

# COVER SHEET

SEC Registration Number

0	0	0	0	0	0	1	1	1	6	3
---	---	---	---	---	---	---	---	---	---	---

**COMPANY NAME**

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

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

1	2	t	h		F	l	o	o	r	,		T	e	l	e	c	o	m		P	l	a	z	a		B	u	i	l	d	i	n	g	,		3	1	6	
S	e	n	.		G	i	l		P	u	y	a	t		A	v	e	n	u	e	,		M	a	k	a	t	i		C	i	t	y						

Form Type	Department requiring the report	Secondary License Type, If Applicable
1 7 - Q	C R M D	N / A

**COMPANY INFORMATION**

Company's Email Address	Company's Telephone Number/s	Mobile Number
postmaster@phc.com.ph	(02)815-8406	(02)816-2517
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,176	3 <sup>rd</sup> Monday of November	December 31

**CONTACT PERSON INFORMATION**

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Erlinda I. Bildner	N/A	(02)815-8406	(02)815-2517

**CONTACT PERSON'S ADDRESS**

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

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

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

**PHILCOMSAT HOLDINGS CORPORATION AND SUBSIDIARIES**  
**AS AT JUNE 30, 2017 AND DECEMBER 31, 2016**  
**AND FOR THE QUARTER AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016**

**TABLE OF CONTENTS**

pages

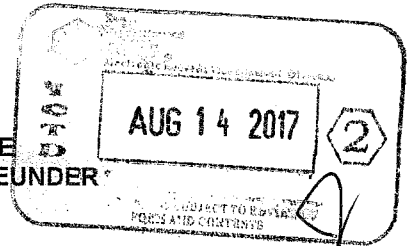
<b>SEC FORM 17Q</b>	1 - 4
<b>OVERVIEW OF OUR BUSINESS</b>	5
<b>I. FINANCIAL INFORMATION</b>	
<b>1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS</b>	
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	6
INTERIM CONSOLIDATED STATEMENTS OF INCOME	7
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	8
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	9
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS	10
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS	11
General Information	11
Summary of Significant Accounting Policies	12
Cash and Cash Equivalents	15
Short-term Investments	15
Receivables	16
Other Current Assets	17
AFS Financial Assets	17
Investment Property	18
Property and Equipment	19
Goodwill	19
Accrued Expenses and Other Current Liabilities	20
Revenue	20
Cost of Services	21
General and Administrative Expenses	21
Other Income (Charges) - Net	22
Related Party Transactions	22
Leases	23
Income Tax	23
Aging of Accounts Receivable	25
Civil Cases	26
Litigation	26
<b>2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</b>	30
Key Performance Indicators	30
Results of Operations	31
Discussion and analysis of material event/s and uncertainties known to management that would address the past and would have an impact on future operations.	32
<b>II. OTHER MATTERS</b>	
<b>MAJOR STOCKHOLDERS</b>	33
<b>BOARD OF DIRECTORS/KEY OFFICERS</b>	34

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE  
SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER\*

GENERAL INSTRUCTIONS



**(a) Use of Form 17-Q**

This SEC Form 17-Q shall be used for quarterly reports under Section 17 of the Code, filed pursuant to paragraph (2)(b) of SRC Rule 17 thereunder and shall be filed within 45 calendar days after the end of each of the first three fiscal quarters of each fiscal year. The first quarterly report of the issuer shall be filed either within 45 calendar days after the effective date of the registration statement or on or before the date on which such report would have been required to be filed if the issuer had been required previously to file reports on SEC Form 17-Q, whichever is later. No report need be filed for the fourth quarter of any fiscal year.

**(b) Application of SRC Rule 72.1: Requirements for Filing Forms**

SRC Rule 72.1 contains general rules and regulations which are applicable to reports on forms to be filed with the Commission. SRC Rule 68 contains requirements for the content of financial statements to be filed with the Commission as part of this report. These Rules should be carefully read and observed in the preparation and filing of reports on this Form.

**(c) Preparation of Report**

(1) This is not a blank form to be filled in. It is a guide to be used in preparing the report in accordance with SRC Rule 72.1. The Commission does not furnish blank copies of this Form to be filled in for filing.

(2) These general instructions are not to be filed with the report. The instructions to the various captions of the form are also to be omitted from the report as filed. The report shall contain the numbers and captions of all applicable items, but the text of such items may be omitted, provided the answers thereto are prepared in the manner specified in SRC Rule 72.1. All items that are not required to be answered in a particular report may be omitted and no reference thereto need be made in the report. All instructions should also be omitted.

**(d) Incorporation by Reference**

In accordance with the provisions of SRC Rule 12-2, if the issuer makes available to its stockholders or otherwise publishes, within the period prescribed for filing the report, a document or statement containing information meeting some or all of the requirements of Part I of this Form, the information called for may be incorporated by reference from such published document or statement, in answer or partial answer to any item or items of Part I of this Form, provided copies thereof are filed as an exhibit to Part I, and all information called for in this Form is supplied.

**(e) Integrated Reports to Security Holders**

Quarterly reports to security holders may be combined with the required information of Form 17-Q and will be suitable for filing with the Commission if the combined report contains full and complete answers to all items required by this Form. When responses to a certain item of required disclosure are separated within the combined report, an appropriate cross-reference should be made.

**(f) Signature and Filing of Report**

(1) Five complete copies of the report, including any financial statements, exhibit or other paper or document filed as a part thereof shall be filed with the Commission. At least one complete copy of the report, including any financial statements, exhibit or other paper or document filed as a part thereof, shall, if any class of the issuer's securities are listed in a stock exchange, be filed with that Exchange.

