

COVER SHEET

SEC Registration Number

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COMPANY NAME

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S	I	D	I	A	R	I	E	S																														

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

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Form Type

1 7 - Q

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
postmaster@phc.com.ph	(02)815-8406	(02)816-2517
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,175	3 rd Monday of November	December 31

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

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

CONTACT PERSON'S ADDRESS

12 th Floor, Telecom Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City
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NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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

PHILCOMSAT HOLDINGS CORPORATION AND SUBSIDIARIES
AS AT MARCH 31, 2018 AND DECEMBER 31, 2017
AND FOR THE QUARTERS ENDED MARCH 31, 2018 AND 2017

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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

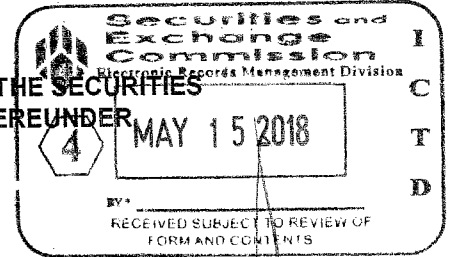
(1) Five complete copies of the report, including any financial statements, exhibit or other paper or document filed as a part thereof shall be filed with the Commission. At least one complete copy of the report, including any financial statements, exhibit or other paper or document filed as a part thereof, 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, 2018.

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 (02) 815 8406

9. Former name, former address and former fiscal year, if changed since last report Not Applicable

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

Title of Each Class

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

Common Shares

996,391,254

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

Yes ☒ No ☐

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

Philippine Stock Exchange

Common Shares

12. Indicate by check mark whether the registrant:

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

Yes ☒ No ☐

- (b) has been subject to such filing requirements for the past ninety (90) days.

Yes ☐ No ☒

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

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

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

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

PART II—OTHER INFORMATION

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

SIGNATURES

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

Issuer.....PHILCOMSAT HOLDINGS CORPORATION

.....



ERLINDA I. BILDNER
Treasurer & CFO

BUSINESS OVERVIEW

Philcomsat Holdings Corporation, formerly Liberty Mines, Inc. was incorporated on May 10, 1956. On January 10, 1997, the Corporation approved amendments of its Articles of Incorporation, changing its primary purpose from embarking in the discovery, exploration, development and exploration of mineral oils, petroleum in its natural state, rock or carbon oils and other volatile mineral substances to a holding company and changing its name and declassifying its shares. These changes were filed with the Securities and Exchange Commission (SEC) on April 14, 1997, respectively. The authorized capital of the Corporation is One Billion Pesos (P1,000,000,000) divided into one billion (1,000,000,000) common shares with a par value of P1.00 per share. Of the total authorized capital stock, sixty million (60,000,000) shares are listed at the Philippine Stock Exchange (PSE).

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

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		March 31		December 31,
	Note	2018 (Unaudited)	2017 (Unaudited)	2017 (Audited)
ASSETS				
Current Assets				
Cash and cash equivalents	3	₱142,066,873	₱145,479,308	₱104,889,256
Short-term investments	4	—	7,441,237	7,441,238
Receivables - current	5	193,280,174	201,725,146	214,717,506
Other current assets	6	3,266,522	2,494,558	3,471,891
Total Current Assets		338,613,569	357,140,249	330,519,891
Noncurrent Assets				
Receivables - noncurrent	5	51,000,000	47,000,000	56,000,000
Financial assets at fair value through other comprehensive income (FVOCI)	7	856,900,520	861,442,326	879,320,504
Investment property	8	102,569,030	106,887,726	103,648,704
Property and equipment	9	464,802	186,375	521,822
Goodwill	10	4,024,916	1,319,429	4,024,916
Net deferred tax assets	16	—	281,382	206,134
Total Noncurrent Assets		1,014,959,268	1,017,117,238	1,043,722,080
		₱1,353,572,837	₱1,374,257,487	₱1,374,241,971
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	11	₱4,261,478	₱2,237,798	₱4,529,759
Customers' deposits	15	4,401,074	1,237,874	4,401,074
Due to a related party	14	3,613,265	—	3,613,265
Income tax payable		—	25,795,536	—
Total Current Liabilities		12,275,817	29,271,208	12,544,098
Noncurrent Liabilities				
Deposit for future stock subscription	14	18,894,000	18,894,000	18,894,000
Net deferred tax liabilities	16	387,668	—	—
Total Noncurrent Liabilities		19,281,668	18,894,000	18,894,000
Equity				
Share capital		996,391,254	996,391,254	996,391,254
Retained earnings		342,334,565	340,727,698	340,257,935
Cumulative net unrealized gain (loss) on financial assets at FVOCI		(17,489,457)	(11,026,673)	5,375,694
Equity attributable to equity holders of				
Parent Company		1,321,236,362	1,326,092,279	1,342,024,883
Non-controlling interest		778,990	—	778,990
Total Equity		1,322,015,352	1,326,092,279	1,342,803,873
		₱1,353,572,837	₱1,374,257,487	₱1,374,241,971

See accompanying Notes to Interim Consolidated Financial Statements.

