COVER SHEET

SEC Registration Number

0 0 0 0 0 0 1 1 1 6 3

COMPANY NAME

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

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
postmaster@phc.com.ph	(02) 8815-8406	(02)8816-2517
No. of Stockholders	**Annual Meeting (Month / Day)**	**Fiscal Year (Month / Day)**
1,175	3rd Monday of November	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Erlinda I. Bildner	N/A	(02)8815-8406	(02)8815-2517

CONTACT PERSON'S ADDRESS

12th Floor, Telecom Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City

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

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

PHILCOMSAT HOLDINGS CORPORATION AND SUBSIDIARIES
FOR THE QUARTERS ENDED OF SEPTEMBER 30, 2020 AND 2019

TABLE OF CONTENTS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2020.

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)8815 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

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 72.1concerning copies, binding, signatures, paper, printing, language, and pagination.

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
AS AT SEPTEMBER 30, 2020 AND 2019 AND DECEMBER 31, 2019
(Amounts in Philippine Pesos)

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	December 31, 2019 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 2, 3, 4, 19 and 20)	**P220,373,787**	P258,129,708	P208,057,744
Receivables – current (Notes 2, 3, 5, 17, 19 and 20)	**223,496,239**	163,881,862	212,534,088
Due from related parties (Notes 2, 3, 17, 19 and 20)	**13,255,799**	13,255,800	13,255,799
Other current assets (Notes 2, 3 and 6)	**4,811,564**	4,513,389	4,290,781
Total Current Assets	**461,937,389**	439,780,759	438,138,412
Noncurrent Assets			
Receivables – noncurrent (Notes 2, 3, 5, 19 and 20)	**8,000,000**	55,000,000	37,000,000
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 2, 3, 7, 19 and 20)	**993,086,563**	978,260,044	998,192,651
Investment property (Notes 2, 3 and 8)	**2,249,424**	2,249,424	2,249,424
Right-of-use (ROU) assets (Notes 2, 3 and 12)	**615,569**	–	1,748,947
Property and equipment (Notes 2, 3 and 9)	**24,696**	435,405	69,835
Goodwill (Notes 2, 3 and 10)	**1,319,429**	1,319,429	1,319,429
Deferred tax assets – net (Notes 2, 3 and 16)	**126,511**	1,011,221	413,222
Total Noncurrent Assets	**1,005,422,192**	1,038,275,523	1,040,993,508
	P1,467,359,581	P1,478,056,282	P1,479,131,920
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and statutory payables (Notes 2, 3, 11, 19 and 20)	**P848,983**	P6,369,169	P806,952
Due to a related party (Notes 2, 3, 17, 19 and 20)	**3,948,624**	3,948,624	3,948,624
Customers' deposits (Notes 2, 3, 12, 19 and 20)	**1,237,874**	1,237,874	1,237,874
Lease liabilities – current (Notes 2, 3, 12, 19 and 20)	**402,971**	–	1,599,265
Total Current Liabilities	**6,438,452**	11,555,667	7,592,715
Noncurrent Liabilities			
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)	**243,197**	–	243,197
Total Noncurrent Liabilities	**19,137,197**	18,894,000	19,137,197
Total Liabilities	**25,575,649**	30,449,667	26,729,912
Equity			
Share capital (Notes 2 and 21)	**996,391,254**	996,391,254	996,391,254
Retained earnings (Notes 2, 7 and 21)	**470,184,952**	454,591,068	457,631,100
Other equity reserves (Notes 2, 7 and 21)	**(24,792,274)**	(3,375,707)	(1,620,346)
Total Equity	**1,441,783,932**	1,447,606,615	1,452,402,008
	P1,467,359,581	P1,478,056,282	P1,479,131,920

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 NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Amounts in Philippine Pesos)

	From July 1 to September 30, 2020 (Unaudited)	From July 1 to September 30, 2019 (Unaudited)	**From January 1 to September 30, 2020 (Unaudited)**	From January 1 to September 30, 2019 (Unaudited)
REVENUE (Notes 2 and 13)	**P12,029,635**	P13,801,040	**P38,602,858**	P43,993,416
COSTS AND EXPENSES (Notes 2 and 14)	**(7,105,106)**	(6,111,306)	**(25,977,787)**	(20,482,136)
OTHER INCOME (CHARGES) – net (Notes 2, 7 and 15)	**961,807**	468,141	**100,111**	(858,785)
INCOME BEFORE INCOME TAX	**5,886,336**	8,157,875	**12,725,182**	22,652,495
PROVISION FOR (BENEFIT FROM) INCOME TAX (Notes 2, 3 and 16)				
Current	**68,808**	49,638	**132,106**	209,683
Deferred	**41,521**	106,250	**200,463**	(1,283,508)
	110,329	155,888	**332,569**	(1,073,825)
NET INCOME	**P5,776,007**	P8,001,987	**P12,392,613**	P23,726,320
BASIC/DILUTED EARNINGS PER SHARE (Notes 2 and 18)	**P0.0058**	P0.0080	**P0.0124**	P0.0238

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 NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Amounts in Philippine Pesos)

	From July 1 to September 30, 2020 (Unaudited)	From July 1 to September 30, 2019 (Unaudited)	**From January 1 to September 30, 2020 (Unaudited)**	From January 1 to September 30, 2019 (Unaudited)
NET INCOME	**P5,776,007**	P8,001,987	**P12,392,613**	P23,726,320
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 2 and 7)				
Items that may be reclassified to profit or loss				
Unrealized gain (loss) on debt instruments at FVOCI	**6,614,043**	8,608,757	**17,657,316**	23,421,556
Items that may not be reclassified to profit or loss				
Unrealized gain (loss) on equity instruments at FVOCI	**(24,918,460)**	(3,118,899)	**(37,924,088)**	13,067,120
TOTAL COMPREHENSIVE INCOME (LOSS)	**(P12,528,410)**	P13,491,845	**(P7,874,159)**	P60,214,996

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 NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Amounts in Philippine Pesos)

	From January 1 to September 30, 2020 (Unaudited)	From January 1 to September 30, 2019 (Unaudited)
SHARE CAPITAL – P1 par value (Notes 2 and 21)		
Authorized – 1,000,000,000 shares		
Issued – 996,391,254 shares	**P996,391,254**	P996,391,254
RETAINED EARNINGS (Notes 2, 7 and 21)		
Balance at beginning of period	**457,631,100**	432,550,308
Net income	**12,392,613**	23,726,320
Reclassification of cumulative fair value changes of equity instruments measured at FVOCI sold from other comprehensive income	**161,239**	–
Realized loss on sale of equity instruments measured at FVOCI	**–**	(1,685,560)
Balance at end of period	**470,184,952**	454,591,068
OTHER EQUITY RESERVES (Notes 2, 7 and 21)		
Balance at beginning of period	**(1,620,346)**	(39,864,383)
Unrealized gain (loss) for the period	**(20,266,772)**	36,488,676
Reclassification of cumulative fair value changes of debt instruments measured at FVOCI sold to profit or loss	**(2,743,917)**	–
Reclassification of cumulative fair value changes of equity instruments measured at FVOCI sold to retained eanings	**(161,239)**	–
Balance at end of period	**(24,792,274)**	(3,375,707)
TOTAL EQUITY	**P1,441,783,932**	P1,447,606,615

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 NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Amounts in Philippine Pesos)