(2) At least one complete copy of the report filed with the Commission and, when applicable, one copy filed with the Exchange shall be manually signed on the issuer's behalf by a duly authorized officer of the issuer and by the principal financial or chief accounting officer of the issuer. Copies not manually signed shall bear typed or printed signatures. In the case where the principal financial officer or chief accounting officer is also duly authorized to sign on behalf of the issuer, one signature is acceptable provided the issuer clearly indicates the dual responsibilities of the signatory. See also paragraph (2) and (3) of SRC Rule 72.1 concerning copies, binding, signatures, paper, printing, language, and pagination.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended June 30, 2017.
2. Commission 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. Province, country or other jurisdiction of incorporation or organization Philippines
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office 316 Sen. Gil Puyat Avenue, Makati City Postal Code 1200
8. Issuer's telephone number, including area code (632) 815 9556
9. Former name, former address and former fiscal year, if changed since last report Not Applicable
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class

Number of Shares of Common  
Stock Outstanding and Amount  
of Debt Outstanding

Common Shares

996,391,254

11. Are any or all of the securities listed on a Stock Exchange?

Yes [] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange

Common Shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 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

#### PART I--FINANCIAL INFORMATION

##### Item 1. Financial Statements.

Financial Statements and, if applicable, Pro Forma Financial Statements meeting the requirements of SRC Rule 68, Form and Content of Financial Statements, shall be furnished as specified therein.

##### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Furnish the information required by Part III, Paragraph (A)(2)(b) of "Annex C".


#### PART II--OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

#### SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer.....PHILCOMSAT HOLDINGS CORPORATION

  
ERLINDA I. BILDNER  
Treasurer & CFO

## **BUSINESS OVERVIEW**

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, exploration, development and exploration of mineral oils, petroleum in its natural state, rock or carbon 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, respectively. The authorized capital of the Corporation is One Billion Pesos (P1,000,000,000) 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).

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

**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	June 30		December 31,
		2017 (Unaudited)	2016 (Unaudited)	2016 (Audited)
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	3	₱112,839,684	₱227,887,168	₱104,420,735
Short-term investments	4	7,441,238	36,068,330	7,384,925
Receivables – current	5	207,889,496	56,320,473	171,861,925
Other current assets	6	2,840,730	10,429,160	4,750,681
Total Current Assets		331,011,148	330,705,131	288,418,266
<b>Noncurrent Assets</b>				
Receivables – noncurrent	5	47,000,000	39,000,000	47,000,000
Available for sale (AFS) financial assets	7	866,535,185	670,711,109	784,040,683
Investment property	8	105,808,052	110,126,748	107,967,400
Property and equipment	9	155,792	93,012	63,300
Goodwill	10	1,319,429	1,319,429	1,319,429
Net deferred tax assets	18	220,961	–	168,457
Total Noncurrent Assets		1,021,039,419	821,250,298	940,559,269
		₱1,352,050,567	₱1,151,955,429	₱1,228,977,535
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities</b>				
Accrued expenses and other current liabilities	11	₱1,728,421	₱2,927,997	₱1,873,784
Customers' deposits	17	1,237,874	1,237,874	1,237,874
Income tax payable		–	608,133	–
Due to a related party	16	–	–	4,549,198
Total Current Liabilities		2,966,295	4,774,004	7,660,856
<b>Noncurrent Liabilities</b>				
Deposit for future stock subscription	16	18,894,000	18,894,000	18,894,000
Net deferred tax liabilities	18	–	167,997	–
Total Noncurrent Liabilities		18,894,000	19,061,997	18,894,000
<b>Equity</b>				
Capital stock		996,391,254	996,391,254	996,391,254
Retained earnings		342,503,044	108,736,431	222,365,362
Cumulative net unrealized gain (loss) on AFS financial assets		(8,704,026)	22,991,743	(16,333,937)
Total Equity		1,330,190,272	1,128,119,428	1,202,422,679
		₱1,352,050,567	₱1,151,955,429	₱1,228,977,535

See accompanying Notes to Interim Consolidated Financial Statements.

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

**INTERIM CONSOLIDATED STATEMENTS OF INCOME**

	Note	Quarter ended June 30		Six Months ended June 30	
		2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
REVENUE	12	₱9,988,480	₱18,875,105	₱17,451,990	₱22,989,535
COST OF SERVICES	13	(498,535)	(10,142,513)	(872,324)	(10,507,186)
GROSS PROFIT		9,489,945	8,732,592	16,579,666	12,482,349
GENERAL AND ADMINISTRATIVE EXPENSES	14	(7,462,656)	(8,793,823)	(20,080,656)	(20,603,257)
GAIN (LOSS) ON SETTLEMENT OF LOAN RECEIVABLE	5	-	(1,176,471)	151,250,000	118,268,929
REVERSAL OF ALLOWANCE FOR DOUBTFUL ACCOUNTS	5	-	-	-	125,000,000
OTHER INCOME (CHARGES) - Net	15	65,170	(2,191,043)	17,131	(2,198,963)
INCOME (LOSS) BEFORE INCOME TAX		2,092,459	(3,428,745)	147,766,141	232,949,058
PROVISION FOR (BENEFIT FROM) INCOME TAX	18				
Current		256,692	1,787,522	27,680,963	24,022,319
Deferred		60,421	(29,954)	(52,504)	(68,670)
		317,113	1,757,568	27,628,459	23,953,649
NET INCOME (LOSS)		₱1,775,346	(₱5,186,313)	₱120,137,682	₱208,995,409
BASIC/DILUTED EARNINGS (LOSS) PER SHARE		₱0.0018	(₱0.0052)	₱0.1206	₱0.2098

See accompanying Notes to Interim Consolidated Financial Statements.

