

# COVER SHEET

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S.E.C. Registration Number

P H I L C O M S A T H O L D I N G S

C O R P O R A T I O N

(Company's Full Name)

1 2 F T E L E C O M P L A Z A 3 1 6 S E N G I L

P U Y A T A V E M A K A T I C I T Y

(Business address: No. Street City / Town / Province)

John Benedict L. Sioson

632 8815-8406

Contact Person

Company Telephone Number

1 2      3 1  
Month      Day  
Fiscal Year

Definitive Information Statement  
SEC Form 20-IS

FORM TYPE

3<sup>rd</sup> Monday of  
November  
Month Day  
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

1175  
Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

Top be accomplished by SEC Personnel concerned

LCU

CASHIER



# PHILCOMSAT HOLDINGS CORPORATION

12F Telecom Plaza, 316 Sen. Gil Puyat Avenue, Makati City, 1200 Philippines

Tel. No.: 8815-8406; Fax No.: 8816-2517

## NOTICE OF ANNUAL STOCKHOLDERS' MEETING

### TO ALL STOCKHOLDERS:

Notice is hereby given that the Annual Stockholders' Meeting (the "Meeting") of Philcomsat Holdings Corporation (the "Company") will be held on November 21, 2022 (Monday) at 9:00 a.m. In the light of current conditions and in support of the measures to prevent the spread of Covid-19, the Meeting will be conducted virtually and attendance at the Meeting will be **via remote communication only**. The Agenda shall be as follows:

1. Call to Order
2. Proof of Notice and Certification of Quorum
3. Approval of Minutes of Previous Meeting
4. Notation and Approval of Management Report
5. Ratification of Corporate Acts and Resolutions
6. Approval to Engage in Secondary Purpose
7. Approval to Enter into Management Contract
8. Election of Directors
9. Appointment of External Auditor
10. Other Matters
11. Adjournment

Only stockholders of record at the close of business hours on October 21, 2022 are entitled to notice of, and to vote at the Meeting. Stockholders who intend to attend by remote communication are required to accomplish the Registration Form (downloadable from the Company's website at [www.phc.com.ph/ASM.html](http://www.phc.com.ph/ASM.html)) and submit it together with the required documents via email to [2022asm@phc.com.ph](mailto:2022asm@phc.com.ph) on or before November 14, 2022. The link through which the Meeting may be accessed shall be sent to the email address of the registered stockholder. Stockholders may vote electronically subject to validation procedures. The procedure for participating in the meeting through remote communications and for casting of votes *in absentia* are set forth in the Guidelines on Registration and Participation by Remote Communication and discussed in the Information Statement (SEC Form 20-IS).

If you are unable to join the virtual meeting but wish to vote on items *in absentia* in the Agenda, you may appoint the Chairman as your proxy with specific voting instructions which will be duly counted. Duly accomplished proxies shall be submitted by email to the Office of the Corporate Secretary at [2022asm@phc.com.ph](mailto:2022asm@phc.com.ph) for inspection, validation and recording on or before November 14, 2022. The Proxy Validation Committee will inspect, examine, and validate the sufficiency of the proxy forms received.

By registering to participate in the Meeting, a stockholder or a proxy of the stockholder agrees for the Company and its service providers to process their sensitive personal information necessary to verify their identity and authority. A stockholder who fails to comply with the registration requirement will not be able to participate in the Meeting.

Stockholders (or their proxies) whose registration are validated can: (a) view the webcast of the meeting, (b) vote on the agenda items using the online ballot that will be sent to them; and (c) send their questions, comments or motions on the Agenda items during the Meeting by email to 2022asm@phc.com.ph with subject “ASM Question/Comment”. Stockholders who will participate in the Meeting are encouraged to send their questions, comments, and motions on or before November 16, 2022. Relevant questions on the Agenda items will be read and answered by the concerned officers during the Meeting.

The Definitive Information Statement, Management Report, Audited Financial Statements, Quarterly Reports as of June 30, 2022 and other documents related to the ASM, including the Guidelines on Participation by Remote Communication may be accessed:

1. Through the Company's website at <http://www.phc.com.ph/ASM.html>,
2. Through the PSE EDGE portal via <https://edge.pse.com.ph/> or,
3. By requesting for a copy by sending an email to 2022asm@phc.com.ph with the subject “ASM Materials”.

For ASM-related queries, you may send an email to 2022asm@phc.com.ph with the subject “ASM Inquiry” or contact the Office of the Corporate Secretary at +632 8815-8406. For account updating or concerns regarding your shareholdings, please contact our Transfer Agent, Professional Stock Transfers Inc. (PSTI), at telephone no. +632 8687-4053 or via email directly to Ms. Jenny Serafica at email address: info@professionalstocktransfer.com.

Makati City, October 6, 2022.

  
**JOHN BENEDICT L. SIOSON**  
Corporate Secretary

  
**JOSE PIO J. SEVA**  
Assistant Corporate Secretary



# PHILCOMSAT HOLDINGS CORPORATION

12F Telecom Plaza, 316 Sen. Gil Puyat Avenue, Makati City, 1200 Philippines  
Tel. No.: 8815-8406; Fax No.: 8816-2517

## ANNUAL STOCKHOLDERS' MEETING REGISTRATION / PROXY FORM

### I. Required Information (Please tick the appropriate box)

Type of Participant:

- Individual
- Broker
- Corporate
- Joint
- Others (please indicate) \_\_\_\_\_

Individual/Corporate Name: \_\_\_\_\_

Email Address: \_\_\_\_\_

Contact No.: \_\_\_\_\_

Postal Address: \_\_\_\_\_

Name of Authorized Representative: \_\_\_\_\_

(If Corporate / Joint) \_\_\_\_\_

Number of Shares Owned: \_\_\_\_\_

I will attend the remote Stockholders' Meeting on November 21, 2022 in person or through my authorized representative/proxy.

- Yes
- No

The instructions and link to attend the stockholders' meeting will be sent to you in the e-mail address that you have indicated herein upon valid registration.

### II. Required Documents

a. For Individual Stockholders –

- 1) A recent photo of the stockholder, with face fully visible
- 2) A scanned or digital copy of the front and back portions of the stockholder's valid government-issued identification card
- 3) Contact details of the stockholder

b. For Stockholders with Joint Accounts –

- 1) A recent photo of each stockholder, with face fully visible
- 2) A scanned or digital copy of the front and back portions of each stockholder's valid government-issued identification card
- 3) Contact details of each stockholder
- 4) A scanned copy of the authorization letter signed by all stockholders providing who among them is authorized to cast the vote for the account

- c. For Corporate Stockholders –
  - 1) A scanned copy of a Secretary’s Certificate attesting to the authority of the representative to vote for and on behalf of the stockholder-corporation.
  - 2) A scanned or digital copy of the front and back portions of the representative’s valid government-issued identification card
  - 3) Contact details of the representative
- d. For Stockholders represented by Proxy –
  - 1) A recent photo of the stockholder, with face fully visible
  - 2) A scanned or digital copy of the front and back portions of the stockholder’s valid government-issued identification card
  - 3) Contact details of the stockholder
  - 4) A recent photo of the proxy, with face fully visible
  - 5) A scanned or digital copy of the front and back portions of the proxy’s valid government-issued identification card
  - 6) Contact details of the proxy
  - 7) A scanned copy of the Proxy Form or authorization letter signed by the stockholder to cast votes for the account
- e. For Stockholders under Broker Accounts –
  - 1) A scanned copy of the broker’s certification signed by the broker’s duly authorized signatories attesting to the stockholder’s number of shares.
  - 2) A scanned or digital copy of the front and back portions of the stockholder’s valid government-issued identification card
  - 3) Contact details of the stockholder

Registration Period starts on October 24 at 8:00 a.m. until November 14, 2022 at 5:00 p.m., Philippine time (the “Registration Period”). Beyond the Registration period, stockholders may no longer avail of the option to participate at the Meeting.

Submit a scanned or digital copy of this Registration/Proxy Form and other required documents to 2022asm@phc.com.ph.

### **III. Manner of Voting (Please tick the appropriate box)**

- Voting in Absentia
- Appointing the Chairman as Proxy

**IV. Ballot (Please tick the appropriate box or fill in the number of votes. Please note that the number of votes a stockholder can have is equivalent to the number of shares registered in his/her/its name multiplied by 11)**

Resolution

1. Approving of Minutes of Previous Meeting  
 For       Against       Abstain
2. Notation and Approval of Management Report  
 For       Against       Abstain
3. Ratification of Corporate Acts and Resolutions  
 For       Against       Abstain
4. Approval to Engage in Secondary Purpose  
 For       Against       Abstain
5. Approval to Enter into Management Contract  
 For       Against       Abstain
6. Election of Directors

Name	No. of Votes
Santiago J. Ranada	_____
Katrina C. Ponce-Enrile	_____
Erlinda I. Bildner	_____
Marietta K. Ilusorio	_____
Pablo L. Lobregat	_____
Daniel C. Gutierrez	_____
Prudencio C. Somera, Jr.	_____
Victoria C. de los Reyes	_____
*Oliverio L. Laperal, Jr.	_____
*Julie Yap-Daza	_____
*Charles J. Horne	_____

*\*Nominees for Independent Director*

7. Appointment of Isla Lipana & Co. as External Auditor  
 For       Against       Abstain
8. Other Matters  
 For       Against       Abstain

Considering the recent events and the government pronouncements and guidelines surrounding the COVID-19 pandemic, the Company shall allow electronic signature for the required documents, as applicable. Notarization requirement shall also be dispensed with this time. However, the company reserves the right to request additional information, and original signed and notarized copies of these documents at a later date as it deems necessary.

## **V. Data Privacy Disclosure**

I hereby give my consent for the Company and its authorized third parties to collect, store, disclose, transfer, and process my personal data for the purpose of the live streaming of the 2022 Annual Stockholders' Meeting in accordance with the Company's Data Privacy guidelines and law. Further to this, I give my consent to the recording of the meeting, to be made publicly available thereafter on the Company website, as required by the guidelines promulgated by the Securities and Exchange Commission.

## **VI. Certification of Registrant**

By signing this Form, I hereby certify the following, that:

I am a stockholder of the Company as of Record Date October 21, 2022.

The number of votes covered by this Ballot shall be in accordance with the total number of shares registered in my name as of record date.

I have read, understand and shall abide by the Rules, Regulations and Guidelines issued by the Company to govern the conduct of the Meeting.

In the event I act contrary thereto, the Company has sole discretion to impose its discipline mechanism.

I understand that the quality of my remote Meeting experience depends on my internet provider's services and connectivity and I hold the Company free and harmless of any liability from any interruption, latency or disconnection from the live streaming resulting thereto.

In case of an account with joint owners, or an account in an and/or capacity, I have secured the consent of all other owners in the submission of this Ballot.

In case of a corporate shareholder, I am the authorized representative of the corporation and I am duly authorized to submit this Proxy.

If my shares are lodged with PDTC or registered under the name of a broker, bank or other fiduciary, I hereby authorize the Company or any of its duly authorized representative to request and secure the necessary certification from PDTC or my broker on the number of shares which are registered in my name as of record date and issue the said Proxy in accordance with this Form.

I further hereby certify that my shares are lodged with the following brokers:

Name of Broker: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Contact Details: \_\_\_\_\_

That any and all information contained in this Registration Form, or provided in connection herewith, is true and complete and the Company may rely on the accuracy of any such information.

Name and Signature of Stockholder/Authorized Signatory

Date

It may be necessary to download an application to access the live stream of the meeting. For technical concerns, please send your queries to 2022asm@phc.com.ph with the subject "Technical Assistance". For any clarifications, Stockholders may contact the Office of the Corporate Secretary at 2022asm@phc.com.ph with the subject "ASM Inquiry" or (02) 8815-8406. Registered stockholders may also send their questions and/or comments during the ASM at 2022asm@phc.com.ph with the subject "ASM Questions/Comments". Clarity of video and audio transmission will depend on the communication and network environment. A Wi-Fi environment is recommended for comfortable viewing on laptops, smartphones or tablets. Communication charges to view such webcast or live streaming are at the viewer's expense.

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS  
INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:  
[  ] Preliminary Information Statement  
[  ] Definitive Information Statement
2. Name of Corporation as specified in charter: **PHILCOMSAT HOLDINGS CORPORATION**
3. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**
4. SEC Identification Number **11163**
5. BIR Tax Identification Code **000-471-497**
6. **12/F TELECOM PLAZA BUILDING, SEN. GIL PUYAT AVENUE, MAKATI CITY 1200**  
Address of principal office Postal Code
7. Corporation's telephone number, including area code: **(02) 8815-8406**
8. Date, time and place of the meeting of security holders: **Monday, November 21, 2022, 9:00 A.M., via Remote Communication Only. The link to the meeting will be sent to all registered stockholders. Please refer to Annex "A" for the Guidelines in Registering and Participating via Remote Communication.**
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **October 19, 2022 via PSE Edge and on the Company website**
10. In case of Proxy Solicitations: **N/A**  
Name of Person filing the Statement  
Address and Telephone Number:
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate Corporations):  

Title of Each Class	Number of Shares of Common Stock
<b>COMMON</b>	<b>996,391,254</b>

  
Outstanding or Amount of Debt Outstanding
12. Are any or all of Corporation's securities listed in a Stock Exchange?  
Yes ✓ No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

**PHILIPPINE STOCK EXCHANGE/Common Stock**

**PART I.**

**INFORMATION REQUIRED IN INFORMATION STATEMENT**

**A. GENERAL INFORMATION**

**Item 1. Date, time, and place of meeting of security holders**

In light of the current conditions that have befallen our country and in support of government measures to help prevent the spread of Covid-19, there will be no physical Annual Stockholders' Meeting. Instead, the 2022 Annual Stockholders' Meeting of Philcomsat Holdings Corporation (the "Company") will be held on **Monday, November 21, 2022 at 9:00 a.m. via remote communication**. The link to the meeting will be sent to all registered stockholders. Please refer to **Annex "A" for the Guidelines in Registering and Participating via Remote Communication**.

COMPLETE MAILING ADDRESS OF PRINCIPAL OFFICE OF THE CORPORATION:  
**12/F TELECOM PLAZA BUILDING, 316 SEN. GIL PUYAT AVENUE, MAKATI CITY**

This Information Statement, Management Report, Annual Report and other pertinent reports will not be distributed in physical form to the Company's stockholders. Instead, in compliance with Section 49 of the RCCP, MC No. 3, Series of 2020 and SEC Notice dated February 16, 2022, the Company will use an authorized and alternative mode of distribution which is to publish the Notice, Information Statement and reports through the Company's website and the PSE Edge on **October 19, 2022**. In addition, the Notice of Meeting will be published in the business section of two (2) newspapers of general circulation in print and online format for two (2) consecutive days with the last publication at least 21 days prior to the meeting.

**WE ARE NOT ASKING YOU FOR A PROXY AND  
YOU ARE REQUESTED NOT TO SEND US A PROXY**

**Item 2. Dissenters' Right of Appraisal**

As provided in Title X of the Revised Corporation Code of the Philippines: Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of the shares in the following instances:

- (a) In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in this Code;
- (c) In case of merger or consolidation; and

(d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

A dissenting stockholder who votes against a proposed corporate action may exercise the right of appraisal by making a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken: *Provided*, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the corporation shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the stockholder's shares, the fair value thereof as of the day before the vote was taken excluding any appreciation or depreciation in anticipation of such corporate action.

If, within sixty (60) days from the approval of the corporate action by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: *Provided*, That no payment shall be made to any dissenting stockholder or unless the corporation has unrestricted retained earnings in its books to cover such payment: *Provided, further*, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer the shares to the corporation.

From the time of demand for payment of the fair value of a stockholder's shares until either the abandonment of the corporate action involved or the purchase of the said shares by the corporation, all rights accruing to such shares, including voting and dividend rights shall immediately be restored.

No demand for payment may be withdrawn unless the corporation consents thereto. If, however, such demand for payment is withdrawn with the consent of the corporation, or if the proposed corporate action is abandoned or rescinded by the corporation or disapproved by the SEC where such approval is necessary, or if the SEC where such stockholder is not entitled to the appraisal right, then the right of the stockholder to be paid the fair value of the shares shall cease, the status as the stockholder shall be restored, and all dividend distributions which would have accrued on the shares shall be paid to the stockholder.

The costs and expenses of appraisal shall be borne by the corporation, unless the fair value ascertained by appraisers is approximately the same as the price which the corporation may have offered to pay the stockholder, in which the corporation may have offered to pay the stockholder, in which case they shall be borne by the latter. In the case of an action to recover such fair value, all costs and expenses shall be assessed against the corporation, unless the refusal of the stockholder to receive payment was unjustified.

Within ten (10) days after demanding payment for shares held, a dissenting stockholder shall submit the certificates of stock representing the shares to the corporation for notation that such shares are dissenting shares. Failure to do so shall, at the option of the corporation, terminate the rights of such dissenting stockholder. If shares represented by the certificates bearing such

notation are transferred, and the certificates consequently cancelled, the rights of the transferor as a dissenting stockholder shall cease and the transferee shall have all the rights of a regular stockholder; and all dividend distributions which would have accrued on such shares shall be paid to the transferee.

As will be discussed below, Management intends to invest corporate funds in pursuance of one of the Corporation's secondary purposes which is to "operate and manage hotels, resorts or recreation centers of every type and description", and subsequently, to enter into a Management Contract with the Montemar Beach Club. This are the only items that will be discussed during the meeting that will give rise to the exercise of a stockholder's appraisal right.

### **Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

Apart from election as a director, there is no transaction or matter to be acted upon in the Annual Stockholders' Meeting in which a director, executive officer, or any associate of the foregoing persons, has any substantial interest, direct or indirect, by security holdings or otherwise. No director has informed the Corporation in writing that he intends to oppose any action to be taken by the Corporation at the meeting.

## **B. CONTROL AND COMPENSATION INFORMATION**

### **Item 4. Voting Securities and Principal Holders Thereof**

- (a) **Classification of share entitled to vote.** As of September 30, 2022, there are 996,391,254 common shares outstanding, all of which are entitled to vote.
- (b) **Record Date.** All stockholders of record as of the close of business hours on October 21, 2022 are entitled to notice of, and to vote, at the Annual Stockholders' Meeting.

No solicitation shall be conducted, and no proxies shall be solicited for this annual stockholders' meeting.

Stockholders may participate in the virtual Meeting by remote communication by themselves or by proxy. All stockholders who will not participate in the meeting via remote communication may vote through the Chairman of the Meeting (as Proxy) and/or submit duly accomplished proxies by email to the office of the Corporate Secretary at 2022asm@phc.com.ph for inspection, validation, and recording at least ten (10) days before the Meeting, or on or before the close of business hours on November 11, 2022. The Proxy Validation Committee will inspect, examine, and validate the sufficiency of the proxy forms received. Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five (5) years at one time. No broker or dealer shall give any proxy, consent or authorization, in respect of any security carried for the account of a customer, to a person other than the customer, without the express written authorization of such customer. Any stockholder may revoke or cancel his proxy and attend the

annual stockholders' meeting via remote communication provided he has complied with the registration procedures and requirements.

(c) **Voting Rights.** Each share is entitled to one (1) vote. However, with respect to the election of directors, the stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors elected, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

(d) **Security Ownership of Certain Record and Beneficial Owners of more than 5% of the voting securities.** The following stockholders appear as record or beneficial owner of more than 5% of the total voting securities of the Corporation as of September 30, 2022.

Class	Name/Address of Registered Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Beneficial Owner	Citizenship	No. of Shares	%
common	Philippine Communications Satellite Corporation (Philcomsat), 316 Sen. Gil Puyat Avenue, Makati [R]	n/a	Filipino	796,595,590	79.95%
common	Prudencio C. Somera Jr., c/o 316 Sen. Gil Puyat Avenue, Makati [R]	n/a	Filipino	100,000,100	10.04%

While the corporation has yet to receive the proxy forms from the stockholders, it is expected that the President of Philcomsat, Erlinda I. Bildner, will vote for the shareholdings of Philcomsat; and Mr. Somera will vote for the shares registered in his name in the forthcoming annual stockholders' meeting scheduled on November 21, 2022.

The following lists the security ownership of Management (Directors and Officers) of the Corporation as of September 30, 2022:

Class	Name	Amount and Nature of Beneficial Ownership	Citizenship	%
Common	Prudencio C. Somera, Jr.	R	Filipino	10.04%
Common	Erlinda Bildner	R	Filipino	Neg
Common	Katrina Ponce-Enrile	R	Filipino	Neg
Common	Daniel C. Gutierrez	R	Filipino	Neg
Common	Jose Ramon Ozamiz	R	Filipino	Neg
Common	Santiago Ranada	R	Filipino	Neg
Common	Julie Y. Daza	R	Filipino	Neg
Common	Marietta K. Ilusorio	R	Filipino	Neg
Common	Pablo L. Lobregat	R	Filipino	Neg
Common	Oliverio L. Laperal Jr.	R	Filipino	Neg
Common	Victoria C. de los Reyes	R	Filipino	Neg

Common	John Benedict L. Sioson	R	Filipino	Neg
Common	Directors and Executive Officers as a Group Unnamed	R	Filipino	10.04%

The foreign ownership level in the Corporation is 0.08% as of September 30, 2022.

#### Item 5. Directors and Executive Officers

##### (a) Board of Directors.

Name, Age and Citizenship	Position	Period Served	Professional and Business Experience
Katrina C. Ponce-Enrile, 62, Filipino	Chairman	April 2007 to Present	President and CEO- Philippine Overseas Telecommunication Corporation, President and CEO-Montemar Beach Club, Inc., Director and CFO-Philippine Communications Satellite Corporation, President and CEO-JAKA Group of Companies. Ms. Ponce-Enrile has a degree in Political Science from the University of the Philippines.
Erlinda I. Bildner, 76, Filipino	Director	April 2007 to Present	President and CEO-Philippine Communications Satellite Corporation, Vice-Chair and Director-Philippine Overseas Telecommunication Corporation, Director-Montemar Beach Club, Inc., Director and Chair, Finance Committee – Baguio Country Club. Ms. Bildner has an MBA from Columbia University, New York.
Daniel C. Gutierrez, 67, Filipino	Director	December 2007 to Present	Partner-Soo Gutierrez Leogardo & Lee Law Offices; Law Professor and Bar Reviewer- Arellano University, Director- IBP, former Trustee-GSIS. Atty. Gutierrez graduated from the University of the Philippine College of Law.
Marietta K. Ilusorio, 71, Filipino	Director	May 2010 to Present	Director and Vice President, Philippine Overseas Telecommunication Corporation; Director and Vice-President, Philippine Communications Satellite Corporation; Director, Montemar Beach Club, Inc. Ms. Ilusorio graduated from Judson School, Scottsdale, Arizona.
Julie Y. Daza, 80, Filipino	Director	December 2015 to Present	Journalist, editor-in-chief, columnist, book author, and award-winning television talk show host. Ms. Daza graduated summa cum laude in Literature, major in Journalism, from the University of Sto. Tomas.
Pablo L. Lobregat, 68, Filipino	Director	April 2007 to Present	President-Crystal Sugar Co., Inc., President/Chairman-Oceanic Wireless Network, Inc., President-Aerocom Investors & Managers, Inc., Director - Philippine Communications Satellite Corporation, Director-Philippine Overseas Telecommunication Corporation. Mr.

			Lobregat received his degree in Business Management from the Instituto Catolico de Artes Empresariales in Madrid, Spain.
Oliverio L. Laperal, Jr., 73, Filipino	Director	November 2017 to present	Co-President and Director of Imperial Resources; Co-President and Managing Director of Filipinas Golf & Country Club; President & Managing Director of R.S. Video & Film Productions. Mr. Laperal has an MBA from Cornell University, New York.
Santiago J. Ranada, 85, Filipino	Director	December 2013 to Present	Partner, Ranada, Malaya Sanchez & Simpao, Specializes in the banking, insurance, maritime and real estate industries and in corporate rehabilitation proceedings, 28 years of service in the Philippine Judiciary as RTC Judge and CA Justice. Justice Ranada graduated from the Ateneo College of Law.
Victoria C. de los Reyes, 72, Filipino	Director	November 2019 to Present	Partner, Roxas de los Reyes Laurel & Rosario Law Office, Atty. de los Reyes graduated with a Master of Law degree from the University of Michigan.
Jose Ramon C. Ozamiz, 63, Filipino	Director	December 2013 to Present	Surgeon – Makati Medical Center; 23 years of practice; Diplomate, Philippine Board of Surgery, Fellow, Philippine College of Surgeons, Member, Philippine Medical Association, Makati Medical Society, Philippine Society of General Surgeons. Dr. Ozamiz finished his medical degree from the Cebu Institute of Medicine.
Prudencio C. Somera, Jr. 77, Filipino	Director	August 2004 to Present	Director – TKC Steel Corporation; Licensed Stockbroker; Columnist – Philippine Daily Inquirer. Mr. Somera holds an MBA from the University of the Philippines.

Pursuant to Securities and Exchange Commission Memorandum Circular No. 4 Series of 2017 Dr. Ozamiz who was first elected in December 2013 is no longer qualified to serve as independent director of the Corporation and will be replaced. On the other hand, Ms. Julie Yap Daza who was first elected in December 2015 may serve as independent director until November 2024 and Mr. Laperal who was first elected in November 2017 may serve until November 2026. None of the directors work in the government as certified by the Assistant Corporate Secretary (**Annex “E”**)

To assure the stockholders of the qualifications, diligence, industry and commitment of the directors, the appraisal and performance report for the board and the criteria and procedure for assessment shall be presented to the stockholders at the Annual Stockholders' Meeting scheduled on November 21, 2022.

**(b) Executive Officers.** The following are the Executive Officers:

Name, Age and Citizenship	Position	Period Served	Professional and Business Experience
Katrina C. Ponce-Enrile, 62, Filipino	President	November 2019 to Present	President and CEO- Philippine Overseas Telecommunication Corporation, President and CEO-Montemar Beach Club, Inc., Director and CFO-Philippine Communications Satellite Corporation, President and CEO-JAKA Group of Companies. Ms. Ponce-Enrile has a degree in Political Science from the University of the Philippines.
Erlinda I. Bildner, 76, Filipino	Treasurer	April 2007 to Present	President and CEO-Philippine Communications Satellite Corporation, Vice-Chair and Director-Philippine Overseas Telecommunication Corporation, Director-Montemar Beach Club, Inc., Director and Chair, Finance Committee – Baguio Country Club. Ms. Bildner has an MBA from Columbia University, New York.
Manolita L. Morales, 64 Filipino	Asst. Treasurer	May 2010 to Present	Treasurer – Philippine Overseas Telecommunication Corporation; Asst. Treasurer – Philippine Communications Satellite Corporation; Ms. Morales holds an MBA from the University of the Philippines.
Victoria C. de los Reyes, 72, Filipino	Vice President	November 2020 to Present	Partner, Roxas de los Reyes Laurel & Rosario Law Office, Atty. de los Reyes graduated with a Master of Law degree from the University of Michigan.
John Benedict L. Sioson, 54, Filipino	Corporate Secretary	November 2020 to Present	Legal Counsel, Philcomsat Group of Companies. Atty. Sioson holds a Juris Doctor degree from the Ateneo de Manila University and an MBA from École Supérieure de Commerce de Paris.
Jose Pio J. Seva, 37, Filipino	Asst. Corporate Secretary	November 2020 to present	Legal Counsel, Philcomsat Group of Companies. Former senior associate at Benitez Salem Baldonado Law Firm. Atty. Seva graduated with a Juris Doctor degree from the University of St. La Salle.

**(c) Involvement in Certain Legal Proceedings.** The Corporation is not aware of the involvement of its directors and executive officers in any bankruptcy petition, conviction by final judgment, violation of a securities or commodities law or being subject to any such order, judgment or decree within the last 5 years and up to the latest date that is material to their evaluation as directors and executive officers of the Corporation.

The legal proceedings to which the Corporation is a party is contained in the attached Annual Report (SEC Form 17-A, **Annex "B"**).

(d) **Voting trust holders.** No person holds more than five percent (5%) of any class of the Corporation's securities under a voting trust agreement.

(e) **Changes in control.** No arrangements exist which may result in a change in control of the Corporation. There has been no change in control of the Corporation since the beginning of its last fiscal year.

(f) **Nomination of Directors.** The Corporate Governance Committee who took over the functions of the Nominations Committee is composed of Julie Yap-Daza (Chairman), Oliverio L. Laperal, Jr., Jose Ramon C. Ozamiz, Pablo L. Lobregat and Prudencio C. Somera, Jr. Written nominations for the position of director of the Corporation are accepted until the close of business hours on Friday, November 4, 2022 at the principal office of the Corporation. Philcomsat (through its President, Erlinda I. Bildner) has nominated the following as directors of the corporation for the ensuing year: Katrina C. Ponce-Enrile, Erlinda I. Bildner, Pablo L. Lobregat, Santiago J. Ranada, Daniel C. Gutierrez, Marietta K. Ilusorio, Prudencio C. Somera, Victoria C. de los Reyes, Oliverio Laperal, Jr., and Julie Yap-Daza, with the last two (2) as independent directors of the Corporation. Mr. Laperal, and Ms. Daza are not related to either Philcomsat or to Ms. Bildner.

As replacement for Dr. Ozamiz who has completed his nine-year term as independent director of the Corporation, Philcomsat has nominated Mr. Charles J. Horne. Mr. Horne, U.S. citizen, 86 years old, has been Chairman of Intercontinental Pacific Airways, Inc. since 2005 and serves concurrently as Regional Vice President of Halidon International, President of Halidon, Inc., and was Group Senior Vice President of the Amherst Group. Mr. Horne is familiar with the industries in which the Corporation and its sister-companies operate, as he assisted in the establishment of satellite communications in the Philippines in the 1960s. Mr. Horne is a graduate of the Harvard Advanced Management Program. Mr. Horne is not related to either Philcomsat or to Ms. Bildner.

In its meeting held on October 6, 2022, the Corporate Governance Committee determined that all the above nominees possess all the qualifications and none of the disqualifications of a director provided in the Code of Corporate Governance and the new Manual on Corporate Governance. In addition, the Committee evaluated the nominees for Independent Director and certified that they are duly qualified in accordance with the Securities Regulation Code. The Certificates of Qualification of the Independent Directors is attached to this Information Statement as **Annex "D"**.

(g) **Significant Employees.** The Corporation has no employee who is not an executive officer and who is expected to make a significant contribution to the business.

(h) **Family Relationships.** Except for Ms. Erlinda I. Bildner and Ms. Marietta K. Ilusorio who are sisters, none of the other nominees are related to each other or to an executive officer within the fourth (4<sup>th</sup>) civil degree of consanguinity or affinity.

**(i) Certain Relationships and Related Transactions.**

(1) There is no transaction during the last two years or proposed transaction to which the Corporation was or is to be a party in which any director, executive officer, nominee for election as a director, security holder owning five percent (5%) or more or a member of their immediate family had or is to have a direct or indirect material interest.

(2) This item is not applicable to the Corporation as there has been no transaction where (a) The transaction involves services at rates or charges fixed by law or governmental authority; (b) The transaction involves services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services; (c) The amount involved in the transaction or a series of similar transactions is less than P500,000.00; or (d) The interest of the person arises solely from the ownership of securities of the registrant and the person receives no extra or special benefit that was not shared equally (pro rata) by all holders of securities of the class.

(3) The Corporation is 79% owned by the Philippine Communications Satellite Corporation which in turn is wholly-owned by the Philippine Overseas Telecommunication Corporation. The remaining 21% is owned by Prudencio Somera, Jr. and the general public.

(4) There has been no transaction with promoters in the past five (5) years.

**Item 6. Compensation of Directors and Executive Officers**

The following lists the individual compensation of the directors and executive officers for 2020:

**Executive Officers:**

Name	Position	Salary	Allowance	Bonus	Total
Santiago J. Ranada	Chairman	300,000	0.00	0.00	300,000.00
Katrina C. Ponce-Enrile	President	1,500,000.00	0.00	0.00	1,500,000.00
Victoria C. de los Reyes	Corporate Secretary*/Vice President**	582,666.00	0.00	0.00	582,666.00
Erlinda Bildner	Treasurer	1,200,000.00	0.00	0.00	1,200,000.00
Manolita L. Morales	Asst. Treasurer	1,170,000.00	0.00	0.00	1,170,000.00
John Benedict L. Sioson	Asst. Corporate Secretary*/Corporate Secretary**	1,149,000.00	0.00	0.00	1,149,000.00
Jose Pio J. Seva	Asst. Corporate Secretary**	421,444.00	0.00	0.00	421,444.00
Total		6,323,110.00	0.00	0.00	6,323,110.00

\*Until November 16, 2020

\*\*Beginning November 16, 2020

**Directors:**

Name	Position	Salary	Allowance	Bonus	Total
Katrina C. Ponce Enrile	Director	0.00	450,000.00	0.00	450,000.00
Erlinda I. Bildner	Director	0.00	700,000.00	0.00	700,000.00
Daniel C. Gutierrez	Director	0.00	325,000.00	0.00	325,000.00
Pablo L. Lobregat	Director	0.00	325,000.00	0.00	325,000.00
Oliverio L. Laperal, Jr.	Director	0.00	325,000.00	0.00	325,000.00
Victoria de los Reyes**	Director	0.00	49,000.00	0.00	49,000.00
Julie Yap Daza	Director	0.00	325,000.00	0.00	325,000.00
Marietta K. Ilusorio	Director	0.00	325,000.00	0.00	325,000.00
Santiago J. Ranada	Director	0.00	325,000.00	0.00	325,000.00
Jose Ramon C. Ozamiz	Director	0.00	325,000.00	0.00	325,000.00
Prudencio C. Somera, Jr.	Director	0.00	325,000.00	0.00	325,000.00
Total		0.00	3,799,000.00	0.00	3,799,000.00

The following lists the individual compensation of the directors and executive officers for 2021:

**Executive Officers:**

Name	Position	Salary	Allowance	Bonus	Total
Katrina C. Ponce-Enrile	President	1,500,000.00	0.00	0.00	1,500,000.00
Victoria C. de los Reyes	Vice President	326,664.00	0.00	0.00	326,664.00
Erlinda Bildner	Treasurer	1,200,000.00	0.00	0.00	1,200,000.00
Manolita L. Morales	Asst. Treasurer	1,080,000.00	0.00	0.00	1,080,000.00
John Benedict L. Sioson	Corporate Secretary	1,020,000.00	0.00	0.00	1,020,000.00
Jose Pio J. Seva	Asst. Corporate Secretary	421,444.00	0.00	0.00	421,444.00
Total		5,548,108.00	0.00	0.00	5,548,108.00

**Directors:**

Name	Position	Salary	Allowance	Bonus	Total
Katrina C. Ponce Enrile	Director	0.00	300,000.00	0.00	300,000.00
Erlinda I. Bildner	Director	0.00	300,000.00	0.00	300,000.00
Daniel C. Gutierrez	Director	0.00	300,000.00	0.00	300,000.00
Pablo L. Lobregat	Director	0.00	300,000.00	0.00	300,000.00
Oliverio L. Laperal, Jr.	Director	0.00	300,000.00	0.00	300,000.00
Victoria de los Reyes	Director	0.00	0.00	0.00	0.00
Julie Yap Daza	Director	0.00	300,000.00	0.00	300,000.00
Marietta K. Ilusorio	Director	0.00	300,000.00	0.00	300,000.00
Santiago J. Ranada	Director	0.00	600,000.00	0.00	600,000.00
Jose Ramon C. Ozamiz	Director	0.00	25,000.00	0.00	25,000.00
Prudencio C. Somera, Jr.	Director	0.00	25,000.00	0.00	25,000.00
Total		0.00	2,750,000.00	0.00	2,750,000.00

The following lists the individual compensation of the directors and executive officers for 2022 (estimated):

**Executive Officers:**

Name	Position	Salary	Allowance	Bonus	Total
Katrina C. Ponce-Enrile	President	1,500,000.00	0.00	0.00	1,500,000.00
Victoria C. de los Reyes	Vice President	300,000.00	0.00	0.00	300,000.00
Erlinda Bildner	Treasurer	1,200,000.00	0.00	0.00	1,200,000.00

Manolita L. Morales	Asst. Treasurer	1,080,000.00	0.00	0.00	1,080,000.00
John Benedict L. Sioson	Corporate Secretary	1,020,000.00	0.00	0.00	1,020,000.00
Jose Pio J. Seva	Asst. Corporate Secretary	421,444.00	0.00	0.00	421,444.00
Total		5,521,444.00	0.00	0.00	5,521,444.00

**Directors:**

Name	Position	Salary	Allowance	Bonus	Total
Katrina C. Ponce Enrile	Director	0.00	300,000.00	0.00	300,000.00
Erlinda I. Bildner	Director	0.00	300,000.00	0.00	300,000.00
Daniel C. Gutierrez	Director	0.00	300,000.00	0.00	300,000.00
Pablo L. Lobregat	Director	0.00	300,000.00	0.00	300,000.00
Oliverio L. Laperal, Jr.	Director	0.00	300,000.00	0.00	300,000.00
Victoria de los Reyes	Director	0.00	0.00	0.00	0.00
Julie Yap Daza	Director	0.00	300,000.00	0.00	300,000.00
Marietta K. Ilusorio	Director	0.00	300,000.00	0.00	300,000.00
Santiago J. Ranada	Director	0.00	600,000.00	0.00	600,000.00
Jose Ramon C. Ozamiz	Director	0.00	25,000.00	0.00	25,000.00
Prudencio C. Somera, Jr.	Director	0.00	25,000.00	0.00	25,000.00
Total		0.00	2,750,000.00	0.00	2,750,000.00

The directors and executive officers are not guaranteed a bonus, neither do they receive any profit sharing, options, warrants or right to purchase securities of the Corporation, nor are they covered by any pension or retirement plan. As of the date of this Definitive Information Statement, there has been no discussion in the Board as to the grant of any bonus, profit sharing, pension/retirement plan, or the grant or extension of any option, warrant or right to purchase any securities to any director or executive officer.

(1) Standard Arrangements. All directors receive allowances in the amount of P25,000.00 per month. Other than the foregoing, there is no standard arrangement with respect to additional amounts payable to the directors for other services, committee participation or special assignments.

(2) Other Arrangements. There are no other arrangements, including consulting contracts pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the last completed fiscal year, and the ensuing year, for any service provided as a director.

(3) Employment Contracts and Termination of Employment and Change-in-Control Arrangements. There are no employment contracts between the Company and its executive officers, nor any compensatory plan or arrangement, including payments to be received from the Company with respect to its executive officers that will result from the resignation, retirement or any other termination of such executive officer's employment with the Company and its subsidiaries or from a change-in-control of the Company or a change in the named executive officer's responsibilities following a change-in-control.

## **Item 7. Independent Public Accountants**

(a) and (b) The present external auditor of the Corporation is Isla Lipana & Co. and is recommended by Management to the stockholders for reappointment. Isla Lipana & Co. was likewise the external auditor of the Corporation for the previous fiscal year.

(c) Representatives from the Isla Lipana & Co. are expected to be present at the Meeting where they will have the opportunity to make a statement if they desire to do so and/or respond to appropriate questions raised by stockholders on the financial statements for the year ended December 31, 2021 or the interim periods.

(d) There have been no disagreements with Isla Lipana & Co. nor with Mendoza Querido & Co. (who was the Corporation's auditor in 2020), on any accounting and financial disclosure during the two most recent fiscal years or any subsequent interim period. As stated in last year's Information Statement, there were no disagreements with Mendoza Querido & Co. that led to the cessation of their services. It was only the recommendation of the Treasurer/CFO who happened to work with Isla Lipana & Co. for another corporation and was impressed with their performance that led to the appointment of Isla Lipana & Co. as the Corporation's external auditor.

The Audit Committee of the Corporation is composed of independent directors, Mr. Oliverio L. Laperal, Jr. (Chairman), Ms. Julie Yap-Daza and Dr. Jose Ramon C. Ozamiz, together with Ms. Erlinda I. Bildner and Atty. Victoria C. de los Reyes.

### **INFORMATION ON INDEPENDENT ACCOUNTANT**

#### **(a) Audit and Audit-related Fees**

1. The audit of the Corporation's annual financial statements or services that are normally provided with statutory and regulatory filings or engagements for those fiscal years:

The Corporation engaged the services of Isla Lipana & Co to audit its financial statements which comprise the statement of financial position, statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes comprising a summary of significant accounting policies and other explanatory information and to render an opinion on the said statements for year ended December 2021 for which the aggregate amount billed in Philippine Pesos was P578,273. For the year ended December 2020, the Corporation's former auditor, Mendoza Querido & Co. charged P574,712 for similar services.

2. Other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the Corporation's financial statements. The Corporation shall describe the nature of the services comprising the fees disclosed under this category.

For 2020, Mendoza Querido & Co. was requested to perform a quarterly review of the financial statements of the Corporation. The fees for this service amounted to P150,000.00 per year. The Corporation did not require this service in 2021.

(b) Tax Fees

The Corporation did not require tax advisory services for the years 2020 and 2021.

(c) All Other Fees

The Corporation did not need any products or services described above, hence there were no fees paid to the external auditor/s other than those reported under (a) and (b) above for 2020 and 2021.

(d) Approval Policies and Procedures

The audit committee reviews the requirements of the corporation for audit and audit related services and approves the fees prior to the auditor undertaking the work. Such services and fees are confirmed by the Board. The financial statements are approved by the Board before release.

**Item 8. Compensation Plans**

No action is proposed to be taken at the meeting with respect to compensation plans.

There are no standard arrangements with, nor any prize, stock, or warrant options in favor of the Corporation's directors and officers.

**C. ISSUANCE AND EXCHANGE OF SECURITIES**

**Item 9. Authorization or Issuance of Securities Other than for Exchange**

No action is intended to be taken with respect to the authorization or issuance of any securities.

**Item 10. Modification or Exchange of Securities**

No action is intended to be taken with respect to the modification of any class of securities of the Corporation, or the issuance or authorization for issuance of one class of securities of the Corporation in exchange for outstanding securities of another class.

**Item 11. Financial and Other Information**

No action is intended to be taken with respect to securities that will require a financial report or summary other than that already included in this Information Statement or in the attached Annual Report (**Annex "B"**), Audited Financial Statements (**Annex "B-1 and "B-2"**) and Quarterly Reports (**Annexes "C" and "C-1"**).

## **Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

No action is intended to be taken with respect to any merger, consolidation, acquisition, or similar matter.

## **Item 13. Acquisition or Disposition of Property**

No action is intended to be taken with respect to the acquisition or disposition of any property.

## **Item 14. Restatement of Accounts**

No action is intended to be taken with respect to the restatement of any asset, capital, or surplus account of the Corporation.

## **D. OTHER MATTERS**

### **Item 15. Action with Respect to Reports**

- (1) Approval of Minutes of the Stockholders' Meeting held on 24 January 2022 where the following matters were approved and/or ratified:
  - a. Approval of the Minutes of the Annual Stockholders' Meeting held on 16 November 2020;
  - b. Approval of the Management Report and Audited Financial Statements for the period ending 31 December 2020;
  - c. Approval and Confirmation of the acts, proceedings and resolutions of the Board of Directors, Executive Committee and the Board and Management Committees and officers;
  - d. Election of Directors;
  - e. Appointment of External Auditors

The said Minutes were uploaded on the Corporation's website on 29 January 2022. As required by Section 49 of the Revised Corporation Code of the Philippines:

- a) *A description of the voting and vote tabulation procedures used in the previous meeting* - All stockholders were given an opportunity to send in their ballots prior to the meeting. The votes were then tabulated by the Office of the Corporate Secretary. In addition, stockholders who attended the meeting and did not send in their ballots were given the opportunity to vote during the meeting if they so desired.
- b) *A description of the opportunity given to stockholders or members to ask questions and a record of the questions asked and answers given* - Stockholders were asked to send in their questions or comments via email to the corporation before the meeting so that the said questions or comments could be properly addressed. In addition, stockholders were also

periodically asked if they had any questions or comments during the meeting.

- c) *The matters discussed and resolutions reached and a record of the voting results for each agenda item –*
  - a. Approval of the minutes of the Annual Stockholders' Meeting held on 16 November 2020
  - b. Notation and approval of the Management Report and Audited Financial Statements for the year ending December 31, 2020
  - c. Approval, ratification and confirmation of the acts of the Board of Directors, Committees, Officers and Management since the date of the last annual meeting
  - d. Election of the following as directors of the Corporation for the ensuing year: Katrina Ponce-Enrile, Erlinda Bildner, Santiago Ranada, Marietta Ilusorio, Victoria de los Reyes, Pablo Lobregat, Prudencio Somera, Daniel Gutierrez, Julie Yap Daza, Oliverio Laperal Jr. and Jose Ramon Ozamiz
  - e. Appointment of Isla Lipana & Co. as external auditor
- d) *Record of the voting results for each agenda item –* Each of the agenda items were approved by stockholders representing 90.07% of the total issued and outstanding capital stock of the Corporation.
- e) *The directors, officers and stockholders who attended the meeting were: Directors: Katrina Ponce-Enrile, Erlinda Bildner, Santiago Ranada, Marietta Ilusorio, Victoria de los Reyes, Pablo Lobregat, Prudencio Somera, Daniel Gutierrez, Julie Yap Daza, Oliverio Laperal Jr. and Jose Ramon Ozamiz, Officers: Manolita L. Morales, Bernadette Y. Blanco, John Benedict L. Sioson, Jose Pio J. Seva. Stockholders owing 897,402,833 shares representing 90.07% of the total outstanding shares were present in person and represented by proxy during the meeting.*
- f) *Material information on the current stockholders, and their voting rights - Please refer to item 19 of the Information Statement.*
- g) *Appraisals and performance report for the board and the criteria and procedure for assessment –* Prior to the meeting, each director was requested to fill-in an Assessment Form evaluating his/her performance, as well as that of the Board, Committees and Management. The assessment contained 21 items wherein the directors were asked to provide a score between 1 to 5, with 1 being the highest and 5 being the lowest. The ratings provided by the directors were then tabulated and the average score for each item was disclosed to the stockholders during the meeting.
- h) *Directors' disclosures on self-dealing and related party transactions -* There have been no disclosures by the directors on self-dealing and/or related party transactions.

(2) Notation and Approval the Management Report including the audited financial statements for the fiscal year ending 31 December 2021. The President and Treasurer will report on the significant business transaction undertaken and the financial targets and achievements of the Company in 2021. The audited financial statements for the period ending 31 December 2021 are attached to this Information Statement as "Annexes" "B-1" and "B-2";

**Item 16. Matters Not Required to be Submitted**

Though not required to be submitted to the stockholders, the acts of Management, the Board of Directors and committees done in the regular course of business since the last stockholders' meeting to the present are presented to the stockholders for good corporate governance. These acts are reflected in the Minutes of the Board Meetings held on the following dates:

- a. January 24, 2022
  - 1) Election of Officers
  - 2) Constitution of Committees and Appointing Members
  - 3) Authority to sign regulatory reportorial requirements
  - 4) Update of bank signatories
  - 5) Update of signatories to trust accounts and IMAs
  - 6) Confirmation of authority of the President and Vice-President to sign contracts and agreements for and on behalf of the Company
  - 7) Authority to file cases
- b. April 18, 2022
  - Approval of Financial Statements
- c. October 6, 2022
  - 1) Convening of Annual Stockholders' Meeting
  - 2) Adoption of new business plan including engaging in the Corporation's secondary purpose and entering into a management contract with MBCI
  - 3) Acceptance of payment for extinguishment of debt due the Corporation
  - 4) Opening of bank account

These actions are subject to annual review by the external auditor. In addition, copies of the Minutes of the Meetings of the Board of Directors may be examined by stockholders of record at the principal office of the Corporation during business hours

**Item 17. Amendment of Charter, Bylaws or Other Documents**

There is no proposed action regarding amendment of charter, bylaws or other documents.

#### **Item 18. Other Proposed Action**

- (1) Election of the 11 members of the Board of Directors, including the three (3) independent directors for the ensuing calendar year. As stated in item 5(f), the nominees for director of the corporation are: Katrina C. Ponce-Enrile, Erlinda I. Bildner, Pablo L. Lobregat, Santiago J. Ranada, Daniel C. Gutierrez, Marietta K. Ilusorio, Prudencio C. Somera, Victoria C. de los Reyes as regular directors, and Oliverio Laperal, Jr., Jose Ramon Ozamiz and Julie Yap-Daza as independent directors of the Corporation.
- (2) Appointment of Isla Lipana & Co. as External Auditors for the ensuing year
- (3) Proposal to Engage in Secondary Purpose

Based on the Management's brief to find sources of income other than the Corporation's principal business of money market operations and investing in financial instruments, the Corporation's consultants suggested that the Corporation pursue its secondary purpose of operating and managing its sister-company, the Montemar Beach Club, Inc. (MBCI).

Based on the consultants' study, with an initial investment of at least P150 million on the part of the Corporation in MBCI, both corporations will realize the following gains:

- a) The Corporation will be able to make immediate use of its cash assets in the development of MBCI
- b) The Corporation will be invested in the improvement and management of MBCI as a portion of its management fee will depend on the revenue and income generated by MBCI
- c) There is a greater potential for the Corporation's cash assets to achieve a higher return than what it currently earns in the money market as the Corporation will have a more substantive role in determining how its investment will be utilized and
- d) As tourism and eco-tourism are growth sectors of the economy, an investment in these sectors will translate over the short-term into significant revenue and profit that are sustainable.

Pursuant to Section 41 of the Revised Corporation Code, and after the approval of the Board of Directors during its meeting held on October 6, 2022, the foregoing proposal now requires the vote of stockholders representing at least two-thirds (2/3) of the outstanding capital stock at a meeting duly called for the purpose. Any dissenting stockholder may exercise his/her appraisal right as above-described in Item 2.

- (4) Proposal to Enter into Management Contract

In order to formalize the relationship between the Corporation and MBCI, the consultants proposed that the parties enter into a Management Contract, the

salient points of which will be presented to the stockholders at the Annual Stockholders' Meeting.

Pursuant to Section 43 of the Revised Corporation Code, and after the approval of the Board of Directors during its meeting held on October 6, 2022, the foregoing proposal now requires the vote of stockholders representing at least the majority of the outstanding capital stock at a meeting duly called for the purpose. Any dissenting stockholder may exercise his/her appraisal right as above-described in Item 2. Please note that such Management Contract will take effect only upon approval by 2/3 of the members of MBCI at a meeting duly called for the purpose.

#### **Item 19. Voting Procedures**

*For the guidelines in registration and voting in absentia, please refer to the Guidelines on Registration and Participation by Remote Communication attached herein as Annex "A".*

The Corporation currently has 1,175 stockholders collectively holding 996,391,254 shares. For matters other than election of directors, each share is entitled to one (1) vote. An affirmative vote of a majority of the stockholders present in person or by proxy is required for a motion to be approved. With respect however to the proposals to engage in the Corporation's secondary purpose and to enter into a Management Contract, the approval of stockholders representing at least two-thirds of the outstanding capital stock is required

With respect to the election of directors, the stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors elected, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected. The eleven (11) nominees garnering the highest number of votes shall be proclaimed as elected directors.

All votes shall be counted and tallied by the Corporate Secretary or his duly authorized representative to be assisted by the Corporation's independent accountants.

#### **Item 20. Statement of Management Responsibility and Audited Financial Statements**

The Statement of Management Responsibility for the Corporation's Consolidated and Separate Audited Financial Statements for the year ending 31 December 2021 are attached to the said Financial Statements which in turn are attached to this Information Statement as Annexes "B-1" and "B-2".

#### **Item 21. Management Report contained in Annual Report (SEC Form 17-A), Sustainability Report, 1<sup>st</sup> to 2<sup>nd</sup> Quarter Financial Statements (SEC Form 17-Q)**

The Corporation incorporates by reference the information contained in its latest Annual Report (SEC Form 17-A, Annex "B"), Sustainability Report (Annex "B-3") and the 1<sup>st</sup> to

2<sup>nd</sup> Quarter Financial Statements (SEC Form 17-Q) of 2022 (**Annexes “C” and “C-1”, respectively**).

As a holding company, the Corporation only invests in the money market and financial products. It intends to continue such activities in the next twelve (12) months. The Corporation will be able to satisfy its cash requirements and does not have to raise additional funds in the next twelve (12) months and beyond.

(1) Financial Condition, Changes in Financial Condition and Results of Operations during the last three (3) fiscal years and the interim period.

**(a) Full Fiscal years (Based on Consolidated AFS)**

**Revenues:** In the fiscal year ended December 31, 2021, the Corporation generated revenue of P47.4 million compared to P46.8 million in 2020 and P58.3 million in 2019. Total comprehensive income for the year ended December 31, 2021 increased to P35.3 million compared to P22.5 million in 2020 and P60.9 million in 2019.

**Expenses:** Costs and expenses increased slightly in 2021 to P31.9 million compare to P28.9 million in 2020 but lower than the P34.5 million spent in 2019.

**Operating and Net Income/Loss:** The Corporation realized a net income of P18.3 million in 2021, a slight decrease from the P18.8 million earned in 2020 and P20.6 million in 2019..

**Income Statement (Consolidated)  
(P Million)**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Revenue	47.4	46.9	58.3
Costs and Expenses	(31.9)	(28.9)	(33.5)
Gains or Losses on FX and Sales	2.8	(0.3)	(4.7)
Gross Profit	18.3	17.7	20.1
Provision for Tax	(0.8)	(0.1)	(0.5)
Net Income (Loss)	17.5	17.6	20.6
Other Comprehensive Income (Loss)	17.8	4.9	40.3
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>35.3</b>	<b>22.5</b>	<b>60.9</b>

**Financial Position**

The company's comparative balance sheet is summarized below:

**Balance Sheet (Consolidated)**  
**(P Million)**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Current Assets	466.6	438.0	438.1
Available-for-sale financial assets	1,026.6	1,019.0	998.2
Receivables	8.0	8.0	37.0
Other Assets	28.8	26.5	5.8
Total Assets	1,529.8	1,491.5	1,479.1
Current Liabilities	6.0	4.0	7.6
Non-current Liabilities	19.7	18.9	19.1
Stockholders' Equity	1504.1	1,468.6	1,452.4

**Balance Sheet Accounts (Consolidated)**

**Current Assets:** Current assets of the Corporation as of December 31, 2021 totaled P466.6 million compared to P438.0 million in 2020 and to P438.1 million in 2019. Of these amounts, cash and cash equivalents totaled P111.2 million in 2021, P198.7 million in 2020 and P208 million in 2019. The Corporation has sufficient cash resources to meet any expected requirement during the next twelve (12) months. The Corporation continued to increase its investments in AFS financial assets with P1,026.6 million in 2021 compared to P1,018.9 million in 2020 and P998.1 million in 2019.

**Liabilities:** The Corporation is substantially debt-free and has no material commitments for capital expenditures. Total current liabilities in 2021 was only P6 million compared to P4 million in 2020 and P7.6 million in 2019.

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

**Stockholders' Equity:** This is the residual balance sheet amount after subtracting Liabilities from Assets. Stockholders' equity once again increased to P1504.2 million in 2021 from P1,468.5 million in 2020 and P1,452.4 million in 2019.

**Key Performance Indicators ("KPI")**

The Corporation's KPI for the years ended December 31, 2021, 2020, and 2019 follow:

Performance Indicator	Formula	2021	2020	2019
<i>Liquidity</i>				
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	77.78:1	108.53:1	47.71:1
<i>Leverage</i>				
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Stockholders' Equity}}$	0.02:1	0.02:1	0.02:1
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	1.02:1	1.02:1	1.02:1
<i>Profitability</i>				
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$	1.20%	1.19%	1.39%
Return on Equity	$\frac{\text{Net Income}}{\text{Total Equity}}$	1.22%	1.20%	1.42%

### Liquidity

The Corporation's current ratio for 2021 is 77.78 compared to 108.53 in 2020 and 47.71 in 2019. The Company's liquidity position remains strong.

### Leverage

Leverage is very low at 0.02:1 in 2021, 2020, and 2019.

### Profitability

The Corporation's profitability slightly increased in 2021 with a 1.2% return on assets compared to 1.19% in 2020 and 1.39% in 2019, while return on equity was at 1.22% in 2021 compared to 1.2% in 2020 and 1.42% in 2019.

## Notes to Financial Statements

### *Accounting Policies and Principles*

The financial statements for the years 2021, 2020, and 2019 are presented in accordance with generally accepted accounting principles applied on a consistent basis.

### *Seasonality Aspects of the Business*

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

*Past and Future Financial Condition and Results of Operations* – For 2020 and 2019, please refer to the above discussion. For prior years, please refer to the Corporation's previous annual reports. Inasmuch as there are no known material events or commitments that are likely to affect the Corporation, it is

expected that the future financial condition and results of operation would remain the same as the present.

*Material Changes*

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

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

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

The Corporation issued a corporate guarantee to Speedcast Limited to ensure compliance by Philcomsat of its obligations under the Free WiFi for All project of the Philippine government. The government however terminated the project before it was scheduled to be completed. Consequently, the corporate guarantee should no longer be in force and effect. The total exposure of the Corporation as a result of the guarantee was less than 15% of its total assets.

(c) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

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

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

The company has no material commitment for capital expenditures.

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

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

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

There is no significant element of income from continuing operations.

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

- a. Decrease in cash and cash equivalents as a result of the increase in current receivables and due from related parties.
- b. Increase in ROU assets to reflect the difference between cost and accumulated depreciation.
- c. Decrease in property and equipment as a result of depreciation.
- d. Increase in non-current assets which consist of creditable withholding tax and input value added tax.
- e. Increase in liabilities as a result of the lease liability which was unpaid as of December 31, 2021, but has since been paid, and recognition of deferred income tax liability.
- f. Increase in other equity reserves as a result of an increase in the unrealized fair value gains of financial assets measured as FVOCI.

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

None.

**(b) Interim Periods**

**Revenues:** In the 2<sup>nd</sup> Quarter of 2022, the Corporation generated 15.3 million in revenue consisting mainly of interest income thus bringing the total revenue for the 1<sup>st</sup> half of 2022 to P30.6 million, while in the 2<sup>nd</sup> Quarter of 2021, the revenue generated was P11.9 million and total revenue for the 1<sup>st</sup> half of 2021 was P22.8 million. Interest income from money market placements and deposits traditionally represent the bulk of the Corporation's revenue.

Net income for the 2<sup>nd</sup> Quarter of 2022 was P9.8 million and total net income for the 1<sup>st</sup> half of 2022 was P17.7 million. Net income for the 2<sup>nd</sup> Quarter of 2021 was P4.8 million and total net income for the 1<sup>st</sup> half of 2021 was P9 million.

**Expenses:** Costs and expenses in the 2<sup>nd</sup> Quarter of 2022 were P7.3 million and the total costs and expenses for the 1<sup>st</sup> half of 2022 was P15.6 million; while in the 2<sup>nd</sup> Quarter of 2021, costs and expenses were P7.1 million and the total for the 1<sup>st</sup> half of 2021 was P14.3 million.

