COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2	1	8	1	7						

COMPANY NAME

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION

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

Spirit of Communications Center, 106 C. Palanca Street, Legaspi Village, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
mcrgonzales@ptt.com.ph	(02) 8815-9961	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
3,627	Last Friday of October	12/31

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
Angelo Miguel Isip	miguel.isip@ptt.com.ph	(02) 8818-4482	N/A

CONTACT PERSON'S ADDRESS

Spirit of Communications Center, 106 C. Palanca Street, Legaspi Village, Makati City

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

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

SEC Number 21817
FILE Number ___

PT&T

PHILIPPINE TELEGRAPH AND TELEPHONE CORPORATION
(Company's Full Name)

Spirit of Communications Centre,
106 C. Palanca Jr. St., Legaspi Village, Makati City
(Company's Address)

(632) 8815-9961
(Telephone Number)

December 31
(Calendar Year Ending)
(month & day)

Form 17-A
Form Type

___
Amended Designation (if applicable)

December 31, 2019
Period Ended Date

___
(Secondary License Type and File No.)

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A, AS AMENDED

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

1. For the calendar year ended **December 31, 2019**

2. SEC Identification Number **21817**   3. BIR Tax Identification No. **470-000-530-631**

4. **Philippine Telegraph and Telephone Corp. (PT&T)**
Exact name of issuer as specified in its charter:

5. **Metro Manila, Philippines**
Province, Country or other jurisdiction of incorporation or organization

6. [ ] (SEC Use Only)
Industry Classification Code:

7. **Spirit of Communication Centre Building, 106 Carlos Palanca Jr. St., Legaspi Village, Makati City**
Address of principal office
1229
Postal Code

8. **(632) 8815-9961 to 65**
Issuer's telephone number, including area code

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

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

Title of each class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common stock	PhP1.00 par value 1,500,000,000 shares

11. Are any or all of these securities listed on a Philippine Stock Exchange?
Yes [x]   No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
Philippine Stock Exchange (PSE) - Common Stock

12. Indicate by check mark whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and the SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):

Yes [x]   No [ ]

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

Yes [x]   No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

Not Applicable (PSE trading of PT&T common stock has been voluntarily suspended since December 13, 2004)

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

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

Yes [x]   No [ ]

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION (PT&T)

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Overview

Philippine Telegraph and Telephone Corporation ("PT&T" or the "Company") is a diversified telecommunications, and information and communications technology services provider catering to corporate, small and medium business, and residential segments.

PT&T was incorporated on October 16, 1962 and subsequently registered with the Philippine Securities and Exchange Commission ("SEC") on November 14, 1962 under the laws of the Philippines. On October 19, 2012, at the Special Stockholders' Meeting, the stockholders representing at least two-thirds of the outstanding capital stock approved the amended articles of incorporation extending the corporate term for another 50 years until November 14, 2062 which was subsequently approved by the SEC on November 26, 2012.

PT&T was granted a 25-year national legislative franchise on June 20, 1964 under Republic Act ("RA") No. 4161, as amended by RA Nos. 5048 and 6970. On July 21, 2016, under RA No, 10894, the Company was granted an extension of its franchise for another 25 years. PT&T's franchise allows the Company to establish, install, maintain and operate wire and/or wireless telecommunications systems, lines, circuits and stations throughout the Philippines for public domestic and international communications.

The Company has various Certificates of Public Convenience and Necessities ("CPCNs") and Provisional Authorities ("PAs") granted by the National Telecommunications Commission ("NTC") for the conduct of its telecommunications activities. These CPCNs and PAs include, among others, enabling the Company to provide data communications services, to implement its expansion and improvement programs covering among others the installation, operation, and maintenance of an integrated digital network in the National Capital Region ("NCR"), and to install, operate and maintain a national packet data network with the accompanying authority to charge rates for said services.

The Company was also granted with certificate of registration as a value-added service ("VAS") provider by the NTC. As part of the VAS, the Company offers internet access service; virtual private network, electronic mail (e-mail), messaging services, web hosting, electronic commerce, firewall service and e-learning. The VAS is valid from September 6, 2013 up to September 5, 2022.

The Company is currently focused on broadband internet access services as a result of growth of wireless/mobile systems and the rise of broadband internet demand. As such, the Company's main source of revenue is broadband internet access services. The Company offers dedicated or shared internet access service, via fiber or wireless, and operates a 10+ Gbps broadband network across the NCR, and Regions III and IV catering to corporate, business and residential customers.

Recent Developments

Entry of New Investor
Six years after the approval of the RETELCOM Group of Companies' Rehabilitation Plan, a new investor decided to provide the financial resources to revive PT&T. In August 2017, Menlo Capital Corporation ("Menlo") acquired substantial interest in PT&T through the acquisition of PT&T shares owned by Republic Telecommunications Holdings Co.

Menlo immediately sought the implementation of the more important directives of the approved Rehabilitation Plan. In particular, PT&T conducted a Stockholders' Meeting last September 20, 2018. Prior to this, the last stockholders meeting conducted by PT&T was in 2003. During the September 20, 2018 Stockholders' Meeting, the stockholders approved, among others, to increase PT&T's authorized capital stock from ₱3,800,000,000.00 to ₱15,600,000,000.00. This will allow PT&T to pay its creditors through debt-to-equity conversion as mandated under the approved Rehabilitation Plan. The increase in the authorized capital stock was subsequently approved by the Securities and Exchange Commission ("SEC") last October 31, 2018.

Given the steps undertaken by PT&T to comply with the mandate of the approved Rehabilitation Plan, PT&T sought to exit from rehabilitation ahead of the other members of the RETELCOM Group of Companies. This request was approved by the Rehabilitation Court in an Order dated December 20, 2018.

Status of Shares Listing in the Philippine Stock Exchange ("PSE")
The Company shares are listed in the PSE. On December 10, 2004, the Company requested the voluntary suspension of trading of its shares citing the non-completion of audit of financial statements which was approved by the PSE on December 13, 2004.