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

INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE QUARTERS ENDED MARCH 31, 2018 AND 2017

		2018	2017
	Note	(Unaudited)	(Unaudited and as restated - see Note 7)
REVENUE	12	P11,833,963	P6,697,763
COSTS AND EXPENSES	13	(9,088,087)	(13,043,946)
UNREALIZED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL)		9,398	4,118
GAIN ON SETTLEMENT OF LOAN RECEIVABLE	5	—	151,250,000
INCOME BEFORE INCOME TAX		2,755,274	144,907,935
PROVISION FOR (BENEFIT FROM) INCOME TAX	16		
Current		84,842	27,424,271
Deferred		593,802	(112,925)
		678,644	27,311,346
NET INCOME		P2,076,630	P117,596,589
BASIC/DILUTED EARNINGS PER SHARE		P0.0021	P0.1180

See accompanying Notes to Interim Consolidated Financial Statements.

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

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTERS ENDED MARCH 31, 2018 AND 2017

	2017 (Unaudited and 2018 as restated - see (Unaudited) Note 7)	
NET INCOME	₱2,076,630	₱117,596,589
OTHER COMPREHENSIVE INCOME		
<i>Item that may not be reclassified to profit or loss</i>		
Unrealized gain (loss) on financial asset at FVOCI	(22,865,151)	6,073,011
TOTAL COMPREHENSIVE INCOME	(₱20,788,521)	₱123,669,600

See accompanying Notes to Interim Consolidated Financial Statements.

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTERS ENDED MARCH 31, 2018 AND 2017

	2017 (Unaudited and 2018 as restated - see (Unaudited) Note 7)	
SHARE CAPITAL - ₱1 par value		
Authorized - 1,000,000,000 shares		
Issued - 996,391,254 shares	₱996,391,254	₱996,391,254
RETAINED EARNINGS		
Balance at beginning of quarter	340,257,935	222,365,362
Net income	2,076,630	117,596,589
Fair value changes on financial assets at FVOCI sold reclassified from other comprehensive income	-	765,747
Balance at end of quarter	342,334,565	340,727,698
CUMULATIVE NET UNREALIZED GAIN (LOSS) ON FINANCIAL ASSETS AT FVOCI		
Balance at beginning of quarter	5,375,694	(16,333,937)
Unrealized gain (loss) for the quarter	(22,865,151)	6,073,011
Reclassified to retained earnings	-	(765,747)
Balance at end of quarter	(17,489,457)	(11,026,673)
NON-CONTROLLING INTEREST		
Balance at beginning and end of quarter	778,990	-
	₱1,322,015,352	₱1,326,092,279

See accompanying Notes to Interim Consolidated Financial Statements.

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MARCH 31, 2018 AND 2017

	Note	2018 (Unaudited)	2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱2,755,274	₱144,907,935
Adjustments for:			
Depreciation	8	1,143,694	1,110,260
Unrealized gain on financial assets at FVPL		(9,398)	(4,118)
Gain on settlement of loan receivable	5	—	(151,250,000)
Operating income (loss) before working capital changes		3,889,570	(5,235,923)
Decrease (increase) in:			
Receivables		(1,562,668)	80,467
Other current assets		214,767	903,674
Increase in accrued expenses and other current liabilities		(268,280)	364,014
Net cash provided by (used for) operations		2,273,389	(3,887,768)
Income tax paid		(84,843)	(272,168)
Net cash provided by (used in) operating activities		2,188,546	(4,159,936)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Collection of notes and loans receivable		28,000,000	151,250,000
Sale and retirement of financial assets at FVOCI		13,374,271	1,779,147
Short-term investments		7,441,238	—
Acquisitions of:			
Financial assets at FVOCI		(13,819,438)	(73,107,779)
Property and equipment	9	(7,000)	(153,661)
Notes and loans receivable		—	(30,000,000)
Net cash provided by investing activities		34,989,071	49,767,707
CASH FLOW FROM A FINANCING ACTIVITY			
Payment of advances from a related party		—	(4,549,198)
NET INCREASE IN CASH AND CASH EQUIVALENTS		37,177,617	41,058,573
CASH AND CASH EQUIVALENTS AT BEGINNING OF QUARTER		104,889,256	104,420,735
CASH AND CASH EQUIVALENTS AT END OF QUARTER		₱142,066,873	₱145,479,308

See accompanying Notes to Interim Consolidated Financial Statements.

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**AS AT MARCH 31, 2018 AND DECEMBER 31, 2017
AND FOR THE QUARTERS ENDED MARCH 31, 2018 AND 2017**

1. General Information

Corporate Information

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

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

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

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

The Parent Company is 80.81% owned by Philippine Communications Satellite Corporation (Philcomsat), a company incorporated in the Philippines. The ultimate parent company is Philippine Overseas Telecommunications Corporation (POTC), a company also incorporated in the Philippines. Philcomsat and POTC are both engaged in the telecommunications business.

