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SECURITIES AND EXCHANGE COMMISSION

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PHILCOMSAT HOLDINGS CORPORATION AND SUBSIDIARIES
AS AT SEPTEMBER 30, 2017 AND DECEMBER 31, 2016
AND FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

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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 September 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

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
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	September 30		December 31,
		2017 (Unaudited)	2016 (Unaudited)	2016 (Audited)
ASSETS				
Current Assets				
Cash and cash equivalents	3	₱98,561,876	₱194,588,130	₱104,420,735
Short-term investments	4	7,441,238	36,368,007	7,384,925
Receivables - current	5	213,599,878	163,492,550	171,861,925
Other current assets	6	3,320,819	2,549,440	4,750,681
Total Current Assets		322,923,811	396,998,127	288,418,266
Noncurrent Assets				
Receivables - noncurrent	5	49,000,000	97,000,000	47,000,000
Available for sale (AFS) financial assets	7	877,449,379	689,676,031	784,040,683
Investment property	8	104,728,378	109,047,074	107,967,400
Property and equipment	9	143,412	76,413	63,300
Goodwill	10	1,319,429	1,319,429	1,319,429
Net deferred tax assets	18	281,222	-	168,457
Total Noncurrent Assets		1,032,921,820	897,118,947	940,559,269
		₱1,355,845,631	₱1,294,117,074	₱1,228,977,535
LIABILITIES AND EQUITY				
Current Liabilities				
Accrued expenses and other current liabilities	11	₱1,839,572	₱1,673,356	₱1,873,784
Customers' deposits	17	1,237,874	1,237,874	1,237,874
Income tax payable		-	28,366,908	-
Due to a related party	16	-	-	4,549,198
Total Current Liabilities		3,077,446	31,278,138	7,660,856
Noncurrent Liabilities				
Deposit for future stock subscription	16	18,894,000	18,894,000	18,894,000
Net deferred tax liabilities	18	-	1,950	-
Total Noncurrent Liabilities		18,894,000	18,895,950	18,894,000
Equity				
Capital stock		996,391,254	996,391,254	996,391,254
Retained earnings		339,881,512	233,501,848	222,365,362
Cumulative net unrealized gain (loss) on AFS financial assets		(2,398,581)	14,049,884	(16,333,937)
Total Equity		1,333,874,185	1,243,942,986	1,202,422,679
		₱1,355,845,631	₱1,294,117,074	₱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 September 30		Nine Months ended September 30	
		2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
REVENUE	12	₱6,848,359	₱5,973,310	₱24,300,349	₱28,427,493
COST OF SERVICES	13	(381,321)	(282,447)	(1,253,645)	(10,181,345)
GROSS PROFIT		6,467,038	5,690,863	23,046,704	18,246,148
GENERAL AND ADMINISTRATIVE EXPENSES	14	(8,700,037)	(12,328,299)	(28,780,693)	(33,004,492)
GAIN ON SETTLEMENT OF LOAN RECEIVABLE	5	-	154,750,000	151,250,000	273,018,929
REVERSAL OF ALLOWANCE FOR DOUBTFUL ACCOUNTS	5	-	-	-	125,000,000
OTHER INCOME (CHARGES) - Net	15	(20,814)	4,988,097	(3,683)	2,789,134
INCOME (LOSS) BEFORE INCOME TAX		(2,253,813)	153,100,661	145,512,328	386,049,719
PROVISION FOR (BENEFIT FROM) INCOME TAX	18				
Current		38,972	28,491,119	27,719,935	52,513,438
Deferred		328,747	(155,875)	276,243	(224,545)
		367,719	28,335,244	27,996,178	52,288,893
NET INCOME (LOSS)		(₱2,621,532)	₱124,765,417	₱117,516,150	₱333,760,826
BASIC/DILUTED EARNINGS (LOSS) PER SHARE		(₱0.0026)	₱0.1252	₱0.1179	₱0.3350