On August 29, 2017, the Company requested for the lifting of the voluntary suspension of the trading of its shares with the PSE appealing that the Makati City Regional Trial Court - Branch 66 (the "Rehab Court") acknowledged the importance of the lifting of the suspension of trading of the Company's shares with the PSE in going forward with its business.

On September 7, 2017, the PSE responded to the Company's request dated August 29, 2017 mentioning that without the SEC approval of the temporary exemptive relief, the Company may be found non-compliant with the structured reportorial requirements of the PSE given the Company's non-submission of the annual and quarterly reports. Furthermore, the PSE requested additional information from the Company which include, among others, updates on the implementation of the court-approved rehabilitation plan to proceed with the evaluation of the request.

On April 20, 2018, the Company received show cause letters from the Markets and Securities Regulation Department (MSRD) all dated April 19, 2018 requiring the Company to submit a written explanation on alleged violations and/or deficiencies.

On April 26, 2018, the Company replied to show cause letters explaining support of the Company's argument that it should not be held administratively liable by the SEC.

On June 5, 2018, MSRD issued letter to the Company and cited liable for violating the pertinent provisions of Rules 17, 20 and 68 of the implementing rules and regulations of the Securities Regulation Code (SRC), as amended, for the Company's failure to (i) conduct its annual stockholders' meeting and (ii) file its audited financial statements and (iii) annual information statements.

The Company's registration statement was suspended and shall be lifted only upon full compliance with necessary requirements.

On June 14, 2018, the Company paid the monetary penalties assessed by the MSRD amounting to ₱7,000,000 for the non-compliance with the SEC's reportorial requirements. In addition, the Company conducted its Stockholders' Meeting on September 20, 2018.

On October 3, 2018, the Company submitted the required documents and reports in full compliance of the Order dated June 5, 2018.

On February 5, 2020, the Company Registration and Monitoring Department (CRMD) issued a certification relating to PT&T's good standing with the SEC.

On March 16, 2020, the Company filed its Revised Amended Registration Statements to update the SEC on the events that occurred from October 3, 2018 filing up to the filing of the report.

Increase in Authorized Capital Stock
In a meeting conducted on July 30, 2018, the Board of Directors approved to increase the authorized capital stock of the Company from ₱3,800,000,000 to ₱15,600,000,000. The increase was approved and ratified by the stockholders in the Company's Annual Stockholders' Meeting held on September 20, 2018.

On October 31, 2018, the SEC approved the increase in the Company's authorized capital stock from ₱3,800,000,000 to ₱15,600,000,000 broken down as follows:

a) 4,500,000,000 common shares at ₱1 par value per share;
b) 230,000,000 Serial Cumulative Convertible Redeemable Preferred Shares at ₱10 par value per share;
c) 6,750,000,000 Series A Serial Redeemable Preferred Shares at ₱1 par value per share;
d) 1,800,000,000 Series B Serial Redeemable Preferred Shares at ₱1 par value per share; and
e) 250,000,000 Series C Serial Redeemable Preferred Shares at ₱1 par value per share.

Third Telco Bidding
On November 7, 2018, the Company joined the selection for the new major player in the Philippine Telecommunication Market (Third Telco Bidding") wherein the Selection Committee disqualified the Company. The disqualification is not warranted for the lacking document in question is the subject of the Petition for Declaratory Relief filed by the Company last November 6, 2018 with the Regional Trial Court of Makati City, Branch 134.

On November 9, 2018, the Company filed a Motion for Reconsideration before the Selection Committee of the NTC. In a letter dated November 12, 2018, the Selection Committee denied the Company's Motion for Reconsideration.

As approved by the Board of Directors, the Company filed a Petition for Certiorari with the SC on November 16, 2018 to assail the decision of the Selection Committee in disqualifying the Company. On December 12, 2018, the Board of Directors of the Company approved the filing of an Amended Petition for Certiorari with the SC. The amendments intend to supplement and further strengthen the arguments previously raised in the Petition for Certiorari. The Amended Petition for Certiorari was filed with the SC on December 12, 2018, pending resolution from SC as at March 27, 2019.

IT Services Business
In the Company's Annual Stockholders' Meeting held on September 20, 2018, the stockholders approved and ratified, among others, the amendments in the Company's Amended Articles of Incorporation to include "information and communications technology".

In 2019, the Company established its IT Services business unit to offer services beyond connectivity and to attract new clients to serve the needs of an untapped market. Currently, bulk of the IT Services pipeline is business application, covering more than half of sales prospects.

Court Rehabilitation Developments

In 1998, the decline of the Philippine peso vis-à-vis the U.S. dollar, intra-corporate litigations in RETELCOM which resulted in non-realization of RETELCOM's planned additional capital infusion into the Company, increasing competitive pressure among industry players, market and technology changes, in particular short messaging services (i.e., SMS, more popularly known as text messaging), and deregulation have all contributed to decreased margins in the telecommunications industry and market shift to mobile phones. This, in turn, severely affected the Company's ability to settle its maturing obligations. In addition, as discussed below, the Company finalized the restructuring of a substantial portion of its outstanding obligations to its various creditor banks and certain suppliers.

On November 26, 2002, the Company's creditors, representing 75% of the outstanding liabilities being restructured, approved the Company's debt restructuring proposal and accordingly signed the Master Restructuring Agreement, Dollar Facility Agreement, Peso Facility Agreement and other documents, collectively called the "Definitive Agreements", covering the said debt restructuring. On

October 27, 2003, the Company's lenders who have signed the Definitive Agreements represent 93% of the outstanding liabilities restructured.

On August 20, 2009, after the Definitive Agreements did not materialize, the RETELCOM Group including Wavenet Philippines, Inc. (WPI), a 100% subsidiary of CWI jointly filed a petition for Corporate Rehabilitation and Suspension of Payments pursuant to the Rules of Procedure on Corporate Rehabilitation, A.M. No. 00-8-10-SC. The said petition was accompanied by the RETELCOM Group's proposed rehabilitation plan (the "Rehab Plan") and was docketed as SP. Proc. No. M-6853 and raffled to the Makati RTC Branch 66 (the "Rehab Court"). On August 24, 2009, the Rehab Court issued an order staying enforcement of all claims, whether for money or otherwise against the RETELCOM Group ("Stay Order") and appointing a rehabilitation receiver (the "Rehab Receiver").