The Parent Company and all subsidiaries (collectively referred to as "the Group") were incorporated in the Philippines. The following are the subsidiaries and the respective percentages of ownership and principal activities as at March 31, 2018 and December 31, 2017:

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

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

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

Listing of Shares in the PSE

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

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

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation

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

Measurement Bases

The interim consolidated financial statements are presented in Philippine Peso (Peso) which is the Group's functional and presentation currency. All values are rounded to the nearest Peso except as otherwise indicated.

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

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

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

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

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

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

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

The interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as compared with the Group's latest annual consolidated financial statements, except for the adoption of PFRS 9 in 2018. Furthermore, the interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements.

Adoption of New and Amended PFRS

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

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

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

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

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

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

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

The effects of the adoption of PFRS 9, which mainly pertain to the Company’s adoption of the irrevocable option to designate investments previously accounted for as available-for-sale (AFS) financial assets to be financial assets at FVOCI and other additional disclosure requirements are disclosed in Note 7 to the interim consolidated financial statements.

New and Amended PFRS Not Yet Adopted

Relevant new and amended PFRS which are not yet effective for the period ended March 31, 2018 and have not been applied in preparing the interim consolidated financial statements are summarized below.

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

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

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the interim consolidated financial statements of the Group. Additional disclosures will be included in the interim consolidated financial statements, as applicable.

3. Cash and Cash Equivalents

This account consists of:

	March 31	December 31,
	2018	2017
	(Unaudited)	(Unaudited)
		(Audited)
Cash on hand and in banks	P13,844,861	P57,019,221
Cash equivalents	128,222,012	88,460,087
	P142,066,873	P104,889,256

Cash in banks earn interest at prevailing bank deposit rates.

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

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

	Note	2018 (Unaudited)	2017 (Unaudited)
Cash and cash equivalents		₱448,985	₱1,372,882
Short-term investments	4	8,955	56,312
Receivables	5	1,572,314	1,050,121
AFS financial assets	7	2,700,300	2,879,636
		₱4,730,554	₱5,358,951

4. Short-term Investments

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

Interest income earned from short-term investments amounted to ₱8,955 and ₱56,312 for the quarters ended March 31, 2018 and 2017, respectively (see Note 3).

5. Receivables

This account consists of:

	Note	March 31 2018 (Unaudited)	March 31 2017 (Unaudited)	December 31, 2017 (Audited)
Notes and loans receivable:				
Promissory notes issued by financial institutions		₱141,983,544	₱55,305,002	₱156,983,544
Corporate notes		60,500,000	166,711,954	73,500,000
Due from related parties	14	27,811,793	18,811,793	27,811,793
Accrued revenue		4,349,601	—	4,349,601
Advances subject to liquidation		3,504,643	3,356,186	3,880,934
Rent and retainer fee receivable		3,348,851	1,581,230	1,531,757
Interest receivable		2,775,906	2,976,589	2,677,486
Dividend receivable		63,836	40,392	40,391
		244,338,174	248,783,146	270,775,506
Less allowance for doubtful accounts		(58,000)	(58,000)	(58,000)
		244,280,174	248,725,146	270,717,506
Less noncurrent portion		(51,000,000)	(47,000,000)	(56,000,000)
		₱193,280,174	₱201,725,146	₱214,717,506

Notes and Loans Receivable

Promissory Notes Issued by Financial Institutions

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

Corporate Notes

Corporate notes pertain to short-term corporate promissory notes issued by various entities, with terms of up to 90 days and earn interest at 2.8% per annum.

Interest income earned from promissory notes issued by financial institutions and corporate notes amounted to ₱1.6 million in 2018 and ₱1.1 million in 2017 (see Note 3).

Loan to Araneta

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

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

The lots of Ansear, which are subject to a writ of attachment as ordered by the Court, were sold in January 2016 to settle the loan and the interest. The Parent Company received ₱525.0 million, inclusive of VAT, in 2016 as partial settlement of the loan and interest. The full allowance for doubtful accounts on the note amounting to ₱125.0 million was reversed in 2016. Proceeds in excess of the loan and interest receivable amounting to ₱340.6 million in 2016, net of legal and other costs of collection shouldered by the Company amounting to ₱67.6 million, were recorded as a gain on settlement of loan receivable of ₱273.0 million in 2016.

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

Accrued Revenue

This account pertains to accrued service fees on the Group's service contracts which are recognized based on percentage of completion.

Advances Subject to Liquidation

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

Rent and Retainer Fee Receivable

This account consists of tenant and retainer fee receivables which are unsecured, collectible on demand and noninterest-bearing.

