b>	425,382
	<b>P653,422</b>	P4,987,549

Trade payables are noninterest-bearing and are normally settled on a 30-day credit term.

Statutory payables pertain to expanded withholding taxes.

## 12. Lease Commitments

### The Company As a Lessee

The Company has a lease agreement with Philcomsat for its office space for a term of two years subject to renewal under mutual agreement of both parties. On January 1, 2019, the lease contract was renewed. The annual rent is subject to escalation fee of 5%.

Amounts recognized in profit and loss:

	2019	2018	2017
Depreciation on ROU asset	<b>P1,154,506</b>	P–	P–
Rent expense	–	1,241,282	1,091,228
Interest on lease liability	<b>111,397</b>	–	–
	<b>P1,265,903</b>	P1,241,282	P1,091,228

Movements in the ROU asset as at December 31, 2019 are presented below:

	<b>Amount</b>
<b>Balance as at January 1, 2019</b>	P-
<b>Additions</b>	2,309,012
<b>Depreciation (Note 14)</b>	(1,154,506)
<b>Balance as at December 31, 2019</b>	<b>P1,154,506</b>

Movements in the lease liability as at December 31, 2019 are presented below:

	<b>Amount</b>
<b>Balance as at January 1, 2019</b>	P-
<b>Additions</b>	2,309,012
<b>Interest expense (Note 14)</b>	111,397
<b>Payments</b>	(1,203,088)
<b>Balance as at December 31, 2019</b>	<b>P1,217,321</b>

Total cash outflows for the payment of lease liability amounted to P1.2 million in 2019.

The present value of the minimum lease payments for each of the following periods are as follows:

	<b>2019</b>	2018
Not later than one year	P1,217,321	P-
More than one year but not later than five years	-	-
More than five years	-	-
	<b>P1,217,321</b>	<b>P-</b>

The future minimum lease payments for each of the following periods are as follows:

	<b>2019</b>	2018
Not later than one year	P1,263,243	P-
More than one year but not later than five years	-	-
More than five years	-	-
Total minimum lease obligation	<b>1,263,243</b>	-
Less future finance charges on lease liability	<b>45,922</b>	-
	<b>P1,217,321</b>	<b>P-</b>

The Company's minimum lease payments are as follows:

December 31, 2019	<b>Minimum lease payments</b>	<b>Interest</b>	<b>Principal</b>
Not later than one year	P1,263,243	P45,922	P1,217,321
More than one year but not later than five years	-	-	-
More than five years	-	-	-
	<b>P1,263,243</b>	<b>P45,922</b>	<b>P1,217,321</b>

The Company As a Lessor

The 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 P1.0 million commencing on January 1, 2018 and ended when the Company sold the investment property in the second quarter of 2018. The Company also leased out parking slots to a certain tenant in 2018 and 2017. Rental deposit received amounting to P1.2 million and P4.4 million as at December 31, 2019 and 2018, respectively, is shown as "Customers' deposits" account in the separate statement of financial position. This will be refunded at the end of the lease term.

Rent income from the said lease amounted to nil in 2019, P4.4 million in 2018 and P0.1 million in 2017 (see Note 13).

**13. Revenue**

Disaggregation of revenue is as follows:

	2019	2018	2017
Revenue:			
Interest income	<b>P43,725,045</b>	P30,342,753	P25,024,091
Dividend income (Note 7)	<b>7,777,656</b>	6,811,846	4,372,518
Rent income (Note 12)	-	4,359,200	125,323
Gain on sale of AFS financial assets (Note 7)	-	-	401,831
	<b>P51,502,701</b>	P41,513,799	P29,923,763
Gain on sale of investment property (Note 9)	<b>P-</b>	P99,112,936	P-
Gain on settlement of loans receivable (Note 5)	<b>P-</b>	P-	P151,250,000

Interest income included in revenue as shown in the separate statement of income is earned from the following:

	2019	2018	2017
Cash and cash equivalents (Note 4)	<b>P8,879,483</b>	P8,598,725	P1,351,484
Short-term investments	-	441,238	978,423
Receivables (Note 5)	<b>10,898,378</b>	4,841,412	6,730,160
Financial assets at FVOCI (Note 7)	<b>23,947,184</b>	16,461,378	15,964,024
	<b>P43,725,045</b>	P30,342,753	P25,024,091

#### 14. Costs and Expenses

This account consists of:

	2019	2018	2017
Professional fees	<b>P10,799,510</b>	P10,761,557	P10,697,523
Taxes and licenses	<b>5,140,837</b>	977,187	1,719,404
Directors' fees (Note 16)	<b>3,550,000</b>	5,840,000	6,922,500
Representation and entertainment	<b>1,979,073</b>	3,275,659	2,869,998
Transportation and travel	<b>1,450,050</b>	1,598,037	1,114,737
Bank charges (Note 24)	<b>1,432,124</b>	26,578	2,463
Depreciation (Notes 10 and 12)	<b>1,239,882</b>	1,500,220	4,371,111
Legal fees	<b>932,169</b>	2,121,209	2,881,393
Communication, light and water (Note 24)	<b>254,838</b>	316,805	309,984
Dues and subscription	<b>171,232</b>	730,604	2,074,790
Office supplies (Note 24)	<b>138,616</b>	348,931	85,002
Interest expense (Note 12)	<b>111,397</b>	-	-
Trainings and seminars (Note 24)	<b>109,460</b>	111,413	133,654
Advertising (Note 24)	<b>37,000</b>	72,000	157,760
Insurance	<b>21,219</b>	142,825	584,256
Repairs and maintenance	<b>15,637</b>	341,130	545,884
Rent (Note 12)	-	1,241,282	1,091,228
Reversal of impairment of input vat	-	-	(69,413)
Donations and others (Note 24)	<b>122,571</b>	98,032	153,307
	<b>P27,505,615</b>	P29,503,469	P35,645,581

#### 15. Income Tax

The provision for current income tax pertains to MCIT in 2019 and RCIT in 2018 and 2017. The Company's income tax was computed using the Optional Standard Deduction (OSD) in 2018 and 2017.

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

	2019	2018	2017
Income tax at statutory rate	<b>P5,787,872</b>	P34,087,235	P43,431,155
Change in unrecognized deferred tax assets	<b>4,743,826</b>	(4,339,513)	(1,512,764)
Add (deduct) tax effects of:			
Nontaxable:			
Realized loss on sale of debt instruments measured at FVOCI	<b>806,123</b>	-	-
Difference between OSD and itemized deductions	-	(4,827,820)	(8,289,285)
Gain on sale of AFS financial assets	-	-	(120,549)
Dividend income	<b>(2,333,297)</b>	(2,043,554)	(1,311,755)
Interest income already subjected to a final tax	<b>(11,589,475)</b>	(7,651,519)	(6,399,866)
Nondeductible expenses	<b>1,986,431</b>	661,889	374,975
Expired NOLCO and MCIT	-	4,112,213	1,740,064
	<b>(P598,520)</b>	P19,998,931	P27,911,975

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

	2019	2018
NOLCO	P3,986,798	P-
Unrealized foreign exchange loss	605,131	-
MCIT	151,897	-
	<b>P4,743,826</b>	<b>P-</b>

Deferred tax assets were unrecognized as management assessed that there may be no future taxable profits against which these can be applied.