	From January 1 to September 30, 2020 (Unaudited)	From January 1 to September 30, 2019 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**P12,725,182**	P22,652,495
Adjustments for:		
Depreciation (Note 9)	**1,178,517**	1,465
Interest expense (Note 12)	**58,432**	–
Unrealized loss on financial assets at fair value through profit or loss (FVPL) (Notes 6 and 15)	**25,305**	1,205
Bad debts expense (Notes 5 and 14)	–	12,267
Realized gain on sale of debt instruments measured at FVOCI (Notes 7 and 15)	**(2,743,917)**	–
Operating income before working capital changes	**11,243,519**	22,667,432
Decrease (increase) in:		
Receivables (Note 5)	**1,071,261**	(45,442,428)
Other current assets (Note 6)	**(202,901)**	(1,080,705)
Increase in trade and statutory payables (Note 11)	**42,031**	1,205,976
Net cash generated from (used in) operations	**12,153,910**	(22,649,725)
Collection of notes and loans receivable (Note 5)	**156,966,588**	7,000,000
Acquisitions of:		
Financial assets at FVOCI (Note 7)	**(304,853,777)**	(219,053,360)
Notes and loans receivable (Note 5)	**(140,000,000)**	–
Proceeds from redemption and maturity of financial assets at FVOCI (Note 7)	**289,693,093**	198,446,608
Income tax paid	**(389,045)**	(234,808)
Net cash generated from (used in) operating activities	**13,570,769**	(36,491,285)
CASH FLOW FROM INVESTING ACTIVITY		
Additions to property and equipment (Note 9)	–	(17,324)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from due to a related party	–	4,000,000
Payments of:		
Lease liabilities (Note 12)	**(1,196,294)**	–
Interest on lease liabilities (Note 12)	**(58,432)**	–
Cash provided by (used in) financing activities	**(1,254,726)**	4,000,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**12,316,043**	(32,508,609)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**208,057,744**	290,638,317
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**P220,373,787**	P258,129,708

	From January 1 to September 30, 2020 (Unaudited)	From January 1 to September 30, 2019 (Unaudited)
NONCASH FINANCIAL INFORMATION		
Transfer from other noncurrent assets to investment property (Note 8)	**P–**	P2,232,100
Transfer to investment property from other noncurrent assets (Note 8)	**–**	(2,232,100)
	P–	P–

See accompanying Notes to Financial Statements.

1. General Information

Corporate Information

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

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

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

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

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

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

The Parent Company and all of its subsidiaries (collectively referred to as "the Group") were incorporated in the Philippines. The following are the subsidiaries and the respective percentages of ownership as at September 30, 2020 and 2019 and December 31, 2019:

	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, Telecom 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.

2. Summary of Significant Accounting Policies

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

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

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

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

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

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2020:

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

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

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

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

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

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

New Accounting Standards, Amendments to Existing Standards and Interpretations Effective Subsequent to June 30, 2020

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

Effective beginning on or after January 1, 2021

- PFRS 17, *"Insurance Contracts"*

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

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

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

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

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

Deferred Effectivity

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

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

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

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

No Mandatory Effective Date

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

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

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. Subsidiaries are entities controlled by the Parent Company. In assessing control, the Parent Company considers if it is exposed, or has right, to variable returns from its investment with the subsidiary and if it has the ability to affect those returns.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases. The results of operations of the subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

Changes in the controlling equity ownership (i.e., acquisition of non-controlling interest or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.

All intragroup balances, transactions, income and expenses and unrealized gains and losses are eliminated in full.

Noncontrolling interests pertain to the portion of profit or loss and the net assets in subsidiaries not held by the Parent Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position. Noncontrolling interests represent the interests of minority shareholders.

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

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

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

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

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

Deferred income tax assets are classified as noncurrent assets.

Financial Assets and Liabilities

Date of Recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement
Financial instruments are recognized initially at fair value. which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at FVPL includes transaction cost.

"Day 1" Difference
Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market. the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Classification
The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

Financial Assets at FVPL
Financial assets at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Group had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Group may, at initial recognition, designate a financial asset meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets.

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

As at September 30, 2020 and 2019, and December 31, 2019, the Group's marketable securities, presented under "other current assets" are classified under this category (see Note 6).

Financial Assets at Amortized Cost
Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows: and.
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method. less allowance for impairment. if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at September 30, 2020 and 2019, and December 31, 2019, 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 statement of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at September 30, 2020 and 2019, and December 31, 2019, the Group designated its investments in quoted bonds, quoted shares of stocks, UITF and club membership as financial assets at FVOCI (see Note 7).

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

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

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

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

The Group does not have financial liabilities at FVPL as at September 30, 2020 and 2019, and December 31, 2019.

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 September 30, 2020 and 2019, and December 31, 2019, the Group's accounts payable and accrued expenses, due to a related party and customers' deposits are classified under this category (see Notes 11, 12 and 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 statement of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the consolidated statement of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Advances Subject to Liquidation
Advances subject to liquidation pertain to cash advances to employees used for the Group's operations that are subject to liquidation. These are initially measured at cost less impairment in value, if any.

Other Current Assets
Other current assets consist of:

Creditable Withholding Tax
Creditable withholding tax is an amount that is withheld from income payments. This is deducted from income tax payable.

Input Value-added Tax (VAT)
Input VAT represents tax imposed on the Group by its suppliers for the acquisition of goods and services required under the Philippine taxation laws and regulations. Input VAT is recognized as an asset and will be used to offset the Group's current VAT liability.

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

Investment Property
Investment property is defined as a property, such as land or building, held for the purposes of earning rentals, for capital appreciation or both. This property is not held to be used in production or sale in the ordinary course of business.

Investment property is initially measured at acquisition cost. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case, the investment property acquired is measured at the carrying amount of asset given up.

Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value. Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged against current operations in the period in which the costs are incurred.

Depreciation of an investment property is computed using the straight-line method over the estimated useful life of the asset.

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 de recognized.

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 acquire are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within CGU units is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operations when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the CGU retained.

If necessary information, such as fair value of assets and liabilities acquired, is not available by the end of the reporting period in which the business combination occurs, provisional amounts are used for a period not exceeding one year from the date of acquisition or measurement period. During this period, provisional amounts recognized for a business combination may be retrospectively adjusted if relevant information has been obtained or becomes available.

Impairment of Nonfinancial Assets

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

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

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU, to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Deposit for Future Subscription

Deposit for future stock subscription represents the amount received by the Company which it records as such with a view of applying the same as payment for additional issuance of shares or increase in capital stock.

This is presented as part of liability because the Company is yet to comply with the conditions prescribed by the SEC.

Equity

Share Capital

Share capital is measured at par value for all shares issued.

Retained Earnings
Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration.

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

Revenue Recognition
Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group perform its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized:

Interest Income
Interest income is recognized as the interest accrues, taking into account the effective yield of the asset.

Dividend Income
Dividend income is recognized when the Company's right to receive the dividend is established.

Rent Income
Rent income is recognized on a straight-line basis over the lease term since performance obligation is satisfied over time during the period when the Company gives the lessee the right to use the leased property.

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

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

Retainer Fee and Transfer Fee
Revenue is recognized under the accrual basis in accordance with the terms of the related agreements.

Gain on Sale of Financial and Nonfinancial assets
Gain on sale of financial assets at FVOCI 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: and

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

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

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

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

<u>Foreign Currency Transactions</u>
Transactions in foreign currencies are initially recorded using the functional currency exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are restated using the closing functional currency exchange rate at the financial reporting date. Foreign exchange gains and losses arising from foreign currency transactions and restatement of balances are recognized in profit or loss.

Related Party Relationships and Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Parent Company; (2) associates; and (3) individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the Parent Company and close members of the family of any such individual.

The key management personnel of the Group and post-employment benefit plan for the benefit of Group's employees, if any, are also considered to be related parties.

Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

Income Taxes

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the reporting date.

Deferred Tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and,

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward benefits of minimum corporate income tax (MCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused NOLCO and carry-forward benefits of MCIT can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax law) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Earnings Per Share
Basic earnings per share is computed by dividing net income over the weighted average number of issued and outstanding common shares during the year.

Diluted earnings per share is computed as if the potential common share or instrument that may entitle the holder to common share were exercised as of the beginning of the year.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and. where appropriate. the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as an asset in the consolidated statement of financial position but only when the receipt of the reimbursement is virtually certain.