6. Other Current Assets

This account consists of:

	March 31		December 31,
	2018	2017	2017
	(Unaudited)	(Unaudited)	(Audited)
Creditable withholding taxes	₱2,104,809	₱1,805,138	₱1,718,437
Input VAT	1,021,227	562,546	1,622,366
Financial assets at FVPL	123,552	106,867	114,154
Prepaid insurance	16,934	16,934	16,934
Others	—	3,073	—
	₱3,266,522	₱2,494,558	₱3,471,891

7. Financial Assets at FVOCI

This account consists of:

	March 31		December 31,
	2018	2017	2017
	(Unaudited)	(Unaudited)	(Audited)
Investments in:			
Managed funds	₱451,684,646	₱517,942,667	₱463,989,483
Quoted bonds	296,949,218	269,642,122	314,509,831
Quoted shares of stock	105,566,656	70,907,527	98,121,190
Club memberships	2,700,000	2,950,000	2,700,000
	₱856,900,520	₱861,442,316	₱879,320,504

Interest income earned from financial assets at FVOCI amounted to ₱2.7 million and ₱2.9 million for the quarters ended March 31, 2018 and 2017, respectively (see Note 3).

Dividend income earned from financial assets at FVOCI amounted to ₱744,629 and ₱371,426 for the quarters ended March 31, 2018 and 2017, respectively (see Note 12).

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

No impairment loss was recognized in 2018 and 2017.

The Group previously accounted for these financial assets as AFS financial assets under PAS 39. In 2018, the Group made an irrevocable designation to classify these financial assets as financial assets at FVOCI in accordance with PFRS 9. Accordingly, all gains and losses up to the sale of these financial assets are closed directly to equity and adjusted retrospectively. Gain on sale of financial assets previously presented under revenue amounting to ₱765,747 were thus restated and closed directly to retained earnings.

8. Investment Property

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

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

	March 31 2018 (Unaudited)	2017 (Unaudited)	December 31, 2017 (Audited)
Cost			
Balance at beginning and end of period	₱164,772,000	₱164,772,000	₱164,772,000
Accumulated Depreciation			
Balance at beginning of period	61,123,296	56,804,600	56,804,600
Depreciation	1,079,674	1,079,674	4,318,696
Balance at end of period	62,202,970	57,884,274	61,123,296
Carrying Amount	₱102,569,030	₱106,887,726	₱103,648,704

The fair value of the condominium unit amounted to ₱247.2 million based on the Group's latest appraisal dated May 31, 2017 (Level 1 – Directly Observable Input).

Depreciation for the quarters ended March 31, 2018 and 2017 are recognized from the following (see Note 13):

	Note	2018 (Unaudited)	2017 (Unaudited)
Investment property	13	₱1,079,674	₱1,079,674
Property and equipment	9	64,020	30,586
		₱1,143,694	₱1,110,260

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

9. Property and Equipment

This account consists of:

	March 31, 2018 (Unaudited)				
	Transportation Equipment	Furniture and Fixtures	Office Equipment	Office Improvement	Total
Cost					
Balance at beginning of quarter	₱5,011,638	₱3,528,775	₱1,460,923	₱39,325	₱10,040,661
Addition	–	–	7,000	–	7,000
Balance at end of quarter	5,011,638	3,528,775	1,467,923	39,325	10,047,661
Accumulated Depreciation					
Balance at beginning of quarter	4,941,045	3,528,775	1,009,694	39,325	9,518,839
Depreciation	17,460	–	46,560	–	64,020
Balance at end of quarter	4,958,505	3,528,775	1,056,254	39,325	9,582,859
Carrying Amount	₱53,133	₱–	₱411,669	₱–	₱464,802

March 31, 2017 (Unaudited)					
	Transportation Equipment	Furniture and Fixtures	Office Equipment	Office Improvement	Total
Cost					
Balance at beginning of quarter	₱4,950,745	₱3,528,775	₱942,212	₱39,325	₱9,461,057
Additions	60,893	—	92,768	—	153,661
Balance at end of quarter	5,011,638	3,528,775	1,034,980	39,325	9,614,718
Accumulated Depreciation					
Balance at beginning of quarter	4,923,585	3,528,775	906,072	39,325	9,397,757
Depreciation	5,820	—	24,766	—	30,586
Balance at end of quarter	4,929,405	3,528,775	930,838	39,325	9,428,343
Carrying Amount	₱82,233	₱—	₱104,142	₱—	₱186,375

December 31, 2017 (Audited)					
	Transportation Equipment	Furniture and Fixtures	Office Equipment	Office Improvement	Total
Cost					
Balance at beginning of year	₱4,950,745	₱3,528,775	₱942,212	₱39,325	₱9,461,057
Effect of business combination (see Note 10)	—	—	280,193	—	280,193
Additions	60,893	—	238,518	—	299,411
Balance at end of year	5,011,638	3,528,775	1,460,923	39,325	10,040,661
Accumulated Depreciation					
Balance at beginning of year	4,923,585	3,528,775	906,072	39,325	9,397,757
Effect of business combination (see Note 10)	—	—	38,076	—	38,076
Depreciation	17,460	—	65,546	—	83,006
Balance at end of year	4,941,045	3,528,775	1,009,694	39,325	9,518,839
Carrying Amount	₱70,593	₱—	₱451,229	₱—	₱521,822

Depreciation expense is recognized as part of general and administrative expenses in 2018 and 2017.