The Company recognized deferred tax liability on unrealized foreign exchange gains amounted to nil in 2019 and P0.8 million in 2018.

The Company's NOLCO amounting to P13,707,377 expired in 2018.

## 16. Related Party Transactions

The Company has transactions with related parties as follows:

Nature of Transaction	Amount of Transactions (in millions)			Outstanding Balance (in millions)	
	2019	2018	2017	2019	2018
<u>Included under "Receivables"</u>					
<i>Company under Common Control</i>					
MBCI*	Notes receivable	P20.0	P6.5	P-	P28.8
MBCI	Interest Income	2.5	0.2	1.0	-
				<b>P48.8</b>	<b>P28.8</b>
<i>*Montemar Beach Club Inc. (MBCI)</i>					
<u>Presented under "Due from Related Parties"</u>					
<i>Company under Common Control</i>					
MBCI	Cash advances	(P3.9)	P-	P-	P13.5
MRDC*	Cash advances	-	-	-	0.3
<i>Immediate Parent</i>					
Philcomsat	Cash advances	-	-	-	3.4
<i>Subsidiary</i>					
PMEI	Cash advances	-	-	-	0.6
				<b>P13.9</b>	<b>P17.8</b>
<i>*Montemar Resort Development Corp. (MRDC)</i>					
<u>Presented under "Lease Liability"</u>					
<i>Immediate Parent</i>					
Philcomsat	Lease of office space	(P1.1)	P-	P-	P-
Philcomsat	Interest expense	(0.1)	-	-	-
				<b>P1.2</b>	<b>P-</b>

Nature of Transaction	Amount of Transactions (in millions)			Outstanding Balance (in millions)	
	2019	2018	2017	2019	2018
<u>Presented under "Deposit for Future Stock Subscription"</u>					
<i>Immediate Parent</i>					
Philcomsat	Future subscription	P-	P-	P-	P18.9
<u>Included under "Costs and Expenses"</u>					
<i>Immediate Parent</i>					
Philcomsat	Lease of office space	P-	(P1.2)	(P1.1)	P-
Philcomsat	Association dues	(0.1)	(0.1)	(0.1)	-
Philcomsat	Utilities	(0.1)	(0.1)	(0.1)	-
<i>Subsidiary</i>					
PSTI	Professional fee as stock transfer agent	(1.0)	(0.2)	(0.1)	-
				P-	P-

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 Company did not recognize any provision for ECL on due from related parties in 2019 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. Related party transactions have been fairly evaluated since the Company treated it same with the transactions to the third parties.

The Company as a Lessee

The 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 two years and is renewable under mutual agreement of both parties.

Stock Transfer Agency

The Company entered into agreement with PSTI to avail their services as stock transfer agent.

Compensation of Key Management Personnel

Compensation of the key management personnel of the Company consists only of directors' fees amounting to P3.6 million in 2019, P5.8 million in 2018 and P6.9 million in 2017 (see Note 14).

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

## 17. Earnings Per Share

Basic/diluted earnings per share is computed as follows:

	2019	2018	2017
Net income	<b>P19,891,426</b>	P93,625,185	P116,858,540
Weighted average number of shares outstanding	<b>996,391,254</b>	996,391,254	996,391,254
	<b>P0.0200</b>	P0.0940	P0.1173

## 18. Financial Risk Management Objectives and Policies

The Company'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 FVOCI, trade payables and customers' deposits. The main risks arising from the Company'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 Company's market risk management is financial assets at FVOCI. The Company 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 Company 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 Company 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 2019, 2018 and 2017.

	Increase (Decrease) in PSEi Index	Increase (Decrease) in Other Comprehensive Income
<b>2019</b>	<b>8%</b> <b>(4%)</b>	<b>P16,649,174</b> <b>(9,628,656)</b>
2018	21% (7%)	43,271,778 (13,658,584)
2017	2% (17%)	35,580,505 (18,914,814)

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, 2019, 2018 and 2017.

*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, 2019, 2018 and 2017, the Company has repriceable financial assets, specifically investments in quoted bonds classified as financial assets at FVOCI. Accordingly, the Company is subject to fair value interest rate risk.

The Company measures the sensitivity of its investment securities by using PHP BVAL reference rate fluctuations. The table below sets forth the impact of changes in PHP BVAL in the Company's other comprehensive income in 2019, 2018 and 2017.

	Increase (Decrease) in PHP BVAL	Increase (Decrease) in Other Comprehensive Income
<b>2019</b>	<b>73%</b>	<b>P489,414,071</b>
	<b>(1%)</b>	<b>(5,436,104)</b>
2018	22%	133,984,842
	(33%)	(199,564,529)
2017	15%	44,648,986
	(24%)	(73,639,339)

Foreign Exchange Risk

The Company's foreign-currency denominated financial instrument consists of cash in banks and cash equivalents totaling US\$1.1 million as at December 31, 2019 and 2018. The Company's exposure to foreign currency risk is insignificant.

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

*Financial Assets*

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

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

	2019	2018
Cash and cash equivalents*	<b>P203,526,493</b>	P267,464,138
Receivables**	<b>232,724,210</b>	176,870,519
Due from related parties	<b>13,894,316</b>	17,886,132
Financial assets at FVOCI	<b>993,268,917</b>	922,850,176

\*excluding cash on hand amounting to P10,000 as at December 31, 2019 and 2018.

\*\*excluding advances subject to liquidation amounting to P177,154 and P1,384,888 as at December 31, 2019 and 2018, respectively.

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 Company does not hold collateral as security.

#### Liquidity Risk

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

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash. The Company considers its available funds and its liquidity in managing its financial requirements. For its short-term funding, the Company's policy is to ensure that there are sufficient capital inflows to match repayments of trade payables.

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

	2019				Total
	On Demand	1 to 3 months	3 to 12 months	More than 12 months	
Trade payables	P-	P239,362	P-	P-	P239,362
Customers' deposits	1,237,874	-	-	-	1,237,874
Lease liability	-	296,533	920,788	-	1,217,321
	<b>P1,237,874</b>	<b>P535,895</b>	<b>P920,788</b>	<b>P-</b>	<b>P2,694,557</b>

	2018				Total
	On Demand	1 to 3 months	3 to 12 months	More than 12 months	
Trade payables	P-	P4,562,167	P-	P-	P4,562,167
Customers' deposits	1,237,874	-	-	-	1,237,874
	<b>P1,237,874</b>	<b>P4,562,167</b>	<b>P-</b>	<b>P-</b>	<b>P5,800,041</b>

## 19. Fair Value Measurement

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

### Financial Assets

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	<b>P203,536,493</b>	<b>P203,536,493</b>	P267,464,138	P267,464,138
Receivables*	<b>232,724,210</b>	<b>232,724,210</b>	176,870,519	176,870,519
Due from related parties	<b>13,894,316</b>	<b>13,894,316</b>	17,886,132	17,886,132
Financial assets at FVOCI:				
Quoted bonds	<b>668,970,226</b>	<b>668,970,226</b>	597,081,460	597,081,460
Quoted shares of stocks	<b>215,308,854</b>	<b>215,308,854</b>	203,301,266	203,301,266
UITFs	<b>103,889,837</b>	<b>103,889,837</b>	119,697,450	119,697,450
Club memberships	<b>5,100,000</b>	<b>5,100,000</b>	2,770,000	2,770,000
	<b>P1,443,423,936</b>	<b>P1,443,423,936</b>	P1,385,070,965	P1,385,070,965

\*excluding advances subject to liquidation totaling P177,154 and P1,384,888 as at December 31, 2019 and 2018, respectively.