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

Events After the End of the Reporting Period
Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events), if any, are reflected in the consolidated financial statements when material. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

Segment Information
The Group is engaged in investing of funds in various financial assets, service agreements with the government and stock transfer agency. The Group has aggregated these revenue-generating activities into a single operating segment as these segments are both passive in nature and have the same economic characteristics. The Group's revenue-generating assets are located in the Philippines.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, accounting estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the reporting date. However, uncertainty about the estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

In the process of applying the Group's policies, the Group has made certain judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Establishing Control Over Investment in Subsidiaries

The Group determines that it has control over its subsidiary by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following are also considered:

- Rights arising from other contractual agreements; and
- The Group's voting rights and potential voting rights.

Classifying Financial Instruments

The Group exercises judgment in classifying financial instruments in accordance with PFRS 9. The Group classifies a financial instrument, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the Company's business model and its contractual cash flow characteristics and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Group's consolidated statement of financial position.

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

Distinguishing Investment Properties and Owner-occupied Properties

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

Carrying amount of investment property amounting to P2.2 million as at September 30, 2020 and 2019, and December 31, 2019 (see Note 8).

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

The Group has entered into lease agreements as a lessor.

Critical judgment was exercised by the Group to distinguish such lease agreement as an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements.

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

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

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

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

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

Determining Operating Segments
Although each revenue-generating activity represents a separate operating segment, management has concluded that there is basis for aggregation into a single operating segment as allowed under PFRS 8, "*Operating Segments*", due to their similar passive nature and economic characteristics.

Assessing Provisions and Contingencies
The Group evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings.

<u>Estimates and Assumptions</u>
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 nine months ended September 30, 2020 and 2019. The carrying amounts of financial assets at amortized cost and FVOCI are as follows:

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	December 31, 2019 (Audited)
Cash and cash equivalents*	**P220,358,787**	P258,114,708	P208,042,744
Receivables**	**230,699,931**	217,318,038	249,011,396
Due from related parties	**13,255,799**	13,255,800	13,255,799
Investment in quoted bonds measured at FVOCI	**696,747,474**	638,506,859	673,893,960

**excluding cash on hand amounting to P15,000 as at September 30, 2020 and 2019, and December 31, 2019.*

***excluding advances subject to liquidation totalling P796,308, P1,563,824 and P522,692 as at September 30, 2020 and 2019, and December 31, 2019, respectively.*

Determining Fair Value of Financial Assets at FVPL and FVOCI
The Group carries financial assets at FVOCI at fair value in the consolidated statement of financial position. Determining the fair value of financial assets at FVPL and FVOCI requires extensive use of accounting estimates and judgment. The Group determined the fair values of financial assets at FVPL and FVOCI using a combination of available market prices in active markets for identical assets (Level 1) and prices computed using significant observable inputs (Level 2). Any changes in the fair value of these financial assets and liabilities would affect other comprehensive income.

The fair value of financial assets at FVPL amounted to P86,760 and P112,065 as at September 30, 2020 and 2019, and December 31, 2019, respectively (see Notes 6 and 20).

The fair value of financial assets at FVOCI amounted to P993.1 million, P978.3 million and P998.2 million as at September 30, 2020 and 2019, and December 31, 2019, respectively (see Notes 7 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 September 30, 2020 and 2019, and December 31, 2019 (see Note 8).

The carrying amount of the property and equipment amounted to P24,696, P435,405 and P69,835 as at September 30, 2020 and 2019, and December 31, 2019, respectively (see Note 9).

Estimating Impairment Losses on Nonfinancial Assets Other than Goodwill
An impairment review is performed when certain impairment indicators are present. The Group determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

No impairment loss was recognized for the quarters ended and nine months ended September 30, 2020 and 2019.

The carrying amounts of nonfinancial assets are as follows:

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	December 31, 2019 (Audited)
Investment property	**P2,249,424**	P2,249,424	P2,249,424
ROU asset	**615,569**	–	1,748,947
Advances subject to liquidation	**796,308**	1,563,824	522,692
Property and equipment	**24,696**	435,405	69,835
Other current assets*	**4,724,804**	4,401,324	4,178,716

**excluding financial assets at FVPL amounting to P86,760 and P112,065 as at September 30, 2020 and 2019, and December 31, 2019, respectively.*

Estimating Impairment Losses on Goodwill
The Group tests annually whether any impairment in goodwill is to be recognized, in accordance with related accounting policy in Note 2. The recoverable amounts of CGUs have been determined based on the higher of fair value less costs to sell and value in use calculations which require the use of estimates. Based on the impairment testing conducted, the recoverable amounts of the CGUs as at September 30, 2020 and 2019, and December 31, 2019, 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 September 30, 2020 and 2019, and December 31, 2019. No impairment loss was recognized for the quarters ended and nine months ended September 30, 2020 and 2019 (see Note 10).

Assessing Recoverability of Deferred Tax Assets
The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the following reporting periods. This forecast is based on the Group's past results and future expectations on revenue and expenses.

The Group recognized deferred tax assets as at September 30, 2020 and 2019, and December 31, 2019 amounted to P126,511, P1,011,221 and P413,222, respectively (see Note 16).

The Company did not recognize a portion of its deferred tax assets amounting to P4.5 million, P2.7 million and P4.7 million as at September 30, 2020 and 2019, and December 31, 2019, 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).

4. Cash and Cash Equivalents

This account consists of:

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	December 31, 2019 (Audited)
Cash on hand and in banks	**P40,106,312**	P21,498,837	P36,015,079
Cash equivalents	**180,267,475**	236,630,871	172,042,665
	P220,373,787	P258,129,708	P208,057,744

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 P0.7 million and P7.4 million for the quarters ended September 30, 2020 and 2019, respectively, and P2.2 million and P13.6 million for the nine months ended September 30, 2020 and 2019, respectively (see Note 13).

5. Receivables

This account consists of:

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	December 31, 2019 (Audited)
Notes and loans receivable			
Corporate notes (Note 17)	**P203,905,002**	P149,834,735	P108,905,002
Promissory notes issued by various financial institutions	**23,000,000**	59,966,588	134,966,588
Interest receivable	**2,458,639**	5,744,088	3,923,356
Retainer fee receivable	**1,084,772**	1,536,395	978,548
Advances subject to liquidation	**796,308**	1,563,824	522,692
Dividend receivable	**180,626**	214,825	157,535
Others	**83,159**	91,674	92,634
	231,508,506	218,952,129	249,546,355
Less allowance for ECL	**(12,267)**	(70,267)	(12,267)
	231,496,239	218,881,862	249,534,088
Less noncurrent portion	**(8,000,000)**	(55,000,000)	(37,000,000)
Current portion of receivables	**P223,496,239**	P163,881,862	P212,534,088

Movements in the allowance for ECL are summarized below:

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	December 31, 2019 (Audited)
Balance at the beginning of the year	**P12,267**	P58,000	P58,000
Additions	**–**	12,267	12,267
Reversal	**–**	–	(58,000)
Balance at the end of the year	**P12,267**	P70,267	P12,267

Notes and Loans Receivable

Corporate Notes
Corporate notes outstanding as at September 30, 2020 and 2019, and December 31, 2019 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 P1.4 million and P1.0 million for the quarters ended September 30, 2020 and 2019, respectively, and P6.4 million and P3.7 million for the nine months ended September 30, 2020 and 2019, respectively (see Note 13).

Retainer Fee Receivable
This account consists of retainer fee receivables which are collectible on demand and are noninterest-bearing.

Advances Subject to Liquidation
Advances subject to liquidation pertains mainly to advances made to officers for operations of the Group.