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

**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Quarter ended June 30		Six Months ended June 30	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
<b>NET INCOME (LOSS)</b>	<b>₱1,775,346</b>	<b>(₱5,186,313)</b>	<b>₱120,137,682</b>	<b>₱208,995,409</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Item that may be reclassified to profit or loss –</i>				
Unrealized gain on AFS financial assets	2,483,359	13,246,432	8,517,999	17,712,780
Reversal of fair value changes of AFS financial assets sold	(160,712)	2,615,242	(888,088)	2,615,243
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱4,097,993</b>	<b>₱10,675,361</b>	<b>₱127,767,593</b>	<b>₱229,323,432</b>

*See accompanying Notes to Interim Consolidated Financial Statements.*

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

**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016

	2017 (Unaudited)	2016 (Unaudited)
<b>CAPITAL STOCK - P1 par value</b>		
Authorized - 1,000,000,000 shares		
Issued - 996,391,254 shares	P996,391,254	P996,391,254
<b>RETAINED EARNINGS (DEFICIT)</b>		
Balance at beginning of period	222,365,362	(100,258,978)
Net income	120,137,682	208,995,409
Balance at end of period	342,503,044	108,736,431
<b>CUMULATIVE NET UNREALIZED GAIN (LOSS) ON AFS FINANCIAL ASSETS</b>		
Balance at beginning of period	(16,333,937)	2,663,720
Unrealized gain	8,517,999	17,712,780
Reversal of fair value changes of AFS financial assets sold	(888,088)	2,615,243
Balance at end of period	(8,704,026)	22,991,743
	<b>P1,330,190,272</b>	<b>P1,128,119,428</b>

*See accompanying Notes to Interim Consolidated Financial Statements.*

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

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016**

	Note	2017 (Unaudited)	2016 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		P147,766,141	P232,949,058
Adjustments for:			
Gain on settlement of loan receivable	5	(151,250,000)	(118,268,929)
Loss (gain) on sale of AFS financial assets		(3,552,101)	535,352
Depreciation	8	2,220,517	2,194,931
Provision for (reversal of) impairment of input value-added tax (VAT)	14	(69,413)	2,218,578
Reversal of allowance for impairment of receivables	5	-	(125,000,000)
Loss on settlement of BPI account	14	-	1,458,225
Unrealized gain on financial assets at fair value through profit or loss (FVPL)	15	(7,075)	(2,957)
Operating loss before working capital changes		(4,891,931)	(3,915,742)
Decrease (increase) in:			
Receivables		(1,027,571)	142,949,035
Other current assets		629,044	(4,152,220)
Increase (decrease) in trade and other payables		(145,363)	1,800,688
Net cash generated from (used for) operations		(5,435,821)	136,681,761
Income tax paid		(26,323,568)	(22,292,817)
Net cash provided by (used in) operating activities		(31,759,389)	114,388,944
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from:			
Collection of loan receivable	5	151,250,000	118,268,929
Sale and retirement of AFS financial assets		57,613,578	29,773,063
Redemption of short-term investments		-	6,125,526
Acquisitions of:			
AFS financial assets		(128,926,068)	(382,674,465)
Notes and loans		(40,000,000)	-
Property and equipment		(153,661)	(4,643)
Short-term investments	9	(56,313)	-
Decrease in due from related parties		5,000,000	96,886,608
Net cash provided by (used in) investing activities		44,727,536	(131,624,982)
<b>CASH FLOW FROM A FINANCING ACTIVITY</b>			
Payment of advances from a related party		(4,549,198)	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		8,418,949	(17,236,038)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>			
		104,420,735	245,123,206
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>			
		P112,839,684	P227,887,168

See accompanying Notes to Interim Consolidated Financial Statements.

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
AS AT JUNE 30, 2017 AND DECEMBER 31, 2016  
AND FOR THE QUARTER AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

**1. General Information**

**Corporate Information**

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

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

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

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

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

The Parent Company and all subsidiaries (collectively referred to as "the Group") were incorporated in the Philippines. The following are the subsidiaries and the respective percentages of ownership and principal activities as at June 30, 2017 and December 31, 2016:

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

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

The registered address of the Parent Company is at 12th floor, Telecom Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City. The Company does not have any regular employees.

#### **Listing of Shares in the PSE**

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

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

On April 1, 2014, the Parent Company, through its legal counsel, submitted to the SEC a letter of request for the lifting of the order of suspension on the trading of the Parent Company's shares and for a compromise on the payment of the penalties. The SEC, on December 29, 2015, lifted the order of suspension and directed the Parent Company to file an updated Registration Statement.

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

---

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

### **Basis of Preparation**

The interim consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting* and in compliance with the Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee.

### **Measurement Bases**

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

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

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

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

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

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

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

The interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as compared with the Group's annual consolidated financial statements. Furthermore, the interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements.

#### **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, 2017:

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

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

### **New and Amended PFRS Not Yet Adopted**

Relevant new and amended PFRS which are not yet effective for the period ended June 30, 2017 and have not been applied in preparing the interim consolidated financial statements are summarized below.

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

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

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

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

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

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

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

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

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

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

### 3. Cash and Cash Equivalents

This account consists of:

	June 30		December 31,
	2017 (Unaudited)	2016 (Unaudited)	2016 (Audited)
Cash on hand and in banks	₱25,104,781	₱101,987,456	₱20,485,905
Cash equivalents	87,734,903	125,899,712	83,934,830
	<b>₱112,839,684</b>	<b>₱227,887,168</b>	<b>₱104,420,735</b>

Cash in banks earn interest at prevailing bank deposit rates.

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

Interest income earned from cash in banks and cash equivalents amounted to ₱0.1 million and ₱1.5 million for the quarters ended June 30, 2017 and 2016, respectively.

Interest income included in revenue (see Note 12) as shown in the interim consolidated statements of income is earned from the following:

	Note	Quarter ended June 30		Six Months ended June 30	
		2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Cash and cash equivalents		₱100,338	₱1,481,519	₱103,697	₱3,109,644
Short-term investments	4	320,633	308,959	754,821	461,155
Receivables	5	2,257,658	—	5,147,739	191,911
AFS financial assets	7	2,825,190	675,855	4,856,513	1,650,507
		<b>₱5,503,819</b>	<b>₱2,466,333</b>	<b>₱10,862,770</b>	<b>₱5,413,217</b>

### 4. Short-term Investments

This account amounting to ₱7.4 million, ₱36.1 million and ₱7.4 million as at June 30, 2017 and 2016 and December 31, 2016, respectively, pertains to time deposits with term of more than three months to one year and earns interest at prevailing time deposit rates.

Interest income earned from short-term investments amounted to ₱0.3 million for the quarters ended June 30, 2017 and 2016 (see Note 3).