On April 1, 2011, the Rehab Court approved the proposed Rehab Plan subject to certain modifications (the "Rehab Order"), which was immediately executory. Petitioners as well as all claimants and creditors were ordered to strictly comply to the RETELCOM Group's rehabilitation which include, among others, the following:

i. Modification of the rehabilitation period from 15 years to a 2-year moratorium and 12-year debt payment period;

ii. Waiver of any and all interest, penalties and surcharges on all obligations of the Company to all claimants listed in the Rehab Plan except the legal interest of 6% from the approval of the plan until the full payment of the obligation;

iii. Each of the petitioners to: (i) immediately settle, out of the proceeds of the liberated escrow account pursuant to the Rehab Court's orders dated September 3, 2010 and October 20, 2010, the petitioners' obligations to the SSS in accordance with the SSS Condonation Law of 2009 and SSS Circular No. 2010-2004 for delinquent premium contributions and SSS Circular No. 2010-2005 for delinquent loan amortizations, including, but not limited to, delinquent employees compensation contributions through the SSS; (ii) immediately settle out of the proceeds from the recovery of any advances and deposits or garnished/levied assets and the proceeds of the sale of the petitioners' other assets pursuant to the pertinent orders issued by the courts, all unpaid wages, salaries and benefits inclusive of whatever amount have been deducted from said wages and salaries which the petitioners have not remitted to the appropriate contractual entity such as, but not limited to, the SSS and the PAG-IBIG Fund, of all existing and resigned/retired or separated employees, pursuant to law and to respective petitioners' employment policies including, but not limited to, collective bargaining agreements; and (iii) to immediately settle out of the proceeds from the recovery of any advances and deposits or garnished/levied assets and the proceeds of the sale of the sale of the petitioners' other assets pursuant to the pertinent orders issued by the Rehab Court, all unpaid retirement/separation pay for the retired or separated employees, pursuant to law and to the respective petitioners' employment policies including, but not limited to, collective bargaining agreement;

iv. The petitioners to avail, whenever necessary, financing and advances from owners to finance their working capital requirements prior to the entry of the new investor, which financing and advances from owners shall be payable/repaid out of the new money to be infused by the new investor;

v. The full conversion of all outstanding liabilities into 12-year serial redeemable preferred shares except for statutory obligations, financing and advances from owners and certain liabilities in the nature of suppliers' credits, and that the corresponding amount will be lodged in the petitioner's books as "Deposit for Subscription" pending approval by the SEC of the increase in authorized capital stock;

vi. The Company, within a reasonable time from receipt of the Rehab Order, to amend its articles of incorporation increasing its authorized capital stock from PHP3,800,000,000 (consisting of 1,500,000,000 common shares at PHP1 par value and 230,000,000 serial cumulative convertible redeemable preferred shares at PHP10 par value) to PHP10,187,150,000 (consisting of 1,387,150,000 common shares at PHP1 par value and 7,500,000 serial cumulative convertible preferred shares at PHP10 par value and 8,800,000,000 serial redeemable preferred shares at PHP1 par value), and to immediately issue the corresponding stock certificates to the claimants concerned;

vii. The Company to enroll and list all of its authorized Series "A", Series "B" and Series "C" redeemable preferred shares as freely "tradable" stocks with the PSE;

viii. The SEC shall approve the Company's request for temporary exemptive relief under the SRC Rule 72.2, without sanctions or penalties whatsoever, monetary or otherwise, and the PSE to lift the suspension of the trading of the Company's common shares without any sanctions or penalties whatsoever, monetary or otherwise, and the Company shall faithfully comply with all the applicable rules and regulations of the SEC and PSE so that the trading of all the authorized shares of the Company shall not in any way be suspended or restricted except as provided by law;

ix. Immediately settle obligations to petitioners such as salaries, wages and benefits out of escrow account; and

x. Any sale or disposition of the petitioner's properties, whether real or personal shall also be subject to the Rehab Court's evaluation and approval.

In 2011, certain creditors, representing 8.5% and 12.8% of the secured and unsecured creditors, respectively, filed before the Court of Appeals ("CA") a petition for review with prayer for Temporary Restraining Order and/or Writ of Preliminary Injunction.

On May 19, 2017, the CA granted the review of the consolidated petitions, and reversed, set aside and dismissed the Rehab Order ("CA Decision").

On June 13, 2017, the RETELCOM Group filed a Motion for Reconsideration in relation to the CA Decision dated May 19, 2017 citing, among others, that rehabilitation is still the better option to take for the Company to settle its obligations and to reinstate to its former position of successful operation and solvency. The RETELCOM Group further indicated in the Motion for Reconsideration that the said creditors who filed the petition before the CA represent only 8.5% and 12.8% of the secured and unsecured creditors, respectively, and that it will be a grave injustice to the remaining 91.9% and 87.2% of the other secured and unsecured creditors, respectively. Consequently, the creditors filed their comments and opposition to the RETELCOM Group's Motion for Reconsideration.

On October 10, 2017, the RETELCOM Group filed a consolidated reply respectfully reiterating that the judgment be rendered anew reconsidering the CA Decision and a resolution be issued granting instant Motion for Reconsideration, thereby dismissing the appeals in these cases based on the following, among others:

- Entry of MENLO as the new owner of the Company and its impact.
- Capabilities and credentials of MENLO which will enable the Company to fulfill its obligations under the court-approved Rehab Plan.
- The Company is envisaged as the third player in telecommunications industry.
- The Philippine telecommunications market is in need of more competition in order that the Filipino people can avail of efficient, greater capacity internet broadband connectivity with low latency at very affordable rates.
- The Company has the competitive edge to compete in the broadband market place. The Company is not saddled with the legacy investments in 2G/3G networks, thereby enabling it to leapfrog to the next 5G generation network.