6. Other Current Assets

This account consists of:

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	December 31, 2019 (Audited)
Creditable withholding tax	**P2,970,832**	P2,420,885	P2,627,645
Input VAT	**1,753,972**	1,963,505	1,551,071
Financial assets at FVPL	**86,760**	112,065	112,065
Prepaid insurance	**–**	16,934	–
	P4,811,564	P4,513,389	P4,290,781

The fair value of financial assets at FVPL is determined based on quoted market bid prices at the close of business on the reporting date since most of these are actively traded in an organized financial market. The fair value measurement of financial assets measured at FVPL is classified as Level 1.

7. Financial Assets at FVOCI

This account consists of:

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	December 31, 2019 (Audited)
Investments in:			
Quoted bonds	**P696,747,474**	P638,506,859	P673,893,960
Quoted shares of stocks	**181,985,616**	226,098,521	215,308,854
UITFs	**109,353,473**	110,884,664	103,889,837
Club memberships	**5,000,000**	2,770,000	5,100,000
	P993,086,563	P978,260,044	P998,192,651

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

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	December 31, 2019 (Audited)
Cost			
Balance at beginning of period	**P999,812,997**	P962,714,559	P962,714,559
Additions	**304,853,777**	219,053,360	324,494,312
Disposals	**(286,787,937)**	(200,132,168)	(287,395,874)
Balance at end of period	**1,017,878,837**	981,635,751	999,812,997

Forward

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	December 31, 2019 (Audited)
Cumulative Unrealized Gain (Loss)			
Balance at beginning of period	**(1,620,346)**	(39,864,383)	(39,864,383)
Unrealized fair value gain (loss) during the period	**(20,266,772)**	36,488,676	40,299,945
Reclassification of cumulative fair value changes of debt instruments measured at FVOCI sold to profit or loss (Note 15)	**(2,743,917)**	–	2,687,077
Reclassification of cumulative fair value changes of equity instruments measured at FVOCI sold to retained earnings	**(161,239)**	–	(4,742,985)
Balance at end of period	**(24,792,274)**	(3,375,707)	(1,620,346)
Carrying amount	**P993,086,563**	P978,260,044	P998,192,651

Interest income earned from financial assets at FVOCI amounted to P6.7 million and P2.8 million for the quarters ended September 30, 2020 and 2019, respectively, and P20.5 million and P17.8 million for the nine months ended September 30, 2020 and 2019, respectively (see Note 13).

Dividend income earned from financial assets at FVOCI amounted to P1.6 million and P1.2 million for the quarters ended September 30, 2020 and 2019, respectively, and P5.0 million and P4.6 million for the nine months ended September 30, 2020 and 2019, respectively (see Note 13).

Realized gain on sale of debt instruments at FVOCI recognized directly to profit or loss amounted to P2.6 million and nil for the quarters ended September 30, 2020 and 2019, respectively, and P2.7 million and nil for the nine months ended September 30, 2020 and 2019, respectively.

Realized loss on sale of equity instruments at FVOCI recognized directly to retained earnings amounted to P161,239 and nil for the nine months ended September 30, 2020 and 2019, 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 nine months ended September 30, 2020 and 2019.

8. Investment Property

Movements of the account are as follows:

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	December 31, 2019 (Audited)
Cost			
Balance at beginning of period	**P2,249,424**	P–	P–
Transfer from noncurrent assets	–	2,232,100	2,232,100
Additions	–	17,324	17,324
Disposal	–	–	–
Carrying amount	**P2,249,424**	P2,249,424	P2,249,424

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

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

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

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

9. Property and Equipment

Movements in this account are as follows:

	December 31, 2019 (Audited)	Additions	Disposals	**September 30, 2020 (Unaudited)**
Cost				
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**
	9,767,468	–	–	**9,767,468**
Less accumulated depreciation				
Transportation equipment	4,985,251	9,134	–	**4,994,385**
Furniture and fixtures	3,528,775	–	–	**3,528,775**
Office equipment	1,144,282	36,005	–	**1,180,287**
Office improvement	39,325	–	–	**39,325**
	9,697,633	45,139	–	**9,742,772**
	P69,835			**P24,696**

	December 31, 2018 (Audited)	Additions	Disposals	September 30, 2019 (Unaudited)
Cost				
Transportation equipment	P5,011,638	P–	P–	P5,011,638
Furniture and fixtures	3,528,775	–	–	3,528,775
Office equipment	1,429,848	–	–	1,429,848
Office improvement	39,325	–	–	39,325
	10,009,586	–	–	10,009,586
Less accumulated depreciation				
Transportation equipment	4,952,685	–	–	4,952,685
Furniture and fixtures	3,528,775	–	–	3,528,775
Office equipment	1,051,931	1,465	–	1,053,396
Office improvement	39,325	–	–	39,325
	9,572,716	1,465	–	9,574,181
	P436,870			P435,405

	December 31, 2018 (Audited)	Additions	Disposals	December 31, 2019 (Audited)
Cost				
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
	9,767,468	–	–	9,767,468
Less accumulated depreciation				
Transportation equipment	4,952,685	32,566	–	4,985,251
Furniture and fixtures	3,528,775	–	–	3,528,775
Office equipment	1,090,007	54,275	–	1,144,282
Office improvement	39,325	–	–	39,325
	9,610,792	86,841	–	9,697,633
	P156,676			P69,835

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

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	December 31, 2019 (Audited)
Cost of services (Note 14)	**P–**	P–	P440
General and administrative expenses (Note 14)	**45,139**	1,465	86,401
	P45,139	P1,465	P86,841

Fully-depreciated property and equipment being used by the Company amounted to P8.7 million as at September 30, 2020 and 2019, and December 31, 2019.

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 nine months ended September 30, 2020 and 2019.

11. Trade and Statutory Payables

This account consists of:

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	December 31, 2019 (Audited)
Accounts payable and accrued expenses	**P200,650**	P5,470,487	P244,248
Statutory payables	**648,333**	898,682	562,704
	P848,983	P6,369,169	P806,952

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

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

Statutory payables pertain to expanded withholding taxes and other payables to government agencies remitted in the subsequent month.

12. Lease Commitments

The Group As a Lessee

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

Amounts recognized in profit and loss:

	From July 1 to September 30, 2020 (Unaudited)	From July 1 to September 30, 2019 (Unaudited)	**From January 1 to September 30, 2020 (Unaudited)**	From January 1 to September 30, 2019 (Unaudited)
Depreciation on ROU assets	**P377,793**	P–	**P1,133,378**	P–
Interest on lease liabilities	**41,644**	–	**58,432**	–
Rent expense	**–**	359,528	**–**	1,137,340
	P419,437	P359,528	**P1,191,810**	P1,137,340

Movements in the ROU assets are presented below:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of period	**P1,748,947**	P–
Additions	**–**	3,022,341
Depreciation (Note 14)	**(1,133,378)**	(1,273,394)
Balance end of period	**P615,569**	P1,748,947

Depreciation expense from the ROU assets is allocated as follows:

	From July 1 to September 30, 2020 (Unaudited)	From July 1 to September 30, 2019 (Unaudited)	From January 1 to September 30, 2020 (Unaudited)	From January 1 to September 30, 2019 (Unaudited)
Cost of services	P62,417	P–	P187,249	P–
General and admistrative expenses	315,376	–	946,129	–
	P377,793	P–	P1,133,378	P–

Movements in the lease liabilities are presented below:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of period	1,842,462	P–
Additions	–	3,022,341
Interest expense (Note 14)	58,432	115,750
Payments	(1,254,726)	(1,295,629)
Balance at end of period	P646,168	P1,842,462

Total cash outflows for the payment of lease liabilities amounted to P1.3 million as at September 30, 2020 and December 31, 2019.