10. Business Combination

Acquisition of EDSSI

On December 5, 2017, the Group, through PMEI, obtained control of EDSSI, a security manpower agency, by acquiring 82.69 percent of EDSSI's outstanding shares and voting interest for a total consideration of ₱3.7 million. Subscriptions payable related to the acquisition amounted to ₱1.4 million and ₱1.7 million as at March 31, 2018 and December 31, 2017, respectively (see Note 11).

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

Cash	₱1,085,590
Receivables	466,796
Property and equipment	242,117
	₱1,794,503

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

Total consideration transferred	₱3,721,000
Non-controlling interest	778,990
Fair value of net identifiable assets	(1,794,503)
Goodwill	₱2,705,487

Goodwill

Goodwill pertains to the acquisition of the following subsidiaries:

	March 31		December 31,
	2018	2017	2017
	(Unaudited)	(Unaudited)	(Audited)
EDSSI	₱2,705,487	₱—	₱2,705,487
PSTI	1,319,429	1,319,429	1,319,429
	₱4,024,916	₱1,319,429	₱4,024,916

Management assessed that the recoverable amount of EDSSI, 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 2017. Cash flows beyond that five-year period have been extrapolated using the Group's average historical growth rate.

No impairment on goodwill was recognized in 2018 and 2017.

11. Trade and Other Payables

This account consists of:

	March 31		December 31,
	2018	2017	2017
	(Unaudited)	(Unaudited)	(Audited)
Accounts payable and accrued expenses	₱1,831,569	₱1,016,205	₱1,733,065
Subscriptions payable	1,421,000	—	1,721,000
Statutory payables	1,008,909	1,221,593	1,075,694
	₱4,261,478	₱2,237,798	₱4,529,759

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

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

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

Subscriptions payable pertains to amount of payable to the previous stockholders of EDSSI.

12. Revenue

This account consists of:

	Note	2018 (Unaudited)	2017 (Unaudited)
Interest income	3	₱4,730,554	₱5,358,951
Rent income	15	3,163,200	—
Unrealized foreign exchange gain		2,120,734	—
Retainer fee		1,025,036	943,946
Dividend income	7	744,629	371,426
Transfer fee		49,810	23,440
		₱11,833,963	₱6,697,763

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

13. Costs and Expenses

This account consists of:

	Note	2018 (Unaudited)	2017 (Unaudited)
Cost of services:			
Depreciation		₱1,079,674	₱—
Salaries and other benefits		320,540	284,471
Communication, light and water		—	61,730
Transportation		—	14,475
		1,400,214	360,676
General and administrative expenses:			
Professional fee		3,164,887	3,974,921
Directors' fee	16	1,440,000	1,695,000
Depreciation		64,020	1,110,260
Taxes and licenses		841,666	1,660,670
Transportation and travel		428,462	292,969
Dues and subscription		426,878	775,291
Rent expense	15	369,820	383,967
Representation and entertainment		359,959	1,317,448
Stationery, print and office supplies		188,127	57,669
Repairs and maintenance		157,210	186,236
Communication, light and water		102,868	58,662
Insurance		57,953	276,401
Legal fee		22,266	828,074
Others		63,757	65,702
		7,687,873	12,683,270
		₱9,088,087	₱13,043,946

14. Related Party Transactions

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

			Amount of Transactions (in millions)		Outstanding Balance (in millions)		
	Relationship	Nature of Transaction	Quarter ended March 31, 2018 (Unaudited)	Quarter ended March 31, 2017 (Unaudited)	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)	December 31, 2017 (Audited)
Included under "Receivables"							
Montemar Beach Club, Inc. (MBCI)	Company under common control	Cash advances	P—	P—	P27.5	P18.5	P27.5
		Interest income	0.2	0.2	—	—	—
Montemar Resort Development Corp. (MRDC)	Company under common control	Cash advances	—	—	0.3	0.3	0.3
Philcomsat	Immediate parent	Rent of office space	(0.4)	(0.4)	—	—	—
					P27.8	P18.8	P27.8
Presented under "Due to a Related Party"							
Philcomsat	Immediate parent	Cash advances	P—	(P4.5)	P—	P—	P—
		Project costs	—	—	3.6	—	3.6
					P3.6	P—	P3.6
Presented under "Deposit for Future Stock Subscription"							
Philcomsat	Immediate parent	Excess of subscription	P—	P—	P18.9	P18.9	P18.9

Terms of Cash Advances to Related Parties

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

The Parent Company as a Lessee

The Parent Company has a lease agreement with Philcomsat for the rent of its office space located at 12th Floor, Telecom Plaza Building, 316 Sen. Gil Puyat Ave., Makati City. The lease term is for one year and is renewable under mutual agreement of both parties. Rent expense amounted to P0.4 million for the quarters ended March 31, 2018 and 2017.

Compensation of Key Management Personnel

Compensation of the key management personnel of the Parent Company consists of directors' fees amounting to P1.4 million and P1.7 million for the quarters ended March 31, 2018 and 2017, respectively (see Note 13).