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		Nine Months ended	
	September 30		September 30	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
NET INCOME (LOSS)	(₱2,621,532)	₱124,765,417	₱117,516,150	₱333,760,826
OTHER COMPREHENSIVE INCOME				
<i>Item that may be reclassified to profit or loss –</i>				
Unrealized gain (loss) on AFS financial assets	6,305,445	(3,540,439)	14,823,445	14,172,341
Reversal of fair value changes of AFS financial assets sold	–	(5,401,420)	(888,089)	(2,786,177)
TOTAL COMPREHENSIVE INCOME	₱3,683,913	₱115,823,558	₱131,451,506	₱345,146,990

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 NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

	2017 (Unaudited)	2016 (Unaudited)
CAPITAL STOCK - ₱1 par value		
Authorized - 1,000,000,000 shares		
Issued - 996,391,254 shares	₱996,391,254	₱996,391,254
RETAINED EARNINGS (DEFICIT)		
Balance at beginning of period	222,365,362	(100,258,978)
Net income	117,516,150	333,760,826
Balance at end of period	339,881,512	233,501,848
CUMULATIVE NET UNREALIZED GAIN (LOSS) ON AFS		
FINANCIAL ASSETS		
Balance at beginning of period	(16,333,937)	2,663,720
Unrealized gain	14,823,445	14,172,341
Reversal of fair value changes of AFS financial assets sold	(888,089)	(2,786,177)
Balance at end of period	(2,398,581)	14,049,884
	₱1,333,874,185	₱1,243,942,986

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 NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

	Note	2017 (Unaudited)	2016 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P145,512,328	P386,049,719
Adjustments for:			
Gain on settlement of loan receivable	5	(151,250,000)	(273,018,929)
Gain on sale of AFS financial assets	12	(3,677,485)	(1,422,388)
Depreciation	8	3,321,301	3,291,204
Provision for (reversal of) impairment of input value-added tax (VAT)	14	(69,413)	2,218,578
Unrealized gain on financial assets at fair value through profit or loss (FVPL)	15	(2,270)	(2,957)
Reversal of allowance for impairment of receivables	5	-	(125,000,000)
Loss on settlement of BPI account	14	-	1,458,225
Operating loss before working capital changes		(6,165,539)	(6,426,548)
Decrease in:			
Other current assets		298,455	3,727,500
Receivables		262,047	17,696,668
Increase (decrease) in accrued expenses and other current liabilities		(34,212)	607,852
Net cash generated from (used for) operations		(5,639,249)	15,605,472
Income tax paid		(26,905,853)	(23,035,333)
Net cash used in operating activities		(32,545,102)	(7,429,861)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Collection of loan receivable	5	151,250,000	398,018,929
Sale and retirement of AFS financial assets		57,738,963	294,047,586
Redemption of short-term investments		-	5,825,848
Acquisitions of:			
AFS financial assets		(133,534,818)	(672,898,026)
Notes and loans		(49,000,000)	(163,000,000)
Property and equipment		(162,391)	(4,643)
Short-term investments	9	(56,313)	-
Decrease in due from related parties		5,000,000	94,905,092
Net cash provided by (used in) investing activities		31,235,441	(43,105,214)
CASH FLOW FROM A FINANCING ACTIVITY			
Payment of advances from a related party		(4,549,198)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		(5,858,859)	(50,535,075)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		104,420,735	245,123,206
CASH AND CASH EQUIVALENTS AT END OF PERIOD		P98,561,876	P194,588,131

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 SEPTEMBER 30, 2017 AND DECEMBER 31, 2016
AND FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 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 September 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 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.
- Amendment to PFRS 12, *Disclosures of Interests in Other Entities – Clarification of the Scope of the Standard* – The amendment is part of the Annual Improvements to PFRS 2014-2016 Cycle and clarifies that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

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

New and Amended PFRS in Issue But Not Yet Effective

Relevant new and amended PFRS which are not yet effective for the year ending December 31, 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.