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Not later than one year	P402,972	P1,599,266
More than one year but not later than five years	243,196	243,196
More than five years	–	–
	P646,168	P1,842,462

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Not later than one year	P408,352	P1,664,252
More than one year but not later than five years	246,775	246,775
More than five years	–	–
Total minimum lease obligation	655,127	1,911,027
Less future finance charges on lease liabilities	8,959	68,565
	P646,168	P1,842,462

The Company's minimum lease payments are as follows:

September 30, 2020 (Unaudited)	Minimum lease payments	Interest	Principal
Not later than one year	**P408,352**	**P5,381**	**P402,971**
More than one year but not later than five years	**246,775**	**3,578**	**243,197**
More than five years	**–**	**–**	**–**
	P655,127	**P8,959**	**P646,168**

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

13. Revenue

Disaggregation of revenue is as follows:

	From July 1 to September 30, 2020 (Unaudited)	From July 1 to September 30, 2019 (Unaudited)	**From January 1 to September 30, 2020 (Unaudited)**	From January 1 to September 30, 2019 (Unaudited)
Revenue:				
Interest income	**P8,859,981**	P11,171,214	**P29,064,330**	P35,079,368
Dividend income (Note 7)	**1,562,662**	1,207,908	**4,966,075**	4,609,803
Retainer fee	**1,452,036**	1,229,536	**4,216,107**	3,767,107
Stock transfer fee	**18,174**	131,382	**99,620**	246,214
Other service fee	**136,782**	61,000	**256,726**	290,924
	P12,029,635	P13,801,040	**P38,602,858**	P43,993,416

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

	From July 1 to September 30, 2020 (Unaudited)	From July 1 to September 30, 2019 (Unaudited)	**From January 1 to September 30, 2020 (Unaudited)**	From January 1 to September 30, 2019 (Unaudited)
Cash and cash equivalents (Note 4)	**P709,583**	P7,394,699	**P2,174,562**	P13,632,714
Receivables (Note 5)	**1,424,817**	1,009,944	**6,374,818**	3,678,515
Financial assets at FVOCI (Note 7)	**6,725,581**	2,766,571	**20,514,950**	17,768,139
	P8,859,981	P11,171,214	**P29,064,330**	P35,079,368

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

14. Costs and Expenses

This account consists of:

	From July 1 to September 30, 2020 (Unaudited)	From July 1 to September 30, 2019 (Unaudited)	**From January 1 to September 30, 2020 (Unaudited)**	From January 1 to September 30, 2019 (Unaudited)
Cost of services:				
Salaries and other benefits	**P385,732**	P310,927	**P1,166,976**	P894,108
Professional fee	**351,221**	–	**1,059,786**	–
Depreciation (Notes 9 and 12)	**62,417**	–	**187,249**	–
Transportation and travel	**62,201**	–	**153,830**	–
Communication, light and water	**22,389**	–	**54,735**	–
Dues and subscription	**14,173**	–	**47,243**	–
	898,133	310,927	**2,669,819**	894,108
General and administrative expenses:				
Professional fees	**3,368,246**	3,317,472	**8,927,330**	10,158,487
Taxes and licenses	**7,843**	200	**6,258,015**	676,484
Directors' fees (Note 17)	**900,000**	900,000	**2,750,000**	2,700,000
Bank charges	**356,383**	–	**1,191,990**	1,182,836
Representation and entertainment	**392,574**	203,906	**1,127,904**	973,930
Depreciation (Notes 9 and 12)	**330,422**	10	**991,268**	1,465
Transportation and travel	**396,008**	383,384	**932,101**	1,259,264
Legal fees	**149,817**	8,896	**518,956**	645,185
Office supplies	**82,750**	51,412	**163,653**	157,068
Dues and subscription	**39,674**	57,930	**144,047**	184,124
Communication, light and water	**44,324**	139,149	**112,300**	290,966
Trainings and seminars	**98,558**	–	**98,558**	–
Interest expense (Note 12)	**41,644**	–	**58,432**	–
Repairs and maintenance	**4,305**	–	**22,162**	550
Insurance	**500**	(2,805)	**500**	1,802
Rent (Note 12)	–	359,528	–	1,137,340
Provision for ECL (Note 5)	–	12,267	–	12,267
Others	**(6,075)**	369,030	**10,752**	206,260
	6,206,973	5,800,379	**23,307,968**	19,588,028
	P7,105,106	P6,111,306	**P25,977,787**	P20,482,136

15. Other Income (Charges)

This account consists of:

	From July 1 to September 30, 2020 (Unaudited)	From July 1 to September 30, 2019 (Unaudited)	From January 1 to September 30, 2020 (Unaudited)	From January 1 to September 30, 2019 (Unaudited)
Realized gain on sale of debt instruments measured at FVOCI (Note 7)	**P2,580,230**	P–	**P2,743,917**	P–
Unrealized foreign exchange gain (loss)	**(1,618,423)**	457,537	**(2,618,501)**	(857,580)
Unrealized gain (loss) on financial assets at FVPL (Note 6)	**–**	10,604	**(25,305)**	(1,205)
	P961,807	P468,141	**P100,111**	(P858,785)

16. Income Tax

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

	From July 1 to September 30, 2020 (Unaudited)	From July 1 to September 30, 2019 (Unaudited)	From January 1 to September 30, 2020 (Unaudited)	From January 1 to September 30, 2019 (Unaudited)
RCIT	**P86,248**	P–	**P86,248**	P–
MCIT	**(17,440)**	49,638	**45,858**	209,683
	P68,808	P49,638	**P132,106**	P209,683

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 July 1 to September 30, 2020 (Unaudited)	From July 1 to September 30, 2019 (Unaudited)	From January 1 to September 30, 2020 (Unaudited)	From January 1 to September 30, 2019 (Unaudited)
Income tax at statutory rate	**P1,765,901**	P2,447,363	**P3,817,555**	P6,795,749
Change in unrecognized deferred tax assets	**1,906,620**	1,046,273	**4,501,620**	2,652,471
Add (deduct) tax effects of:				
Nontaxable:				
Realized loss on sale of debt instruments measured at FVOCI	**(774,069)**	–	**(823,175)**	–
Unrealized loss (gain) on financial assets at FVPL	**–**	–	**7,592**	–
Dividend income	**(468,798)**	(362,372)	**(1,489,822)**	(1,382,941)
Interest income already subjected to a final tax	**(2,534,452)**	(3,033,368)	**(8,031,422)**	(9,420,256)
Nondeductible expenses	**215,127**	57,992	**2,350,221**	281,152
	P110,329	P155,888	**P332,569**	(P1,073,825)

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

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	December 31, 2019 (Audited)
Deferred tax assets:			
NOLCO	**P67,199**	P400,951	P279,838
MCIT	**55,632**	337,255	129,704
Allowance for doubtful accounts	**3,680**	21,080	3,680
Unrealized foreign exchange loss	**–**	251,935	–
	P126,511	P1,011,221	P413,222

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

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	December 31, 2019 (Audited)
NOLCO	**P3,682,388**	P2,652,471	P3,986,798
Unrealized foreign exchange loss	**785,550**	–	605,131
MCIT	**33,682**	–	151,897
	P4,501,620	P2,652,471	P4,743,826

The Parent Company did not recognize deferred tax assets amounting to P2.6 million, P1.6 million and P4.7 million as at June 30, 2020 and 2019, and December 31, 2019, 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) From January 1 to September 30, 2020 (Unaudited)	From January 1 to September 30, 2019 (Unaudited)	Outstanding Balance (in millions) September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	December 31, 2019 (Audited)
Included under "Receivables"						
Company under Common Control						
MBCI*	Notes receivable	**P–**	P–	**P48.8**	P28.8	P48.8
MBCI	Interest Income	**0.8**	1.6	**0.3**	–	0.3
Immediate Parent						
Philcomsat	Notes receivable	**–**	–	**14.0**	–	14.0
Philcomsat	Interest Income	**0.4**	–	**0.1**	–	0.1
				P63.2	P28.8	P63.2