On October 11, 2017, the CA denied the Motion for Reconsideration as it finds no cogent reason to warrant a reconsideration of the assailed decision.

On December 4, 2017, the RETELCOM Group filed petition for certiorari before the Supreme Court ("SC") requesting the SC to review the CA Decision citing that the CA erred in dismissing the petition for corporate rehabilitation indicating the following arguments:

- Rehabilitation proceeding is a relief that is accorded to financially distressed corporations, partnerships, and associations. As opposed to liquidation, rehabilitation is preferred relief. The rationale of a rehabilitation proceeding is to effect feasible and viable rehabilitation by preserving a foundering business as going concern, because the assets of a business are often more valuable when so maintained than they would be when liquidated;
- The Company is on the road to financial vigor. The Company is talking to potential investors to form strategic partnerships with the aim of becoming a major player in the Philippine market which is a sign of its way to financial recovery. To scuttle these plans by outright rejecting them through the dismissal of its Rehab Plan would mean injustice not only to its investors but to its employees, creditors, stockholders, and the general public;
- The said creditors who filed the petition before the CA represent only 8.5% and 12.8% of the secured and unsecured creditors, respectively, and that it will be a grave injustice to the remaining 91.5% and 87.2% of the other secured and unsecured creditors, respectively, to resort to the Company's liquidation, especially in the light of recent developments in the takeover of the Company's management. These creditors have shown continuous support for the ongoing rehabilitation and have not actually opposed the order dated April 1, 2011; and
- The Company's improved, and still improving, fortunes provide the needed breathing room for their rehabilitation and have created an attractive business environment, thereby opening the Company to interested third parties that are very keen on participating in the development of broadband internet service to serve underdeveloped and underserved needs of our country.

In a resolution dated March 7, 2018, the SC dismissed the appeal of RETELCOM Group for allegedly being filed beyond the required period of on or before December 4, 2017. On June 4, 2018, the Company filed a Motion for Reconsideration arguing that the SC erred in dismissing for the same was actually filed on December 4, 2017. In a Resolution dated July 11, 2018, the SC granted the Company's Motion for Reconsideration and reinstated the Company's appeal assailing the decision of the CA.

On June 20, 2018, one of the creditors who filed the petition before the CA served a Manifestation with Motion to Suspend, pending before SC, that the new ownership and management that recently took over the reins of the Company may be able to reverse the financial condition of the latter. In line with this, the creditor moved for the suspension of pending SC proceedings while the parties study and review the business plans of the new owner and management.

On July 27, 2018, the Company requested the Rehab Court that it be allowed to exit from rehabilitation subject to certain requirements which was granted by the Rehab Court on August 6, 2018. Part of the compliance is for the Company to conduct a shareholders' meeting to increase its authorized capital stock. This will enable the Company to pay its debt through debt-to-equity conversion as mandated by the approved Rehabilitation Plan. Given the circumstances, the Company can strategically proceed with its operations and at the same time settling the claims of its various creditors.

In the Company's Annual Stockholders' Meeting held on September 20, 2018, the stockholders approved and ratified the following items:

- Amendment of the Amended Articles of Incorporation to increase the authorized capital stock of the company to ₱15,600,000,000;
- Conducting debt-to-equity conversion or other equity conversion of up to ₱8,800,000,000;
- Listing the common and serial cumulative convertible redeemable preferred shares in the PSE;
- Amending further the Amended By-Laws to change the accounting period to calendar year commencing on January 1 and ending on December 31 of the same year;
- Amending further the Amended Articles of Incorporation to include "information and communications technology" in the company's purpose;
- Participating in the bidding for the New Major Player in Telecommunications Market;
- Authorizing and confirming the acts of the Company in negotiating and execution of relevant documents with National Transmission Corporation or National Grid Corporation of the Philippines;
- Authorizing the Company to establish long term incentive plan; and

- Authorizing the Company to secure the necessary funding for the Company's operations and expansion programs through financing, loans and equity offering.

As discussed above, the increase in authorized capital stock was filed by the Company with the SEC on October 9, 2018. The SEC approved the increase in authorized capital stock filed by the Company allowing the issuance of Series "A", Series "B" and Series "C" Preferred Shares and the implementation of the Company's debt-to-equity conversion as ordered by the Rehab Court amounting to ₱8,841,736,581 on October 31, 2018.

On December 21, 2018, the Company received an order from the Rehab Court denying the opposition and motions for reconsideration filed by the creditors of the Company on the Rehab Court's August 6, 2018 order which allowed the Company to exit from rehabilitation subject to the fulfillment of certain conditions.

In the same order, the Rehab Court confirmed that the Company substantially complied with the conditions provided for under the August 6, 2018 order. In view of the said substantial compliance, the Rehab Court declared that the Company is now out of rehabilitation and its exit is no longer conditional.

On March 11, 2019 and March 15, 2019, petitioners filed Petitions for Certiorari assailing the Orders dated December 20, 2018 which upheld the August 6, 2018 Order. One of the petitioners prayed for issuance of a Temporary Restraining Order (TRO).

On April 3, 2019, the CA issued a resolution which denied the application of one of the petitioners for issuance of TRO with the petitioners filing a Motion for Reconsideration (MR) on May 15, 2019.

On April 25, 2019, the Company filed a Motion to Consolidate the Petitions for Certiorari. On May 2, the Company filed its comments to the CA.

On May 24, 2019, the CA accepted and approved the Motion to Consolidate.

On June 10, 2019, the Company filed a Memorandum manifesting NTC to recompute the SRF assessment on the March 31, 2017 Resolution of the NTC.

On November 27, 2019, the CA issued a Decision requiring NTC to recompute the SRF it is collecting from the Company.

On February 17, 2020, the CA issued a resolution denying the MR of the TRO and dismissing the Petitions of Certiorari.

Item 2. Properties

A. Description of Property

The principal properties of the Company which consists of land, buildings, other land improvements, telecommunication equipment, machinery and equipment, and office equipment are located mainly at the main office of the Company which is situated at 106 C. Palanca Jr. St., Legaspi Village, Makati City.