### Financial Liabilities

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Trade payables	<b>P239,362</b>	<b>P239,362</b>	P4,562,167	P4,562,167
Customers' deposits	<b>1,237,874</b>	<b>1,237,874</b>	1,237,874	1,237,874
Lease liability	<b>1,217,321</b>	<b>1,217,321</b>	–	–
	<b>P2,694,557</b>	<b>P2,694,557</b>	P5,800,041	P5,800,041

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 and Cash Equivalents, Due from Related Parties, Trade Payable and Customers' Deposits.* Due to the short-term nature of transactions, the carrying amounts approximate their fair values as at reporting date.

*Financial Assets at 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 values 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 2019 and 2018. The fair value measurement of these receivables is classified as Level 2 (Significant observable inputs).

*Lease Liability.* The carrying amount of lease liability approximate its fair value because the initial recognition of lease liability is based on the discounted value of lease rentals and expected payments at the end of the lease.

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## 20. Capital Management

The primary objective of the Company'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 Company manages its capital structure and makes adjustments when there are changes in economic conditions.

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

	2019	2018
Total Debt	<b>P22,002,617</b>	P25,894,965
Total Equity	<b>1,448,990,620</b>	1,386,112,172
Debt-to-equity ratio	<b>0.02:1</b>	0.02:1

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## 21. Changes in Liabilities Arising from Financing Activities

The following table summarizes the changes in liabilities arising from financing activities as at December 31, 2019:

	2018	Additions	Payments	2019
Recognition of lease liability	P-	P2,309,012	P1,091,691	<b>P1,217,321</b>

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## 22. 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 Company. The 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 Company. The July 3, 2013 Decision attained finality on October 23, 2013 when the SC 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 Company also filed cases for the recovery of advances made by former directors and officers of the Company. These cases are now pending resolution with the Department of Justice (DOJ).

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## 23. Litigation

The following cases were filed by the 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 June 6, 2019, PHC filed an Ex-Parte Motion to Resolve the pending motion to appoint Virgilio R. Santos as the auditing accounting firm for the execution of the SC Decision dated July 3, 2013 issued in GR Nos. 184622, 184712-14, 186066 and 186590. There was a status conference held in this case on December 13, 2019 where the Court required the defendants to provide a name of their selected accountant to move forward with the audit. The defendants failed or refused again to comply, so the Court is likely to appoint Philcomsat's proposed accountant, Virgilio R. Santos, to do the audit.

On June 6, 2019, PHC filed an Ex-Parte Motion to Resolve the pending motion to appoint Virgilio R. Santos as the auditing accounting firm for the execution of the SC Decision dated July 3, 2013 issued in GR Nos. 184622, 184712-14, 186066 and 186590. There was a status conference held in this case on December 13, 2019 where the Court required the defendants to provide a name of their selected accountant to move forward with the audit. The defendants failed or refused again to comply, so the Court is likely to appoint Philcomsat's proposed accountant, Virgilio R. Santos, to do the audit.

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.

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. PCGG filed its Reply on February 17, 2020.

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 Company against Benito Araneta and Luis Lokin Jr., former directors of the Company for an alleged personal back to back loans with Bankwise procured by Araneta using the Company's funds as collateral, with the help of Lokin, in the amount of P35.3 million.

On February 2, 2017, a Decision was issued finding Araneta and Lokin liable to pay PHC a) actual damages in the sum of P31.5 million plus legal interest of 6% computed from May 26, 2010, the time of judicial demand until fully paid; b) P200,000 as and by way of exemplary damages; and c) P200,000 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. On April 25, 2019, the CA issued a Decision granting Araneta's appeal. On May 30, 2019, PHC filed its Motion for Reconsideration of the said Decision. On July 11, 2019, Araneta filed its Comment thereto, in accordance with the Resolution dated June 6, 2019 issued by the CA to file the same. On October 24, 2019, the Court of Appeal issued a Resolution denying PHC's Motion for Reconsideration.

On November 26, 2019, PHC elevated the case to the Supreme Court via Petition for Review on Certiorari under Rule 45.

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

On May 8, 2008, the Company filed a criminal complaint for estafa for misappropriation of corporate funds against Brodett, a former director of the Company, and certain officers of Bankwise. The complaint alleged that the unauthorized deposits, withdrawals and transfers of the Company's funds in the amount of P66.8 million was processed through spurious bank accounts and involved the co-mingling and transfer of funds between the 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 P27.0 million and P9.3 million which allegedly came from PHC funds and not in the whole amount of P66.8 million. On July 1, 2016, a Motion for Reconsideration of the said Order was filed by the Private Prosecutor (Company). On August 30, 2016, the Private Prosecutor (Company) filed a Reply to Brodett's Comment/Opposition dated August 25, 2016. After 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. On February 21, 2020, the Court promulgated its judgment finding accused Brodett guilty for the crime of theft, sentencing him to the penalty of imprisonment for a minimum period of four (4) years, two (2) months, one (1) day, to a maximum period of sixteen (16) years and 4 months. He was also found civilly liable to pay PHC the amount of P14,235,700, with legal interest of 12% per annum from April 11, 2008 until June 30, 2013 and the total obligation plus 6% legal interest from July 1, 2013 until fully paid. Brodett manifested that he will file his Motion for Reconsideration of the said Decision.

- 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 P65.0 million which allegedly were not returned to the 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 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 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 P15.0 million and P11.0 million, respectively, from 2003 to 2005, from the 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. On July 5, 2019, the Sandiganbayan issued a Resolution which a) granted the accused Demurrers to Evidence; b) dismissed the cases against them; c) lifted and set aside the Hold Departure Orders against them; and d) ordered released the bail bonds they posted, if any. On July 30, 2019, the Private Prosecution filed its Motion for Reconsideration of the said Resolution on the civil aspect of the case, which was denied in a Resolution dated October 25, 2019. The Company decided not to pursue the case with the SC.

- Criminal Complaint Against Concepcion A. Poblador

A criminal complaint for estafa was filed against Ms. Poblador for allegedly receiving cash advances amounting to P14.5 million, which she failed to account for and return to the Company after formal demands. On February 9, 2009, the DOJ issued a Resolution directing the filing of an information against Ms. Poblador only for P0.2 million.

On January 7, 2014, the Company filed a Petition for Certiorari praying that the DOJ file new information against Ms. Poblador for estafa for the total amount of P16.7 million. On January 10, 2014, the 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 P0.2 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 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.

On June 14, 2019, the CA issued a Decision denying both PHC's and Ms. Poblador's Petitions for Certiorari. On July 5 and 11, 2019, both parties filed their respective Motions for Reconsideration. On July 24, 2019, PHC filed its Comment to Ms. Poblador's Motion for Reconsideration. To date, no Comment to PHC's Motion for Reconsideration has yet been filed or received from Poblador.

- Inspection of Books Cases

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

The Company 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 Company.