**Montemar Beach Club Inc. (MBCI)*

	Nature of Transaction	Amount of Transactions (in millions) From January 1 to September 30, 2020 (Unaudited)	From January 1 to September 30, 2019 (Unaudited)	Outstanding Balance (in millions) September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	December 31, 2019 (Audited)
Presented under "Due from Related Parties"						
Company under Common Control						
MBCI	Cash advances	**P–**	(P4.0)	**P9.6**	P9.6	P9.6
MRDC*	Cash advances	**–**	–	**0.3**	0.3	0.3
Immediate Parent						
Philcomsat	Cash advances	**–**	–	**3.4**	3.4	3.4
Subsidiary						
PMEI	Cash advances	**–**	–	**0.6**	0.6	0.6
				P13.9	P13.9	P13.9

*Montemar Resort Development Corp. (MRDC)

Presented under "Lease Liability"						
Immediate Parent						
Philcomsat	Lease of office space	**(P1.2)**	P–	**P0.6**	P–	P1.8
Philcomsat	Interest expense	**(0.06)**	–	**–**	–	–
				P0.6	P–	P1.8

Presented under "Due to a Related Party"						
Immediate Parent						
Philcomsat	Advances for project costs	**P–**	P–	**P3.9**	P3.9	P3.9

Presented under "Deposit for Future Stock Subscription"						
Immediate Parent						
Philcomsat	Future subscription	**P–**	P–	**P18.9**	P18.9	P18.9

Included under "Costs and Expenses"						
Immediate Parent						
Philcomsat	Rent of office space	**P–**	(P1.1)	**P–**	P–	P–
Philcomsat	Association dues	**(0.2)**	(0.2)	**–**	–	–
Philcomsat	Utilities	**(0.1)**	(0.1)	**–**	–	–
Subsidiary						
PSTI	Professional fee as stock transfer agent	**(0.1)**	(0.1)	**–**	–	–
				P–	P–	P–

The outstanding balance of cash advances to PMEI amounting to P0.6 million as at September 30, 2020 and 2019, and December 31, 2019 were eliminated in the consolidation.

The amount of transactions with PSTI amounting to P120,000 for the nine months ended September 30, 2020 and 2019 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 P2.8 million and P2.7 million for the nine months ended September 30, 2020 and 2019, respectively (see Note 14).

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

18. Earnings (Loss) Per Share

Basic/diluted earnings (loss) per share is computed as follows:

	From July 1 to September 30, 2020 (Unaudited)	From July 1 to September 30, 2019 (Unaudited)	**From January 1 to September 30, 2020 (Unaudited)**	From January 1 to September 30, 2019 (Unaudited)
Net income	**P5,776,007**	P8,001,987	**P12,392,613**	P23,726,320
Weighted average number of shares outstanding	**996,391,254**	996,391,254	**996,391,254**	996,391,254
	P0.0058	P0.0080	**P0.0124**	P0.0238

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 September 30, 2020 and 2019, and December 31, 2019.

	Increase (Decrease) in PSEi Index	Increase (Decrease) in Other Comprehensive Income
September 30, 2020	**34%**	**P62,278,735**
	(21%)	**(37,950,436)**
September 30, 2019	8%	18,616,702
	(4%)	(9,120,882)
December 31, 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 period, based on the adjusted beta rate of equity securities as at September 30, 2020 and 2019, and December 31, 2019.

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 September 30, 2020 and 2019, and December 31, 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 incomeas at September 30, 2020 and 2019, and December 31, 2019.

	Increase (Decrease) in PHP BVAL	Increase (Decrease) in Other Comprehensive Income
September 30, 2020	**82%**	**P569,533,061**
	(15%)	**(104,269,929)**
September 30, 2019	57%	363,497,210
	(10%)	(63,978,929)
December 31, 2019	73%	493,016,241
	(1%)	(5,476,114)

Foreign Exchange Risk

The Group's foreign-currency denominated financial instrument consists of cash in banks and cash equivalents totaling US$1.2 million and US$1.1 million as at September 30, 2020 and 2019, and December 31, 2019, 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 counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial assets that potentially subject the Group to credit risk consist primarily of cash in banks and cash equivalents, receivables (excluding advances subject to liquidation), due from related parties, debt instruments measured at FVOCI.

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

Financial Assets

The Group limits its credit risk by depositing its cash with highly reputable and pre-approved financial institutions and by providing loans to counterparties with sufficient liquid assets to settle the loan balance when demanded.

As discussed in Note 3 to the financial statements, the Group considers credit risk in measuring ECL of debt instruments at amortized cost. Since all of these financial assets of the Company are considered to have low credit risk, impairment loss is limited to 12 months ECL.

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

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	December 31, 2019 (Audited)
Cash and cash equivalents*	**P220,358,787**	P258,114,708	P208,042,744
Receivables**	**230,699,931**	217,318,038	249,011,396
Due from related parties	**13,255,799**	13,255,800	13,255,799
Financial assets at FVPL***	**86,760**	112,065	112,065
Financial assets at FVOCI	**993,086,563**	978,260,044	998,192,651

*excluding cash on hand amounting to P15,000 as at September 30, 2020 and 2019, and December 31, 2019.

**excluding advances subject to liquidation amounting to P796,308, P1,563,824 and P522,692 as at September 30, 2020 and 2019, and December 31, 2019, respectively.

***presented under other current assets.

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

Liquidity Risk

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

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

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

	September 30, 2020 (Unaudited)				
	On Demand	**1 to 3 months**	**3 to 12 months**	**More than 12 months**	**Total**
Accounts payable and accrued expenses	**P–**	**P200,650**	**P–**	**P–**	**P200,650**
Due to a related party	**3,948,624**	**–**	**–**	**–**	**3,948,624**
Customers' deposits	**1,237,874**	**–**	**–**	**–**	**1,237,874**
Lease liabilities	**–**	**296,533**	**106,438**	**243,197**	**646,168**
	P5,186,498	**P497,183**	**P106,438**	**P243,197**	**P6,033,316**

	September 30, 2019 (Unaudited)				
	On Demand	1 to 3 months	3 to 12 months	More than 12 months	Total
Accounts payable and accrued expenses	P–	P5,470,487	P–	P–	P5,470,487
Due to a related party	3,948,624	–	–	–	3,948,624
Customers' deposits	1,237,874	–	–	–	1,237,874
	P5,186,498	P5,470,487	P–	P–	P10,656,985

	December 31, 2019 (Audited)				
	On Demand	1 to 3 months	3 to 12 months	More than 12 months	Total
Accounts payable and accrued expenses	P–	P244,248	P–	P–	P244,248
Due to a related party	3,948,624	–	–	–	3,948,624
Customers' deposits	1,237,874	–	–	–	1,237,874
Lease liabilities	–	296,533	1,302,732	–	1,599,265
	P5,186,498	P540,781	P1,302,732	P–	P7,030,011

20. Fair Value Measurement

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

Financial Assets

	September 30, 2020 (Unaudited)		September 30, 2019 (Unaudited)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Cash and cash equivalents	**P220,373,787**	**P220,373,787**	P258,114,708	P258,114,708
Receivables*	**230,699,931**	**230,699,931**	217,318,038	217,318,038
Due from related parties	**13,255,799**	**13,255,799**	13,255,800	13,255,800
Financial assets at FVPL**	**86,760**	**86,760**	112,065	112,065
Financial assets at FVOCI:				
Quoted bonds	**696,747,474**	**696,747,474**	638,506,859	638,506,859
Quoted shares of stocks	**181,985,616**	**181,985,616**	226,098,521	226,098,521
UITFs	**109,353,473**	**109,353,473**	110,884,664	110,884,664
Club memberships	**5,000,000**	**5,000,000**	2,770,000	2,770,000
	P1,457,502,840	**P1,457,502,840**	P1,467,060,655	P1,467,060,655

**excluding advances subject to liquidation totaling P796,308 and P1,563,824 as at September 30, 2020 and 2019, respectively.*

****presented under other current assets.*

	December 31, 2019 (Audited)	
	Carrying Amount	Fair Value
Cash and cash equivalents	P208,057,744	P208,057,744
Receivables*	249,011,396	249,011,396
Due from related parties	13,255,799	13,255,799
Financial assets at FVPL**	112,065	112,065
Financial assets at FVOCI:		
Quoted bonds	673,893,960	673,893,960
Quoted shares of stocks	215,308,854	215,308,854
UITFs	103,889,837	103,889,837
Club memberships	5,100,000	5,100,000
	P1,468,629,655	P1,468,629,655

*excluding advances subject to liquidation totaling P522,692 as at December 31, 2019.