In its August 20, 2009 Petition for Corporate Rehabilitation and Suspension of Payments pursuant to the Rules of Procedure on Corporate Rehabilitation, A.M. No. 00-8-10-SC, the Company submitted a list of the following properties:

	Property Location	Address	Lot Area
1	SCC Bldg. Carlos Palanca, Makati	106 SCC Bldg., C. Palanca Street, Legaspi Village, Makati City	858 sqm lot with 7-storey bldng
2	Tuba, Benguet	Mountain of Sto Tomas, Tuba, Benguet	2,000 sqm
3	Mabalacat, Pampanga	Lot #018 McArthur Highway, Brgy. Camachile Mabalacat Pampanga	665 sqm
4	Antipolo City, Brgy Mayamot, Marcos Highway	Brgy. Mayamot, Marcos Highway Antipolo	1,923 sqm
5	St. Anthony Village, Cainta Rizal	Ipil St. cor Duhat St., Saint Anthony Subdivision Cainta Rizal	589 sqm
6	Taytay Rizal, Kaytikling Bo. Dolores	Cabrera Road, Sitio Kaytikling, Brgy. Dolores, Taytay Rizal	2,675 sqm
7	Lores / Bo. Balimbing Antipolo City, Rizal	Lores Country Homes, Brgy. Dalig, Antipolo City	1,199 sqm
8	La Montana Estates, Antipolo City	Lot18 Blk 3, La Montana Estates, Andes St. cor Everest, Brgy. Sta. Cruz, Antipolo City	445 sqm
9	Angono, Rizal	Col Guido St., Brgy. San Roque, Angono Rizal	1,000 sqm
10	Binangonan Rizal	Calumpang Binangonan Rizal	1,000 sqm
11	San Mateo Rizal	143 Daang Bakal St., Guitnang Bayan 2, San Mateo Rizal	1,403 sqm
12	Tanay Rizal	Sampalok Road, Plaza Aldea, Tanay Rizal	1,640 sqm
13	Biñan Laguna, National Road, Bo. Tubigan	Lot 1 A National Road, Tubigan, Binan, Laguna	1,439 sqm (raw land)
14	Cabuyao Laguna, El Sol Subd., Bo. Sala	Lot 1-B-3 Elsol Subdivision, Brgy. Sala, Cabuyao, Laguna	1,032 sqm
15	Calamba Laguna, National Highway, Bo. Real	8002 National Highway, Brgy. Real, Calamba, Laguna	2,152 sqm

16	San Pedro, Pacita Complex,Laguna	Lot 4 Blk. 12 Pacita Ave, Brgy. San Vicente, San Pedro, Lag	1,605sqm
17	San Pedro (Sampaguita) Laguna	Sampaguita United Bayanihan, San Pedro, Laguna	1,254 sqm
18	Los Baños, Laguna	Brgy. Batong Malake, Los Baños, Laguna	1,156 sqm
19	Calauan, Laguna	Kaunlaran Road, Calauan, Laguna	972 sqm
20	Paete, Laguna	J.P Rizal Street, Brgy. Macumbo, Paete, Laguna	479 sqm
21	Sta. Cruz, Laguna	Lot 1568 - A Bagumbayan, Sta. Cruz, Laguna	1,839 sqm
22	San Pablo City Laguna	National Highway, Brgy. San Roque, San Pablo, Laguna	944 sqm
23	Cavinti, Laguna	Caliraya	3,725 sqm
24	Tacloban City, Anibong Dist	Lot 1713, Barrio of San Jose, City of Tacloban, Leyte	400 sqm
25	Carmen, North Cotabato	North Cotabato	949 sqm

B. Mortgage, lien or encumbrance

The Company's property, plant and equipment are pooled under a mortgage trust indenture (the MTI) which is managed by the MTI Trustee, Export Industry Bank - Trust as successor of Philippine National Bank - Trust Group. Mortgage participation certificates are given by the MTI Trustee to secured creditors principally as security for their long term loans to the Company, representing their respective pro-rata interest over the collateral pool.

However, pursuant to the Rehab Order, the obligations to the secured creditors have been settled already by way of their conversion to 12-year Series "A" redeemable preferred shares. Consequently, it is the Company's contention that there are no more MTI liens and encumbrances over the Company's property, plant and equipment.

In accordance with PFRS, the liabilities for conversion to serial redeemable preferred shares which has been directed by the Rehab Court under its Rehab Order to be treated as "Deposit for Subscription" is not booked anymore in the equity account but instead presented as non-current liabilities.

The Rehab Court, per its Order dated August 2, 2018, clarified that the 12-year payment plan under the Serial Redeemable Preferred Shares shall be counted from the issuance of the corresponding 12-year redeemable preferred stock certificates to the Claimants concerned. Likewise in the same Order, the Rehab Court granted the Company's Motion for Leave to Sell and/or Dispose Certain Assets dated October 12, 2015, and that all records of the PT&T-Mortgage Trust dated December 1991 including the owner's duplicate original of the Transfer Certificate of Title (TCT) and the chattel and other related documents under the custody of the MTI Trustee be transferred and released to the custody of the Rehab Receiver.

C. Lease Agreements

The company has entered into various lease agreements on office space, cell sites telecommunications equipment locations and car rentals. The operating lease agreements age for periods ranging from 1 to 5 years from the date of contracts.

The Company's investment properties consist of land and improvements in various locations in NCR and 4. Some of the land with improvements, which are not being used by the Company for its operations, are rented out in the ordinary course of business for a fee to third parties for one (1) to five (5) years lease term and are renewable subject to mutual consent of both parties, while others are held for capital appreciation.