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**24. Reclassification of Accounts**

The following accounts in 2018 and 2017 have been reclassified to conform with 2019 financial statement presentation:

Reclassified from	Reclassified to	2018	2017
Donations and others	Office supplies	P348,931	P85,002
Light and water	Communication, light and water	214,864	209,656
Donations and others	Trainings and seminars	111,413	133,654
Donations and others	Communication, light and water	101,941	100,328
Donations and others	Advertising	72,000	157,760
Donations and others	Bank charges	26,578	2,463

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**25. Events After the Reporting Period**

The Company derives its income from money market placements, bank deposits and other financial assets and investments. Its financial operations were affected by the closure of financial markets at the beginning of the government-mandated lockdown of the National Capital Region. The Company did not make any new investments during the first month of the lockdown; investments which matured during the period were extended on a monthly basis. Subsequently, the Company adapted to the "new normal" as banks and other financial institutions operated under a skeletal force and "work from home" arrangements. With respect to its portfolio, the Company strives to determine which corporate issues will be adversely affected by the COVID 19 pandemic and continues to monitor developments which may have a substantial impact on their operations.

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**26. Supplementary Information Required by the BIR Revenue Regulation No. 15-2010**

The information for the taxable year 2019 required by the above regulation is presented below:

*Output VAT*

The amount of output VAT declared for the year ended December 31, 2019 amounted to P610,382 based on receipts amounting to P5,086,519.

*Input VAT*

The movements in the input VAT paid for by the Company for year ended December 31, 2019 are shown below:

	Gross Amount	Input VAT
Balance at beginning of year		P194,269
Current year's domestic purchases/payments for:		
Goods other than for resale or manufacture	2,367,331	284,080
Services lodged under other accounts	3,900,200	468,024
Total available input VAT		946,373
Less applied against output VAT		610,382
		<u>P335,991</u>

*All Other Local and National Taxes*

The Company's local and national taxes for the year ended December 31, 2019 consist of:

Deficiency tax	P4,630,282
PSE annual listing	250,000
Business permit	242,716
Others	17,839
	<hr/>
	P5,140,837

The above local and national taxes are classified under "Taxes and licenses" account included under costs and expenses in the statements of income.

*Withholding Taxes*

The Company paid expanded withholding taxes amounting to P1,457,657 for the year ended December 31, 2019.

*Tax Assessments and Tax Cases*

The Company received a final tax assessment from the BIR for the taxable year 2016 as follows:

	Amount	Date Paid
Value added tax	P2,662,681	04-Nov-19
Income tax	1,912,663	04-Nov-19
Documentary stamp tax	54,939	04-Nov-19
Total	<hr/>	
	P4,630,283	



**Mendoza Querido & Co.**

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PRC/BOA Accreditation No. 0966  
October 20, 2017, valid until  
September 7, 2020  
SEC Accreditation No. 0966-SEC (Group A)  
March 2, 2017, valid until  
April 29, 2021

**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of Philcomsat Holdings Corporation (a subsidiary of Philippine Communications Satellite Corporation) [the Company] as at and for the year ended December 31, 2019 and have issued our report thereon dated June 9, 2020. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised SRC Rule 68 (2019), and is not part of the basic financial statements. This schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

For the Firm: **MENDOZA QUERIDO & CO.**

**RICHARD S. QUERIDO**  
Partner  
CPA Certificate No. 84807  
SEC Accreditation No. 1319-AR-1 (Group A),  
March 2, 2017, valid until March 1, 2020  
(extended per SEC MC No. 20 Series of 2019)  
Tax Identification No. 102-094-633  
BIR Accreditation No. 08-002617-002-2019,  
January 21, 2019, valid until January 20, 2022  
PTR No. 8148102, January 18, 2020, Makati City

June 9, 2020

**PHILCOMSAT HOLDINGS CORPORATION***(A Subsidiary of Philippine Communications Satellite Corporation)***RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR  
DIVIDEND DECLARATION****DECEMBER 31, 2019**

	Amount
Unappropriated retained earnings, beginning of the year	P429,585,301
Adjustments in previous year's reconciliation	(993,306)
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning of the year	428,591,995
Net income during the period closed to retained earnings	19,891,426
Reclassification of cumulative fair value changes of equity instruments measured at FVOCI sold from other comprehensive income	4,742,985
Movement in deferred tax liability	(750,417)
<b>TOTAL RETAINED EARNINGS, END OF THE YEAR AVAILABLE FOR DIVIDEND</b>	<b>P452,475,989</b>
<hr/>	
Reconciliation:	Amount
Unappropriated retained earnings at end of period as shown in the separate financial statements	P454,219,712
Unrealized foreign exchange gain - net	(1,743,723)
<b>TOTAL RETAINED EARNINGS, END OF THE YEAR AVAILABLE FOR DIVIDEND</b>	<b>P452,475,989</b>

*See accompanying Notes to Financial Statements.*

# SUSTAINABILITY REPORT

## Contextual Information

Company Details	
Name of Organization	PHILCOMSAT HOLDINGS CORPORATION
Location of Headquarters	Makati City
Location of Operations	Makati City
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Philcomsat Management Enterprises, Inc., Professional Stock Transfer, Inc.
Business Model, including Primary Activities, Brands, Products, and Services	Philcomsat Holdings Corporation (Money Market); Philcomsat Management Enterprises, Inc. (Management Consultancy); Professional Stock Transfer, Inc. (Stock Transfer Services)
Reporting Period	2019
Highest Ranking Person responsible for this report	Erlinda I. Bildner, Chairman, Philcomsat Management Enterprises, Inc. and EVP and CFO, Philcomsat Holdings Corporation

## Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics. <sup>1</sup>
<p>Potential topics were evaluated and classified into material and non-material. Material topics were identified based on the significance of the Company's economic, environmental and social impact and the substantive influence of these topics on the assessments and decisions of stakeholders. However as this is the Corporation's first report, the Corporation will provide all information based on the Sustainability Report Template. It is expected that for future reports, only material topics will be included.</p>

## ECONOMIC

### Economic Performance

#### Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	58,291,926	PhP
Direct economic value distributed:		
a. Operating costs	3,473,888	PhP
b. Employee wages and benefits	2,919,373	PhP
c. Payments to suppliers, other operating costs	21,607,611	PhP
d. Dividends given to stockholders and interest payments to loan providers	115,750	PhP
e. Taxes given to government	5,335,030	PhP
f. Investments to community (e.g. donations, CSR)	0	PhP

<sup>1</sup> See [GRI 102-46](#) (2016) for more guidance.

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Expenses for employee wages and benefits account for only 5% of the revenue generated by the Corporation. The reason for this is the Corporation relies mainly on consultants and part-time workers for its operations, rather than hiring full-time employees.</i>	<i>Employees</i>	<i>Every year Management assesses whether the business will require the use of full-time employees for its operations, however, business generated is insufficient to justify the engaging full-time employees. It is expected that once business is of a certain level, full-time employees will be engaged by the Corporation.</i>
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The risk identified with the current operations is inadequacy of a succession plan. While the consultants and part-time workers can do the work for which they are engaged in, lack of security of tenure does not compel them in any way to stay with the Corporation, and without tenured employees who are familiar with the work of the consultants and part-time workers, taking over such work in the event of incapacity of the latter may be challenging.</i>	<i>Employees</i>	<i>As, stated above, it is expected that once business reaches a certain level, full-time employees will be engaged by the Corporation.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>An opportunity identified with this impact is automation of some business processes.</i>	<i>Employees</i>	<i>Management believes that some jobs can be automated and therefore cut-down on manpower hours such as in stock transfer services where many reports required by the client can be accessed digitally for so long as they are on a secured network.</i>

#### Climate-related risks and opportunities<sup>2</sup>

Governance	Strategy	Risk Management	Metrics and Targets
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<sup>2</sup> Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to nonfinancial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.<sup>16</sup> For this disclosure, impact refers to the impact of climate-related issues on the company.