**Consolidated Income Statement**  
**(P million)**

	<b>2Q 2022</b>	<b>2Q 2021</b>	<b>1<sup>st</sup> half of 2022</b>	<b>1<sup>st</sup> half of 2021</b>
Revenue	15.3	11.9	30.6	22.8
Cost of Service	(0.9)	(0.7)	(1.9)	(1.6)
General and Administrative Expenses	(6.4)	(6.4)	(13.7)	(12.7)
Gain on Investments	2.8	0.2	3.4	0.9
Income before Income Tax	10.8	5.0	18.4	9.4
Provision for Income Tax	1.0	0.2	0.7	0.4
Net Income	9.8	4.8	17.7	9.0
Other Income	(39.9)	19.7	(45.8)	4.3
<b>Total Comprehensive Income</b>	<b>(30.1)</b>	<b>24.5</b>	<b>(28.1)</b>	<b>13.3</b>

**Financial Position**

The company's comparative balance sheet is summarized below:

**Consolidated Balance Sheet**  
**(P Million)**

	<b>2Q 2022</b>	<b>2Q 2021</b>	<b>2021</b>
Current Assets	518.8	465.7	496.5
Notes & Interest Receivable	8.0	6.0	8.0
Available-for-sale financial assets	973.7	1031.6	1026.6
ROU Assets	1.1	2.0	1.9
Investment Property	2.25*	2.25*	2.25*
Other Non-current Assets	7.45	6.55	6.95
Total Assets	1511.3	1514.1	1542.2
Liabilities	27.4	27.7	30.6
Stockholders' Equity	1483.9	1486.4	1511.6

*Note: The investment property of P2.25 million belongs to the Corporation's subsidiary, PMEI.*

**Balance Sheet Accounts**

**Current Assets:** Current assets of the Corporation as of the 2<sup>nd</sup> Quarter of 2022 totaled P518.8 million compared to P465.7 million in the same period of 2021. This included cash and cash equivalents of P113.6 million as of the 2<sup>nd</sup> Quarter of 2022 compared to P105.3 million in the same period 2021. The Corporation has sufficient cash resources to meet any expected requirement during the next twelve (12) months.

**Liabilities:** The Corporation is substantially debt-free and has no material commitments for capital expenditures. Accrued expenses and other current liabilities as of the 2<sup>nd</sup> Quarter of 2022 amounted to P7.3 million compared to P8.6 million in the 2<sup>nd</sup> Quarter of 2021.

**Deposit for Future Subscription:** This represents the excess amount of the market value of the two properties which Philcomsat contributed in exchange

for the number of the Corporation's shares received; as such, this amount is for the account of Philcomsat's future subscription to Corporation's common shares which remains constant at P18.89 million.

**Stockholders' Equity:** This is the residual balance sheet amount after subtracting Liabilities from Assets. Total equity slightly decreased from P1486.4 in the 2<sup>nd</sup> Quarter of 2021 to P1483.9 million in the 2<sup>nd</sup> Quarter of 2022.

### **Key Performance Indicators (KPI)**

The Corporation's **consolidated** KPI as of the 1<sup>st</sup> and 2<sup>nd</sup> quarters of 2022 compared to the same period in 2021, and for the years ended 2021 and 2020 are as follows:

Performance Indicator	Formula	2 <sup>nd</sup> Q 2022	2 <sup>nd</sup> Q 2021	1 <sup>st</sup> Q 2022	1 <sup>st</sup> Q 2021	2021	2020
<i>Liquidity</i>							
Current Ratio	Current Assets Current Liabilities	71.14:1	54.17:1	61.66:1	49.39:1	77.78:1	108.53:1
<i>Leverage</i>							
Debt to Equity Ratio	Total Liabilities Stockholders' Equity	0.02:1	0.02:1	0.02:1	0.02:1	0.02:1	0.02:1
Asset to Equity Ratio	Total Assets Total Equity	1.02:1	1.02:1	1.02:1	1.02:1	1.02:1	1.02:1
<i>Profitability</i>							
Return on Assets	Net Income Total Assets	0.65%	0.32%	0.50%	0.28%	1.20%	1.19%
Return on Equity	Net Income Total Equity	0.66%	0.32%	0.51%	0.29%	1.22%	1.20%

### **Liquidity**

The Company's current assets of P518,810,753 as of June 30, 2022 and current liabilities of P7,292,422 resulted in liquidity ratio of 71.14:1 compared to the same quarter of previous year wherein the ratio was lower at 54.17:1. The increase in current ratio was due to the increase in current assets and decrease in lease liabilities.

### **Leverage**

There were no changes between the Debt to Equity ratio and Asset to Equity Ratio for the period ending June 30, 2022 and 2021. The ratio

shows that the Group's assets are more than adequate to cover its liabilities.

### Profitability

The Group results of operations for the period ending June 30, 2022 resulted in a higher net income than the previous period due to an increase in interest income and dividend income which are the primary sources of income of the Corporation.

## **MARKET PRICE AND DIVIDENDS**

### **(1) Market Information**

- a. Principal Market
  - i. The principal market where the Corporation's common equity is traded is the Philippine Stock Exchange
  - ii. There have been no high and sales prices for the last two fiscal years and subsequent interim periods as trading of the Corporation's common equity has been suspended since 2 May 2007.
- b. The last trade price of the Corporation's shares on 2 May 2007 was P1.40.

### **(2) Holders**

- a. As of September 30, 2022, there are 1,175 holders of the Corporation's shares. The Corporation only issues one (1) class of shares, which are common shares.
- b. As of September 30, 2022, the top twenty (20) shareholders are as follows:

Name	Shares Held	%
Philcomsat	796,595,690	79.94
Prudencio Somera, Jr.	100,000,100	10.03
Oliverio Laperal	49,556,500	4.97
PCD Nominee (Fil)	15,864,534	1.59
RCBC T/A 236-235	4,802,413	0.48
Prince Resources, Inc.	4,000,000	0.40
Marino Olondriz y Cia	2,985,600	0.29
Estate of Jose M. Ozamiz	2,700,000	0.27
RCBC T/A 36-250	2,689,000	0.26
Phil. Oil Dev. Corporation	1,500,000	0.15
Imperial Resources, Inc.	800,000	0.08
Oliverio Laperal, Jr.	776,743	0.07
Benjamin Co Ca & Co.	504,300	0.05
Regina Concepcion	481,000	0.04
Rosa Maria Laperal	448,000	0.04
Alexandra Laperal	440,000	0.04
Agrifino T. Cheng	410,000	0.04
Ansaldo Godinez & Co.	332,550	0.03

Nenita Dacillo	320,000	0.03
Bridgestone Securities Corporation	307,425	0.03

**(3) Dividends**

There have been no cash dividends declared during the 2 most recent years. There is no restriction that limits payment of dividends on common shares.

**(4) Recent Sales of Unregistered or Exempt Securities**

There have been no recent sales of unregistered or exempt securities by the Corporation or recent issuances of securities constituting an exempt transaction.

**Item 22. Corporate Governance**

**1. Evaluation System**

The Corporation adheres to the highest principles of good corporate governance as embodied in its By-Laws and Corporate Governance Manual. It subscribes to the philosophy of integrity, accountability, and transparency in its manner of doing business dealing fairly with its clients, investors, stockholders, the communities affected by its various activities. The Corporation espouses professionalism among the members of its Board of Directors, executives and employees in managing the Corporation and its subsidiaries and respect for laws and regulations.

The Corporation has adopted the Revised Corporate Governance Manual aligned with recently issued regulatory guidelines. The Corporation's Compliance Officer evaluates and monitors compliance with the Manual and other regulatory guidelines by the Corporation and its directors and responsible officers.

**2. Measures to comply with leading practices on good corporate governance**

The directors and key officers attended a Corporate Governance Seminar in 2020 and 2021 which was duly reported to the SEC. The directors and the key officers of the Corporation are always advised to undergo continued training in corporate governance to keep abreast of developments in Corporate Governance. The directors, including the new independent director, and key officers are scheduled to attend a Corporate Governance Seminar in the 4<sup>th</sup> quarter of 2022.

Appraisal and performance report for the board and the criteria and procedure for assessment shall be presented to the stockholders at the Annual Stockholders' Meeting scheduled on November 21, 2022.

**3. Any deviation from the Manual of Corporate Governance**

There have been no material deviations from the Corporation's Manual of Corporate Governance noted by the Corporation's Compliance Officer.

#### 4. Any plan to improve corporate governance

The Corporation shall update its policies and procedures in accordance with current corporate governance guidelines of the SEC and the Philippine Stock Exchange, with the philosophy of integrity, accountability, and transparency.

A copy of the Corporation's Annual Report or SEC Form 17-A, as well as the 1<sup>st</sup> and 2<sup>nd</sup> Quarter Reports for 2022, are available online on the Corporation's website and on PSE Edge. A copy of the Corporation's 3<sup>rd</sup> Quarter Report will likewise be published online on the same sources once available.

**THE CORPORATION WILL PROVIDE WITHOUT CHARGE TO EACH PERSON UPON WRITTEN REQUEST OF ANY SUCH PERSON, HARD COPIES OF THE CORPORATION'S ANNUAL/QUARTERLY REPORT OR SEC FORM 17-A/17-Q. SUCH WRITTEN REQUEST SHOULD BE DIRECTED TO ATTY. JOSE PIO J. SEVA, ASSISTANT CORPORATE SECRETARY BY MAIL TO THE 12/F TELECOM PLAZA BUILDING, 316 SEN. GIL PUYAT AVENUE, MAKATI CITY, BY TELEPHONE AT (02) 8815-8406 OR VIA EMAIL AT 2022asm@phc.com.ph.**

Pursuant to the requirements of the Securities Regulation Code, the Corporation has duly caused this report to be signed on its behalf by the undersigned hereto duly authorized who, after reasonable inquiry and to the best of his knowledge and belief certifies that the information set forth in this report is true, complete and correct.

Makati City, October 11, 2022.

**FOR THE BOARD OF DIRECTORS:**

  
JOHN BENEDICT L. SIOSON  
Corporate Secretary

  
JOSE PIO J. SEVA  
Assistant Corporate Secretary



# PHILCOMSAT HOLDINGS CORPORATION

12F Telecom Plaza, 316 Sen. Gil Puyat Avenue, Makati City, 1200 Philippines

Tel. No.: 8815-8406; Fax No.: 8816-2517

## GUIDELINES ON PARTICIPATION BY REMOTE COMMUNICATION

### I. Coverage

These Guidelines cover all stockholders of Philcomsat Holdings Corporation (the "Company") who wish to participate at the Company's Annual Stockholders' Meeting (the "Meeting") on November 21, 2022 either by remote communication, by appointing another person as Proxy, by voting in absentia or by appointing the Chairman as Proxy.

### II. Registration

1. *Who May Register* – Only stockholders of record as of the close of business hours on October 21, 2022 may register their participation at the Meeting.
2. *When to Register* – The registration period for stockholders who intend to participate at the Meeting by remote communication, or for stockholders who, while not intending to participate at the Meeting by remote communication, nevertheless wish to vote *in absentia* shall start on October 24, 2022 at 8:00 a.m. until November 14, 2022 at 5:00 p.m., Philippine time (the "Registration Period"). Beyond the Registration period, stockholders may no longer avail of the option to participate at the Meeting or vote *in absentia*.
3. *How to Register* – Stockholders must send a scanned or digital copy of their Registration Form, together with the following documents to the email address 2022asm@phc.com.ph within the Registration period for validation.
  - a. For Individual Stockholders –
    - 1) A recent photo of the stockholder, with face fully visible
    - 2) A scanned or digital copy of the front and back portions of the stockholder's valid government-issued identification card
    - 3) Contact details of the stockholder

- b. For Stockholders with Joint Accounts –
  - 1) A recent photo of each stockholder, with face fully visible
  - 2) A scanned or digital copy of the front and back portions of each stockholder's valid government-issued identification card
  - 3) Contact details of each stockholder
  - 4) A scanned copy of the authorization letter signed by all stockholders providing who among them is authorized to cast the vote for the account
- c. For Corporate Stockholders –
  - 1) A scanned copy of a Secretary's Certificate attesting to the authority of the representative to vote for and on behalf of the stockholder-corporation.
  - 2) A scanned or digital copy of the front and back portions of the representative's valid government-issued identification card
  - 3) Contact details of the representative
- d. For Stockholders represented by Proxy –
  - 1) A recent photo of the stockholder, with face fully visible
  - 2) A scanned or digital copy of the front and back portions of the stockholder's valid government-issued identification card
  - 3) Contact details of the stockholder
  - 4) A recent photo of the proxy, with face fully visible
  - 5) A scanned or digital copy of the front and back portions of the proxy's valid government-issued identification card
  - 6) Contact details of the proxy
  - 7) A scanned copy of the Proxy Form or authorization letter signed by the stockholder to cast votes for the account
- e. For Stockholders under Broker Accounts –
  - 1) A scanned copy of the broker's certification signed by the broker's duly authorized signatories attesting to the stockholder's number of shares.
  - 2) A scanned or digital copy of the front and back portions of the stockholder's valid government-issued identification card
  - 3) Contact details of the stockholder

4. *Validation of Registration* – The validation of the Stockholder’s Registration Form shall be completed by the Company within three (3) business days from receipt thereof. The Company will send an email confirming successful validation of the Stockholder’s registration. Please note that submission of incomplete or inconsistent information may result in an unsuccessful registration. The Registration Form can be accessed and downloaded at our website <http://www.phc.com.ph/ASM.html>.

*Note: Considering the recent events and government pronouncements and guidelines surrounding the COVID-19 pandemic, the Company shall allow electronic signature for the required documents, as applicable. Notarization requirement shall also be dispensed with at this time. However, the Company reserves the right to request additional information, and original, signed, and notarized copies of these documents at a later date, as it deems necessary.*

### **III. Voting Process**

1. *Who Can Vote*
  - a. *Stockholder Participating through Remote Communication* – Stockholders participating through remote communication can vote on all matters for approval.
  - b. *Stockholder Appointing the Chairman as Proxy* – Stockholders may give the Chairman, as Presiding Officer, the authority to vote on all matters for approval, by appointing the Chairman as Proxy in the Registration Form.
  - c. *Stockholder Appointing His/Her/Its Own Proxy* – Stockholders may give his/her/its representative, the authority to vote on all matters for approval, by appointing a Proxy in the Registration Form.
2. *How to Access the Ballot*

Stockholders who intend to participate via remote communication must have validly registered within the Registration Period. Upon successful registration, the stockholder (or his/her/its Proxy) will receive an electronic mail confirming the

registration. The stockholder (or his/her/its Proxy) may submit the Ballot in the Registration Form in advance or participate in the voting process *viva voce*.

Stockholders appointing the Chairman as Proxy or voting *in absentia* shall fill in the ballot in the Registration Form.

**3. When to Vote**

Stockholders (or his/her/its Proxy) participating via remote communication may either vote before or during the Meeting. Stockholders not participating at the Meeting via remote communication but voting *in absentia* or appointing the Chairman as proxy shall submit their ballot together with the Registration Form on or before the close of business hours on November 14, 2020. Votes cast *in absentia* will have equal effect as votes cast by proxy.

**4. How to Vote**

- a. For items other than the Election of Directors, the stockholder has the option to vote: For, Against, or Abstain. The vote is considered cast for all the stockholder's shares.
- b. For the Election of Directors, the stockholder may vote for all nominees, not vote for any of the nominees, or vote for some nominees only, in such number of shares as preferred by the stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected.

**5. Appraisal Right**

Stockholders who dissent with any resolution adopted by the majority which may give rise to the exercise of appraisal rights, should follow the procedure described in Item 2 of the attached Information Statement (SEC Form 20-IS)

**IV. Tabulation & Validation of Votes**

The Proxy Validation Committee will tabulate all votes received and validate the results. Stockholders who register and vote are hereby deemed to have given their consent to the collection, use storing, disclosure, transfer sharing and general processing of their personal data by the Company and by any other relevant third party for the purpose of electronic voting in the Meeting and for all other purposes for which the stockholder can cast his/her/its vote as a stockholder of the Company.

## **V. Determination of Quorum**

Only those stockholders who have notified the Company of their intention to participate in the Meeting by remote communication, and who have successfully registered during the Registration Period, together with the stockholders who voted *in absentia* will be included in the determination of quorum.

## **VI. Access to the Live Meeting**

The Company will send all registered stockholders who signified their intention to participate at the Meeting the link to the live webcast of the Meeting via email no later than two (2) business days prior to the date of the Meeting. Registered Stockholders may be required to download an application or register an account to access the live webcast of the meeting. For any technical assistance, stockholders may send their questions or concerns prior to the date of the meeting via email to 2022asm@phc.com.ph with the subject “Technical Assistance” where our IT personnel can assist them. Stockholders are requested to log onto the meeting link at least 15 minutes before the meeting starts to avoid any technical difficulty.

## **VII. Stockholders’ Questions/Comments During the Meeting**

Stockholders may send their questions and/or comments during the meeting by email to 2022asm@phc.com.ph with subject “ASM Question/Comment”. Stockholders who will participate in the Meeting are encouraged to send their questions and comments before 5:00 p.m. on November 16, 2022. Relevant questions on the agenda items will be read and answered by concerned officers during the meeting.

## **VIII. Recording of the Annual Meeting**

Upon adjournment, the Company shall post the recorded webcast of the Meeting on the Company’s website, for two (2) weeks. Within this period, stockholders may raise with the Company any issues, clarifications and concerns on the Meeting conducted. The Minutes shall be made available on the Company’s website within five (5) days after the Meeting.

## **IX. Other Matters**

For any clarifications or other concerns, stockholders may contact the Office of the Corporate Secretary at 2022asm@phc.com.ph with the subject “ASM Inquiry” or through telephone no. +632 8815-8406.

## SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended *31 December 2021*
2. SEC Identification Number *11163*
3. BIR Tax Identification No. *000-471-497-000*
4. Exact name of issuer as specified in its charter *Philcomsat Holdings Corporation*
5. *Philippines*  
Province, Country or other jurisdiction of incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code:
7. *12/F Telecom Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City* *1200*  
Address of principal office Postal Code
8. *(632) 8815-8406*  
Issuer's telephone number, including area code
9. N/A  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA
 

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<i>Common</i>	<i>996,391,254</i>
11. Are any or all of these securities listed on a Stock Exchange.  
Yes  No   
If yes, state the name of such stock exchange and the classes of securities listed therein:  
*Philippine Stock Exchange* *60,000,000 common shares*
12. Check whether the issuer:
  - (a) Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports).  
Yes  No
  - (b) Has been subject to such filing requirements for the past ninety (90) days

Yes [ x ]    No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the Corporation.

As of 31 December 2021, the aggregate market value of the voting stock held by non-affiliates of the Corporation is P151,233,569. Trading of the Corporation's shares are however suspended.

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

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

Not applicable

**DOCUMENTS INCORPORATED BY REFERENCE**

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

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

None of the above documents are incorporated by reference.

**PART I - BUSINESS AND GENERAL INFORMATION**

**Item 1. Business**

**(1) *Business Development***

**(a) Form and Date of Organization of the Corporation**

Philcomsat Holdings Corporation, formerly Liberty Mines, Inc., was incorporated on May 10, 1956. On January 10, 1997, the Corporation approved amendments of its Articles of Incorporation, changing its primary purpose from embarking in the discovery, exploitation, development and exploration of mineral oils, petroleum in its natural state, rock or carbon oils, natural oils and other volatile mineral substances to a holding company and changing its name and declassifying its shares. These changes were filed with the Securities and Exchange Commission (SEC) on April 14, 1997 and were approved by the SEC on July 23 and September 12, 1997 respectively. The authorized capital of the Corporation is One Billion Pesos (P1,000,000,000.00) divided into one billion (1,000,000,000) common shares with a par value of P1.00 per share. Of the total authorized capital stock, sixty million (60,000,000) shares are listed at the Philippine Stock Exchange (PSE). While the SEC approved the registration of the remaining 940,000,000 shares on August 31, 2000, the PSE considered the Corporation's application abandoned. A later attempt to revive the Corporation's application for listing at the PSE was deferred at the objection of then PCGG Chairman Camilo Sabio in his letter dated March 1, 2005 to the PSE. During the 2006 House Committee investigation into the anomalous losses of PHC, PCGG Chair Sabio promised to

withdraw his objection to the listing of the said shares, but he failed to made good on his promise. Since then, several requests were made to the PCGG to withdraw its objection to the listing of the shares but it has refused to do so.

In May 2006, the Corporation amended its articles of incorporation extending the life of the Corporation for another fifty (50) years or until 2056. This extension however has been rendered moot by the Revised Corporation Code and the rules of the SEC that grant perpetual existence to existing corporations.

The Corporation is a subsidiary of the Philippine Communications Satellite Corporation ("Philcomsat") which owns approximately seventy-nine percent (79%) of the outstanding capital stock of the Corporation.

The Corporation owns 100% of Philcomsat Management Enterprises, Inc. which in turn wholly owns Professional Stock Transfer, Inc.

(b) Bankruptcy, Receivership or Similar Proceeding

The Corporation is not involved in any bankruptcy, receivership or similar proceeding.

(c) Material Reclassification, Merger, Consolidation, Purchase/Sale of Assets not in the Ordinary Course of Business

The Corporation is not involved in any material reclassification, merger, consolidation, purchase or sale of assets not in the ordinary course of business.

**(2) *Business of the Corporation***

(a) Description

(i) Products/Services/Facilities

The Corporation holds investments in money market placements and financial instruments. It has no product or service that contributes ten percent (10%) or more to sales or revenue.

(ii) Foreign Sales

The Corporation does not have any foreign sales or revenues.

(iii) Distribution of Products and Services

The Corporation does not distribute any facility, product and service.

(iv) Status of Publicly Announced New Product

The Corporation does not have a publicly announced new product.

(v) Competition

The Corporation does not have direct competitors for its money market operations.

(v) Raw Materials and Supplies

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

(vi) Major Customers

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

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

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

(viii) Transactions with/Dependence on Related Parties

Among the transactions with related parties are receivables from the Philippine Communications Satellite Corporation (Philcomsat) and Montemar Beach Club, Inc. The Corporation likewise has a lease agreement with Philcomsat for the rent of its office space. In addition, PSTI acts as stock transfer agent of the Corporation. Details of these RPTs are found in Note 15 of the attached Consolidated Financial Statements.

(ix) Patents, Trademarks, Licenses, etc.

The Corporation does not own any patent, trademark, license or franchise.

(x) Government Approval

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

(xi) Effect of Governmental Regulations

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

(xii) Research and Development Activities

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

(xiii) Environmental Laws

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

(xiv) Number of Employees

As of 31 December 2021, the Board of Directors has not engaged any regular employee. The Corporation's businesses and concerns were managed and handled by the executives, staff members and consultants of Philcomsat, the 79% owner of the Corporation.

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

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

(xv) Major risks

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

(b) Additional Requirements as to Certain Issues or Issuers

(i) Debt Issues

This disclosure is not applicable to the Corporation.

(ii) Investment company securities

This disclosure is not applicable to the Corporation.

(iii) Mining and Oil companies

This disclosure is not applicable to the Corporation

**Item 2. Properties**

The Corporation leases its office space at its current business address at the 12/F Telecoms Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City with a floor area of 160 sq. m. Rent expense amounted to P1.70 million in 2021, P1.66 million in 2020 and P1.30 million in 2019. The Corporation does not intend to acquire property in the next twelve (12) months.

**Item 3. Legal Proceedings**

The Corporation is a party to the following legal actions and proceedings which are not expected to have a material effect on its financial position.

**a. PHC vs. Araneta & Lokin (Civil Case No. 10-525), RTC Makati, Br. 62**

On May 26, 2010, PHC filed a collection suit against respondents Lokin and Araneta for the sum of P35.3 Million. This amount was the deposit of PHC with Bankwise, which was utilized by Araneta as a guarantee and eventually the payment of his personal loan from said bank. The use of this deposit by Araneta was made possible through the help of Lokin who issued a Secretary's Certificate evidencing the spurious authority. Lokin and Araneta assailed the jurisdiction of the trial court claiming that it should be Sandiganbayan which has jurisdiction. They elevated, via Petitions for Certiorari, the issue on jurisdiction with the Court of Appeals. Their separate petitions therein were docketed as CA G. R. SP Nos. 120311 and 120354 and later consolidated. On February 4, 2014, the Company received a copy of the Decision promulgated on January 27, 2014 by the Court of Appeals in the consolidated cases. The Decision denied both Araneta and Lokin's

Petitions for Certiorari. Lokin filed a Motion for Reconsideration of the Decision. The Company filed a Comment/Opposition (to Motion for Reconsideration dated February 19, 2014 filed by Luis Lokin) dated April 3, 2014. In the Resolution dated September 16, 2014, the Court of Appeals denied Lokin's Motion for Reconsideration.

On January 6, 2015, a Petition was filed by Benito R. Araneta assailing the Orders dated August 26, 2014 and October 17, 2014 issued by Judge Soriano in Civil Case No. 10-525. The said Orders declared as waived Araneta's right to present his witnesses whose compliant judicial affidavits have not been filed. On November 24, 2015 and December 21, 2015, PHC and Araneta filed their respective Memoranda.

On October 26, 2015, PHC filed a Petition for Certiorari with the Court of Appeals, docketed as CA G. R. No. 142748, assailing the RTC Makati, Branch 148 Joint Order dated May 29, 2015 and Order dated August 13, 2015 disallowing the testimony and the subpoena of witness Mr. Merlin V. Lamson of Bangko Sentral ng Pilipinas. On August 31, 2016, a Decision was issued denying the Petition. PHC decided to no longer pursue the case.

On December 6, 2016, a Petition for Certiorari was filed with the Court of Appeals, docketed as CA GR No. 148642, assailing the interlocutory Orders dated August 3, 2016 and October 3, 2016 issued by RTC Makati, Br. 62, which denied the Urgent Motion to Inhibit filed by Benito R. Araneta. On January 24, 2019, the Court issued a Decision denying the Petition.

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

On August 14, 2017, the RTC Makati issued an Order denying the Motions for Reconsideration filed by both respondents. Thus, Araneta and Lokin filed their Notices of Appeal on September 6 and September 8, 2017, respectively, and is docketed as CA G. R. No. CV-109987. On May 2, 2018 and June 5, 2018, the parties filed their Appellants' and Appellee's Briefs. During the mediation set by the Court of Appeals on January 23, 2019, the parties refused to have their case mediated. The case is now deemed submitted for decision.

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

On November 26, 2019, PHC elevated the case to the Supreme Court via a Petition for Review under Rule 45, docketed as G. R. No. 250293. On March 9, 2020, Araneta filed his Comment. The case is pending.

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

The case is for Mandatory Injunction against Defendants Poblador and Alobba to compel them to return to PHC the stock and transfer book, the stock certificate booklet, and other corporate documents in their possession.

In addition to the prayer to compel Defendants to return to PHC all corporate books and records in their possession, PHC also prays that the sum of Php200,000.00 be paid to them as costs of suit.

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

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

**c. PHC vs. Poblador (I.S. No. 08-B-1665), Office of the City Prosecutor of Makati**

This is a complaint for estafa filed by PHC (represented by Jose Ma. Ozamiz) against Concepcion A. Poblador on February 12, 2008 to compel her to account for the P16.7 million advances she received. On February 9, 2009, the case was dismissed by the City Prosecutor. On March 5, 2009, PHC filed a Petition for Review with the Department of Justice. The DOJ issued a Resolution finding probable cause against Poblador but only for P247,093.00. PHC filed a partial motion for reconsideration and Poblador filed her own motion for reconsideration. On October 30, 2013, the Motions were denied with finality. An Information for P247,093.00 against Poblador was filed with the Regional Trial Court of Makati, Branch 59, docketed as Criminal Case No. 13-310.

On January 7, 2014, PHC filed a Petition for Certiorari praying that the DOJ file a new Information(s) against Poblador for Estafa for the total amount of PhP16,747,093. This case is docketed as CA G. R. SP No. 133378. On January 6, 2014, Poblador also filed a Petition for Certiorari docketed as CA G. R. SP No. 133362 praying that the Information filed against her be dismissed. Both cases were consolidated on August 29, 2014. PHC and Concepcion Poblador filed their Memoranda when directed by the CA.

On June 24, 2019, the CA issued a Decision denying both Petitions for Certiorari. Both parties filed Motions for Reconsideration with the CA denied on August 10, 2020. PHC has since decided not to pursue the case in the Supreme Court as the amount involved is already covered by the advances to affiliates case.

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

This is a complaint for estafa filed by PHC against Philip G. Brodett etc. for the misappropriation of P66.8 million in company funds. On April 24, 2009, an Information was filed against Brodett, Ortega, Campa and Quintos with the RTC-Makati and warrants of arrest to be issued against the defendants. After the presentation of the prosecution's evidence, the defendants filed a Motion to Dismiss by Demurrer to Evidence and on March 11, 2015, the Court issued an Order denying the same as to Brodett, granting the Motion as to Campa, and partially granting the Motion as to Quintos.

On February 21, 2020, the Court promulgated its judgment finding accused Brodett guilty for the crime of theft, sentencing him to the penalty of imprisonment for a minimum period of four (4) years, two (2) months, one (1) day, to a maximum period of sixteen (16) years and 4 months. He was also found civilly liable to pay PHC the amount of P14,235,700.00, with legal interest of 12% per annum from April 11, 2008 until June 30, 2013 and the total obligation plus 6% legal interest from July 1, 2013 until fully paid. Brodett manifested that he will file his Motion for Reconsideration of the said Decision. On March 3, 2020, Brodett filed his Motion for Partial Reconsideration of the Decision. On July 1, 2020, PHC filed its Consolidated Comment/Opposition thereto. In ruling on Brodett's Motion for Reconsideration, the Court affirmed its Decision on December 2, 2020 convicting Brodett. Brodett filed an appeal on December 3, 2020.

**e. PHC vs. Araneta (I.S. No. 08-E-4466), Office of the City Prosecutor of Makati**

This is a complaint for estafa filed by PHC (represented by Erlinda I. Bildner) on May 23, 2008 against Benito V. Araneta for misappropriating a total of P82.6 million. The complaint alleges that Mr. Araneta received the said amount supposedly for money market placements on behalf of PHC. After formal demand, Mr. Araneta failed to show proof that the same was placed nor was he able to account for the same. The City Prosecutor dismissed the Complaint on the ground that the intra-corporate issues are still pending in the courts. On March 4, 2009, PHC filed a Petition for Review with the Department of Justice. The case remains pending.

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

Due to the lockdown in the 3<sup>rd</sup> quarter of 2021 as a result of the pandemic, the Corporation decided to postpone the annual stockholders' meeting from the 4<sup>th</sup> quarter of 2021 to the 1<sup>st</sup> quarter of 2022. Thus, no matters were submitted to a vote of security holders during the fiscal year covered by this report. Nevertheless,

- (a) The Annual Stockholders' Meeting was held on 24 January 2022.
- (b) In the said Annual Stockholders' Meeting, the directors elected were Katrina C. Ponce-Enrile, Erlinda I. Bildner, Pablo L. Lobregat, Marietta K. Ilusorio, Daniel C. Gutierrez, Santiago J. Ranada, Prudencio C. Somera, Victoria C. de los Reyes, Julie Yap-Daza, Oliverio L. Laperal, Jr. and Jose Ramon C. Ozamiz. The last three (3) enumerated above were elected as independent directors under Section 38 of the Code and SRC Rule 38.

- (c) The matters voted upon and unanimously approved by the stockholders include the approval of the minutes of the previous meeting, the notation and approval of the management report and the audited financial statements, the ratification of acts of management and the committees and the appointment of the external auditor. In addition, all the votes were cast in favor of the election of the above-enumerated directors.
- (d) There has been no matter submitted to a vote of security holders other than at the said meeting of such security holders.
- (e) The Corporation filed SEC Form 17-C containing similar information with the Commission and the Philippine Stock Exchange.

## **PART II – OPERATIONAL AND FINANCIAL INFORMATION**

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

#### **(1) Market Information**

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

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

#### **(2) Holders**

The Corporation has 1,174 stockholders and the following are the top 20 stockholders of the Corporation as of December 31, 2021:

Name	No. of Shares	Percentage
Philippine Communications Satellite Corp.	796,595,690	79.94%
Prudencio Somera Jr.	100,000,100	10.03%
Oliverio G. Laperal	49,556,500	4.97%
PCD Nominee Corporation	15,864,534	1.59%
RCBC T/A 236-235	4,802,413	0.48%
Prince Resources, Inc.	4,000,000	0.40%
Marino Olondriz y Cia	2,985,600	0.29%
Jose Ma. Ozamiz	2,700,000	0.27%
RCBC T/A 36-250	2,689,000	0.26%
Philippine Oil Development Corporation	1,500,000	0.15%
Imperial Resources, Inc.	800,000	0.08%
Oliverio Laperal Jr.	776,743	0.07%
Benjamin Co Ca & Co., Inc.	504,300	0.05%
Regina Concepcion	481,000	0.04%
Rosa Maria Laperal	448,000	0.04%
Alexandra Laperal	440,000	0.04%
Agrifino Cheng	410,000	0.04%
Ansaldo Godinez & Co., Inc.	332,550	0.03%
Nenita Dacillo	320,000	0.03%
Bridgestone Securities Corporation	307,425	0.03%

**(3) Dividends**

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

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

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

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

**(1) Management's Discussions and Analysis**

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

Under the management of the Brodett-Araneta-Poblador-Lokin-Locsin Group, the Corporation incurred more than P600M in losses and caused the erosion of shareholders' equity from P1,458 million in 2004 to P855.5 million. The book value per share plummeted from P1.46 to P0.85, below the par value per share of P1.00.

In addition, in May 2007, PHC shares were suspended from trading due to the failure of the Brodett-Araneta-Poblador-Lokin-Locsin Group to file Audited Financial Statements with the SEC and PSE.

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

Present Management will continue to seek justice for its stockholders by filing cases to recover the company funds from the Brodett-Araneta-Poblador-Lokin-Locsin Group.

Insofar as operations are concerned, the Articles of Incorporation limit the business of the Corporation to money market trading and holding of investments. Thus, the bulk of the Corporation's revenue comes from interest income. In order to diversify, the Corporation set up a 100% owned subsidiary, Philcomsat Management Enterprises, Inc. (PMEI) which provides management and consultancy services and whose initial venture was the acquisition of Professional Stock Transfer, Inc., a stock transfer agency.

The Corporation partnered with PMEI, the Philippine Overseas Telecommunications Corporation (POTC), and other suppliers in their successful bid for a telecommunications project for the Philippine Navy.

The Corporation provided a guarantee for Philcomsat in connection with the implementation of the government's Free Wi-Fi For All project which involves the installation of 3,000 VSat Wi-Fi sites. The contract with Philcomsat, its foreign partner and the Department of Information Communication Technology has, however, been terminated.

The Corporation is identifying and studying other business opportunities that will continue to provide it with income.

Together with its money market operations and investments, present Management was able to grow shareholder value from below P1.00, when it took over operations from the Brodett Group, to the current P1.52 per share.

### **Results of Operations (Consolidated)**

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

**Revenues:** In the fiscal year ended December 31, 2021, the Corporation generated revenue of P57.2 million compared to P54.2 million in 2020 and P58.3 million in 2019. Total comprehensive income for the year ended December 31, 2021 increased to P38.0 million from P23.7 million in 2020 and compared to P60.9 million in 2019.

**Expenses:** Costs and expenses increased slightly in 2021 to P38.4 million compared to P34.5 million in 2020 and P33.3 million in 2019.

**Operating and Net Income/Loss:** The Corporation realized a net income of P20.2 in 2021 compared to P18.8 million in 2020 and P20.6 million in 2019.

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

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Revenue	57.2	54.2	58.3
Costs and Expenses	(38.4)	(34.5)	(33.3)
Gains or Losses on FX and Sales	2.9	(0.3)	(4.7)
Gross Profit	21.7	19.4	20.1
Provision for Tax	(1.5)	(0.6)	0.5
Net Income (Loss)	20.2	18.8	20.6
Other Comprehensive Income (Loss)	17.8	4.9	40.3
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>38.0</b>	<b>23.7</b>	<b>60.9</b>

#### **Financial Position**

The company's comparative balance sheet is summarized below:

**Balance Sheet (Consolidated)**  
**(P Million)**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Current Assets	496.6	465.1	438.1
Available-for-sale financial assets	1,026.6	1,018.9	998.2
Receivables (Non Current)	8.0	8.0	37.0
Other Assets	11.0	8.4	5.8
Total Assets	1,542.2	1,500.4	1,479.1
Current Liabilities	10.7	8.3	7.6
Non-current Liabilities	19.9	18.9	19.1
Stockholders' Equity	1,511.6	1,473.2	1,452.4

**Balance Sheet Accounts (Consolidated)**

**Current Assets:** Current assets of the Corporation as of December 31, 2021 totaled P496.6 million compared to P465.1 million in 2020 and P438.1 million in 2019. Of these amounts, cash and cash equivalents totaled P115.7 million in 2021, P209.4 million in 2020, and P208 million in 2019. The Corporation has sufficient cash resources to meet any expected requirement during the next twelve (12) months. The Corporation continued to increase its investments in AFS financial assets with P1,026.6 million in 2021 compared to P1,018.9 million in 2020 and P998.1 million in 2019.

**Liabilities :**The Corporation is substantially debt-free and has no material commitments for capital expenditures. Total current liabilities in 2021 was only P10.7 million, a slight increase from P8.3 million in 2020 and P7.6 million in 2019.

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

**Stockholders' Equity :** This is the residual balance sheet amount after subtracting Liabilities from Assets. Stockholders' equity once again increased to P1,511.6 million in 2021 compared to P1,473.2 million in 2020 and P1,452.4 million in 2019.

**Key Performance Indicators ("KPI")**

The Corporation's KPI for the years ended December 31, 2021, 2020 and 2019 are as follows:

<b>Performance Indicator</b>	<b>Formula</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<i>Liquidity</i>				
Current Ratio	<u>Current Assets</u> Current Liabilities	46.52 : 1	55.77 : 1	57.71:1
<i>Leverage</i>				
Debt to Equity Ratio	<u>Total Liabilities</u> Stockholders' Equity	0.02 : 1	0.02 : 1	0.02:1
Asset to Equity Ratio	<u>Total Assets</u> Total Equity	1.02 : 1	1.02 : 1	1.02:1
<i>Profitability</i>				
Return on Assets	<u>Net Income</u> Total Assets	1.31%	1.25%	1.39%
Return on Equity	<u>Net Income</u> Total Equity	1.34%	1.28%	1.42%

### Liquidity

The Corporation's current ratio for 2021 is 46.52 compared to 55.77 in 2020 and 57.71 in 2019. The Company's liquidity position remains strong.

### Leverage

Leverage is very low at 0.02:1 in 2021, 2020 and 2019.

### Profitability

Return on Assets for 2021 is 1.31% compared to 1.25% in 2020 and 1.39% in 2019 while Return on Equity for 2021 is 1.34% compared to 1.28% in 2020 and 1.42% in 2019.

## **Notes to Financial Statements**

### *Accounting Policies and Principles*

The financial statements for the years 2021, 2020, and 2019 are presented in accordance with generally accepted accounting principles applied on a consistent basis.

### *Seasonality Aspects of the Business*

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

*Past and Future Financial Condition and Results of Operations* – For 2020 and 2019, please refer to the above discussion. For prior years, please refer to the Corporation's previous annual reports. Inasmuch as there are no known material events or commitments that are likely to affect the Corporation, it is expected that the future financial condition and results of operation would remain the same as the present.

### *Material Changes*

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

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

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

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

As of December 31, 2021, the contract between Speedcast Limited and Philcomsat was terminated which should release the Corporation from its guarantee.

(c) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

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

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

The company has no material commitment for capital expenditures.

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

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

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

There is no significant element of income from continuing operations.

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

- a. Increases and decreases in cash and cash equivalents, receivables and due from related parties as a result of reclassification of some current assets and the purchase of financial assets, the net of which nevertheless still resulted in an increase in total current assets.
- b. Increase in ROU assets as a result of additions net of depreciation.
- c. Increase in property and equipment as a result of purchase of office equipment.
- d. Increase in other non-current assets as a result of creditable withholding tax and input VAT
- e. Increase in current and non-current lease liabilities in connection with the contract of lease of the Corporation over its office space which includes an escalation clause.
- f. Increase in other equity reserves as a result of unrealized fair value gains of financial assets measured as FVOCI

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

None.

## **Item 7. Financial Statements**

The Consolidated and Separate Audited Financial Statements including the report of the independent accountants of the Corporation for the fiscal year ending 31 December 2021 are attached hereto as Annex "A".

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

The Corporation appointed Isla Lipana & Co. as its external auditor at the last Annual Stockholders' Meeting held on 24 January 2022, replacing the auditing firm of Mendoza Querido & Co. as external auditors. The replacement was a result of the favorable recommendation of the Treasurer/CFO to the Audit Committee and the Board due to her past experience working with Isla Lipana & Co. for another corporation.

There have been no disagreements between the Corporation and Mendoza Querido & Co. on accounting and financial disclosures in the last two (2) fiscal years.

**PART III - CONTROL AND COMPENSATION INFORMATION****Item 9. Directors and Executive Officers of the Issuer**

Name, Age and Citizenship	Position	Period Served	Professional and Business Experience
Katrina C. Ponce-Enrile, 61, Filipino	Chairman and Executive Vice-President	April 2007 to Present	President and CEO- Philippine Overseas Telecommunications Corporation, President and CEO-Montemar Beach Club, Inc., Director and CFO-Philippine Communications Satellite Corporation, President and CEO-JAKA Group of Companies
Erlinda I. Bildner, 75, Filipino	Director/ Treasurer/ CFO	April 2007 to Present	President and CEO-Philippine Communications Satellite Corporation, Vice-Chair and Director- Philippine Overseas Telecommunications Corporation, Director-Montemar Beach Club, Inc., Director and Chair, Finance Committee – Baguio Country Club
Daniel C. Gutierrez, 66, Filipino	Director	December 2007 to Present	Partner-Soo Gutierrez Leogardo & Lee Law Offices; Law Professor and Bar Reviewer- Arellano University, Director-IBP, former Trustee-GSIS
Marietta K. Ilusorio, 70, Filipino	Director	May 2010 to Present	Director and Vice President, Philippine Overseas Telecommunications Corporation; Director and Vice-President, Philippine Communications Satellite Corporation; Director, Montemar Beach Club, Inc.
*Julie Y. Daza, 79, Filipino	Director	December 2015 to Present	Journalist, editor-in-chief, columnist, book author, and award-winning television talk show host
Pablo L. Lobregat, 67, Filipino	Director	April 2007 to Present	President-Crystal Sugar Co., Inc., President/Chairman-Oceanic Wireless Network, Inc., President-Aerocom Investors & Managers, Inc., Director – Philippine Communications Satellite Corporation, Director-Philippine Overseas Telecommunications Corporation
*Oliverio L. Laperal, Jr.,72, Filipino	Director	November 2017 to present	Co-President and Director of Imperial Resources; Co-President and Managing Director of Filipinas Golf & Country Club; President & Managing Director of R.S. Video & Film Productions
Prudencio C. Somera, Jr. 76, Filipino	Director	August 2004 to Present	Director – TKC Steel Corporation; Licensed Stockbroker; Columnist – Philippine Daily Inquirer

J. Santiago Ranada (ret), 84, Filipino	Director	December 2013 to Present	Partner, Ranada, Malaya Sanchez & Simpao, Specializes in the banking, insurance, maritime and real estate industries and in corporate rehabilitation proceedings, 28 years of service in the Philippine Judiciary as RTC Judge and CA Justice
*Jose Ramon C. Ozamiz, 62, Filipino	Director	December 2013 to Present	Surgeon – Makati Medical Center; 22 years of practice; Diplomate, Philippine Board of Surgery, Fellow, Philippine College of Surgeons, Member, Philippine Medical Association, Makati Medical Society, Philippine Society of General Surgeons
Victoria C. de los Reyes, 71	Director/ Corporate Secretary	November 18, 2019 to Present	Partner, Roxas de los Reyes Laurel & Rosario Law Offices. Engaged in the general practice of law - specializing in corporate law, foreign investments, establishment of corporations and other corporate vehicles, registration of securities, JVs, M&As, proxy contests, intra-corporate disputes and domestic relations.

*\*Independent director.*

*\*\* Term of Office – The above directors were re-elected during the Annual Stockholders' Meeting held on 16 November 2020 and served until 24 January 2022, when the Corporation convened its Annual Stockholders' Meeting where they were all once again re-elected.*

**(2) Significant Employees**

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

**(3) Family Relationships**

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

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

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

## **Item 10. Executive Compensation**

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

Name	Position	Salary	Allowance	Bonus	Total
Katrina C. Ponce-Enrile	President	1,500,000.00			1,500,000.00
Victoria C. de los Reyes	Vice President	326,666.64			326,666.64
Erlinda I. Bildner	Treasurer	1,200,000.00			1,200,000.00
Manolita L. Morales	Asst. Treasurer	1,080,000.00			1,080,000.00
John Benedict L. Sioson	Corp. Secretary	1,020,000.00			1,020,000.00
Total					5,126,666.64

### **(3) Compensation of Directors**

Name	Position	Salary	Allowance	Bonus	Total
Katrina C. Ponce Enrile	Director		300,000.00		300,000.00
Erlinda I. Bildner	Director		300,000.00		300,000.00
Daniel C. Gutierrez	Director		300,000.00		300,000.00
Pablo L. Lobregat	Director		300,000.00		300,000.00
Oliverio L. Laperal, Jr.	Director		300,000.00		300,000.00
Victoria de los Reyes	Director		0.0		0.0
Julie Yap Daza	Director		300,000.00		300,000.00
Marietta K. Ilusorio	Director		300,000.00		300,000.00
Santiago J. Ranada	Director		600,000.00		600,000.00
Jose Ramon C. Ozamiz	Director		25,000.00		25,000.00
Prudencio C. Somera, Jr.	Director		25,000.00		25,000.00
Total			2,750,000.00		2,750,000.00

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

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

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

### **(5) Warrants and Options Outstanding**

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

## **Item 11. Security Ownership of Certain Beneficial Owners and Management**

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

As of 31 December 2021, and based on the latest available information, except for Philcomsat and Mr. Prudencio C. Somera, Jr., there is no other person or group, directly or indirectly appearing as stockholder on record or beneficial owner of more than 5% of any class of voting shares of the Corporation.

Class	Name, Address of Record Owner and Relationship with Issuer	Name, Address of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	%
n/a	n/a	n/a	n/a	n/a	n/a

### *(2) Security Ownership of Management*

As of 31 December 2021, the security ownership of management is as follows:

Class	Name	Nature of Ownership	Citizenship	Percentage
Common	Prudencio C. Somera, Jr.	(R)	Filipino	10.04%
Common	Erlinda I. Bildner	(R)	Filipino	-negligible-
Common	Katrina C. Ponce-Enrile	(R)	Filipino	-negligible-
Common	Santiago J. Ranada	(R)	Filipino	-negligible-
Common	Victoria C. de los Reyes	(R)	Filipino	-negligible-
Common	Directors and Officers as a Group Unnamed	(R)	Filipino	<11%

### *(3) Voting Trust Holders*

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

### *(4) Changes in Control*

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

## **Item 12. Certain Relationships and Related Transactions**

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

## **PART IV – CORPORATE GOVERNANCE**

### **Item 13. Corporate Governance**

The details under this Item will be discussed in the Corporation's 2021 i-ACGR.

### **Item 14. Exhibits and Reports**

- (a) Exhibits. Statement of Management's Responsibility for Financial Statements and Audited Financial Statements (Consolidated and Separate) for the fiscal period ending 31 December 2021 as Annex "A".
- (b) Sustainability Report as required by the Securities and Exchange Commission as Annex "B".
- (c) Reports on SEC Form 17-C. During the last 6 months, the Corporation filed SEC Form 17-C detailing the matters taken up during the Annual Stockholders' Meeting held on 24 January 2022.

## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Makati City on CITY OF MANILA

By:



KATRINA C. PONCE-ENRILE

Chief Executive Officer/President



ERLINDA I. BILDNER

Chief Operating and Financial Officer/Treasurer

MARIA CORAZON C. AQUINO

Comptroller and Principal Accounting Officer

JOHN BENEDICT L. SIOSON

Corporate Secretary

13 APR 2022

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of April 2022 affiants exhibiting to me their identification as follows:

Name	ID	Date of Issue	Place of Issue
Katrina C. Ponce-Enrile	PP No. P5615337A	15 January 2018	DFA Manila
Erlinda I. Bildner	Senior Citizen 49633	20 September 2019	Makati City
Maria Corazon C. Aquino	PRC ID No. 0097868	17 August 2018	Sampaloc, Manila
John Benedict L. Sioson	DL NO4-89-110776	17 September 2019	LTO Makati

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Book No. Lxxv

Series of 2022.

ATTY. LEONARDO A. SAGENENTO III

Notary Public for the City of Manila

Notarial Commissioner No. 2020-546

Extended until 06-30-20226 M. No. 3795

PTR CP No. 0154919/01/04/2022

IBP CR No. 094682/01-04-2022

Roll of Attorney No. 55618

MCLE No. VI-0022748/04-02-19

**COVER SHEET**  
for  
**AUDITED FINANCIAL STATEMENTS**

**ANNEX "B-1"**

SEC Registration Number

1	1	1	6	3								
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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 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	/	F	T E L E C O M		P L A Z A ,							
3	1	6	S E N	G I L	P U Y A T	A V E N U E ,							
M	A	K	A	T	I	C I T Y							

Form Type

A	F	S	
---	---	---	--

Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, if Applicable

	N	A	
--	---	---	--

**COMPANY INFORMATION**

Company's Email Address

inquiry@phc.com.ph
--------------------

Company's Telephone Number/s

(632) 8816-2517
-----------------

Mobile Number

-
---

No. of Stockholders

1,175
-------

Annual Meeting (Month/Day)

3 <sup>rd</sup> Monday of November
------------------------------------

Fiscal Year (Month/Day)

12/31
-------

**CONTACT PERSON INFORMATION**

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

Name of Contact Person

Ms. Erlinda I. Bildner
------------------------

Email Address

-
---

Telephone Number/s

(02) 8815-8406
----------------

Mobile Number

-
---

**CONTACT PERSON's ADDRESS**

12/F Telecom Plaza, 316 Sen Gil Puyat Avenue, Makati City
---

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

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



# PHILCOMSAT HOLDINGS CORPORATION

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

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Philcomsat Holdings Corporation and its Subsidiaries (the Group) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Isla Lipana & Co., the independent auditor, appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

A handwritten signature in black ink, appearing to read "Santiago J. Ranada".

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

A handwritten signature in blue ink, appearing to read "Katrina C. Ponce-Enrile".

**KATRINA C. PONCE-ENRILE**

President

A handwritten signature in blue ink, appearing to read "Erlinda I. Bildner".

**ERLINDA I. BILDNER**  
Treasurer

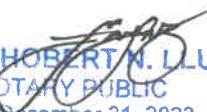
April 16, 2022

18 APR 2022

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2022 in  
**MAKATI CITY**, affiants exhibiting to me the following:

<u>Name</u>	<u>Government ID No.</u>	<u>Place/Date of Issue</u>
Santiago J. Ranada	PP No. P0274808B	DFA NCR East / 17 January 2019
Katrina C. Ponce Enrile	PP No. P5615337A	DFA Manila / 15 January 2018
Erlinda I. Bildner	Senior Citizen ID No.49633	Makati City / 20 September 2019

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Page No. 20  
Book No. 05  
Series of 2022

  
**ATTY. ROBERT N. LLUZA**  
NOTARY PUBLIC  
Until December 31, 2023  
Appt. No. M-048, Makati City  
IBP #152106 for 2022 - RSM  
S.C. Roll No. 59597  
PTR #8848837, Jan. 03, 2022-Makati  
MCLE Compliance No. VII-0003434  
Issued on 06-24-2021, Valid until 04-14-2025  
Unit 301 3<sup>rd</sup> Flr. Campos Rueda Bldg  
101 Urban Ave., Brgy. Pio del Pilar, Makati City

### **Independent Auditor's Report**

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

#### ***Our Opinion***

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Philcomsat Holdings Corporation (the "Parent Company") and its subsidiaries (together, the "Group") as at December 31, 2021, and their consolidated financial performance and cash flows for the year then ended, in accordance with Philippine Financial Reporting Standards (PFRS).

#### ***What we have audited***

The consolidated financial statements of the Group comprise:

- the consolidated statement of financial position as at December 31, 2021;
- the consolidated statement of total comprehensive income for the year ended December 31, 2021;
- the consolidated statement of changes in equity for the year ended December 31, 2021;
- the consolidated statement of cash flows for the year ended December 31, 2021; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

#### ***Basis for Opinion***

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Independence***

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

*Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, [www.pwc.com/ph](http://www.pwc.com/ph)*

Independent Auditor's Report  
 To the Board of Directors and Shareholders of  
 Philcomsat Holdings Corporation  
 Page 2

### ***Our Audit Approach***

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

### ***Key Audit Matters***

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

We identified the following key audit matter:

<b>Key audit matter</b>	<b>How our audit addressed the Key Audit Matter</b>
<p><b>Fair valuation of financial assets at fair value through other comprehensive income</b></p> <p>Refer to notes 5 and 21.2 to the consolidated financial statements</p> <p>As at December 31, 2021, the Group has financial assets at fair value through other comprehensive income (FVOCI) amounting to P1.027 billion. Valuation of financial assets at FVOCI has been identified as a key audit matter primarily due to the significance of its amount, the volume of transactions, as well as the price volatility of the market. Any changes in market prices could expose the Group to significant market risk that may affect other comprehensive income, or profit or loss (upon disposal).</p>	<p>Our audit procedures to address the relevant assertion over valuation of financial assets at FVOCI included the following:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the Group's treasury and investment policies, processes, method, and assumptions used in determining fair value. In accordance with PFRS 9 and 13, the Group uses the market approach in determining valuation of each equity and debt financial instruments and identified level 1 inputs (i.e., quoted prices) as the relevant data input.</li> <li>• In order to test the valuation of financial assets at FVOCI as at December 31, 2021, we tested the inputs used by management in the valuation of the financial assets at FVOCI by agreeing data inputs against an independent source (i.e., Philippine Stock Exchange index).</li> </ul>

Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Philcomsat Holdings Corporation  
Page 3

***Other Matter***

The consolidated financial statements of the Group as at December 31, 2020 and for the years ended December 31, 2020 and 2019 were audited by another auditor whose report dated April 12, 2021 expressed an unqualified opinion on those consolidated financial statements.

***Other Information***

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), and SEC Form 17-A (Annual Report), but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), and SEC Form 17-A (Annual Report) are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

**Independent Auditor's Report**  
To the Board of Directors and Shareholders of  
Philcomsat Holdings Corporation  
Page 4

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

**Independent Auditor's Report**  
To the Board of Directors and Shareholders of  
Philcomsat Holdings Corporation  
Page 5

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is  
Carlos Federico C. de Guzman.

**Isla Lipana & Co.**



Carlos Federico C. de Guzman  
Partner

CPA Cert. No. 110973

P.T.R. No. 0011285, issued on January 6, 2022, Makati City  
SEC A.N. (individual) as general auditors 110973-SEC, Category A;  
valid to audit 2021 to 2025 financial statements

SEC A.N. (firm) as general auditors 0142-SEC, Category A;  
valid to audit 2020 to 2024 financial statements

TIN 229-481-265

BIR A.N. 08-000745-141-2020, issued on November 4, 2020; effective until November 3, 2023  
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City  
April 18, 2022

Statement Required by Rule 68  
Securities Regulation Code (SRC)

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

We have audited the consolidated financial statements of Philcomsat Holdings Corporation (the "Parent Company") and its subsidiaries (together, the "Group") as at and for the year ended December 31, 2021, on which we have rendered the attached report, dated April 18, 2022.

In compliance with the Revised SRC Rule 68 and based on the certification received from the Parent Company's corporate secretary and the results of the work we performed, the Parent Company has 1,152 shareholders owning one hundred (100) or more shares each as at December 31, 2021.

**Isla Lipana & Co.**

  
Carlos Federico C. de Guzman  
Partner  
CPA Cert. No. 110973  
P.T.R. No. 0011285, issued on January 6, 2022, Makati City  
SEC A.N. (individual) as general auditors 110973-SEC, Category A;  
valid to audit 2021 to 2025 financial statements  
SEC A.N. (firm) as general auditors 0142-SEC, Category A;  
valid to audit 2020 to 2024 financial statements  
TIN 229-481-265  
BIR A.N. 08-000745-141-2020, issued on November 4, 2020; effective until November 3, 2023  
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City  
April 18, 2022

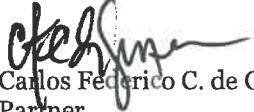
*Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines*  
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, [www.pwc.com/ph](http://www.pwc.com/ph)

Statements Required by Rule 68  
Securities Regulation Code (SRC)

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

We have audited the consolidated financial statements of Philcomsat Holdings Corporation (the "Parent Company") and its subsidiaries (together, the "Group") as at and for the year ended December 31, 2021, on which we have rendered the attached report dated April 18, 2022. The supplementary information shown in the *Reconciliation of the Parent Company's Retained Earnings Available for Dividend Declaration, Map of Relationships of the Companies within the Group and Schedules A, B, C, D, E, F and G*, as additional components required by the Revised Rule 68 of the SRC, is presented for purposes of filing with the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management and has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the supplementary information has been prepared in accordance with Revised Rule 68 of the SRC.

**Isla Lipana & Co.**

  
Carlos Federico C. de Guzman  
Partner  
CPA Cert. No. 110973  
P.T.R. No. 0011285, issued on January 6, 2022, Makati City  
SEC A.N. (individual) as general auditors 110973-SEC, Category A;  
valid to audit 2021 to 2025 financial statements  
SEC A.N. (firm) as general auditors 0142-SEC, Category A;  
valid to audit 2020 to 2024 financial statements  
TIN 229-481-265  
BIR A.N. 08-000745-141-2020, issued on November 4, 2020; effective until November 3, 2023  
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City  
April 18, 2022

*Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines*  
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Statements Required by Rule 68  
Securities Regulation Code (SRC)

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Philcomsat Holdings Corporation (the "Parent Company") and its subsidiaries (together, the "Group") as at and for the year ended December 31, 2021, on which we have issued our report thereon dated April 18, 2022. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The *Supplementary Schedule on Financial Soundness Indicators*, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Parent Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised SRC Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the consolidated financial statements as at and for the year ended December 31, 2021 and no material exceptions were noted.