	Lessee	Location	Monthly Rent	Expiration Date
1	Formerge Integrated School	Col Guido St., Brgy. San Roque, Angono Rizal	38,928.74	May 15, 2020
2	CarBuffXpress	Lot 6 Blk. 12 Pacita Ave, Brgy. San Vicente, San Pedro, Laguna	30,602.00	June 30, 2020
3	Ruben F. Diolata	Sampaguita United Bayanihan, San Pedro, Laguna	18,433.80	March 15, 2020

Item 3. Legal Proceedings

The Company is a respondent in several labor cases. Majority of these labor cases stemmed from the financial difficulties experienced by the Company which led to the filing of a Petition for Rehabilitation in 2009. As a consequence of the Stay Order issued by the Rehabilitation Court, proceedings in all these labor cases were suspended. With its exit from rehabilitation, the Company is currently undertaking the settlement of these labor cases. The possible liability of the Company arising from the labor disputes is indicated in Note 13 of the Company's Audited Financial Statements.

The Company is likewise a party in several collection cases. These collection cases were due to non-payment of obligations as a direct consequence of the financial difficulties experienced by the Company. This difficulty ultimately led to the filing by the Company of a Petition for Rehabilitation in 2009. The proceedings in these cases were likewise suspended pursuant to the Stay Order issued by the Rehabilitation Court. The amount involved in these cases are part of or are included in the obligations mentioned in Note 15 of the Audited Financial Statements which are to be settled through debt-to-equity conversion and the issuance of Series "A", "B" and "C" Serial Redeemable Preferred Stocks. Conducting a debt-to-equity conversion was mandated under the Company's Rehabilitation Plan which was approved by the Rehabilitation Court in an Order dated 01 April 2011.

The Company's exit from rehabilitation was questioned by three (3) creditors before the Court of Appeals. The parties have filed their respective pleadings and are awaiting further directive from the court.

The Company also filed before the Court of Appeals a petition against the NTC assailing the amount of the Supervision and Regulatory Fee ("SRF") the NTC is collecting from the Company. The Court of Appeals partially granted the petition of the Company but remanded the case to the NTC for the re-computation of the SRF. The Company filed a Motion for Partial Reconsideration while the NTC filed its own Motion for Reconsideration. The case is still pending and the parties are awaiting further directive from the court.

The Company likewise filed a petition with the Supreme Court against the NTC and several entities questioning the selection process and the award of the New Major Player in the Philippine Telecommunications Market. The parties have already filed their respective pleadings and are awaiting further directive from the Supreme Court.

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

Except for matters taken up during the annual meeting of stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

A. Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

1. Market Information

Out of the current 1,500,000,000 common stocks of the company, 800,000,000 thereof are listed with the Philippine Stocks Exchange ("PSE"). However, the trading of the listed stocks is currently suspended as a result of the Company's request for voluntary suspension of trading last December 10, 2004. The request of the Company to suspend the trading of its stocks was approved by the PSE last December 13, 2004.

2. Holders

The number of shareholders of record as of December 31, 2019 is 3,688.

The top 20 common shareholders as of same date and presented also in the Company's General Information Sheet are the following:

NAME	CITIZENSHIP	NO. OF SHARES	PERCENTAGE
1. Menlo Capital Corporation	Filipino	560,000,000	37.33%
2. Telectronic Systems, Inc.	Filipino	300,000,246	20.00%
3. Republic Telecommunications Holdings, Inc.	Filipino	278,873,526	18.59%
4. PCD Nominee Corporation	Filipino	149,897,157	9.99%
5. Timco Holdings, Inc.	Filipino	121,126,474	8.08%
6. PCD Nominee Corporation	Non-Filipino	7,485,164	0.50%
7. Lim, Ernesto B.	Filipino	2,500,000	0.17%
8. Pioneer Insurance and Surety Corporation	Filipino	2,148,000	0.14%
9. Tan, Felix L.	Filipino	1,808,500	0.12%
10. Ang, Teresa W.	Filipino	1,448,000	0.10%
11. Knights of Columbus Fraternal Association of the Philippines	Filipino	986,664	0.07%
12. G&L Sec. Co., Inc.	Filipino	923,667	0.06%
13. David Go Securities Corporation	Filipino	855,830	0.06%
14. Yan, Lucio W.	Filipino	850,000	0.06%
15. Pioneer Intercontinental Insurance Corp.	Filipino	850,000	0.06%
16. Santiago, Severina M.	Filipino	818,260	0.06%
17. Caedo, Jose Jr. P.	Filipino	811,963	0.05%
18. Camarines Minerals Inc.	Filipino	800,000	0.05%
19. Lopez-Santiago, Eleanor M.	Filipino	729,926	0.05%
20. Santiago, Virginia M.	Filipino	729,926	0.05%

No acquisition, business combination or reorganization was implemented that would have affected the amount or percentage of the current holdings of the Company's common equity beneficially owned by more than 5% of the beneficial owners, each director and nominee and all directors as a group.

3. Dividends

The Company has not declared any dividends for its common equity in the last two (2) fiscal years. The Company is not in a position to declare dividends due to its accumulated deficits amounting to ₱11,766,891,682 as of December 31, 2019. Moreover, the Company is undergoing rehabilitation and should first settle its obligations before it can declare any dividends to its stockholders.

4. Recent Sales of Unregistered Securities

There are no recent sale of unregistered securities or exempt securities or recent issuance of securities constituting an exempt transaction.

B. Description of Registrant's Securities

1. Capital stock

The Company's authorized capital stock as of December 31, 2019 is as follows:

	Shares	Amount
Common Stock - ₱1.00 per share	1,500,000,000	₱1,500,000,000
Non-Voting Preferred Stock - ₱10.00 per share	230,000,000	2,300,000,000

The Company's issued and subscribed capital stock as of December 31, 2019 consists of

	Shares	Amount
Common Stock - ₱1.00 per share	1,500,000,000	₱1,500,000,000

On September 20, 2018, the stockholders approved the increase in authorized capital stock of the Company to ₱15,600,000,000 composed of:

	Shares	Amount
Common Stock - ₱1.00 per share	4,500,000,000	₱4,500,000,000
Non-Voting Preferred Stock - ₱10.00 per share	230,000,000	2,300,000,000
Series "A" Serial Redeemable Preferred Stock - ₱1.00 per share	6,750,000,000	6,750,000,000
Series "B" Serial Redeemable Preferred Stock - ₱1.00 per share	1,800,000,000	1,800,000,000
Series "C" Serial Redeemable Preferred Stock - ₱1.00 per share	250,000,000	250,000,000

a. Common Stock

To raise additional capital, the Company will increase the number of its Common Stocks. A total of 3,000,000,000 Common Stocks at PhP 1.00 per stock will be added to the existing 1,500,000,000 Common Stock which has been fully subscribed and paid.