<p>Management of the day-to-day operations of the Corporation and PMEI is the responsibility of the EVP, Ms. Erlinda I. Bildner. While the management of the day-to-day operations of PSTI is the responsibility of Ms. Jeneline Serafica. The Board is apprised of the day-to-day operations at its next meeting.</p>	<p>During the monsoon season when flooding within the Metro Manila area occurs, employees not affected are encouraged to come to work with hazard pay while those that may be affected are either fetched by the Corporation's vehicles or permitted to work from home for so long as a work accomplishment report is submitted.</p>	<p>The Corporation mainly relies the weather reports by the national weather agency.</p>	<p>As the Corporation provides services, the work of the employees may be divided into crucial and non-crucial depending on the time element. For every instance of sudden work stoppage, Management assesses which works are crucial to the business process and which ones are not. The work accomplishment report of each employee determines which work is crucial to its stakeholders. It is always the aim of the Corporation to provide crucial work for its clients.</p>
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**Procurement Practices**

**Proportion of spending on local suppliers**

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	100	%

<p><b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b></p>	<p><b>Which stakeholders are affected?</b></p>	<p><b>Management Approach</b></p>
<p>Procurement of materials are on an as needed basis thus suppliers are chosen for speedy delivery service and availability which in all cases translate to only local suppliers being relied upon.</p>	<p>Suppliers</p>	<p>Management assesses which materials are used on a regular basis and can therefore predict which ones should be ordered well in advance which will give the procurement officer enough time to score better deals with suppliers.</p>
<p><b>What are the Risk/s Identified?</b></p>	<p><b>Which stakeholders are affected?</b></p>	<p><b>Management Approach</b></p>
<p>The risk of procuring materials only on an as-needed basis may not be the most cost-effective.</p>	<p>Suppliers</p>	<p>Management assesses which materials are used on a regular basis and can therefore predict which ones should be ordered well in advance which will give the procurement officer enough time to score better deals with suppliers.</p>

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>The opportunity identified from this impact is that there is no surplus of materials.</i>	<i>Suppliers</i>	<i>Management assesses which materials are used on a regular basis and can therefore predict which ones should be ordered well in advance which will give the procurement officer enough time to score better deals with suppliers.</i>

#### Anti-corruption

##### Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anticorruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	0	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>The Corporation's anti-corruption policy is in the Code of Conduct of the Philcomsat Group of Companies and disseminated to all employees of the Corporation and its subsidiaries. In its money market and financial instruments operations, the Corporation is approached by several brokers and agents offering various financial instruments with varying terms and rates. These brokers and agents may attempt to influence Management's decision on deciding whether to invest in a certain financial instrument by giving gifts of value, which fortunately, has not happened.</i>	<i>Stockholders and Suppliers</i>	<i>All investments are decided upon by a committee and then approved by the Board. This eliminates any probable influence that a broker or agent may have on any member of Management. Moreover, the Board has a strict policy of compelling any of its members to disclose if they are in any way associated with an investment recommended to it, and to recuse themselves from any discussion on it.</i>

<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The risk of corruption in this topic is the Corporation may not be able to maximize returns on its investments as in lieu of taking an advantage of an opportunity to invest in an instrument that yields higher returns, it may choose to go with preferred financial instruments as a result of the influence of the latter's brokers or agents.</i>	<i>Stockholders and Suppliers</i>	<i>By putting several layers of approvals any probable influence that a broker or agent may have on any member of Management is lessened if not totally eliminated. Moreover, the Board has a strict policy of compelling any of its members to disclose if they are in any way associated with an investment recommended to it, and to recuse themselves from any discussion on it.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The Corporation is able to spread its investments with money market placements and financial instruments in various institutions and therefore lessen the risk of loss.</i>	<i>Stockholders and Suppliers</i>	<i>Management insists on a strict adherence to the policies above described as well as respect for the different levels of approval required before any investment is placed. In this way, the Corporation can diversify its portfolio and not run the risk of financial loss because of poorly placed investments.</i>

#### Incidents of Corruption

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>There has been no incident of corruption involving directors, employees, or business partners as everyone in the Corporation is fully aware of the policy against corruption.</i>	<i>Directors, Employees and Business Partners</i>	<i>Management insists on a strict adherence to the policies above described as well as respect for the different levels of approval required before any investment is placed. In this way, the Corporation can diversify its portfolio and not run the risk of financial loss because of poorly placed investments.</i>

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>The risk of corruption in this topic is the Corporation may not be able to maximize returns on its investments as in lieu of taking an advantage of an opportunity to invest in an instrument that yields higher returns, it may choose to go with preferred financial instruments as a result of the influence of the latter's brokers or agents.</i>	<i>Directors, Employees and Business Partners</i>	<i>Management insists on a strict adherence to the policies above described as well as respect for the different levels of approval required before any investment is placed. In this way, the Corporation can diversify its portfolio and not run the risk of financial loss because of poorly placed investments.</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>The Corporation is able to spread its investments with money market placements and financial instruments in various institutions and therefore lessen the risk of loss.</i>	<i>Directors, Employees and Business Partners</i>	<i>Management insists on a strict adherence to the policies above described as well as respect for the different levels of approval required before any investment is placed. In this way, the Corporation can diversify its portfolio and not run the risk of financial loss because of poorly placed investments.</i>

## ENVIRONMENT

### Resource Management

#### Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	0	GJ
Energy consumption (gasoline)	35,034.36	l
Energy consumption (LPG)	0	GJ
Energy consumption (diesel)	0	GJ
Energy consumption (electricity)	12,195.24	kWh

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>The main sources of energy consumed by the Corporation and its subsidiaries are electricity and gasoline. As regards electricity, the building which houses the Corporation and its subsidiaries have centralized air-conditioning which makes up more than half of the electricity consumption. The building</i>	<i>Community, Directors, Employees, Clients, Suppliers</i>	<i>While Management is powerless to change the system of centralized air conditioning in the building which houses the Corporation and its subsidiaries, it tries to reduce electrical consumption in other ways such as leaving on only half the number of lights between 5pm and 8am and discouraging overtime work. Management also tries to arrange meetings</i>

<i>administrator then divides the total electricity bill depending on the area occupied by each of the building occupants and charges them accordingly. Insofar as gasoline is concerned, as the Corporation and its subsidiaries are involved in the sale of services, the majority of the transportation expense is due to meeting with potential clients and suppliers.</i>		<i>in the office as much as possible to avoid employees caught in traffic and to lessen transportation expense.</i>
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Insofar as electricity is concerned, the Corporation and the subsidiaries are unable to install their own air conditioning system which could have provided a solution to lowering electricity consumption. Insofar as gasoline is concerned, lessening the number of leads may result in lost opportunities.</i>	<i>Community, Directors, Employees, Clients, Suppliers</i>	<i>While Management is powerless to change the system of centralized air conditioning in the building which houses the Corporation and its subsidiaries, it tries to reduce electrical consumption in other ways such as leaving on only half the number of lights between 5pm and 8am and discouraging overtime work. Management also tries to arrange meetings in the office as much as possible to avoid employees caught in traffic and to lessen transportation expense.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The opportunity presented by this impact is that the Corporation and its subsidiaries may try to develop other means of communicating with potential clients and suppliers rather than face-to-face meetings.</i>	<i>Community, Directors, Employees, Clients, Suppliers</i>	<i>While Management is powerless to change the system of centralized air conditioning in the building which houses the Corporation and its subsidiaries, it tries to reduce electrical consumption in other ways such as leaving on only half the number of lights between 5pm and 8am and discouraging overtime work. Management also tries to arrange meetings in the office as much as possible to avoid employees caught in traffic and to lessen transportation expense.</i>