## 5. Receivables

This account consists of:

	Note	June 30		December 31,
		2017 (Unaudited)	2016 (Unaudited)	2016 (Audited)
Trade		<b>₱1,481,687</b>	₱1,271,240	₱1,584,898
Notes and loans receivable:				
Corporate notes		<b>176,711,954</b>	–	136,711,954
Promissory notes issued by various banks		<b>55,305,002</b>	39,000,000	55,305,002
Due from related parties	16	<b>13,811,793</b>	50,119,420	18,811,793
Interest receivable		<b>4,244,958</b>	1,687,918	3,269,405
Dividend receivable		<b>40,391</b>	299,091	136,438
Others		<b>3,351,711</b>	3,000,804	3,100,435
		<b>254,947,496</b>	95,378,473	218,919,925
Less allowance for doubtful accounts		<b>(58,000)</b>	(58,000)	(58,000)
		<b>254,889,496</b>	95,320,473	218,861,925
Less noncurrent portion		<b>(47,000,000)</b>	(39,000,000)	(47,000,000)
Current portion of receivables		<b>₱207,889,496</b>	₱56,320,473	₱171,861,925

### Trade Receivables

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

### Corporate Notes

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

### Promissory Notes Issued by Various Banks

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

Interest income earned from corporate notes, promissory notes issued by banks and due from related parties amounted to ₱2.3 million and nil for the quarters ended June 30, 2017 and 2016, respectively (see Note 3).

### Loan to Araneta

Loan to Araneta amounting to ₱125.0 million pertains to a loan guaranteed by Araneta's company, Ansear Realty and Development Corporation (Ansear). The loan has long been past its due date and has been provided a full allowance for doubtful accounts since 2008. The Parent Company ceased to recognize interest on the loan and filed a complaint for the collection of the loan (Araneta case).

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

The lots of Ansear, which are subject to a writ of attachment as ordered by the Court, were sold in January 2016 to settle the loan and the interest. The Parent Company received ₱350.0 million, inclusive of value-added tax (VAT), in the six months ended June 30, 2016 as partial settlement of the loan and interest. Due to the settlement, the full allowance for doubtful accounts on the loan amounting to ₱125.0 million was reversed in the same period. Proceeds in excess of the loan and interest receivable amounting to ₱184.3 million in the six months ended June 30, 2016, net of legal and other costs of collection shouldered by the Company amounting to ₱66.1 million, were recorded as a gain on settlement of loan receivable of ₱118.3 million in the same period.

The Parent Company received the final installment amounting to ₱175.0 million, inclusive of VAT, in the six months ended June 30, 2017. Proceeds amounting to ₱156.3 million, net of legal fees related to the collection amounting to ₱5.0 million, were recorded as a gain on settlement of loan receivable of ₱151.3 million in the same period.

#### Other Receivables

Other receivables pertain mainly to advances from officers and employees subject to liquidation.

### 6. Other Current Assets

This account consists of:

	June 30		December 31,
	2017 (Unaudited)	2016 (Unaudited)	2016 (Audited)
Creditable withholding tax	₱1,804,310	₱494,486	₱3,161,705
Input VAT	906,589	9,814,991	1,466,220
Financial assets at FVPL	109,824	102,749	102,749
Prepayments:			
Insurance	16,934	16,934	16,934
Others	3,073	-	3,073
	<b>₱2,840,730</b>	<b>₱10,429,160</b>	<b>₱4,750,681</b>

### 7. AFS Financial Assets

This account consists of:

	June 30		December 31,
	2017 (Unaudited)	2016 (Unaudited)	2016 (Audited)
Investments in:			
Managed funds	₱463,189,974	₱524,263,890	₱491,605,641
Quoted bonds	304,379,452	109,675,639	223,883,280
Quoted shares of stock	96,265,759	35,081,580	66,101,762
Club memberships	2,700,000	1,690,000	2,450,000
	<b>₱866,535,185</b>	<b>₱670,711,109</b>	<b>₱784,040,683</b>

Interest income earned from AFS financial assets amounted to ₱2.8 million and ₱0.7 million for the quarters ended June 30, 2017 and 2016, respectively (see Note 3).

Dividend income earned from AFS financial assets amounted to ₱0.5 million and ₱0.3 million for the quarters ended June 30, 2017 and 2016, respectively (see Note 12).

Gain (loss) on sale of AFS financial assets amounted to ₱2.9 million and (₱0.6 million) for the quarters ended June 30, 2017 and 2016, respectively (see Notes 12 and 13, respectively).

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

No impairment loss was recognized in 2017 and 2016.

#### 8. Investment Property

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

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

	June 30		December 31,
	2017	2016	2016
	(Unaudited)	(Audited)	(Audited)
<b>Cost</b>			
Balance at beginning and end of period	₱164,772,000	₱164,772,000	₱164,772,000
<b>Accumulated Depreciation</b>			
Balance at beginning of period	56,804,600	52,485,904	52,485,904
Depreciation	2,159,348	2,159,348	4,318,696
Balance at end of period	58,963,948	54,645,252	56,804,600
<b>Carrying Amount</b>	<b>₱105,808,052</b>	<b>₱110,126,748</b>	<b>₱107,967,400</b>

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

Depreciation for the six months ended June 30, 2017 and 2016 are recognized from the following:

	Note	2017	2016
		(Unaudited)	(Unaudited)
Investment property		₱2,159,348	₱2,159,348
Property and equipment	9	61,169	35,583
		<b>₱2,220,517</b>	<b>₱2,194,931</b>

Depreciation for the six months ended June 30, 2017 and 2016 is recognized under the following:

	Note	2017 (Unaudited)	2016 (Audited)
General and administrative expenses	14	₱2,194,292	₱2,167,277
Cost of services	13	26,225	27,654
		<b>₱2,220,517</b>	<b>₱2,194,931</b>

## 9. Property and Equipment

This account consists of:

	June 30, 2017 (Unaudited)				Total
	Transportation Equipment	Furniture and Fixtures	Office Equipment	Office Improvement	
<b>Cost</b>					
Balance at beginning of year	₱4,950,745	₱3,528,775	₱942,212	₱39,325	₱9,461,057
Additions	60,893	—	92,768	—	153,661
Balance at end of year	5,011,638	3,528,775	1,034,980	39,325	9,614,718
<b>Accumulated Depreciation</b>					
Balance at beginning of year	4,923,585	3,528,775	906,072	39,325	9,397,757
Depreciation	11,640	—	49,529	—	61,169
Balance at end of year	4,935,225	3,528,775	955,601	39,325	9,458,926
<b>Carrying Amount</b>	<b>₱76,413</b>	<b>₱—</b>	<b>₱79,379</b>	<b>₱—</b>	<b>₱155,792</b>