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

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

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

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides requirements in addition to those set in PAS 12, *Income Taxes* by specifying how to determine the accounting tax position when there is uncertainty over tax treatments. It requires an entity to (a) determine whether uncertain tax positions are assessed separately or as a group, and (b) assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. Otherwise, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

Deferred effectivity -

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

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

3. Cash and Cash Equivalents

This account consists of:

	September 30		December 31,
	2017 (Unaudited)	2016 (Unaudited)	2016 (Audited)
Cash on hand and in banks	₱18,063,392	₱79,635,171	₱20,485,905
Cash equivalents	80,498,484	114,952,959	83,934,830
	₱98,561,876	₱194,588,130	₱104,420,735

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 ₱309,955 and ₱377,708 for the quarters ended September 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 September 30		Nine Months ended September 30	
		2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Cash and cash equivalents		₱309,955	₱377,708	₱413,652	₱3,487,352
Short-term investments	4	217,863	224,000	972,684	685,155
Receivables	5	2,235,820	308,958	7,383,559	500,869
AFS financial assets	7	1,964,178	1,622,268	6,820,691	3,272,774
		₱4,727,816	₱2,532,934	₱15,590,586	₱7,946,150

4. Short-term Investments

This account amounting to ₱7.4 million, ₱36.4 million and ₱7.4 million as at September 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 ₱0.2 million for the quarters ended September 30, 2017 and 2016 (see Note 3).

5. Receivables

This account consists of:

	Note	September 30		December 31,
		2017 (Unaudited)	2016 (Unaudited)	2016 (Audited)
Trade		₱1,252,461	₱1,412,219	₱1,584,898
Notes and loans receivable:				
Corporate notes		183,711,954	105,000,000	136,711,954
Promissory notes issued by various banks		57,305,002	97,000,000	55,305,002
Due from related parties	16	13,811,793	52,100,936	18,811,793
Interest receivable		3,252,735	1,687,918	3,269,405
Dividend receivable		40,391	299,091	136,438
Others		3,283,542	3,050,386	3,100,435
		262,657,878	260,550,550	218,919,925
Less allowance for doubtful accounts		(58,000)	(58,000)	(58,000)
		262,599,878	260,492,550	218,861,925
Less noncurrent portion		(49,000,000)	(97,000,000)	(47,000,000)
Current portion of receivables		₱213,599,878	₱163,492,550	₱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 2.8% per annum in 2017 and 2.4% per annum in 2016.

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 ₱2.2 million and ₱0.3 million for the quarters ended September 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 related interest receivable amounting to ₱18.6 million. The Parent Company received ₱525.0 million, inclusive of value-added tax (VAT), in two instalments made on January and July 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 2016. Proceeds in excess of the loan and interest receivable amounting to ₱340.6 million, net of legal and other costs of collection shouldered by the Company amounting to ₱67.6 million, were recorded as a gain on settlement of loan receivable of ₱273.0 million in the same period.

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

Other Receivables

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

6. Other Current Assets

This account consists of:

	September 30		December 31,
	2017 (Unaudited)	2016 (Unaudited)	2016 (Audited)
Creditable withholding tax	₱1,958,615	₱373,191	₱3,161,705
Input VAT	1,240,251	2,045,362	1,466,220
Financial assets at FVPL	105,019	110,880	102,749
Prepayments:			
Insurance	16,934	16,934	16,934
Others	–	3,073	3,073
	₱3,320,819	₱2,549,440	₱4,750,681

7. AFS Financial Assets

This account consists of:

	September 30		December 31,
	2017 (Unaudited)	2016 (Unaudited)	2016 (Audited)
Investments in:			
Managed funds	₱471,316,290	₱491,991,050	₱491,605,641
Quoted bonds	306,063,838	159,388,841	223,883,280
Quoted shares of stock	97,369,251	35,376,140	66,101,762
Club memberships	2,700,000	2,920,000	2,450,000
	₱877,449,379	₱689,676,031	₱784,040,683

Investments in quoted bonds earn interest ranging from 3% to 8% a year.