**Isla Lipana & Co.**



Carlos Federico C. de Guzman  
Partner

CPA Cert. No. 110973

P.T.R. No. 0011285, issued on January 6, 2022, Makati City  
SEC A.N. (individual) as general auditors 110973-SEC, Category A;  
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**Philcomsat Holdings Corporation and Subsidiaries**  
 (A subsidiary of Philippine Communications Satellite Corporation)

Consolidated Statement of Financial Position  
 As at December 31, 2021  
 (With comparative figures as at December 31, 2020)  
 (All amounts in Philippine Peso)

	Notes	2021	2020
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and cash equivalents	2	115,731,576	209,405,976
Receivables	3	187,446,012	241,803,823
Due from related parties	15	193,170,071	13,335,379
Financial assets at fair value through profit or loss (FVPL)		106,884	86,760
Other current assets		120,515	423,620
<b>Total current assets</b>		<b>496,575,058</b>	<b>465,055,558</b>
<b>Non-current assets</b>			
Financial assets at fair value through other comprehensive income (FVOCI)	5	1,026,598,356	1,018,865,149
Receivables - non-current portion	3	8,000,000	8,000,000
Investment property	6	2,249,424	2,249,424
Right-of-use (ROU) assets, net	9	1,971,502	237,777
Property and equipment, net	7	60,702	14,208
Deferred income tax asset	14	-	43,653
Other non-current assets	4	6,738,353	5,964,735
<b>Total non-current assets</b>		<b>1,045,618,337</b>	<b>1,035,374,946</b>
<b>Total assets</b>		<b>1,542,193,395</b>	<b>1,500,430,504</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities</b>			
Trade and other payables	8	4,966,835	4,146,493
Due to a related party	15	3,948,624	3,948,624
Lease liabilities - current	9	1,758,591	243,197
<b>Total current liabilities</b>		<b>10,674,050</b>	<b>8,338,314</b>
<b>Non-current liabilities</b>			
Deposit for future stock subscription	15	18,894,000	18,894,000
Lease liabilities - non-current	9	257,209	-
Deferred income tax liabilities, net	14	795,447	-
<b>Total non-current liabilities</b>		<b>19,946,656</b>	<b>18,894,000</b>
<b>Total liabilities</b>		<b>30,620,706</b>	<b>27,232,314</b>
<b>Equity</b>			
Share capital	10	996,391,254	996,391,254
Retained earnings		492,359,406	477,971,839
Other equity reserves	5	22,822,029	(1,164,903)
<b>Total equity</b>		<b>1,511,572,689</b>	<b>1,473,198,190</b>
<b>Total liabilities and equity</b>		<b>1,542,193,395</b>	<b>1,500,430,504</b>

The notes on pages 1 to 42 are integral part of these consolidated financial statements

**Philcomsat Holdings Corporation and Subsidiaries**  
 (A subsidiary of Philippine Communications Satellite Corporation)

Consolidated Statement of Income  
 For the year ended December 31, 2021  
 (With comparative figures for the years ended December 31, 2020 and 2019)  
 (All amounts in Philippine Peso, except earnings per share)

	Notes	2021	2020	2019
Income	11	57,280,800	54,260,872	58,291,926
Costs and expenses	12	(38,376,329)	(34,528,360)	(33,335,900)
Other income (charges)	13	2,865,724	(300,677)	(4,705,385)
Finance costs	9	(40,908)	(64,988)	(115,750)
<b>Profit before income tax</b>		<b>21,729,287</b>	<b>19,366,847</b>	<b>20,134,891</b>
Income tax (expense) benefit	14	(1,522,438)	(550,400)	483,110
<b>Profit for the year</b>		<b>20,206,849</b>	<b>18,816,447</b>	<b>20,618,001</b>
<b>Other comprehensive income for the year</b>				
<i>Item that may be subsequently reclassified to profit or loss</i>				
Fair value gain (loss) on debt instruments at FVOCI		(6,692,967)	11,348,642	26,302,694
<i>Item that will not be subsequently reclassified to profit or loss</i>				
Fair value (loss) gain on equity instruments at FVOCI		24,511,552	(6,428,000)	13,997,251
<b>Total comprehensive income for the year</b>	5	<b>17,818,585</b>	<b>4,920,642</b>	<b>40,299,945</b>
<b>Earnings per share (basic and diluted)</b>	16	<b>0.0203</b>	<b>0.0189</b>	<b>0.0207</b>

The notes on pages 1 to 42 are integral part of these consolidated financial statements.

**Philcomsat Holdings Corporation and Subsidiaries**  
 (A subsidiary of Philippine Communications Satellite Corporation)

**Consolidated Statement of Changes in Equity**  
 For the year ended December 31, 2021  
 (With comparative figures for the years ended December 31, 2020 and 2019)  
 (All amounts in Philippine Peso)

	<b>Share capital (Notes 10)</b>	<b>Retained earnings</b>	<b>Other equity reserves</b>	<b>Total equity</b>
<b>Balances at January 1, 2019</b>	996,391,254	432,270,114	(39,864,383)	1,388,796,985
<b>Comprehensive income for the year</b>				
Profit for the year	-	20,618,001	-	20,618,001
Other comprehensive income for the year	-	-	40,299,945	40,299,945
<b>Total comprehensive income for the year</b>	-	20,618,001	40,299,945	60,917,946
Transfer of gain on disposal of equity instruments at fair value through other comprehensive income (FVOCI)	-	4,742,985	(4,742,985)	-
Reclassification of cumulative fair value changes of debt instruments measured at FVOCI sold to profit or loss	-	-	2,687,077	2,687,077
<b>Balances at December 31, 2019</b>	996,391,254	457,631,100	(1,620,346)	1,452,402,008
<b>Comprehensive income for the year</b>				
Profit for the year	-	18,816,447	-	18,816,447
Other comprehensive income for the year	-	-	4,920,642	4,920,642
<b>Total comprehensive income for the year</b>	-	18,816,447	4,920,642	23,737,089
Transfer of gain on disposal of equity instruments at fair value through other comprehensive income (FVOCI)	-	1,524,292	(1,524,292)	-
Reclassification of cumulative fair value changes of debt instruments measured at FVOCI sold to profit or loss	-	-	(2,940,907)	(2,940,907)
<b>Balances at December 31, 2020</b>	996,391,254	477,971,839	(1,164,903)	1,473,198,190
<b>Comprehensive income for the year</b>				
Profit for the year	-	20,206,849	-	20,206,849
Other comprehensive income for the year	-	-	17,818,585	17,818,585
<b>Total comprehensive income for the year</b>	-	20,206,849	17,818,585	38,025,434
Transfer of loss on disposal of equity instruments at fair value through other comprehensive income (FVOCI)	-	(5,819,282)	5,819,282	-
Reclassification of cumulative fair value changes of debt instruments measured at FVOCI sold to profit or loss	-	-	349,065	349,065
<b>Balances at December 31, 2021</b>	996,391,254	492,359,406	22,822,029	1,511,572,689

The notes on pages 1 to 42 are integral part of these consolidated financial statements.

**Philcomsat Holdings Corporation and Subsidiaries**  
 (A subsidiary of Philippine Communications Satellite Corporation)

Consolidated Statement of Cash Flows  
 For the year ended December 31, 2021  
 (With comparative figures for the years ended December 31, 2020 and 2019)  
 (All amounts in Philippine Peso)

	Notes	2021	2020	2019
<b>Cash flows from operating activities</b>				
Profit before income tax		21,729,287	19,366,847	20,134,891
Adjustments for:				
Realized loss (gain) on sale of debt instruments	5,13	349,065	(2,940,907)	2,687,077
Depreciation	7,9	1,717,775	1,566,797	1,360,235
Interest expense	9,10	40,908	64,988	115,750
Provision for impairment of receivables	2,12	2,797	-	-
Unrealized foreign exchange (gain) loss		(3,194,665)	3,216,279	2,017,103
Unrealized (gain) loss on financial assets at fair value through profit or loss (FVPL)	4,13	(20,124)	25,305	1,205
Operating income before changes in assets and liabilities		20,625,043	21,299,309	26,316,261
Decrease (increase) in:				
Receivables		55,865,014	(693,355)	(69,083,591)
Due from related parties		(179,834,692)	(79,580)	4,000,000
Other current assets		303,105	(191,783)	(159,673)
Other non-current assets		(526,768)	-	-
(Decrease) increase in trade and statutory payables		820,342	2,101,667	(4,356,241)
Cash (used in) generated from operations		(102,747,956)	22,436,258	(43,283,244)
Acquisitions of:				
Financial assets at FVOCI	5	(281,309,746)	(420,412,719)	(324,494,312)
Proceeds from redemption and maturity of:				
Financial assets at FVOCI	5	289,885,124	404,660,863	289,451,782
Income taxes paid		(930,188)	(455,638)	(925,948)
Net cash (used in) from operating activities		(95,102,766)	6,228,764	(79,251,722)
<b>Cash flow from investing activities</b>				
Additions to property and equipment	7	(63,562)	-	-
Additions to investment property	6	-	-	(17,324)
Net cash used in investing activities		(63,562)	-	(17,324)
<b>Cash flow from financing activities</b>				
Payments of:				
Lease liabilities	10	(1,661,829)	(1,599,265)	(1,179,879)
Interest on lease liabilities	10	(40,908)	(64,988)	(115,750)
Cash used in financing activities		(1,702,737)	(1,664,253)	(1,295,629)
Net (decrease) increase in cash		(96,869,065)	4,564,511	(80,564,675)
<b>Cash and cash equivalents at beginning of year</b>		209,405,976	208,057,744	290,638,317
Effects of exchange rate changes on cash and cash equivalents		3,194,665	(3,216,279)	(2,015,898)
<b>Cash and cash equivalents at end of year</b>		115,731,576	209,405,976	208,057,744

The notes on pages 1 to 42 are integral part of these consolidated financial statements.

**Philcomsat Holdings Corporation and Subsidiaries**  
(A subsidiary of Philippine Communications Satellite Corporation)

Notes to Consolidated Financial Statements

As at and for the year ended December 31, 2021

(With comparative figures as at December 31, 2020 and  
for the years ended December 31, 2020 and 2019)

(In the notes, all amounts are shown in Philippine Peso, unless otherwise stated)

**Note 1 - General information**

**1.1 Corporate information**

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

On July 23, 1997, the SEC approved the amended Articles of Incorporation of the Parent Company consisting of: a) change in its primary purpose from an exploration and mining company to a holding company and revision of its secondary purpose clauses; and b) change of the corporate name from Liberty Mines, Inc. to Philcomsat Holdings Corporation.

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

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

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

The Parent Company is 79.94% owned by Philippine Communications Satellite Corporation (Philcomsat), a company incorporated in the Philippines. The Group's ultimate parent company is Philippine Overseas Telecommunications Corporation (POTC), a company also incorporated in the Philippines. Philcomsat and POTC are both engaged in the telecommunications business.

The Parent Company and all of its subsidiaries (collectively referred to as "the Group") were incorporated in the Philippines. The following are the subsidiaries and the respective percentages of ownership as at December 31, 2021 and 2020:

Subsidiary	Principal Business Activity	Percentage of ownership			
		2021	2020	Direct	Indirect
Philcomsat Management Enterprises Inc. (PMEI)	Management Services	100	-	100	-
Professional Stock Transfer Inc. (PSTI)	Stock Transfer Agency	-	100	-	100

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

The registered office address and principal place of business of the subsidiaries are as follows:

Philcomsat Management Enterprises Inc. (PMEI)	12th Floor, Telecom Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City
Professional Stock Transfer Inc. (PSTI)	12th Floor, Telecom Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City

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

### **1.2 Listing of shares in Philippine Stock Exchange (PSE)**

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

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

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

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

### **1.3 Impact of Coronavirus of 2019 (COVID-19)**

COVID19 persisted in 2020 and 2021, and continued to severely impact the country's economy as lockdowns were extended due to rising infections. The government strictly implemented anti-COVID19 measures and deployed the much-awaited vaccines as supplies arrived; these resulted in the decrease of daily infections which was a signal for businesses to restart operations and revive local economic activity during the remaining months of the year.

As the Company derives its income from money market placements, bank deposits and other financial instruments, the Company continuously monitored the investee-companies' performances in light of the adverse effects of lockdowns on the economy. The Company maintained its portfolio of investments in prime issues and invested in certain new bonds offered during the year as well as in the initial public offering of common and preferred shares.

### **1.4 Approval of the consolidated financial statements**

The consolidated financial statements of the Group were approved and authorized for issue by the Parent Company's BOD on April 16, 2022.

#### **Note 2 - Cash and cash equivalents**

Cash and cash equivalents as at December 31 consist of:

	2021	2020
Cash on hand	9,485	15,000
Cash in banks	59,577,239	48,430,469
Cash equivalents	56,144,852	160,960,507
	115,731,576	209,405,976

Cash in banks earns interest at prevailing bank deposit rates.

Cash equivalents pertain to special savings and time deposits, with terms of varying periods up to three (3) months depending on the immediate cash requirements of the Group and earn interest at prevailing special savings and time deposits rates.

Interest income earned from cash in banks and cash equivalents for the year ended December 31, 2021 amounted to P751,605 (2020 - P2,551,729; 2019 - P9,524,726) (Note 11).

### **Note 3 - Receivables**

Receivables as at December 31 consist of:

	Note	2021	2020
<b>Notes and loans receivable</b>			
Promissory notes issued by various financial institutions		53,000,000	132,267,379
Corporate notes	15	125,032,110	110,564,269
Interest receivable		14,284,642	5,749,103
		192,316,752	248,580,751
Retainer fee receivable		1,510,665	1,107,449
Less: Allowance for ECL		(15,064)	(12,267)
Retainer fee receivable, net		1,495,601	1,095,182
Dividend receivables		24,515	28,091
Others		1,609,144	99,799
<b>Subtotal</b>		195,446,012	249,803,823
Less: Non-current portion		(8,000,000)	(8,000,000)
<b>Current portion</b>		187,446,012	241,803,823

Movements in the allowance for ECL are summarized below:

	Note	2021	2020	2019
Balance at beginning of year		12,267	12,267	58,000
Additions	12	2,797	-	12,267
Reversal		-	-	(58,000)
<b>Balance at end of year</b>		15,064	12,267	12,267

#### **Notes and loans receivable**

##### *Corporate notes*

Unsecured corporate notes outstanding as at December 31, 2021 and 2020 pertain to short-term corporate promissory notes issued by various entities, with terms of thirty-five days up to one year and earn interest ranging from 5.5% to 11.0% per annum.

##### *Promissory notes issued by financial institutions*

Unsecured promissory notes are issued by various financial institutions with terms ranging from two to ten years and earn interest ranging from 4% to 7% per annum.

In 2021, interest income earned from corporate notes and promissory notes issued by various financial institutions amounted to P14.6 million (2020 - P12.3 million; 2019 - P11.0 million) (Note 11).

For the year ended December 31, 2020, interest receivable amounting to P1.7 million was converted to principal amount of promissory notes receivable. This transaction is considered as a non-cash investing activity in the consolidated statement of cash flows.

As at December 31, 2021 and 2020, all outstanding amount of receivables are collectible in cash, interest bearing, unsecured and unguaranteed.

*Critical accounting estimate: Provision for impairment of receivables*

Provision for impairment of receivables is maintained at a level considered adequate to provide for uncollectible receivables. Expected credit losses (ECL) on receivables are unbiased probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions.

The Group has used relevant historical information and loss experience to determine the probability of default of the receivables and incorporated forward-looking information, including significant changes in external market indicators which involved significant estimates and judgements.

Management believes, based on its assessment that the carrying amount of receivables is recoverable.

**Note 4 - Other non-current assets**

Other non-current assets as at December 31 consist of:

	2021	2020
Creditable withholding tax (CWT)	3,149,302	2,902,452
Input value-added tax (VAT)	2,269,622	1,742,854
Goodwill	1,319,429	1,319,429
	6,738,353	5,964,735

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

Management assessed that the recoverable amount of PSTI, the CGU to which the goodwill is allocated, exceeds its carrying amount. In estimating the related value in use, management used a cash flow projection based on past performance of the acquiree covering a five-year period at a discount rate of 4.44% in 2021, 2020 and 2019. Cash flows beyond that five-year period have been extrapolated using the Group's average historical growth rate.

No impairment on goodwill was recognized as at each reporting period.

*Critical accounting judgement: Recoverability of CWT and input VAT*

The Group reviews at each reporting date whether there is any objective evidence that the Group's CWT and input VAT is impaired. In making this judgment, the Group evaluates its revenues and taxable income forecasts against which the CWT and input VAT can be applied. Management believes that the carrying amount of input VAT as at each reporting period will be utilized and can be applied against output VAT payable arising from other income.

CWT is recognized to the extent that it is probable that future tax liabilities will be available against which tax credits can be utilized. Determining the realizability of creditable withholding taxes requires the assessment of the availability of taxable profit expected to be generated from the operations which effectively drives the tax liabilities against which such creditable taxes can be applied. Management believes that the carrying amount of CWT as at each reporting date is recoverable.

### **Note 5 - Financial assets through other comprehensive income (OCI)**

Financial assets at FVOCI as at December 31 consist of:

	2021	2020
Investments in:		
Quoted bonds	647,466,219	669,389,023
Quoted shares of stocks	262,588,256	239,241,502
Unit investment trust funds (UITF)	111,143,881	104,934,624
Club memberships	5,400,000	5,300,000
	<b>1,026,598,356</b>	<b>1,018,865,149</b>

Movements of financial assets at FVOCI for the years ended December 31 are as follows:

	Cost	Fair value reserve	Carrying value
<b>At January 1, 2020</b>	<b>994,889,263</b>	<b>(1,620,346)</b>	<b>993,268,917</b>
Acquisitions of FVOCI	420,412,719	-	420,412,719
Disposals of FVOCI	(395,271,930)	(4,465,199)	(399,737,129)
Unrealized gain credited to OCI, net	-	4,920,642	4,920,642
<b>At December 31, 2020</b>	<b>1,020,030,052</b>	<b>(1,164,903)</b>	<b>1,018,865,149</b>
Acquisitions of FVOCI	281,309,746	-	281,309,746
Disposals of FVOCI	(297,563,471)	6,168,347	(291,395,124)
Unrealized gain credited to OCI, net	-	17,818,585	17,818,585
<b>At December 31, 2021</b>	<b>1,003,776,328</b>	<b>22,822,029</b>	<b>1,026,598,356</b>

The movements in fair value reserve on FVOCI included in the statements of financial position in equity for the years ended December 31 are as follows:

	2021	2020	2019
Beginning balance	(1,164,903)	(1,620,346)	(39,864,383)
Unrealized gain credited to OCI, net	17,818,585	4,920,642	40,299,945
Reclassification of loss (gain) from OCI to profit or loss on disposal of debt instruments at FVOCI	349,065	(2,940,907)	(4,742,985)
Transfer from other reserves directly to retained earnings of loss (gain) on disposal of equity instruments at FVOCI	5,819,282	(1,524,292)	2,687,077
<b>Ending balance</b>	<b>22,822,029</b>	<b>(1,164,903)</b>	<b>(1,620,346)</b>

Interest income earned from financial assets at FVOCI amounted to P25.2 million in 2021 (2020 - P26.3 million; 2019 - P24.0 million) (Note 11).

Dividend income earned from financial assets at FVOCI amounted to P7.7 million in 2021 (2020 - P6.5 million; 2019 - P7.8 million) (Note 11).

For the year ended December 31, 2021, realized loss on sale of debt instruments at FVOCI recognized directly to profit or loss amounted to P349,065 (2020 - P2,940,907 gain; 2019 - P2,687,077 loss).

For the year ended December 31, 2021, realized loss on sale of equity instruments at FVOCI recognized directly to retained earnings amounted to P5,819,282 (2020 - P1,524,292 gain; 2019 - P4,742,985).

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

**Critical accounting estimate: Fair value of financial instruments**

Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models that primarily uses as inputs market-based or independently sourced market parameters. The Group's financial assets at FVOCI as at December 31, 2021 and 2020 comprise primarily of equity and debt securities traded in the Philippine Stock Exchange (PSE) which has an active market, wherein securities are traded or can be bought and sold.

The sensitivity analysis on the reasonable possible changes in market prices of the Group's financial assets at FVOCI is disclosed in Note 20.

**Note 6 - Investment property**

The Group's investment property relates to certain parcel of land of one thousand two hundred (1,200) square meters located at Pasinay, Bagac, Bataan. As at December 31, 2021 and 2020, the carrying value of investment property approximates its fair value, determined using Level 2 hierarchy.

In January 16, 2019, the land was transferred to the name of PMEI.

Level 2 fair values of investment property has been derived using the market approach. In market approach, the value of the investment property is based on recorded sales and listings (or asking prices) of comparable property registered within the vicinity amounted to P3,042,000. The most significant input into this valuation approach is the zonal value price per square foot. The investment property is not pledged as security for liabilities to related parties as at December 31, 2021 and 2020.

**Critical accounting judgement: Recoverability of investment property**

The Group's investment property are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. On a regular basis, management determines if there are triggering events or impairment indicators based on current circumstances. An impairment loss is recognized whenever evidence exists that the carrying value is not recoverable.

As at December 31, 2021 and 2020, management believes, based on its assessment and judgment, that there are no indications of impairment or changes in circumstances indicating that the carrying amount of its non-financial assets may be impaired.

## Note 7 - Property and equipment, net

Property and equipment, net as at December 31 consist of:

	Transportation equipment	Furniture and fixtures	Office equipment	Office improvement	Total
<b>At January 1, 2019</b>					
Cost	5,011,638	3,528,775	1,187,730	39,325	9,767,468
Accumulated depreciation	(4,952,685)	(3,528,775)	(1,090,007)	(39,325)	(9,610,792)
<b>Net carrying value</b>	<b>58,953</b>	-	<b>97,723</b>	-	<b>156,676</b>
<b>Year ended December 31, 2019</b>					
Opening net carrying value	58,953	-	97,723	-	156,676
Depreciation expense	(32,566)	-	(54,275)	-	(86,841)
<b>Closing net carrying value</b>	<b>26,387</b>	-	<b>43,448</b>	-	<b>69,835</b>
<b>At January 1, 2020</b>					
Cost	5,011,638	3,528,775	1,187,730	39,325	9,767,468
Accumulated depreciation	(4,985,251)	(3,528,775)	(1,144,282)	(39,325)	(9,697,633)
<b>Net carrying value</b>	<b>26,387</b>	-	<b>43,448</b>	-	<b>69,835</b>
<b>Year ended December 31, 2020</b>					
Opening net carrying value	26,387	-	43,448	-	69,835
Depreciation expense	(12,179)	-	(43,448)	-	(55,627)
<b>Closing net carrying value</b>	<b>14,208</b>	-	-	-	<b>14,208</b>
<b>At December 31, 2020</b>					
Cost	5,011,638	3,528,775	1,187,730	39,325	9,767,468
Accumulated depreciation	(4,997,430)	(3,528,775)	(1,187,730)	(39,325)	(9,753,260)
<b>Net carrying value</b>	<b>14,208</b>	-	-	-	<b>14,208</b>
<b>At December 31, 2020</b>					
	Transportation equipment	Furniture and fixtures	Office equipment	Office improvement	Total
<b>At December 31, 2020</b>					
Cost	5,011,638	3,528,775	1,187,730	39,325	9,767,468
Accumulated depreciation	(4,997,430)	(3,528,775)	(1,187,730)	(39,325)	(9,753,260)
<b>Net carrying value</b>	<b>14,208</b>	-	-	-	<b>14,208</b>
<b>Year ended December 31, 2021</b>					
Opening net carrying value	14,208	-	-	-	14,208
Addition	-	-	63,562	-	63,562
Depreciation expense	(12,178)	-	(4,890)	-	(17,068)
<b>Closing net carrying value</b>	<b>2,030</b>	-	<b>58,672</b>	-	<b>60,702</b>
<b>At December 31, 2021</b>					
Cost	5,011,638	3,528,775	1,251,292	39,325	9,831,030
Accumulated depreciation	(5,009,608)	(3,528,775)	(1,192,620)	(39,325)	(9,770,328)
<b>Net carrying value</b>	<b>2,030</b>	-	<b>58,672</b>	-	<b>60,702</b>

Depreciation expense from property and equipment charged to profit or loss is allocated as follows:

	Note	2021	2020	2019
Cost of services	12	-	-	440
General and administrative expenses	12	17,068	55,627	86,401
		17,068	55,627	86,841

Fully depreciated property and equipment being used by the Group amounted to P9.7 million as at December 31, 2021 and 2020.

## **Note 8 - Trade and other payables**

Trade and other payables as at December 31 consist of:

	2021	2020
Trade and other payables	3,221,582	2,145,630
Customer deposits	1,237,874	1,237,874
Statutory payables	507,379	762,989
	4,966,835	4,146,493

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

Customer deposits pertains to rental deposits received from the lessee of condominium units and parking slots sold in 2018. The Group is expected to refund these deposits to its lessees upon completion of the required documentations.

Statutory payables pertain to expanded withholding taxes.

## **Note 9 - Lease commitments**

### *The Group as a lessee*

The Group has a lease agreements with Philcomsat for its office space for a term of two years subject to renewal under mutual agreement of both parties from January 1, 2019 to December 31, 2020. On January 1, 2021, the lease contract was renewed for another 2 years until December 31, 2022. The annual rent is subject to escalation fee of 5%.

#### *(i) Amounts recognized in the statements of financial position*

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

	Note	2021	2020	2019
Beginning balance		237,777	1,748,947	-
Additions		3,434,432	-	3,022,341
Depreciation	12	(1,700,707)	(1,511,170)	(1,273,394)
Ending balance		1,971,502	237,777	1,748,947

Details of ROU assets as at December 31 are as follows.

	2021	2020
Cost	6,456,773	3,022,341
Accumulated depreciation	(4,485,271)	(2,784,564)
	1,971,502	237,777

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

	2021	2020	2019
Beginning balance	243,197	1,842,462	-
Additions	3,434,432	-	3,022,341
Interest expense	40,908	64,988	115,750
Payments	(1,702,737)	(1,664,253)	(1,295,629)
Ending balance	2,015,800	243,197	1,1842,462

Total cash outflows for the payment of lease liabilities for the years ended December 31, 2021 amounted to P1,702,737 (2020 - P1,664,253; 2019 - P1,295,629).

The present value of lease liabilities as at December 31 follows:

	2021	2020
Not later than one year	1,758,591	243,197
More than one year but not later than five years	257,209	-
	<b>2,015,800</b>	<b>243,197</b>

Future minimum lease payments under lease liabilities and the net present value of the minimum lease payments as at December 31 follows:

	2021	2020
Not later than one year	1,781,396	246,775
More than one year but not later than five years	259,114	-
Total minimum lease obligation	2,040,510	246,775
Less: Future finance charges on lease liabilities	24,710	3,578
	<b>2,015,800</b>	<b>243,197</b>

*(ii) Amounts recognized in the statements of total comprehensive income*

The following are the amounts recognized in the consolidated statements of total comprehensive income:

	Note	2021	2020	2019
Depreciation on ROU assets		1,700,707	1,511,170	1,273,394
Interest expense on lease liabilities		40,908	64,988	115,750
Rent expense	10	-	-	235,024
		<b>1,741,615</b>	<b>1,576,158</b>	<b>1,624,168</b>

Depreciation expense from the ROU assets is allocated as follows:

	Note	2021	2020	2019
Cost of services	12	109,476	106,999	35,666
General and administrative expenses	12	1,591,231	1,404,171	1,237,728
		<b>1,700,707</b>	<b>1,511,170</b>	<b>1,273,394</b>

*Critical accounting estimate: Determining the incremental borrowing rate*

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received. Where third party financing cannot be obtained, the Group uses the government bond yield, adjusted for the (1) credit spread specific to each entity under the Group and (2) security using the right-of-use asset.

*Critical accounting judgment: Determining the lease term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The Group considers the factors below as the most relevant in assessing the options:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

**Note 10 - Equity**

*Share capital*

Details of share capital as at December 31, 2021 and 2020 are as follows:

	Number of shares	Amount
Common shares at P1 par value per share		
Authorized shares	1,000,000,000	1,000,000,000
Subscribed, issued and outstanding shares	996,391,254	996,391,254

Each common share confers upon a common shareholder: a) the right to vote at any shareholders' meeting or on any resolution of the shareholders; and b) the right to distribution of income under such terms and conditions as the BOD may approve. All holders of common shares shall have pre-emptive rights to acquire new shares to be issued by the Parent Company.

**Note 11 - Income**

Income for the years ended December 31 are as follows:

	Notes	2021	2020	2019
Interest income		40,499,658	41,395,461	44,589,348
Retainer fee		8,328,143	5,755,643	4,939,143
Dividend income	5	7,651,025	6,530,384	7,780,909
Stock transfer fee		257,834	120,325	268,534
Other service fee		544,140	459,059	713,992
		57,280,800	54,260,872	58,291,926

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

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

	Notes	2021	2020	2019
Cash and cash equivalents	2	751,605	2,551,729	9,524,726
Receivables	3	14,579,006	12,317,701	11,015,574
Financial assets at FVOCI	5	25,169,047	26,526,031	24,049,048
		40,499,658	41,395,461	44,589,348

### **Note 12 - Costs and expenses**

Costs and expenses for the years ended December 31 are as follows:

	Notes	2021	2020	2019
<b>Cost of services:</b>				
Professional fee		1,844,541	1,436,236	1,583,976
Salaries and other benefits		1,225,445	1,404,344	1,335,397
Transportation and travel		255,532	244,247	263,088
Depreciation	7,9	110,943	106,999	36,106
Communication, light and water		173,652	96,845	168,279
Dues and subscription		56,692	61,416	51,967
Rent	9	-	-	164,516
		3,666,805	3,350,087	3,603,329
<b>General and administrative expenses</b>				
Professional fees		13,793,766	12,414,653	12,546,320
Legal fees		6,909,500	874,409	932,169
Directors' fees	15	3,144,818	3,945,241	3,550,000
Representation and entertainment		3,180,306	2,343,501	1,986,151
Transportation and travel		2,180,869	1,244,261	1,451,450
Bank charges		1,387,652	1,588,608	1,453,534
Depreciation	7,9	1,606,832	1,459,798	1,324,129
Office supplies		225,375	267,861	197,631
Security services		601,570	-	-
Advertising		528,006	159,393	37,000
Taxes and licenses		382,659	6,266,800	5,335,030
Provision for impairment of receivables	3	2,797	-	12,267
Rent	9	-	-	70,508
Others		765,374	613,748	836,382
		34,709,524	31,178,273	29,732,571
		38,376,329	34,528,360	33,335,900

### **Note 13 - Other income (charges)**

Other income (charges) for the years ended December 31 are as follows:

	Notes	2021	2020	2019
Unrealized foreign exchange gain (loss)		3,194,665	(3,216,279)	(2,017,103)
Unrealized gain (loss) on financial assets at FVPL	4	20,124	(25,305)	(1,205)
Realized (loss) gain on sale of debt instruments measured at FVOCI	5	(349,065)	2,940,907	(2,687,077)
		2,865,724	(300,677)	(4,705,385)

#### **Note 14 - Income taxes**

On March 26, 2021, Republic Act No.11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprise Act (CREATE), was signed into law. Among the salient provisions of CREATE which are relevant to the Group include the following:

- reduction of corporate income tax (CIT) rate from 30% to 20% applicable to domestic corporations with total net taxable income not exceeding P5,000,000 and with total assets not exceeding P100 million (excluding land on which the business entity's office, plant and equipment are situated);
- reduction of CIT rate from 30% to 25% shall be applicable to all other corporations subject to regular CIT;
- Minimum corporate income tax (MCIT) rate shall also be amended from 2% to 1% for the period beginning July 1, 2020 until June 30, 2023.

#### *Income tax expense*

The components of income tax benefit as shown in profit or loss for the years ended December 31 are as follows:

	2021	2020	2019
Current	697,229	308,191	202,399
Deferred	825,209	242,209	(685,509)
	1,522,438	550,400	(483,110)

The reconciliation of the income tax benefit computed at statutory tax rate to provision for income tax expense (benefit) as presented in the consolidated statements of total comprehensive income for the years ended December 31 are as follows:

	2021	2020	2019
Income tax at CIT rate of 25% (2020 and 2019 - 30%)	5,432,322	5,810,054	6,040,467
Add (deduct) tax effects of:			
Interest income already subjected to final tax	(7,079,570)	(10,270,114)	(11,813,607)
Tax expense from NOLCO	5,189,542	-	
Change in unrecognized deferred income tax assets	(1,727,627)	5,374,309	4,743,826
Dividend income subject to final tax	(1,194,070)	(1,959,116)	(2,334,273)
Non-deductible expenses	762,934	2,469,947	2,073,992
Tax expense from MCIT	113,892	-	-
Realized loss (gain) on sale of debt instruments measured at FVOCI	87,266	(882,272)	806,123
Unrealized (loss) gain on financial assets at FVPL	(4,025)	7,592	362
Effects of tax rate changes	(58,226)	-	-
	1,522,438	550,400	(483,110)

### *Deferred income tax*

The components of the Group's deferred income tax (DIT) assets (liabilities), net as at December 31 are as follows:

	2021	2020
Unrealized foreign exchange (gain) loss	(804,070)	359,753
Lease liabilities, net	11,075	1,626
Allowance for doubtful accounts	3,766	3,067
NOLCO	12,612,681	8,895,749
MCIT	223,662	145,579
	<b>12,047,114</b>	<b>9,405,774</b>
<b>Recognized DIT asset (liabilities), net</b>	<b>(795,447)</b>	-
<b>Unrecognized DIT asset (liabilities), net</b>	<b>12,842,561</b>	<b>9,405,774</b>

Realization of future tax benefit related to DIT assets is dependent on the Group's ability to generate future taxable income during the periods in which these are expected to be recovered. The Group has considered these factors in reaching a conclusion as to the amount of DIT assets recognized as at December 31, 2021 and 2020 and regularly reviews the recoverability of the DIT assets to be recognized.

### *Net operating loss carryover (NOLCO)*

The Republic Act No. 9337 (the "Act") provided the NOLCO privilege which can be carried over as a deduction for the three succeeding taxable years immediately following the year such loss was incurred.

In 2020, pursuant to Section 4 (bbbb) of Bayanihan II and as implemented under RR 25-2020, the net operating losses of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five consecutive taxable years following the year of such loss.

Details of NOLCO at December 31 are as follows:

Year incurred	Year of expiration	2021	2020
2018	2021	648,206	648,206
2019	2022	13,403,494	13,403,494
2020	2025	16,289,059	16,289,059
2021	2026	20,758,171	-
<b>Subtotal</b>		<b>51,098,930</b>	<b>30,340,759</b>
Applied during the year		-	(40,057)
Expired during the year		(648,206)	(648,206)
		50,450,724	29,652,496
Tax rate		25%	30%
<b>Unrecognized DIT asset on NOLCO</b>		<b>12,612,681</b>	<b>8,895,749</b>

### *MCIT*

Details of unrecognized MCIT as at December 31 are as follows:

Year incurred	Year of expiration	2021	2020
2019	2022	2,344	2,344
2020	2023	107,426	143,235
2021	2024	113,892	-
		223,662	145,579

### Note 15 - Related party transactions

The table below summarizes the Group's transactions and balances with its related parties.

The Group has transactions with related parties as follows:

	Notes receivable	Terms and conditions	Transactions			Balances	
			2021	2020	2019	2021	2020
<b>Parent company</b>							
<i>Principal</i>	Unsecured note, due on demand and bears interest of 5% to 7% per annum. Amounts are payable in cash on a gross basis, interest bearing, unsecured, with no guarantee.		1,416,680	-	20,000,000	14,000,000	34,000,000
<i>Interest</i>				698,615	660,000	840,411	268,493
<b>Entities under common control</b>							
<i>Principal</i>							
<i>Interest</i>							
<b>Advances</b>							
<b>Parent company</b>	These are advances made by the related party for various project related expenses.		182,034,691	-	-	181,609,653	(425,038)
<i>Advances</i>			4,641,280	-	-	4,257,275	-
<i>Interest</i>							
<b>Entities under common control</b>	Amounts are payable in cash on a gross basis. These are unsecured, interest bearing, unsecured, with no guarantee.						
<i>Advances</i>							
<i>Interest</i>							
<b>Future stock subscription</b>	As discussed in Note 1.1, the Parent Company's Board of Directors (BOD) confirmed and ratified its previous resolution increasing the authorized capital stock of the Parent Company.		445,485	445,485	-	(4,000,000)	9,811,793
<b>Parent company</b>			187,121,456	445,485	(3,554,515)	196,496,660	9,759,210
	Consequently, the Parent Company received P18,894,000 as deposit for future stock subscription.						
	As discussed in Note 1.1, as at each report date, the resolution to increase the Parent Company's authorized capital stock is awaiting ratification by the stockholders and pending application with SEC, hence recorded as deposit for future stock subscription and is presented within non-current liabilities in the statements of financial position.						

		Terms and conditions	Transactions				Balances 2020 2021 2021 2020 2019 2019 2019
			2021	2020	2020	2021	
<b>Leases</b>	Parent company	The Group has a lease agreement with Philcomsat for the rent of its office space located at the 12th Floor, Telecom Plaza Building, 316 Sen. Gil Puyat Ave., Makati City. The lease term is for two years and is renewable under mutual agreement of both parties.	1,386,559	1,203,088	1,203,088	1,379,055	-
		Amounts are payable in cash on a gross basis. These are unsecured, non-interest bearing and due on demand.					
<b>Expense recharges</b>	Entities under common control	These are recharges made by a related party for association dues and utilities taxes paid by the related party on behalf of the Group. These are billed at cost and are charged to general and administrative expenses.	277,296	178,444	273,111	-	-
		Amounts are payable in cash on a gross basis. These are unsecured, non-interest bearing and due on demand.					
<b>Key management compensation</b>	Director's fees	Key management compensation of the Group consists only of directors' fees. The Group does not have any regular employees. The accounting and management services are under the management of Philcomsat, its ultimate parent company.	3,144,818	3,945,241	3,550,000	-	-
		The Group does not have amounts receivables from/payables to key management personnel arising from the above agreement as at December 31, 2021 and 2020.					

The following related party transactions and balances were eliminated for the purpose of preparing the consolidated financial statements:

	2021	2020	2019
<b>As at December 31</b>			
Investment in subsidiaries	29,305,002	29,305,002	29,305,002
Due from (to) related parties	638,517	638,517	638,517
Dividends payable	600,000	-	-
<b>For the years ended December 31</b>			
Dividend income	1,950,000	-	-
Retainer fees	180,000	180,000	180,000

#### **Note 16 - Earnings per share**

Basic/diluted earnings per share for the years ended December 31 are as follows:

	2021	2020	2019
Profit for the year	20,206,849	18,816,447	20,618,001
Weighted average number of shares outstanding	996,391,254	996,391,254	996,391,254
	0.0203	0.0189	0.0207

#### **Note 17 - Civil cases**

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

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

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

### **Note 18 - Litigation**

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

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

PHC, through the valid and incumbent directors (Bildner Group) filed a Motion for Issuance of Writ of Execution with the Regional Trial Court (RTC) of Makati Branch 138 as court of origin, following the final resolution of SC declaring the election of Locsin Group as PHC's officers and directors. Accordingly, the SC ordered the Locsin Group to render an accounting and return of funds allegedly received from the Company. An Order granting the Motion was issued on February 20, 2017, resulting to the issuance of the Writ of Execution on February 28, 2017. On January 9, 2018, PHC filed a manifestation for the implementation of the Writ of Execution. On February 9, 2018, an Order was issued directing PHC, within thirty (30) days from receipt, to submit its preferred accounting firm who will conduct the accounting of all funds and other assets received from POTC, PHC and Philcomsat since September 2004. On February 22, 2018, PHC filed its Ex-Parte Manifestation and Motion, in compliance with the said Order.

On July 11, 2018, the Sheriff of the Office of the Clerk of Court of Makati served the Writ of Execution to Manuel Andal, Benito Araneta, Philip Brodett, Enrique Locsin, Concepcion Poblador and Johnny Tan. On June 6, 2019, PHC filed an Ex-Parte Motion to Resolve the pending motion to appoint Virgilio R. Santos as the auditing accounting firm for the execution of the SC Decision dated July 3, 2013 issued in GR Nos. 184622, 184712-14, 186066 and 186590. There was a status conference held in this case on December 13, 2019 where the Court required the defendants to provide a name of their selected accountant to move forward with the audit. The defendants failed or refused again to comply, so the Court is likely to appoint Philcomsat's proposed accountant, Virgilio R. Santos, to do the audit.

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

On August 8, 2018, PCGG filed its Motion for Reconsideration on the denial of its Motion for Exclusion. On October 29, 2018, Philcomsat filed its Opposition thereto.

Meanwhile, PCGG and Locsin filed a Petition for Review with the Supreme Court (SC) questioning the Decision issued by the CA dated January 30, 2018, which dismissed their Appeal. Philcomsat filed its comment thereto on November 6, 2018. PCGG filed its Reply on February 17, 2020.

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

- Complaint for collection against Araneta and Lokin

On May 26, 2010, a complaint for collection of sum of money and damages, with an application for a Writ of Preliminary Attachment dated May 24, 2010 was filed by the Company against Benito Araneta and Luis Lokin Jr., former directors of the Company for an alleged personal back to back loans with Bankwise procured by Araneta using the Company's funds as collateral, with the help of Lokin, in the amount of P35.3 million.

On February 2, 2017, a Decision was issued finding Araneta and Lokin liable to pay PHC; a) actual damages in the sum of P31.5 million plus legal interest of 6% computed from May 26, 2010, the time of judicial demand until fully paid; b) P200,000 as and by way of exemplary damages; and c) P200,000 as and by way of attorney's fees, plus costs of suit. Araneta and Lokin filed their Notices of Appeal on September 6 and September 8, 2017, respectively. On January 16, 2018, the Court of Appeals (CA) required defendants to file Appellant's Brief within 45 days from receipt thereof. On April 20, 2018 and May 7, 2018, PHC received Lokin and Araneta's Appellant's Briefs, respectively. On June 5, 2018, PHC filed its Appellee's Brief. On September 18, 2018, PHC filed a Compliance submitting proof of service of its Appellee's Brief to defendants in accordance with the CA's Resolution dated July 2, 2018. On April 25, 2019, the CA issued a Decision granting Araneta's appeal. On May 30, 2019, PHC filed its Motion for Reconsideration of the said Decision. On July 11, 2019, Araneta filed his Comment thereto, in accordance with the Resolution dated June 6, 2019 issued by the CA to file the same. On October 24, 2019, the Court of Appeal issued a Resolution denying PHC's Motion for Reconsideration.

On November 26, 2019, PHC elevated the case to the Supreme Court via Petition for Review on Certiorari under Rule 45. On March 9, 2020, Araneta filed his Comment.

- Criminal complaint against Brodett and Bankwise Officers using spurious bank accounts for company's deposits

On May 8, 2008, the Company filed a criminal complaint for estafa for misappropriation of corporate funds against Brodett, a former director of the Company, and certain officers of Bankwise. The complaint alleged that the unauthorized deposits, withdrawals and transfers of the Company's funds in the amount of P66.8 million was processed through spurious bank accounts and involved the co-mingling and transfer of funds between the Company's accounts and certain personal accounts.

On June 14, 2016, an Order was issued allowing Brodett to present his defense only with respect to the P27.0 million and P9.3 million which allegedly came from PHC funds and not in the whole amount of P66.8 million. On July 1, 2016, a Motion for Reconsideration of the said Order was filed by the Private Prosecutor (Parent Company). On August 30, 2016, the Private Prosecutor (Parent Company) filed a Reply to Brodett's Comment/Opposition dated August 25, 2016. After the presentation of defense evidence has already been concluded on June 5, 2018, the accused filed their Formal Offer of Evidence, which was partially admitted by the Court on August 28, 2018. On February 21, 2020, the Court promulgated its judgment finding accused Brodett guilty for the crime of theft, sentencing him to the penalty of imprisonment for a minimum period of four (4) years, two (2) months, one (1) day, to a maximum period of sixteen (16) years and 4 months. He was also found civilly liable to pay PHC the amount of P14,235,700, with legal interest of 12% per annum from April 11, 2008 until June 30, 2013 and the total obligation plus 6% legal interest from July 1, 2013 until fully paid. On March 3, 2020, Brodett filed his Motion for Partial Reconsideration of the Decision. On July 1, 2020, PHC filed its Consolidated Comment/Opposition thereto. In ruling Brodett's Motion for Reconsideration, the Court again promulgated the case on December 2, 2020 and affirmed Brodett's conviction. He then filed an appeal on 3 December 2020.

- Criminal complaint against Araneta for non-return of PHC deposits

A criminal complaint for estafa was filed against Araneta for money market placements amounting to P65.0 million which allegedly were not returned to the Company. The case was dismissed on February 9, 2009 for lack of probable cause. The appeal filed on March 4, 2009 is still pending decision with the DOJ as at report date.

- Criminal complaint against Concepcion A. Poblador

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

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

On January 10, 2014, the Company received a Petition for Certiorari filed by Ms. Poblador seeking the reversal of the Resolution directing the filing of an Information for estafa against her for P0.2 million. On August 29, 2014, the two petitions were consolidated.

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

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

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

On June 14, 2019, the CA issued a Decision denying both PHC's and Ms. Poblador's Petitions for Certiorari. On July 5 and 11, 2019, both parties filed their respective Motions for Reconsideration. On July 24, 2019, PHC filed its Comment to Ms. Poblador's Motion for Reconsideration. On August 10, 2020, the CA issued a Resolution denying PHC and Ms. Poblador's Motions for Reconsideration. PHC decided not to pursue the case with the Supreme Court considering that the amount involved is already covered by the advances to affiliates case.

On November 3, 2020, Poblador filed her Petition for Review with the Supreme 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 consolidated financial position and consolidated financial performance of the Group.

#### **Note 19 - Critical accounting estimates, assumptions and judgments**

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of the Group's consolidated assets and liabilities within the next financial year are discussed below:

*(a) Critical accounting estimates and assumptions*

- Provision of impairment of receivables and due from related parties (Notes 3 and 15)
- Fair value of financial instruments (Note 5)
- Determining the incremental borrowing rate for leases (Note 9)

*(b) Critical accounting judgments in applying the entity's accounting policies*

- Recoverability of due from related parties (Note 15)
- Recoverability of input VAT and tax credits (Notes 4)
- Recoverability of investment property (Note 6)

**Note 20 - Financial risk management and capital management**

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Financial risk management is carried out by management under the direction of the BOD. Management identifies and evaluates financial risks in close cooperation with the Group's department heads. The BOD reviews and approves policies and procedures covering specific financial risk areas. These policies and procedures enable the Group's management to make strategic and informed decisions with regard to the operations of the Group.

The most important types of risk the Group manages are credit risk, market risk and liquidity risk. Market risk includes foreign exchange, interest and price risks. The Group has no significant financial assets and liabilities that are exposed to foreign exchange and interest risk.

**Components of financial assets and liabilities**

Details of the Group's financial assets as at December 31 are as follows:

	Notes	2021	2020
Financial assets measured at amortized cost			
Cash and cash equivalents	2	115,731,576	209,405,976
Receivables	3	195,461,076	249,816,090
Due from related parties	15	193,170,071	13,335,379
Financial assets at fair value through through profit or loss (FVPL)		106,884	86,760
Financial assets at fair value through other comprehensive income (FVOCI)	5	1,026,598,356	1,018,865,149
		1,531,067,963	1,491,509,354

Other current assets consist of advances subject for liquidation, hence not considered as financial assets.

Other non-current assets consist of CWT and input VAT which not considered as financial assets since they do not arise from contractual arrangements.

Details of the Group's financial assets as at December 31 are as follows:

	Notes	2021	2020
Trade payables	8	3,221,582	2,145,630
Lease liabilities	9	2,015,800	243,197
Due to a related party	15	3,948,624	3,948,624
		9,186,006	6,337,451

Other payables consisting of customer deposits and statutory payables not arising from contractual arrangements are not considered as financial liabilities.

### **Credit risk**

Credit risk refers to the risk that a counterparty will cause a financial loss to the Group by failing to discharge an obligation.

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

Credit risk arises from cash deposits with banks and financial institutions, as well as credit exposure on receivables and amounts due from a related party.

There is no significant concentration of credit risk, whether through exposure to individual counterparties or specific industry sectors.

As at December 31, the maximum exposure to credit risk for the Group's financial assets are as follows:

	Gross carrying amount	Net carrying amount	Internal credit rating	Basis for recognition of ECL
<i>December 31, 2021</i>				
Cash and cash equivalents	115,722,091	115,722,091	Performing	12-month ECL
Receivables				
Group 1	195,446,012	195,446,012	Performing	12-month ECL
Group 2	15,064	-	Impaired	Full provision
Due from related parties	193,170,071	193,170,071	Performing	12-month ECL
Financial assets at FVPL	106,884	106,884		
Financial assets at FVOCI	1,026,598,357	1,026,598,357	Performing	Not applicable
	1,531,058,479	1,531,043,415		
<i>December 31, 2020</i>				
Cash and cash equivalents	209,390,976	209,390,976	Performing	12-month ECL
Receivables				
Group 1	249,803,823	249,803,823	Performing	12-month ECL
Group 2	12,267	-	Impaired	Full provision
Due from related parties	13,973,896	13,973,896	Performing	12-month ECL
Financial assets at FVPL	86,760	86,760	Performing	Not applicable
Financial assets at FVOCI	1,018,865,149	1,018,865,149	Performing	Not applicable
	1,492,132,871	1,492,120,604		

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

### *Cash and cash equivalents*

The Group has policies that limit the amount of credit exposure with financial institutions. All of the Group's cash in bank is deposited with a well-capitalized financial institution and reputable universal bank with strong financial standing. While cash in bank is also subject to requirements of PFRS 9, the expected credit loss is deemed immaterial.

### *Receivables*

The Group has outstanding receivables from corporate notes and its related interest. The Group does not expect significant credit exposure on this receivable considering that these are short-term investments in promissory notes of reputable and listed institutions with good credit rating.

Credit quality of customers are classified as follows:

Group 1 - Customer and counterparty balances without history of default and assessed to be fully recoverable.

Group 2 -Individually assessed customer with defaults and which the Group no longer expects to recover the balance despite its collection efforts.

### *Due from related parties*

Due from related parties arising from advances are collectible after 12 months. Expected credit losses are based on the assumption that repayment of balances outstanding will not be compromised considering these are receivables from entities under common control or parent Group with no history of default.

Based on assessment of qualitative and quantitative factors that are indicative of the risk of default, including but not limited to, availability of accessible highly liquid asset and internal and external funding of a related party, Group has assessed that the outstanding balances are exposed to low credit risk. Expected credit losses on these balances have therefore been assessed to be insignificant.

None of the fully performing financial assets have been renegotiated during 2021 and 2020.

### *Liquidity risk*

The Group manages liquidity risk by maintaining sufficient cash to meet the Group's operational commitment and finance its operation and working capital requirements.

Prudent liquidity risk management implies maintaining sufficient cash, timely collection of receivables and availability of funding through an adequate amount of facilities. The Group aims to maintain flexibility in funding by keeping track of its cash collections from dividends. The Group may also obtain funding from its shareholders, as well from third-party banking institutions, as necessary, to finance its operations and working capital requirements.

The table below summarizes the undiscounted profile of the Group's financial liabilities as at December 31, based on contractual payments:

	Less than 12 months	Between 1 year to 5 years	Total
<b>At December 31, 2021</b>			
Trade and other payables	3,221,582	-	3,221,582
Lease liabilities, gross	1,781,396	259,114	2,040,510
Advances from related parties	3,948,624	-	3,948,624
	8,951,602	259,114	2,360,054

	Less than 12 months	Between 1 year to 5 years	Total
<b>At December 31, 2020</b>			
Trade and other payables	2,145,630	-	2,145,630
Lease liabilities, gross	246,775	-	246,775
Advances from related parties	3,948,624	-	3,948,624
	6,341,029	-	6,341,029

### **Market risk**

#### *Price risk*

The Group is exposed to equity securities price risk because of the Group's investments in financial assets at FVPL and financial assets at FVOCI which consist primarily of investment in listed and traded securities.

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

The Group measures the sensitivity of its investment securities by using PSE index (PSEi) fluctuations. The table below sets forth the impact of changes in PSEi in other comprehensive income in 2021, 2020 and 2019.

	Increase (decrease) in PSEI	Increase (decrease) in other comprehensive income
2021	1%	3,857,296
	(16%)	42,122,764
2020	10%	23,489,183
	(35%)	(84,317,292)
2019	8%	16,649,174
	(4%)	(9,628,656)

The sensitivity of the equity is the effect of the assumed changes in the PSEi on the net unrealized gain (loss) for the year, based on the adjusted beta rate of equity securities as at December 31, 2021, 2020 and 2019.

The reasonable possible changes in the market price of investments were determined based on Group's analysis of the movement in share prices for the next 30 days from the close of the financial year.

#### *Foreign currency exchange risk*

The Group is exposed to foreign currency exchange risk arising from currency exposures, primarily with respect to the US Dollar. Foreign currency exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency.

The Group's foreign-currency denominated financial instrument consists of cash in banks and cash equivalents totaling US\$89,259 as at December 31, 2021 (2020 - US\$16 million). The Group's exposure to foreign currency risk is insignificant.

#### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. As at December 31, 2021, 2020 and 2019, the Group has repriceable financial assets, specifically investments in quoted bonds classified as financial assets at FVOCI. Accordingly, the Group is subject to fair value interest rate risk.

The Group measures the sensitivity of its investment securities by using PHP BVAL reference rate fluctuations. The table below sets forth the impact of changes in PHP BVAL in the Group's other comprehensive income in 2021, 2020 and 2019.

	Increase (decrease) in PHP BVAL	Increase (decrease) in other comprehensive income
2021	6% (40%)	38,673,770 258,702,901
2020	98% (7%)	658,959,070 (47,870,809)
2019	73% (1%)	489,414,071 (5,436,104)

### **Capital risk management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders and obtain borrowings from banks or to related party.

The capital that the Group manages is the total equity as shown in the statements of financial position.

The Group is not subject to any externally imposed capital requirements.

### **Fair value estimation**

As at December 31, 2021 and 2020, the carrying amounts of cash and cash equivalents, receivables, due from related parties and due to related parties reasonably approximate their fair values due to the short-term nature of these financial instruments.

The different levels in the fair value hierarchy have been defined in Note 21.2. There were no transfers between Levels 1, 2 and 3 during the year.

### **Note 21 - Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

#### **21.1 Basis of preparation**

These consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

These consolidated financial statements have been prepared under the historical cost convention, except for the financial assets at fair value through profit or loss (FVPL) and financial assets through other comprehensive income (FVOCI).

The preparation of consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are summarized in Note 18.

## **Changes in accounting policies and disclosures**

### **(a) New and amended standards adopted by the Group**

The Group has applied the following amendment for the first time for the financial year beginning January 1, 2021:

- Amendment to PFRS 16, Leases, COVID-19-related rent concession

Amendment to PFRS 16 amending the standard to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendments are effective for annual periods beginning on or after April 1, 2021.

The amendment has no significant impact to the Group's consolidated financial statements.

### **(b) New standards, amendments and interpretations not yet adopted**

- PAS 1: Classification of Liabilities as Current or Non-current

Amendments to paragraphs 69 to 76 of PAS 1 were issued to specify the requirements for classifying liabilities as current or non-current. The amendments clarify the following:

- the definition of right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively.

- Amendments to PAS 8, Definition of Accounting Estimates

Amendments to help entities to distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The amendments are effective for annual periods beginning on or after January 1, 2023.

- Amendments to PAS 1, Disclosure of Accounting Policies

Amendments to require disclose its material accounting policy information instead of its significant accounting policies and explanations on how an entity can identify material accounting policy information. The amendments are effective for annual periods beginning on or after January 1, 2023.

- PFRS 9 Financial Instruments - Fees in "10 per cent" Test for Derecognition of Financial Liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- Reference to the Conceptual Framework

Amendments to PFRS 3 are intended to replace a reference to a previous version of the 1989 Conceptual Framework with a reference to the current version of the Conceptual Framework issued in March 2018 without significantly changing its requirements. The guidance is effective as of January 1, 2022, with early adoption permitted.

- Onerous Contracts - cost of fulfilling a contract Standard/Description

This guidance specifies which costs an entity needs to include when assessing whether a contract is onerous or loss-making. It clarifies that the 'cost of fulfilling' a contract comprises the costs that relate directly to the contract, which can either be incremental costs to fulfil or an allocation of other costs related directly to fulfilment. The guidance is effective for annual periods beginning on or after January 1, 2022, with early adoption permitted.

- Disclosure of Accounting Policies (Amendments to PFRS 1 and PFRS Practice Statement 2)

The FRSC amended IFRS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the FRSC also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

- Definition of Accounting Estimates (Amendments to PAS 8)

The amendment to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The Group does not expect these amendments to have a significant impact to the Group's consolidated financial statements.

There are no other standards, amendments and interpretations which are effective for the financial year beginning January 1, 2021 that are relevant to and have a material impact on the Group's consolidated financial statements.

## **21.2 Financial assets**

### *Classification*

The Group classifies its financial assets in the following categories: (a) financial assets at amortized cost, (b) financial assets at fair value through profit or loss (FVPL), and (c) financial assets at fair value through other comprehensive income (FVOCI). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group only holds financial assets under category (a) during and at the end of each reporting period.

The Group classifies its financial assets as at amortized cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The Group's financial assets at amortized cost comprise of cash and cash equivalents, receivables, and due from related parties.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months at the end of the reporting period.

#### *Financial assets at FVPL*

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Fair value gains or losses on investments held for trading net of interest income accrued on these assets, are recognized in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as financial assets at FVPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated by management on initial recognition as at FVPL, if any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains and losses on them on a different basis; or
- The assets are part of group of financial assets, liabilities or both which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative that would need to be separately recorded.

#### *Financial assets at FVOCI*

Financial assets at fair value through other comprehensive income (FVOCI) comprise of equity and debt securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category. This is a strategic investment and the Group considers this classification to be more relevant. On disposal of this equity investment, any related balance within the FVOCI reserve is reclassified to retained earnings. The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

As at each reporting period, investments in shares of stocks of various listed corporations, UITFs, traded bonds and club memberships are designated as financial assets at FVOCI.

#### *Recognition and measurement*

The Group recognizes a financial asset in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

All financial instruments are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs.

### *Derecognition*

The basic premise for the derecognition model is to determine whether the asset under consideration for derecognition is:

- an asset in its entirety or
- specifically identified cash flows from an asset (or a group of similar financial assets) or
- a fully proportionate (pro rata) share of the cash flows from an asset (or a group of similar financial assets) or
- a fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a group of similar financial assets)

Once the asset under consideration for derecognition has been determined, an assessment is made as to whether the asset has been transferred, and if so, whether the transfer of that asset is subsequently eligible for derecognition.

An asset is transferred if either the entity has transferred the contractual rights to receive the cash flows, or the entity has retained the contractual rights to receive the cash flows from the asset, but has assumed a contractual obligation to pass those cash flows on under an arrangement that meets the following three conditions:

- the Group has no obligation to pay amounts to the eventual recipient unless it collects equivalent amounts on the original asset;
- the Group is prohibited from selling or pledging the original asset (other than as security to the eventual recipient); and
- the Group has an obligation to remit those cash flows without material delay.

Once the Group has determined that the asset has been transferred, it then determines whether or not it has transferred substantially all of the risks and rewards of ownership of the asset. If substantially all the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been retained, derecognition of the asset is precluded.

If the Group has neither retained nor transferred substantially all of the risks and rewards of the asset, then the entity must assess whether it has relinquished control of the asset or not. If the Group does not control the asset then derecognition is appropriate; however, if the entity has retained control of the asset, then the entity continues to recognize the asset to the extent to which it has a continuing involvement in the asset.

### *Impairment*

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Impairment losses are presented as part of cost and expenses in the statement of comprehensive income.