Water consumption within the organization

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Water withdrawal	0	Cubic meters
Water consumption	96	Cubic meters
Water recycled and reused	0	Cubic meters

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The primary reason for water consumption is toilet usage.</i>	<i>Employees</i>	<i>While Management cannot prevent employees from using the toilet, it has installed equipment to lessen the number of flushes in an effort to reduce water consumption. It also makes sure that pipes have no leaks that will contribute to unnecessary water consumption.</i>
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>No risk associated with this topic has been identified by Management</i>	<i>None</i>	<i>None</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>No opportunity associated with this topic has been identified by Management</i>	<i>None</i>	<i>None</i>

**Materials used by the organization**

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Materials used by weight or volume		
<input checked="" type="checkbox"/> renewable	0	kg/liters
<input checked="" type="checkbox"/> non-renewable	0	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	0	%

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>No impact associated with this topic has been identified by Management.</i>	<i>None</i>	<i>None</i>
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>No risk associated with this topic has been identified by Management.</i>	<i>None</i>	<i>None</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>

<i>No opportunity associated with this topic has been identified by Management.</i>	<i>None</i>	<i>None</i>
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**Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)**

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None	
Habitats protected or restored	None	ha
IUCN <sup>3</sup> Red List species and national conservation list species with habitats in areas affected by operations	None	

<b>What is the impact and where does it occur?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The Corporation and its subsidiaries only operate from Makati City which is not a protected area or an area with high biodiversity value.</i>	<i>None of the Corporation's stakeholders are affected.</i>	<i>In the event that the Corporation is constrained to move its operations or acquires a subsidiary that operates in a protected area or an area with high biodiversity value, Management will ensure that a policy is established and a program is implemented for the protection of the environment.</i>
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The Corporation has not identified any risk arising from its operations from within Makati City.</i>	<i>None</i>	<i>In the event that the Corporation is constrained to move its operations or acquires a subsidiary that operates in a protected area or an area with high biodiversity value, Management will ensure that a policy is established and a program implemented for the protection of the environment.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The Corporation has not identified any risk arising from its operations from within Makati City.</i>	<i>None</i>	<i>In the event that the Corporation is constrained to move its operations or acquires a subsidiary that operates in a protected area or an area with high biodiversity value, Management will ensure that a policy is established and a program implemented for the protection of the environment.</i>

<sup>3</sup> International Union for Conservation of Nature

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	0	Tonnes CO <sub>2</sub> e
Energy indirect (Scope 2) GHG Emissions	0	Tonnes CO <sub>2</sub> e
Emissions of ozone-depleting substances (ODS)	0	Tonnes

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The business operations of the Corporation and its subsidiaries do not require it to emit substances into the air.</i>	<i>None</i>	<i>In the event that the Corporation acquires a subsidiary that emits substances in the air, Management will ensure that a policy is established and a program is implemented for the protection of the environment.</i>
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The business operations of the Corporation and its subsidiaries do not require it to emit substances into the air, thus no risk has been identified by Management.</i>	<i>None</i>	<i>In the event that the Corporation acquires a subsidiary that emits substances in the air, Management will ensure that a policy is established and a program is implemented for the protection of the environment.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The business operations of the Corporation and its subsidiaries do not require it to emit substances into the air, thus no opportunity has been identified by Management.</i>	<i>None</i>	<i>In the event that the Corporation acquires a subsidiary that emits substances in the air, Management will ensure that a policy is established and a program is implemented for the protection of the environment.</i>

Air pollutants

Disclosure	Quantity	Units
NOx	0	kg
SOx	0	kg
Persistent organic pollutants (POPs)	0	kg
Volatile organic compounds (VOCs)	0	kg
Hazardous air pollutants (HAPs)	0	kg
Particulate matter (PM)	0	kg

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The business operations of the Corporation and its subsidiaries do not require it to emit substances into the air.</i>	<i>None</i>	<i>In the event that the Corporation acquires a subsidiary that emits substances in the air, Management will ensure that a policy is established and a program is implemented for the protection of the environment.</i>
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The business operations of the Corporation and its subsidiaries do not require it to emit substances into the air, thus no risk has been identified by Management.</i>	<i>None</i>	<i>In the event that the Corporation acquires a subsidiary that emits substances in the air, Management will ensure that a policy is established and a program is implemented for the protection of the environment.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The business operations of the Corporation and its subsidiaries do not require it to emit substances into the air, thus no opportunity has been identified by Management.</i>	<i>None</i>	<i>In the event that the Corporation acquires a subsidiary that emits substances in the air, Management will ensure that a policy is established and a program is implemented for the protection of the environment.</i>

#### Solid and Hazardous Wastes

##### Solid Waste

Disclosure	Quantity	Units
Total solid waste generated		kg
Reusable	0	kg
Recyclable	100	kg
Composted	0	kg
Incinerated	0	kg
Residuals/Landfilled	0	kg

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Considering that Corporation and its subsidiaries only provide services, the only solid waste generated through its operations are office supplies mainly paper.</i>	<i>Community</i>	<i>Management requires that unless for final reports, paper be used on both the front and the back to eliminate wastage. Paper is segregated from other waste in order to make it easier to recycle.</i>

<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Considering that Corporation and its subsidiaries only provide services, no risk associated with this topic has been identified.</i>	Community	<i>In the event that the Corporation acquires a subsidiary that produces solid and hazardous waste, Management will ensure that a policy is established and a program is implemented for the proper disposal thereof.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Considering that Corporation and its subsidiaries only provide services, no opportunity associated with this topic has been identified.</i>	Community	<i>In the event that the Corporation acquires a subsidiary that produces solid and hazardous waste, Management will ensure that a policy is established and a program is implemented for the proper disposal thereof.</i>

**Hazardous Waste**

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Total weight of hazardous waste generated	0	kg
Total weight of hazardous waste transported	0	kg

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The services rendered by the Corporation and its subsidiaries do not result in the production of any hazardous waste.</i>	None	<i>In the event that the Corporation acquires a subsidiary that offers products or services that may pose a health and safety risk, Management will ensure that a policy is established and a program is implemented for the proper disposal of hazardous waste.</i>
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The services rendered by the Corporation and its subsidiaries do not result in the production of any hazardous waste, thus no risk related thereto has been identified.</i>	None	<i>In the event that the Corporation acquires a subsidiary that offers products or services that may pose a health and safety risk, Management will ensure that a policy is established and a program is implemented for the proper disposal of hazardous waste.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The services rendered by the Corporation and its subsidiaries do not result in the production of any hazardous waste, thus no opportunity related thereto has been identified.</i>	None	<i>In the event that the Corporation acquires a subsidiary that offers products or services that may pose a health and safety risk, Management will ensure that a policy is established and a program is implemented for the proper disposal of hazardous waste.</i>