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

15. Leases

The Group as a Lessor

The Parent Company leased a portion of its condominium unit located at 2nd Floor Pacific Star Building, Gil Puyat Avenue, Makati City to a certain tenant. Monthly rental subject to a 5% annual escalation amounted to ₱1.1 million for a lease term of 36 months, commencing on January 1, 2018 and ending on December 31, 2020. Security deposit received amounting to ₱4.4 million as at March 31, 2018 and December 31, 2017, respectively, is shown as "Customers' deposits" account in the interim consolidated statements of financial position.

Rent income amounted to ₱3.2 million for the quarter ended March 31, 2018 (see Note 12).

Future annual minimum lease receivables over the remaining term of the lease are as follows:

Not later than one year	₱12,652,800
Later than one year but not later than five years	27,234,612
	<u>₱39,887,412</u>

The Group as a Lessee

The Group has a lease agreement with Philcomsat for its office space for a term of one year subject to renewal under mutual agreement of both parties. Rent expense amounted to ₱0.4 million for the quarters ended March 31, 2018 and 2017.

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

16. Income Tax

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

	2018 (Unaudited)	2017 (Unaudited)
MCIT	₱84,842	₱10,249
RCIT	—	27,414,022
	<u>₱84,842</u>	<u>₱27,424,271</u>

The Parent Company's income tax was computed using Itemized Deductions in 2018 and Optional Standard Deduction (OSD) in 2017. The income tax of the other components of the Group were computed using Itemized Deductions in 2018 and 2017.

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

	2018 (Unaudited)	2017 (Unaudited)
Income tax expense at statutory rate	₱826,582	₱43,702,105
Change in unrecognized deferred tax assets	(2,923,395)	15,647
Difference between OSD and itemized deductions	—	(14,981,505)
Add (deduct) tax effects of:		
Expired NOLCO	4,112,213	—
Interest income already subjected to final tax	(1,023,800)	(1,292,649)
Dividend income	(206,791)	(111,428)
Nontaxable gain	(106,164)	(20,824)
	₱678,645	₱27,311,346

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

	March 31 2018 (Unaudited)	2017 (Unaudited)	December 31, 2017 (Audited)
Deferred tax assets:			
NOLCO	₱138,508	₱298,998	₱98,136
MCIT	98,136	58,619	93,271
Allowance for doubtful accounts	17,400	17,400	17,400
	254,044	375,017	208,807
Deferred tax liabilities:			
Unrealized foreign exchange gain	(636,220)	—	—
Unrealized gain on financial asset at FVPL	(5,492)	(2,123)	—
Accruals	—	(91,512)	(2,673)
	(641,712)	(93,635)	(2,673)
	(₱387,668)	₱281,382	₱206,134

The Parent Company did not recognize the following deferred tax assets because management believes that these may not be realized because future taxable income may not be sufficient against which the tax benefits can be claimed or deducted:

	March 31 2018 (Unaudited)	2017 (Unaudited)	December 31, 2017 (Audited)
NOLCO	₱1,120,776	₱5,852,277	₱4,112,213
MCIT	68,042	—	—
Unrealized foreign exchange loss	—	15,647	—
	₱1,188,818	₱5,867,924	₱4,112,213

17. Aging of Accounts Receivable

The aging schedule of the Group's receivables follows:

	March 31, 2018			
	Neither Past Due nor Impaired	Past Due but not Impaired		Total
		30 Days	More than 60 Days	
Rent and retainer fee receivable	P3,290,851	P—	P—	P3,290,851
Accrued revenue	4,349,601	—	—	4,349,601
Notes and loans	202,483,544	—	—	202,483,544
Due from related parties	27,811,793	—	—	27,811,793
Interest receivable	2,775,906	—	—	2,775,906
Dividend receivable	63,836	—	—	63,836
Others	3,504,643	—	—	3,504,643
	P244,280,174	P—	P—	P244,280,174

	March 31, 2017			
	Neither Past Due nor Impaired	Past Due but not Impaired		Total
		30 Days	More than 60 Days	
Rent and retainer fee receivable	P1,523,230	P—	P—	P1,523,230
Notes and loans	222,016,956	—	—	222,016,956
Due from related parties	18,811,793	—	—	18,811,793
Interest receivable	2,976,589	—	—	2,976,589
Dividend receivable	40,392	—	—	40,392
Others	3,356,186	—	—	3,356,186
	P248,725,146	P—	P—	P248,725,146

	December 31, 2017			
	Neither Past Due nor Impaired	Past Due but not Impaired		Total
		30 Days	More than 60 Days	
Rent and retainer fee receivable	P1,473,757	P—	P—	P1,473,757
Accrued revenue	4,349,601	—	—	4,349,601
Notes and loans	230,483,544	—	—	230,483,544
Due from related parties	27,811,793	—	—	27,811,793
Interest receivable	2,677,486	—	—	2,677,486
Dividend receivable	40,391	—	—	40,391
Others	3,880,934	—	—	3,880,934
	P270,717,506	P—	P—	P270,717,506

18. Civil Cases

An action was filed in the Sandiganbayan by a group claiming to be directors and officers of POTC and Philcomsat seeking to enjoin the present directors and officers of POTC and Philcomsat from representing themselves as such directors and officers and representatives 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 filed by the group alleging that they are the POTC and Philcomsat board of directors. They appealed to the Supreme Court (SC) on November 10, 2008. The SC consolidated this case with three other cases.