Interest income earned from AFS financial assets amounted to ₱2.0 million and ₱1.6 million for the quarters ended September 30, 2017 and 2016, respectively (see Note 3).

Dividend income earned from AFS financial assets amounted to ₱1.0 million and ₱0.5 million for the quarters ended September 30, 2017 and 2016, respectively (see Note 12).

Gain on sale of AFS financial assets amounted to nil and ₱2.0 million for the quarters ended September 30, 2017 and 2016, respectively (see Note 12).

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:

	September 30		December 31,
	2017 (Unaudited)	2016 (Audited)	2016 (Audited)
Cost			
Balance at beginning and end of period	₱164,772,000	₱164,772,000	₱164,772,000
Accumulated Depreciation			
Balance at beginning of period	56,804,600	52,485,904	52,485,904
Depreciation	3,239,022	3,239,022	4,318,696
Balance at end of period	60,043,622	55,724,926	56,804,600
Carrying Amount	₱104,728,378	₱109,047,074	₱107,967,400

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 nine months ended September 30, 2017 and 2016 are recognized from the following:

	Note	2017 (Unaudited)	2016 (Unaudited)
Investment property		₱3,239,022	₱3,239,022
Property and equipment	9	82,279	52,182
		₱3,321,301	₱3,291,204

Depreciation for the nine months ended September 30, 2017 and 2016 is recognized under the following:

	Note	2017 (Unaudited)	2016 (Audited)
General and administrative expenses	14	₱3,294,348	₱3,250,438
Cost of services	13	26,953	40,766
		₱3,321,301	₱3,291,204

9. Property and Equipment

This account consists of:

September 30, 2017 (Unaudited)					
	Transportation Equipment	Furniture and Fixtures	Office Equipment	Office Improvement	Total
Cost					
Balance at beginning of year	₱4,950,745	₱3,528,775	₱942,212	₱39,325	₱9,461,057
Additions	60,893	–	101,498	–	162,391
Balance at end of year	5,011,638	3,528,775	1,043,710	39,325	9,623,448
Accumulated Depreciation					
Balance at beginning of year	4,923,585	3,528,775	906,072	39,325	9,397,757
Depreciation	17,460	–	64,819	–	82,279
Balance at end of year	4,941,045	3,528,775	970,891	39,325	9,480,036
Carrying Amount	₱70,593	₱–	₱72,819	₱–	₱143,412

September 30, 2016 (Unaudited)					
	Transportation Equipment	Furniture and Fixtures	Office Equipment	Office Improvement	Total
Cost					
Balance at beginning of year	₱4,950,745	₱3,528,775	₱937,569	₱39,325	₱9,456,414
Additions	–	–	4,643	–	4,643
Balance at end of year	4,950,745	3,528,775	942,212	39,325	9,461,057
Accumulated Depreciation					
Balance at beginning of year	4,915,825	3,528,775	848,537	39,325	9,332,462
Depreciation	7,760	–	44,422	–	52,182
Balance at end of year	4,923,585	3,528,775	892,959	39,325	9,384,644
Carrying Amount	₱27,160	₱–	₱49,253	₱–	₱76,413

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

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:

	September 30		December 31,
	2017 (Unaudited)	2016 (Unaudited)	2016 (Audited)
Accrued expenses	₱984,321	₱705,936	₱958,332
Statutory payables	855,251	967,420	915,452
	₱1,839,572	₱1,673,356	₱1,873,784

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 September 30		Nine Months ended September 30	
		2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Interest income	3	₱4,727,816	₱2,532,934	₱15,590,586	₱7,946,151
Retainer fee		1,072,839	908,946	2,955,732	2,696,839
Dividend income	7	992,010	513,710	1,878,517	977,093
Transfer fee		45,694	29,980	98,029	52,730
Gain on sale of AFS financial assets	7	—	1,957,740	3,677,485	1,422,388
Service fees		—	—	—	15,192,292
Miscellaneous		10,000	30,000	100,000	140,000
		₱6,848,359	₱5,973,310	₱24,300,349	₱28,427,493

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 nine months ended September 30, 2016 (see Note 13).