The Common Stocks are entitled to dividends, have voting and pre-emptive rights pursuant to the provisions of the Corporation Code of the Philippines.

The Common Stocks to be issued will be used to raise funds in the form of equity offering with a view of using the proceeds thereof to fund growth and expansion, general corporate purposes and/or for such other purposes to be determined by the Board of Directors.

b. Preferred Stock

Currently, the Company has 230,000,000 Serial Cumulative Convertible Redeemable Preferred Stocks at PhP 10.00 per stock. These stocks are unissued and unsubscribed. Based on the Amended Articles of Incorporation these preferred stocks have no voting rights except in cases allowed under the law. The right to dividends of these preferred stocks are cumulative and non-participating.

In addition to the existing Preferred Stocks, the Company will issue the following additional Preferred Stocks:
a.) 6,750,000,000 Series "A" Serial Redeemable Preferred Stocks at PhP 1.00 per stock;
b.) 1,800,000,000 Series "B" Serial Redeemable Preferred Stocks at PhP 1.00 per stock; and
c.) 250,000,000 Series "C" Serial Redeemable Preferred Stocks at PhP 1.00 per stock.

The Series "A", "B" and "C" Serial Redeemable Preferred Stocks Preferred Stocks shall be redeemable under the terms and in such manner as may be determined by the Board of Directors. The Series "A", "B" and "C" Serial Redeemable Preferred Stocks will have no pre-emptive rights and have no voting rights except in cases allowed under the law.

The Company is of the opinion that there are no provisions in its Amended Articles of Incorporation and in its Amended By-Laws that would have the effect of delaying, deferring or preventing a change in control of the registrant.

Rationale for the issuance of Series "A", "B" and "C" Serial Redeemable Preferred Stocks

Pursuant to the Petition for Rehabilitation filed by the Company, Rehabilitation Court issued the Rehab Order approving the Company's Rehabilitation Plan. In the approved Rehabilitation Plan, the Company was required to issue Series "A", "B" and "C" Serial Redeemable Preferred Stocks to be used in conducting a debt-to-equity conversion to pay the debts of the Company in an amount indicated in Note 15 of the Company's Audited Financial Statement under respective classifications as shown below:

Type of Redeemable Serial Preferred Shares	**Type of obligation**
Series "A"	Secured obligations
Series "B"	Unsecured obligations
Series "C"	Obligations to affiliated companies

Since the issuance of the Series "A", "B" and "C" Serial Redeemable Preferred Stocks are intended to settle the debts of the Company through debt-to-equity conversion, the Company is not expected to receive any compensation for the issuance of the said shares.

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

A. Management Discussion and Analysis

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited financial statements and the related notes as at December 31, 2019 and 2018 included elsewhere in this Annual Report. This discussion contains forward-looking statements that reflect our current views with respect to future events and our future financial performance. These statements involve risks and uncertainties, and our actual results may differ materially from those anticipated in these forward-looking statements.

In the Company's Annual Stockholders' Meeting held on September 20, 2018, the stockholders approved and ratified the amendment to the Company's By-Laws pertaining to change of accounting period from a fiscal year starting July 1 and ending on June 30 the following to calendar year commencing on January 1 and ending on December 31 of the same year.

We believe that the discussion and analysis of our financial condition and results of operations should reflect comparative financial statements on a calendar year basis in order to have more meaningful information and insight. Nonetheless, we ensure that these figures tie up to the audited financial statements released and issued for the previous periods.

Results of Operations based on Audited Financial Statements

	Audited	Audited			Audited			Audited
	One-year period	Six-month period	Six-month period	Six-month period	One-year period	Six-month period	Six-month period	One-year period
(in '000 Philippine pesos)	December 31, 2019	December 31, 2018	June 30, 2018	December 31, 2017	June 30, 2018	June 30, 2017	December 31, 2016	June 30, 2017
REVENUES	396,044	129,572	115,949	84,865	200,814	67,879	56,596	124,474
OTHER INCOME	8,645	3,900	5,192	6,378	11,571	6,448	5,415	11,863
	404,688	133,472	121,141	91,243	212,385	74,327	62,011	136,337
Core expenses								
SG&A	287,241	127,546	83,195	49,044	132,238	49,262	41,142	90,405
Leased channel	18,055	14,302	2,470	2,287	4,757	1,108	-	1,108
Cost of sales	48,351	-	-	-	-	-	-	-
CORE EXPENSES	353,646	141,848	85,665	51,331	136,996	50,370	41,142	91,512
CORE EBITDA[1]	51,042	(8,376)	35,476	39,913	75,389	23,957	20,868	44,825
CORE EBITDA %	12.61%	-6.28%	29.28%	43.74%	35.50%	32.23%	33.65%	32.88%
Depreciation and amortization	43,731	20,909	15,631	14,110	29,741	13,902	24,637	38,539
Interest expense	2,996	233	-	-	-	-	-	-
CORE EARNINGS	4,315	(29,518)	19,845	25,803	45,648	10,055	(3,768)	6,287
Non-core charges								
Penalties and fines	-	3,825	7,088	-	7,088	-	-	-
Non-core expense	13,909	34,930	11,366	-	11,366	-	-	-
Rehab interest expense	39,935	19,879	13,594	13,951	27,545	16,472	16,462	32,935
Non-core income	-	-	-	(53,880)	(53,880)	-	-	-
NON-CORE CHARGES	53,845	58,634	32,048	(39,929)	(7,881)	16,472	16,462	32,935
TOTAL EARNINGS (LOSSES)	(49,529)	(88,153)	(12,203)	65,732	53,529	(6,418)	(20,231)	(26,648)
Income tax expense/benefit	2,873	-	-	28,800	28,800	258	-	258
NET INCOME (LOSS)	(52,403)	(88,153)	(12,203)	36,933	24,729	(6,675)	(20,231)	(26,906)