	June 30, 2016 (Unaudited)				Total
	Transportation Equipment	Furniture and Fixtures	Office Equipment	Office Improvement	
<b>Cost</b>					
Balance at beginning of year	₱4,950,745	₱3,528,775	₱937,569	₱39,325	₱9,456,414
Additions	—	—	4,643	—	4,643
Balance at end of year	4,950,745	3,528,775	942,212	39,325	9,461,057
<b>Accumulated Depreciation</b>					
Balance at beginning of year	4,915,825	3,528,775	848,537	39,325	9,332,462
Depreciation	4,850	—	30,733	—	35,583
Balance at end of year	4,920,675	3,528,775	879,270	39,325	9,368,045
<b>Carrying Amount</b>	<b>₱30,070</b>	<b>₱—</b>	<b>₱62,942</b>	<b>₱—</b>	<b>₱93,012</b>

	December 31, 2016 (Audited)				Total
	Transportation Equipment	Furniture and Fixtures	Office Equipment	Office Improvement	
<b>Cost</b>					
Balance at beginning of year	₱4,950,745	₱3,528,775	₱937,569	₱39,325	₱9,456,414
Additions	—	—	4,643	—	4,643
Balance at end of year	4,950,745	3,528,775	942,212	39,325	9,461,057
<b>Accumulated Depreciation</b>					
Balance at beginning of year	4,915,825	3,528,775	848,537	39,325	9,332,462
Depreciation	7,760	—	57,535	—	65,295
Balance at end of year	4,923,585	3,528,775	906,072	39,325	9,397,757
<b>Carrying Amount</b>	<b>₱27,160</b>	<b>₱—</b>	<b>₱36,140</b>	<b>₱—</b>	<b>₱63,300</b>

## 10. Goodwill

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

No impairment on goodwill was recognized in 2017 and 2016.

## 11. Accrued Expenses and Other Current Liabilities

This account consists of:

	June 30		December 31,
	2017 (Unaudited)	2016 (Unaudited)	2016 (Audited)
Accrued expenses	₱883,330	₱2,337,397	₱958,332
Statutory payables	845,091	590,600	915,452
	<b>₱1,728,421</b>	<b>₱2,927,997</b>	<b>₱1,873,784</b>

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

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

## 12. Revenue

This account consists of:

	Note	Quarter ended June 30		Six Months ended June 30	
		2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Interest income	3	₱5,503,819	₱2,466,333	₱10,862,770	₱5,413,217
Gain on sale of AFS financial assets	7	2,911,738	–	3,677,485	–
Retainer fee		938,947	878,947	1,882,893	1,787,893
Dividend income	7	515,081	271,473	886,507	463,383
Transfer fee		28,895	6,060	52,335	22,750
Service fees		–	15,192,292	–	15,192,292
Miscellaneous		90,000	60,000	90,000	110,000
		<b>₱9,988,480</b>	<b>₱18,875,105</b>	<b>₱17,451,990</b>	<b>₱22,989,535</b>

### Retainer Fee

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

### Service Fees

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

As at December 31, 2016, the Project has been completed. Service fees earned from the Project amounting to ₱15.2 million and cost of services related to the service fees amounting to ₱9.0 million were recognized in the six months ended June 30, 2016 (see Note 13).

### 13. Cost of Services

This account consists of:

	Note	Quarter ended June 30		Six Months ended June 30	
		2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Salaries and other benefits		<b>₱363,682</b>	₱415,154	<b>₱648,153</b>	₱770,749
Communication, light and water		<b>66,731</b>	72,936	<b>128,461</b>	72,936
Transportation		<b>55,010</b>	58,163	<b>69,485</b>	97,545
Depreciation	8	<b>13,112</b>	13,827	<b>26,225</b>	27,654
Outside services	12	–	9,002,500	–	9,002,500
Loss on sale of AFS financial assets	7	–	579,483	–	535,352
Repairs and maintenance		–	450	–	450
		<b>₱498,535</b>	₱10,142,513	<b>₱872,324</b>	₱10,507,186

### 14. General and Administrative Expenses

This account consists of:

	Note	Quarter ended June 30		Six Months ended June 30	
		2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Professional fee		<b>₱2,710,536</b>	₱2,684,780	<b>₱6,685,457</b>	₱5,397,660
Directors' fee	16	<b>1,695,000</b>	1,695,000	<b>3,390,000</b>	3,315,000
Depreciation	8	<b>1,097,145</b>	1,087,603	<b>2,194,292</b>	2,167,277
Dues and subscription		<b>618,993</b>	568,997	<b>1,394,284</b>	1,339,692
Rent expense	17	<b>383,967</b>	398,766	<b>767,934</b>	658,582
Transportation and travel		<b>230,068</b>	223,036	<b>523,037</b>	445,008
Representation and entertainment		<b>154,081</b>	688,351	<b>1,471,529</b>	821,225
Repairs and maintenance		<b>117,680</b>	127,680	<b>303,916</b>	283,921
Taxes and licenses		<b>98,751</b>	229,487	<b>1,759,421</b>	1,009,990
Trainings and seminars		<b>90,455</b>	–	<b>97,088</b>	10,268
Insurance		<b>86,837</b>	83,321	<b>363,238</b>	169,748
Stationery, print and office supplies		<b>45,766</b>	10,122	<b>103,435</b>	112,700
Communication, light and water		<b>45,093</b>	66,129	<b>103,755</b>	131,261
Legal fee		<b>15,464</b>	921,885	<b>843,538</b>	986,413
Provision for (reversal of) impairment of input VAT		–	–	<b>(69,413)</b>	2,218,578
Loss on settlement of BPI account		–	–	–	1,458,225
Others		<b>72,820</b>	8,666	<b>149,145</b>	77,709
		<b>₱7,462,656</b>	₱8,793,823	<b>₱20,080,656</b>	₱20,603,257