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	60	Cubic meters
Percent of wastewater recycled	0	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>While the Corporation and its subsidiaries would like to be more eco-friendly and recycle wastewater primarily from toilet usage, the building which houses them is shared with other organizations and thus, it requires the collective effort of all the occupants of the building to install equipment that recycles wastewater.</i>	<i>Other building occupants</i>	<i>While no collective effort has been made by the other occupants of the building that houses the Corporation and its subsidiaries to install equipment that will enable recycling of wastewater, the Corporation's employees do their part in recycling wastewater however small by using excess water to water plants.</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>The sole risk is the cost of equipment for recycling wastewater.</i>	<i>Other building occupants</i>	<i>While no collective effort has been made by the other occupants of the building that houses the Corporation and its subsidiaries to install equipment that will enable recycling of wastewater, the Corporation's employees do their part in recycling wastewater however small by using excess water to water plants.</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>The only probable usage for recycled wastewater at the moment is the watering of plants within the building.</i>	<i>Other building occupants</i>	<i>While no collective effort has been made by the other occupants of the building that houses the Corporation and its subsidiaries to install equipment that will enable recycling of wastewater, the Corporation's employees do their part in recycling wastewater however small by using excess water to water plants.</i>

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
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Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The services offered by the Corporation and its subsidiaries have no effect on the environment thus there has been no environmental law and/or regulation that could be violated by them.</i>	<i>None</i>	<i>In the event that the Corporation acquires a subsidiary whose operations will have an impact on the environment, Management will ensure that a policy is established and a program is implemented that will comply with all laws and regulations promulgated for the protection of the environment.</i>
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The services offered by the Corporation and its subsidiaries have no effect on the environment thus there has been no environmental law and/or regulation that could be violated by them, thus no risk related thereto has been identified.</i>	<i>None</i>	<i>In the event that the Corporation acquires a subsidiary whose operations will have an impact on the environment, Management will ensure that a policy is established and a program is implemented that will comply with all laws and regulations promulgated for the protection of the environment.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The services offered by the Corporation and its subsidiaries have no effect on the environment thus there has been no environmental law and/or regulation that could be violated by them, thus no opportunity related thereto has been identified.</i>	<i>None</i>	<i>In the event that the Corporation acquires a subsidiary whose operations will have an impact on the environment, Management will ensure that a policy is established and a program is implemented that will comply with all laws and regulations promulgated for the protection of the environment.</i>

## SOCIAL

### Employee Management

#### Employee Hiring and Benefits

##### Employee data

Disclosure	Quantity	Units
Total number of employees <sup>4</sup>	19	
a. Number of female employees	11	#

<sup>4</sup> Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

b. Number of male employees	8	#
Attrition rate <sup>5</sup>	0	rate
Ratio of lowest paid employee against minimum wage	1.3:1	ratio

**Employee benefits**

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	60	100
PhilHealth	Y	60	100
Pag-ibig	Y	60	100
Parental leaves	Y	60	100
Vacation leaves	Y	60	100
Sick leaves	Y	60	100
Medical benefits (aside from PhilHealth))	Y	80	100
Housing assistance (aside from Pagibig)	N	0	0
Retirement fund (aside from SSS)	N	0	0
Further education support	N	0	0
Company stock options	N	0	0
Telecommuting	N	0	0
Flexible-working Hours	N	0	0
(Others)	N	0	0

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Unfortunately, additional benefits to employees are intricately tied with the number of clients that the Corporation and its subsidiaries can engage. However, with tight competition, it proves challenging to get more clients.</i>	<i>Management incentivizes the onboarding of additional clients by giving commissions and referral fees and perhaps in the future, the revenue stream will be such as to enable the Corporation and its subsidiaries to give benefits to its employees other than those required by law.</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>The risk of not being able to provide additional benefits is a high cost of attrition.</i>	<i>At present, Management is only able to incentivize the onboarding of additional clients by giving commissions and referral fees.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>

<sup>5</sup> Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

<i>There has been no opportunity associated with this topic that has been identified by Management.</i>	<i>None</i>
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**Employee Training and Development**

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	0	hours
b. Male employees	32	hours
Average training hours provided to employees		
a. Female employees	0	hours/employee
b. Male employees	0	hours/employee

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Aside from a Compliance Officer seminar attended by an officer of the Corporation, no training was provided to employees as there has been no new employee hired by the Corporation or its subsidiaries and no new law or regulation affecting their operations was enacted.</i>	<i>Directors, officers and employees are expected to be updated on all laws, rules and regulations affecting their work. Should there be a seminar or training that will enable them to perform their duties better, Management is willing to sponsor their.</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Considering however that each individual in the organization performs a unique function, it is possible that an employee cannot attend a seminar or training as he/she cannot afford to absent him/herself from work. Another risk is that a employee cannot engage in self-improvement as trainings should only be limited to their actual work.</i>	<i>Each person who wants to attend a seminar or training must be able to prove that the schedule of such will not hamper the performance of their daily duties. Management tries to be understanding of such schedule for so long as the tasks for the day are not crucial to the Corporation's operations.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>There has been no opportunity associated with this topic that Management has identified.</i>	<i>None</i>

**Labor-Management Relations**

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	0	%
Number of consultations conducted with employees concerning employee-related policies	0	#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
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<i>No consultations with employees are conducted prior to the implementation of a policy concerning them.</i>	<i>Management and the HR manager comes up with universal policies that affect employees then disseminates the said policy to all employees within the Group. Immediate compliance is expected and any grievance should be directed to the HR manager.</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>The risk of this impact is that individual needs of employees may not be addressed resulting in disappointment, frustration and consequently attrition.</i>	<i>Management and the HR manager tries to be more understanding of the specific plights of each employee.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>There has been no opportunity associated with this topic that Management has identified.</i>	<i>None</i>

#### Diversity and Equal Opportunity

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
% of female workers in the workforce	60	%
% of male workers in the workforce	40	%
Number of employees from indigenous communities and/or vulnerable sector*	0	#

\*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>There has been no impact associated with this topic that has been identified by Management.</i>	<i>None</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>There has been no risk associated with this topic that has been identified by Management.</i>	<i>None</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>There has been no opportunity associated with this topic that has been identified by Management.</i>	<i>None</i>

#### Workplace Conditions, Labor Standards, and Human Rights

##### Occupational Health and Safety

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Safe Man-Hours	8	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	1	#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>There has been no impact associated with this topic that has been identified by Management.</i>	<i>None</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>There has been no risk associated with this topic that has been identified by Management.</i>	<i>None</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>There has been no opportunity associated with this topic that has been identified by Management.</i>	<i>None</i>

#### Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human Rights	N	

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Considering the small number of employees employed in the Corporation and its subsidiaries, there is no need to formalize a policy that disallows violations of labor laws such as forced labor and child labor and human rights.</i>	<i>The Philcomsat Group of Companies share a common Human Resource Officer who is well versed in labor laws and protection of human rights and who is known to all the employees, thus any incident that violates labor laws and human rights can be easily addressed.</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>There has been no risk associated with this topic that has been identified by Management.</i>	<i>None</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>There has been no opportunity associated with this topic that has been identified by Management.</i>	<i>None</i>

#### Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy: No

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N	
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	N	