13. Cost of Services

This account consists of:

	Note	Quarter ended September 30		Nine Months ended September 30	
		2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Salaries and other benefits		₱295,028	₱223,293	₱943,181	₱994,042
Transportation		46,035	46,042	115,520	143,587
Communication, light and water		39,530	–	167,991	–
Depreciation	8	728	13,112	26,953	40,766
Outside services	12	–	–	–	9,002,500
Repairs and maintenance		–	–	–	450
		₱381,321	₱282,447	₱1,253,645	₱10,181,345

14. General and Administrative Expenses

This account consists of:

	Note	Quarter ended September 30		Nine Months ended September 30	
		2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Professional fee		₱2,792,123	₱4,350,643	₱9,477,580	₱9,748,303
Directors' fee	16	1,695,000	2,283,235	5,085,000	5,598,235
Legal fee		1,111,744	1,478,115	1,955,282	2,464,528
Depreciation	8	1,100,056	1,083,161	3,294,348	3,250,438
Dues and subscription		577,494	594,243	1,971,778	1,933,935
Rent expense	17	328,387	343,187	1,096,321	1,001,769
Transportation and travel		310,002	232,257	833,039	677,265
Representation and entertainment		211,324	1,104,644	1,682,853	1,925,869
Insurance		176,097	57,953	539,335	227,701
Repairs and maintenance		163,848	125,631	467,764	409,552
Taxes and licenses		131,454	288,830	1,890,875	1,298,820
Communication, light and water		48,322	85,978	152,077	290,175
Provision for (reversal of) impairment of input VAT		–	–	(69,413)	2,218,578
Loss on settlement of BPI account		–	–	–	1,458,225
Others		54,186	300,422	403,854	501,099
		₱8,700,037	₱12,328,299	₱28,780,693	₱33,004,492

15. Other Income (Charges) – Net

This account consists of:

	Quarter ended September 30		Nine Months ended September 30	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Unrealized foreign exchange loss	(P16,009)	P–	(P5,953)	P–
Unrealized gain (loss) on financial assets at FVPL	(4,805)	–	2,270	2,957
Fair value changes on AFS financial assets sold reclassified to profit and loss	–	4,988,097	–	2,786,177
	(P20,814)	P4,988,097	(P3,683)	P2,789,134

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)	
			Nine Months ended September 30, 2017 (Unaudited)	Nine Months ended September 30, 2016 (Unaudited)	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Included under "Receivables"						
Montemar Beach Club, Inc. (MBCI)	Company under common control	Cash advances	(P5.0)	P–	P13.5	P18.5
		Interest income	0.2	0.2	–	–
Montemar Resort Development Corp. (MRDC)	Company under common control	Cash advances	–	–	0.3	0.3
Philcomsat	Immediate parent	Rent of office space	0.8	0.8	–	–
					P13.8	P18.8
Presented under "Due to a Related Party"						
Philcomsat	Immediate parent	Cash advances	(P4.5)	P–	P–	P4.5
Included under "Deposit for Future Stock Subscription"						
Philcomsat	Immediate parent	Excess of subscription	P–	P–	P18.9	P18.9

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 12th Floor, Telecom Plaza Building, 316 Sen. Gil Puyat Ave., Makati City. The lease term is for one year and is renewable under mutual agreement of both parties. Rent expense amounted to ₱0.8 million for the nine months ended September 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 ₱5.1 million and ₱5.6 million for the nine months ended September 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 2nd Floor Pacific Star Building, Gil Puyat Avenue, Makati City to Insbrooks Holdings Co., Inc. Monthly rental amounted to ₱1.2 million for a lease term of 18 months, commencing on March 15, 2013 and ending on September 14, 2014. Security deposit, equivalent to one month rent is shown as part of "Customer's deposits" account in the 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 ₱0.3 million for the quarters ended September 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 September 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 September 30		Nine Months ended September 30	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
RCIT	₱38,972	₱28,477,394	₱27,719,935	₱52,475,425
MCIT	—	13,725	—	38,013
	₱38,972	₱28,491,119	₱27,719,935	₱52,513,438