With the exception of purchased or originated credit impaired financial assets, expected credit losses are required to be measured through a loss allowance at an amount equal to:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

(i) *Simplified approach*

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

(ii) *General approach*

The Group applies the general approach to provide for ECLs on cash in banks, interest receivable, and due from a related party. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 360 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

*Measurement of ECLs*

The measurement of expected credit losses is a function of the probability of default (PD), loss given default (LGD) (i.e., the magnitude of the loss if there is a default) and the exposure at default (EAD). The assessment of the PD and LGD is based on historical data adjusted by forward-looking information as described above. As for the EAD, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

*Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the counterparty;
- a breach of contract such as actual default; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

### *Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

### *Derecognition*

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Any gain or loss arising on derecognition is recognized directly in profit or loss.

### *Financial assets at FVOCI*

In the case of equity investments classified as financial assets carried at FVOCI, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. When a decline in the fair value of a financial assets carried at FVOCI has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income is removed directly from equity with no option to recycle to profit or loss. Impairment losses recognized in profit or loss for an investment on equity instrument classified as financial assets at fair value through other comprehensive income are not reversed through profit or loss.

In the case of debt instruments classified as financial assets carried at FVOCI, movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the profit or loss.

## **21. 3 Consolidation**

The consolidated financial statements comprise the consolidated financial statements of the Group as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021. For consolidation purposes, the subsidiaries' financial statements are prepared as at the same reporting year as that of the Parent Company. The Group uses uniform accounting policies. Details of principal subsidiaries are shown in Note 1.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the Parent Company do not differ from the proportion of ordinary shares held.

### *(a) Subsidiaries*

Subsidiaries are all entities over which the Parent Company has control. The Parent Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Parent Company. They are deconsolidated from the date that control ceases.

The Parent Company applies the acquisition method to account for business combinations for acquired entities that are not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Parent Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Parent Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Parent Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is deemed to be an equity instrument is not re-measured, and its subsequent settlement is not accounted for within equity.

Inter-Group transactions, balances and income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-Group transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Parent Company.

Business combinations under common control are accounted for using the predecessor cost method. Under this method, the Group does not restate the acquired businesses or assets and liabilities to their fair values. The net assets of the combining entities or businesses are combined using the carrying amounts of assets and liabilities of the acquired entity. No amount is recognized in consideration for goodwill or the excess of acquirer's interest in the net fair value of acquired identifiable assets, liabilities, and contingent liabilities over their cost at the time of the common control combination. The financial statements incorporated the net assets and results of operations of the combining entities or businesses as if they had always been combined or from the date when combining entities or business first became under common control, whichever period is shorter.

The difference between the consideration given and the aggregate book value of the assets and liabilities acquired as of the date of the transaction are included in "other equity charges" account within equity.

#### *Disposal of subsidiaries*

When the Parent Company ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture, or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Parent Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Dilution gains and losses arising in investments in associates are recognized in profit or loss. Unrealized gains on transactions between the Parent Company and its associates are eliminated to the extent of the Parent Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Parent Company.

*(c) Deposit for future stock subscription*

Deposit for future stock subscription represents fund paid by the Parent Company with the intention to apply the same as payment for additional issuance of common share to increase its interest in the investee company.

## **21.4 Financial liabilities**

*Classification and presentation*

The Group classifies its financial liabilities in the following categories: (i) financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value) and (ii) financial liabilities at amortized cost. The classification depends on the purpose for which the financial liabilities were incurred. Management determines the classification of its financial liabilities at initial recognition.

The Group did not hold financial liabilities at fair value through profit or loss during and at the end of each reporting period.

The Group's financial liabilities at amortized cost consist mainly of trade payables and other liabilities (excluding customer deposits and statutory payables) and lease liabilities.

*Initial recognition and subsequent measurement*

The Group's financial liabilities at amortized cost are initially measured at fair value plus transaction costs. Subsequently, these are measured at amortized cost using the effective interest method.

Interest expense on financial liabilities is recognized within finance cost, at gross amount, in the statements of total comprehensive income.

*Derecognition*

Financial liabilities are derecognized when extinguished, that is, when the obligation specified in a contract is discharged or cancelled or when the obligation expires.

## **21.5 Determination of fair value**

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 measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group use 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.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

For assets that are recognized on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

The Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Specific valuation techniques used to value financial instruments include:

- i. Quoted market prices or dealer quotes for similar instruments.
- ii. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- iii. The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- iv. Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Group determines the policies and procedures for recurring fair value measurement, such as investment properties. External valuers are involved for valuation of investment properties. Involvement of external valuers is decided upon annually. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the Group analyze the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group, in conjunction with its external valuers, also compare the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. This includes a discussion of the major assumptions used in the valuations. For the purpose of fair value disclosures, the Group have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

## **21.6 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty. The Group has no offsetting arrangements as at December 31, 2021 and 2020.

## **21.7 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. These are carried in the statement of financial position at face amount or at nominal amount, which approximates its amortized cost using the effective interest method. Cash in banks and temporary cash investments earn interest at the respective bank deposit rates.

## **21.8 Other assets**

Prepaid taxes consist substantially of creditable withholding taxes which are recognized as assets to the extent that it is probable that the benefit will flow to the Group. These are derecognized when there is a legally enforceable right to apply the recognized amounts against related liability with the period prescribed by the relevant tax laws.

Other current assets mainly pertain to input value-added tax (VAT). Input VAT represent taxes imposed on the Group for the acquisition of goods and services. These are stated at face value less any provision for impairment and are utilized when there is a legally enforceable right to offset the recognized amounts against output VAT obligations and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Input VAT are included in current assets, except when utilization and claims against output VAT are expected to be more than 12 months after the reporting date, in which these are classified as non-current assets.

## **21.9 Investment property**

Investment property is defined as a property, such as land or building, held for the purposes of earning rentals, for capital appreciation or both. This property is not held to be used in production or sale in the ordinary course of business. Investment property is initially measured at acquisition cost. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case, the investment property acquired is measured at the carrying amount of asset given up.

Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value. Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged against current operations in the period in which the costs are incurred.

Depreciation of an investment property (other than land) is computed using the straight-line method over the estimated useful life of the asset. Land is not depreciated.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

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

## **21.10 Property and equipment**

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

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

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

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

The useful lives of each of the property and equipment are estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets. The property and equipment's useful lives and depreciation and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year the item is derecognized.

## **21.11 Impairment of non-financial assets**

Non-financial assets, mainly property and equipment, investment property, and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses, if any, are recognized in profit or loss. Non-financial assets that have been impaired are reviewed for possible reversal of impairment at each reporting period.

#### **21.12 Deposit for future stock subscription**

Deposit for future stock subscription represents advance collection for stocks subscriptions. Deposit for future stock subscription is reported as a separate item in the equity section of the statement of financial position if and only if, all of the following elements are present as of end of the reporting period:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- Board of Directors approval of the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- Stockholders approval of said proposed increase; and
- The application for the approval of the proposed increase has been filed with the SEC.

If any or all of the above elements are not present, the deposit for future stocks subscription is recognized as a liability in the statement of financial position. These are included in current liabilities, except when management expects to convert them to equity at least 12 months from the reporting date which are classified as non-current liabilities.

#### **21.13 Trade and other payables**

Trade and other payables are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. These are recognized initially at fair value plus transaction costs and subsequently measured at amortized cost using effective interest method. Accounts payable and other liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are derecognized when the obligation under the liability is discharged, cancelled or has expired.

#### **21.14 Equity**

##### *Share capital*

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

##### *Retained earnings*

Retained earnings pertains to the accumulated profit from operations of the Group which are available for dividend declaration.

##### *Earnings per share*

Basic earnings per share is computed by dividing net income over the weighted average number of issued and outstanding common shares during the year.

Diluted earnings per share is computed as if the potential common share or instrument that may entitle the holder to common share were exercised as of the beginning of the year.

*Other equity reserves*

Other equity reserves pertains to accumulated fair value changes in financial assets through other comprehensive income, net of any realized gains from sale of disposals of debt instruments.

**21.15 Income**

*Dividend income*

Dividend income from a subsidiary is recognized when the right to receive dividend is established usually upon declaration by the BOD.

*Interest income*

Interest income on bank deposits, which is presented net of final withholding tax, is recognized on a time proportion basis using the effective interest rate method.

*Retainer income*

Retainer pertains to monthly retainer fees earned by PSTI being a stock transfer agent, and is recognized overtime.

*Rent income*

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

*Other income*

All other income is recognized when earned or when the right to receive payment is established.

**21.16 Cost and expenses**

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. These are presented in the statement of total comprehensive income according to function of such costs and expenses.

**21.17 Leases**

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

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

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

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

### The Group as a lessee

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

#### ROU asset

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

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

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

#### Lease liability

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

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

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

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

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

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

## **21.18 Related party relationships and transactions**

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among entities which are under control with the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

## **21.19 Income taxes**

The income tax expense for the period comprises of current and deferred income tax. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly to equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

DIT is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, DIT is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. DIT is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related DIT asset is realized or the DIT liability is settled.

DIT assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. DIT liabilities are recognized in full for all taxable temporary differences, except to the extent that the DIT liability arises from the initial recognition of goodwill.

DIT assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the DIT assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity and when there is an intention to settle the balances on a net basis.

Deferred income tax assets and liabilities are derecognized when the related temporary differences are realized/settled. No deferred income tax assets were recognized for temporary differences as management believes that it will not generate sufficient taxable profit to allow for the benefits of the deferred income tax assets to be utilized in the future. Management reassess at each reporting period unrecognized deferred tax assets.

## **21.20 Provisions**

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and derecognized from the statements of financial position.

## **21.21 Contingencies**

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

## **21.22 Foreign currency transactions and translation**

### *Functional and presentation currency*

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the “functional currency”). These consolidated financial statements are prepared in Philippine Peso, which is the Parent Company’s functional and presentation currency.

### *Transactions and balances*

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

## **21.23 Reclassification**

The Group presents a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative consolidated financial statements if: (a) it applies an accounting policy retrospectively, makes a retrospective restatement of items in its consolidated financial statements or reclassifies items in its consolidated financial statements; and (b) the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.

In the consolidated statement of financial position as at December 31, 2020, reclassified amounts of unutilized input VAT and CWTs from current to non-current amounting to P4,645,306. Impact of such reclassification is considered not material to the consolidated statement of financial position hence a third balance sheet is not presented. Also, such reclassification did not impact the consolidated statement of total comprehensive income and consolidated statement of cash flows for the years ended December 31, 2020 and 2019.

## **21.24 Subsequent events**

Post year-end events that provide additional information about the Group's position at the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

## **Note 22 - Operating segment information**

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

The disaggregated revenue, as disclosed in Note 11, was assigned to the operating segments as follows:

<b>Revenue as disaggregated</b>	<b>Operating segment</b>
Interest income	Investing funds
Dividend income	Investing funds
Rent income	Investing funds
Service fees	Service agreement with the government/Management services
Retainer fee	Stock transfer agency
Stock transfer fee	Stock transfer agency
Other service fee	Stock transfer agency
Gain on sale of financial assets at FVOCI	Investing funds
Gain on sale of investment property	Investing funds

All of the assets relating to the Group's operating segments are located in the Philippines. Accordingly, reporting operating segments per geographical business operation is not required.

Segment assets, liabilities and revenue and expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and expenses are consistent with that presented in the consolidated statements of comprehensive income.

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

2021	Segment			Total
	Investing funds	Management services	Stock transfer agency	
Segment revenue	48,204,107	-	9,076,693	57,280,800
Segment profit	18,023,019	-	2,183,830	20,206,849
Depreciation	1,347,966	-	369,809	1,717,775
Provision for income tax	880,598	145,535	496,305	1,522,438
Total assets	1,504,231,726	32,781,914	5,179,755	1,542,193,395
Total liabilities	25,049,655	4,588,122	982,929	30,620,706

2020	Segment			Total
	Investing funds	Management services	Stock transfer agency	
Segment revenue	47,925,845	-	6,335,027	54,260,872
Segment profit	18,310,114	-	506,333	18,816,447
Depreciation	1,210,133	-	356,664	1,566,797
Provision for income tax	127,839	206,479	216,082	550,400
Total assets	1,465,829,012	30,918,852	3,682,640	1,500,430,504
Total liabilities	22,486,243	4,261,183	484,888	27,232,314

2019	Segment			Total
	Investing funds	Management services	Stock transfer agency	
Segment revenue	52,370,257	-	5,921,669	58,291,926
Segment profit	18,301,068	-	2,316,933	20,618,001
Depreciation	1,239,882	-	120,353	1,360,235
(Benefit from) provision for income tax	(598,520)	(34,250)	149,660	(483,110)
Total assets	1,445,354,720	30,156,591	3,620,609	1,479,131,920
Total liabilities	21,364,100	4601,866	763,946	26,729,912

Capital expenditures for the year ended December 31, 2021 attributable to the investing funds segment amounted to P63,562 (2020 - nil; 2019 - nil).

**Philconsat Holdings Corporation and Subsidiaries**  
 (A subsidiary of Philippine Communications Satellite Corporation)

Schedule A. Financial assets  
 December 31, 2021

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in statement of financial position	Value based on market quotations at end of reporting period	Income received and accrued
<i>Notes and loans receivable</i>				
<i>Promissory notes issued by various financial institutions</i>				
Philippine Commercial Capital, Inc.	25,000,000	25,000,000	25,000,000	
Toyota Financial Services Philippines Corporation	12,000,000	12,000,000	12,000,000	
Metrobank Card Corporation	5,000,000	5,000,000	5,000,000	
San Miguel Corporation	20,000,000	20,000,000	20,000,000	
Sterling Bank of Asia	2,000,000	2,000,000	2,000,000	
Sta. Lucia Land Inc.	3,000,000	3,000,000	3,000,000	
Retail Treasury Bonds	1,000,000	1,000,000	1,000,000	
<i>Corporate notes</i>				
Montemar Beach Club Inc.	48,805,002	48,805,002	48,805,002	
HMR Philippines, Inc.	25,627,108	25,627,108	25,627,108	
Philippine Communications Satellite Corporation	34,000,000	34,000,000	34,000,000	
Elite Defense Security Services, Inc.	1,600,000	1,600,000	1,600,000	
	178,032,110	178,032,110	178,032,110	14,579,006
<i>Financial assets at FVPL</i>				
Bank of the Philippine Islands	1,205 shares	106,884	106,884	2,169
<i>Financial assets at FVOCI</i>				
<i>Investments in quoted bonds</i>				
BDO - Trust & Investments Group Managed Bonds	150,688,117	152,052,664	152,052,664	
BDO Private Bank Managed Bonds	87,880,617	87,607,558	87,607,558	
Retail Treasury Bonds	33,700,000	34,402,154	34,402,154	
Ayala Land, Inc.	55,734,298	56,691,875	56,691,875	

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in statement of financial position	Value based on market quotations at end of reporting period	Income received and accrued
SM Prime Holdings, Inc.	47,684,959	47,610,634	47,610,634	
Aboitiz Power Corporation	24,680,000	25,629,154	25,629,154	
Ayala Corporation	27,515,919	27,262,024	27,262,024	
 Torre Lorenzo Development Corp.	60,000,000	60,000,000	60,000,000	
STI Education Systems Holdings, Inc.	20,000,000	18,672,559	18,672,559	
Doubledragon Properties Corp.	20,000,000	16,372,140	16,372,140	
EW Peso Intermediate Term Bond Fund	7,258,553,526 units	15,233,292	15,233,292	
Development Bank of the Philippines	15,000,000	15,074,107	15,074,107	
Metropolitan Bank & Trust Company	13,819,224	14,129,039	14,129,039	
Philam Bond Fund	2,307,782 units	10,143,163	10,143,163	
Bank of the Philippine Islands	5,000,000	5,036,114	5,036,114	
Smart Communications, Inc.	10,000,000	10,000,000	10,000,000	
Aboitiz Equity Ventures, Inc.	7,000,000	7,022,646	7,022,646	
SM Investments Corporation	2,000,000	2,029,627	2,029,627	
SMC Global Power Holdings	5,000,000	5,000,000	5,000,000	
Robinsons Land Corp.	6,500,000	6,640,463	6,640,463	
San Miguel Corporation	2,000,000	2,032,059	2,032,059	
Megaworld Corporation	5,000,000	4,966,318	4,966,318	
Security Bank Corporation	5,000,000	5,029,265	5,029,265	
East West Banking Corporation	5,000,000	5,000,000	5,000,000	
Filinvest Land Inc.	2,000,000	2,007,360	2,007,360	
South Luzon Tollways Corporation	1,200,000	1,196,613	1,196,613	
Cyberzone Properties, Inc.	1,000,000	1,008,069	1,008,069	
Security Bank Corporation	700,000	700,000	700,000	
Chinabank Bonds	5,000,000	5,004,165	5,004,165	
Energy Development Corporation	1,000,000	913,155	913,155	
Phinma Corporation	3,000,000	3,000,000	3,000,000	
 <i>Investments in quoted shares of stock</i>				
BDO Private Bank Managed Equity	377,705 shares	43,934,735	43,934,735	
BDO - Trust & Investments Group Managed Equity	974,482 shares	40,552,869	40,552,869	

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in statement of financial position	Value based on market quotations at end of reporting period	Income received and accrued
Sun Life Prosperity Philippine Equity Fund	3,878,305 shares	14,304,352	14,304,352	
San Miguel Corporation	130,000 shares	9,909,250	9,909,250	
D.M. Wenceslao and Associates, Inc.	1,500,000 shares	10,170,000	10,170,000	
Eagle Cement Corporation	783,400 shares	11,437,640	11,437,640	
Wilcon Depot, Inc.	605,000 shares	18,452,500	18,452,500	
MerryMart Consumer Corp.	1,400,000 shares	2,492,000	2,492,000	
Converge ICT Solutions, Inc.	500,000 shares	15,250,000	15,250,000	
Petron Corporation	6,000 shares	6,048,000	6,048,000	
GT Capital Holdings	6,000 shares	6,060,000	6,060,000	
A Brown Company	10,000 shares	1,037,000	1,037,000	
AC Energy Corporation	150,000 shares	1,425,000	1,425,000	
EEI Corporation	50,000 shares	5,360,000	5,360,000	
Fillinvest REIT Corp.	1,000,000 shares	7,520,000	7,520,000	
Jollibee Foods Corp.	1,000 shares	1,006,000	1,006,000	
Monde Nissin Corporation	1,688,000 shares	1,656,000	1,656,000	
RL Commercial REIT, Inc.	780,000 shares	6,286,800	6,286,800	
Synergy Grid & Dev't Phils., Inc.	1,022,400 shares	1,022,400	1,022,400	
MerryMart Consumer Corp.	50,000 shares	125,500	125,500	
DDMP Reit, Inc.	500,000 shares	895,000	895,000	
MREIT, Inc.	186,000 shares	4,092,000	4,092,000	
Areit, Inc.	185,300 shares	9,005,580	9,005,580	
Cirtek Holdings Phils. Corp.	150,000 shares	7,616,100	7,616,100	
Del Monte Pacific Limited	10,000 shares	4,772,756	4,772,756	
Ayala Land, Inc.	100,000 shares	3,670,000	3,670,000	
GT Capital Holdings, Inc.	4,000 shares	3,980,000	3,980,000	
SM Prime Holdings, Inc.	100,000 shares	3,390,000	3,390,000	
Doubledragon Properties Corp.	31,000 shares	3,121,700	3,121,700	
Pilipinas Shell Petroleum Corp.	150,000 shares	2,982,000	2,982,000	
Megawide Construction Corporation	1,025,000 shares	3,381,000	3,381,000	
Phoenix Petroleum Phils.	2,000 shares	1,994,000	1,994,000	
Ayala Corporation	3,760 shares	1,898,800	1,898,800	
BDO Unibank, Inc.	16,869 shares	2,036,088	2,036,088	

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in statement of financial position	Value based on market quotations at end of reporting period	Income received and accrued
First Gen. Corporation	10,460 shares	1,098,300	1,098,300	
San Miguel food and Beverage, Inc.	11,500 shares	821,100	821,100	
Cebu Landmasters, Inc.	334,500 shares	1,003,500	1,003,500	
Axelum Resources Corp.	200,000 shares	600,000	600,000	
Chelsea Logistics Holdings Corp.	100,000 shares	166,000	166,000	
Intl. Cont. Terminal Serv. Inc.	4,170 shares	834,000	834,000	
DMCI Holdings, Inc.	75,000 shares	578,250	578,250	
JG Summit Holdings, Inc.	5,250 shares	278,250	278,250	
8990 Holdings, Inc.	2,000 shares	202,000	202,000	
Robinsons Land Corp.	6,343 shares	121,786	121,786	
<i>Investments in UTIFs</i>				
Sun Life Prosperity Balanced Fund	11,771,306 shares	42,270,760	42,270,760	
Philam Strategic Growth Fund	66,408 shares	32,488,786	32,488,786	
Sun Life Prosperity GS Fund	6,038,647 shares	10,427,536	10,427,536	
BDO Private Bank Managed Funds	45,933 shares	11,725,987	11,725,987	
Sun Life Prosperity Dynamic Fund	5,346,450 shares	5,023,528	5,023,528	
Capital Accumulation Global Fund of Funds	500 shares	2,953,240	2,953,240	
BDO - Trust & Investments Group Managed Funds	42,570 shares	5,264,041	5,264,041	
SB Asia Pacific EQ Feeder Fund Class F	USD 15,000	990,005	990,005	
<i>Investments in club memberships</i>				
Montemar Beach Club Inc.	10 shares	4,600,000	4,600,000	
Makati Sports Club, Inc.	1 share	800,000	800,000	
		1,026,598,356	1,026,598,356	25,169,047

**Philcomsat Holdings Corporation and Subsidiaries**  
 (A subsidiary of Philippine Communications Satellite Corporation)

Schedule B. Amounts receivable from directors, officers, employees, related parties, and principal stockholders (other than related parties)  
 December 31, 2021

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Non-current	Balance at end of period
<i>Included under receivables</i>							
Montemar Beach Club Inc.	48,805,002	-	-	-	48,805,002	-	48,805,002
Philippine Communications Satellite Corporation	34,000,000	-	-	-	34,000,000	-	34,000,000
<i>Presented under "Due from related parties"</i>							
Montemar Beach Club Inc.	9,505,543	-	-	-	9,505,543	-	9,505,543
Philippine Communications Satellite Corporation	(425,038)	182,034,691	-	-	181,609,653	-	181,609,653
Montemar Resort Development Corp.	306,250	-	-	-	306,250	-	306,250
	96,191,757	182,034,691	-	-	274,226,448	-	274,226,448

“Notes receivables from” and “cash advances to” Montemar beach Club Inc. and Philippine Communications Satellite Corporation bear interest of 4% to 7% with terms of 180 days to one year. Cash advances to Montemar Resort Development Corp. are non-interest bearing.

**Philcomsat Holdings Corporation and Subsidiaries**  
(A subsidiary of Philippine Communications Satellite Corporation)

Schedule C. Amounts receivable from related parties which are eliminated during the consolidation of financial statements  
December 31, 2021

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Philcomsat Management Enterprises, Inc.	638,517	-	-	-	638,517	-	638,517

**Philcomsat Holdings Corporation and Subsidiaries**  
(A subsidiary of Philippine Communications Satellite Corporation)

Schedule D. Long term debt  
December 31, 2021

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term debt" in related statement of financial position	Amount shown in caption "long-term debt" in statement of financial position
Lease liabilities	Not applicable	1,758,591	257,209

**Philcomsat Holdings Corporation and Subsidiaries**  
(A subsidiary of Philippine Communications Satellite Corporation)

Schedule E. Indebtedness to related parties (long-term loans from related companies)  
December 31, 2021

Name of related party	Balance at beginning of period	Balance at end of period
Not applicable		

**Philcomsat Holdings Corporation and Subsidiaries**  
(A subsidiary of Philippine Communications Satellite Corporation)

Schedule F. Guarantees of securities and other issues  
December 31, 2021

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
		Not applicable		

**Philcomsat Holdings Corporation and Subsidiaries**  
(A subsidiary of Philippine Communications Satellite Corporation)

Schedule G. Capital stock  
December 31, 2021

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related statement of financial position.	Number of shares reserved for options, warrants, conversions, and other rights	Number of shares held by related parties	Directors, officers and employees		Others
					796,595,690	100,106,143	
Common shares	1,000,000,000	996,391,254	-	796,595,690	100,106,143	99,689,421	

**Philcomsat Holdings Corporation and Subsidiaries**  
 (A subsidiary of Philippine Communications Satellite Corporation)  
 12th Floor, Telecom Plaza Building  
 316 Sen. Gil Puyat Ave., Makati City

Reconciliation of the Parent Company's Retained Earnings Available for Dividend Declaration  
 For the year ended December 31, 2021  
 (All amounts in Philippine Peso)

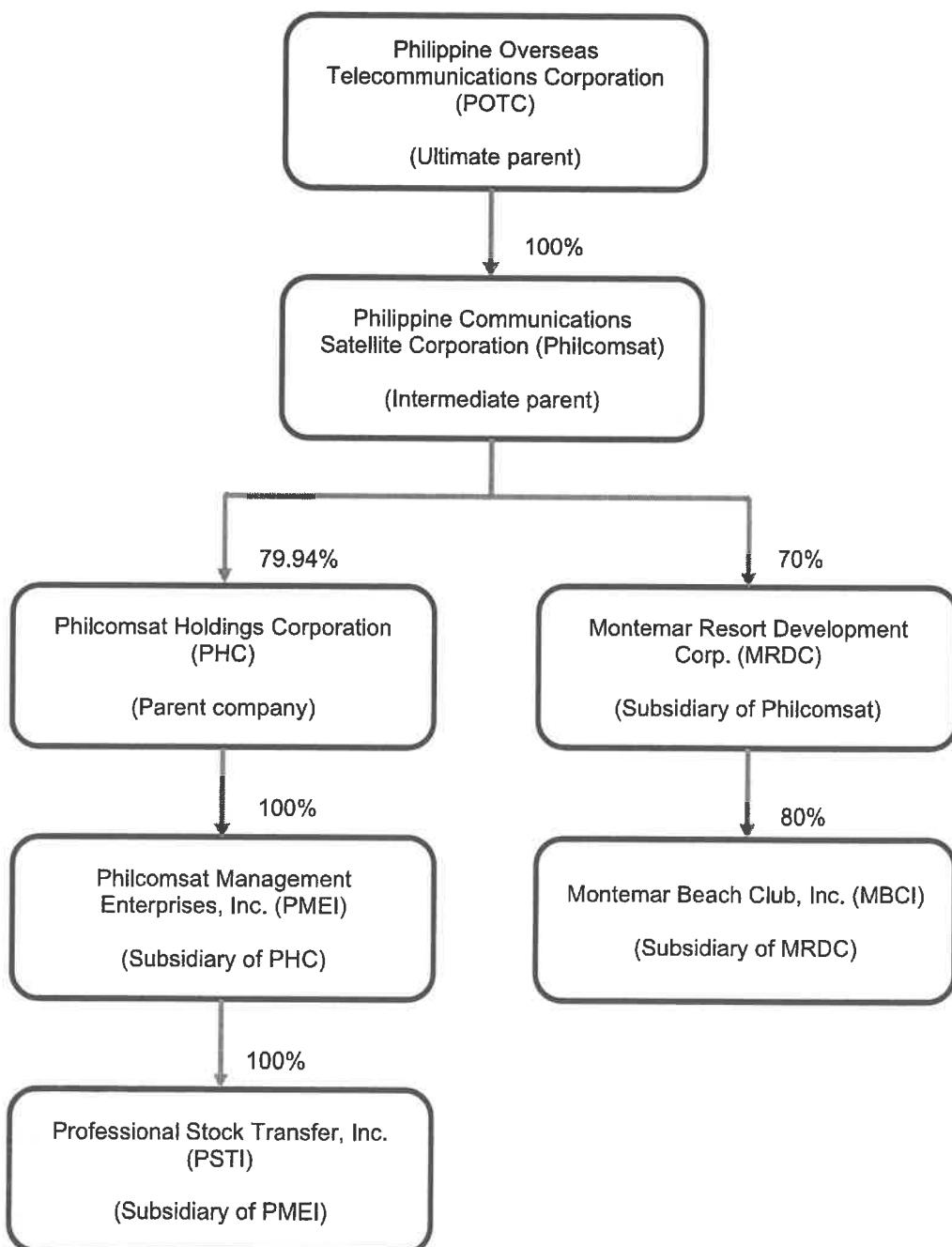
<b>Unappropriated retained earnings, available for dividend distribution, beginning of the year</b>	473,311,174
<b>Add: Net income actually earned/realized during the year</b>	
Income based on the face of the audited separate financial statements	17,476,896
<b>Less: Non-actual/unrealized income net of tax</b>	
• Equity in net income of associate/joint venture	-
• Unrealized foreign exchange gain - (after tax) except those attributable to Cash and Cash Equivalents	(3,194,665)
• Unrealized actuarial gain	-
• Fair value adjustment (mark-to-market gains)	-
• Fair value adjustment of Investment Property resulting to gain	-
• Adjustment due to deviation from PFRS/GAAP- gain	-
• Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
<b>Add: Non-actual losses</b>	
• Depreciation on revaluation increment (after tax)	-
• Adjustment due to deviation from PFRS/GAAP - loss	-
• Loss on fair value adjustment of investment property (after tax)	-
<b>Net income actually earned during the year</b>	14,282,231
<b>Add (Less):</b>	
• Dividends declarations during the year	-
• Appropriation of retained earnings during the period	-
• Reversals of appropriations	-
• Effects of period adjustments	-
• Treasury shares	-
<b>Unappropriated retained earnings, available for dividend distribution, ending</b>	487,593,405

**Philcomsat Holdings Corporation and Subsidiaries**  
 (A subsidiary of Philippine Communications Satellite Corporation)  
 12th Floor, Telecom Plaza Building  
 316 Sen. Gil Puyat Ave., Makati City

Ratio	Formula	2021	2020
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	46.52:1 P496,575,058 P10,674,050	55.77: 1 P465,055,558 P8,338,314
Acid test ratio	$\frac{\text{Current assets} - \text{inventory} - \text{prepayments}}{\text{Current liabilities}}$	46.51:1 P496,454,543 P10,674,050	55.72: 1 P464,631,938 P8,338,314
Solvency ratio	$\frac{\text{Net income before depreciation and amortization}}{\text{Total liabilities}}$	0.72:1 P21,920,396 P30,620,706	0.75: 1 P20,348,487 P27,232,314
Debt-to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	0.02: 1 P30,620,706 P1,511,572,689	0.02: 1 P27,232,314 P1,473,198,190
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	1.02:1 P1,542,193,395 P1,511,572,689	1.02:1 P1,500,430,504 P1,473,198,190
Interest rate coverage ratio	$\frac{\text{Operating EBITDA}}{\text{Net interest}}$	Not applicable	Not applicable
Return on equity	$\frac{\text{Net income}}{\text{Average total equity}}$	1% P20,206,849 P1,492,385,440	1% P18,816,447 P1,462,800,099
Return on asset	$\frac{\text{Net income}}{\text{Average total assets}}$	4 % P20,206,849 P480,815,308	2% P18,816,447 P972,093,739
Net profit margin	$\frac{\text{Net income}}{\text{Total revenue}}$	35% P20,206,849 P57,280,800	35% P18,816,447 P54,260,872

**Philcomsat Holdings Corporation and Subsidiaries**  
(A subsidiary of Philippine Communications Satellite Corporation)

Map showing the relationships between and among the companies in the group,  
its ultimate parent company and co-subsidiaries  
December 31, 2021



**COVER SHEET**  
for  
**AUDITED FINANCIAL STATEMENTS**

**ANNEX "B-2"**

SEC Registration Number

1	1	1	6	3							
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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																	

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

1	2	/	F	T	E	L	E	C	O	M	P	L	A	Z	A	,				
3	1	6	S	E	N	G	I	L	P	U	Y	A	T	A	V	E	N	U	E	,
M	A	K	A	T	I	C	I	T	Y											

Form Type

A	F	S	
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Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, if Applicable

	N	A	
--	---	---	--

**COMPANY INFORMATION**

Company's Email Address

inquiry@phc.com.ph

Company's Telephone Number/s

(632) 8816-2517

Mobile Number

-

No. of Stockholders

1,175

Annual Meeting (Month/Day)

3<sup>rd</sup> Monday of November

Fiscal Year (Month/Day)

12/31

**CONTACT PERSON INFORMATION**

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

Name of Contact Person

Ms. Erlinda I. Bildner

Email Address

-

Telephone Number/s

(02) 8815-8406

Mobile Number

-

**CONTACT PERSON's ADDRESS**

12/F Telecom Plaza, 316 Sen Gil Puyat Avenue, Makati City

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

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



APR 18 2022



# PHILCOMSAT HOLDINGS CORPORATION

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

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Philcomsat Holdings Corporation (the Parent Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Isla Lipana & Co., the independent auditor, appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

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

**KATRINA C. PONCE-ENRILE**  
President

**ERLINDA I. BILDNER**  
Treasurer

April 16, 2022



1 APR 18 2022

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2022 in  
Makati City, affiants exhibiting to me the following :

<u>Name</u>	<u>Government ID No.</u>	<u>Place/Date of Issue</u>
Santiago J. Ranada	PP No. P0274808B	DFA NCR East / 17 January 2019
Katrina C. Ponce Enrile	PP No. P5615337A	DFA Manila / 15 January 2018
Erlinda I. Bildner	Senior Citizen ID No.49633	Makati City / 20 September 2019

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Page No. 20  
Book No. 05  
Series of 2022

**ATTY. HOPERT N. LLUZ**  
NOTARY PUBLIC  
Until December 31, 2023  
Aptt No M-048, Makati City  
IBF #152106 for 2022 - RSM  
S C Roll No 59507  
PTR #8848837, Jan 03, 2022-Makati  
MCLE Compliance No VII-00014484  
Issued on 06-24-2021, Valid until 04-14-2025  
Unit 301 3rd Flr. Campos Rueda Bldg  
101 Urban Ave., Brgy. Pio del Pilar, Makati City

**Independent Auditor's Report**

To the Board of Directors and Shareholders of  
**Philcomsat Holdings Corporation**  
 (A subsidiary of Philippine Communications Satellite Corporation)  
 12th Floor, Telecom Plaza Building  
 316 Sen. Gil Puyat Ave., Makati City

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

***Our Opinion***

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of Philcomsat Holdings Corporation (the "Company") as at December 31, 2021, and its financial performance and its cash flows for the year then ended, in accordance with Philippine Financial Reporting Standards (PFRS).

***What we have audited***

The financial statements of the Company comprise:

- the separate statement of financial position as at December 31, 2021;
- the separate statement of total comprehensive income for the year ended December 31, 2021;
- the separate statement of changes in equity for the year ended December 31, 2021;
- the separate statement of cash flows for the year ended December 31, 2021; and
- the notes to the separate financial statements, which include a summary of significant accounting policies.

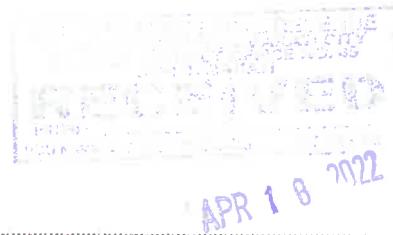
***Basis for Opinion***

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Independence***

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.



Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
 T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, [www.pwc.com/ph](http://www.pwc.com/ph)

Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Philcomsat Holdings Corporation  
(A subsidiary of Philippine Communications Satellite Corporation)  
Page 2

***Other Matter***

The separate financial statements of the Company as at and for the year ended December 31, 2020 were audited by another auditor whose report, dated April 12, 2021, expressed an unqualified opinion on these statements.

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

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

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

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

***Auditor's Responsibilities for the Audit of the Separate Financial Statements***

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

**Independent Auditor's Report**  
To the Board of Directors and Shareholders of  
Philcomsat Holdings Corporation  
(A subsidiary of Philippine Communications Satellite Corporation)  
Page 3

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Philcomsat Holdings Corporation  
(A subsidiary of Philippine Communications Satellite Corporation)  
Page 4

**Report on the Bureau of Internal Revenue Requirement**

Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 21 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic separate financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Isla Lipana & Co.**



Carlos Federico C. de Guzman  
Partner  
CPA Cert. No. 110973

P.T.R. No. 0011285, issued on January 6, 2022, Makati City  
SEC A.N. (individual) as general auditors 110973-SEC, Category A;  
valid to audit 2021 to 2025 financial statements  
SEC A.N. (firm) as general auditors 0142-SEC, Category A;  
valid to audit 2020 to 2024 financial statements  
TIN 229-481-265  
BIR A.N. 08-000745-141-2020, issued on November 4, 2020; effective until November 3, 2023  
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City  
April 18, 2022

Statement required by Rule 68  
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of  
**Philcomsat Holdings Corporation**  
(A subsidiary of Philippine Communications Satellite Corporation)  
12th Floor, Telecom Plaza Building  
316 Sen. Gil Puyat Ave., Makati City

We have audited the separate financial statements of Philcomsat Holdings Corporation (the "Company") as at and for the year ended December 31, 2021, on which we have rendered the attached report dated April 18, 2022.

In compliance with SRC Rule 68 and based on the certification received from the Company's corporate secretary and the results of our work done, the Company has 1,152 shareholders owning one hundred (100) or more shares each as at December 31, 2021.

**Isla Lipana & Co.**



Carlos Federico C. de Guzman

Partner

CPA Cert. No. 110973

P.T.R. No. 0011285, issued on January 6, 2022, Makati City

SEC A.N. (individual) as general auditors 110973-SEC, Category A;

valid to audit 2021 to 2025 financial statements

SEC A.N. (firm) as general auditors 0142-SEC, Category A;

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Makati City  
April 18, 2022

Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
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**Philcomsat Holdings Corporation**  
 (A subsidiary of Philippine Communications Satellite Corporation)

Separate Statement of Financial Position  
 As at December 31, 2021  
 (With comparative figures as at December 31, 2020)  
 (All amounts in Philippine Peso)

	Notes	2021	2020
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and cash equivalents	2	111,242,858	198,697,217
Receivables - current	3	169,939,623	225,200,278
Due from related parties	14	185,308,588	13,973,896
Other current assets		87,250	176,117
Total current assets		466,578,319	438,047,508
<b>Non-current assets</b>			
Financial assets at fair value through other comprehensive income (FVOCI)	5	1,026,598,357	1,018,865,149
Investment in a subsidiary	6	25,000,000	25,000,000
Receivables - non-current	3	8,000,000	8,000,000
Right-of-use (ROU) asset, net	9	1,335,788	-
Property and equipment, net	7	2,030	14,208
Other non-current assets	4	2,358,968	1,540,664
Total non-current assets		1,063,295,143	1,053,420,021
<b>Total assets</b>		1,529,873,462	1,491,467,529
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities</b>			
Trade and other payables	8	4,619,670	4,036,004
Lease liability	9	1,379,055	-
Total current liabilities		5,998,725	4,036,004
<b>Non-current liabilities</b>			
Deferred income tax liability	13	798,666	-
Deposit for future stock subscription	14	18,894,000	18,894,000
Total non-current liabilities		19,692,666	18,894,000
<b>Total liabilities</b>		25,691,391	22,930,004
<b>Equity</b>			
Share capital	10	996,391,254	996,391,254
Retained earnings		484,968,788	473,311,174
Other equity reserves	5	22,822,029	(1,164,903)
<b>Total equity</b>		1,504,182,071	1,468,537,525
<b>Total liabilities and equity</b>		1,529,873,462	1,491,467,529

The notes on pages 1 to 38 are integral part of these financial statements.

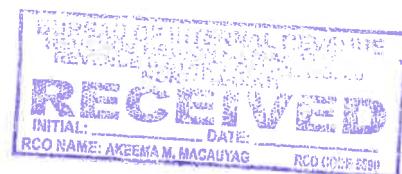
APR 18 2022

**Philcomsat Holdings Corporation**  
 (A subsidiary of Philippine Communications Satellite Corporation)

Separate Statement of Total Comprehensive Income  
 For the year ended December 31, 2021  
 (With comparative figures for the year ended December 31, 2020)  
 (All amounts in Philippine Peso, except earnings per share)

	Notes	2021	2020
<b>Income</b>	11	47,431,149	46,892,734
<b>Operating expenses</b>	12	(31,885,371)	(28,876,431)
<b>Other income, net</b>			
Realized gain (loss) on sale of debt instruments measured at FVOCI	5	(349,065)	2,940,907
Unrealized foreign exchange gain (loss), net	5	3,194,665	(3,216,279)
<b>Finance costs</b>	9	(33,884)	(45,922)
<b>Profit before income tax</b>		18,357,494	17,695,009
<b>Income tax expense</b>	13	(880,598)	(127,839)
<b>Profit for the year</b>		17,476,896	17,567,170
<b>Other comprehensive income for the year</b>			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Fair value gain (loss) on debt instruments at FVOCI	5	(6,692,967)	11,348,642
<i>Item that will not be subsequently reclassified to profit or loss</i>			
Fair value (loss) gain on equity instruments at FVOCI, net of tax	5	24,511,552	(6,428,000)
		17,818,585	4,920,642
<b>Total comprehensive income for the year</b>		35,295,481	22,487,812
<b>Earnings per share (basic and diluted)</b>	15	0.0175	0.0176

The notes on pages 1 to 38 are integral part of these financial statements.



1 APR 18 2022

**Philcomsat Holdings Corporation**  
 (A subsidiary of Philippine Communications Satellite Corporation)

Separate Statement of Changes in Equity  
 For the year ended December 31, 2021  
 (With comparative figures for the year ended December 31, 2020)  
 (All amounts in Philippine Peso)

	Share capital (Notes 10)	Retained earnings	Other equity reserves (Notes 5)	Total equity
<b>Balances at January 1, 2020</b>	996,391,254	454,219,712	(1,620,346)	1,448,990,620
<b>Comprehensive income for the year</b>				
Profit for the year	-	17,567,170	-	17,567,170
Other comprehensive income for the year	-	-	4,920,642	4,920,642
<b>Total comprehensive income for the year</b>	-	17,567,170	4,920,642	22,487,812
Transfer of gain on disposal of equity instruments at fair value through other comprehensive income (FVOCI)	-	1,524,292	(1,524,292)	-
Reclassification of cumulative fair value changes of debt instruments measured at FVOCI sold to profit or loss	-	-	(2,940,907)	(2,940,907)
<b>Balances at December 31, 2020</b>	996,391,254	473,311,174	(1,164,903)	1,468,537,525
<b>Comprehensive income for the year</b>				
Profit for the year	-	17,476,896	-	17,476,896
Other comprehensive income for the year	-	-	17,818,585	17,818,585
<b>Total comprehensive income for the year</b>	-	17,476,896	17,818,585	35,295,481
Transfer of loss on disposal of equity instruments at fair value through other comprehensive income (FVOCI)	-	(5,819,282)	5,819,282	-
Reclassification of cumulative fair value changes of debt instruments measured at FVOCI sold to profit or loss	-	-	349,065	349,065
<b>Balances at December 31, 2021</b>	996,391,254	484,968,788	22,822,029	1,504,182,071

The notes on pages 1 to 38 are integral part of these financial statements.

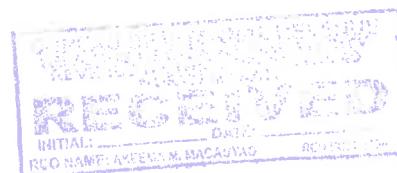


**Philcomsat Holdings Corporation**  
 (A subsidiary of Philippine Communications Satellite Corporation)

Separate Statement of Cash Flows  
 For the year ended December 31, 2021  
 (With comparative figures for the year ended December 31, 2020)  
 (All amounts in Philippine Peso)

	Notes	2021	2020
<b>Cash flows from operating activities</b>			
Profit before income tax		18,357,494	17,695,009
Adjustments for:			
Amortization of ROU asset	9	1,335,788	1,154,506
Depreciation expense	7	12,178	55,627
Interest expense	9	33,884	45,922
Unrealized foreign exchange (gain) loss	5	(3,194,665)	3,216,279
Realized loss (gain) on sale of debt instruments measured at FVOCI	5	349,065	(2,940,907)
Operating profit before changes in assets and liabilities		16,893,744	19,226,436
Decrease (increase) in:			
Receivables	3	56,770,653	(475,030)
Due from related parties	13	(171,334,692)	(79,580)
Other current assets	4	88,867	(252,456)
Other non-current assets		(602,091)	-
Increase in:			
Trade and other payables	8	583,666	2,144,708
Cash (used in) generated from operations		(97,599,853)	20,564,078
Acquisitions of:			
Financial assets at FVOCI	5	(281,309,746)	(420,412,719)
Proceeds from redemption and maturity of:			
Financial assets at FVOCI	5	289,885,124	399,737,129
Income taxes paid		(298,146)	(248,241)
Net cash used in operating activities		(89,322,621)	(359,753)
<b>Cash flows from financing activities</b>			
Payments of:			
Lease liability	9	(1,292,521)	(1,217,321)
Interest expense on lease liability	9	(33,884)	(45,922)
Net cash used in financing activities		(1,326,405)	(1,263,243)
Net decrease in cash		(90,649,026)	(1,622,996)
<b>Cash and cash equivalents at beginning of year</b>		198,697,217	203,536,493
Effects of foreign exchange rate changes		3,194,667	(3,216,280)
<b>Cash and cash equivalents at end of year</b>	2	111,242,858	198,697,217

The notes on pages 1 to 38 are integral part of these financial statements.



1 APR 18 2022

**Philcomsat Holdings Corporation**  
(A subsidiary of Philippine Communications Satellite Corporation)

Notes to the Financial Statements

As at and for the year ended December 31, 2021

(With comparative figures as at and for the year ended December 31, 2020)

(All amounts are shown in Philippine Peso, unless otherwise stated)

**Note 1 - General information**

**1.1 Corporate information**

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

On July 23, 1997, the SEC approved the amended Articles of Incorporation of the Company consisting of: a) change in its primary purpose from an exploration and mining company to a holding company and revision of its secondary purpose clauses; and b) change of the corporate name from Liberty Mines, Inc. to Philcomsat Holdings Corporation.

The Company is 79.94% owned by Philippine Communications Satellite Corporation (Philcomsat), a company incorporated in the Philippines. The ultimate parent company is Philippine Overseas Telecommunications Corporation (POTC), a company also incorporated in the Philippines. Philcomsat and POTC are both engaged in the telecommunications business.

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

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

On May 9, 2006, the SEC approved the extension of corporate life for another fifty (50) years. On May 23, 2016, the Company's Board of Directors (BOD) confirmed and ratified its previous resolution increasing the authorized capital stock of the Company from P1.0 billion, divided into 1,000,000,000 shares with par value of P1 per share, to P30 billion, divided into 3,000,000,000 shares with par value of P1 per share. As at each report date, the resolution is awaiting ratification by the stockholders and pending application with SEC.

**1.2 Listing of shares in Philippine Stock Exchange (PSE)**

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

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

On April 1, 2014, the Company, through its legal counsel, submitted to the SEC three (3) letter request for the lifting of the order of suspension and for a compromise payment of the penalties. The SEC, on December 29, 2015, lifted the order of suspension and directed the Company to file an updated Registration Statement. As at the date of report, the Company is still in the process of updating its Registration Statement.

### **1.3 Impact of Coronavirus of 2019 (COVID-19) update**

COVID19 persisted in 2020 and 2021, and continued to severely impact the country's economy as lockdowns were extended due to rising infections. The government strictly implemented anti-COVID19 measures and deployed the much-awaited vaccines as supplies arrived; these resulted in the decrease of daily infections which was a signal for businesses to restart operations and revive local economic activity during the remaining months of the year.

As the Company derives its income from money market placements, bank deposits and other financial instruments. The Company continuously monitored the investee-companies' performances in light of the adverse effects of lockdowns on the country . The Company maintained its portfolio of investments in prime issues and invested in certain new bonds offered during the year as well as in initial public offering of common and preferred shares.

### **1.4 Approval of the separate financial statements**

The separate financial statements of the Company were approved and authorized for issue by the BOD on April 16, 2022.

#### **Note 2 - Cash and cash equivalents**

Cash and cash equivalents as at December 31 consist of:

	2021	2020
Cash on hand	4,485	10,000
Cash in banks	55,093,521	37,726,710
Cash equivalents	56,144,852	160,960,507
	<b>111,242,858</b>	<b>198,697,217</b>

Cash in banks earn interest at prevailing bank deposit rates.

Cash equivalents are short-term money market placements, special savings and time deposits with maturity dates of less than three (3) months from initial acquisition or deposit.

Interest income earned from cash and cash equivalents for the year ended December 31, 2021 amounted to P730,477 (2020 - P2,550,684).

#### **Note 3 - Receivables**

Receivables as at December 31 consist of:

	Note	2021	2020
Notes and loans receivable			
Promissory notes issued by various financial institutions		68,000,000	132,267,379
Corporate notes	14	94,432,110	95,464,269
Interest receivable		13,972,998	5,440,539
Dividend receivable		24,515	28,091
Others		1,510,000	-
		<b>177,939,623</b>	<b>233,200,278</b>
Less: Non-current portion or promissory notes		(8,000,000)	(8,000,000)
Current portion of receivables		169,939,623	225,200,278

## Notes and loans receivable

### *Corporate notes*

Unsecured corporate notes outstanding as at December 31, 2021 and 2020 pertain to short-term corporate promissory notes issued by various entities, with terms of thirty-five days up to one year and earn interest ranging from 5.5% to 11.0% per annum.

### *Promissory notes issued by financial institutions*

As at December 31, 2021 and 2020, unsecured promissory notes amounting to P8 million are issued by various financial institutions with terms ranging from two to ten years and earn interest ranging from 4% to 7% per annum. This is classified as non-current receivables in the statements of financial position.

Interest income earned from corporate notes and promissory notes issued by various financial institutions amounted to P13.8 million in 2021 (2020 - P11.5 million) (Note 11).

For the year ended December 31, 2020, interest receivable amounting to P1.7 million was converted to principal amount of promissory notes receivable. This transaction is considered as a non-cash investing activity in the statements of cash flows.

As at December 31, 2021 and 2020, all outstanding amount of receivables are collectible in cash, interest bearing and unguaranteed.

### *Critical accounting estimate: Provision for impairment of receivables*

Provision for impairment of receivables is maintained at a level considered adequate to provide for uncollectible receivables. Expected credit losses (ECL) on receivables are unbiased probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions.

The Company has used relevant historical information and loss experience to determine the probability of default of the receivables and incorporated forward-looking information, including significant changes in external market indicators which involved significant estimates and judgements.

Management believes, based on its assessment that the carrying amount of receivables is recoverable.

### **Note 4 - Other non-current assets**

Other non-current assets as at December 31 consist of:

	2021	2020
Creditable withholding tax (CWT)	957,488	741,274
Input value-added tax (VAT)	1,401,481	799,390
	2,358,969	1,540,664

### *Critical accounting judgement: Recoverability of CWT and input VAT*

The Company reviews at each reporting date whether there is any objective evidence that the Company's CWT and input VAT is impaired. In making this judgment, the Company evaluates its revenues and taxable income forecasts against which the CWT and input VAT can be applied. Management believes that the carrying amount of input VAT as at each reporting period will be utilized and can be applied against output VAT payable arising from other income.

CWT is recognized to the extent that it is probable that future tax liabilities will be available against which tax credits can be utilized. Determining the realizability of creditable withholding taxes requires the assessment of the availability of taxable profit expected to be generated from the operations which effectively drives the tax liabilities against which such creditable taxes can be applied. Management believes that the carrying amount of CWT as at each reporting date is recoverable.

#### **Note 5 - Financial assets at FVOCI**

Financial assets at FVOCI as at December 31 consist of:

	2021	2020
<b>Investments in:</b>		
Quoted bonds	647,466,219	669,389,023
Quoted shares of stocks	262,588,257	239,241,502
Unit investment trust funds (UITF)	111,143,881	104,934,624
Club memberships	5,400,000	5,300,000
	<b>1,026,598,357</b>	<b>1,018,865,149</b>

Movements of financial assets at FVOCI for the years ended December 31 are as follows:

	Cost	Fair value reserve	Carrying value
<b>At January 1, 2020</b>	994,889,263	(1,620,346)	993,268,917
Acquisitions of FVOCI	420,412,719	-	420,412,719
Disposals of FVOCI	(395,271,930)	(4,465,199)	(399,737,129)
Unrealized gain credited to OCI	-	4,920,642	4,920,642
<b>At December 31, 2020</b>	1,020,030,052	(1,164,903)	1,018,865,149
Acquisitions of FVOCI	281,309,746	-	281,309,746
Disposals of FVOCI	(297,563,470)	6,168,347	(291,395,123)
Unrealized gain credited to OCI	-	17,818,585	17,818,585
<b>At December 31, 2021</b>	1,003,776,328	22,822,029	1,026,598,357

The movements in fair value reserve on FVOCI included in the statements of financial position in equity for the years ended December 31 are as follows:

	2021	2020
Beginning balance	(1,164,903)	(1,620,346)
Unrealized gain credited to OCI, net	17,818,585	4,920,642
Transfer of loss (gain) from OCI to profit or loss on disposal of debt instruments at FVOCI	349,065	(2,940,907)
Transfer from other reserves directly to retained earnings of loss (gain) on disposal of equity instruments at FVOCI	5,819,282	(1,524,292)
<b>Ending balance</b>	<b>22,822,029</b>	<b>(1,164,903)</b>

Interest income earned from financial assets at FVOCI amounted to P25.2 million in 2021 (2020 - P26.3 million) (Note 11).

Dividend income earned from financial assets at FVOCI amounted to P7.7 million in 2021 (2020 - P6.5 million) (Note 11).

For the year ended December 31, 2021, realized loss on sale of debt instruments at FVOCI recognized directly to profit or loss amounted to P349,065 (2020 - P2,940,907 gain).

For the year ended December 31, 2021, realized loss on sale of equity instruments at FVOCI recognized directly to retained earnings amounted to P5,819,282 (2020 - P1,524,292 gain).

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

**Critical accounting estimate: Fair value of financial instruments**

Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models that primarily uses as inputs market-based or independently sourced market parameters. The Company's financial assets at FVOCI as at December 31, 2021 and 2020 comprise primarily of equity and debt securities traded in the Philippine Stock Exchange (PSE) which has an active market, wherein securities are traded or can be bought and sold.

The sensitivity analysis on the reasonable possible changes in market prices of the Company's securities is disclosed in Note 20.

**Note 6 - Investment in a subsidiary**

Investment in a subsidiary as at December 31, 2021 and 2020 represent 100% equity shares in Philcomsat Management Enterprises, Inc. (PMEI) with a total investment cost of P25,000,000. There are no movements in investment in subsidiary for the years ended December 31, 2021 and 2020.

PMEI is engaged in providing business management services, business conceptualization, and allied services, including acquiring, holding and operating businesses.

There are no guarantees extended by the Company to the subsidiary.

**Critical accounting judgement: Recoverability of investment in a subsidiary**

The Company's investment in subsidiary is carried at cost. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those assessment and judgment could have a significant effect on the carrying value of investment in a subsidiary and the amount and timing of recorded provision for any period. Management believes that there are no other events or changes in circumstances indicating that the carrying amounts of the investments in a subsidiary as at each reporting dates may not be recoverable.

### Note 7 - Property and equipment, net

Property and equipment, net as at December 31 consist of:

	Transportation equipment	Furniture and fixtures	Office equipment	Total
<b>At January 1, 2020</b>				
Cost	5,011,638	3,486,626	508,030	9,006,294
Accumulated depreciation	(4,985,251)	(3,486,626)	(464,582)	(8,936,459)
<b>Net carrying value</b>	<b>26,387</b>	-	<b>43,448</b>	<b>69,835</b>
<b>Year ended December 31, 2020</b>				
Opening net carrying value	26,387	-	43,448	69,835
Depreciation expense	(12,179)	-	(43,448)	(55,627)
<b>Closing net carrying value</b>	<b>14,208</b>	-	-	<b>14,208</b>
<b>At December 31, 2020</b>				
Cost	5,011,638	3,486,626	508,030	9,006,294
Accumulated depreciation	(4,997,430)	(3,486,626)	(508,030)	(8,992,086)
<b>Net carrying value</b>	<b>14,208</b>	-	-	<b>14,208</b>
<b>For the year ended December 31, 2021</b>				
Opening carrying value	14,208	-	-	14,208
Depreciation expense	(12,178)	-	-	(12,178)
<b>Closing net carrying value</b>	<b>2,030</b>	-	-	<b>2,030</b>
<b>At December 31, 2021</b>				
Cost	5,011,638	3,486,626	508,030	9,006,294
Accumulated depreciation	(5,009,608)	(3,486,626)	(508,030)	(9,004,264)
<b>Net carrying value</b>	<b>2,030</b>	-	-	<b>2,030</b>

Depreciation expense from property and equipment is recognized as part of general and administrative expenses (Note 12).

### Note 8 - Trade and other payables

Trade and other payables as at December 31 consist of:

	2021	2020
Trade payables	2,933,912	2,192,687
Customer deposits	1,237,874	1,237,874
Statutory payables	447,884	605,443
	4,619,670	4,036,004

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

Customer deposits pertains to rental deposits received from the lessee of condominium units and parking slots sold in 2018. The Company is expected to refund these deposits to its lessees upon completion of the required documentations.

Statutory payables pertain to expanded withholding taxes.

## **Note 9 - Lease commitments**

### *The Company as a lessee*

The Company has a lease agreement with Philcomsat for its office space for a term of two years subject to renewal under mutual agreement of both parties from January 1, 2019 to December 31, 2020. On January 1, 2021, the lease contract was renewed for another 2 years until December 31, 2022. The annual rent is subject to escalation fee of 5%.

#### *(i) Amounts recognized in the statements of financial position*

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

	Note	2021	2020
Beginning balance		-	1,154,506
Additions		2,671,576	-
Depreciation	12	(1,335,788)	(1,154,506)
Ending balance		1,335,788	-

Details of ROU asset as at December 31 are as follows.

	2021	2020
Cost	3,826,082	1,154,506
Accumulated depreciation	(2,490,294)	(1,154,506)
	1,335,788	-

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

	2021	2020
Beginning balance	-	1,217,321
Additions	2,671,576	-
Interest expense	33,884	45,922
Payments	(1,326,405)	(1,263,243)
Ending balance	1,379,055	-

Total cash outflows for the payment of lease liability for the year ended December 31, 2021 amounted to P1,326,405 (2020 - P1,263,243).

Future minimum lease payments under lease liabilities and the net present value of the minimum lease payments as at December 31 follows:

	2021	2020
Not later than one year	1,392,725	-
Less: future finance charges on lease liability	13,670	-
	1,379,055	-

(ii) *Amounts recognized in the statements of total comprehensive income*

The statements of total comprehensive income for the years ended December 31 show the following amounts relating to leases:

	Note	2021	2020
Depreciation on ROU asset	12	1,335,788	1,154,506
Interest on lease liability		33,884	45,922
		1,369,672	1,200,428

*Critical accounting estimate: Determining the incremental borrowing rate*

To determine the incremental borrowing rate, the Company uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received. Where third party financing cannot be obtained, the Company uses the government bond yield, adjusted for the (1) credit spread specific to each entity under the Company and (2) security using the right-of-use asset.