**presented under other current assets.

Financial Liabilities

	September 30, 2020 (Unaudited)		September 30, 2019 (Unaudited)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Accounts payable and accrued expenses	**P200,650**	**P200,650**	P5,470,487	P5,470,487
Due to a related party	**3,948,624**	**3,948,624**	3,948,624	3,948,624
Customers' deposits	**1,237,874**	**1,237,874**	1,237,874	1,237,874
Lease liabilities	**646,168**	**646,168**	–	–
	P6,033,316	**P6,033,316**	P10,656,985	P10,656,985

	December 31, 2019 (Audited)	
	Carrying Amount	Fair Value
Accounts payable and accrued expenses	P244,248	P244,248
Due to a related party	3,948,624	3,948,624
Customers' deposits	1,237,874	1,237,874
Lease liabilities	1,599,265	1,599,265
	P7,030,011	P7,030,011

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 September 30, 2020 and 2019, and December 31, 2019. 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.

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:

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	December 31, 2019 (Audited)
Total Debt	**P25,575,649**	P30,449,667	P26,729,912
Total Equity	**1,441,783,932**	1,447,606,615	1,452,402,008
Debt-to-equity ratio	**0.02:1**	0.02:1	0.02:1

22. Changes in Liabilities Arising from Financing Activities

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

	December 31, 2019 (Audited)	Additions	Payments	**September 30, 2020 (Unaudited)**
Lease liabilities	P1,842,462	P–	P1,196,294	**P646,168**

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
Rent income	Investing of 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 a subsidiary	Investing of funds
Gain on sale of AFS financial assets	Investing of funds
Gain on sale of investment property	Investing of funds

All of the assets relating to the Group's operating segments are located in the Philippines. Accordingly, reporting operating segments per geographical business operation is not required.

Segment assets, liabilities and revenue and expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and expenses are consistent with that presented in the consolidated statement of comprehensive income.

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

September 30, 2020 (Unaudited)

Segment	**Investing of Funds**	**Management Services**	**Stock Transfer Agency**	**Total**
Segment revenue	**P34,030,405**	**P–**	**P4,572,453**	**P38,602,858**
Segment profit	**33,833,041**	**–**	**1,887,429**	**35,720,470**
Interest income	**29,064,330**	**–**	**–**	**29,064,330**
Depreciation	**911,019**	**–**	**267,498**	**1,178,517**
Provision for income tax	**33,682**	**161,513**	**137,374**	**332,569**
Total assets	**1,432,968,306**	**30,794,351**	**3,596,924**	**1,467,359,581**
Total liabilities	**20,555,792**	**4,601,865**	**417,992**	**25,575,649**

September 30, 2019 (Unaudited)

Segment	Investing of Funds	Management Services	Stock Transfer Agency	Total
Segment revenue	P39,689,171	P–	P4,304,245	P43,993,416
Segment profit (loss)	40,696,862	60,543	(11,839)	40,745,566
Interest income	11,171,214	–	–	11,171,214
Depreciation	–	–	1,465	1,465
Benefit from income tax	(1,007,691)	(60,544)	(5,590)	(1,073,825)
Total assets	1,444,529,666	28,677,651	3,529,535	1,476,736,852
Total liabilities	25,707,366	4,588,412	153,889	30,449,667

December 31, 2019 (Audited)

Segment	Investing of Funds	Service Agreements with the Government	Stock Transfer Agency	Total
Segment revenue	P52,370,257	P–	P5,921,669	**P58,291,926**
Segment profit	52,999,774	–	2,316,933	**55,316,707**
Interest income	9,209,346	–	–	**9,209,346**
Depreciation	1,239,882	–	120,353	**1,360,235**
Provision for (benefit from) income tax	(598,520)	(34,250)	149,660	**(483,110)**
Total assets	1,445,354,720	30,156,591	3,620,609	**1,479,131,920**
Total liabilities	21,364,100	4,601,866	763,946	**26,729,912**

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

September 30, 2020 (Unaudited)

	Reportable Segments	Not Attributable to Reportable Segments	Consolidated Balances
Revenue	**P38,632,858**	**P–**	**P38,632,858**
Cost and expenses	**(4,190,104)**	**(21,817,683)**	**(26,007,787)**
Other charges	**100,111**	**–**	**100,111**
Income (loss) before income tax	**34,542,865**	**(21,817,683)**	**12,725,182**
Benefit from income tax	**332,569**	**–**	**332,569**
Net income (loss)	**P34,210,296**	**(P21,817,683)**	**P12,392,613**
Assets	**P1,466,040,152**	**P1,319,429**	**P1,467,359,581**
Liabilities	**P25,575,649**	**P–**	**P25,575,649**

September 30, 2019 (Unaudited)

	Reportable Segments	Not Attributable to Reportable Segments	Consolidated Balances
Revenue	P43,993,416	P–	P43,993,416
Cost and expenses	(4,321,675)	(16,160,461)	(20,482,136)
Other charges	–	(858,785)	(858,785)
Income (loss) before income tax	39,671,741	(17,019,246)	22,652,495
Benefit from income tax	(1,073,825)	–	(1,073,825)
Net income (loss)	P40,745,566	(P17,019,246)	P23,726,320
Assets	P1,476,736,852	P1,319,430	P1,478,056,282
Liabilities	P29,620,183	P–	P29,620,183

December 31, 2019 (Audited)

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

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 2020 and 2019, 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:

	September 30, 2020 (Unaudited)			
	Neither Past Due nor Impaired	Past Due but not impaired		
		30 days	More than 60 days	Total
Notes and loans	P226,905,002	P–	P–	P226,905,002
Due from related parties	13,255,799	–	–	13,255,799
Interest receivable	2,458,639	–	–	2,458,639
Retainer fee receivable	1,084,772	–	–	1,084,772
Advances subject to liquidation	796,308	–	–	796,308
Dividend receivable	180,626	–	–	180,626
Nontrade receivable	83,159	–	–	83,159
	P244,764,305	P–	P–	P244,764,305

	September 30, 2019 (Unaudited)			
	Neither Past Due nor Impaired	Past Due but not impaired		
		30 days	More than 60 days	Total
Notes and loans	P209,801,323	P–	P–	P209,801,323
Due from related parties	13,255,800	–	–	13,255,800
Interest receivable	5,744,088	–	–	5,744,088
Advances subject to liquidation	1,563,824	–	–	1,563,824
Retainer fee receivable	1,466,128	–	–	1,466,128
Dividend receivable	214,825	–	–	214,825
Nontrade receivable	91,674	–	–	91,674
	P232,137,662	P–	P–	P232,137,662

	December 31, 2019 (Audited)			
	Neither Past Due nor Impaired	Past Due but not impaired		
		30 days	More than 60 days	Total
Notes and loans	P243,871,590	P–	P–	P243,871,590
Due from related parties	13,255,799	–	–	13,255,799
Interest receivable	3,923,356	–	–	3,923,356
Advances subject to liquidation	522,692	–	–	522,692
Retainer fee receivable	966,281	–	–	966,281
Dividend receivable	157,535	–	–	157,535
Nontrade receivable	92,634	–	–	92,634
	P262,789,887	P–	P–	P262,789,887

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).