## 15. Other Income (Charges) – Net

This account consists of:

	Quarter ended June 30		Six Months ended June 30	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Unrealized foreign exchange gain	₱62,213	₱–	₱10,056	₱–
Unrealized gain on financial assets at FVPL	2,957	10,877	7,075	2,957
Fair value changes on AFS financial assets sold reclassified to profit and loss	–	(2,201,920)	–	(2,201,920)
	<b>₱65,170</b>	<b>(₱2,191,043)</b>	<b>₱17,131</b>	<b>(₱2,198,963)</b>

## 16. Related Party Transactions

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

Relationship	Nature of Transaction	Amount of Transactions (in millions)		Outstanding Balance (in millions)		
		Six Months ended June 30, 2017 (Unaudited)	Six Months ended June 30, 2016 (Unaudited)	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)	
<b>Included under "Receivables"</b>						
Montemar Beach Club, Inc. (MBCI)	Company under common control	Cash advances	₱5.0	₱–	₱13.5	₱18.5
		Interest income	0.7	0.7	–	–
Montemar Resort Development Corp. (MRDC)	Company under common control	Cash advances	–	–	0.3	0.3
Philcomsat	Immediate parent	Rent of office space	0.3	0.3	–	–
					<b>₱13.8</b>	<b>₱18.8</b>
<b>Presented under "Due to a Related Party"</b>						
Philcomsat	Immediate parent	Cash advances	(₱4.5)	₱–	₱–	₱4.5
<b>Included under "Deposit for Future Stock Subscription"</b>						
Philcomsat	Immediate parent	Excess of subscription	₱–	₱–	₱18.9	₱18.9

### Terms of Cash Advances to Related Parties

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

### Terms of Cash Advances from a Related Party

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

#### The Parent Company as a Lessee

The Parent Company has a lease agreement with Philcomsat for the rent of its office space located at 12<sup>th</sup> Floor, Telecom Plaza Building, 316 Sen. Gil Puyat Ave., Makati City. The lease term is for one year and is renewable under mutual agreement of both parties. Rent expense amounted to ₱0.5 million for the six months ended June 30, 2017 and 2016.

#### Compensation of Key Management Personnel

Compensation of the key management personnel of the Parent Company consists of directors' fees amounting to ₱1.7 million for the quarters ended June 30, 2017 and 2016, respectively (see Note 14).

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

### 17. Leases

#### The Group as a Lessor

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

#### The Group as a Lessee

Rent expense arising from rental of the office space of the Parent Company and PSTI. Rent expense amounted to ₱0.4 million for the quarters ended June 30, 2017 and 2016 (see Note 14). The leases have a term of one year subject to renewal under mutual agreement of both parties.

As at June 30, 2017 and December 31, 2016, the Group has no outstanding commitments under non-cancellable operating leases.

### 18. Income Tax

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

	Quarter ended June 30		Six Months ended June 30	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
RCIT	₱266,941	₱1,775,407	₱27,680,963	₱23,998,031
MCIT	(10,249)	12,115	—	24,288
	₱256,692	₱1,787,522	₱27,680,963	₱24,022,319

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

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

	Quarter ended June 30		Six Months ended June 30	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Income tax (benefit) at statutory rate	₱627,737	(₱1,028,624)	₱44,329,842	₱69,884,717
Difference between OSD and itemized deductions	1,111,172	3,496,303	(13,870,333)	(7,940,270)
Change in unrecognized deferred tax assets	(18,664)	-	(3,017)	(37,499,666)
Add (deduct) tax effects of:				
Interest income already subjected to final tax	(1,298,383)	(647,212)	(2,591,032)	(1,473,704)
Dividend income	(104,749)	(81,442)	(216,177)	(139,015)
Nondeductible expenses	-	18,543	(20,824)	1,121,587
	<b>₱317,113</b>	<b>₱1,757,568</b>	<b>₱27,628,459</b>	<b>₱23,953,649</b>

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

	June 30		December 31,
	2017 (Unaudited)	2016 (Unaudited)	2016 (Audited)
Deferred tax assets:			
NOLCO	₱279,576	₱-	₱193,986
MCIT	48,370	-	48,370
Allowance for doubtful accounts	17,400	17,400	17,400
	<b>345,346</b>	<b>17,400</b>	<b>259,756</b>
Deferred tax liabilities:			
Accruals	(121,375)	(184,510)	(90,412)
Unrealized gain on financial assets at FVPL	(3,010)	(887)	(887)
	<b>(124,385)</b>	<b>(185,397)</b>	<b>(91,299)</b>
	<b>₱220,961</b>	<b>(₱167,997)</b>	<b>₱168,457</b>

The Parent Company did not recognize deferred tax assets amounting to ₱5.8 million and ₱5.9 million as at June 30, 2017 and December 31, 2016, respectively, because management believes 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 the Parent Company's unrecognized deferred tax assets are as follows:

	June 30		December 31,
	2017 (Unaudited)	2016 (Unaudited)	2016 (Audited)
NOLCO	₱5,852,277	₱15,482,250	₱5,852,277
Unrealized foreign exchange loss	(3,017)	-	-
	₱5,849,260	₱15,482,250	₱5,852,277

### 19. Aging of Accounts Receivable

The aging schedule of the Group's receivables is as follows:

	June 30, 2017			
	Neither Past Due nor Impaired	Past Due but not Impaired		Total
		30 Days	More than 60 Days	
Trade	₱1,423,687	₱-	₱-	₱1,423,687
Notes	232,016,956	-	-	232,016,956
Due from related parties	13,811,793	-	-	13,811,793
Interest receivable	4,244,958	-	-	4,244,958
Dividend receivable	40,391	-	-	40,391
Others	3,351,711	-	-	3,351,711
	₱254,889,496	₱-	₱-	₱254,889,496