*Critical accounting judgment: Determining the lease term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Company considers the factors below as the most relevant in assessing the options:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

**Note 10 - Equity**

*Share capital*

Details of share capital as at December 31, 2021 and 2020 are as follows:

	Number of shares	Amount
Common shares at P1 par value per share		
Authorized shares	1,000,000,000	1,000,000,000
Subscribed, issued and outstanding shares	996,391,254	996,391,254

Each common share confers upon a common shareholder: a) the right to vote at any shareholders' meeting or on any resolution of the shareholders; and b) the right to distribution of income under such terms and conditions as the BOD may approve. All holders of common shares shall have pre-emptive rights to acquire new shares to be issued by the Company.

### **Note 11 - Income**

Income for the years ended December 31 are as follows:

	Note	2021	2020
Interest income		39,706,612	40,364,519
Dividend income		7,724,537	6,528,215
	5	47,431,149	46,892,734

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

	Notes	2021	2020
Cash and cash equivalents	2	730,477	2,550,684
Receivables	3	13,807,088	11,547,919
Financial assets at FVOCI	5	25,169,047	26,265,916
		39,706,612	40,364,519

### **Note 12 - Operating expenses**

Operating expenses for the years ended December 31 are as follows:

	Notes	2021	2020
Professional fees		11,450,406	10,776,549
Legal fees		6,909,500	784,206
Directors' fees	14	3,144,818	3,945,241
Representation and entertainment		3,058,825	2,336,735
Transportation and travel		2,180,669	1,243,037
Bank charges		1,383,477	1,576,071
Amortization of ROU asset	9	1,335,788	1,154,506
Security services		601,570	-
Advertising		528,006	159,393
Taxes and licenses		278,427	6,178,323
Depreciation	7	12,178	55,627
Others		1,001,707	666,743
		31,885,371	28,876,431

### **Note 13 - Income tax**

On March 26, 2021, Republic Act No.11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprise Act (CREATE), was signed into law. Among the salient provisions of CREATE which are relevant to the Company include the following:

- reduction of corporate income tax (CIT) rate from 30% to 20% applicable to domestic corporations with total net taxable income not exceeding P5,000,000 and with total assets not exceeding P100 million (excluding land on which the business entity's office, plant and equipment are situated);
- reduction of CIT rate from 30% to 25% shall be applicable to all other corporations subject to regular CIT;
- Minimum corporate income tax (MCIT) rate shall also be amended from 2% to 1% for the period beginning July 1, 2020 until June 30, 2023.

*Income tax expense*

The components of income tax benefit as shown in profit or loss for the years ended December 31 are as follows:

	2021	2020
Current	81,932	127,839
Deferred	798,666	-
	<b>880,598</b>	<b>127,839</b>

The reconciliation of the income tax benefit computed at statutory tax rate to provision for income tax as presented in the statements of income are as follows:

	2021	2020
Income tax at statutory rate of 25% (2020 - 30%)	4,589,374	5,308,503
Add (deduct) tax effects of:		
Interest income already subjected to final tax	(7,079,362)	(10,191,766)
Tax expense from net operating loss carryover (NOLCO)	5,189,542	-
Dividend income subject to final tax	(1,931,134)	(1,958,465)
Change in unrecognized deferred income tax (DIT) assets	(804,070)	5,374,309
Non-deductible expenses	747,050	2,477,530
Tax expense from MCIT	113,892	-
Realized loss (gain) on sale of debt instruments measured at FVOCI	87,266	(882,272)
Effects of tax rate changes	(31,960)	-
	<b>880,598</b>	<b>127,839</b>

*Deferred income tax*

Unrecognized DIT assets as at December 31 represent the following:

	2021	2020
NOLCO	12,584,139	8,873,516
MCIT	209,771	127,839
Unrealized foreign exchange loss	-	359,753
	<b>12,793,910</b>	<b>9,361,108</b>

As at December 31, 2021, the Company recognized DIT liability arising from unrealized foreign exchange gain amounting to P798,666 (2020 - nil).

*Net operating loss carryover (NOLCO)*

The Republic Act No. 9337 (the "Act") provided the NOLCO privilege which can be carried over as a deduction for the three succeeding taxable years immediately following the year such loss was incurred.

In 2020, pursuant to Section 4 (bbbb) of Bayanihan II and as implemented under RR 25-2020, the net operating losses of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five consecutive taxable years following the year of such loss.

Details of NOLCO at December 31 are as follows:

Year incurred	Year of expiration	2021	2020
2019	2022	13,289,327	13,289,327
2020	2025	16,289,059	16,289,059
2021	2026	20,758,171	-
<b>Subtotal</b>		<b>50,336,557</b>	<b>29,578,386</b>
<b>Tax rate</b>		<b>25%</b>	<b>30%</b>
<b>Unrecognized DIT asset on NOLCO</b>		<b>12,584,139</b>	<b>8,873,516</b>

#### *MCIT*

Details of unrecognized MCIT as at December 31 are as follows:

Year incurred	Year of expiration	2021	2020
2020	2023	95,879	127,839
2021	2024	113,892	-
		<b>209,771</b>	<b>127,839</b>

Realization of future tax benefit related to DIT assets is dependent on the Company's ability to generate future taxable income during the periods in which these are expected to be recovered. The Company has considered these factors in reaching a conclusion as to the amount of DIT assets recognized as at December 31, 2021 and 2020 and regularly reviews the recoverability of the DIT assets to be recognized.

## **Note 14 - Related party transactions**

The table below summarizes the Company's transactions and balances with its related parties.

The Company has transactions with related parties as follows:

	Terms and conditions	Transactions		Balances	
		2021	2020	Due from (due to)	2021
<b>Notes receivable</b>					
Parent company	Unsecured note, due on demand and bears interest of 5% to 7% per annum.			20,000,000	20,000,000
<i>Principal</i>		-		20,000,000	20,000,000
<i>Interest</i>		644,762	-	528,767	268,494
Entities under common control	Amounts are payable in cash on a gross basis.				
<i>Principal</i>		-		48,805,002	48,805,002
<i>Interest</i>		3,006,589	3,615,241	5,476,716	2,470,127
		3,651,351	23,615,241	74,810,485	71,543,622
<b>Advances</b>					
Parent company	These are advances made by the related party for various project related expenses.				
<i>Principal</i>		171,334,691	-	174,858,278	3,523,586
<i>Interest</i>		4,641,280	-	4,257,275	-
Entities under common control	Amounts are payable in cash on a gross basis. These are unsecured, unguaranteed interest bearing and due on demand.				
<i>Principal</i>		-		10,450,310	10,450,310
<i>Interest</i>		445,485	445,485	817,939	372,455
		176,421,456	445,485	190,383,802	14,346,351
<b>Future stock subscription</b>					
Parent company	As discussed in Note 1.1, the Company's Board of Directors (BOD) confirmed and ratified its previous resolution increasing the authorized capital stock of the Company.				
	Consequently, the Company received P18,894,000 as deposit for future stock subscription.				
	As discussed in Note 1.1, as at each report date, the resolution to increase the Company's authorized capital stock is awaiting ratification by the stockholders and pending application with SEC, hence recorded as deposit for future stock subscription and is presented within non-current liabilities in the statements of financial position.				

	Terms and conditions	Transactions		Balances	
		2021	2020	Due from (due to) 2021	2020
<b>Leases</b>					
Parent company	The Company has a lease agreement with Philcomsat for the rent of its office space located at the 12th Floor, Telecom Plaza Building, 316 Sen. Gil Puyat Ave., Makati City. The lease term is for two years and is renewable under mutual agreement of both parties. Transactions during the year pertains to the total lease payments made during the year.	1,386,559	1,203,088	1,379,055	-
	Amounts are payable in cash on a gross basis. These are unsecured, unguaranteed, non-interest bearing and due on demand.				
<b>Expense recharges</b>					
Entities under common control	These are recharges made by a related party for association dues and utilities taxes paid by the related party on behalf of the Company. These are billed at cost and are charged to general and administrative expenses.	277,296	178,444	-	-
	Amounts are payable in cash on a gross basis. These are unsecured, unguaranteed, non-interest bearing and due on demand.				
<b>Professional fees</b>					
Entity under common control	The Company entered into an agreement with PSTI to avail of their services as stock transfer agent.	180,000	180,000	-	-
	Amounts are payable in cash on a gross basis. These are unsecured, unguaranteed, non-interest bearing and due on demand.				
<b>Key management compensation</b>					
Director's fees	Key management compensation of the Company consists only of directors' fees.	3,144,818	3,945,241	-	-
	The Company does not have amounts receivables from/payables to key management personnel arising from the above agreement as at December 31, 2021 and 2020.				
	The Company does not have any regular employees. The accounting and management services are under the management of Philcomsat, its ultimate parent company.				

### **Note 15 - Earnings per share**

Basic/diluted earnings per share for the years ended December 31 as follows:

	2021	2020
Profit for the year	17,476,896	17,567,170
Weighted average number of shares outstanding	996,391,254	996,391,254
	0.0175	0.0176

### **Note 16 - Civil cases**

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

On July 3, 2013, the SC in GR Nos. 184622, 184712-14, 186066 and 186590 ruled in favor of the Bildner Group and declared the Bildner Group as the legitimate board of directors of the Company.

The July 3, 2013 Decision attained finality on October 23, 2013 when the SC issued a Resolution denying the Motions for Reconsideration filed by the opposing parties. On March 27, 2014, the July 23, 2013 Decision has become final and executory.

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

### **Note 17 - Litigation**

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

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

PHC, through the valid and incumbent directors (Bildner Group) filed a Motion for Issuance of Writ of Execution with the Regional Trial Court (RTC) of Makati Branch 138 as court of origin, following the final resolution of SC declaring the election of Locsin Group as PHC's officers and directors. Accordingly, the SC ordered the Locsin Group to render an accounting and return of funds allegedly received from the Company. An Order granting the Motion was issued on February 20, 2017, resulting to the issuance of the Writ of Execution on February 28, 2017. On January 9, 2018, PHC filed a manifestation for the implementation of the Writ of Execution. On February 9, 2018, an Order was issued directing PHC, within thirty (30) days from receipt, to submit its preferred accounting firm who will conduct the accounting of all funds and other assets received from POTC, PHC and Philcomsat since September 2004. On February 22, 2018, PHC filed its Ex-Parte Manifestation and Motion, in compliance with the said Order.

On July 11, 2018, the Sheriff of the Office of the Clerk of Court of Makati served the Writ of Execution to Manuel Andal, Benito Araneta, Philip Brodett, Enrique Locsin, Concepcion Poblador and Johnny Tan. On June 6, 2019, PHC filed an Ex-Parte Motion to Resolve the pending motion to appoint Virgilio R. Santos as the auditing accounting firm for the execution of the SC Decision dated July 3, 2013 issued in GR Nos. 184622, 184712-14, 186066 and 186590.

There was a status conference held in this case on December 13, 2019 where the Court required the defendants to provide a name of their selected accountant to move forward with the audit. The defendants failed or refused again to comply, so the Court is likely to appoint Philcomsat's proposed accountant, Virgilio R. Santos, to do the audit.

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

Meanwhile, PCGG and Locsin filed a Petition for Review with the Supreme Court (SC) questioning the Decision issued by the CA dated January 30, 2018, which dismissed their Appeal. Philcomsat filed its comment thereto on November 6, 2018. PCGG filed its Reply on February 17, 2020.

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

- Complaint for collection against Araneta and Lokin

On May 26, 2010, a complaint for collection of sum of money and damages, with an application for a Writ of Preliminary Attachment dated May 24, 2010 was filed by the Company against Benito Araneta and Luis Lokin Jr., former directors of the Company for an alleged personal back to back loans with Bankwise procured by Araneta using the Company's funds as collateral, with the help of Lokin, in the amount of P35.3 million.

On February 2, 2017, a Decision was issued finding Araneta and Lokin liable to pay PHC; a) actual damages in the sum of P31.5 million plus legal interest of 6% computed from May 26, 2010, the time of judicial demand until fully paid; b) P200,000 as and by way of exemplary damages; and c) P200,000 as and by way of attorney's fees, plus costs of suit. Araneta and Lokin filed their Notices of Appeal on September 6 and September 8, 2017, respectively. On January 16, 2018, the Court of Appeals (CA) required defendants to file Appellant's Brief within 45 days from receipt thereof. On April 20, 2018 and May 7, 2018, PHC received Lokin and Araneta's Appellant's Briefs, respectively. On June 5, 2018, PHC filed its Appellee's Brief. On September 18, 2018, PHC filed a Compliance submitting proof of service of its Appellee's Brief to defendants in accordance with the CA's Resolution dated July 2, 2018. On April 25, 2019, the CA issued a Decision granting Araneta's appeal. On May 30, 2019, PHC filed its Motion for Reconsideration of the said Decision. On July 11, 2019, Araneta filed his Comment thereto, in accordance with the Resolution dated June 6, 2019 issued by the CA to file the same. On October 24, 2019, the Court of Appeal issued a Resolution denying PHC's Motion for Reconsideration.

On November 26, 2019, PHC elevated the case to the Supreme Court via Petition for Review on Certiorari under Rule 45. On March 9, 2020, Araneta filed his Comment.

- Criminal complaint against Brodett and Bankwise Officers using spurious bank accounts for company's deposits

On May 8, 2008, the Company filed a criminal complaint for estafa for misappropriation of corporate funds against Brodett, a former director of the Company, and certain officers of Bankwise. The complaint alleged that the unauthorized deposits, withdrawals and transfers of the Company's funds in the amount of P66.8 million was processed through spurious bank accounts and involved the co-mingling and transfer of funds between the Company's accounts and certain personal accounts.

On June 14, 2016, an Order was issued allowing Brodett to present his defense only with respect to the P27.0 million and P9.3 million which allegedly came from PHC funds and not in the whole amount of P66.8 million. On July 1, 2016, a Motion for Reconsideration of the said Order was filed by the Private Prosecutor (Parent Company). On August 30, 2016, the Private Prosecutor filed a Reply to Brodett's Comment/Opposition dated August 25, 2016. After the presentation of defense evidence has already been concluded on June 5, 2018, the accused filed their Formal Offer of Evidence, which was partially admitted by the Court on August 28, 2018. On February 21, 2020, the Court promulgated its judgment finding accused Brodett guilty for the crime of theft, sentencing him to the penalty of imprisonment for a minimum period of four (4) years, two (2) months, one (1) day, to a maximum period of sixteen (16) years and 4 months. He was also found civilly liable to pay PHC the amount of P14,235,700, with legal interest of 12% per annum from April 11, 2008 until June 30, 2013 and the total obligation plus 6% legal interest from July 1, 2013 until fully paid. On March 3, 2020, Brodett filed his Motion for Partial Reconsideration of the Decision. On July 1, 2020, PHC filed its Consolidated Comment/Opposition thereto. In ruling Brodett's Motion for Reconsideration, the Court again promulgated the case on December 2, 2020 and affirmed Brodett's conviction. He then filed an appeal on 3 December 2020.

- Criminal complaint against Araneta for non-return of PHC deposits

A criminal complaint for estafa was filed against Araneta for money market placements amounting to P65.0 million which allegedly were not returned to the Company. The case was dismissed on February 9, 2009 for lack of probable cause. The appeal filed on March 4, 2009 is still pending decision with the DOJ as at report date.

- Criminal complaint against Concepcion A. Poblador

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

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

On January 10, 2014, the Company received a Petition for Certiorari filed by Ms. Poblador seeking the reversal of the Resolution directing the filing of an Information for estafa against her for P0.2 million. On August 29, 2014, the two petitions were consolidated.

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

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

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

On June 14, 2019, the CA issued a Decision denying both PHC's and Ms. Poblador's Petitions for Certiorari. On July 5 and 11, 2019, both parties filed their respective Motions for Reconsideration. On July 24, 2019, PHC filed its Comment to Ms. Poblador's Motion for Reconsideration. On August 10, 2020, the CA issued a Resolution denying PHC and Ms. Poblador's Motions for Reconsideration. PHC decided not to pursue the case with the Supreme Court considering that the amount involved is already covered by the advances to affiliates case.

On November 3, 2020, Poblador filed her Petition for Review with the Supreme Court.

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

#### **Note 18 - Critical accounting estimates, assumptions, and judgments**

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*(a) Critical accounting estimates and assumptions*

- Provision of impairment of receivables and due from related parties (Notes 3 and 14)
- Fair value of financial instruments (Note 5)
- Determining the incremental borrowing rate for leases (Note 9)

*(b) Critical accounting judgments in applying the Company's accounting policies*

- Recoverability of due from related parties (Note 18)
- Recoverability of input VAT and tax credits (Note 4)
- Recoverability of investment in a subsidiary (Note 6)

#### **Note 19 - Financial risk management and capital management**

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Financial risk management is carried out by management under the direction of the BOD. Management identifies and evaluates financial risks in close cooperation with the Company's department heads. The BOD reviews and approves policies and procedures covering specific financial risk areas. These policies and procedures enable the Company's management to make strategic and informed decisions with regard to the operations of the Company.

The most important types of risk the Company manages are credit risk, market risk and liquidity risk. Market risk includes foreign exchange, interest and price risks. The Company has no significant financial assets and liabilities that are exposed to foreign exchange and interest risk.

### **Components of financial assets and liabilities**

Details of the Company's financial assets as at December 31 are as follows:

	Notes	2021	2020
<b>Financial assets measured at amortized cost</b>			
Cash and cash equivalents	2	111,242,858	198,687,217
Receivable	2	177,939,623	233,200,278
Due from related parties	14	185,308,588	13,973,896
<b>Financial assets at fair value through other comprehensive income (FVOCI)</b>			
		1,026,598,357	1,018,865,149
		1,501,089,426	1,464,726,540

Other current assets consist of advances subject for liquidation, hence not considered as financial assets.

Other non-current assets consist of CWT and input VAT which not considered as financial assets since they do not arise from contractual arrangements.

Details of the Company's financial liabilities as at December 31 are as follows:

	Notes	2021	2020
<b>Trade payables</b>	8	2,933,912	2,192,687
<b>Lease liabilities</b>	9	1,379,055	-
		4,312,967	2,192,687

Other payables consisting of customer deposits and statutory payables not arising from contractual arrangements are not considered as financial liabilities.

### **Credit risk**

Credit risk refers to the risk that a counterparty will cause a financial loss to the Company by failing to discharge an obligation. Significant changes in the economy that may represent a concentration in the Company's business, could result to losses that are different from those provided for at reporting date.

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

Credit risk arises from cash deposits with banks and financial institutions, as well as credit exposure on receivables and amounts due from a related party.

There is no significant concentration of credit risk, whether through exposure to individual counterparties or specific industry sectors.

As at December 31, the maximum exposure to credit risk for the Company's financial assets are as follows:

	Gross carrying amount	Net carrying amount	Internal credit rating	Basis for recognition of ECL
<i>December 31, 2021</i>				
Cash and cash equivalents	111,242,858	111,242,858	Performing	12-month ECL
Receivable	177,939,623	177,939,623	Performing	12-month ECL
Due from related parties	185,308,588	185,308,588	Performing	12-month ECL
Financial assets at FVOCI	1,026,598,357	1,026,598,357	Performing	Not applicable
	1,501,089,426	1,501,089,426		
<i>December 31, 2020</i>				
Cash and cash equivalents	198,687,217	198,687,217	Performing	12-month ECL
Receivable	233,200,278	233,200,278	Performing	12-month ECL
Due from related parties	13,973,896	13,973,896	Performing	12-month ECL
Financial assets at FVOCI	1,018,865,149	1,018,865,149	Performing	Not applicable
	1,464,726,540	1,464,726,540		

No impairment was recorded related to the financial assets for the years ended December 31, 2021 and 2020.

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

#### *Cash and cash equivalents*

The Company has policies that limit the amount of credit exposure with financial institutions. All of the Company's cash in bank is deposited with a well-capitalized financial institution and reputable universal bank with strong financial standing. While cash in bank is also subject to requirements of PFRS 9, the expected credit loss is deemed immaterial.

#### *Receivables*

The Company has outstanding receivables from corporate notes and its related interest. The Company does not expect significant credit exposure on this receivable considering that these are short-term investments in promissory notes of reputable and listed institutions with good credit rating.

#### *Due from related parties*

Due from related parties arising from advances are collectible after 12 months. Expected credit losses are based on the assumption that repayment of balances outstanding will not be compromised considering these are receivables from entities under common control or parent company with no history of default.

Based on assessment of qualitative and quantitative factors that are indicative of the risk of default, including but not limited to, availability of accessible highly liquid asset and internal and external funding of a related party, Company has assessed that the outstanding balances are exposed to low credit risk. Expected credit losses on these balances have therefore been assessed to be insignificant.

None of the fully performing financial assets have been renegotiated during 2021 and 2020.

#### *Liquidity risk*

The Company manages liquidity risk by maintaining sufficient cash to meet the Company's operational commitment and finance its operation and working capital requirements.

Prudent liquidity risk management implies maintaining sufficient cash, timely collection of receivables and availability of funding through an adequate amount of facilities. The Company aims to maintain flexibility in funding by keeping track of its cash collections from dividends. The Company may also obtain funding from its shareholders, as well from third-party banking institutions, as necessary, to finance its operations and working capital requirements.

All of the Company's financial liabilities as at December 31, 2021 amounting to P4,312,967 (2020 - P2,192,687) which are based on undiscounted cash flows, are due and expected to be paid within 12 months after reporting period.

### ***Market risk***

#### ***Price risk***

The Company is exposed to equity securities price risk because of the Company's investments in financial assets at FVPL and financial assets at FVOCI which consist primarily of investment in listed and traded securities.

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

The Company measures the sensitivity of its investment securities by using PSE index (PSEi) fluctuations. The table below sets forth the impact of changes in PSEi in other comprehensive income in 2021, 2020 and 2019.

	Increase (decrease) in PSEI	Increase (decrease) in other comprehensive income
2021	1%	3,857,296
2020	(16%)	42,122,764
	10%	23,489,183
	(35%)	(84,317,292)

The sensitivity of the equity is the effect of the assumed changes in the PSEi on the net unrealized gain (loss) for the year, based on the adjusted beta rate of equity securities as at December 31, 2021 and 2020.

The reasonable possible changes in the market price of investments were determined based on Company's analysis of the movement in share prices for the next 30 days from the close of the financial year.

#### ***Foreign currency exchange risk***

The Company is exposed to foreign currency exchange risk arising from currency exposures, primarily with respect to the US Dollar. Foreign currency exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency.

The Company's foreign-currency denominated financial instrument consists of cash in banks and cash equivalents totaling US\$89,259 as at December 31, 2021 (2020 - US\$42,448). The Company's exposure to foreign currency risk is insignificant.

### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. As at December 31, 2021, 2020 and 2019, the Company has repriceable financial assets, specifically investments in quoted bonds classified as financial assets at FVOCI. Accordingly, the Company is subject to fair value interest rate risk.

The Company measures the sensitivity of its investment securities by using PHP BVAL reference rate fluctuations. The table below sets forth the impact of changes in PHP BVAL in the Company's other comprehensive income in 2021, 2020 and 2019.

	Increase (decrease) in PHP BVAL	Increase (decrease) in other comprehensive income
2021	6% (40%)	38,673,770 258,702,901
2020	98% (7%)	658,959,070 (47,870,809)

### **Capital risk management**

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders and obtain borrowings from banks or to related party.

The capital that the Company manages is the total equity as shown in the statements of financial position.

The Company is not subject to any externally imposed capital requirements.

### **Fair value estimation**

As at December 31, 2021 and 2020, the carrying amounts of cash and cash equivalents, receivables, due from related parties and due to related parties reasonably approximate their fair values due to the short-term nature of these financial instruments.

The different levels in the fair value hierarchy have been defined in Note 20.4. There were no transfers between Levels 1, 2 and 3 during the year.

### **Note 20 - Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

#### **20.1 Basis of preparation**

These financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The Parent Company has also prepared consolidated financial statements in accordance with PFRS for itself and its subsidiaries (collectively, the “Group”). In the consolidated financial statements, subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations have been fully consolidated. The consolidated financial statements can be obtained from the SEC.

The users of these separate financial statements should read them together with the Group’s consolidated financial statements as at and for the years ended December 31, 2021 and 2020 in order to obtain full information on the financial position, financial performance and cash flows of the Group as a whole.

These financial statements have been prepared under the historical cost convention, except for the financial assets at fair value through other comprehensive income (FVOCI).

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company’s accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are summarized in Note 18.

### **Changes in accounting policies and disclosures**

#### **(a) New and amended standards adopted by the Company**

The Company has applied the following amendment for the first time for the financial year beginning January 1, 2021:

- Amendment to PFRS 16, Leases, COVID-19-related rent concession

Amendment to PFRS 16 amending the standard to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendments are effective for annual periods beginning on or after April 1, 2021.

The amendment has no significant impact to the Company’s financial statements.

#### **(b) New standards, amendments and interpretations not yet adopted**

- PAS 1: Classification of Liabilities as Current or Non-current

Amendments to paragraphs 69 to 76 of PAS 1 were issued to specify the requirements for classifying liabilities as current or non-current. The amendments clarify the following:

- the definition of right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively.

- Amendments to PAS 8 - Definition of Accounting Estimates

Amendments to help entities to distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

The amendments are effective for annual periods beginning on or after January 1, 2023.

- Amendments to PAS 1 - Disclosure of Accounting Policies

Amendments to require disclose its material accounting policy information instead of its significant accounting policies and explanations on how an entity can identify material accounting policy information. The amendments are effective for annual periods beginning on or after January 1, 2023.

- PFRS 9 Financial Instruments - Fees in “10 per cent” Test for Derecognition of Financial Liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- Reference to the Conceptual Framework

Amendments to PFRS 3 are intended to replace a reference to a previous version of the 1989 Conceptual Framework with a reference to the current version of the Conceptual Framework issued in March 2018 without significantly changing its requirements. The guidance is effective as of January 1, 2022, with early adoption permitted.

- Onerous Contracts – cost of fulfilling a contract Standard/Description

This guidance specifies which costs an entity needs to include when assessing whether a contract is onerous or loss-making. It clarifies that the ‘cost of fulfilling’ a contract comprises the costs that relate directly to the contract, which can either be incremental costs to fulfil or an allocation of other costs related directly to fulfilment. The guidance is effective for annual periods beginning on or after January 1, 2022, with early adoption permitted.

- Disclosure of Accounting Policies (Amendments to PFRS 1 and PFRS Practice Statement 2)

The FRSC amended IFRS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is ‘material accounting policy information’ and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the FRSC also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

- Definition of Accounting Estimates (Amendments to PAS 8)

The amendment to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The Company does not expect these amendments to have a significant impact to the Company's financial statements.

There are no other standards, amendments and interpretations which are effective for the financial year beginning January 1, 2021 that are relevant to and have a material impact on the Company's financial statements.

## **20.2 Financial assets**

### *Classification*

The Company classifies its financial assets in the following categories: (a) financial assets at amortized cost, (b) financial assets at fair value through profit or loss (FVPL), and (c) financial assets at fair value through other comprehensive income (FVOCI). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Company only holds financial assets under category (a) during and at the end of each reporting period.

The Company classifies its financial assets as at amortized cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The Company's financial assets at amortized cost comprise of cash and cash equivalents, receivables, and due from a related party.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months at the end of the reporting period.

### *Financial assets at FVPL*

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Fair value gains or losses on investments held for trading net of interest income accrued on these assets, are recognized in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as financial assets at FVPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited. Financial assets may be designated by management on initial recognition as at FVPL, if any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains and losses on them on a different basis; or
- The assets are part of group of financial assets, liabilities or both which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative that would need to be separately recorded.

### *Financial assets at FVOCI*

Financial assets at fair value through other comprehensive income (FVOCI) comprise debt and equity securities which are not held for trading, and which the Company has irrevocably elected at initial recognition to recognize in this category. This is a strategic investment and the Company considers this classification to be more relevant. On disposal of this equity investment, any related balance within the FVOCI reserve is reclassified to retained earnings. The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

As at December 31, 2021 and 2020, investments in shares of stocks of various listed corporations, UITFs, traded bonds and club memberships are designated as financial assets at FVOCI. Details of the Company's financial assets at FVOCI are disclosed in Note 5.

#### *Recognition and measurement*

The Company recognizes a financial asset in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

All financial instruments are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs.

#### *Derecognition*

The basic premise for the derecognition model is to determine whether the asset under consideration for derecognition is:

- an asset in its entirety or
- specifically identified cash flows from an asset (or a group of similar financial assets) or
- a fully proportionate (pro rata) share of the cash flows from an asset (or a group of similar financial assets) or
- a fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a group of similar financial assets)

Once the asset under consideration for derecognition has been determined, an assessment is made as to whether the asset has been transferred, and if so, whether the transfer of that asset is subsequently eligible for derecognition.

An asset is transferred if either the Company has transferred the contractual rights to receive the cash flows, or the Company has retained the contractual rights to receive the cash flows from the asset, but has assumed a contractual obligation to pass those cash flows on under an arrangement that meets the following three conditions:

- the Company has no obligation to pay amounts to the eventual recipient unless it collects equivalent amounts on the original asset;
- the Company is prohibited from selling or pledging the original asset (other than as security to the eventual recipient); and
- the Company has an obligation to remit those cash flows without material delay.

Once the Company has determined that the asset has been transferred, it then determines whether or not it has transferred substantially all of the risks and rewards of ownership of the asset. If substantially all the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been retained, derecognition of the asset is precluded.

If the Company has neither retained nor transferred substantially all of the risks and rewards of the asset, then the Company must assess whether it has relinquished control of the asset or not. If the Company does not control the asset then derecognition is appropriate; however, if the Company has retained control of the asset, then the Company continues to recognize the asset to the extent to which it has a continuing involvement in the asset.

#### *Impairment*

The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Impairment losses are presented as part of cost and expenses in the statement of comprehensive income.

With the exception of purchased or originated credit impaired financial assets, expected credit losses are required to be measured through a loss allowance at an amount equal to:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

##### *(i) Simplified approach*

The Company applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs. As at December 31, 2021 and 2020, the Company has nil trade receivables.

##### *(ii) General approach*

The Company applies the general approach to provide for ECLs on cash in banks, interest receivable, and due from a related party. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 360 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

### *Measurement of ECLs*

The measurement of expected credit losses is a function of the probability of default (PD), loss given default (LGD) (i.e., the magnitude of the loss if there is a default) and the exposure at default (EAD). The assessment of the PD and LGD is based on historical data adjusted by forward-looking information as described above. As for the EAD, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

### *Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the counterparty;
- a breach of contract such as actual default; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

### *Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

### *Derecognition*

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Any gain or loss arising on derecognition is recognized directly in profit or loss.

### *Financial assets at FVOCI*

In the case of equity investments classified as financial assets carried at FVOCI, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. When a decline in the fair value of a financial assets carried at FVOCI has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income is removed directly from equity with no option to recycle to profit or loss. Impairment losses recognized in profit or loss for an investment on equity instrument classified as financial assets at fair value through other comprehensive income are not reversed through profit or loss.

In the case of debt instruments classified as financial assets carried at FVOCI, movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the profit or loss.

## **20.3 Financial liabilities**

### *Classification and presentation*

The Company classifies its financial liabilities in the following categories: (i) financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value) and (ii) financial liabilities at amortized cost. The classification depends on the purpose for which the financial liabilities were incurred. Management determines the classification of its financial liabilities at initial recognition.

The Company did not hold financial liabilities at fair value through profit or loss during and at the end of each reporting period.

The Company's financial liabilities at amortized cost consist mainly of trade payables and other liabilities (excluding customer deposits and statutory payables) and lease liabilities.

### *Initial recognition and subsequent measurement*

The Company's financial liabilities at amortized cost are initially measured at fair value plus transaction costs. Subsequently, these are measured at amortized cost using the effective interest method.

Interest expense on financial liabilities is recognized within finance cost, at gross amount, in the statements of total comprehensive income.

### *Derecognition*

Financial liabilities are derecognized when extinguished, that is, when the obligation specified in a contract is discharged or cancelled or when the obligation expires.

## **20.4 Determination of fair value**

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 measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company use 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.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the Company will not fulfill an obligation.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

For assets that are recognized on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on Company specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

The Company uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Company determines the policies and procedures for recurring fair value measurement, such as investment properties. External valuers are involved for valuation of investment properties. Involvement of external valuers is decided upon annually. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the Company analyze the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Company, in conjunction with its external valuers, also compare the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. This includes a discussion of the major assumptions used in the valuations. For the purpose of fair value disclosures, the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

## **20.5 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

The Company has no offsetting arrangements as at December 31, 2021 and 2020.

## **20.6 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. These are carried in the statement of financial position at face amount or at nominal amount, which approximates its amortized cost using the effective interest method. Cash in banks and temporary cash investments earn interest at the respective bank deposit rates.

## **20.7 Other assets**

Prepaid taxes consist substantially of creditable withholding taxes which are recognized as assets to the extent that it is probable that the benefit will flow to the Company. These are derecognized when there is a legally enforceable right to apply the recognized amounts against related liability with the period prescribed by the relevant tax laws.

Other current assets mainly pertain to input value-added tax (VAT). Input VAT represent taxes imposed on the Company for the acquisition of goods and services. These are stated at face value less any provision for impairment and are utilized when there is a legally enforceable right to offset the recognized amounts against output VAT obligations and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Input VAT are included in current assets, except when utilization and claims against output VAT are expected to be more than 12 months after the reporting date, in which these are classified as non-current assets.

## **20.8 Investment in a subsidiary**

Subsidiary is an entity over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investment in a subsidiary is accounted for at cost less any impairment in the separate financial statements. Dividend income from investment is recognized in profit or loss within other income when the right to receive payment is established.

The carrying amount of investment in subsidiary is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount (Note 16.11).

When the Company ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss.

The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

## **20.9 Investment property**

Investment property is defined as a property, such as land or building, held for the purposes of earning rentals, for capital appreciation or both. This property is not held to be used in production or sale in the ordinary course of business. Investment property is initially measured at acquisition cost. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case, the investment property acquired is measured at the carrying amount of asset given up.

Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value. Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged against current operations in the period in which the costs are incurred.

Depreciation of an investment property (other than land) is computed using the straight-line method over the estimated useful life of the asset. Land is not depreciated.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

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

## **20.10 Property and equipment**

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

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

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

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

The useful lives of each of the property and equipment are estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets. The property and equipment's useful lives and depreciation and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year the item is derecognized.

#### **20.11 Impairment of non-financial assets**

Non-financial assets, mainly property and equipment and investment in a subsidiary, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses, if any, are recognized in profit or loss. Non-financial assets that have been impaired are reviewed for possible reversal of impairment at each reporting period.

#### **20.12 Deposit for future stock subscription**

Deposit for future stock subscription represents advance collection for stocks subscriptions. Deposit for future stock subscriptions is reported as a separate item in the equity section of the statement of financial position if and only if, all of the following elements are present as of end of the reporting period:

- The unissued authorized capital stock of the Company is insufficient to cover the amount of shares indicated in the contract;
- Board of Directors approval of the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- Stockholders approval of said proposed increase; and
- The application for the approval of the proposed increase has been filed with the SEC.

If any or all of the above elements are not present, the deposit for future stocks subscription is recognized as a liability in the statement of financial position. These are included in current liabilities, except when management expects to convert them to equity at least 12 months from the reporting date which are classified as non-current liabilities.

#### **20.13 Trade and other payables**

Trade and other payables are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Company is established. These are recognized initially at fair value plus transaction costs and subsequently measured at amortized cost using effective interest method. Accounts payable and other liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are derecognized when the obligation under the liability is discharged, cancelled or expired.

## **20.14 Equity**

### *Share capital*

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

### *Retained earnings*

Retained earnings pertains to the accumulated profit from operations of the Company which are available for dividend declaration.

### *Earnings per share*

Basic earnings per share is computed by dividing net income over the weighted average number of issued and outstanding common shares during the year.

Diluted earnings per share is computed as if the potential common share or instrument that may entitle the holder to common share were exercised as of the beginning of the year.

### *Other equity reserves*

Other equity reserves pertains to accumulated fair value changes in financial assets through other comprehensive income, net of any realized gains from sale of disposals of debt instruments.

## **20.15 Other income**

### *Dividend income*

Dividend income from a subsidiary is recognized when the right to receive dividend is established usually upon declaration by the BOD.

### *Interest income*

Interest income on bank deposits, which is presented net of final withholding tax, is recognized on a time proportion basis using the effective interest rate method.

### *Rent income*

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

### *Other income*

All other income is recognized when earned or when the right to receive payment is established.

## **20.16 Cost and expenses**

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. These are presented in the statement of total comprehensive income according to function of such costs and expenses.

## 20.17 Leases

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

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

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

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

### The Company as a lessee

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

### ROU asset

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

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

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

### Lease liability

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

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

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

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

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

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

## **20.18 Related party relationships and transactions**

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among entities which are under control with the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

## **20.19 Income taxes**

The income tax expense for the period comprise of current and deferred income tax. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly to equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

DIT is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, DIT is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. DIT is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related DIT asset is realized or the DIT liability is settled.

DIT assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. DIT liabilities are recognized in full for all taxable temporary differences, except to the extent that the DIT liability arises from the initial recognition of goodwill.

DIT assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the DIT assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity and when there is an intention to settle the balances on a net basis.

Deferred income tax assets and liabilities are derecognized when the related temporary differences are realized/settled. No deferred income tax assets were recognized for temporary differences as management believes that it will not generate sufficient taxable profit to allow for the benefits of the deferred income tax assets to be utilized in the future. Management reassess at each reporting period unrecognized deferred tax assets.

## **20.20 Provisions**

Provisions are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and derecognized from the statements of financial position.

## **20.21 Contingencies**

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

## **20.22 Foreign currency transactions and translation**

### *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). These financial statements are prepared in Philippine Peso, which is the Company’s functional and presentation currency.

### *Transactions and balances*

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

## **20.23 Reclassification**

The Company presents a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements if: (a) it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and (b) the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.

In the statement of financial position as at December 31, 2020, reclassified amounts of unutilized input VAT and CWTs from current to non-current amounting to P1,540,664. Impact of such reclassification is considered not material to the separate statement of financial position, hence a third balance sheet is not presented. Also, such reclassification did not impact the statement of total comprehensive income and statement of cash flows for the year ended December 31, 2020.

## **20.24 Subsequent events**

Post year-end events that provide additional information about the Company's position at the financial reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

### **Note 21 - Supplementary information required by the Bureau of Internal Revenue (BIR)**

The following Revenue Regulations 15-2010 information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

#### *Output value-added tax (VAT)*

The amount of output VAT declared for the year ended December 31, 2021 amounted to P238,516 based on receipts amounting to P1,987,636.

The gross revenues on sale of services are based on gross receipts of the Company while gross revenues amounting to P47.3 million presented in the statement of total comprehensive income are measured in accordance with the Company's accounting policy.

#### *Input VAT*

Movements of input VAT for the year ended December 31, 2021 are as follows:

	<b>Gross amount</b>	<b>Input VAT</b>
Beginning of year		799,390
Add: Current year's domestic purchases/payments for:		
Goods other than for resale of manufacture	2,394,617	287,354
Services lodged under other accounts	4,610,442	553,253
Total available input VAT		1,639,997
Less: Applied against output VAT		238,516
		1,401,481

#### *Importations*

The Company did not have any purchases of imported goods subject to custom duties and tariff fees for the year ended December 31, 2021.

*Excise tax*

The Company is not engaged in the manufacture or production of certain specified goods or articles subject to excise tax for domestic sale or consumption or for any other disposition for the year ended December 31, 2021.

*Documentary stamp tax*

The Company has no transactions for the year ended December 31, 2021 requiring payment of documentary stamp tax.

*All other local and national taxes*

All other local and national taxes paid for the year ended December 31, 2021 consist of:

	Amount
PSE annual listing	250,000
Business permit	25,601
Others	2,826
	<b>278,427</b>

*Withholding taxes*

Withholding taxes accrued and paid as at and for the year ended December 31, 2021 consists of:

	Paid	Accrued	Total
Expanded withholding tax	1,277,882	358,278	1,636,160

*Tax assessments*

The Company has not received any Final Assessment Notice from the BIR for the year ended December 31, 2021.

*Tax cases*

The Company does not have any outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside of the BIR as at and for the year ended December 31, 2021.

**Philcomsat Holdings Corporation**  
 (A subsidiary of Philippine Communications Satellite Corporation)  
 12th Floor, Telecom Plaza Building  
 316 Sen. Gil Puyat Ave., Makati City

Reconciliation of Retained Earnings Available for Dividend Declaration  
 For the year ended December 31, 2021  
 (All amounts in Philippine Peso)

<b>Unappropriated retained earnings, available for dividend distribution, beginning of the year</b>	<b>473,311,174</b>
<b>Add: Net income actually earned/realized during the year</b>	
Income based on the face of the audited financial statements	17,476,896
<b>Less: Non-actual/unrealized income net of tax</b>	
• Equity in net income of associate/joint venture	-
• Unrealized foreign exchange gain - (after tax) except those attributable to Cash and Cash Equivalents	(3,194,665)
• Unrealized actuarial gain	-
• Fair value adjustment (mark-to-market gains)	-
• Fair value adjustment of Investment Property resulting to gain	-
• Adjustment due to deviation from PFRS/GAAP- gain	-
• Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
<b>Add: Non-actual losses</b>	
• Depreciation on revaluation increment (after tax)	-
• Adjustment due to deviation from PFRS/GAAP - loss	-
• Loss on fair value adjustment of investment property (after tax)	-
<b>Net income actually earned during the year</b>	<b>14,282,231</b>
<b>Add (Less):</b>	
• Dividends declarations during the year	-
• Appropriation of retained earnings during the period	-
• Reversals of appropriations	-
• Effects of period adjustments	-
• Treasury shares	-
<b>Unappropriated retained earnings, ending</b>	<b>487,593,405</b>

# SUSTAINABILITY REPORT

## Contextual Information

Company Details	
Name of Organization	PHILCOMSAT HOLDINGS CORPORATION
Location of Headquarters	Makati City
Location of Operations	Makati City
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Philcomsat Management Enterprises Inc., Professional Stock Transfer, Inc.
Business Model, including Primary Activities, Brands, Products, and Services	Philcomsat Holdings Corporation (Money Market); Philcomsat Management Enterprises, Inc. (Management Consultancy); Professional Stock Transfer, Inc. (Stock Transfer Services)
Reporting Period	2021
Highest Ranking Person responsible for this report	Erlinda I. Bildner, Chairman, Philcomsat Management Enterprises, Inc., and CFO, Philcomsat Holdings Corporation.

*\*If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

## Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics. <sup>1</sup>
All topics were evaluated to determine whether they remained material or have become less/non-material based on the significance of the organization's economic, environmental, and social impacts, and the substantive influence of such topics on the assessments and decisions of the stakeholders. Topics that were determined as less or non-material remained since these were deemed essential to the organization's developing sustainability management system. All topics are periodically reevaluated to determine materiality and the degree of such materiality.

<sup>1</sup> See [GRI 102-46](#) (2016) for more guidance.

## ECONOMIC

### Economic Performance

#### Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	57,280,800	PhP
Direct economic value distributed:		
a. Operating costs	2,441,360	PhP
b. Employee wages and benefits	1,225,445	PhP
c. Payments to suppliers, other operating costs	34,285,957	PhP
d. Dividends given to stockholders and interest payments to loan providers	40,908	PhP
e. Taxes given to government	382,659	PhP
f. Investments to community (e.g. donations, CSR)	0	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Since the Corporation primarily relies on consultants and part-time workers for its operations rather than hiring full-time employees, expenses for employee wages and benefits account for only 5% of the revenues generated.</i>	Employees	<i>Management assesses on an annual basis the need to engage the services of full-time employees for its operations. Currently, management has determined that there is yet no need for such employees. Once the business reaches a certain level, it is expected that full-time employees will be engaged.</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Management has identified the inadequacy of a succession plan as a risk associated with this topic because of its engagement of consultants and part-time workers rather than hiring full-time employees. Although such workers are able to perform the jobs that they were engaged for, they may not be compelled to remain with the Corporation considering the</i>	Employees	<i>Once the business reaches a certain level, it is expected that full-time employees will be engaged.</i>

<i>lack of security of tenure. Without tenured employees who are familiar with the work performed by such consultants and part-time workers, taking over such works by incoming workers in the event of incapacity may pose a challenge.</i>		
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Management has identified the automation of some business processes as an opportunity associated with this topic.</i>	<i>Employees</i>	<i>Automation of certain processes such as in stock transfer services where reports required by the client can be accessed digitally on a secured network is one of the jobs that Management is considering for automation to minimize man power requirements/hours.</i>

#### Climate-related risks and opportunities<sup>2</sup>

<b>Governance</b>	<b>Strategy</b>	<b>Risk Management</b>	<b>Metrics and Targets</b>
<i>Management of the day-to-day operations of the Corporation and PMEI is the responsibility of the CFO, Ms. Erlinda I. Bildner. While the management of the day-to-day operations of PSTI is the responsibility of Ms. Jeneline Serafica. The Board is apprised of the day-to-day operations at its next meeting.</i>	<i>During the monsoon season when flooding within Metro Manila area occurs, employees not affected are encouraged to come to work with hazard pay, while those that may be affected are either fetched by the Corporation's vehicles or permitted to work from home and are required to submit accomplishment reports.</i>	<i>The Corporation mainly relies on weather reports by the national weather agency.</i>	<i>Employees' work is divided into crucial or non-crucial depending on the time element. It is always the aim of the Corporation to provide crucial work for its clients. In case of sudden work stoppage, crucial work is prioritized over non-crucial, and cruciality is determined by the accomplishment report of each employee.</i>

#### Procurement Practices

##### Proportion of spending on local suppliers

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	100	%

<sup>2</sup> Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Materials are procured on an as needed basis, as such, locally-based suppliers are mainly relied upon based on availability, speed of delivery, and cost.</i>	Suppliers	<i>Management requires that materials used on a regular basis are ordered in advance which gives the procurement officer ample time to canvass and procure such materials at a lower cost.</i> <i>Management assesses which materials are needed on a regular basis.</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Procurement of materials on an as needed basis may not be the most cost-effective method. Further, procurement of materials based on availability means that the suppliers vary and thus, negatively impacts length/stability of relationship with the suppliers.</i>	Suppliers	<i>Management requires that materials used on a regular basis are ordered in advance which gives the procurement officer ample time to canvass and procure such materials at a lower cost.</i> <i>Management assesses which materials are needed on a regular basis.</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>The opportunity identified from this topic is that there is no surplus of materials.</i>	Suppliers	<i>Management requires that materials used on a regular basis are ordered in advance which gives the procurement officer ample time to canvass and procure such materials at a lower cost.</i> <i>Management assesses which materials are needed on a regular basis</i>

## Anti-corruption

### Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%

Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	0	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>The Corporation's anti-corruption policy is in the Code of Conduct of the Philcomsat Group of Companies and disseminated to all employees of the Corporation and its subsidiaries. In its money market and financial instruments operations, the Corporation is approached by several brokers and agents offering various financial instruments with varying terms and rates. These brokers and agents may attempt to influence Management's decision on whether to invest in a certain financial instrument by giving gifts of value, which fortunately, has not occurred.</i>	<i>Stockholders and Suppliers</i>	<i>All investments are decided upon by a committee and then approved by the Board. This eliminates any probable influence that a broker or agent may have on any member of Management. Moreover, the Board has a strict policy of compelling any of its members to disclose if they are in any way associated with an investment recommended to it, and if so, requiring them to recuse themselves from any discussions/decisions pertaining to such investment.</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>The risk of corruption in this topic is the Corporation may not be able to maximize returns on its investments as in lieu of taking an advantage of an opportunity to invest in an instrument that yields higher returns, it may choose to go with preferred financial instruments as a result of the</i>	<i>Stockholders and Suppliers</i>	<i>By putting several layers of approvals before any investment is made, any probable influence that a broker or agent may have on any member of Management is lessened if not totally eliminated. Moreover, the Board has a strict policy of compelling any of its members to disclose if they are in any way associated with an investment recommended to it, and if so, requiring</i>

<i>influence of the latter's brokers or agents.</i>		<i>them to recuse themselves from any discussions/decisions pertaining to such investment.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The Corporation is able to spread its investments with money market placements and financial instruments in various institutions and therefore lessen the risk of loss.</i>	<i>Stockholders and Suppliers</i>	<i>Management requires strict adherence to the policies described above as well as respect for the different levels of approval required before any investment is placed. In this way the Corporation can diversify its portfolio and avoid the risk of financial loss because of poorly placed investments.</i>

### Incidents of Corruption

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>There has been no incident of corruption involving directors, employees, or business partners as everyone in the Corporation is fully aware of the policy against corruption.</i>	<i>Directors, Employees and Business Partners.</i>	<i>Management insists on strict adherence to the policies described above as well as respect for the different levels of approval required before any investment is placed. In this way the Corporation can diversify its portfolio and avoid the risk of financial loss because of poorly placed investments.</i>
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The risk of corruption in this topic is the Corporation may not be able to maximize returns on its</i>	<i>Directors, Employees and Business Partners.</i>	<i>Management insists on strict adherence to the policies described above as well as respect for the different levels of approval</i>

<p><i>investments as in lieu of taking an advantage of an opportunity to invest in an instrument that yields higher returns, it may choose to go with preferred financial instruments as a result of the influence of the latter's brokers or agents.</i></p>		<p><i>required before any investment is placed. In this way the Corporation can diversify its portfolio and avoid the risk of financial loss because of poorly placed investments.</i></p>
<p><b>What are the Opportunity/ies Identified?</b></p> <p><i>The Corporation is able to spread its investments with money market placements and financial instruments in various institutions and therefore lessen the risk of loss.</i></p>	<p><b>Which stakeholders are affected?</b></p> <p><i>Directors, Employees and Business Partners.</i></p>	<p><b>Management Approach</b></p> <p><i>Management insists on strict adherence to the policies described above as well as respect for the different levels of approval required before any investment is placed. In this way the Corporation can diversify its portfolio and avoid the risk of financial loss because of poorly placed investments.</i></p>

## ENVIRONMENT

### Resource Management

#### Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	0	GJ
Energy consumption (gasoline)	44,557	l
Energy consumption (LPG)	0	GJ
Energy consumption (diesel)	0	GJ
Energy consumption (electricity)	28,860	kWh

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p><i>Electricity and gasoline are the main sources of energy consumed by the Corporation and its subsidiaries. The building which houses the Corporation and its subsidiaries have centralized air-conditioning which makes up more than half of its electricity consumption. The building administrator then divides the total electricity bill depending on the area occupied by each occupant and charges them accordingly.</i></p> <p><i>Insofar as gasoline is concerned, as the Corporation and its subsidiaries are involved in the sale of services, the majority of the gasoline consumption and expense is due to attendance in meetings with potential clients and suppliers.</i></p>	<p><i>Community, Directors, Employees, Clients, and Suppliers.</i></p>	<p><i>Since Management is unable to change the system of centralized air conditioning in the building, it tries to reduce electricity consumption by discouraging overtime work and using only half the number of lights between 5pm to 8am. Management also tries to arrange meetings in the office or conduct meetings via teleconferencing to lessen gasoline consumption and expense.</i></p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p><i>Insofar as electricity is concerned, the Corporation and its subsidiaries are unable to install their own air conditioning system which could have provided a solution to lowering electricity consumption.</i></p> <p><i>Insofar as gasoline is concerned,</i></p>	<p><i>Community, Directors, Employees, Clients, and Suppliers.</i></p>	<p><i>Since Management is unable to change the system of centralized air conditioning in the building, it tries to reduce electricity consumption by discouraging overtime work and using only half the number of lights between 5pm to 8am. Management also tries to arrange meetings in the office or conduct</i></p>

<i>lessening the number of leads may result in lost opportunities.</i>		<i>meetings via teleconferencing to lessen gasoline consumption and expense.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The opportunity presented by this impact is that the Corporation and its subsidiaries may try to utilize other means of communicating with potential clients and suppliers, rather than face-to-face meetings. With the ongoing pandemic, more meetings have been conducted using various teleconferencing applications such as zoom.</i>	<i>Community, Directors, Employees, Clients, and Suppliers.</i>	<i>Since Management is unable to change the system of centralized air conditioning in the building, it tries to reduce electricity consumption by discouraging overtime work and using only half the number of lights between 5pm to 8am. Management also tries to arrange meetings in the office or conduct meetings via teleconferencing to lessen gasoline consumption and expense.</i>

#### Water consumption within the organization

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Water withdrawal	0	Cubic meters
Water consumption	94	Cubic meters
Water recycled and reused	0	Cubic meters

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The primary reason for water consumption is toilet usage.</i>	<i>Employees</i>	<i>Management has installed equipment to lessen the number of flushes in the toilets in an effort to reduce water consumption. Regular inspection and maintenance of water pipes are also conducted to ensure that there are no leaks that may contribute to unnecessary water consumption/wastage.</i>
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Management has not identified any risk/s associated with this topic.</i>	<i>None</i>	<i>None</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>

<i>Management has not identified any opportunity/ies associated with this topic.</i>	<i>None</i>	<i>None</i>
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#### Materials used by the organization

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Materials used by weight or volume		
● renewable	0	kg/liters
● non-renewable	0	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	0	%

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Management has not identified any impact associated with this topic.</i>	<i>None</i>	<i>None</i>
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Management has not identified any risk/s associated with this topic.</i>	<i>None</i>	<i>None</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Management has not identified any opportunity/ies associated with this topic.</i>	<i>None</i>	<i>None</i>

#### Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None	
Habitats protected or restored	None	ha
IUCN <sup>3</sup> Red List species and national conservation list species with habitats in areas affected by operations	None	

<sup>3</sup> International Union for Conservation of Nature

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>The Corporation and its subsidiaries only operate from Makati City which is not a protected area or an area with high biodiversity value.</i>	None	<i>Since the Corporation and its subsidiaries do not operate in a protected area or an area with high biodiversity value, there are currently no policies in place associated with this topic. However, if the Corporation moves its operations to/or acquires a subsidiary that operates in such an area, management will ensure that policies and programs are established and implemented for the protection of the environment.</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Management has not identified any risk/s associated with this topic.</i>	None	<i>Since the Corporation and its subsidiaries do not operate in a protected area or an area with high biodiversity value, there are currently no policies in place associated with this topic. However, if the Corporation moves its operations to/or acquires a subsidiary that operates in such an area, management will ensure that policies and programs are established and implemented for the protection of the environment.</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Management has not identified any opportunity/ies associated with this topic.</i>	None	<i>Since the Corporation and its subsidiaries do not operate in a protected area or an area with high biodiversity value, there are currently no policies in place associated with this topic. However, if the Corporation moves its operations to/or acquires a subsidiary that operates in such an area, management will ensure that policies and programs are established and implemented for the protection of the environment.</i>

## Environmental impact management

### Air Emissions

#### GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	0	Tonnes CO <sub>2</sub> e
Energy indirect (Scope 2) GHG Emissions	0	Tonnes CO <sub>2</sub> e
Emissions of ozone-depleting substances (ODS)	0	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>The operations of the Corporation and its subsidiaries do not involve any emission of substances into the air.</i>	None	<i>In the event that the Corporation or its subsidiaries become engaged in activities that involve emission of substances into the air, Management shall establish policies and implement programs for the protection of the environment.</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Management has not identified any risk/s associated with this topic.</i>	None	<i>In the event that the Corporation or its subsidiaries become engaged in activities that involve emission of substances into the air, Management shall establish policies and implement programs for the protection of the environment.</i>

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Management has not identified any opportunity/ies associated with this topic.</i>	None	<i>In the event that the Corporation or its subsidiaries become engaged in activities that involve emission of substances into the air, Management shall establish policies and implement programs for the protection of the environment.</i>

### Air pollutants

Disclosure	Quantity	Units
NO <sub>x</sub>	0	kg
SO <sub>x</sub>	0	kg
Persistent organic pollutants (POPs)	0	kg
Volatile organic compounds (VOCs)	0	kg

Hazardous air pollutants (HAPs)	0	kg
Particulate matter (PM)	0	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>The business operations of the Corporation and its subsidiaries do not require it to emit substances into the air.</i>	None	<i>In the event that the Corporation or its subsidiaries become engaged in activities that involve emission of substances into the air, Management shall establish policies and implement programs for the protection of the environment.</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>The business operations of the Corporation and its subsidiaries do not require it to emit substances into the air, thus Management has not identified any risk associated with this topic.</i>	Nine	<i>In the event that the Corporation or its subsidiaries become engaged in activities that involve emission of substances into the air, Management shall establish policies and implement programs for the protection of the environment.</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>The business operations of the Corporation and its subsidiaries do not require it to emit substances into the air, thus Management has not identified any risk associated with this topic.</i>		<i>In the event that the Corporation or its subsidiaries become engaged in activities that involve emission of substances into the air, Management shall establish policies and implement programs for the protection of the environment.</i>

## Solid and Hazardous Wastes

### Solid Waste

Disclosure	Quantity	Units
Total solid waste generated		kg
Reusable	0	kg
Recyclable	100	kg
Composted	0	kg
Incinerated	0	kg
Residuals/Landfilled	0	kg

What is the impact and where does it occur? What is the	Which stakeholders are affected?	Management Approach
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<b>organization's involvement in the impact?</b>		
<i>Paper is the only solid waste generated by the operations of the Corporation and its subsidiaries.</i>	Community	<i>Except for final reports, Management requires that paper be used on both the front and back pages to eliminate waste. Paper is then segregated from other wastes to facilitate easier recycling.</i>
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Management has not identified any risk/s associated with this topic.</i>	Community	<i>In the event that the Corporation or its subsidiaries become engaged in activities that produce solid and hazardous waste, Management shall establish policies and implement programs for the proper disposal thereof.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Management has not identified any opportunity/ies associated with this topic.</i>	Community	<i>In the event that the Corporation or its subsidiaries become engaged in activities that produce solid and hazardous waste, Management shall establish policies and implement programs for the proper disposal thereof.</i>

#### Hazardous Waste

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Total weight of hazardous waste generated	0	kg
Total weight of hazardous waste transported	0	kg

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The Corporation and its subsidiaries are not engaged in activities or provide services that result in the production of any hazardous waste.</i>	None	<i>In the event that the Corporation or its subsidiaries become engaged in activities that produce hazardous waste, or acquires a subsidiary that offers products or services that may pose a health and safety risk, Management shall establish policies and implement programs for the proper disposal of hazardous waste.</i>

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>The Corporation and its subsidiaries are not engaged in activities or provide services that result in the production of any hazardous waste; thus, Management has not identified any risk/s associated with this topic.</i>	None	<i>In the event that the Corporation or its subsidiaries become engaged in activities that produce hazardous waste, or acquires a subsidiary that offers products or services that may pose a health and safety risk, Management shall establish policies and implement programs for the proper disposal of hazardous waste.</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>The Corporation and its subsidiaries are not engaged in activities or provide services that result in the production of any hazardous waste; thus, Management has not identified any opportunity/ies associated with this topic.</i>	None	<i>In the event that the Corporation or its subsidiaries become engaged in activities that produce hazardous waste, or acquires a subsidiary that offers products or services that may pose a health and safety risk, Management shall establish policies and implement programs for the proper disposal of hazardous waste.</i>