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 Apellant'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. On 3 March 2020, Brodett filed his Motion for Partial Reconsideration of the Decision. On July 1, 2020, PHC filed its Consolidated Comment/Opposition thereto. The case is set for re-promulgation of judgment, in view of the Motion for Reconsideration filed by Brodett, on November 11, 2020 at 3:30pm.

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

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

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

  On September 11, 2006, the Parent Company filed a complaint against Locsin and Andal with the office of the Ombudsman seeking for the latter to file criminal and administrative charges against the accused for alleged excessive amounts of salaries and bonuses from the Parent Company for their personal gain, and in clear violation of Memorandum Circulars which limit the salary received by public officials. The Ombudsman filed Informations for Violation of the Anti-Graft and Corrupt Practices Act on December 7, 2011 against both Andal and Locsin with the Sandiganbayan for receiving a total of P15.0 million and P11.0 million, respectively, from 2003 to 2005, from the Parent Company.

  Due to the need for the prosecution's witness to identify, and testify on, voluminous accounting records showing the guilt of the accused, the Court ordered the parties to enter into a stipulation of facts to expedite the proceedings. Andal, through counsel, stipulated on the facts propounded by the Prosecution. During the hearing on September 28, 2017, Locsin, through counsel, asked for time to study the prosecution's documents. On July 17, 2018, the prosecution's witness completed her testimony.

The prosecution has already filed its Formal Offer of Evidence and rested its case. On November 29, 2018, accused Andal with leave of court filed a Demurrer to Evidence while accused Locsin filed his own on December 3, 2018. On July 5, 2019, the Sandiganbayan issued a Resolution which a) granted the accused Demurrers to Evidence; b) dismissed the cases against them; c) lifted and set aside the Hold Departure Orders against them; and d) ordered released the bail bonds they posted, if any. On July 30, 2019, the Private Prosecution filed its Motion for Reconsideration of the said Resolution on the civil aspect of the case, which was denied in a Resolution dated October 25, 2019. The Parent Company decided not to pursue the case with the Supreme Court.

- Criminal Complaint Against Concepcion A. Poblador

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

On January 7, 2014, the Parent Company filed a Petition for Certiorari praying that the DOJ file new information against Ms. Poblador for estafa for the total amount of P16.7 million. On January 10, 2014, the Parent Company received a Petition for Certiorari filed by Ms. Poblador seeking the reversal of the Resolution directing the filing of an Information for estafa against her for P0.2 million. On August 29, 2014, the two Petitions were consolidated.

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

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

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

On June 14, 2019, the CA issued a Decision denying both PHC's and Ms. Poblador's Petitions for Certiorari. On July 5 and 11, 2019, both parties filed their respective Motions for Reconsideration. On July 24, 2019, PHC filed its Comment to Ms. Poblador's Motion for Reconsideration. 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 October 12, 2020, PHC received Ms. Poblador's Motion for Extension to File Petition for Review with the SC.

- Inspection of Books Cases

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

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

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

Key Performance Indicators (KPI)

The Company's KPI for the quarters ended September 30, 2020 and 2019 are as follows :

Performance Indicator	Formula	September 30, 2020	September 30, 2019
Liquidity			
Current Ratio	Current Assets / Current Liabilities	71.75:1	38.06:1
Leverage			
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
Profitability			
Net Profit Ratio	Net Profit / Revenue	0.44:1	0.57:1
Return on Assets	Net Income / Total Assets	.39%	.54%
Return on Equity	Net Income / Total Equity	.40%	.55%

Liquidity

The Company's current assets of P461,937,389 as of September 30, 2020 and current liabilities of P6,438,453 resulted in liq+uidity ratio of 71.75:1 compared to the same quarter of previous year wherein the ratio was lower at 38.06:1. The increase was due to increase in acquisition of short-term notes.

Leverage

There were no changes between the Debt to Equity ratio and Asset to Equity Ratio for the period of September 30, 2020 and 2019. The ratio shows that the Group's assets are more than adequate to cover its liabilities.

Profitability

The Group results of operation for the quarter ended September 30, 2020 resulted to a net profit ratio of 0.44:1, lower than 0.57:1 of the previous period to due to a marked decrease in interest rates. Return on Assets is decreased by 0.15% in 2020 from 0.54% in 2019; similarly, Return on Equity in 2020 is decreased by 0.15% compared from 0.55% in 2019.

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 September 30, 2020 and 2019:

	For the quarter ended			
Results of Operations	September 30, 2020	September, 2019	Increase/ (Decrease)	YoY Change (%)
Revenues	P12,029,635	P13,801,040	(P1,771,405)	(12.84%)
Expenses	(7,105,106)	(6,111,306)	993,800	16.26%)
Income(loss) from operations	P4,924,529	P7,689,734	(P2,765,205)	(35.96%)

The Group recorded lower income from operations for the quarter ended September 30, 2020 than the same period in 2019 due to lower interest rates.

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 and the absence of a vaccine may hamper economic recovery and lead to lower yields on fixed income instruments while equity market returns will most likely be handicapped by weak 2nd half prospects and risk of economic disruptions.
vi.	Any significant elements of income or loss that did not arise from	Tax assessment on

	the registrant's continuing operations	prior years
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 September 30, 2020

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 (Filipino)	16,274,534
5	RCBC T/A 236-235 A/C Oliverio Laperal	4,802,413
6	Villarama, Jhoanna I.	4,000,000
7	Marino Olondriz Y Cia (Hold, per PSE)	2,985,600
8	Ozamiz, Jose Ma.	2,700,000
9	RCBC T/A 36-250 A/C 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 September 30, 2020, the members of Board of Directors/Key Officers of Philcomsat Holdings Corporation are as follows:

Santiago J. Ranada, Jr.	Director and Chair/EVP
Daniel C. Gutierrez	Director
Katrina C. Ponce Enrile	Director and President/CEO
Erlinda I. Bildner	Director and CFO/Treasurer
Marietta K. Ilusorio	Director
Pablo L. Lobregat	Director
Prudencio C. Somera	Director
Santiago J. Ranada	Director
Jose Ramon C. Ozamiz	Director
Julie Y. Daza	Director
Oliverio L. Laperal, Jr.	Director
Victoria C. De los Reyes	Corporate Secretary
John Benedict L. Sioson	Assistant Corporate Secretary/Corporate Information Officer
Manolita L. Morales	Assistant Treasurer
Atty. Lorna P. Kapunan	Chief Legal Counsel and Chief Compliance Officer
Bernadette Y. Blanco	Investor Relations Officer/Assistant Compliance Officer

PHC
PHILCOMSAT HOLDINGS CORPORATION

PHILCOMSAT HOLDINGS CORPORATION

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

CERTIFICATION

I, MANOLITA L. MORALES, Asst. Treasurer of PHILCOMSAT HOLDINGS CORPORATION, with SEC Registration Number 11163 and principal office at the 12/F Telecom Plaza, 316 Sen. Gil Puyat Avenue, Makati City, on oath state that:

1. On behalf of Philcomsat Holdings Corporation, I have caused this Quarterly Report (SEC Form 17-Q) to be prepared;
2. I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
3. Philcomsat Holdings Corporation will comply with the requirements set form in SEC Notices dated April 8, 2020 (as amended), June 24, 2020 and June 29, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
4. I am fully aware that documents filed online which require pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee, if applicable.

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of November 2020 in Makati City.

MANOLITA L. MORALES
Asst. Treasurer

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY, METRO MANILA) SS.

SUBSCRIBED AND SWORN to before me this 11 NOV 2020 in Makati City, affiant exhibiting to me her Passport No. EC6988403 issued by DFA-Manila on 8 March 2016 as competent proof of her identity.

Doc. No.: 343;
Page No. 69;
Book No. 1;
Series of 2020.

BERNADETTE S. YANZON
NOTARY PUBLIC
ROLL NO.45724
MAKATI CITY PHILIPPINES

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