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 statements of income is summarized as follows:

	Quarter ended September 30		Nine Months ended September 30	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Income tax (benefit) at statutory rate	(P676,144)	P45,930,198	P43,653,698	P115,814,916
Difference between OSD and itemized deductions	2,621,150	(16,680,357)	(11,249,183)	(24,601,605)
Change in unrecognized deferred tax assets	4,803	–	1,786	(37,499,666)
Add (deduct) tax effects of:				
Interest income already subjected to final tax	(1,324,589)	(760,484)	(3,915,621)	(2,233,558)
Dividend income	(278,325)	(154,113)	(494,502)	(293,128)
Nondeductible expenses	20,824	–	–	1,101,934
	P367,719	P28,335,244	P27,996,178	P52,288,893

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

	September 30		December 31,
	2017 (Unaudited)	2016 (Unaudited)	2016 (Audited)
Deferred tax assets:			
NOLCO	P193,682	P85,740	P193,986
MCIT	98,136	38,013	48,370
Allowance for doubtful accounts	17,400	17,400	17,400
	309,218	141,153	259,756
Deferred tax liabilities:			
Unrealized gain on financial assets at FVPL	(27,996)	(887)	(887)
Accruals	–	(142,216)	(90,412)
	(27,996)	(143,103)	(91,299)
	P281,222	(P1,950)	P168,457

The Parent Company did not recognize deferred tax assets amounting to P5.9 million as at September 30, 2017 and December 31, 2016, 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:

	September 30		December 31,
	2017 (Unaudited)	2016 (Unaudited)	2016 (Audited)
NOLCO	₱5,852,277	₱15,482,250	₱5,852,277
Unrealized foreign exchange loss	1,786	—	—
	₱5,854,063	₱15,482,250	₱5,852,277

19. Aging of Accounts Receivable

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

	September 30, 2017			
	Neither Past Due nor Impaired	Past Due but not Impaired		Total
		30 Days	More than 60 Days	
Trade	₱1,194,461	₱—	₱—	₱1,194,461
Notes	241,016,956	—	—	241,016,956
Due from related parties	13,811,793	—	—	13,811,793
Interest receivable	3,252,735	—	—	3,252,735
Dividend receivable	40,391	—	—	40,391
Others	3,283,542	—	—	3,283,542
	₱262,599,878	₱—	₱—	₱262,599,878

	September 30, 2016			
	Neither Past Due nor Impaired	Past Due but not Impaired		Total
		30 Days	More than 60 Days	
Trade	₱1,354,219	₱—	₱—	₱1,354,219
Notes	202,000,000	—	—	202,000,000
Due from related parties	52,100,936	—	—	52,100,936
Interest receivable	1,687,918	—	—	1,687,918
Dividend receivable	299,091	—	—	299,091
Others	3,050,386	—	—	3,050,386
	₱260,492,550	₱—	₱—	₱260,492,550

	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

20. 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).

21. 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 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.

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

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

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

- Complaint Against Lokin for Alleged Exorbitant Legal Fees

On October 16, 2008, the Parent Company filed a case against Lokin by reason of the alleged exorbitant legal fees paid to the latter totaling ₱31.0 million for the period 2003 to 2007, and for other fees, including 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. 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. He is to inform the court and the parties of his agreement to stipulation on or before the next hearing on November 8, 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 ₱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 under a Motion to Admit Attached Rejoinder. We are awaiting further orders from the Court.

The Group is also involved in other litigations, claims and disputes which are normal to its business. Management believes that the ultimate liability, if any, with respect to these litigations, claims and disputes will not materially affect the financial position and financial performance of the Group.