### Effluents

Disclosure	Quantity	Units
Total volume of water discharges	60	Cubic meters
Percent of wastewater recycled	0	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>The building which houses the Corporation and its subsidiaries are shared with other organizations, thus, it would require the collective effort of all the building's occupants to purchase and install equipment to recycle wastewater.</i>	<i>Other building occupants.</i>	<i>Management encourages its employees to recycle water however small by using the excess to water plants since no collective effort has yet been made by the other occupants of the building that houses the Corporation and its subsidiaries to install equipment that will enable recycling of wastewater.</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach

<i>The sole risk is the cost of equipment for recycling wastewater.</i>	<i>Other building occupants.</i>	<i>Management encourages its employees to recycle water however small by using the excess to water plants since no collective effort has yet been made by the other occupants of the building that houses the Corporation and its subsidiaries to install equipment that will enable recycling of wastewater.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The only probable usage for recycled wastewater at the moment is the watering of plants within the building.</i>	<i>Other building occupants.</i>	<i>Management encourages its employees to recycle water however small by using the excess to water plants since no collective effort has yet been made by the other occupants of the building that houses the Corporation and its subsidiaries to install equipment that will enable recycling of wastewater.</i>

## Environmental compliance

### Non-compliance with Environmental Laws and Regulations

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>The Corporation and its subsidiaries are not engaged in any activities or offer services that may affect the environment, thus, there has been no environmental law and/or regulation that could be violated.</i>	<i>None</i>	<i>In the event that the Corporation or its subsidiaries become engaged in activities that will have an impact on the environment, Management shall establish policies and implement programs that will comply with all laws, rules and regulations promulgated for the protection of the environment.</i>
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>

<i>Management has not identified any risk/s associated with this topic since the Corporation and its subsidiaries are not engaged in any activities or offer services that may affect the environment and thus, there has been no environmental law and/or regulation that could be violated.</i>	<i>None</i>	<i>In the event that the Corporation or its subsidiaries become engaged in activities that will have an impact on the environment, Management shall establish policies and implement programs that will comply with all laws, rules and regulations promulgated for the protection of the environment.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Management has not identified any opportunity/ies associated with this topic since the Corporation and its subsidiaries are not engaged in any activities or offer services that may affect the environment and thus, there has been no environmental law and/or regulation that could be violated.</i>	<i>None</i>	<i>In the event that the Corporation or its subsidiaries become engaged in activities that will have an impact on the environment, Management shall establish policies and implement programs that will comply with all laws, rules and regulations promulgated for the protection of the environment.</i>

## SOCIAL

### Employee Management

#### Employee Hiring and Benefits

##### Employee data

Disclosure	Quantity	Units
Total number of employees <sup>4</sup>	19	
a. Number of female employees	11	#
b. Number of male employees	8	#
Attrition rate <sup>5</sup>	0	rate
Ratio of lowest paid employee against minimum wage	1:3:1	ratio

<sup>4</sup> Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

<sup>5</sup> Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

### Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	60	100
PhilHealth	Y	60	100
Pag-ibig	Y	60	100
Parental leaves	Y	60	100
Vacation leaves	Y	60	100
Sick leaves	Y	60	100
Medical benefits (aside from PhilHealth))	Y	80	100
Housing assistance (aside from Pag-ibig)	N	0	0
Retirement fund (aside from SSS)	N	0	0
Further education support	N	0	0
Company stock options	N	0	0
Telecommuting	N	0	0
Flexible-working Hours	N	0	0
(Others)	N	0	0

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Unfortunately, additional benefits to employees are intricately tied with the number of clients that the Corporation and its subsidiaries can engage. However, with tight competition, it proves challenging to get more clients.</i>	<i>Currently, only the onboarding of new clients is incentivized through commissions and referral fees given to the employees. In the event that the revenue stream of the Corporation and its subsidiaries improve, additional benefits may be granted to the employees in addition to those mandated by law.</i>
What are the Risk/s Identified?	Management Approach
<i>High cost of attrition poses a risk due to lack of additional benefits.</i>	<i>Only the onboarding of new clients is incentivized through commissions and referral fees.</i>

What are the Opportunity/ies Identified?	Management Approach
<i>Management has not identified any opportunity/s associated with this topic.</i>	<i>None</i>

### Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	0	hours
b. Male employees	32	hours
Average training hours provided to employees		

a. Female employees	0	hours/employee
b. Male employees	0	hours/employee

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Since there have been no law or regulation issued by the relevant agencies that would affect the operations of the Corporation or its subsidiaries, no seminars or training was provided to the employees.</i>	<i>Directors, officers, and employees are expected and required to apprise themselves of all laws, rules, and regulations affecting their work. Management sponsors seminars or training for its directors, officers, and employees if it deems that such will enhance their ability to perform their duties.</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Each individual engaged by the Corporation performs a unique function in the organization, thus, such individuals may not be able to afford to be absent from work to attend such seminars or training. Another risk is that an employee cannot engage in self-improvement as seminars or training should only be limited to their actual work.</i>	<i>Management expects that the directors, officers, and employees who attend seminars or training ensure that the schedule thereof will not hamper the performance of their duties. Management tries to be understanding of such a schedule for so long as the tasks for the day are not crucial to the Corporation's operations.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Management has not identified any opportunity/s associated with this topic.</i>	<i>None</i>

### Labor-Management Relations

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
% of employees covered with Collective Bargaining Agreements	0	%
Number of consultations conducted with employees concerning employee-related policies	0	#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Policies affecting the employees are established by Management without prior consultation with employees. Employees affected by such policies are apprised before these policies are implemented.</i>	<i>Universal policies established by Management and the HR manager are disseminated to all affected employees. Immediate compliance is expected and employees' concerns or grievances regarding said policies must be raised with the HR manager.</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>

<i>Individual needs and concerns of employees may not be addressed resulting in disappointment, frustration and consequently attrition.</i>	<i>Management and the HR manager tries to take into consideration the specific circumstances of each employee affected.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Management has not identified any opportunity associated with this topic.</i>	<i>None</i>

### Diversity and Equal Opportunity

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
% of female workers in the workforce	60	%
% of male workers in the workforce	40	%
Number of employees from indigenous communities and/or vulnerable sector*	0	#

*\*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Management has not identified any impact associated with this topic.</i>	<i>None</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Management has not identified any risk/s associated with this topic.</i>	<i>None</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Management has not identified any opportunity/ies associated with this topic.</i>	<i>None</i>

### Workplace Conditions, Labor Standards, and Human Rights

#### Occupational Health and Safety

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
Safe Man-Hours	8	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work-related ill-health	0	#
No. of safety drills	0	#

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
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<i>Management has not identified any impact associated with this topic.</i>	<i>None</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Management has not identified any risk/s associated with this topic.</i>	<i>None</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Management has not identified any opportunity/ies associated with this topic.</i>	<i>None</i>

#### Labor Laws and Human Rights

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

<b>Topic</b>	<b>Y/N</b>	<b>If Yes, cite reference in the company policy</b>
Forced labor	N	
Child labor	N	
Human Rights	N	

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>Considering the small number of employees employed by the Corporation and its subsidiaries, there is no need to formalize a policy that disallows violations of labor laws such as forced, child labor, and human rights.</i>	<i>The HR manager for the Philcomsat Group of Companies is well versed in labor laws and protection of human rights and who is known to all employees, thus any incident that violates labor laws and human rights can easily be addressed.</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Management has not identified any risk/s associated with this topic.</i>	<i>None</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Management has not identified any opportunity/ies associated with this topic.</i>	<i>None</i>

## **Supply Chain Management**

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

No

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N	
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	N	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Main suppliers of the Corporation and its subsidiaries only include utility providers, professional staffing, and office supplies retailers. None of the foregoing require a background check on their environmental performance nor polices on forced labor, child labor, human rights, bribery and corruption.</i>	<i>In the event that the Corporation or its subsidiaries become engaged in activities whose operations affect the environment, or is labor-intensive, or involves human rights, or is prone to bribery and corruption, Management shall establish policies and implement programs that will consider such factors in accrediting suppliers.</i>
What are the Risk/s Identified?	Management Approach
<i>Management has not identified any risk/s associated with doing business with the main suppliers of the Corporation and its subsidiaries which consist only of utility providers, professional staffing, and office supplies retailers.</i>	<i>In the event that the Corporation or its subsidiaries become engaged in activities whose operations affect the environment, or is labor-intensive, or involves human rights, or is prone to bribery and corruption, Management shall establish policies and implement programs that will consider such factors in accrediting suppliers.</i>
What are the Opportunity/ies Identified?	Management Approach
<i>Management has not identified any opportunity/ies associated with doing business with the main suppliers of the Corporation and its subsidiaries which consist only of utility providers, professional staffing, and office supplies retailers.</i>	<i>In the event that the Corporation or its subsidiaries become engaged in activities whose operations affect the environment, or is labor-intensive, or involves human rights, or is prone to bribery and corruption, Management shall establish policies and implement programs that will consider such factors in accrediting suppliers.</i>

## Relationship with Community

### Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
None	None	None	N	None	None

\*Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: None

Certificates	Quantity	Units
FPIC process is still undergoing	0	#
CP secured	0	#

What are the Risk/s Identified?	Management Approach
<i>The operations of the Corporation and its subsidiaries do not affect IPs; thus, Management has not identified any risk/s associated with this topic.</i>	<i>In the event that the Corporation and its subsidiaries become engaged in activities that offer products or services that affect IPs, Management shall establish policies and implement programs for the protection of IPs.</i>
What are the Opportunity/ies Identified?	Management Approach
<i>The operations of the Corporation and its subsidiaries do not affect IPs; thus, Management has not identified any opportunity/ies associated with this topic.</i>	<i>In the event that the Corporation and its subsidiaries become engaged in activities that offer products or services that affect IPs, Management shall establish policies and implement programs for the protection of IPs.</i>

## Customer Management

### *Customer Satisfaction*

<b>Disclosure</b>	<b>Score</b>	<b>Did a third party conduct the customer satisfaction study (Y/N)?</b>
Customer satisfaction	100	N

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>For its stock transfer services, customer satisfaction as to accuracy of the reports, the processing time for transfers, and the reliability of data is of paramount importance. Thus, PTSI has to ensure that the service always meets its clients' expectations.</i>	<i>Management ensures that all data is accurate and complete, and the work performed by its staff is satisfactory before releasing any report or information to the clients. Any concern of a client has to be resolved in a reasonable amount of time.</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>In order to meet client's demands and regulatory deadlines, the client at times may not give PTSI sufficient time to properly review and check its generated reports.</i>	<i>Management regularly meets with the client to request for feedback and an assessment of its performance so that any shortcomings can be addressed immediately.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Constant need to keep PTSI updated regarding software for data entry and network security is the opportunity associated with this topic identified by Management.</i>	<i>Automation of much of its processes is one of the approaches that Management intends to pursue in order to reduce man-power hours/requirements and ensure consistent/uniform quality of services provided to its clients.</i>

### *Health and Safety*

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of substantiated complaints on product or service health and safety*	0	#
No. of complaints addressed	0	#

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>The services rendered by the Corporation and its subsidiaries do not compromise the health and safety of its clients.</i>	<i>In the event that the Corporation or its subsidiaries become engaged in or provide services that may pose a health and safety risk, Management shall establish policies and</i>

	<i>implement programs to protect the health and safety of its clients.</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Management has not identified any risk/s associated with this topic.</i>	<i>In the event that the Corporation or its subsidiaries become engaged in or provide services that may pose a health and safety risk, Management shall establish policies and implement programs to protect the health and safety of its clients.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<i>Management has not identified any opportunity/ies associated with this topic.</i>	<i>In the event that the Corporation or its subsidiaries become engaged in or provide services that may pose a health and safety risk, Management shall establish policies and implement programs to protect the health and safety of its clients.</i>

#### Marketing and labelling

<b>Disclosure</b>	<b>Quantity</b>	<b>Units</b>
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	0	#

\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<i>The Corporation and its subsidiaries are not engaged in activities that require it to market and label products.</i>	<i>In the event that the Corporation or its subsidiaries become engaged in activities that require marketing or labelling of products, Management shall establish policies and implement programs for protection of the consumer.</i>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<i>Management has not identified any risk/s associated with this topic.</i>	<i>In the event that the Corporation or its subsidiaries become engaged in activities that require marketing or labelling of products, Management shall establish policies and implement programs for protection of the consumer.</i>

What are the Opportunity/ies Identified?	Management Approach
<i>Management has not identified any opportunity/ies associated with this topic.</i>	<i>In the event that the Corporation or its subsidiaries become engaged in activities that require marketing or labelling of products, Management shall establish policies and implement programs for protection of the consumer.</i>

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>The Corporation's subsidiary, Professional Stock and Transfer, Inc. (PSTI), collects information from its clients such as names, addresses, contact details, and shareholdings.</i>	<i>PSTI obtains the consent of each client before their personal information is collected and is transparent in how the data is used and secured. The use of customer data is limited to the purpose agreed upon with the client and/or in compliance with the regulatory requirements of the clients of PSTI.</i>
What are the Risk/s Identified?	Management Approach
<i>The risks identified with this topic are the unauthorized disclosure of the clients' personal information, unauthorized use of such data, and/or breach of data security measures that may be committed by rogue employees or individuals external to the Corporation or its subsidiaries.</i>	<i>Management requires that personal information of clients is only stored on its secure network. Management ensures that applicants for employment at PSTI are properly screened. PSTI's employees are apprised/oriented with the applicable data protection laws, rules, and regulations and are mandated to ensure compliance therewith.</i>
What are the Opportunity/ies Identified?	Management Approach
<i>The only opportunity identified by PSTI in regards to this topic is that it continually educates itself on and invests in network security.</i>	<i>Management's approach is to prevent any incident of data breach or violation of its data protection measures since the loss of confidence that may be brought about by such a breach would be irreparable.</i>

## Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>The Corporation's subsidiary, Professional Stock and Transfer, Inc. (PSTI), collects information from its clients such as names, addresses, contact details, and shareholdings.</i>	<i>PSTI obtains the consent of each client before their personal information is collected and is transparent in how the data is used and secured. The use of customer data is limited to the purpose agreed upon with the client and/or in compliance with the regulatory requirements of the clients of PSTI.</i>
What are the Risk/s Identified?	Management Approach
<i>The risks identified with this topic are the unauthorized disclosure of the clients' personal information, unauthorized use of such data, and/or breach of data security measures by individuals or rogue employees.</i>	<i>Management requires that personal information of clients is only stored on its secure network. Management ensures that applicants for employment at PSTI are properly screened. PSTI's employees are apprised/oriented with the applicable data protection laws, rules, and regulations and are mandated to ensure compliance therewith.</i>
What are the Opportunity/ies Identified?	Management Approach
<i>The only opportunity identified by PSTI in regards to this topic is that it continually educates itself on and invests in network security.</i>	<i>Management's approach is to prevent any incident of data breach or violation of its data protection measures since the loss of confidence that may be brought about by such a breach would be irreparable.</i>

## UN SUSTAINABLE DEVELOPMENT GOALS

### Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Stock transfer services	Goal No. 8 - Decent Work and Economic Growth	Unlikely to provide more employment unless the client base increases.	Aggressive marketing of its services to other PLCs and registered companies is required to be able to achieve its UN SDG.
Money Market Operations	Goal No. 8 - Decent Work and Economic Growth	Unlikely to provide more employment due to the nature of business.	Investment in subsidiaries that are labor intensive is required to be able to achieve its UN SDG.

*\* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*



**PHILCOMSAT HOLDINGS CORPORATION AND SUBSIDIARIES**  
**FOR THE QUARTERS ENDED OF MARCH 31, 2022 AND 2021**

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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 March 31, 2022
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 and Chief Finance Officer

May 10, 2022

## **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**  
**AS AT MARCH 31, 2022 AND 2021 AND DECEMBER 31, 2021**  
*(Amounts in Philippine Pesos)*

	<b>March 31, 2022 (Unaudited)</b>	<b>March 31, 2021 (Unaudited)</b>	<b>December 31, 2021 (Audited)</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Notes 2, 3, 4, 19 and 20)	<b>P93,847,385</b>	P142,381,891	P115,731,576
Receivables (Notes 2, 3, 5, 17, 19 and 20)	<b>174,215,710</b>	228,332,822	187,446,012
Due from related parties (Notes 2, 3, 17, 19 and 20)	<b>224,956,296</b>	91,864,702	193,170,071
Financial assets at fair value through profit or loss (FVPL) (Notes 2, 3, 19 and 20)	<b>106,884</b>	86,760	106,884
Other current assets (Notes 2 and 3)	<b>237,148</b>	533,630	120,515
<b>Total Current Assets</b>	<b>493,363,423</b>	463,199,805	496,575,058
<b>Noncurrent Assets</b>			
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 2, 3, 6, 19 and 20)	<b>1,029,218,756</b>	1,010,238,987	1,026,598,356
Receivables – noncurrent (Notes 2, 3, 5, 19 and 20)	<b>8,000,000</b>	6,000,000	8,000,000
Investment property (Notes 2, 3 and 7)	<b>2,249,424</b>	2,249,424	2,249,424
Right-of-use (ROU) assets – net (Notes 2, 3 and 12)	<b>1,542,198</b>	2,486,240	1,971,502
Property and equipment – net (Notes 2, 3 and 8)	<b>53,375</b>	11,163	60,702
Other noncurrent assets (Notes 2, 3 and 9)	<b>6,920,052</b>	6,221,406	6,738,353
<b>Total Noncurrent Assets</b>	<b>1,047,983,805</b>	1,027,207,220	1,045,618,337
	<b>P1,541,347,228</b>	P1,490,407,025	P1,542,193,395
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and statutory payables (Notes 2, 3, 11, 19 and 20)	<b>P2,730,583</b>	P2,929,167	P4,966,835
Due to a related party (Notes 2, 3, 17, 19 and 20)	<b>3,948,624</b>	3,948,624	3,948,624
Lease liabilities – current (Notes 2, 3, 12, 19 and 20)	<b>1,321,996</b>	2,500,342	1,758,591
<b>Total Current Liabilities</b>	<b>8,001,203</b>	9,378,133	10,674,050
<b>Noncurrent Liabilities</b>			
Deposit for future stock subscription (Notes 2 and 18)	<b>18,894,000</b>	18,894,000	18,894,000
Lease liabilities – noncurrent (Notes 2, 3, 12, 19 and 20)	<b>257,209</b>	–	257,209
Deferred tax liabilities – net (Notes 2 and 16)	<b>256,755</b>	161,835	795,447
<b>Total Noncurrent Liabilities</b>	<b>19,407,964</b>	19,055,835	19,946,656
<b>Total Liabilities</b>	<b>27,409,167</b>	28,433,968	30,620,706
<b>Equity</b>			
Share capital (Notes 2 and 21)	<b>996,391,254</b>	996,391,254	996,391,254
Retained earnings (Notes 2, 7 and 21)	<b>500,159,817</b>	482,217,663	492,359,406
Other equity reserves (Notes 2, 7 and 21)	<b>17,386,990</b>	(16,635,860)	22,822,029
<b>Total Equity</b>	<b>1,513,938,061</b>	1,461,973,057	1,511,572,689
	<b>P1,541,347,228</b>	P1,490,407,025	P1,542,193,395

See accompanying Notes to Financial Statements.

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

**INTERIM CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE QUARTERS ENDED MARCH 31, 2022 AND 2021**  
*(Amounts in Philippine Pesos)*

	From January 1 to March 31, 2022 (Unaudited)	From January 1 to March 31, 2021 (Unaudited)
<b>REVENUE (Notes 2 and 13)</b>	<b>P15,320,475</b>	<b>P10,893,144</b>
<b>COSTS AND EXPENSES (Notes 2 and 14)</b>	<b>(8,332,014)</b>	<b>(7,110,820)</b>
<b>OTHER INCOME (CHARGES) – net (Notes 2, 6 and 15)</b>	<b>599,561</b>	<b>656,362</b>
<b>FINANCE COSTS (Notes 2 and 12)</b>	<b>(8,755)</b>	<b>(9,711)</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>7,579,267</b>	<b>4,428,975</b>
<b>PROVISION FOR INCOME TAX (Notes 2, 3 and 16)</b>		
Current	<b>257,395</b>	<b>36,171</b>
Deferred	<b>(538,692)</b>	<b>191,597</b>
	<b>(281,297)</b>	<b>227,768</b>
<b>NET INCOME</b>	<b>P7,860,564</b>	<b>P4,201,207</b>
<b>BASIC/DILUTED EARNINGS PER SHARE (Notes 2 and 18)</b>	<b>P0.0079</b>	<b>P0.0042</b>

*See accompanying Notes to Financial Statements.*

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

**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE QUARTERS ENDED MARCH 31, 2022 AND 2021**  
(Amounts in Philippine Pesos)

	From January 1 to March 31, 2022 (Unaudited)	From January 1 to March 31, 2021 (Unaudited)
<b>NET INCOME</b>	<b>P7,860,564</b>	<b>P4,201,207</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS) (Notes 2 and 6)</b>		
<i>Items that may be reclassified to profit or loss</i>		
Unrealized gain (loss) on debt instruments at FVOCI	(3,300,735)	17,657,316
<i>Items that may not be reclassified to profit or loss</i>		
Unrealized loss on equity instruments at FVOCI	(2,635,732)	(37,924,088)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P1,924,097</b>	<b>(P16,065,565)</b>

*See accompanying Notes to Financial Statements.*

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

**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021**  
*(Amounts in Philippine Pesos)*

	From January 1 to March 31, 2022 (Unaudited)	From January 1 to March 31, 2021 (Unaudited)
<b>SHARE CAPITAL – P1 par value (Notes 2 and 21)</b>		
Authorized – 1,000,000,000 shares		
Issued – 996,391,254 shares	P996,391,254	P996,391,254
<b>RETAINED EARNINGS (Notes 2, 6 and 21)</b>		
Balance at beginning of period	492,359,406	477,971,839
Net income	7,860,564	4,201,207
Reclassification of cumulative fair value changes of equity instruments measured at FVOCI sold from other comprehensive income	(60,153)	44,617
Balance at end of period	500,159,817	482,217,663
<b>OTHER EQUITY RESERVES (Notes 2, 6 and 21)</b>		
Balance at beginning of period	22,822,029	(1,164,903)
Unrealized loss for the period	(5,936,467)	(15,427,130)
Reclassification of cumulative fair value changes of debt instruments measured at FVOCI sold to profit or loss	441,275	790
Reclassification of cumulative fair value changes of equity instruments measured at FVOCI sold to retained earnings	60,153	(44,617)
Balance at end of period	17,386,990	(16,635,860)
<b>TOTAL EQUITY</b>	<b>P1,513,938,061</b>	<b>P1,461,973,057</b>

*See accompanying Notes to Financial Statements.*

**PHILCOMSAT HOLDINGS CORPORATION**  
*(A Subsidiary of Philippine Communications Satellite Corporation)*  
**AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021**  
*(Amounts in Philippine Pesos)*

	From January 1 to March 31, 2022 (Unaudited)	From January 1 to March 31, 2021 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	₱7,579,267	₱4,428,975
Adjustments for:		
Realized gain on sale of debt instruments measured at FVOCI (Notes 6 and 15)	441,275	790
Depreciation (Notes 8 and 12)	436,631	426,158
Finance costs (Note 12)	8,755	9,711
Unrealized foreign exchange gain (Note 15)	(1,040,836)	(657,152)
Operating income before changes in assets and liabilities	7,425,092	4,208,482
Decrease (increase) in:		
Receivables (Note 5)	13,230,302	15,471,001
Due from related parties (Note 17)	(31,786,225)	(78,529,323)
Other current assets	(116,633)	(110,010)
Other non current assets (Note 9)	(80,942)	(83,328)
Decrease in trade and statutory payables (Note 11)	(2,236,252)	(1,217,326)
Net cash used in operations	(13,564,658)	(60,260,504)
Acquisition of financial assets at FVOCI (Note 6)	(60,701,014)	(43,909,996)
Proceeds from redemption and maturity of financial assets at FVOCI (Note 6)	52,144,147	37,109,028
Income tax paid	(358,152)	(195,623)
Net cash used in operating activities	(22,479,677)	(67,257,095)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of:		
Lease liabilities (Note 12)	(436,595)	(414,431)
Interest on lease liabilities (Note 12)	(8,755)	(9,711)
Cash used in financing activities	(445,350)	(424,142)
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	1,040,836	657,152
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(21,884,191)</b>	<b>(67,024,085)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>115,731,576</b>	<b>209,405,976</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>93,847,385</b>	<b>142,381,891</b>

	From January 1 to March 31, 2022 (Unaudited)	From January 1 to March 31, 2021 (Unaudited)
<b>NONCASH FINANCIAL INFORMATION</b>		
Initial recognition of ROU assets relating to lease of office space (Note 12)	P-	(P2,671,576)
Initial recognition of lease liabilities (Note 12)	-	2,671,576
	P-	P-

*See accompanying Notes to Financial Statements.*

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
AS AT MARCH 31, 2022 AND 2021 AND DECEMBER 31, 2021  
AND FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

**1. General Information**

**Corporate Information**

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

On July 23, 1997, the SEC approved the amended Articles of Incorporation of the Parent Company consisting of: a) change in its primary purpose from an exploration and mining company to a holding company and revision of its secondary purpose clauses; and b) change of the corporate name from Liberty Mines, Inc. to Philcomsat Holdings Corporation.

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

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

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

The Parent Company is 79.94% owned by Philippine Communications Satellite Corporation (Philcomsat), a company incorporated in the Philippines. The ultimate parent company is Philippine Overseas Telecommunications Corporation (POTC), a company also incorporated in the Philippines. Philcomsat and POTC are both engaged in the telecommunications business.

The Parent Company and all of its subsidiaries (collectively referred to as "the Group") were incorporated in the Philippines. The following are the subsidiaries and the respective percentages of ownership as at March 31, 2022 and 2021 and December 31, 2021:

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

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

The principal activities of the subsidiaries are as follows:

Name of Subsidiaries	Principal Activities
PMEI	Management services
PSTI	Stock transfer agency

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

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

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

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

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

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

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## 2. Summary of Significant Accounting Policies

**Basis of Preparation**

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

**Measurement Bases**

The consolidated financial statements are presented in Philippine Peso (Peso) which is the Group's functional and presentation currency. All values are rounded to the nearest Peso, except as otherwise indicated.

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

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

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

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

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

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

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

Fair values of financial assets at FVPL, financial assets at FVOCI, investment property and financial assets and liabilities are disclosed in Notes 6, 7, 8 and 20, respectively.

#### Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, "Reference to the Conceptual Framework"

The amendments updated the reference to the "Conceptual Framework" and an exception to its requirement for an entity to refer to the "Conceptual Framework" to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should instead refer to PAS 37, "Provisions, Contingent Liabilities and Contingent Assets". This exception is to avoid an unintended consequence of updating the reference. Without the exception, an entity would have recognized some liabilities on the acquisition of a business that it would not recognize in other circumstances. Immediately after the acquisition, the entity would have had to derecognize such liabilities and recognize a gain that did not depict an economic gain.

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

- Amendments to PAS 16, "Property, Plant and Equipment - Proceeds before Intended Use"

The amendments prohibit from deducting the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

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

- Amendments to PAS 37, "Onerous Contracts - Cost of Fulfilling a Contract"

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

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

*Annual Improvements to PFRSs 2018-2020 Cycle*

The Annual Improvements to PFRSs (2018-2020 cycle) are effective for annual periods beginning 2022 and are not expected to have a material impact on the Company.

- Amendments to PFRS 1, "Subsidiary as a First-time Adopter"

The amendment permits a subsidiary that measures the assets and liabilities at the carrying amounts that would be included in the parent's consolidated financial statements, based on the parent's date of transition to PFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary, to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.

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

- Amendments to PFRS 9, "Fees in the '10 per cent' Test for Derecognition of Financial Liabilities"

The improvements clarify the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

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

- Amendments to PFRS 16, "Lease Incentives"

The amendment removes reimbursement relating to leasehold improvements. PFRS 16 does not contain explicit guidance on how to account for leasehold improvements made by the lessee or when reimbursements made by the lessor in respect of those leasehold improvements can be regarded as lease incentives. Thus, created some confusion on how a lessee should account for such reimbursement by stating that the lessee should apply the appropriate standard and should not account for the reimbursement as a lease incentive. The standard had not clearly explained the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

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

- Amendments to PAS 41, "*Taxation in Fair Value Measurements*"

The amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

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

#### New Accounting Standards, Amendments to Existing Standards and Interpretations

##### Effective Subsequent to March 31, 2022

The standards, amendments and interpretations which have been issued but not yet effective as at March 31, 2022 are disclosed below. Except as otherwise indicated, the Group does not expect the adoption of the applicable new and amended PFRS to have a significant impact on the financial position or performance.

##### *Effective beginning on or after January 1, 2023*

- Amendments to PFRS 17, "*Insurance Contracts*"

The amendments, which respond to feedback from stakeholders, are designed to:

- Reduce costs by simplifying some requirements in the Standard;
- Make financial performance easier to explain; and
- Ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying PFRS 17 for the first time.

The deferral of the effective date by two years, to annual reporting periods beginning on or after January 1, 2023, is intended to allow time for an orderly adoption of the amended PFRS 17 by jurisdictions. This should enable more insurers to implement the new Standard at the same time.

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

- Amendments to PAS 1, "*Classification of Liabilities as Current or Non-current*"

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

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

*Effective beginning on or after January 1, 2025\**

- Amendment to PFRS 17, "Initial Application of PFRS 17 and PFRS 9 – Comparative Information"

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

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

*\*On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of IFRS 17 by two (2) years after its effective date as decided by the IASB.*

#### *Deferred Effectivity*

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

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

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

These amendments may apply to future transactions of the Group.

- Deferment of Implementation of International Financial Reporting Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, "Borrowing Cost") for the Real Estate Industry

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35 (c) of PFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

On February 21, 2020, the Philippine SEC issued MC No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

The adoption of this amendment is not expected to have any significant impact on the consolidated financial statements since the Group is not in a real estate industry.

*No Mandatory Effective Date*

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

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

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. Subsidiaries are entities controlled by the Parent Company. In assessing control, the Parent Company considers if it is exposed, or has right, to variable returns from its investment with the subsidiary and if it has the ability to affect those returns.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases. The results of operations of the subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

Changes in the controlling equity ownership (i.e., acquisition of non-controlling interest or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.

All intragroup balances, transactions, income and expenses and unrealized gains and losses are eliminated in full.

Noncontrolling interests pertain to the portion of profit or loss and the net assets in subsidiaries not held by the Parent Company and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position. Noncontrolling interests represent the interests of minority shareholders.

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

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

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

**Current versus Noncurrent Classification**

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

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

Deferred income tax assets are classified as noncurrent assets.

**Financial Assets and Liabilities**

***Date of Recognition***

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

***Initial Recognition and Measurement***

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at FVPL includes transaction cost.

***"Day 1" Difference***

Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

#### *Classification*

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

#### *Financial Assets at FVPL*

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

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

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

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

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

As at March 31, 2022 and 2021, and December 31, 2021, the Group's marketable securities are classified under this category.

#### *Financial Assets at Amortized Cost*

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

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

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

As at March 31, 2022 and 2021, and December 31, 2021, the Group's cash and cash equivalents, receivables (excluding advances subject to liquidation) and due from related parties are classified under this category (see Notes 4, 5 and 17).

*Financial Assets at FVOCI*

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

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

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

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

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

As at March 31, 2022 and 2021, and December 31, 2021, the Group designated its investments in quoted bonds, quoted shares of stocks, UITF and club membership as financial assets at FVOCI (see Note 6).

*Financial Liabilities at FVPL*

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

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

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

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

The Group does not have financial liabilities at FVPL as at March 31, 2022 and 2021, and December 31, 2021.

#### *Financial Liabilities at Amortized Cost*

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

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

As at March 31, 2022 and 2021, and December 31, 2021, the Group's trade and other payables, customers' deposits, due to a related party and lease liabilities are classified under this category (see Notes 11, 12 and 17).

#### *Reclassification*

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

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

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

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

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

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

#### *Impairment of Financial Assets at Amortized Cost and FVOCI*

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

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

#### *Derecognition of Financial Assets and Financial Liabilities*

##### *Financial Assets*

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

##### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

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

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

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

#### *Offsetting of Financial Assets and Liabilities*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

#### *Classification of Financial Instrument between Liability and Equity*

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

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

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

#### Advances Subject to Liquidation

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

#### Miscellaneous Deposit

Miscellaneous deposit pertains to deposit for legal expenses that is subject to liquidation. This is initially measured at cost less impairment in value, if any.

#### Investment Property

Investment property is defined as a property, such as land or building, held for the purposes of earning rentals, for capital appreciation or both. This property is not held to be used in production or sale in the ordinary course of business.

Investment property is initially measured at acquisition cost. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case, the investment property acquired is measured at the carrying amount of asset given up.

Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value. Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged against current operations in the period in which the costs are incurred.

Depreciation of an investment property is computed using the straight-line method over the estimated useful life of the asset.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

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

#### Property and Equipment

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

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

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

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

The useful lives of each of the property and equipment are estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets. The property and equipment's useful lives and depreciation and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year the item is derecognized.

#### Other Noncurrent Assets

Other noncurrent assets consist of:

##### *Creditable Withholding Tax*

Creditable withholding tax is an amount that is withheld from income payments. This is deducted from income tax payable.

##### *Input Value-added Tax (VAT)*

Input VAT represents tax imposed on the Group by its suppliers for the acquisition of goods and services required under the Philippine taxation laws and regulations. Input VAT is recognized as an asset and will be used to offset the Group's current VAT liability.

#### Business Combinations and Goodwill

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest, and any previous interest held, over the net fair value of the identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

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

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

#### Impairment of Nonfinancial Assets

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

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

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

#### Deposit for Future Subscription

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

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

#### Equity

##### *Share Capital*

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

*Retained Earnings*

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

*Other Equity Reserves*

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

**Revenue Recognition**

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

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

The following specific recognition criteria must also be met before revenue is recognized:

*Interest Income*

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

*Dividend Income*

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

*Service Fees*

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

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

*Retainer Fee and Transfer Fee*

Revenue is recognized under the accrual basis in accordance with the terms of the related agreements.

*Gain on Sale of Financial and Nonfinancial Assets*

Gain on sale of financial assets at FVOCI and nonfinancial assets are computed as the difference between the proceeds and its carrying amount.

**Costs and Expense Recognition**

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

*Cost of Services*

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

*General and Administrative Expenses*

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

*Employee Benefits*

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

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

*Leases*

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

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

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

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

*The Group as a Lessee*

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

*ROU Asset*

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

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

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

*Lease Liability*

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

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

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

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

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

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded using the functional currency exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are restated using the closing functional currency exchange rate at the financial reporting date. Foreign exchange gains and losses arising from foreign currency transactions and restatement of balances are recognized in profit or loss.

### Related Party Relationships and Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Parent Company; (2) associates; and (3) individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the Parent Company and close members of the family of any such individual.

Transactions amounting to 10% or more of the total assets based on the latest audited consolidated financial statements that were entered into with related parties are considered material under SEC Memorandum Circular No. 10, Series of 2019, "Rules on Material Related Party Transactions for Publicly-listed Companies".

All individual material related party transactions shall be approved by the BOD. For aggregate related party transactions within a 12-month period that breaches the materiality threshold, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

Directors and officers with personal interest in the transaction should abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

The key management personnel of the Group and post-employment benefit plan for the benefit of Group's employees, if any, are also considered to be related parties.

Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

### Income Taxes

#### *Current Tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the reporting date.

#### *Deferred Tax*

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward benefits of minimum corporate income tax (MCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused NOLCO and carry-forward benefits of MCIT can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax law) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### *Earnings Per Share*

Basic earnings per share is computed by dividing net income over the weighted average number of issued and outstanding common shares during the year.

Diluted earnings per share is computed as if the potential common share or instrument that may entitle the holder to common share were exercised as of the beginning of the year.

#### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as an asset in the consolidated statements of financial position but only when the receipt of the reimbursement is virtually certain.

#### Contingencies

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

#### Events After the End of the Reporting Period

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

#### Segment Information

The Group is engaged in investing of funds in various financial assets, service agreements with the government and stock transfer agency. The Group has aggregated these revenue-generating activities into a single operating segment as these segments are both passive in nature and have the same economic characteristics. The Group's revenue-generating assets are located in the Philippines.

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

The preparation of the Group's consolidated financial statements requires management to make judgments, accounting estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the reporting date. However, uncertainty about the estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

#### Judgments

In the process of applying the Group's policies, the Group has made certain judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

#### *Establishing Control Over Investment in Subsidiaries*

The Group determines that it has control over its subsidiary by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following are also considered:

- Rights arising from other contractual agreements; and
- The Group's voting rights and potential voting rights.

#### *Classifying Financial Instruments*

The Group exercises judgment in classifying financial instruments in accordance with PFRS 9. The Group classifies a financial instrument, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the Company's business model and its contractual cash flow characteristics and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Group's consolidated statements of financial position.

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

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

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

Carrying amount of investment property amounting to P2.2 million as at March 31, 2022 and 2021, and December 31, 2021 (see Note 7).

*Determining Classification of Lease Arrangements and Appropriate Lease Term and Discount Rates*  
The Group has entered into lease agreements as a lessor.

Critical judgment was exercised by the Group to distinguish such lease agreement as an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements.

On January 1, 2021 and September 1, 2021, the Group's lease agreements of its office space were renewed and it qualified as leases under PFRS 16.

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

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

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

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

*Determining Operating Segments*

Although each revenue-generating activity represents a separate operating segment, management has concluded that there is basis for aggregation into a single operating segment as allowed under PFRS 8, "Operating Segments", due to their similar passive nature and economic characteristics.

*Assessing Provisions and Contingencies*

The Group evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings.

*Estimates and Assumptions*

The key estimates and assumptions concerning the future and other key sources of estimation of uncertainty at reporting date that may have significant risks of causing material adjustments to the carrying amounts of assets and liabilities within the next reporting year are discussed below.

*Assessing ECL on Debt Instruments*

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

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

No ECL on these debt instruments was recognized for the three months ended March 31, 2022 and 2021. The carrying amounts of financial assets at amortized cost and FVOCI are as follows:

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)	December 31, 2021 (Audited)
Cash and cash equivalents*	P93,832,385	P142,366,891	P115,722,091
Receivables	174,215,710	228,332,822	187,446,012
Due from related parties	224,956,296	91,864,702	193,170,071
Investment in quoted bonds measured at FVOCI	605,657,854	669,102,025	647,466,219

\*excluding cash on hand amounting to P15,000 as at March 31, 2022 and 2021, and P9,485 as at December 31, 2021.

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

The Group carries financial assets at FVOCI at fair value in the consolidated statements of financial position. Determining the fair value of financial assets at FVPL and FVOCI requires extensive use of accounting estimates and judgment. The Group determined the fair values of financial assets at FVPL and FVOCI using a combination of available market prices in active markets for identical assets (Level 1) and prices computed using significant observable inputs (Level 2). Any changes in the fair value of these financial assets and liabilities would affect other comprehensive income.

The fair value of financial assets at FVPL amounted to P106,884, P86,760 and P106,884 as at March 31, 2022 and 2021, and December 31, 2021, respectively (see Note 20).

The fair value of financial assets at FVOCI amounted to P1,029.2 million, P1,010.2 million and P1,026.6 million as at March 31, 2022 and 2021, and December 31, 2021, respectively (see Notes 6 and 20).

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

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

The carrying amount of investment property amounted to P2.2 million as at March 31, 2022 and 2021, and December 31, 2021 (see Note 7).

The carrying amount of property and equipment amounted to P53,375, P11,163 and P60,702 as at March 31, 2022 and 2021, and December 31, 2021, respectively (see Note 8).

#### *Estimating Impairment Losses on Nonfinancial Assets Other than Goodwill*

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

No impairment loss was recognized for the three months ended March 31, 2022 and 2021.

The carrying amounts of nonfinancial assets are as follows:

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)	December 31, 2021 (Audited)
Investment property	P2,249,424	P2,249,424	P2,249,424
ROU asset	1,542,198	2,486,240	1,971,502
Property and equipment	53,375	11,163	60,702
Other current assets	237,148	533,630	120,515
Other noncurrent assets	6,920,052	6,221,406	6,738,353

*Estimating Impairment Losses on Goodwill*

The Group tests annually whether any impairment in goodwill is to be recognized, in accordance with related accounting policy in Note 2. The recoverable amounts of CGUs have been determined based on the higher of fair value less costs to sell and value in use calculations which require the use of estimates. Based on the impairment testing conducted, the recoverable amounts of the CGUs as at March 31, 2022 and 2021, and December 31, 2021, calculated based on value in use are greater than the corresponding carrying amounts (including goodwill) of the CGUs. The carrying amount of goodwill amounted to P1.3 million as at March 31, 2022 and 2021, and December 31, 2021. No impairment loss was recognized for the three months ended March 31, 2022 and 2021 (see Note 10).

*Assessing Recoverability of Deferred Tax Assets*

The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the following reporting periods. This forecast is based on the Group's past results and future expectations on revenue and expenses.

The Company did not recognize a portion of its deferred tax assets amounting to P1.1 million and P12.8 million as at March 31 2021 and December 31, 2021, respectively, because the management has assessed that these may not be realized because future taxable income may not be sufficient against which the deferred tax assets can be utilized (see Note 16).

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#### 4. Cash and Cash Equivalents

This account consists of:

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)	December 31, 2021 (Audited)
Cash on hand	P15,000	P15,000	P9,485
Cash in banks	P47,482,701	P72,657,621	P59,577,239
Cash equivalents	46,349,684	69,709,270	56,144,852
	<b>P93,847,385</b>	<b>P142,381,891</b>	<b>P115,731,576</b>

Cash in banks earn interest at prevailing bank deposit rates.

Cash equivalents pertain to special savings and time deposits, with terms of varying periods up to three (3) months depending on the immediate cash requirements of the Group, and earn interest at prevailing special savings and time deposit rates.

Interest income earned from cash in banks and cash equivalents amounted to P87,570 and P351,543 for the three months ended March 31, 2022 and 2021, respectively (see Note 13).

## 5. Receivables

This account consists of:

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)	December 31, 2021 (Audited)
Notes and loans receivable			
Corporate notes (Note 17)	P110,032,110	P109,948,444	P125,032,110
Promissory notes issued by various financial institutions	53,000,000	118,000,000	53,000,000
Interest receivable	17,148,170	5,534,316	14,284,642
	180,180,280	233,482,760	192,316,752
Retainer fee receivable	1,906,483	705,690	1,510,665
Less allowance for ECL	(15,064)	(12,267)	(15,064)
Retainer fee receivable – net	1,891,419	693,423	1,495,601
Dividend receivable	144,011	76,788	24,515
Others	–	79,851	1,609,144
	182,215,710	234,332,822	195,446,012
Less noncurrent portion	(8,000,000)	(6,000,000)	(8,000,000)
Current portion of receivables	P174,215,710	P228,332,822	P187,446,012

Movements in the allowance for ECL are summarized below:

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)	December 31, 2021 (Audited)
Balance at the beginning of the year	P15,064	P12,267	P12,267
Additions	–	–	2,797
Reversal	–	–	–
Balance at the end of the year	P15,064	P12,267	P15,064

### Notes and Loans Receivable

#### *Corporate Notes*

Corporate notes outstanding as at March 31, 2022 and 2021, and December 31, 2021 pertain to short-term corporate promissory notes issued by various entities, with terms of thirty-five days up to one year and earn interest ranging from 5.5% to 11.0% per annum.

#### *Promissory Notes Issued by Financial Institutions*

Unsecured promissory notes are issued by various financial institutions with terms ranging from two to ten years and earn interest ranging from 4% to 7% per annum.

Interest income earned from corporate notes and promissory notes issued by various financial institutions amounted to P4.5 million and P1.3 million for the three months ended March 31, 2022 and 2021, respectively (see Note 13).

#### Retainer Fee Receivable

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

## 6. Financial Assets at FVOCI

This account consists of:

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)	December 31, 2021 (Audited)
<b>Investments in:</b>			
Quoted bonds	P605,657,854	P669,102,025	P647,466,219
Quoted shares of stocks	304,160,496	228,325,278	262,588,256
UITFs	113,400,406	107,531,684	111,143,881
Club memberships	6,000,000	5,280,000	5,400,000
	<b>P1,029,218,756</b>	<b>P1,010,238,987</b>	<b>P1,026,598,356</b>

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

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)	December 31, 2021 (Audited)
<b>Cost</b>			
Balance at beginning of period	P1,003,776,327	P1,020,030,052	P1,020,030,052
Additions	60,701,014	43,909,996	281,309,746
Disposals	(52,645,575)	(37,065,201)	(297,563,471)
Balance at end of period	<b>1,011,831,766</b>	<b>1,026,874,847</b>	<b>1,003,776,327</b>
<b>Cumulative Unrealized Gain (Loss)</b>			
Balance at beginning of period	22,822,029	(1,164,903)	(1,164,903)
Unrealized fair value gain (loss) during the period	(5,936,467)	(15,427,130)	17,818,585
Reclassification of cumulative fair value changes of debt instruments measured at FVOCI sold to profit or loss (Note 15)	441,275	790	349,065
Reclassification of cumulative fair value changes of equity instruments measured at FVOCI sold to retained earnings	60,153	(44,617)	5,819,282
Balance at end of period	<b>17,386,990</b>	<b>(16,635,860)</b>	<b>22,822,029</b>
<b>Carrying amount</b>	<b>P1,029,218,756</b>	<b>P1,010,238,987</b>	<b>P1,026,598,356</b>

Interest income earned from financial assets at FVOCI amounted to P5.8 million and P5.7 million for the three months ended March 31, 2022 and 2021, respectively (see Note 13).

Dividend income earned from financial assets at FVOCI amounted to P2.2 million and P1.8 million for the three months ended March 31, 2022 and 2021, respectively (see Note 13).

Realized loss on sale of debt instruments at FVOCI recognized directly to profit or loss amounted P441,725 and P790 for the three months ended March 31, 2022 and 2021, respectively.

Realized gain (loss) on sale of equity instruments at FVOCI recognized directly to retained earnings amounted to (P60,153) and P44,617 for the three months ended March 31, 2022 and 2021, respectively.

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

No ECL was recognized for investments in quoted bonds for the three months ended March 31, 2022 and 2021.

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## 7. Investment Property

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

There are no direct operating expenses arising from investment property that did not generate rental income during the periods.

The Company did not engage the services of a qualified independent appraiser for the valuation of its investment property. The management believes that the carrying amount approximates its fair value, thus, no impairment loss was recognized in 2022 and 2021.

The investment property is not pledged as security for liabilities to related parties as at March 31, 2022 and 2021, and December 31, 2021.

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## 8. Property and Equipment

Movements in this account are as follows:

	December 31, 2021 (Audited)	Additions	Disposals	March 31, 2022 (Unaudited)
<b>Cost</b>				
Transportation equipment	P5,011,638	P—	P—	P5,011,638
Furniture and fixtures	3,528,775	—	—	3,528,775
Office equipment	1,251,292	—	—	1,251,292
Office improvement	39,325	—	—	39,325
	<b>9,831,030</b>	<b>—</b>	<b>—</b>	<b>9,831,030</b>
<b>Less accumulated depreciation</b>				
Transportation equipment	5,009,609	2,029	—	5,011,638
Furniture and fixtures	3,528,775	—	—	3,528,775
Office equipment	1,192,620	5,297	—	1,197,917
Office improvement	39,325	—	—	39,325
	<b>9,770,329</b>	<b>7,326</b>	<b>—</b>	<b>9,777,655</b>
				<b>P53,375</b>

	December 31, 2020 (Audited)	Additions	Disposals	March 31, 2021 (Unaudited)
<b>Cost</b>				
Transportation equipment	P5,011,638	P—	P—	P5,011,638
Furniture and fixtures	3,528,775	—	—	3,528,775
Office equipment	1,187,730	—	—	1,187,730
Office improvement	39,325	—	—	39,325
	<b>9,767,468</b>	<b>—</b>	<b>—</b>	<b>9,767,468</b>
<b>Less accumulated depreciation</b>				
Transportation equipment	4,997,430	3,045	—	5,000,475
Furniture and fixtures	3,528,775	—	—	3,528,775
Office equipment	1,187,730	—	—	1,187,730
Office improvement	39,325	—	—	39,325
	<b>9,753,260</b>	<b>3,045</b>	<b>—</b>	<b>9,756,305</b>
	<b>P14,208</b>			<b>P11,163</b>
	December 31, 2020 (Audited)	Additions	Disposals	December 31, 2021 (Audited)
<b>Cost</b>				
Transportation equipment	P5,011,638	P—	P—	P5,011,638
Furniture and fixtures	3,528,775	—	—	3,528,775
Office equipment	1,187,730	63,562	—	1,251,292
Office improvement	39,325	—	—	39,325
	<b>9,767,468</b>	<b>—</b>	<b>—</b>	<b>9,831,030</b>
<b>Less accumulated depreciation</b>				
Transportation equipment	4,997,430	12,178	—	5,009,608
Furniture and fixtures	3,528,775	—	—	3,528,775
Office equipment	1,187,730	4,890	—	1,192,620
Office improvement	39,325	—	—	39,325
	<b>9,753,260</b>	<b>17,068</b>	<b>—</b>	<b>9,770,328</b>
	<b>P14,208</b>			<b>P60,702</b>

Depreciation expense from the property and equipment is allocated to general and administrative expenses.

Fully-depreciated property and equipment being used by the Company amounted to P9.7 million as at March 31, 2022 and 2021, and December 31, 2021.

## 9. Other Noncurrent Assets

This account consists of:

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)	December 31, 2021 (Audited)
Creditable withholding tax	P3,250,059	P3,075,795	P3,149,302
Input VAT	2,350,564	1,826,182	2,269,622
Goodwill (Note 10)	1,319,429	1,319,429	1,319,429
	<b>P6,920,052</b>	<b>P6,221,406</b>	<b>P6,738,353</b>

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## 10. Business Combination and Goodwill

### Goodwill

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

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

No impairment on goodwill was recognized for the three months ended March 31, 2022 and 2021.

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## 11. Trade and Statutory Payables

This account consists of:

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)	December 31, 2021 (Audited)
Trade and other payables	P1,148,986	P1,420,728	P3,221,582
Customer deposits	1,237,874	1,237,874	1,237,874
Statutory payables	343,723	270,565	507,379
	<b>P2,730,583</b>	<b>P2,929,167</b>	<b>P4,966,835</b>

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

Customer deposits pertains to rental deposits received from lessee of condominium unit and parking slots sold in 2018. The Group is expected to refund these deposits to its lessees upon completion of the required documentation.

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

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## 12. Lease Commitments

### The Group As a Lessee

The Group has a lease agreement with Philcomsat for its office space for a term of two years subject to renewal under mutual agreement of both parties. In 2021, the lease contracts were renewed. The annual rent is subject to escalation fee of 5%.

The following are the amounts recognized in the consolidated statements of income:

	From January 1 to March 31, 2022 (Unaudited)	From January 1 to March 31, 2021 (Unaudited)
Depreciation on ROU assets	P429,304	P423,113
Interest on lease liabilities	8,755	9,711
	<b>P438,059</b>	<b>P432,824</b>

Movements in the ROU assets as at March 31, 2022 and 2021, and December 31, 2021 are presented below:

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of period	P1,971,502	P237,777	P237,777
Additions	—	2,671,576	3,434,432
Depreciation (Note 14)	(429,304)	(423,113)	(1,700,707)
Balance end of period	P1,542,198	P2,486,240	P1,971,502

Depreciation expense from the ROU assets is allocated as follows:

	From January 1 to March 31, 2022 (Unaudited)	From January 1 to March 31, 2021 (Unaudited)
Cost of services	P66,750	P62,416
General and administrative expenses	362,554	360,697
	P429,304	P423,113

Movements in the lease liabilities as at March 31, 2022 and 2021, and December 31, 2021 are presented below:

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of period	P2,015,800	P243,197	P243,197
Additions	—	2,671,576	3,434,432
Interest expense (Note 14)	8,755	9,711	40,908
Payments	(445,350)	(424,142)	(1,702,737)
Balance at end of period	P1,579,205	P2,500,342	P2,015,800

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

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)	December 31, 2021 (Audited)
Not later than one year	P1,321,997	P2,500,342	P1,758,591
More than one year but not later than five years	257,209	—	257,209
	P1,579,206	P2,500,342	P2,015,800

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

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)	December 31, 2021 (Audited)
Not later than one year	P2,211,707	P2,541,764	P246,775
More than one year but not later than five years	259,114	—	—
More than five years	—	—	—
Total minimum lease obligation	2,470,821	2,541,764	246,775
Less future finance charges on lease liabilities	35,435	41,422	3,578
	P2,435,386	P2,500,342	P243,197

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### 13. Revenue

Disaggregation of revenue is as follows:

	From January 1 to March 31, 2022 (Unaudited)	From January 1 to March 31, 2021 (Unaudited)
Revenue:		
Interest income	P10,421,343	P7,397,436
Dividend income (Note 7)	2,182,286	1,826,837
Retainer fee	2,582,036	1,547,036
Stock transfer fee	67,860	83,855
Other service fee	66,950	37,980
	<b>P15,320,475</b>	<b>P10,893,144</b>

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

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

	From January 1 to March 31, 2022 (Unaudited)	From January 1 to March 31, 2021 (Unaudited)
Cash and cash equivalents (Note 4)	P87,570	P351,543
Receivables (Note 5)	4,491,656	1,313,486
Financial assets at FVOCI (Note 7)	5,842,117	5,732,407
	<b>P10,421,343</b>	<b>P7,397,436</b>

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#### 14. Costs and Expenses

This account consists of:

	From January 1 to March 31, 2022 (Unaudited)	From January 1 to March 31, 2021 (Unaudited)
<b>Cost of services:</b>		
Professional fee	P473,304	P314,291
Salaries and other benefits	393,585	266,970
Depreciation (Notes 9 and 12)	70,458	62,416
Transportation and travel	89,513	81,202
Communication, light and water	28,727	57,896
Dues and subscription	14,173	14,173
	<b>1,069,760</b>	<b>796,948</b>
<b>General and administrative expenses:</b>		
Professional fees	3,519,369	2,688,203
Directors' fees (Note 17)	900,000	900,000
Representation and entertainment	734,660	657,472
Legal fees	425,000	87,850
Taxes and licenses	366,308	361,026
Depreciation (Notes 9 and 12)	366,173	363,742
Transportation and travel	337,412	417,622
Bank charges	306,819	378,626
Office supplies	83,147	254,686
Dues and subscription	47,174	47,174
Advertising	38,400	—
Repairs and maintenance	22,321	—
Communication, light and water	12,312	74,540
Insurance	5,050	72,816
Others	98,109	10,115
	<b>7,262,254</b>	<b>6,313,872</b>
	<b>P8,332,014</b>	<b>P7,110,820</b>

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#### 15. Other Income (Charges)

This account consists of:

	From January 1 to March 31, 2022 (Unaudited)	From January 1 to March 31, 2021 (Unaudited)
Unrealized foreign exchange gain	P1,040,836	657,152
Realized gain (loss) on sale of debt instruments instruments measured at FVOCI (Note 7)	(441,275)	(790)
	<b>P599,561</b>	<b>P656,362</b>

## 16. Income Tax

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

	From January 1 to March 31, 2022 (Unaudited)	From January 1 to March 31, 2021 (Unaudited)
RCIT	P188,839	P93,451
MCIT	68,556	6,022
Impact of changes in tax rates	—	(63,302)
	<b>P257,395</b>	<b>P36,171</b>

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

	From January 1 to March 31, 2022 (Unaudited)	From January 1 to March 31, 2021 (Unaudited)
Income tax at statutory rate	P1,894,817	P1,107,244
Change in unrecognized deferred tax assets	(181,945)	1,135,988
Add (deduct) tax effects of:		
Nontaxable:		
Realized gain on sale of debt instruments measured at FVOCI	110,319	198
Dividend income	(545,517)	(456,655)
Interest income already subjected to a final tax	(1,642,633)	(1,646,091)
Nondeductible expenses	139,482	165,100
Effect of changes in tax rate	—	(50,815)
Effect of differences in tax rates	(55,820)	(27,201)
	<b>(P281,297)</b>	<b>P227,768</b>

The components of the recognized deferred tax liabilities – net of the Group are as follows:

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)	December 31, 2021 (Audited)
Deferred tax liability:			
Unrealized foreign exchange gain	P260,209	164,288	804,070
Leases	(441)	—	(4,857)
Allowance for doubtful accounts	(3,013)	(2,453)	(3,766)
	<b>P256,755</b>	<b>P161,835</b>	<b>P795,447</b>

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

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)	December 31, 2021 (Audited)
NOLCO	(P248,386)	P1,934,036	P12,612,681
MCIT	68,556	6,022	223,662
Leases	(2,115)	—	—
Unrealized foreign exchange loss	—	(804,070)	6,218
	<b>(P181,945)</b>	<b>P1,135,988</b>	<b>P12,842,561</b>

The Parent Company did not recognize deferred tax assets amounting to P1.1 million and P12.8 million as at March 31, 2021 and December 31, 2021, respectively, because management assessed that these may not be realized because future taxable income may not be sufficient against which the tax benefits can be claimed or deducted.

## 17. Related Party Transactions

The Company has transactions with related parties as follows:

Nature of Transaction	Amount of Transactions (in millions)			Outstanding Balance (in millions)		
	From January 1 to March 31, 2022 (Unaudited)		From January 1 to March 31, 2021 (Unaudited)	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)	December 31, 2021 (Audited)
	Included under "Receivables"	Company under Common Control	Immediate Parent	Subsidiary		
MBCI*	Notes receivable	P—	P—	P48.8	P48.8	P48.8
MBCI	Interest Income	0.4	—	6.7	3.0	6.3
<i>Company under Common Control</i>						
Philcomsat	Notes receivable	—	—	34.0	34.0	34.0
Philcomsat	Interest Income	2.1	—	6.9	0.3	5.1
				<b>P96.4</b>	<b>P86.1</b>	<b>P94.2</b>

\*Montemar Beach Club Inc. (MBCI)

Presented under "Due from Related Parties"						
Company under Common Control						
MBCI	Cash advances	P3.0	P—	P6.5	P9.6	P9.6
MRDC*	Cash advances	—	—	0.3	0.3	0.3
<i>Company under Common Control</i>						
Philcomsat	Cash advances	34.8	78.5	218.1	82.0	181.6
<i>Immediate Parent</i>						
PMEI	Cash advances	—	—	—	0.6	0.6
				<b>P225.0</b>	<b>P92.5</b>	<b>P192.1</b>

\*Montemar Resort Development Corp. (MRDC)

Nature of Transaction	Amount of Transactions (in millions)						Outstanding Balance (in millions)	
	From January 1 to March 31, 2022 (Unaudited)		From January 1 to March 31, 2021 (Unaudited)		March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)		
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)	2021 (Audited)	2021 (Audited)		
<b><u>Presented under "Lease Liability"</u></b>								
<i>Immediate Parent</i>								
Lease of office								
Philcomsat space	(P4.4)		(P0.4)		P1.6	P2.5	P0.2	
Philcomsat Interest expense	(0.01)		(0.01)		—	—	—	
					P1.6	P2.5	P0.2	
<b><u>Presented under "Due to a Related Party"</u></b>								
<i>Immediate Parent</i>								
Advances for project costs								
Philcomsat project costs	P—		P—		P3.9	P3.9	P3.9	
<b><u>Presented under "Deposit for Future Stock Subscription"</u></b>								
<i>Immediate Parent</i>								
Future subscription								
Philcomsat Future subscription	P—		P—		P18.9	P18.9	P18.9	
<b><u>Included under "Costs and Expenses"</u></b>								
<i>Immediate Parent</i>								
Association dues								
Philcomsat dues	(P0.6)		(P0.1)		P—	P—	P—	
Philcomsat Utilities	—		(0.1)		—	—	—	
<i>Subsidiary</i>								
Professional fee as stock transfer agent								
PSTI transfer agent	(0.05)		(0.0)		—	—	—	
					P—	P—	P—	

The outstanding balance of cash advances to PMEI amounting to P0.6 million as at December 31, 2021 were eliminated in the consolidation.