	June 30, 2016			
	Neither Past Due nor Impaired	Past Due but not Impaired		Total
		30 Days	More than 60 Days	
Trade	₱1,213,240	₱-	₱-	₱1,213,240
Notes	39,000,000	-	-	39,000,000
Due from related parties	50,119,420	-	-	50,119,420
Interest receivable	1,687,918	-	-	1,687,918
Dividend receivable	299,091	-	-	299,091
Others	3,000,804	-	-	3,000,804
	₱95,320,473	₱-	₱-	₱95,320,473

	December 31, 2016			
	Neither Past Due nor Impaired	Past Due but not Impaired		Total
		30 Days	More than 60 Days	
Trade	₱1,526,898	₱-	₱-	₱1,526,898
Notes	192,016,956	-	-	192,016,956
Due from related parties	18,811,793	-	-	18,811,793
Interest receivable	3,269,405	-	-	3,269,405
Dividend receivable	136,438	-	-	136,438
Others	3,100,435	-	-	3,100,435
	₱218,861,925	₱-	₱-	₱218,861,925

---

## 1. Civil Cases

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

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

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

---

## 2. Litigation

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

- **Complaint for Collection Against Araneta and Lokin**

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

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

On February 20, 2017, the RTC-Makati issued an Order granting the Parent Company's application of writ of preliminary attachment against the properties and assets of Lokin.

On February 27, 2017 and March 7, 2017, Araneta and Lokin filed their Motions for Reconsideration of the February 2, 2017 Decision. The Parent Company filed its Opposition thereto on March 23, 2017.

On March 3, 2017, the Parent Company filed a Supplemental Argument in Support of the Urgent Motion dated November 11, 2016.

On March 6, 2017, CAP General Insurance Corporation filed a Manifestation/Motion to Withdraw as Bondsman, which is granted in an Order dated March 27, 2017. On May 3, 2017, Araneta filed his Motion for Reconsideration of the said Order, to which the Parent Company filed its Opposition on May 8, 2017. On June 6, 2017, an Order was issued denying Araneta's Motion for Reconsideration.

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

On May 8, 2008, the Parent Company filed a criminal complaint for *estafa* for misappropriation of corporate funds against Brodett, a former director of the Parent Company, and certain officers of Bankwise. The complaint alleged that the unauthorized deposits, withdrawals and transfers of the Parent Company's funds in the amount of ₱66.8 million was processed through spurious bank accounts and involved the co-mingling and transfer of funds between the Parent Company's accounts and certain personal accounts. The case was re-raffled to RTC Branch 59 on August 27, 2015 and is ongoing presentation of evidence.

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

The case is currently ongoing trial and presentation of Brodett's evidence. Brodett has presented Mr. Vicente Campa as his first witness. On 31 July 2017, Brodett submitted his Judicial Affidavit and will testify on his own behalf and has manifested that he may present another witness. The continuation of the trial is scheduled on September 13 and 27, 2017.

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

A criminal complaint for *estafa* was filed against Araneta for money market placements amounting to ₱65.0 million which allegedly were not returned to the Parent Company. The case was dismissed on February 9, 2009 for lack of probable

cause. The appeal filed on March 4, 2009 is still pending decision with the DOJ as at report date.

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

On October 16, 2008, the Parent Company filed a case against Lokin by reason of the alleged exorbitant legal fees paid to the latter totaling ₱31.0 million for the period 2003 to 2007, and for other fees, including two million pesos (P2,000,000.00) supposedly for a "Sandiganbayan TRO" and another P2,000,000.00 supposedly for purposes of "PR for the Supreme Court Injunction".

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

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

On September 11, 2006, the Parent Company filed a complaint against Locsin and Andal with the office of the Ombudsman seeking for the latter to file criminal and administrative charges against the accused for alleged excessive amounts of salaries and bonuses from the Parent Company for their personal gain, and in clear violation of Memorandum Circulars which limit the salary received by public officials. The Ombudsman filed Informations for Violation of the Anti-Graft and Corrupt Practices Act on December 7, 2011 against both Andal and Locsin with the Sandiganbayan for receiving a total of ₱15.0 million and ₱11.0 million, respectively, from 2003 to 2005, from the Parent Company. The case is currently ongoing trial for presentation of the prosecution's evidence.

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. The same is to be presented to the court on or before the next hearing dates on August 15 and 16, 2017.

- **Criminal Complaint Against Concepcion A. Poblador**

A criminal complaint for estafa was filed against Ms. Poblador for allegedly receiving cash advances amounting to ₱14.5 million, which she failed to account for and return to the Parent Company after formal demands. On February 9, 2009, the DOJ issued a Resolution directing the filing of an Information against Ms. Poblador only for ₱0.2 million.

On January 7, 2014, the Parent Company filed a Petition for Certiorari praying that the DOJ file new information against Ms. Poblador for estafa for the total amount of ₱16.7 million. On January 10, 2014, the Parent Company received a Petition for Certiorari filed by Ms. Poblador seeking the reversal of the Resolution directing the

filing of an Information for estafa against her for for ₱0.2 million. On August 29, 2014, the two Petitions were consolidated.

On April 26, 2017, subsequent to the filing of the parties' respective Memoranda, the Court of Appeals issued a Resolution requiring Ms. Poblador to file a Rejoinder to the Parent Company's Reply (to the Memorandum of Poblador). In the meantime, the case was returned to "Completion State" pending the filing of the Rejoinder. Poblador filed her Rejoinder under date of June 1, 2017. It is expected that, with the filing of the Rejoinder by Poblador, the Court of Appeals will issue an order reverting the case to "Submitted for Decision" status.