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 September 30, 2017 and 2016 are as follows:

Performance Indicator	Formula	September 30, 2017	September 30, 2016
<i>Liquidity</i>			
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	104.93:1	12.69:1
<i>Leverage</i>			
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	0.02:1	0.04:1
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	1.02	1.04:1
<i>Profitability</i>			
Gross Profit Ratio	$\frac{\text{Gross Profit}}{\text{Revenue}}$	0.95:1	0.64:1
Net Profit Ratio	$\frac{\text{Net Profit}}{\text{Revenue}}$	4.84:1	11.74:1
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$	0.09:1	0.26:1
Return on Equity	$\frac{\text{Net Income}}{\text{Total Equity}}$	0.09:1	0.27:1
<i>Efficiency</i>			
Operating Expense Ratio	$\frac{\text{Operating Expenses}}{\text{Gross Operating Income}}$	1.25:1	1.81:1
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 of 104.93:1 in the 3rd quarter of 2017 is much higher than the prior comparative period. The ratio was much lower in the 3rd quarter of 2016 due to the recognition of income tax payable arising from the gain on settlement of loan receivable made on the said period.

Leverage

The Company maintained its 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 September 30, 2017 reflects high profitability levels. Increase in gross profit ratio from the same quarter in 2016 is due to the interest income earned from additional investments in managed funds and investments in bonds. In addition, the Company anticipates higher profitability for the subsequent periods due to the increase in market value of other assets in its portfolio, gain of which to be recognized upon sale of the instruments.

Efficiency

Operating efficiency for the quarter ended September 30, 2017 was much lower than the same quarter of the previous year due to the increase in operating income with a corresponding decrease in operating expense in the current year. There is an increase in interest income and income earned from managed funds and bonds investments which results to higher operating income. Moreover, the Group incurred significant operating expenses in the prior comparative period such as representation and professional fees related to ongoing litigations.

Results of Operations

From 2000 to 2010, the Corporation was involved in an intra-corporate feud between the Araneta-Brodett-Lokin-Locsin-Poblador Group¹, who entrenched themselves and controlled the Corporation from 2000 to December 2007, and the present Management who assumed control in December 2007. In 2013, the Supreme Court declared the Araneta et al Group had illegally taken over the Corporation since their illegal election as directors during the Annual Shareholders Meeting in 2004 and ordered the Group and their cohorts to account for and return the Corporate funds they dissipated.

During their illegal control of the Corporation, the Araneta Group depleted substantially all the corporate accounts, neglected to file audited financial statements from 2006 onwards, sequestered the important corporate documents such as the Stock Transfer Book and kept the records in disarray. Thus, for the period between December 2007 and May 2010, present Management was not able to focus on growing the business and operations of the Corporation as all efforts, in the absence of any regular staff, were geared towards recovering vast amounts of dissipated corporate assets.

Presently, the Company's investments remain in money market placements and other liquid financial instruments. It owns a real estate property, specifically a condominium office space 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 September 30, 2017 and 2016:

Results of Operations	For the quarters ended		Increase/ (Decrease)	YoY Change (%)
	September 30, 2017	September 30, 2016		
Revenues	₱6,848,359	₱5,973,310	₱875,049	25.08%
Expenses	9,081,358	12,610,746	(3,529,388)	-28.14%
Loss from operations	(₱2,232,999)	(₱6,637,436)	₱4,404,437	-76.05%

The Group recorded higher revenues in 2017 due to the interest income earned from its investments in various managed funds and placements in bonds. Moreover, expenses in the prior comparative period were higher because the Parent Company incurred higher professional fees and representation expenses related to ongoing litigations.

¹ Benito Araneta, Philip Brodett, Luis Lokin Jr, Enrique Locsin, Concepcion Poblador

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 Parent 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 Parent 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 receivables referred to above. |
| 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 September 30, 2017

Rank	Name	Number of Common Shares
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	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 Oliverio Laperal	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
TOTAL NO. OF SHARES		985,813,755

As at September 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
Lorna 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