The amount of transactions with PSTI amounting to P45,000 for the three months ended March 31, 2022 and 2021 were eliminated in the consolidation.

#### Receivable from MBCI and Philcomsat

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

#### Receivable from Philcomsat and MRDC

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

The Company did not recognize any provision for ECL on due from related parties since the counterparties have sufficient liquid assets to settle the unpaid amounts as at reporting period. This assessment is undertaken each financial year through review of the financial position of the related party and the market in which the related party operates. Related party transactions have been fairly evaluated since the Company treated it same with the transactions to the third parties.

**Due to a Related Party**

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

**The Group as a Lessee**

The Group has a lease agreement with Philcomsat for the rent of its office space located at the 12th Floor, Telecom Plaza Building, 316 Sen. Gil Puyat Ave., Makati City. The lease terms are for two years and is renewable under mutual agreement of both parties.

**Stock Transfer Agency**

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

**Compensation of Key Management Personnel**

Compensation of the key management personnel of the Company consists only of directors' fees amounting to P0.9 million for the three months ended March 31, 2022 and 2021, respectively (see Note 14).

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

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**18. Earnings Per Share**

Basic/diluted earnings per share is computed as follows:

	<b>From January 1 to March 31, 2022</b>	<b>From January 1 to March 31, 2021</b>
Net income	<b>P7,860,564</b>	<b>P4,201,207</b>
Weighted average number of shares outstanding	<b>996,391,254</b>	<b>996,391,254</b>
	<b>P0.0079</b>	<b>P0.0042</b>

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

The Group's principal financial instruments are comprised of cash and cash equivalents, receivables (excluding advances subject to liquidation), due from related parties, financial assets at FVPL and FVOCI, trade and other payables (excluding statutory payables), customers' deposits and due to a related party. The main risks arising from the Group's financial instruments are market, credit and liquidity risks.

**Market Risk**

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

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

*Equity Price Risk*

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

The Company measures the sensitivity of its investment securities by using PSE index (PSEi) fluctuations. The table below sets forth the impact of changes in PSEi in other comprehensive income as at March 31, 2022 and 2021, and December 31, 2021.

	Increase (Decrease) in PSEi	Increase (Decrease) in Other Comprehensive Income
<b>March 31, 2022</b>	<b>5%</b>	<b>P14,236,554</b>
	(5%)	(14,856,581)
March 31, 2021	12%	26,484,213
	(2%)	(5,245,629)
December 31, 2021	1%	3,857,296
	(16%)	(42,122,764)

The sensitivity of the equity is the effect of the assumed changes in the PSEi on the net unrealized gain (loss) for the period, based on the adjusted beta rate of equity securities as at March 31, 2022 and 2021, and December 31, 2021.

*Interest Rate Risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. As at March 31, 2022 and 2021, and December 31, 2021, the Group has repriceable financial assets, specifically investments in quoted bonds classified as financial assets at FVOCI. Accordingly, the Group is subject to fair value interest rate risk.

The Group measures the sensitivity of its investment securities by using PHP BVAL reference rate fluctuations. The table below sets forth the impact of changes in PHP BVAL in the Group's other comprehensive income as at March 31, 2022 and 2021, and December 31, 2021.

	Increase (Decrease) in PHP BVAL	Increase (Decrease) in Other Comprehensive Income
<b>March 31, 2022</b>	<b>0.3%</b>	<b>P1,881,181</b>
	(27%)	(163,251,205)
March 31, 2021	4%	29,860,947
	(27%)	(177,332,634)
December 31, 2021	6%	38,673,770
	(40%)	(258,702,901)

*Foreign Exchange Risk*

The Group's foreign-currency denominated financial instrument consists of cash in banks and cash equivalents totaling US\$0.8 million, US\$1.2 million and US\$1.0 million as at March 31, 2022 and 2021, and December 31, 2021, respectively. The Group's exposure to foreign currency risk is

The Group's objective is to reduce the exposure to foreign currency risk at a minimum since revenues are peso-denominated.

#### Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial assets that potentially subject the Group to credit risk consist primarily of cash in banks and cash equivalents, receivables (excluding advances subject to liquidation), due from related parties and debt instruments measured at FVOCI.

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

#### *Financial Assets*

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

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

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

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)	December 31, 2021 (Audited)
Cash and cash equivalents*	P93,832,385	P142,366,891	P115,722,091
Receivables	174,215,710	228,332,822	187,446,012
Due from related parties	224,956,296	91,864,702	193,170,071
Financial assets at FVPL	106,884	86,760	106,884
Financial assets at FVOCI	1,029,218,756	1,010,238,987	1,026,598,356

\*excluding cash on hand amounting to P15,000 as at March 31, 2022 and 2021, and P9,485 as at December 31, 2021.

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

#### Liquidity Risk

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

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

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

March 31, 2022 (Unaudited)					
	On Demand	1 to 3 months	3 to 12 months	More than 12 months	Total
Trade and other payables	P-	P1,148,986	P-	P-	P1,148,986
Customers' deposits	1,237,874	—	—	—	1,237,874
Due to a related party	3,948,624	—	—	—	3,948,624
Lease liabilities	—	438,623	883,373	257,209	1,579,205
	<b>P5,186,498</b>	<b>P1,587,609</b>	<b>P883,373</b>	<b>P-</b>	<b>P7,914,689</b>

March 31, 2021 (Unaudited)					
	On Demand	1 to 3 months	3 to 12 months	More than 12 months	Total
Trade and other payables	P-	P1,420,728	P-	P-	P1,420,728
Customers' deposits	1,237,874	—	—	—	1,237,874
Due to a related party	3,948,624	—	—	—	3,948,624
Lease liabilities	—	412,724	2,087,618	—	2,500,342
	<b>P5,186,498</b>	<b>P1,833,452</b>	<b>P2,087,618</b>	<b>P-</b>	<b>P9,107,568</b>

December 31, 2021 (Audited)					
	On Demand	1 to 3 months	3 to 12 months	More than 12 months	Total
Trade and other payables	P-	P3,221,582	P-	P-	P3,221,582
Customers' deposits	1,237,874	—	—	—	1,237,874
Due to a related party	3,948,624	—	—	—	3,948,624
Lease liabilities	—	90,458	1,668,133	257,209	2,015,800
	<b>P5,186,498</b>	<b>P3,312,040</b>	<b>P1,668,133</b>	<b>P257,209</b>	<b>P10,423,880</b>

## 20. Fair Value Measurement

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

### Financial Assets

	March 31, 2022 (Unaudited)		March 31, 2021 (Unaudited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	P93,847,385	P93,847,385	P142,381,891	P142,381,891
Receivables	174,215,710	174,215,710	228,332,822	228,332,822
Due from related parties	224,956,296	224,956,296	91,864,702	91,864,702
Financial assets at FVPL	106,884	106,884	86,760	86,760
Financial assets at FVOCI:				
Quoted bonds	605,657,854	605,657,854	669,102,025	669,102,025
Quoted shares of stocks	304,160,496	304,160,496	228,325,278	228,325,278
UITFs	113,400,406	113,400,406	107,531,684	107,531,684
Club memberships	6,000,000	6,000,000	5,280,000	5,280,000
	<b>P1,522,345,031</b>	<b>P1,522,345,031</b>	<b>P1,472,905,162</b>	<b>P1,472,905,162</b>

	December 31, 2021 (Audited)	
	Carrying Amount	Fair Value
Cash and cash equivalents	P115,731,576	P115,731,576
Receivables*	187,446,012	187,446,012
Due from related parties	193,170,071	193,170,071
Financial assets at FVPL	106,884	106,884
Financial assets at FVOCI:		
Quoted bonds	647,466,219	647,466,219
Quoted shares of stocks	262,588,256	262,588,256
UITFs	111,143,881	111,143,881
Club memberships	5,400,000	5,400,000
	P1,523,052,899	P1,523,052,899

#### Financial Liabilities

	March 31, 2022 (Unaudited)		March 31, 2021 (Unaudited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Trade and other payables	P1,148,986	P1,148,986	P1,420,728	P1,420,728
Customers' deposits	1,237,874	1,237,874	1,237,874	1,237,874
Due to a related party	3,948,624	3,948,624	3,948,624	3,948,624
Lease liabilities	1,579,205	1,579,205	2,500,342	2,500,342
	P7,914,689	P7,914,689	P9,107,568	P9,107,568

	December 31, 2021 (Audited)	
	Carrying Amount	Fair Value
Trade and other payables	P3,221,582	P3,221,582
Customers' deposits	1,237,874	1,237,874
Due to a related party	3,948,624	3,948,624
Lease liabilities	2,015,800	2,015,800
	P10,423,880	P10,423,880

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

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

*Financial Assets at FVPL and FVOCI.* The fair value of these financial assets, except for managed funds, are determined in reference to quoted market bid prices at the close of business on the reporting date since most of these are actively traded in an organized financial market. The fair values of managed funds are determined through reference to the quoted price of the underlying securities in the fund. The fair value measurement of these financial assets is classified as Level 1 (Quoted bonds, shares of stock and club memberships) and Level 2 (UITFs).

*Receivables (excluding Advances Subject to Liquidation).* The fair values of receivables are estimated as the present value of all future cash flows discounted using applicable rates of similar type of instruments as at reporting date. The discount rates used ranged from 6.0% to 7.0% as at March 31, 2022 and 2021, and December 31, 2021. The fair value measurement of these receivables is classified as Level 2 (Significant observable inputs).

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

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## 21. Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments when there are changes in economic conditions.

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

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)	December 31, 2021 (Audited)
Total Debt	P27,409,167	P28,436,421	P30,620,706
Total Equity	1,513,938,061	1,461,973,057	1,511,572,689
Debt-to-equity ratio	0.02:1	0.02:1	0.02:1

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## 22. Changes in Liabilities Arising from Financing Activities

The following table summarizes the changes in liabilities arising from financing activities as at March 31, 2021 and 2020:

	December 31, 2021 (Audited)	Additions	Payments	March 31, 2022 (Unaudited)
Lease liabilities	P2,015,800	–	(P436,595)	P1,579,205
	December 31, 2020 (Audited)	Additions	Payments	March 31, 2021 (Unaudited)
Lease liabilities	P243,197	2,671,576	(P414,431)	P2,500,342

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## 23. Operating Segment Information

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

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

Revenue as Disaggregated	Operating Segment
Interest income	Investing of funds
Dividend income	Investing of funds
Retainer fee	Stock transfer agency
Stock transfer fee	Stock transfer agency
Other service fee	Stock transfer agency

All of the assets relating to the Group's operating segments are located in the Philippines. Accordingly, reporting operating segments per geographical business operation is not required.

Segment assets, liabilities and revenue and expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and expenses are consistent with that presented in the consolidated statements of comprehensive income.

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

March 31, 2022 (Unaudited)				
Segment	Investing of Funds	Management Services	Stock Transfer Agency	Total
Segment revenue	P12,603,629	P—	P2,716,846	P15,320,475
Segment profit	13,054,678	—	1,522,334	14,577,012
Depreciation	335,977	—	100,654	436,631
Provision for income tax	(469,901)	17,767	170,837	(281,297)
Total assets	1,503,056,507	32,889,725	5,400,996	1,541,347,228
Total liabilities	22,436,851	4,024,606	947,710	27,409,167

March 31, 2021 (Unaudited)				
Segment	Investing of Funds	Management Services	Stock Transfer Agency	Total
Segment revenue	P9,224,273	P—	P1,668,871	P10,893,144
Segment profit	9,039,754	—	873,674	9,913,428
Depreciation	336,992	—	89,166	426,158
Provision for income tax	138,350	45,084	44,334	227,768
Total assets	1,455,402,322	31,062,388	3,944,768	1,490,409,478
Total liabilities	23,544,508	4,621,182	270,731	28,436,421

December 31, 2021 (Audited)				
Segment	Investing of Funds	Management Services	Stock Transfer Agency	Total
Segment revenue	P48,204,107	P—	P9,076,693	P57,280,800
Segment profit	18,023,019	—	2,183,830	20,206,849
Depreciation	1,347,966	—	369,809	1,717,775
Provision for income tax	880,598	145,535	496,305	1,522,438
Total assets	1,504,231,726	32,781,914	5,179,755	1,542,193,395
Total liabilities	25,049,655	4,588,122	982,929	30,620,706

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

March 31, 2022 (Unaudited)			
	Reportable Segments	Not Attributable to Reportable Segments	Consolidated Balances
Revenue	P15,320,475	P-	P15,320,475
Cost and expenses	(1,788,677)	(6,543,337)	(8,332,014)
Other income	599,561	-	599,561
Finance costs	(8,755)	-	(8,755)
Income (loss) before income tax	14,122,604	(6,543,337)	7,579,267
Benefit from income tax	(281,297)	-	(281,297)
Net income (loss)	P14,403,901	(P6,543,337)	P7,860,564
 Assets	 P1,540,027,799	 P1,319,429	 P1,541,347,228
 Liabilities	 P27,412,621	 P-	 P27,409,167
March 31, 2021 (Unaudited)			
	Reportable Segments	Not Attributable to Reportable Segments	Consolidated Balances
Revenue	P10,893,144	P-	P10,893,144
Cost and expenses	(1,336,994)	(5,783,537)	(7,120,531)
Other charges	656,362	-	656,362
Income (loss) before income tax	10,212,512	(5,783,537)	4,428,975
Provision for income tax	227,768	-	227,768
Net income (loss)	P9,984,744	(P5,783,537)	P4,201,207
 Assets	 P1,489,090,049	 P1,319,429	 P1,490,409,478
 Liabilities	 P28,436,421	 P-	 P28,436,421
December 31, 2021 (Audited)			
	Reportable Segments	Not Attributable to Reportable Segments	Consolidated Balances
Revenue	P55,711,414	P-	P55,711,414
Cost and expenses	(3,666,805)	(27,715,932)	(31,382,737)
Other charges	2,865,724	-	2,865,724
Income (loss) before income tax	54,910,333	(27,715,932)	27,194,401
Provision for income tax	1,506,744	-	1,506,744
Net income (loss)	P53,403,589	(P27,715,932)	P25,687,657
 Assets	 P1,546,395,743	 P1,319,429	 P1,547,715,172
 Liabilities	 P30,623,925	 P-	 P30,623,925

Differences between the reportable segment's assets, liabilities, revenue and net income and the Group's consolidated assets, liabilities, revenue and net income pertain primarily to goodwill and the Parent Company's operating expenses in 2022 and 2021, which cannot be directly attributed to any reportable segment.

#### 24. Aging of Accounts Receivable

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

	March 31, 2022 (Unaudited)			
	Neither Past		Past Due but not impaired	
	Due nor Impaired	30 days	More than 60 days	Total
Notes and loans	P163,032,110	P-	P-	P163,032,110
Due from related parties	224,956,296	—	—	224,956,296
Interest receivable	17,148,170	—	—	17,148,170
Retainer fee receivable	1,906,483	—	—	1,906,483
Dividend receivable	144,011	—	—	144,011
	<b>P407,187,070</b>	<b>P-</b>	<b>P-</b>	<b>P407,187,070</b>

	March 31, 2021 (Unaudited)			
	Neither Past		Past Due but not impaired	
	Due nor Impaired	30 days	More than 60 days	Total
Notes and loans	P227,948,444	P-	P-	P227,948,444
Due from related parties	91,864,702	—	—	91,864,702
Interest receivable	5,534,316	—	—	5,534,316
Retainer fee receivable	705,690	—	—	705,690
Dividend receivable	76,788	—	—	76,788
Nontrade receivable	79,851	—	—	79,851
	<b>P326,209,791</b>	<b>P-</b>	<b>P-</b>	<b>P326,209,791</b>

	December 31, 2021 (Audited)			
	Neither Past		Past Due but not impaired	
	Due nor Impaired	30 days	More than 60 days	Total
Notes and loans	P178,032,110	P-	P-	P178,032,110
Due from related parties	193,170,071	—	—	193,170,071
Interest receivable	14,284,642	—	—	14,284,642
Retainer fee receivable	1,510,665	—	—	1,510,665
Dividend receivable	24,515	—	—	24,515
Nontrade receivable	1,609,144	—	—	1,609,144
	<b>P388,631,147</b>	<b>P-</b>	<b>P-</b>	<b>P388,631,147</b>

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## 25. Civil Cases

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

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

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

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## 26. Litigation

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

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

PHC, through the valid and incumbent directors (Bildner Group) filed a Motion for Issuance of Writ of Execution with the Regional Trial Court (RTC) of Makati Branch 138 as court of origin, following the final resolution of SC declaring the election of Locsin Group as PHC's officers and directors. Accordingly, the SC ordered the Locsin Group to render an accounting and return of funds allegedly received from the Parent Company. An Order granting the Motion was issued on February 20, 2017, resulting to the issuance of the Writ of Execution on February 28, 2017. On January 9, 2018, PHC filed a manifestation for the implementation of the Writ of Execution. On February 9, 2018, an Order was issued directing PHC, within thirty (30) days from receipt, to submit its preferred accounting firm who will conduct the accounting of all funds and other assets received from POTC, PHC and Philcomsat since September 2004. On February 22, 2018, PHC filed its Ex-Parte Manifestation and Motion, in compliance with the said Order. On July 11, 2018, the Sheriff of the Office of the Clerk of Court of Makati served the Writ of Execution to Manuel Andal, Benito Araneta, Philip Brodett, Enrique Locsin, Concepcion Poblador and Johnny Tan. On June 6, 2019, PHC filed an Ex-Parte Motion to Resolve the pending motion to appoint Virgilio R. Santos as the auditing accounting firm for the execution of the SC Decision dated July 3, 2013 issued in GR Nos. 184622, 184712-14, 186066 and 186590. There was a status conference held in this case on December 13, 2019 where the Court required the defendants to provide a name of their selected accountant to move forward with the audit. The defendants failed or refused again to comply, so the Court is likely to appoint Philcomsat's proposed accountant, Virgilio R. Santos, to do the audit.

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

Meanwhile, PCGG and Locsin filed a Petition for Review with the Supreme Court (SC) questioning the Decision issued by the CA dated January 30, 2018, which dismissed their Appeal. Philcomsat filed its comment thereto on November 6, 2018. PCGG filed its Reply on February 17, 2020.

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

- Complaint for Collection Against Araneta and Lokin

On May 26, 2010, a complaint for collection of sum of money and damages, with an application for a Writ of Preliminary Attachment dated May 24, 2010 was filed by the Parent Company against Benito Araneta and Luis Lokin Jr., former directors of the Parent Company for an alleged personal back to back loans with Bankwise procured by Araneta using the Parent Company's funds as collateral, with the help of Lokin, in the amount of P35.3 million.

On February 2, 2017, a Decision was issued finding Araneta and Lokin liable to pay PHC a) actual damages in the sum of P31.5 million plus legal interest of 6% computed from May 26, 2010, the time of judicial demand until fully paid; b) P200,000 as and by way of exemplary damages; and c) P200,000 as and by way of attorney's fees, plus costs of suit. Araneta and Lokin filed their Notices of Appeal on September 6 and September 8, 2017, respectively. On January 16, 2018, the Court of Appeals (CA) required defendants to file Appellant's Brief within 45 days from receipt thereof. On April 20, 2018 and May 7, 2018, PHC received Lokin and Araneta's Appellant's Briefs, respectively. On June 5, 2018, PHC filed its Appellee's Brief. On September 18, 2018, PHC filed a Compliance submitting proof of service of its Appellee's Brief to defendants in accordance with the CA's Resolution dated July 2, 2018. On April 25, 2019, the CA issued a Decision granting Araneta's appeal. On May 30, 2019, PHC filed its Motion for Reconsideration of the said Decision. On July 11, 2019, Araneta filed its Comment thereto, in accordance with the Resolution dated June 6, 2019 issued by the CA to file the same. On October 24, 2019, the Court of Appeal issued a Resolution denying PHC's Motion for

On November 26, 2019, PHC elevated the case to the Supreme Court via Petition for Review on Certiorari under Rule 45. On March 9, 2020, Araneta filed his Comment.

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

On May 8, 2008, the Parent Company filed a criminal complaint for estafa for misappropriation of corporate funds against Brodett, a former director of the Parent Company, and certain officers of Bankwise. The complaint alleged that the unauthorized deposits, withdrawals and transfers of the Parent Company's funds in the amount of P66.8 million was processed through spurious bank accounts and involved the co-mingling and transfer of funds between the Parent Company's accounts and certain personal accounts.

On June 14, 2016, an Order was issued allowing Brodett to present his defense only with respect to the P27.0 million and P9.3 million which allegedly came from PHC funds and not in the whole amount of P66.8 million. On July 1, 2016, a Motion for Reconsideration of the said Order was filed by the Private Prosecutor (Parent Company). On August 30, 2016, the Private Prosecutor (Parent Company) filed a Reply to Brodett's Comment/Opposition dated August 25, 2016. After the presentation of defense evidence has already been concluded on June 5, 2018, the accused filed their Formal Offer of Evidence, which was partially admitted by the Court on August 28, 2018. On February 21, 2020, the Court promulgated its judgment finding accused Brodett guilty for the crime of theft, sentencing him to the penalty of imprisonment for a minimum period of four (4) years, two (2) months, one (1) day, to a maximum period of sixteen (16) years and 4 months. He was also found civilly liable to pay PHC the amount of P14,235,700, with legal interest of 12% per annum from April 11, 2008 until June 30, 2013 and the total obligation plus 6% legal interest from July 1, 2013 until fully paid. On March 3, 2020, Brodett filed his Motion for Partial Reconsideration of the Decision. On July 1, 2020, the Parent Company filed its Consolidated Comment/Opposition thereto. In ruling Brodett's Motion for Reconsideration, the Court again promulgated the case on December 2, 2020 and affirmed Brodett's conviction. He then filed an appeal on December 3, 2020.

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

A criminal complaint for estafa was filed against Araneta for money market placements amounting to P65.0 million which allegedly were not returned to the Parent Company. The case was dismissed on February 9, 2009 for lack of probable cause. The appeal filed on March 4, 2009 is still pending decision with the DOJ as at report date.

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

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

On January 7, 2014, the Parent Company filed a Petition for Certiorari praying that the DOJ file new information against Ms. Poblador for estafa for the total amount of P16.7 million. On January 10, 2014, the Parent Company received a Petition for Certiorari filed by Ms. Poblador seeking the reversal of the Resolution directing the filing of an Information for estafa against her for P0.2 million. On August 29, 2014, the two Petitions were consolidated.

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

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

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

On June 14, 2019, the CA issued a Decision denying both PHC's and Ms. Poblador's Petitions for Certiorari. On July 5 and 11, 2019, both parties filed their respective Motions for Reconsideration. On July 24, 2019, PHC filed its Comment to Ms. Poblador's Motion for Reconsideration. To date, no Comment to PHC's Motion for Reconsideration has yet been filed or received from Poblador. On August 10, 2020, the CA issued a Resolution denying PHC and Ms. Poblador's Motions for Reconsideration. PHC decided not to pursue the case with the Supreme Court considering that the amount involved is already covered by the advances to affiliates case.

On November 3, 2020, Poblador filed her Petition for Review with the Supreme 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.

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## 27. Impact of Coronavirus of 2019 (COVID-19)

Covid-19 persisted in 2020 and 2021, and continued to severely impact the country's economy as lockdowns were extended due to rising infections. The government strictly implemented anti-COVID-19 measures and deployed the much-awaited vaccines as supplies arrived; these resulted in the decrease of daily infections which was a signal for businesses to restart operations and revive local economic activity during the remaining months of the year.

As the Company derives its income from money market placements, bank deposits and other financial instruments, the Company continuously monitored the investee the investee-companies' performances in light of the adverse effects of lockdowns on the economy. The Company maintained its portfolio of investments in prime issues and invested in certain new bonds offered during the year as well as in the initial public offering of common and preferred shares.

**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 March 31, 2022 and 2021 are as follows:

Performance Indicator	Formula	March 31,	March 31,
		2022	2021
<i>Liquidity</i>			
Current Ratio	Current Assets Current Liabilities	61.66:1	49.39:1
<i>Leverage</i>			
Debt to Equity Ratio	Total Liabilities Total Equity	0.02:1	0.02:1
Asset to Equity Ratio	Total Assets Total Equity	1.02:1	1.02:1
<i>Profitability</i>			
Net Profit Ratio	Net Income Revenue	0.51:1	0.39:1
Return on Assets	Net Income Total Assets	.51%	.28%
Return on Equity	Net Income Total Equity	.52%	.29%

*Liquidity*

The Company's current assets of P493,363,423 as of March 31, 2022 and current liabilities of P8,001,203 resulted in liquidity ratio of 61.66:1 compared to the same quarter of previous year wherein the ratio was lower at 49.39:1. The increase in current ratio was due to the redemption of financial assets under noncurrent assets.

*Leverage*

There were no changes between the Debt to Equity ratio and Asset to Equity Ratio for the period of March 31, 2022 and 2021. The ratio shows that the Group's assets are more than adequate to cover its liabilities.

*Profitability*

The Group results of operations for the quarter ended March 31, 2022 resulted to a net income higher than the previous period due to increase in revenues.

### **Results of Operations**

From 2000 to 2010, the Corporation was involved in an intra-corporate feud between the Brodett-Araneta-Lokin-Locsin-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.

Presently, the Company's investments remain in money market placements and other liquid financial instruments.

The following table shows the results of Philcomsat Holdings Corporation's operations for the quarters ended March 31, 2022 and 2021:

Results of Operations	For the quarter ended			
	March 31, 2022	March 31, 2021	Increase/ (Decrease)	YoY Change (%)
Revenues	P15,320,475	P10,893,144	P4,427,331	40.64%
Expenses	(8,340,769)	(7,120,531)	1,220,238	17.14%
Income (loss) from operations	P6,979,706	P3,772,613	P3,207,093	85.01%

The Group recorded higher income from operations for the quarter ended March 31, 2022 due to increase in revenues.

**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 Group to increase 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.	The Company has a contingent liability should the Parent Company fail to perform its contract with Speedcast, Ltd.
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.	The Company guaranteed the obligations of its Parent Company to perform its contract with Speedcast, Ltd. with price of P203 million
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.	A prolonged lockdown due to the inability to contain COVID 19 pandemic may hamper economic recovery and lead to lower yields on fixed income instruments while equity market returns will most likely be handicapped by risk of economic disruptions.
vi. Any significant elements of income or loss that did not arise from the registrant's continuing operations	None

vii. The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item. The volatility of market prices of the Group's financial assets measured at fair value through other comprehensive income.

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 March 31, 2022**

Rank	Name	Number of Common Shares
1	Philippine Communications Satellite Corp.	796,595,690
2	Somera, Jr., Prudencio C.	100,000,100
3	Laperal, Oliverio G.	49,556,500
4	PCD Nominee Corporation	15,864,534
5	RCBC T/A 236-235 A/C Oliverio Laperal	4,802,413
6	Prince Resources, Inc.	4,000,000
7	Marino Olondriz Y Cia (Hold, per PSE)	2,985,600
8	Estate of Jsue Ma. Ozamiz	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	Cheng, Agrifino T.	410,000
18	Ansaldo, Godinez & Co., Inc.	332,550
19	Dacillo, Nenita	320,000
20	Bridgestone Securities Corporation	307,425

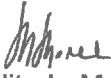
**As of March 31, 2022, the members of Board of Directors/Key Officers of Philcomsat Holdings Corporation are as follows:**

Santiago J. Ranada, Jr.	Director and Chair
Katrina C. Ponce Enrile	Director and President/CEO
Victoria C. De los Reyes	Director and VP
Erlinda I. Bildner	Director and CFO/Treasurer
Marietta K. Ilusorio	Director
Daniel C. Gutierrez	Director
Pablo L. Lobregat	Director
Prudencio C. Somera	Director
Jose Ramon C. Ozamiz	Director
Julie Y. Daza	Director
Oliverio L. Laperal, Jr.	Director
John Benedict L. Sioson	Corporate Secretary/ Corporate Information Officer
Manolita L. Morales	Assistant Treasurer
Bernadette Y. Blanco	Chief Compliance Officer
Jose Pio J. Seva	Assistant Corporate Secretary/Investor Relations Officer

## Certification

I, Manolita L. Morales, Assistant Treasurer of Philcomsat Holdings Corporation and Subsidiaries with SEC registration number 11163 with principal office at 12<sup>th</sup> Floor, Telecom Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City, on oath state:

- 1) That on behalf of Philcomsat Holdings Corporation and Subsidiaries, I have caused this Quarterly Report (17-Q) to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That Philcomsat Holdings Corporation and Subsidiaries will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

  
Manolita L. Morales  
Affiant

MAY 04 2022

SUBSCRIBED AND SWEARN to before me this \_\_\_\_\_ day of \_\_\_\_\_ 2022,  
affiant exhibiting to me her Senior Citizen ID No. 121070 issued on November 27, 2018 at  
Makati City.

Doc. No. 103  
Page No. 21  
Book No. 1  
Series of 2021



  
ATTY. BERNADETTE S. YANTON  
NOTARY PUBLIC - CITY OF MAKATI  
UNTIL 31 DECEMBER 2022  
NOTARIAL COMMISSION NO. M-278  
12/F TELECOM PLAZA BUILDING  
316 SEN. GIL PUYAT AVENUE, MAKATI CITY  
IBP LIFETIME MEMBER NO. 03264  
PTR NO. 8852265, 01/03/2022, MAKATI CITY  
MCLE COMPLIANCE NO. VII-0013527, 07/30/2022  
ROLL OF ATTORNEY'S NO. 45724  
TIN: 211-177-0001



**PHILCOMSAT HOLDINGS CORPORATION AND SUBSIDIARIES**  
**FOR THE QUARTERS ENDED OF JUNE 30, 2022 AND 2021**

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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 June 30, 2022
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 and Chief Finance Officer

August 8, 2022

## **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**  
**AS AT JUNE 30, 2022 AND 2021 AND DECEMBER 31, 2021**  
**(Amounts in Philippine Pesos)**

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2021 (Audited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Notes 2, 3, 4, 19 and 20)	₱113,648,735	₱105,324,191	₱115,731,576
Receivables (Notes 2, 3, 5, 17, 19 and 20)	162,006,140	228,099,701	187,446,012
Due from related parties (Notes 2, 3, 17, 19 and 20)	242,626,576	126,952,019	193,170,071
Financial assets at fair value through profit or loss (FVPL) (Notes 2, 3, 19 and 20)	106,884	86,760	106,884
Other current assets (Notes 2 and 3)	422,418	5,276,865	120,515
<b>Total Current Assets</b>	<b>518,810,753</b>	465,739,536	496,575,058
<b>Noncurrent Assets</b>			
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 2, 3, 6, 19 and 20)	973,770,425	1,031,598,685	1,026,598,356
Receivables – noncurrent (Notes 2, 3, 5, 19 and 20)	8,000,000	6,000,000	8,000,000
Investment property (Notes 2, 3 and 7)	2,249,424	2,249,424	2,249,424
Right-of-use (ROU) assets – net (Notes 2, 3 and 12)	1,112,894	2,063,126	1,971,502
Property and equipment – net (Notes 2, 3 and 8)	48,078	8,119	60,702
Other noncurrent assets (Notes 2, 3 and 9)	7,296,265	6,420,511	6,738,353
<b>Total Noncurrent Assets</b>	<b>992,477,086</b>	1,048,339,865	1,045,618,337
	<b>₱1,511,287,839</b>	₱1,514,079,401	₱1,542,193,395
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and statutory payables (Notes 2, 3, 11, 19 and 20)	₱2,460,425	₱2,560,441	₱4,966,835
Due to a related party (Notes 2, 3, 17, 19 and 20)	3,948,624	3,948,624	3,948,624
Lease liabilities – current (Notes 2, 3, 12, 19 and 20)	883,373	2,087,618	1,758,591
<b>Total Current Liabilities</b>	<b>7,292,422</b>	8,596,683	10,674,050
<b>Noncurrent Liabilities</b>			
Deposit for future stock subscription (Notes 2 and 18)	18,894,000	18,894,000	18,894,000
Lease liabilities – noncurrent (Notes 2, 3, 12, 19 and 20)	257,209	–	257,209
Deferred tax liabilities – net (Notes 2 and 16)	965,826	192,197	795,447
<b>Total Noncurrent Liabilities</b>	<b>20,117,035</b>	19,086,197	19,946,656
<b>Total Liabilities</b>	<b>27,409,457</b>	27,682,880	30,620,706
<b>Equity</b>			
Share capital (Notes 2 and 21)	996,391,254	996,391,254	996,391,254
Retained earnings (Notes 2, 7 and 21)	509,852,540	486,896,970	492,359,406
Other equity reserves (Notes 2, 7 and 21)	(22,365,412)	3,108,297	22,822,029
<b>Total Equity</b>	<b>1,483,878,382</b>	1,486,396,521	1,511,572,689
	<b>₱1,511,287,839</b>	₱1,514,079,401	₱1,542,193,395

See accompanying Notes to Financial Statements.

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

**INTERIM CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE QUARTERS ENDED AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021**  
*(Amounts in Philippine Pesos)*

	From April 1 to June 30, 2022 (Unaudited)	From April 1 to June 30, 2021 (Unaudited)	From January 1 to June 30, 2022 (Unaudited)	From January 1 to June 30, 2021 (Unaudited)
<b>REVENUE (Notes 2 and 13)</b>	<b>P15,296,332</b>	<b>P11,951,505</b>	<b>P30,616,807</b>	<b>P22,844,649</b>
<b>COSTS AND EXPENSES</b> (Notes 2 and 14)	<b>(7,337,794)</b>	<b>(7,189,000)</b>	<b>(15,669,808)</b>	<b>(14,299,820)</b>
<b>OTHER INCOME (CHARGES)</b> – net (Notes 2, 6 and 15)	<b>2,819,717</b>	<b>257,406</b>	<b>3,419,278</b>	<b>913,768</b>
<b>FINANCE COSTS (Notes 2 and 12)</b>	<b>(6,726)</b>	<b>(11,417)</b>	<b>(15,481)</b>	<b>(21,128)</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>10,771,529</b>	<b>5,008,494</b>	<b>18,350,796</b>	<b>9,437,469</b>
<b>PROVISION FOR INCOME TAX</b> (Notes 2, 3 and 16)				
Current	252,366	131,438	509,761	167,609
Deferred	709,071	30,362	170,379	221,959
	<b>961,437</b>	<b>161,800</b>	<b>680,140</b>	<b>389,568</b>
<b>NET INCOME</b>	<b>P9,810,092</b>	<b>P4,846,694</b>	<b>P17,670,656</b>	<b>P9,047,901</b>
<b>BASIC/DILUTED EARNINGS PER SHARE (Notes 2 and 18)</b>	<b>P0.0098</b>	<b>P0.0049</b>	<b>P0.0177</b>	<b>P0.0091</b>

See accompanying Notes to Financial Statements.

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

**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE QUARTERS ENDED AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021**  
*(Amounts in Philippine Pesos)*

	From April 1 to June 30, 2022 (Unaudited)	From April 1 to June 30, 2021 (Unaudited)	From January 1 to June 30, 2022 (Unaudited)	From January 1 to June 30, 2021 (Unaudited)
<b>NET INCOME</b>	<b>P9,810,092</b>	<b>P4,846,694</b>	<b>P17,670,656</b>	<b>P9,047,901</b>
<b>OTHER COMPREHENSIVE</b>				
<b>INCOME (LOSS) (Notes 2 and 6)</b>				
<i>Items that may be reclassified to profit or loss</i>				
Unrealized gain (loss) on debt instruments at FVOCI	(2,929,429)	5,715,159	(6,230,164)	2,921,540
<i>Items that may not be reclassified to profit or loss</i>				
Unrealized gain (loss) on equity instruments at FVOCI	(36,957,472)	13,997,571	(39,593,204)	1,364,060
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(P30,076,809)</b>	<b>P24,559,424</b>	<b>(P28,152,712)</b>	<b>P13,333,501</b>

*See accompanying Notes to Financial Statements.*

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

**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE QUARTERS ENDED AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021**  
*(Amounts in Philippine Pesos)*

	From January 1 to June 30, 2022 (Unaudited)	From January 1 to June 30, 2021 (Unaudited)
<b>SHARE CAPITAL – P1 par value (Notes 2 and 21)</b>		
Authorized – 1,000,000,000 shares		
Issued – 996,391,254 shares	<b>P996,391,254</b>	<b>P996,391,254</b>
<b>RETAINED EARNINGS (Notes 2, 6 and 21)</b>		
Balance at beginning of period	492,359,406	477,971,839
Net income	17,670,656	9,047,901
Reclassification of cumulative fair value changes of equity instruments measured at FVOCI sold from other comprehensive income	(177,522)	(122,770)
Balance at end of period	<b>509,852,540</b>	<b>486,896,970</b>
<b>OTHER EQUITY RESERVES (Notes 2, 6 and 21)</b>		
Balance at beginning of period	22,822,029	(1,164,903)
Unrealized gain (loss) for the period	(45,823,368)	4,285,600
Reclassification of cumulative fair value changes of debt instruments measured at FVOCI sold to profit or loss	458,405	(135,170)
Reclassification of cumulative fair value changes of equity instruments measured at FVOCI sold to retained earnings	177,522	122,770
Balance at end of period	<b>(22,365,412)</b>	<b>3,108,297</b>
<b>TOTAL EQUITY</b>	<b>P1,483,878,382</b>	<b>P1,486,396,521</b>

See accompanying Notes to Financial Statements.

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

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
FOR THE QUARTERS ENDED AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021  
*(Amounts in Philippine Pesos)*

	From January 1 to June 30, 2022 (Unaudited)	From January 1 to June 30, 2021 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	P18,350,796	P9,437,469
Adjustments for:		
Realized loss (gain) on sale of debt instruments measured at FVOCI (Notes 6 and 15)	458,405	(135,170)
Depreciation (Notes 8 and 12)	871,232	852,316
Finance costs (Note 12)	15,481	21,128
Unrealized foreign exchange gain (Note 15)	(3,877,683)	(778,598)
Operating income before changes in assets and liabilities	15,818,231	9,397,145
Decrease (increase) in:		
Receivables (Note 5)	25,439,872	15,704,122
Due from related parties (Note 17)	(49,456,505)	(113,616,640)
Other current assets	(301,903)	(4,853,245)
Other non current assets (Note 9)	(219,987)	(188,293)
Decrease in trade and statutory payables (Note 11)	(2,506,410)	(1,586,052)
Net cash used in operations	(11,226,702)	(95,142,963)
Acquisition of financial assets at FVOCI (Note 6)	(91,505,790)	(79,760,125)
Proceeds from redemption and maturity of financial assets at FVOCI (Note 6)	98,510,353	71,312,189
Income tax paid	(847,686)	(421,201)
Net cash used in operating activities	(5,069,825)	(104,012,100)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of:		
Lease liabilities (Note 12)	(875,218)	(827,155)
Interest on lease liabilities (Note 12)	(15,481)	(21,128)
Cash used in financing activities	(890,699)	(848,283)
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	3,877,683	778,598
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,082,841)</b>	<b>(104,081,785)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>115,731,576</b>	<b>209,405,976</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>113,648,735</b>	<b>105,324,191</b>

	From January 1 to June 30, 2022 (Unaudited)	From January 1 to June 30, 2021 (Unaudited)
<b>NONCASH FINANCIAL INFORMATION</b>		
Initial recognition of ROU assets relating to lease of office space (Note 12)	P-	(P2,671,576)
Initial recognition of lease liabilities (Note 12)	- P-	2,671,576 P-
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*See accompanying Notes to Financial Statements.*

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS AT JUNE 30, 2022 AND 2021 AND DECEMBER 31, 2021**

**AND FOR THE QUARTERS ENDED AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021**

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**1. General Information**

**Corporate Information**

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

On July 23, 1997, the SEC approved the amended Articles of Incorporation of the Parent Company consisting of: a) change in its primary purpose from an exploration and mining company to a holding company and revision of its secondary purpose clauses; and b) change of the corporate name from Liberty Mines, Inc. to Philcomsat Holdings Corporation.

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

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

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

The Parent Company is 79.94% owned by Philippine Communications Satellite Corporation (Philcomsat), a company incorporated in the Philippines. The ultimate parent company is Philippine Overseas Telecommunications Corporation (POTC), a company also incorporated in the Philippines. Philcomsat and POTC are both engaged in the telecommunications business.

The Parent Company and all of its subsidiaries (collectively referred to as "the Group") were incorporated in the Philippines. The following are the subsidiaries and the respective percentages of ownership as at June 30, 2022 and 2021 and December 31, 2021:

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

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

The principal activities of the subsidiaries are as follows:

Name of Subsidiaries	Principal Activities
PMEI	Management services
PSTI	Stock transfer agency

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

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

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

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

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

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

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**2. Summary of Significant Accounting Policies**

**Basis of Preparation**

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

**Measurement Bases**

The consolidated financial statements are presented in Philippine Peso (Peso) which is the Group's functional and presentation currency. All values are rounded to the nearest Peso, except as otherwise indicated.

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

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

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

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

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

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

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

Fair values of financial assets at FVPL, financial assets at FVOCI, investment property and financial assets and liabilities are disclosed in Notes 6, 7, 8 and 20, respectively.

#### Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, "*Reference to the Conceptual Framework*"

The amendments updated the reference to the "*Conceptual Framework*" and an exception to its requirement for an entity to refer to the "*Conceptual Framework*" to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should instead refer to PAS 37, "*Provisions, Contingent Liabilities and Contingent Assets*". This exception is to avoid an unintended consequence of updating the reference. Without the exception, an entity would have recognized some liabilities on the acquisition of a business that it would not recognize in other circumstances. Immediately after the acquisition, the entity would have had to derecognize such liabilities and recognize a gain that did not depict an economic gain.

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

- Amendments to PAS 16, "*Property, Plant and Equipment - Proceeds before Intended Use*"

The amendments prohibit from deducting the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

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

- Amendments to PAS 37, "Onerous Contracts - Cost of Fulfilling a Contract"

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

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

*Annual Improvements to PFRSs 2018-2020 Cycle*

The Annual Improvements to PFRSs (2018-2020 cycle) are effective for annual periods beginning 2022 and are not expected to have a material impact on the Company.

- Amendments to PFRS 1, "Subsidiary as a First-time Adopter"

The amendment permits a subsidiary that measures the assets and liabilities at the carrying amounts that would be included in the parent's consolidated financial statements, based on the parent's date of transition to PFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary, to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.

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

- Amendments to PFRS 9, "Fees in the '10 per cent' Test for Derecognition of Financial Liabilities"

The improvements clarify the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

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

- Amendments to PFRS 16, "Lease Incentives"

The amendment removes reimbursement relating to leasehold improvements. PFRS 16 does not contain explicit guidance on how to account for leasehold improvements made by the lessee or when reimbursements made by the lessor in respect of those leasehold improvements can be regarded as lease incentives. Thus, created some confusion on how a lessee should account for such reimbursement by stating that the lessee should apply the appropriate standard and should not account for the reimbursement as a lease incentive. The standard had not clearly explained the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

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

- Amendments to PAS 41, "Taxation in Fair Value Measurements"

The amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

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

**New Accounting Standards, Amendments to Existing Standards and Interpretations Effective Subsequent to June 30, 2022**

The standards, amendments and interpretations which have been issued but not yet effective as at June 30, 2022 are disclosed below. Except as otherwise indicated, the Group does not expect the adoption of the applicable new and amended PFRS to have a significant impact on the financial position or performance.

*Effective beginning on or after January 1, 2023*

- Amendments to PFRS 17, "Insurance Contracts"

The amendments, which respond to feedback from stakeholders, are designed to:

- Reduce costs by simplifying some requirements in the Standard;
- Make financial performance easier to explain; and
- Ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying PFRS 17 for the first time.

The deferral of the effective date by two years, to annual reporting periods beginning on or after January 1, 2023, is intended to allow time for an orderly adoption of the amended PFRS 17 by jurisdictions. This should enable more insurers to implement the new Standard at the same time.

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

- Amendments to PAS 1, "Classification of Liabilities as Current or Non-current"

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

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

*Effective beginning on or after January 1, 2025\**

- Amendment to PFRS 17, *"Initial Application of PFRS 17 and PFRS 9 – Comparative Information"*

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

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

*\*On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of IFRS 17 by two (2) years after its effective date as decided by the IASB.*

#### *Deferred Effectivity*

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

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

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

These amendments may apply to future transactions of the Group.

- Deferment of Implementation of International Financial Reporting Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *"Borrowing Cost"*) for the Real Estate Industry

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35 (c) of PFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

On February 21, 2020, the Philippine SEC issued MC No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

The adoption of this amendment is not expected to have any significant impact on the consolidated financial statements since the Group is not in a real estate industry.

*No Mandatory Effective Date*

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

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

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. Subsidiaries are entities controlled by the Parent Company. In assessing control, the Parent Company considers if it is exposed, or has right, to variable returns from its investment with the subsidiary and if it has the ability to affect those returns.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases. The results of operations of the subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

Changes in the controlling equity ownership (i.e., acquisition of non-controlling interest or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.

All intragroup balances, transactions, income and expenses and unrealized gains and losses are eliminated in full.

Noncontrolling interests pertain to the portion of profit or loss and the net assets in subsidiaries not held by the Parent Company and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position. Noncontrolling interests represent the interests of minority shareholders.

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

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

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

#### Current versus Noncurrent Classification

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

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

Deferred income tax assets are classified as noncurrent assets.

#### Financial Assets and Liabilities

##### *Date of Recognition*

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

##### *Initial Recognition and Measurement*

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at FVPL includes transaction cost.

##### *"Day 1" Difference*

Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

##### *Classification*

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

*Financial Assets at FVPL*

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

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

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

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

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

As at June 30, 2022 and 2021, and December 31, 2021, the Group's marketable securities are classified under this category.

*Financial Assets at Amortized Cost*

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

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

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

As at June 30, 2022 and 2021, and December 31, 2021, the Group's cash and cash equivalents, receivables (excluding advances subject to liquidation) and due from related parties are classified under this category (see Notes 4, 5 and 17).

#### *Financial Assets at FVOCI*

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

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

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

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

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

As at June 30, 2022 and 2021, and December 31, 2021, the Group designated its investments in quoted bonds, quoted shares of stocks, UITF and club membership as financial assets at FVOCI (see Note 6).

#### *Financial Liabilities at FVPL*

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

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

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

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

The Group does not have financial liabilities at FVPL as at June 30, 2022 and 2021, and December 31, 2021.

#### *Financial Liabilities at Amortized Cost*

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

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

As at June 30, 2022 and 2021, and December 31, 2021, the Group's trade and other payables, customers' deposits, due to a related party and lease liabilities are classified under this category (see Notes 11, 12 and 17).

#### *Reclassification*

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

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

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

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

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

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

#### *Impairment of Financial Assets at Amortized Cost and FVOCI*

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

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

## *Derecognition of Financial Assets and Financial Liabilities*

### *Financial Assets*

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

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

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

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

### *Offsetting of Financial Assets and Liabilities*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

*Classification of Financial Instrument between Liability and Equity*

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

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

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

**Advances Subject to Liquidation**

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

**Miscellaneous Deposit**

Miscellaneous deposit pertains to deposit for legal expenses that is subject to liquidation. This is initially measured at cost less impairment in value, if any.

**Investment Property**

Investment property is defined as a property, such as land or building, held for purposes of earning rentals, for capital appreciation or both. This property is not held to be used in production or sale in the ordinary course of business.

Investment property is initially measured at acquisition cost. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case, the investment property acquired is measured at the carrying amount of asset given up.

Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value. Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged against current operations in the period in which the costs are incurred.

Depreciation of an investment property is computed using the straight-line method over the estimated useful life of the asset.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

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

#### Property and Equipment

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

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

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

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

The useful lives of each of the property and equipment are estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets. The property and equipment's useful lives and depreciation and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year the item is derecognized.

#### Other Noncurrent Assets

Other noncurrent assets consist of:

##### *Creditable Withholding Tax*

Creditable withholding tax is an amount that is withheld from income payments. This is deducted from income tax payable.

##### *Input Value-added Tax (VAT)*

Input VAT represents tax imposed on the Group by its suppliers for the acquisition of goods and services required under the Philippine taxation laws and regulations. Input VAT is recognized as an asset and will be used to offset the Group's current VAT liability.

#### **Business Combinations and Goodwill**

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest, and any previous interest held, over the net fair value of the identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

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

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

#### Impairment of Nonfinancial Assets

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

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

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

#### Deposit for Future Subscription

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

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

#### Equity

##### *Share Capital*

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

##### *Retained Earnings*

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

##### *Other Equity Reserves*

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

#### Revenue Recognition

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

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

The following specific recognition criteria must also be met before revenue is recognized:

##### *Interest Income*

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

##### *Dividend Income*

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

##### *Service Fees*

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

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

##### *Retainer Fee and Transfer Fee*

Revenue is recognized under the accrual basis in accordance with the terms of the related agreements.

##### *Gain on Sale of Financial and Nonfinancial Assets*

Gain on sale of financial assets at FVOCI and nonfinancial assets are computed as the difference between the proceeds and its carrying amount.

##### Costs and Expense Recognition

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

##### *Cost of Services*

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

##### *General and Administrative Expenses*

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

#### Employee Benefits

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

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

#### Leases

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

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

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

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

#### *The Group as a Lessee*

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

#### *ROU Asset*

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

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

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

#### *Lease Liability*

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

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

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

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

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

#### Foreign Currency Transactions

Transactions in foreign currencies are initially recorded using the functional currency exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are restated using the closing functional currency exchange rate at the financial reporting date. Foreign exchange gains and losses arising from foreign currency transactions and restatement of balances are recognized in profit or loss.

#### Related Party Relationships and Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Parent Company; (2) associates; and (3) individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the Parent Company and close members of the family of any such individual.

Transactions amounting to 10% or more of the total assets based on the latest audited consolidated financial statements that were entered into with related parties are considered material under SEC Memorandum Circular No. 10, Series of 2019, "Rules on Material Related Party Transactions for Publicly-listed Companies".

All individual material related party transactions shall be approved by the BOD. For aggregate related party transactions within a 12-month period that breaches the materiality threshold, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

Directors and officers with personal interest in the transaction should abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purpose of assessing the quorum and their votes shall not be counted for purposes of determining approval.

The key management personnel of the Group and post-employment benefit plan for the benefit of Group's employees, if any, are also considered to be related parties.

Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

#### Income Taxes

##### *Current Tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the reporting date.

##### *Deferred Tax*

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward benefits of minimum corporate income tax (MCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused NOLCO and carry-forward benefits of MCIT can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax law) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### *Earnings Per Share*

Basic earnings per share is computed by dividing net income over the weighted average number of issued and outstanding common shares during the year.

Diluted earnings per share is computed as if the potential common share or instrument that may entitle the holder to common share were exercised as of the beginning of the year.

#### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as an asset in the consolidated statements of financial position but only when the receipt of the reimbursement is virtually certain.

#### Contingencies

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

#### Events After the End of the Reporting Period

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

#### Segment Information

The Group is engaged in investing of funds in various financial assets, service agreements with the government and stock transfer agency. The Group has aggregated these revenue-generating activities into a single operating segment as these segments are both passive in nature and have the same economic characteristics. The Group's revenue-generating assets are located in the Philippines.

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

The preparation of the Group's consolidated financial statements requires management to make judgments, accounting estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the reporting date. However, uncertainty about the estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

#### Judgments

In the process of applying the Group's policies, the Group has made certain judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

#### *Establishing Control Over Investment in Subsidiaries*

The Group determines that it has control over its subsidiary by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following are also considered:

- Rights arising from other contractual agreements; and
- The Group's voting rights and potential voting rights.

#### *Classifying Financial Instruments*

The Group exercises judgment in classifying financial instruments in accordance with PFRS 9. The Group classifies a financial instrument, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the Company's business model and its contractual cash flow characteristics and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Group's consolidated statements of financial position.

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

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

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

Carrying amount of investment property amounting to P2.2 million as at June 30, 2022 and 2021, and December 31, 2021 (see Note 7).

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

The Group has entered into lease agreements as a lessor.

Critical judgment was exercised by the Group to distinguish such lease agreement as an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements.

On January 1, 2021 and September 1, 2021, the Group's lease agreements of its office space were renewed and it qualified as leases under PFRS 16.

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

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

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

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

#### *Determining Operating Segments*

Although each revenue-generating activity represents a separate operating segment, management has concluded that there is basis for aggregation into a single operating segment as allowed under PFRS 8, "Operating Segments", due to their similar passive nature and economic characteristics.

#### *Assessing Provisions and Contingencies*

The Group evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings.

#### Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation of uncertainty at reporting date that may have significant risks of causing material adjustments to the carrying amounts of assets and liabilities within the next reporting year are discussed below.

#### *Assessing ECL on Debt Instruments*

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

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

No ECL on these debt instruments was recognized for the quarters ended and six months ended June 30, 2022 and 2021. The carrying amounts of financial assets at amortized cost and FVOCI are as follows:

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2021 (Audited)
Cash and cash equivalents*	P113,633,735	P105,309,191	P115,722,091
Receivables	162,006,140	228,099,701	187,446,012
Due from related parties	242,626,576	126,952,019	193,170,071
Investment in quoted bonds measured at FVOCI	626,407,443	667,640,005	647,466,219

\*excluding cash on hand amounting to P15,000 as at June 30, 2022 and 2021, and P9,485 as at December 31, 2021.

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

The Group carries financial assets at FVOCI at fair value in the consolidated statements of financial position. Determining the fair value of financial assets at FVPL and FVOCI requires extensive use of accounting estimates and judgment. The Group determined the fair values of financial assets at FVPL and FVOCI using a combination of available market prices in active markets for identical assets (Level 1) and prices computed using significant observable inputs (Level 2). Any changes in the fair value of these financial assets and liabilities would affect other comprehensive income.

The fair value of financial assets at FVPL amounted to P106,884, P86,760 and P106,884 as at June 30, 2022 and 2021, and December 31, 2021, respectively (see Note 20).

The fair value of financial assets at FVOCI amounted to P973.8 million, P1,031.6 million and P1,026.6 million as at June 30, 2022 and 2021, and December 31, 2021, respectively (see Notes 6 and 20).

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

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

The carrying amount of investment property amounted to P2.2 million as at June 30, 2022 and 2021, and December 31, 2021 (see Note 7).

The carrying amount of property and equipment amounted to P48,078, P8,119 and P60,702 as at June 30, 2022 and 2021, and December 31, 2021, respectively (see Note 8).

*Estimating Impairment Losses on Nonfinancial Assets Other than Goodwill*

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

No impairment loss was recognized for the quarters ended and six months ended June 30, 2022 and 2021.

The carrying amounts of nonfinancial assets are as follows:

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2021 (Audited)
Investment property	P2,249,424	P442,165	P2,249,424
ROU asset	1,112,894	2,249,424	1,971,502
Property and equipment	48,078	2,063,126	60,702
Other current assets	422,418	5,276,865	120,515
Other noncurrent assets	7,296,265	6,420,511	6,738,353

#### *Estimating Impairment Losses on Goodwill*

The Group tests annually whether any impairment in goodwill is to be recognized, in accordance with related accounting policy in Note 2. The recoverable amounts of CGUs have been determined based on the higher of fair value less costs to sell and value in use calculations which require the use of estimates. Based on the impairment testing conducted, the recoverable amounts of the CGUs as at June 30, 2022 and 2021, and December 31, 2021, calculated based on value in use are greater than the corresponding carrying amounts (including goodwill) of the CGUs. The carrying amount of goodwill amounted to P1.3 million as at June 30, 2022 and 2021, and December 31, 2021. No impairment loss was recognized for the quarters ended and six months ended June 30, 2022 and 2021 (see Note 10).

#### *Assessing Recoverability of Deferred Tax Assets*

The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the following reporting periods. This forecast is based on the Group's past results and future expectations on revenue and expenses.

The Company did not recognize a portion of its deferred tax assets amounting to P0.3 million, P2.2 million and P12.8 million as at June 30, 2022 and 2021 and December 31, 2021, respectively, because the management has assessed that these may not be realized because future taxable income may not be sufficient against which the deferred tax assets can be utilized (see Note 16).

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#### **4. Cash and Cash Equivalents**

This account consists of:

	<b>June 30, 2022 (Unaudited)</b>	<b>June 30, 2021 (Unaudited)</b>	<b>December 31, 2021 (Audited)</b>
Cash on hand	P15,000	P15,000	P9,485
Cash in banks	71,370,100	61,311,471	59,577,239
Cash equivalents	42,263,635	43,997,720	56,144,852
	<b>P113,648,735</b>	<b>P105,324,191</b>	<b>P115,731,576</b>

Cash in banks earn interest at prevailing bank deposit rates.

Cash equivalents pertain to special savings and time deposits, with terms of varying periods up to three (3) months depending on the immediate cash requirements of the Group, and earn interest at prevailing special savings and time deposit rates.

Interest income earned from cash in banks and cash equivalents amounted to P87,215 and P105,903 for the quarters ended June 30, 2022 and 2021, respectively, and P174,785 and 457,446 for the six months ended June 30, 2022 and 2021, respectively (see Note 13).

## 5. Receivables

This account consists of:

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2021 (Audited)
Notes and loans receivable			
Corporate notes (Note 17)	P110,032,110	P109,532,110	P125,032,110
Promissory notes issued by various financial institutions	39,000,000	118,000,000	53,000,000
Interest receivable	19,536,326	5,536,368	14,284,642
	168,568,436	233,068,478	192,316,752
Retainer fee receivable	1,394,894	922,005	1,510,665
Less allowance for ECL	(15,064)	(12,267)	(15,064)
Retainer fee receivable – net	1,379,830	909,738	1,495,601
Dividend receivable	57,874	21,825	24,515
Others	–	99,660	1,609,144
	170,006,140	234,099,701	195,446,012
Less noncurrent portion	(8,000,000)	(6,000,000)	(8,000,000)
Current portion of receivables	P162,006,140	P228,099,701	P187,446,012

Movements in the allowance for ECL are summarized below:

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of the period	P15,064	P12,267	P12,267
Additions	–	–	2,797
Reversal	–	–	–
Balance at end of period	P15,064	P12,267	P15,064

### Notes and Loans Receivable

#### *Corporate Notes*

Corporate notes outstanding as at June 30, 2022 and 2021, and December 31, 2021 pertain to short-term corporate promissory notes issued by various entities, with terms of thirty-five days up to one year and earn interest ranging from 5.5% to 11.0% per annum.

#### *Promissory Notes Issued by Financial Institutions*

Unsecured promissory notes are issued by various financial institutions with terms ranging from two to ten years and earn interest ranging from 4% to 7% per annum.