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

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

19. 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 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 August 2, 2017, PHC (Bildner Group), pursuant to the Order of the Court dated June 16, 2017, filed a Manifestation and Motion proposing to the Locsin group to choose from several accounting firms who will conduct the accounting of funds in accordance with the SC Decision. An order granting the said Manifestation and Motion was issued on September 28, 2017. On October 20, 2017, Brodett filed his Motion for Reconsideration thereto which is denied in an Order dated February 9, 2018 and directing PHC (Bildner Group) to submit its preferred accounting firm. Thus, on February 22, 2018, PHC (Bildner Group) filed an Ex-Parte Manifestation and Motion designating Virgilio R. Santos & Co. as the auditing firm who will conduct the said accounting of funds.

- Complaint for Collection Against Araneta and Lokin

On May 26, 2010, a complaint for collection of sum of money and damages, with an application for a Writ of Preliminary Attachment dated May 24, 2010 was filed by the Parent Company against Benito Araneta and Luis Lokin Jr., former directors of the Parent Company for an alleged personal back to back loans with Bankwise procured by Araneta using the Parent Company's funds as collateral, with the help of Lokin, in the amount of ₱35.3 million.

On February 2, 2017, a Decision was issued finding Araneta and Lokin liable to pay PHC a) actual damages in the sum of ₱31.5 million plus legal interest of 6% computed from May 26, 2010, the time of judicial demand until fully paid; b) ₱200,000 as and by way of exemplary damages; and c) ₱200,000 as and by way of attorney's fees, plus costs of suit.

Araneta and Lokin filed their Notices of Appeal on September 6 and September 8, 2017, respectively. On January 16, 2018, the Court of Appeals (CA) required defendants to file Appellant's Brief within 45 days from receipt thereof.

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

On May 8, 2008, the Parent Company filed a criminal complaint for *estafa* for misappropriation of corporate funds against Brodett, a former director of the Parent Company, and certain officers of Bankwise. The complaint alleged that the unauthorized deposits, withdrawals and transfers of the Parent Company's funds in the amount of ₱66.8 million was processed through spurious bank accounts and involved the co-mingling and transfer of funds between the Parent Company's accounts and certain personal accounts.

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

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

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

- Complaint Against Lokin for Alleged Exorbitant Legal Fees

On October 16, 2008, the Parent Company filed a case against Lokin by reason of the alleged exorbitant legal fees paid to the latter totaling ₱31.0 million for the period 2003 to 2007, and for other fees, including ₱2.0 million supposedly for a "Sandiganbayan TRO" and another ₱2.0 million supposedly for purposes of "PR for the SC Injunction".

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

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

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

Due to the need for the prosecution's witness to identify, and testify on, voluminous accounting records showing the guilt of the accused, the Court ordered the parties to enter into a stipulation of facts to expedite the proceedings. Andal, through counsel, stipulated on the facts propounded by the Prosecution. During the hearing on September 28, 2017, Locsin, through counsel, asked for time to study the prosecution's documents.

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

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

On January 7, 2014, the Parent Company filed a Petition for Certiorari praying that the DOJ file new information against Ms. Poblador for estafa for the total amount of ₱16.7 million. On January 10, 2014, the Parent Company received a Petition for Certiorari filed by Ms. Poblador seeking the reversal of the Resolution directing the filing of an Information for estafa against her for ₱0.2 million. On August 29, 2014, the two Petitions were consolidated.

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

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

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

Key Performance Indicators (KPI)

The Company's KPI for the quarters ended March 31, 2018 and 2017 are as follows:

Performance Indicator	Formula	March 31, 2018	March 31, 2017
<i>Liquidity</i>			
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	27.58:1	12.20:1
<i>Leverage</i>			
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	0.02:1	0.04:1
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	1.02:1	1.04:1
<i>Profitability</i>			
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$	0.15%	8.56%
Return on Equity	$\frac{\text{Net Income}}{\text{Total Equity}}$	0.16%	8.87%

Liquidity

The Company's current ratio as at March 31, 2018 of 27.58:1 is higher as opposed to 12.20:1 in the same quarter of the prior year. The increase is due to the gain on collection of the final installment of a loan from the former Board of Director of the Company (Araneta loan), which resulted in a significantly high income tax payable in the same period in 2017.

Leverage

Changes in leverage ratios for the 1st quarter of 2018 pertain mainly to income tax payable, which is very minimal. The ratios show that the Company's assets are more than adequate to cover its liabilities.

Profitability

Return on Asset and Return on Equity are significantly lower during the 1st quarter of 2018 as compared with the same quarter in the prior period. The reason pertains mainly to the gain on collection of Araneta loan in 2017 amounting to ₱151.3 million, resulting in significantly higher net income in 2017.