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.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

**Key Performance Indicators (KPI)**

The Company's KPI for the quarters ended June 30, 2017 and 2016 are as follows:

Performance Indicator	Formula	June 30, 2017	June 30, 2016
<i>Liquidity</i>			
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	111.59:1	69.27:1
<i>Leverage</i>			
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	0.02:1	0.02:1
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	1.02:1	1.02:1
<i>Profitability</i>			
Gross Profit Ratio	$\frac{\text{Gross Profit}}{\text{Revenue}}$	94.97%	54.30%
Net Profit Ratio	$\frac{\text{Net Profit}}{\text{Revenue}}$	6.93%	9.09%
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$	8.89%	18.14%
Return on Equity	$\frac{\text{Net Income}}{\text{Total Equity}}$	9.03%	18.53%
<i>Efficiency</i>			
Operating Expense Ratio	$\frac{\text{Operating Expenses}}{\text{Gross Operating Income}}$	1.22:1	1.65:1
Interest Rate Coverage Ratio	$\frac{\text{Earnings before Interest Expense and Taxes}}{\text{Interest Expense}}$	N/A	N/A

Liquidity

The Company's current ratio as at June 30, 2017 of 111.59:1 is higher as opposed to 69.27:1 in the same quarter of the prior year. The increase is mainly due to the payment of a trade payable and the increase in receivables - current in 2016. This ratio reflects a high liquidity position of the Company.

Leverage

There has been negligible change in the Company's leverage ratios in 2017. The ratios show that the Company's assets are more than adequate to cover its liabilities.

Profitability

Gross profit ratio for the quarter ended June 30, 2017 reflects high profitability levels. Increase in gross profit ratio from the same quarter in 2016 is due to the significant decrease in the cost of sales while maintaining an almost equal peso amount of gross profit. Lower returns on asset and equity was due to higher net income in the prior year quarter as a result of the reversal of allowance for doubtful accounts.

### **Results of Operations**

From 2000 to 2010, the Corporation was involved in an intra-corporate feud between the Brodett-Araneta-Lokin-Loecin-Poblador Group, who controlled the Corporation from 2000 to December 2007, present Management assumed control in December 2007.

Due to the hostile take-over, the Brodett Group withdrew the corporate funds, transferred corporate property and held the corporate funds. Thus, for the period between December 2007 and May 2010, present Management has not been able to focus on growing the business and operations of the Corporation as all efforts were geared towards recovering corporate assets.

With the recovery of some of the corporate funds and assets from the Brodett Group, the Company invested in money market placements and other liquid financial instruments. It also owns a condominium unit located at 2/F Pacific Star Building, Sen. Gil Puyat Avenue, Makati City.

The following table shows the results of the Company's operations for the quarters ended June 30, 2017 and 2016:

Results of Operations	For the quarters ended		Increase/ (Decrease)	YoY Change (%)
	June 30, 2017	June 30, 2016		
Revenues	₱9,988,480	₱18,875,105	(₱8,886,625)	(47.08%)
Expenses	7,961,191	18,936,336	(10,975,145)	(57.96%)
Income from operations	₱2,027,289	(₱61,231)	₱2,088,520	3410.89%

The Company recorded lower revenues and expenses for the quarter ended June 30, 2017 than the same period in 2016 due primarily to the completion of the 'the Pag-asa Island Project', of which ₱15,192,292 of revenue and ₱9,002,500 expenses were earned and incurred in 2016, respectively.

**Discussion and Analysis of Material Events and Uncertainties**

- |   |  |
|---|--|
| i. Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.                    | The Company filed various cases against its former directors to recover assets they allegedly withdrawn or misappropriated which, if won, will result in the liquidity position of the Company increasing in a material way.   |
| ii. Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.   | None   |
| iii. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period. | None   |
| iv. Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described.  | None   |
| v. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.          | None   |
| vi. Any significant elements of income or loss that did not arise from the registrant's continuing operations   | Revenue arising from collection of receivable due to settlement of a case. This was previously assumed to be uncollectible and provided with full valuation allowance.   |
| vii. The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item.  | The increase in AFS financial assets was due to investment of the proceeds from the collection of receivable referred to above. The decrease in Cash was due to the final settlement of the Araneta Loan, which is much lower than the previous installments and the acquisition of AFS financial assets as mentioned earlier. |
| viii. Any seasonal aspects that had a material effect on the financial condition or results of operations.  | None   |

**List of Top 20 Stockholders as of June 30, 2017**

<b>Rank</b>	<b>Name</b>	<b>Number of Common Shares</b>
1	Philippine Communications Satellite Corp.	796,595,590
2	Somera, Jr., Prudencio C.	100,000,100
3	Laperal, Oliverio G.	49,556,500
4	PCD Nominee Corporation (Filipino)	16,274,534
5	RCBC T/A 236-235 A/C Oliverio Laperal	4,802,413
6	Yap, Enrique Raymond I.	4,000,000
7	Marino Olondriz Y Cia (Hold, per PSE)	2,985,600
8	Ozamiz, Jose Ma.	2,700,000
9	RCBC T/A 36-250 A/C OliverioLaperal	2,689,000
10	Phil. Oil Development Corp.	1,500,000
11	Imperial Resources, Inc.	800,000
12	Laperal, Jr., Oliverio	776,743
13	Benjamin Co Ca & Co., Inc.	504,300
14	Concepcion, Regina L.	481,000
15	Laperal, Rosa Maria L.	448,000
16	Laperal, Alexandra L.	440,000
17	Ansaldo, Godinez & Co., Inc.	332,550
18	Dacillo, Nenita	320,000
19	Bridgestone Securities Corporation	307,425
20	RCBC T/A 138 A/C Oliverio Laperal	300,000
<b>TOTAL NO. OF SHARES</b>		<b>985,813,755</b>

**As at June 30, 2017, the members of Board of Directors/Key Officers of Philcomsat Holdings Corporation are as follows:**

Katrina Ponce Enrile	Director, Chair and Executive Vice President
Carlo A. Carag	Director and Vice Chair
Daniel C. Gutierrez	Director
Ramon Jacinto	Director and President
Erlinda I. Bildner	Director and CFO/Treasurer
Pablo L. Lobregat	Director
Marietta K. Ilusorio	Director
Jose Ramon C. Ozamiz	Independent Director
Santiago J. Ranada	Director
Prudencio C. Somera, Jr.	Director
Julie Y. Daza	Independent Director
Manolita L. Morales	Assistant Treasurer
Loma Patajo-Kapunan	Compliance Officer
Victoria C. de los Reyes	Corporate Secretary
John Benedict L. Sioson	Assistant Corporate Secretary
Javier Miguel T. Ibazeta	Assistant Compliance Officer / Corporate Information Officer