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Main suppliers of the Corporation and its subsidiaries only include other utility providers, professional staffing and office supplies retailers. None of the foregoing require a background check on their environmental performance nor policies on forced labor, child labor, human rights, bribery and corruption.</i>	<i>In the event that the Corporation acquires a subsidiary whose operations affect the environment, or is labor-intensive, or involves human rights or is prone to bribery and corruption, Management will ensure that a policy is established and a program is implemented to consider such factors in accrediting suppliers.</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Main suppliers of the Corporation and its subsidiaries only include other utility providers, professional staffing and office supplies retailers, and no risk associated with doing business with them has been identified.</i>	<i>In the event that the Corporation acquires a subsidiary whose operations affect the environment, or is labor-intensive, or involves human rights or is prone to bribery and corruption, Management will ensure that a policy is established and a program is implemented to consider such factors in accrediting suppliers.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Main suppliers of the Corporation and its subsidiaries only include other utility providers, professional staffing and office supplies retailers, and no opportunity associated with doing business with them has been identified.</i>	<i>In the event that the Corporation acquires a subsidiary whose operations affect the environment, or is labor-intensive, or involves human rights or is prone to bribery and corruption, Management will ensure that a policy is established and a program is implemented to consider such factors in accrediting suppliers.</i>

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
None	None	None	N	None	None

\*Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: \_\_\_\_\_

Certificates	Quantity	Units
FPIC process is still undergoing	0	#
CP secured	0	#

What are the Risk/s Identified?	Management Approach
<i>The Corporation's operations do not affect IP and thus no risk associated with it can be identified.</i>	<i>In the event that the Corporation acquires a subsidiary that offers products or services that affects IPs, Management will ensure that a policy is established and a program is implemented for the protection of IPs.</i>
What are the Opportunity/ies Identified?	Management Approach
<i>The Corporation's operations do not affect IP and thus no opportunity associated with it can be identified.</i>	<i>In the event that the Corporation acquires a subsidiary that offers products or services that affects IPs, Management will ensure that a policy is established and a program is implemented for the protection of IPs.</i>

## Customer Management

### Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	100	N

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>For its stock transfer services, customer satisfaction as to the accuracy of the reports, the processing time for transfers, and the reliability of data is of paramount importance. Thus PSTI has to ensure that the service always meets its clients' expectations.</i>	<i>Management ensures that all data is accurate and complete, and the work performed by its staff is satisfactory, before releasing any report or information to the clients. Any concern of a client has to be resolved in a reasonable amount of time.</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>The risk involved in this topic is that in order to meet client demands and regulatory deadlines, the client at times may not give PSTI sufficient time to double or even triple check a generated report.</i>	<i>Management regularly meets with the client to request for feedback and an assessment of its performance so that any shortcomings can be addressed immediately.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>An opportunity that can be identified from this topic is the constant need to keep PSTI updated as regards software needed for data entry and for network security.</i>	<i>Management would like to automate as much of its processes as possible to reduce manpower-hours and so that service with uniform quality is given to all its clients.</i>

#### Health and Safety

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of substantiated complaints on product or service health and safety*	0	#
No. of complaints addressed	0	#

\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>The services rendered by the Corporation and its subsidiaries do not compromise the health and safety of its consumers.</i>	<i>In the event that the Corporation acquires a subsidiary that offers products or services that may pose a health and safety risk, Management will ensure that a policy is established and a program is implemented for the protection of the consumer.</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>The services rendered by the Corporation and its subsidiaries do not compromise the health and safety of its consumers, thus no risk has been identified</i>	<i>In the event that the Corporation acquires a subsidiary that offers products or services that may pose a health and safety risk, Management will ensure that a policy is established and a program is implemented for the protection of the consumer.</i>

<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>The services rendered by the Corporation and its subsidiaries do not compromise the health and safety of its consumers, thus no opportunity has been identified.</i>	<i>In the event that the Corporation acquires a subsidiary that offers products or services that may pose a health and safety risk, Management will ensure that a policy is established and a program is implemented for the protection of the consumer.</i>

Marketing and labelling

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	0	#

\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>The business operations of the Corporation and its subsidiaries do not require it to market and label products.</i>	<i>In the event that the Corporation acquires a subsidiary that sells products that require marketing and labelling, Management will ensure that a policy is established and a program is implemented for the protection of the consumer.</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>The business operations of the Corporation and its subsidiaries do not require it to market and label products, thus no risk has been identified.</i>	<i>In the event that the Corporation acquires a subsidiary that sells products that require marketing and labelling, Management will ensure that a policy is established and a program is implemented for the protection of the consumer.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>The business operations of the Corporation and its subsidiaries do not require it to market and label products, thus no opportunity has been identified.</i>	<i>In the event that the Corporation acquires a subsidiary that sells products that require marketing and labelling, Management will ensure that a policy is established and a program is implemented for the protection of the consumer.</i>

Customer privacy

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#

No. of customers, users and account holders whose information is used for secondary purposes	0	#
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\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>The Corporation's subsidiary, Professional Stock Transfer, Inc. (PSTI), deals with customer data including names, addresses, contact details and shareholdings.</i>	<i>To protect customer privacy, PSTI limits its collection of personal data, collects data only voluntarily given to it by its customers and is transparent in how such data is used. Personal customer information is not used for any purpose other than those agreed upon with the customer or for complying with regulatory requirements of the clients of PSTI.</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>The risks identified include unauthorized disclosure of data and breach of the data security measures by rogue employees or individuals.</i>	<i>Management's approach is to prohibit the saving of customer data on an unsecured network and carefully screening the applicants for employment at PSTI.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>The only opportunity identified by PSTI as regards this topic is that it continually educates itself on and invests in network security.</i>	<i>Management's approach is to prevent any incident of data breach before it actually occurs as the loss of trust of PSTI's clients resulting from such a data breach may prove irreparable.</i>

#### Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>The Corporation's subsidiary, Professional Stock Transfer, Inc. (PSTI), deals with customer data including names, addresses, contact details and shareholdings.</i>	<i>To protect customer privacy, PSTI limits its collection of personal data, collects data only voluntarily given to it by its customers and is transparent in how such data is used. Personal customer information is not used for any purpose other than those agreed upon with the customer or for complying with regulatory requirements of the clients of PSTI.</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>

<i>The risks identified include unauthorized disclosure of data and breach of the data security measures by rogue employees or individuals.</i>	<i>Management's approach is to prohibit the saving of customer data on an unsecured network and carefully screening the applicants for employment at PSTI.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>The only opportunity identified by PSTI as regards this topic is that it continually educates itself on and invests in network security.</i>	<i>Management's approach is to prevent any incident of data breach before it actually occurs as the loss of trust of PSTI's clients resulting from such a data breach may prove irreparable.</i>

### UN SUSTAINABLE DEVELOPMENT GOALS

#### Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

<b>Key Products and Services</b>	<b>Societal Value / Contribution to UN SDGs</b>	<b>Potential Negative Impact of Contribution</b>	<b>Management Approach to Negative Impact</b>
Stock Transfer Services	Goal No. 8 – Decent Work and Economic Growth	Unlikely to provide more employment unless client base increases	Aggressive marketing of its services to other PLCs and registered companies is required to be able to achieve it UN SDG.
Money Market Operations	Goal No. 8 – Decent Work and Economic Growth	Unlikely to provide more employment due to nature of business	Investment in subsidiaries that are labor-intensive is required to be able to achieve it UN SDG.

\* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.