Results of Operations

From 2000 to 2010, the Corporation was involved in an intra-corporate feud with 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. It owns a real estate property, a condominium unit located at 2/F Pacific Star Building, Sen. Gil Puyat Avenue, Makati City.

The following table shows the results of the Company's operations for the quarters ended March 31, 2018 and 2017:

Results of Operations	For the quarters ended		Increase/ (Decrease)	YoY Change (%)
	March 31, 2018	March 31, 2017		
Revenues	₱11,843,361	₱157,951,881	(₱146,108,520)	(92.50%)
Expenses	9,088,087	13,039,828	(3,951,741)	(30.31%)
Income from operations	₱2,755,274	₱144,912,053	(₱142,156,779)	(98.10%)

The Company recorded lower revenues and expenses for the quarter ended March 31, 2018 than the same period in 2017 due primarily to the gain on collection of Araneta loan in 2017 amounting to ₱151.3 million.

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 increasing in a material way. |
| ii. | Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation. | None |
| iii. | All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period. | None |
| iv. | Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described. | None |
| v. | Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described. | None |
| vi. | Any significant elements of income or loss that did not arise from the registrant's continuing operations | 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 for the Company's AFS financial assets, which are measured at fair value. |
| 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, 2018

Rank	Name	Number of Common Shares
1	Philippine Communications Satellite Corp.	796,590,033
2	Somera, Jr., Prudencio C.	100,000,100
3	Laperal, Oliverio G.	49,556,500
4	PCD Nominee Corporation (Filipino)	16,274,534
5	RCBC T/A 236-235 A/C Oliverio Laperal	4,802,413
6	Yap, Enrique Raymond	4,000,000
7	Marino Olondriz Y Cia (Hold, per PSE)	2,985,600
8	Ozamiz, Jose Ma.	2,700,000
9	RCBC T/A 36-250 A/C Oliverio Laperal	2,689,000
10	Phil. Oil Development Corp.	1,500,000
11	Imperial Resources, Inc.	800,000
12	Laperal, Jr., Oliverio	776,743
13	Benjamin Co Ca & Co., Inc.	504,300
14	Concepcion, Regina L.	481,000
15	Laperal, Rosa Maria L.	448,000
16	Laperal, Alexandra L.	440,000
17	Ansaldo, Godinez & Co., Inc.	332,550
18	Dacillo, Nenita	320,000
19	Bridgestone Securities Corporation	307,425
20	RCBC T/A 138 A/C Oliverio Laperal	300,000
TOTAL NO. OF SHARES		985,808,198

As at March 31, 2018, the members of Board of Directors/Key Officers of Philcomsat Holdings Corporation are as follows:

Katrina Ponce Enrile
Ramon Jacinto
Erlinda I. Bildner
Pablo L. Lobregat
Daniel C. Gutierrez
Oliverio Laperal Jr.
Marietta K. Ilusorio
Jose Ramon C. Ozamiz
Santiago J. Ranada, Jr.
Prudencio C. Somera, Jr.
Jullie Y. Daza
Manolita L. Morales
Lorna Patajo-Kapunan
Victoria C. de los Reyes
John Benedict L. Sioson

Bernadette Y. Blanco

Director, Chair and EVP
Director and President
Director and CFO/Treasurer
Director
Director
Director
Director
Director
Director
Director
Director
Assistant Treasurer
Compliance Officer
Corporate Secretary
Assistant Corporate Secretary
Corporate Information Officer
Assistant Compliance Officer
Investors Relations Officer

List of Top 20 Stockholders as of June 30, 2018

Rank	Name	Number of Common Shares
1	Philippine Communications Satellite Corp.	796,590,033
2	Somera, Jr., Prudencio C.	100,000,100
3	Laperal, Oliverio G.	49,556,500
4	PCD Nominee Corporation (Filipino)	16,274,534
5	RCBC T/A 236-235 A/C Oliverio Laperal	4,802,413
6	Yap, Enrique Raymond	4,000,000
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TOTAL NO. OF SHARES		985,808,198

As at June 30, 2018, the members of the Board of Directors/Key Officers of Philcomsat Holdings Corporation are as follows:

Katrina Ponce-Enrile	Director, Chair and EVP
Ramon Jacinto	Director and President
Erlinda I. Bildner	Director and CFO/Treasurer
Pablo L. Lobregat	Director
Daniel C. Gutierrez	Director
Oliverio Laperal Jr.	Director
Marietta K. Ilusorio	Director
Jose Ramon C. Ozamiz	Director
Santiago J. Ranada, Jr.	Director
Prudencio C. Somera, Jr.	Director
Jullie Y. Daza	Director
Manolita L. Morales	Assistant Treasurer
Lorna Patajo-Kapunan	Compliance Officer
Victoria C. de los Reyes	Corporate Secretary
John Benedict L. Sioson	Assistant Corporate Secretary
	Corporate Information Officer
	Assistant Compliance Officer
	Investors Relations Officer
Bernadette Y. Blanco	