Interest income earned from corporate notes and promissory notes issued by various financial institutions amounted to P5.0 million and P2.1 million for the quarters ended June 30, 2022 and 2021, respectively, and P9.5 million and P3.4 million for the six months ended June 30, 2022 and 2021, respectively (see Note 13).

### Retainer Fee Receivable

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

## 6. Financial Assets at FVOCI

This account consists of:

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2021 (Audited)
<b>Investments in:</b>			
Quoted bonds	P626,407,443	P667,640,005	P647,466,219
Quoted shares of stocks	231,208,750	245,511,616	262,588,256
UITFs	109,104,232	113,697,064	111,143,881
Club memberships	7,050,000	4,750,000	5,400,000
	<b>P973,770,425</b>	<b>P1,031,598,685</b>	<b>P1,026,598,356</b>

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

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2021 (Audited)
<b>Cost</b>			
Balance at beginning of period	P1,003,776,327	P1,020,030,052	P1,020,030,052
Additions	91,505,790	79,760,125	281,309,746
Disposals	(99,146,280)	(71,299,789)	(297,563,471)
Balance at end of period	<b>996,135,837</b>	1,028,490,388	1,003,776,327
<b>Cumulative Unrealized Gain (Loss)</b>			
Balance at beginning of period	22,822,029	(1,164,903)	(1,164,903)
Unrealized fair value gain (loss) during the period	(45,823,368)	4,285,600	17,818,585
Reclassification of cumulative fair value changes of debt instruments measured at FVOCI sold to profit or loss (Note 15)	458,405	(135,170)	349,065
Reclassification of cumulative fair value changes of equity instruments measured at FVOCI sold to retained earnings	177,522	122,770	5,819,282
Balance at end of period	<b>(22,365,412)</b>	3,108,297	22,822,029
<b>Carrying amount</b>	<b>P973,770,425</b>	<b>P1,031,598,685</b>	<b>P1,026,598,356</b>

Interest income earned from financial assets at FVOCI amounted to P5.6 million and P5.8 million for the quarters ended June 30, 2022 and 2021, respectively, and P11.4 million and P11.5 million for the six months ended June 30, 2022 and 2021, respectively (see Note 13).

Dividend income earned from financial assets at FVOCI amounted to P2.1 million and P1.5 million for the quarters ended June 30, 2022 and 2021, respectively, and P4.3 million and P3.1 million for the six months ended June 30, 2022 and 2021, respectively (see Note 13).

Realized gain (loss) on sale of debt instruments at FVOCI recognized directly to profit or loss amounted (P17,130) and P135,960 for the quarters ended June 30, 2022 and 2021, respectively, and (P458,405) and P135,170 for the six months ended June 30, 2022 and 2021, respectively.

Realized loss on sale of equity instruments at FVOCI recognized directly to retained earnings amounted to P177,522 and P122,770 for the six months ended June 30, 2022 and 2021, respectively.

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

No ECL was recognized for investments in quoted bonds for the quarters ended and six months ended June 30, 2022 and 2021.

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#### 7. Investment Property

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

There are no direct operating expenses arising from investment property that did not generate rental income during the periods.

The Company did not engage the services of a qualified independent appraiser for the valuation of its investment property. The management believes that the carrying amount approximates its fair value, thus, no impairment loss was recognized in 2022 and 2021.

The investment property is not pledged as security for liabilities to related parties as at June 30, 2022 and 2021, and December 31, 2021.

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#### 8. Property and Equipment

Movements in this account are as follows:

	December 31, 2021 (Audited)	Additions	Disposals	June 30, 2022 (Unaudited)
<b>Cost</b>				
Transportation equipment	P5,011,638	P—	P—	P5,011,638
Furniture and fixtures	3,528,775	—	—	3,528,775
Office equipment	1,251,292	—	—	1,251,292
Office improvement	39,325	—	—	39,325
	<b>9,831,030</b>	<b>—</b>	<b>—</b>	<b>9,831,030</b>
<b>Less accumulated depreciation</b>				
Transportation equipment	5,009,609	2,029	—	5,011,638
Furniture and fixtures	3,528,775	—	—	3,528,775
Office equipment	1,192,620	10,594	—	1,203,214
Office improvement	39,325	—	—	39,325
	<b>9,770,329</b>	<b>12,623</b>	<b>—</b>	<b>9,782,952</b>
	<b>P60,701</b>			<b>P48,078</b>

	December 31, 2020 (Audited)	Additions	Disposals	June 30, 2021 (Unaudited)
<b>Cost</b>				
Transportation equipment	P5,011,638	P—	P—	P5,011,638
Furniture and fixtures	3,528,775	—	—	3,528,775
Office equipment	1,187,730	—	—	1,187,730
Office improvement	39,325	—	—	39,325
	<b>9,767,468</b>	<b>—</b>	<b>—</b>	<b>9,767,468</b>
<b>Less accumulated depreciation</b>				
Transportation equipment	4,997,430	3,045	—	5,000,475
Furniture and fixtures	3,528,775	—	—	3,528,775
Office equipment	1,187,730	—	—	1,187,730
Office improvement	39,325	—	—	39,325
	<b>9,753,260</b>	<b>3,045</b>	<b>—</b>	<b>9,756,305</b>
	<b>P14,208</b>			<b>P11,163</b>

	December 31, 2020 (Audited)	Additions	Disposals	December 31, 2021 (Audited)
<b>Cost</b>				
Transportation equipment	P5,011,638	P—	P—	P5,011,638
Furniture and fixtures	3,528,775	—	—	3,528,775
Office equipment	1,187,730	63,562	—	1,251,292
Office improvement	39,325	—	—	39,325
	<b>9,767,468</b>	<b>63,562</b>	<b>—</b>	<b>9,831,030</b>
<b>Less accumulated depreciation</b>				
Transportation equipment	4,997,430	12,178	—	5,009,608
Furniture and fixtures	3,528,775	—	—	3,528,775
Office equipment	1,187,730	4,890	—	1,192,620
Office improvement	39,325	—	—	39,325
	<b>9,753,260</b>	<b>17,068</b>	<b>—</b>	<b>9,770,328</b>
	<b>P14,208</b>			<b>P60,702</b>

Depreciation expense from property and equipment is allocated to general and administrative expenses.

Fully-depreciated property and equipment being used by the Company amounted to P9.7 million as at June 30, 2022 and 2021, and December 31, 2021.

## 9. Other Noncurrent Assets

This account consists of:

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2021 (Audited)
Creditable withholding tax	P3,487,227	P3,169,935	P3,149,302
Input VAT	2,489,609	1,931,147	2,269,622
Goodwill (Note 10)	1,319,429	1,319,429	1,319,429
	<b>P7,296,265</b>	<b>P6,420,511</b>	<b>P6,738,353</b>

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## 10. Business Combination and Goodwill

### Goodwill

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

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

No impairment on goodwill was recognized for the quarters ended and six months ended June 30, 2022 and 2021.

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## 11. Trade and Statutory Payables

This account consists of:

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2021 (Audited)
Trade and other payables	P869,983	P1,100,615	P3,221,582
Customer deposits	1,237,874	1,237,874	1,237,874
Statutory payables	352,568	221,952	507,379
	<b>P2,460,425</b>	<b>P2,560,441</b>	<b>P4,966,835</b>

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

Customer deposits pertain to rental deposits received from lessee of condominium unit and parking slots sold in 2018. The Group is expected to refund these deposits to its lessees upon completion of the required documentation.

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

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## 12. Lease Commitments

### The Group As a Lessee

The Group has a lease agreement with Philcomsat for its office space for a term of two years subject to renewal under mutual agreement of both parties. In 2021, the lease contracts were renewed. The annual rent is subject to escalation fee of 5%.

The following are the amounts recognized in the consolidated statements of income:

	From January 1 to June 30, 2022 (Unaudited)	From January 1 to June 30, 2021 (Unaudited)
Depreciation on ROU assets	P858,608	P846,227
Interest on lease liabilities	15,481	21,128
	<b>P874,089</b>	<b>P867,355</b>

	From April 1 to June 30, 2022 (Unaudited)	From April 1 to June 30, 2021 (Unaudited)
Depreciation on ROU assets	P429,304	P423,114
Interest on lease liabilities	6,726	11,417
	<b>P436,030</b>	<b>P434,531</b>

Movements in the ROU assets as at June 30, 2022 and 2021, and December 31, 2021 are presented below:

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of period	P1,971,502	P237,777	P237,777
Additions	—	2,671,576	3,434,432
Depreciation (Note 14)	(858,608)	(846,227)	(1,700,707)
Balance at end of period	<b>P1,112,894</b>	<b>P2,063,126</b>	<b>P1,971,502</b>

Depreciation expense from the ROU assets is allocated as follows:

	From January 1 to June 30, 2022 (Unaudited)	From January 1 to June 30, 2021 (Unaudited)
Cost of services	P133,500	P124,833
General and administrative expenses	725,108	721,394
	<b>P858,608</b>	<b>P846,227</b>

	From April 1 to June 30, 2022 (Unaudited)	From April 1 to June 30, 2021 (Unaudited)
Cost of services	P66,750	P62,417
General and administrative expenses	362,554	360,697
	<b>P429,304</b>	<b>P423,114</b>

Movements in lease liabilities as at June 30, 2022 and 2021, and December 31, 2021 are presented below:

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of period	P2,015,800	P243,197	P243,197
Additions	—	2,671,576	3,434,432
Interest expense (Note 14)	15,481	21,128	40,908
Payments	(890,699)	(848,283)	(1,702,737)
Balance at end of period	<b>P1,140,582</b>	<b>P2,087,618</b>	<b>P2,015,800</b>

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

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2021 (Audited)
Not later than one year	P883,373	P2,087,618	P1,758,591
More than one year but not later than five years	257,209	—	257,209
	<b>P1,140,582</b>	<b>P2,087,618</b>	<b>P2,015,800</b>

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

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2021 (Audited)
Not later than one year	P890,699	P2,117,622	P246,775
More than one year but not later than five years	259,114	—	—
More than five years	—	—	—
Total minimum lease obligation	1,149,813	2,117,622	246,775
Less future finance charges on lease liabilities	9,231	30,004	3,578
	<b>P1,140,582</b>	<b>P2,087,618</b>	<b>P243,197</b>

### 13. Revenue

Disaggregation of revenue is as follows:

	From April 1 to June 30, 2022 (Unaudited)	From April 1 to June 30, 2021 (Unaudited)	From January 1 to June 30, 2022 (Unaudited)	From January 1 to June 30, 2021 (Unaudited)
<b>Revenue:</b>				
Interest income	P10,694,213	P8,004,194	P21,115,556	P15,401,630
Retainer fee	2,307,035	2,146,503	4,889,071	3,973,340
Dividend income (Note 7)	2,120,586	1,547,035	4,302,872	3,094,071
Stock transfer fee	56,715	92,455	124,575	176,310
Other service fee	117,783	161,318	184,733	199,298
	<b>P15,296,332</b>	<b>P11,951,505</b>	<b>P30,616,807</b>	<b>P22,844,649</b>

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

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

	From April 1 to June 30, 2022 (Unaudited)	From April 1 to June 30, 2021 (Unaudited)	From January 1 to June 30, 2022 (Unaudited)	From January 1 to June 30, 2021 (Unaudited)
Cash and cash equivalents (Note 4)	P87,215	P105,903	P174,785	P457,446
Receivables (Note 5)	5,017,544	2,118,613	9,509,200	3,432,099
Financial assets at FVOCI (Note 7)	5,589,454	5,779,678	11,431,571	11,512,085
	<b>P10,694,213</b>	<b>P8,004,194</b>	<b>P21,115,556</b>	<b>P15,401,630</b>

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#### 14. Costs and Expenses

This account consists of:

	From April 1 to June 30, 2022 (Unaudited)	From April 1 to June 30, 2021 (Unaudited)	From January 1 to June 30, 2022 (Unaudited)	From January 1 to June 30, 2021 (Unaudited)
<b>Cost of services:</b>				
Professional fee	<b>P417,700</b>	P359,918	<b>P891,004</b>	P674,209
Salaries and other benefits	<b>392,491</b>	292,558	<b>786,076</b>	559,528
Depreciation (Notes 9 and 12)	<b>70,458</b>	62,417	<b>140,916</b>	124,833
Transportation and travel	<b>(12,639)</b>	26,351	<b>76,874</b>	107,553
Communication, light and water	<b>12,848</b>	27,723	<b>41,575</b>	85,619
Dues and subscription	<b>14,173</b>	14,173	<b>28,346</b>	28,346
Medical	<b>1,456</b>	—	<b>1,456</b>	—
	<b>896,487</b>	783,140	<b>1,966,247</b>	1,580,088
<b>General and administrative expenses:</b>				
Professional fees	<b>3,026,737</b>	3,382,799	<b>6,546,106</b>	6,071,002
Directors' fees (Note 17)	<b>900,000</b>	900,000	<b>1,800,000</b>	1,800,000
Representation and entertainment	<b>676,397</b>	471,899	<b>1,411,057</b>	1,129,371
Transportation and travel	<b>633,176</b>	427,946	<b>970,588</b>	845,568
Legal fees	<b>364,032</b>	—	<b>789,032</b>	87,850
Depreciation (Notes 9 and 12)	<b>364,143</b>	363,741	<b>730,316</b>	727,483
Bank charges	<b>298,106</b>	344,145	<b>604,925</b>	722,771
Taxes and licenses	<b>37,141</b>	73,812	<b>403,449</b>	434,838
Advertising	<b>85,050</b>	200,000	<b>123,450</b>	200,000
Dues and subscription	<b>49,677</b>	50,174	<b>96,851</b>	97,348
Office supplies	<b>5,749</b>	51,897	<b>88,896</b>	306,583
Communication, light and water	<b>66,273</b>	69,749	<b>78,585</b>	144,289
Repairs and maintenance	<b>2,540</b>	—	<b>24,861</b>	—
Trainings and seminars	<b>8,041</b>	—	<b>8,041</b>	—
Insurance	—	77,860	<b>5,050</b>	150,676
Medical	<b>1,344</b>	—	<b>1,344</b>	—
Others	<b>(77,099)</b>	<b>(8,162)</b>	<b>21,010</b>	1,953
	<b>6,441,307</b>	6,405,860	<b>13,703,561</b>	12,719,732
	<b>P7,337,794</b>	P7,189,000	<b>P15,669,808</b>	P14,299,820

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#### 15. Other Income (Charges)

This account consists of:

	From April 1 to June 30, 2022 (Unaudited)	From April 1 to June 30, 2021 (Unaudited)	From January 1 to June 30, 2022 (Unaudited)	From January 1 to June 30, 2021 (Unaudited)
Unrealized foreign exchange gain	<b>P2,836,847</b>	P121,446	<b>P3,877,683</b>	P778,598
Realized gain (loss) on sale of debt instruments measured at FVOCI (Note 7)	<b>(17,130)</b>	135,960	<b>(458,405)</b>	135,170
	<b>P2,819,717</b>	P257,406	<b>P3,419,278</b>	P913,768

## 16. Income Tax

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

	From April 1 to June 30, 2022 (Unaudited)	From April 1 to June 30, 2021 (Unaudited)	From January 1 to June 30, 2022 (Unaudited)	From January 1 to June 30, 2021 (Unaudited)
RCIT	P218,773	P119,423	P407,612	P212,874
MCIT	33,593	12,015	102,149	18,037
Impact of changes in tax rates			—	(63,302)
	<b>P252,366</b>	<b>P131,438</b>	<b>P509,761</b>	<b>P167,609</b>

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

	From January 1 to June 30, 2022 (Unaudited)	From January 1 to June 30, 2021 (Unaudited)
Income tax at statutory rate	<b>P4,587,699</b>	P2,359,367
Change in unrecognized deferred tax assets	317,141	2,186,286
Add (deduct) tax effects of:		
Nontaxable:		
Realized gain on sale of debt instruments measured at FVOCI	114,601	(33,793)
Dividend income	(1,338,100)	(993,227)
Interest income already subjected to a final tax	(3,147,741)	(3,303,170)
Nondeductible expenses	265,999	282,152
Effect of changes in tax rate	—	(50,815)
Effect of differences in tax rates	(119,459)	(57,232)
	<b>P680,140</b>	<b>P389,568</b>

	From April 1 to June 30, 2022 (Unaudited)	From April 1 to June 30, 2021 (Unaudited)
Income tax at statutory rate	<b>P2,692,882</b>	P1,252,124
Change in unrecognized deferred tax assets	499,086	1,050,298
Add (deduct) tax effects of:		
Nontaxable:		
Realized gain on sale of debt instruments measured at FVOCI	4,282	(33,991)
Dividend income	(792,583)	(536,572)
Interest income already subjected to a final tax	(1,505,108)	(1,657,079)
Nondeductible expenses	126,517	117,051
Effect of differences in tax rates	(63,639)	(30,031)
	<b>P961,437</b>	<b>P161,800</b>

The components of the recognized deferred tax liabilities – net of the Group are as follows:

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2021 (Audited)
<b>Deferred tax liability:</b>			
Unrealized foreign exchange gain	P969,421	P194,650	P804,070
Leases	(582)	—	(4,857)
Allowance for doubtful accounts	(3,013)	(2,453)	(3,766)
<b>  </b>	<b>P965,826</b>	<b>P192,197</b>	<b>P795,447</b>

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

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2021 (Audited)
<b>NOLCO</b>			
	<b>P219,614</b>	<b>P2,972,319</b>	<b>P12,612,681</b>
MCIT	102,149	18,037	223,662
Leases	(4,622)	—	—
Unrealized foreign exchange loss	—	(804,070)	6,218
<b>  </b>	<b>P317,141</b>	<b>P2,186,286</b>	<b>P12,842,561</b>

The Parent Company did not recognize deferred tax assets amounting to P0.3 million, P2.2 million and P12.8 million as at June 30, 2022 and 2021 and December 31, 2021, respectively, because management assessed that these may not be realized because future taxable income may not be sufficient against which the tax benefits can be claimed or deducted.

## 17. Related Party Transactions

The Company has transactions with related parties as follows:

Nature of Transaction	Amount of Transactions (in millions)			Outstanding Balance (in millions)		
	From January 1 to June 30, 2022 (Unaudited)	From January 1 to June 30, 2021 (Unaudited)	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2021 (Audited)	
<b>Included under "Receivables"</b>						
<i>Company under Common Control</i>						
MBCI*	Notes receivable	P—	P—	P48.8	P48.8	P48.8
MBCI	Interest Income	1.9	—	6.4	3.0	6.3
<i>Immediate Parent</i>						
Philcomsat	Notes receivable	—	—	34.0	34.0	34.0
Philcomsat	Interest Income	2.2	0.9	9.1	0.1	5.1
				<b>P98.3</b>	<b>P85.9</b>	<b>P94.2</b>

\*Montemar Beach Club Inc. (MBCI)

Nature of Transaction		Amount of Transactions (in millions)				Outstanding Balance (in millions)			
		From January 1 to June 30, 2022		From January 1 to June 30, 2021		June 30, 2022	June 30, 2021	December 31, 2021	
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	
<b>Presented under "Due from Related Parties"</b>									
<i>Company under Common Control</i>									
MBCI	Cash advances	(P3.0)		P-	P6.5	P9.6	P9.6		
MRDC*	Cash advances	—		—	0.3	0.3	0.3		
<i>Immediate Parent</i>									
Philcomsat	Cash advances	52.4		113.6	235.8	117.1	181.6		
<i>Subsidiary</i>									
PMEI	Cash advances	—		—	—	0.6	0.6		
					P242.6	P127.6	P192.1		
<i>*Montemar Resort Development Corp. (MRDC)</i>									
<b>Presented under "Lease Liability"</b>									
<i>Immediate Parent</i>									
Lease of office space									
Philcomsat	space	(P0.9)		(P0.8)	P1.1	P2.1	P0.2		
Philcomsat	Interest expense	(0.02)		(0.02)	—	—	—		
					P1.1	P2.1	P0.2		
<b>Presented under "Due to a Related Party"</b>									
<i>Immediate Parent</i>									
Advances for project costs									
Philcomsat	project costs	P-		P-	P3.9	P3.9	P3.9		
<b>Presented under "Deposit for Future Stock Subscription"</b>									
<i>Immediate Parent</i>									
Future subscription									
Philcomsat	subscription	P-		P-	P18.9	P18.9	P18.9		
<b>Included under "Costs and Expenses"</b>									
<i>Immediate Parent</i>									
Association dues									
Philcomsat	dues	(P0.1)		(P0.1)	P-	P-	P-		
Philcomsat	Utilities	(0.1)		(0.2)	—	—	—		
<i>Subsidiary</i>									
Professional fee as stock transfer agent									
PSTI	agent	(0.1)		(0.1)	—	—	—		
					P-	P-	P-		

The outstanding balance of cash advances to PMEI amounting to P0.6 million as at December 31, 2021 were eliminated in the consolidation.

The amount of transactions with PSTI amounting to P145,000 for the six months ended June 30, 2022 and 2021 were eliminated in the consolidation.

Receivable from MBCI and Philcomsat

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

Receivable from Philcomsat and MRDC

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

The Company did not recognize any provision for ECL on due from related parties since the counterparties have sufficient liquid assets to settle the unpaid amounts as at reporting period. This assessment is undertaken each financial year through review of the financial position of the related party and the market in which the related party operates. Related party transactions have been fairly evaluated since the Company treated it same with the transactions to third parties.

Due to a Related Party

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

The Group as a Lessee

The Group has a lease agreement with Philcomsat for the rent of its office space located at the 12th Floor, Telecom Plaza Building, 316 Sen. Gil Puyat Ave., Makati City. The lease terms are for two years and is renewable under mutual agreement of both parties.

Stock Transfer Agency

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

Compensation of Key Management Personnel

Compensation of the key management personnel of the Company consists only of directors' fees amounting to P1.8 million for the six months ended June 30, 2022 and 2021 (see Note 14).

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

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## 18. Earnings Per Share

Basic/diluted earnings per share is computed as follows:

	From January 1 to June 30, 2022 (Unaudited)	From January 1 to June 30, 2021 (Unaudited)
Net income	P17,670,656	P9,047,901
Weighted average number of shares outstanding	996,391,254	996,391,254
	P0.0177	P0.0091

	From April 1 to June 30, 2022 (Unaudited)	From April 1 to June 30, 2021 (Unaudited)
Net income	P9,810,092	P4,846,694
Weighted average number of shares outstanding	996,391,254	996,391,254
	P0.0098	P0.0049

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## 19. Financial Risk Management Objectives and Policies

The Group's principal financial instruments are comprised of cash and cash equivalents, receivables (excluding advances subject to liquidation), due from related parties, financial assets at FVPL and FVOCI, trade and other payables (excluding statutory payables), customers' deposits and due to a related party. The main risks arising from the Group's financial instruments are market, credit and liquidity risks.

### Market Risk

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

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

### *Equity Price Risk*

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

The Company measures the sensitivity of its investment securities by using PSE index (PSEi) fluctuations. The table below sets forth the impact of changes in PSEi in other comprehensive income as at June 30, 2022 and 2021, and December 31, 2021.

	Increase (Decrease) in PSEi	Increase (Decrease) in Other Comprehensive Income
June 30, 2022	20%	P45,815,230
	(4%)	(9,111,614)
June 30, 2021	7%	16,790,000
	-13%	(30,905,245)
December 31, 2021	1%	3,857,296
	(16%)	(42,122,764)

The sensitivity of the equity is the effect of the assumed changes in the PSEi on the net unrealized gain (loss) for the period, based on the adjusted beta rate of equity securities as at June 30, 2022 and 2021, and December 31, 2021.

### *Interest Rate Risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. As at June 30, 2022 and 2021, and December 31, 2021, the Group has repriceable financial assets, specifically investments in quoted bonds classified as financial assets at FVOCI. Accordingly, the Group is subject to fair value interest rate risk.

The Group measures the sensitivity of its investment securities by using PHP BVAL reference rate fluctuations. The table below sets forth the impact of changes in PHP BVAL in the Group's other comprehensive income as at June 30, 2022 and 2021, and December 31, 2021.

	Increase (Decrease) in PHP BVAL	Increase (Decrease) in Other Comprehensive Income
<b>June 30, 2022</b>	5.0%	P31,605,103
	(37%)	(229,598,364)
June 30, 2021	18%	116,848,062
	(17%)	(115,697,721)
December 31, 2021	6%	38,673,770
	(40%)	(258,702,901)

#### Foreign Exchange Risk

The Group's foreign-currency denominated financial instrument consists of cash in banks and cash equivalents totaling US\$0.9 million, US\$1.1 million and US\$1.0 million as at June 30, 2022 and 2021, and December 31, 2021, respectively. The Group's exposure to foreign currency risk is insignificant.

The Group's objective is to reduce the exposure to foreign currency risk at a minimum since revenues are peso-denominated.

#### Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial assets that potentially subject the Group to credit risk consist primarily of cash in banks and cash equivalents, receivables (excluding advances subject to liquidation), due from related parties and debt instruments measured at FVOCI.

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

#### *Financial Assets*

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

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

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

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2021 (Audited)
Cash and cash equivalents*	P113,633,735	P105,309,191	P115,722,091
Receivables	162,006,140	228,099,701	187,446,012
Due from related parties	242,626,576	126,952,019	193,170,071
Financial assets at FVPL	106,884	86,760	106,884
Financial assets at FVOCI	973,770,425	1,031,598,685	1,026,598,356

\*excluding cash on hand amounting to P15,000 as at June 30, 2022 and 2021, and P9,485 as at December 31, 2021.

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

Liquidity Risk

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

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

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

	June 30, 2022 (Unaudited)				
	On Demand	1 to 3 months	3 to 12 months	More than 12 months	Total
Trade and other payables	P-	P869,983	P-	P-	P869,983
Customers' deposits	1,237,874	—	—	—	1,237,874
Due to a related party	3,948,624	—	—	—	3,948,624
Lease liabilities	—	440,662	442,711	257,209	1,140,582
	P5,186,498	P1,310,645	P442,711	P257,209	P7,197,063

	June 30, 2021 (Unaudited)				
	On Demand	1 to 3 months	3 to 12 months	More than 12 months	Total
Trade and other payables	P-	P1,100,615	P-	P-	P1,100,615
Customers' deposits	1,237,874	—	—	—	1,237,874
Due to a related party	3,948,624	—	—	—	3,948,624
Lease liabilities	—	412,724	2,087,618	—	2,500,342
	P5,186,498	P1,513,339	P2,087,618	P-	P8,787,455

	December 31, 2021 (Audited)				
	On Demand	1 to 3 months	3 to 12 months	More than 12 months	Total
Trade and other payables	P-	P3,221,582	P-	P-	P3,221,582
Customers' deposits	1,237,874	—	—	—	1,237,874
Due to a related party	3,948,624	—	—	—	3,948,624
Lease liabilities	—	90,458	1,668,133	257,209	2,015,800
	P5,186,498	P3,312,040	P1,668,133	P257,209	P10,423,880

## 20. Fair Value Measurement

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

### Financial Assets

	June 30, 2022 (Unaudited)		June 30, 2021 (Unaudited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	P113,648,735	P113,648,735	P105,324,191	P105,324,191
Receivables	162,006,140	162,006,140	228,099,701	228,099,701
Due from related parties	242,626,576	242,626,576	126,952,019	126,952,019
Financial assets at FVPL	106,884	106,884	86,760	86,760
Financial assets at FVOCI:				
Quoted bonds	626,407,443	626,407,443	667,640,005	667,640,005
Quoted shares of stocks	231,208,750	231,208,750	245,511,616	245,511,616
UITFs	109,104,232	109,104,232	113,697,064	113,697,064
Club memberships	7,050,000	7,050,000	4,750,000	4,750,000
	<b>P1,492,158,760</b>	<b>P1,492,158,760</b>	<b>P1,492,061,356</b>	<b>P1,492,061,356</b>

	December 31, 2021 (Audited)	
	Carrying Amount	Fair Value
Cash and cash equivalents	P115,731,576	P115,731,576
Receivables*	187,446,012	187,446,012
Due from related parties	193,170,071	193,170,071
Financial assets at FVPL	106,884	106,884
Financial assets at FVOCI:		
Quoted bonds	647,466,219	647,466,219
Quoted shares of stocks	262,588,256	262,588,256
UITFs	111,143,881	111,143,881
Club memberships	5,400,000	5,400,000
	<b>P1,523,052,899</b>	<b>P1,523,052,899</b>

### Financial Liabilities

	June 30, 2022 (Unaudited)		June 30, 2021 (Unaudited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Trade and other payables	P869,983	P869,983	P1,100,615	P1,100,615
Customers' deposits	1,237,874	1,237,874	1,237,874	1,237,874
Due to a related party	3,948,624	3,948,624	3,948,624	3,948,624
Lease liabilities	1,140,582	1,140,582	2,087,618	2,087,618
	<b>P7,197,063</b>	<b>P7,197,063</b>	<b>P8,374,731</b>	<b>P8,374,731</b>

	December 31, 2021 (Audited)	
	Carrying Amount	Fair Value
Trade and other payables	P3,221,582	P3,221,582
Customers' deposits	1,237,874	1,237,874
Due to a related party	3,948,624	3,948,624
Lease liabilities	2,015,800	2,015,800
	<b>P10,423,880</b>	<b>P10,423,880</b>

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

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

**Financial Assets at FVPL and FVOCI.** The fair value of these financial assets, except for managed funds, are determined in reference to quoted market bid prices at the close of business on the reporting date since most of these are actively traded in an organized financial market. The fair values of managed funds are determined through reference to the quoted price of the underlying securities in the fund. The fair value measurement of these financial assets is classified as Level 1 (Quoted bonds, shares of stock and club memberships) and Level 2 (UITFs).

**Receivables (excluding Advances Subject to Liquidation).** The fair values of receivables are estimated as the present value of all future cash flows discounted using applicable rates of similar type of instruments as at reporting date. The discount rates used ranged from 6.0% to 7.0% as at June 30, 2022 and 2021, and December 31, 2021. The fair value measurement of these receivables is classified as Level 2 (Significant observable inputs).

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

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## 21. Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments when there are changes in economic conditions.

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

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2021 (Audited)
Total Debt	P27,409,457	P27,685,333	P30,620,706
Total Equity	1,483,878,382	1,486,396,521	1,511,572,689
Debt-to-equity ratio	0.02:1	0.02:1	0.02:1

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## 22. Changes in Liabilities Arising from Financing Activities

The following table summarizes the changes in liabilities arising from financing activities as at June 30, 2022 and 2021:

	December 31, 2021 (Audited)	Additions	Payments	June 30, 2022 (Unaudited)
Lease liabilities	P2,015,800	P-	(P875,218)	P1,140,582

	December 31, 2020 (Audited)	Additions	Payments	June 30, 2021 (Unaudited)
Lease liabilities	P243,197	P2,671,576	(P827,155)	P2,087,618

### 23. Operating Segment Information

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

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

Revenue as Disaggregated	Operating Segment
Interest income	Investing of funds
Dividend income	Investing of funds
Retainer fee	Stock transfer agency
Stock transfer fee	Stock transfer agency
Other service fee	Stock transfer agency

All of the assets relating to the Group's operating segments are located in the Philippines. Accordingly, reporting operating segments per geographical business operation is not required.

Segment assets, liabilities and revenue and expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and expenses are consistent with that presented in the consolidated statements of comprehensive income.

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

Segment	June 30, 2022 (Unaudited)			
	Investing of Funds	Management Services	Stock Transfer Agency	Total
Segment revenue	P25,418,428	P—	P5,198,379	P30,616,807
Segment profit	26,120,016	—	2,991,860	29,111,876
Depreciation	669,924	—	201,308	871,232
Provision for income tax	272,904	66,182	341,054	680,140
Total assets	1,471,887,849	33,459,488	5,940,502	1,511,287,839
Total liabilities	22,382,031	3,350,244	1,677,182	27,409,457

Segment	June 30, 2021 (Unaudited)			
	Investing of Funds	Management Services	Stock Transfer Agency	Total
Segment revenue	P19,374,970	P—	P3,469,679	P22,844,649
Segment profit	19,123,884	—	1,841,109	20,964,993
Interest income	15,401,630	—	—	15,401,630
Depreciation	673,983	—	178,333	852,316
Provision for income tax	180,727	68,190	140,651	389,568
Total assets	1,478,775,062	31,122,010	4,184,782	1,514,081,854
Total liabilities	22,975,000	4,588,122	122,211	27,685,333

December 31, 2021 (Audited)				
Segment	Investing of Funds	Management Services	Stock Transfer Agency	Total
Segment revenue	P48,204,107	P-	P9,076,693	P57,280,800
Segment profit	18,023,019	-	2,183,830	20,206,849
Depreciation	1,347,966	-	369,809	1,717,775
Provision for income tax	880,598	145,535	496,305	1,522,438
Total assets	1,504,231,726	32,781,914	5,179,755	1,542,193,395
Total liabilities	25,049,655	4,588,122	982,929	30,620,706

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

June 30, 2022 (Unaudited)			
		Not Attributable to Reportable Segments	Consolidated Balances
Revenue	P30,616,807	P-	P30,616,807
Cost and expenses	(3,266,548)	(12,403,260)	(15,669,808)
Other income	3,419,278	-	3,419,278
Finance costs	(15,481)	-	(15,481)
Income (loss) before income tax	30,754,056	(12,403,260)	18,350,796
Benefit from income tax	680,140	-	680,140
Net income (loss)	P30,073,916	(P12,403,260)	P17,670,656
Assets	P1,509,968,410	P1,319,429	P1,511,287,839
Liabilities	P27,413,052	P-	P27,409,457
June 30, 2021 (Unaudited)			
		Not Attributable to Reportable Segments	Consolidated Balances
Revenue	P22,844,649	P-	P22,844,649
Cost and expenses	(2,712,921)	(11,608,027)	(14,320,948)
Other charges	913,768	-	913,768
Income (loss) before income tax	21,045,496	(11,608,027)	9,437,469
Provision for income tax	389,568	-	389,568
Net income (loss)	P20,655,928	(P11,608,027)	P9,047,901
Assets	P1,512,762,425	P1,319,429	P1,514,081,854
Liabilities	P27,685,333	P-	P27,685,333

December 31, 2021 (Audited)

		Not Attributable	
	Reportable Segments	to Reportable Segments	Consolidated Balances
Revenue	P55,711,414	P-	P55,711,414
Cost and expenses	(3,666,805)	(27,715,932)	(31,382,737)
Other charges	2,865,724	—	2,865,724
Income (loss) before income tax	54,910,333	(27,715,932)	27,194,401
Provision for income tax	1,506,744	—	1,506,744
Net income (loss)	P53,403,589	(P27,715,932)	P25,687,657
Assets	P1,546,395,743	P1,319,429	P1,547,715,172
Liabilities	P30,623,925	P-	P30,623,925

Differences between the reportable segment's assets, liabilities, revenue and net income and the Group's consolidated assets, liabilities, revenue and net income pertain primarily to goodwill and the Parent Company's operating expenses in 2022 and 2021, which cannot be directly attributed to any reportable segment.

#### 24. Aging of Accounts Receivable

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

	June 30, 2022 (Unaudited)			
	Neither Past Due nor Impaired	Past Due but not impaired		
		30 days	More than 60 days	Total
Notes and loans	P149,032,110	P-	P-	P149,032,110
Due from related parties	242,626,576	—	—	242,626,576
Interest receivable	19,536,326	—	—	19,536,326
Retainer fee receivable	1,394,894	—	—	1,394,894
Dividend receivable	57,874	—	—	57,874
	P412,647,780	P-	P-	P412,647,780

June 30, 2021  
(Unaudited)

	Neither Past Due nor Impaired	Past Due but not impaired			Total	
		More than 30 days		60 days		
		30 days	60 days			
Notes and loans	P227,532,110	P—	P—	P227,532,110		
Due from related parties	126,952,019	—	—	126,952,019		
Interest receivable	5,536,368	—	—	5,536,368		
Retainer fee receivable	922,005	—	—	922,005		
Dividend receivable	21,825	—	—	21,825		
Nontrade receivable	99,660	—	—	99,660		
	P361,063,987	P—	P—	P361,063,987		

December 31, 2021  
(Audited)

	Neither Past Due nor Impaired	Past Due but not impaired			Total	
		More than 30 days		60 days		
		30 days	60 days			
Notes and loans	P178,032,110	P—	P—	P178,032,110		
Due from related parties	193,170,071	—	—	193,170,071		
Interest receivable	14,284,642	—	—	14,284,642		
Retainer fee receivable	1,510,665	—	—	1,510,665		
Dividend receivable	24,515	—	—	24,515		
Nontrade receivable	1,609,144	—	—	1,609,144		
	P388,631,147	P—	P—	P388,631,147		

## 25. Civil Cases

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

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

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

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## 26. Litigation

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

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

PHC, through the valid and incumbent directors (Bildner Group) filed a Motion for Issuance of Writ of Execution with the Regional Trial Court (RTC) of Makati Branch 138 as court of origin, following the final resolution of SC declaring the election of Locsin Group as PHC's officers and directors. Accordingly, the SC ordered the Locsin Group to render an accounting and return of funds allegedly received from the Parent Company. An Order granting the Motion was issued on February 20, 2017, resulting to the issuance of the Writ of Execution on February 28, 2017. On January 9, 2018, PHC filed a manifestation for the implementation of the Writ of Execution. On February 9, 2018, an Order was issued directing PHC, within thirty (30) days from receipt, to submit its preferred accounting firm who will conduct the accounting of all funds and other assets received from POTC, PHC and Philcomsat since September 2004. On February 22, 2018, PHC filed its Ex-Parte Manifestation and Motion, in compliance with the said Order. On July 11, 2018, the Sheriff of the Office of the Clerk of Court of Makati served the Writ of Execution to Manuel Andal, Benito Araneta, Philip Brodett, Enrique Locsin, Concepcion Poblador and Johnny Tan. On June 6, 2019, PHC filed an Ex-Parte Motion to Resolve the pending motion to appoint Virgilio R. Santos as the auditing accounting firm for the execution of the SC Decision dated July 3, 2013 issued in GR Nos. 184622, 184712-14, 186066 and 186590.

There was a status conference held in this case on December 13, 2019 where the Court required the defendants to provide a name of their selected accountant to move forward with the audit. The defendants failed or refused again to comply, so the Court is likely to appoint Philcomsat's proposed accountant, Virgilio R. Santos, to do the audit. On May 18 2022, Philcomsat filed an Ex-Parte Motion to Resolve praying that an Order be issued allowing VRS to commence the accounting of corporate funds received, utilized and disbursed by all the defendants and their assigns, which the Court granted in its Order of June 3, 2022.

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

Meanwhile, PCGG and Locsin filed a Petition for Review with the Supreme Court (SC) questioning the Decision issued by the CA dated January 30, 2018, which dismissed their Appeal. Philcomsat filed its comment thereto on November 6, 2018. PCGG filed its Reply on February 17, 2020.

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

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

On May 26, 2010, a complaint for collection of sum of money and damages, with an application for a Writ of Preliminary Attachment dated May 24, 2010 was filed by the Parent Company against Benito Araneta and Luis Lokin Jr., former directors of the Parent Company for an alleged personal back to back loans with Bankwise procured by Araneta using the Parent Company's funds as collateral, with the help of Lokin, in the amount of P35.3 million.

On February 2, 2017, a Decision was issued finding Araneta and Lokin liable to pay PHC a) actual damages in the sum of P31.5 million plus legal interest of 6% computed from May 26, 2010, the time of judicial demand until fully paid; b) P200,000 as and by way of exemplary damages; and c) P200,000 as and by way of attorney's fees, plus costs of suit.

Araneta and Lokin filed their Notices of Appeal on September 6 and September 8, 2017, respectively. On January 16, 2018, the Court of Appeals (CA) required defendants to file Appellant's Brief within 45 days from receipt thereof. On April 20, 2018 and May 7, 2018, PHC received Lokin and Araneta's Appellant's Briefs, respectively. On June 5, 2018, PHC filed its Appellee's Brief. On September 18, 2018, PHC filed a Compliance submitting proof of service of its Appellee's Brief to defendants in accordance with the CA's Resolution dated July 2, 2018. On April 25, 2019, the CA issued a Decision granting Araneta's appeal. On May 30, 2019, PHC filed its Motion for Reconsideration of the said Decision. On July 11, 2019, Araneta filed its Comment thereto, in accordance with the Resolution dated June 6, 2019 issued by the CA to file the same.

On October 24, 2019, the Court of Appeal issued a Resolution denying PHC's Motion for Reconsideration. On November 26, 2019, PHC elevated the case to the Supreme Court via Petition for Review on Certiorari under Rule 45. On March 9, 2020, Araneta filed his Comment.

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

On May 8, 2008, the Parent Company filed a criminal complaint for estafa for misappropriation of corporate funds against Brodett, a former director of the Parent Company, and certain officers of Bankwise. The complaint alleged that the unauthorized deposits, withdrawals and transfers of the Parent Company's funds in the amount of P66.8 million was processed through spurious bank accounts and involved the co-mingling and transfer of funds between the Parent Company's accounts and certain personal accounts.

On June 14, 2016, an Order was issued allowing Brodett to present his defense only with respect to the P27.0 million and P9.3 million which allegedly came from PHC funds and not in the whole amount of P66.8 million. On July 1, 2016, a Motion for Reconsideration of the said Order was filed by the Private Prosecutor (Parent Company). On August 30, 2016, the Private Prosecutor (Parent Company) filed a Reply to Brodett's Comment/Opposition dated August 25, 2016. After the presentation of defense evidence has already been concluded on June 5, 2018, the accused filed their Formal Offer of Evidence, which was partially admitted by the Court on August 28, 2018. On February 21, 2020, the Court promulgated its judgment finding accused Brodett guilty for the crime of theft, sentencing him to the penalty of imprisonment for a minimum period of four (4) years, two (2) months, one (1) day, to a maximum period of sixteen (16) years and 4 months. He was also found civilly liable to pay PHC the amount of P14,235,700, with legal interest of 12% per annum from April 11, 2008 until June 30, 2013 and the total obligation plus 6% legal interest from July 1, 2013 until fully paid. Brodett filed his Motion for Reconsideration of the said Decision. The trial Court issued a Joint Resolution dated November 11, 2020 whereby it affirmed its earlier Decision, but with a modification, specifically holding him criminally liable for a higher offense of qualified theft, and imposing the graver penalty of ten (10) years and one (1) day of Prision Mayor as minimum to twenty (20) years of Reclusion Temporal as maximum. Brodett then timely filed an appeal with the Court of Appeals on December 3, 2020.

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

A criminal complaint for estafa was filed against Araneta for money market placements amounting to P65.0 million which allegedly were not returned to the Parent Company. The case was dismissed on February 9, 2009 for lack of probable cause. The appeal filed on March 4, 2009 is still pending decision with the DOJ as at report date.

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

On September 11, 2006, the Parent Company filed a complaint against Locsin and Andal with the office of the Ombudsman seeking for the latter to file criminal and administrative charges against the accused for alleged excessive amounts of salaries and bonuses from the Parent Company for their personal gain, and in clear violation of Memorandum Circulars which limit the salary received by public officials. The Ombudsman filed Informations for Violation of the Anti-Graft and Corrupt Practices Act on December 7, 2011 against both Andal and Locsin with the Sandiganbayan for receiving a total of P15.0 million and P11.0 million, respectively, from 2003 to 2005, from the Parent Company.

Due to the need for the prosecution's witness to identify, and testify on, voluminous accounting records showing the guilt of the accused, the Court ordered the parties to enter into a stipulation of facts to expedite the proceedings. Andal, through counsel, stipulated on the facts propounded by the Prosecution. During the hearing on September 28, 2017, Locsin, through counsel, asked for time to study the prosecution's documents. On July 17, 2018, the prosecution's witness completed her testimony.

The prosecution has already filed its Formal Offer of Evidence and rested its case. On November 29, 2018, accused Andal with leave of court filed a Demurrer to Evidence while accused Locsin filed his own on December 3, 2018. On July 5, 2019, the Sandiganbayan issued a Resolution which a) granted the accused Demurrs to Evidence; b) dismissed the cases against them; c) lifted and set aside the Hold Departure Orders against them; and d) ordered released the bail bonds they posted, if any. On July 30, 2019, the Private Prosecution filed its Motion for Reconsideration of the said Resolution on the civil aspect of the case, which was denied in a Resolution dated October 25, 2019. The Parent Company decided not to pursue the case with the Supreme Court.

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

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

On January 7, 2014, the Parent Company filed a Petition for Certiorari praying that the DOJ file new information against Ms. Poblador for estafa for the total amount of P16.7 million. On January 10, 2014, the Parent Company received a Petition for Certiorari filed by Ms. Poblador seeking the reversal of the Resolution directing the filing of an Information for estafa against her for P0.2 million. On August 29, 2014, the two Petitions were consolidated.

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

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

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

On June 14, 2019, the CA issued a Decision denying both PHC's and Ms. Poblador's Petitions for Certiorari. On July 5 and 11, 2019, both parties filed their respective Motions for Reconsideration. On July 24, 2019, PHC filed its Comment to Ms. Poblador's Motion for Reconsideration. To date, no Comment to PHC's Motion for Reconsideration has yet been filed or received from Poblador. On August 10, 2020, the CA issued a Resolution denying PHC and Ms. Poblador's Motions for Reconsideration. PHC decided not to pursue the case with the Supreme Court considering that the amount involved is already covered by the advances to affiliates case.

On November 3, 2020, Poblador filed her Petition for Review with the Supreme Court. On April 4, 2022, PHC filed its Comment thereto, thereby the case is submitted for resolution.

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

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## 27. Impact of Coronavirus of 2019 (COVID-19)

Covid-19 persisted in 2020 and 2021, and continued to severely impact the country's economy as lockdowns were extended due to rising infections. The government strictly implemented anti-COVID-19 measures and deployed the much-awaited vaccines as supplies arrived; these resulted in the decrease of daily infections which was a signal for businesses to restart operations and revive local economic activity during the remaining months of the year.

As the Group derives its income from money market placements, bank deposits and other financial instruments, the Group continuously monitored the investee-companies' performances in light of the adverse effects of lockdowns on the economy. The Group maintained its portfolio of investments in prime issues and invested in certain new bonds offered during the year as well as in the initial public offering of common and preferred shares.

**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, 2022 and 2021 are as follows:

Performance Indicator	Formula	June 30,	June 30,
		2022	2021
<i>Liquidity</i>			
Current Ratio	Current Assets	71.14:1	54.18:1
	Current Liabilities		
<i>Leverage</i>			
Debt to Equity Ratio	Total Liabilities	0.02:1	0.02:1
	Total Equity		
Asset to Equity Ratio	Total Assets	1.02:1	1.02:1
	Total Equity		
<i>Profitability</i>			
Net Profit Ratio	Net Income	0.64:1	0.41:1
	Revenue		
Return on Assets	Net Income	.65%	.32%
	Total Assets		
Return on Equity	Net Income	.66%	.33%
	Total Equity		

***Liquidity***

The Company's current assets of P518,810,753 as of June 30, 2022 and current liabilities of P7,292,422 resulted in liquidity ratio of 71.14:1 compared to the same quarter of previous year wherein the ratio was lower at 54.18:1. The increase in current ratio was due to the redemption of financial assets under noncurrent assets.

***Leverage***

There were no changes between the Debt to Equity ratio and Asset to Equity Ratio for the period of June 30, 2022 and 2021. The ratio shows that the Group's assets are more than adequate to cover its liabilities.

***Profitability***

The Group results of operations for the quarter ended June 30, 2022 resulted to a net income higher than the previous period due to increase in revenues.

### **Results of Operations**

From 2000 to 2010, the Corporation was involved in an intra-corporate feud between the Brodett-Araneta-Lokin-Locsin-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.

Presently, the Company's investments remain in money market placements and other liquid financial instruments.

The following table shows the results of Philcomsat Holdings Corporation's operations for the quarters ended June 30, 2022 and 2021:

Results of Operations	For the quarter ended			
	June 30, 2022	June 30, 2021	Increase/ (Decrease)	YoY Change (%)
Revenues	P15,296,332	P11,951,505	P3,344,827	27.99%
Expenses	(7,344,520)	(7,200,417)	144,103	2.00%
Income (loss) from operations	P7,951,812	P4,751,088	P3,200,724	67.37%

The Group recorded higher income from operations for the quarter ended June 30, 2022 due to increase in revenues.

**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 Group to increase 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.	The Company has a contingent liability should the Parent Company fail to perform its contract with Speedcast, Ltd.
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.	The Company guaranteed the obligations of its Parent Company to perform its contract with Speedcast, Ltd. with price of P203 million
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.	A prolonged lockdown due to the inability to contain COVID 19 pandemic may hamper economic recovery and lead to lower yields on fixed income instruments while equity market returns will most likely be handicapped by risk of economic disruptions.
vi. Any significant elements of income or loss that did not arise from the registrant's continuing operations	None
vii. The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item.	The volatility of market prices of the

Group's financial assets measured at fair value through other comprehensive income.

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, 2022**

Rank	Name	Number of Common Shares
1	Philippine Communications Satellite Corp.	796,595,690
2	Somera, Jr., Prudencio C.	100,000,100
3	Laperal, Oliverio G.	49,556,500
4	PCD Nominee Corporation	15,864,534
5	RCBC T/A 236-235 A/C Oliverio Laperal	4,802,413
6	Prince Resources, Inc.	4,000,000
7	Marino Olondriz Y Cia (Hold, per PSE)	2,985,600
8	Estate of Jose Ma. Ozamiz	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	Cheng, Agrifino T.	410,000
18	Ansaldo, Godinez & Co., Inc.	332,550
19	Dacillo, Nenita	320,000
20	Bridgestone Securities Corporation	307,425

**As of June 30, 2022, the members of Board of Directors/Key Officers of Philcomsat Holdings Corporation are as follows:**

Santiago J. Ranada, Jr.	Director and Chair
Katrina C. Ponce Enrile	Director and President/CEO
Victoria C. De los Reyes	Director and VP
Erlinda I. Bildner	Director and CFO/Treasurer
Marietta K. Ilusorio	Director
Daniel C. Gutierrez	Director
Pablo L. Lobregat	Director
Prudencio C. Somera	Director
Jose Ramon C. Ozamiz	Director
Julie Y. Daza	Director
Oliverio L. Laperal, Jr.	Director
John Benedict L. Sioson	Corporate Secretary/ Corporate Information Officer
Manolita L. Morales	Assistant Treasurer
Bernadette Y. Blanco	Chief Compliance Officer
Jose Pio J. Seva	Assistant Corporate Secretary/Investor Relations Officer

## Certification

I, Manolita L. Morales, Assistant Treasurer of Philcomsat Holdings Corporation and Subsidiaries with SEC registration number 11163 with principal office at 12<sup>th</sup> Floor, Telecom Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City, on oath state:

- 1) That on behalf of Philcomsat Holdings Corporation and Subsidiaries, I have caused this Quarterly Report (17-Q) to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That Philcomsat Holdings Corporation and Subsidiaries will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

  
Manolita L. Morales  
Affiant

AUG 08 2022  
SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ 2022,  
affiant exhibiting to me her Senior Citizen ID No. 121070 issued on November 27, 2018 at  
Makati City.

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Book No. 1  
Series of 2022



  
ATTY. BERNADETTE S. YANZON  
NOTARY PUBLIC - CITY OF MAKATI  
UNTIL 31 DECEMBER 2022  
NOTARIAL COMMISSION NO. M-278  
12/F TELECOM PLAZA BUILDING  
316 SEN. GIL PUYAT AVENUE, MAKATI CITY  
IBP LIFETIME MEMBER NO. 03264  
PTR NO. 8852265, 01/03/2022, MAKATI CITY  
MCLE COMPLIANCE NO. VII-0013527, 03/28/2022  
ROLL OF ATTORNEY'S NO. 45724  
TIN: 211-177-746

# ANNEX "D"

## CERTIFICATE OF INDEPENDENT DIRECTOR

I, OLIVERIO L. LAPERAL, JR., Filipino, of legal age and a resident of 1253 Acacia Road, Dasmariñas Village, Makati City, after having been sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **PHILCOMSAT HOLDINGS CORPORATION ("PHC")**

2. I am affiliated with the following companies or organizations

COMPANY/ORGANIZATION	POSITION	PERIOD OF SERVICE
Imperial Resources, Inc.	Co-President/ Director	2016 – Present 1975 – 1980
Filipinas Golf & Country Club, Inc.	Co-President/ Managing Director	2016 – Present 1975 – 1980
R.S. Video & film Productions	President/ Managing Director	1980 - Present

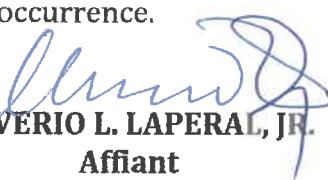
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of PHC, as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director, officer, or substantial shareholder of PHC.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

7. I shall inform the Corporate Secretary of PHC of any changes in the above-mentioned information within 5 days from its occurrence.

  
OLIVERIO L. LAPERAL, JR.  
Affiant

REPUBLIC OF THE PHILIPPINES)  
Makati City )ss.

SUBSCRIBE AND SWORN to before me this \_\_\_\_ day of OCT 06 2022 at Makati City, affiant personally appeared before me and exhibited to me his Driver's License No. N11-80-008232 issued at the Land Transportation Office, ATTY. BERNADETTE S. YANZON

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NOTARY PUBLIC – CITY OF MAKATI  
UNTIL 31 DECEMBER 2022  
NOTARIAL COMMISSION NO. M-278  
12/F TELECOM PLAZA BUILDING  
316 SEN. GIL PUYAT AVENUE, MAKATI CITY  
IBP LIFETIME MEMBER NO. 03264  
PTR NO. 8852265, 01/03/2022, MAKATI CITY  
MCLE COMPLIANCE NO. VII-0013527, 03/28/2022  
ROLL OF ATTORNEY'S NO. 45724  
TIN: 211-177-746

## CERTIFICATE OF INDEPENDENT DIRECTOR

I, **CHARLES J. HORNE**, American, of legal age and a resident of Villa Teresa, Angeles City, after having been sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **PHILCOMSAT HOLDINGS CORPORATION ("PHC")**

2. I am affiliated with the following companies or organizations

COMPANY/ORGANIZATION	POSITION	PERIOD OF SERVICE
Intercontinental Pacific Airways, Inc. (IPA)	Chairman	2005 to Present
Philippine Communications Satellite Corporation/Philippine Overseas Telecommunications Corporation	EVP and Chief Operating Officer	Jan. 1965 to July 1973
	Consultant	March 2022 to Present
Alcatel Group for China	Consultant	1983 to 1991

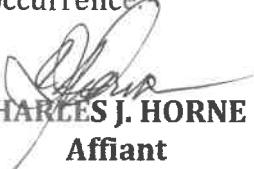
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of PHC, as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director, officer, or substantial shareholder of PHC.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

7. I shall inform the Corporate Secretary of PHC of any changes in the above-mentioned information within 5 days from its occurrence.

  
CHARLES J. HORNE  
Affiant

REPUBLIC OF THE PHILIPPINES)  
Makati City )SS.

SUBSCRIBE AND SWEAR to before me this 06 day of January at Makati City, affiant personally appeared before me and exhibited to me his Passport No. 566962592 issued on January 11, 2021 at United States Department of State.

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NOT 06 2022  
BERNADETTE S. YANZON  
NOTARY PUBLIC - CITY OF MAKATI  
UNTIL 31 DECEMBER 2022  
NOTARIAL COMMISSION NO. M-278  
12/F TELECOM PLAZA BUILDING  
316 SEN. GIL PUYAT AVENUE, MAKATI CITY  
IBP LIFETIME MEMBER NO. 03264  
PTR NO. 8852265, 01/03/2022, MAKATI CITY  
MCLE COMPLIANCE NO. VII-0013527, 03/28/2022  
ROLL OF ATTORNEY'S NO. 45724  
TIN: 211-177-746

## CERTIFICATE OF INDEPENDENT DIRECTOR

I, JULIE Y. DAZA, Filipino, of legal age and a resident of 102 Malakas Street, Diliman Quezon City, after having been sworn to in accordance with law do hereby declare that:

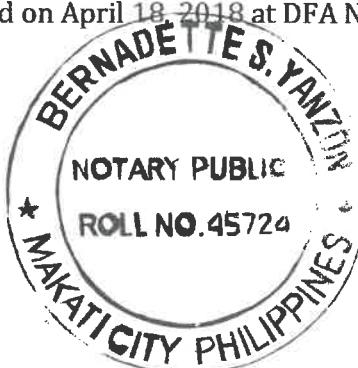
1. I am a nominee for independent director of **PHILCOMSAT HOLDINGS CORPORATION ("PHC")**
2. I was affiliated with Samahang Plaridel and its Vice-President until 2016
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of PHC, as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director, officer, or substantial shareholder of PHC.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.
7. I shall inform the Corporate Secretary of PHC of any changes in the above-mentioned information within 5 days from its occurrence.

*Julie Daza*  
JULIE Y. DAZA  
Affiant

REPUBLIC OF THE PHILIPPINES)  
Makati City JSS.

SUBSCRIBE AND SWORN to before me this \_\_\_\_ day of \_\_\_\_ at Makati City, affiant personally appeared before me and exhibited to me her Passport No. P6734768A issued on April 18, 2018 at DFA NCR.

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Series of 2022



*Julie Daza*  
ATTY. BERNADETTE S. YANZON  
NOTARY PUBLIC - CITY OF MAKATI  
UNTIL 31 DECEMBER 2022  
NOTARIAL COMMISSION NO. M-278  
12/F TELECOM PLAZA BUILDING  
316 SEN. GIL PUYAT AVENUE, MAKATI CITY  
IBP LIFETIME MEMBER NO. 03264  
PTR NO. 8852265, 01/03/2022, MAKATI CITY  
MCLE COMPLIANCE NO. VII-0013527, 03/28/2022  
ROLL OF ATTORNEY'S NO. 45724  
TIN: 211-177-746



# PHILCOMSAT HOLDINGS CORPORATION

12F Telecom Plaza Bldg., Sen. Gil Puyat Ave. 1200 City of Makati, Manila, Philippines  
Tel. No.: (8)815-8406; Fax No.: 816-2517

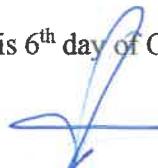
ANNEX "E"

## CERTIFICATION

I, JOSE PIO J. SEVA, Filipino, of legal age, with office address at 12/F Telecom Plaza, 316 Sen. Gil Puyat Avenue, Makati City, after having been duly sworn in accordance with law, hereby depose and state that:

1. I am the duly elected and incumbent Assistant Corporate Secretary of Philcomsat Holdings Corporation (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with office address stated above.
2. I hereby certify that none of the directors or officers of the Corporation work in the government.
3. The foregoing is in accordance with the records of the Corporation in my possession.

IN WITNESS WHEREOF, I have hereunto set my hand this 6<sup>th</sup> day of October 2022 in Makati City.

  
JOSE PIO J. SEVA  
Assistant Corporate Secretary

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY, METRO MANILA) SS.

OCT 06 2022  
SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ at Makati City, affiant exhibiting to me his Driver's License with No. F01-05-003738 valid until 5 August 2026, and Unified Multipurpose I.D. with CRN – 0111-5700659 as competent proof of his identity.

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Book No. 1;  
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