[1] *Core EBITDA has been adjusted for prior years to reflect changes in accounting standards to improve comparability.*

Financial Highlights based on calendar year financial statements

(in '000 Philippine pesos)	December 31, 2019 Broadband Services	IT Services	Others		December 31, 2018 Broadband Services	Others		December 31, 2017 Broadband Services	Others	
REVENUES	342,549	42,260	11,234	396,044	245,520	-	245,520	152,744	-	152,744
OTHER INCOME	-	-	8,645	8,645	-	9,093	9,093	-	12,826	12,826
	342,549	42,260	19,879	404,688	245,520	9,093	254,613	152,744	12,826	165,570
Core expenses										
SG&A	255,201	14,811	17,229	287,241	177,409	33,332	210,741	93,053	5,253	98,306
Leased channel	18,055	-	-	18,055	16,772	-	16,772	3,395	-	3,395
Cost of sales	5,159	31,769	11,423	48,351	-	-	-	-	-	-
CORE EXPENSES	278,415	46,579	28,652	353,646	194,181	33,332	227,513	96,447	5,253	101,701
CORE EBITDA[1]	64,134	(4,319)	(8,773)	51,042	51,339	(24,239)	27,100	56,296	7,573	63,870
CORE EBITDA %	18.72%	-10.22%	-44.13%	12.61%	20.91%	-266.58%	10.64%	36.86%	59.04%	38.58%
Depreciation	42,079	1,653	-	43,731	35,917	623	36,540	27,859	153	28,012
Interest expense	2,650	222	123	2,996	186	47	233	-	-	-
CORE EARNINGS	19,405	(6,194)	(8,896)	4,315	15,236	(24,909)	(9,673)	28,437	7,421	35,858
Non-core charges										
Penalties and fines	-	-	-	-	-	10,913	10,913	-	-	-
Non-core expense	-	-	13,909	13,909	-	46,297	46,297	-	-	-
Rehab interest expense	-	-	39,935	39,935	-	33,473	33,473	-	30,423	30,423
Non-core income	-	-	-	-	-	-	-	-	(53,880)	(53,880)
NON-CORE CHARGES	-	-	53,845	53,845	-	90,683	90,683	-	(23,457)	(23,457)
TOTAL EARNINGS (LOSSES)	19,405	(6,194)	(62,741)	(49,529)	15,236	(115,592)	(100,356)	28,437	30,878	59,315
Income tax expense/benefit	-	-	2,873	2,873	-	-	-	-	29,057	29,057
NET INCOME (LOSS)	19,405	(6,194)	(65,614)	(52,403)	15,236	(115,592)	(100,356)	28,437	1,820	30,257

Results of Operations (in Philippine pesos)	**December 31, 2019**	**December 31, 2018**	**December 31, 2017**
REVENUES	396,043,723	245,520,351	152,743,735
OTHER INCOME	8,644,514	9,092,556	12,826,433
	404,688,237	254,612,907	165,570,168
Core expenses			
Selling, general and administrative expenses	287,240,794	210,740,942	98,306,028
Leased channel and interconnect cost	18,054,742	16,771,940	3,394,582
Cost of sales	48,350,647	-	-
CORE EXPENSES	353,646,184	227,512,881	101,700,610
CORE EBITDA[1]	51,042,053	27,100,026	63,869,558
CORE EBITDA %	12.61%	10.64%	38.58%
Depreciation and amortization	43,731,398	36,540,282	28,012,044
Interest expense	2,995,516	232,848	-
CORE EARNINGS	4,315,139	(9,673,105)	35,857,514
Non-core charges			
Penalties and fines	-	10,913,000	-
Non-core expense	13,909,460	46,296,655	-
Rehab interest expense	39,935,042	33,473,181	30,423,342
Non-core income	-	-	(53,880,331)
NON-CORE CHARGES	53,844,502	90,682,836	(23,456,989)
TOTAL EARNINGS (LOSSES)	(49,529,363)	(100,355,941)	59,314,503
Income tax expense/benefit	2,873,472	-	29,057,397
NET INCOME (LOSS)	(52,402,835)	(100,355,941)	30,257,106

[1]Core EBITDA has been adjusted for prior years to reflect changes in accounting standards to improve comparability.

Revenue

For the year ended December 31, 2019, the Company improved its growth rate in the number of data services circuits over the prior years 2019 and 2018. It recorded a total of 1,760 circuits as of December 31, 2019 compared to 1,277 and 812 as of years 2018 and 2017, respectively. The increase in the number of data circuits resulted in operating revenues of ₱396.0 million for the year ended December 31, 2019 compared to ₱245.5 million and ₱152.7 million in 2018 and 2017, respectively.

Additionally, the launch of IT Services made a great impact on the revenue performance as the Company was able to generate a new revenue stream. The new business generated additional revenue of ₱45.8M and this is expected to provide new opportunities for the Company in the coming years.

Cost and expenses

To support the growth in operations, the Company enhanced its organizational capabilities in the technical and support areas. The number of personnel increased from 218 at the start of 2019 to 234 at year end translating to an increase in personnel related expenses amounting to ₱203.8 million for the year ending December 31, 2019, compared to ₱127.0 million in 2018 and ₱58.8 million in 2017. This is driven by the increase in manpower and benefits, both to retain excellent people assets and attract new talents to support the business.

Premises-related expenses continuously increased to ₱21.7 million in 2019 from ₱16.4 million in 2018 and ₱10.8 million in 2017. In 2018, the Company prioritized significant investments in network and operations resulting in an increase in other selling, general and administrative expenses from ₱28.7 million in 2017 to ₱67.3 million in 2018 indicating the rise in marketing expenses and improved customer experience. In 2019, however, the Company managed its expenses and was able to lower it to ₱61.8 million. Additional upstream connections and international connectivity to support expansion and growth contributed to the increase in leased channel expenses to ₱18.1 million from ₱16.8 million in 2018 and ₱3.4 million in 2017. Lastly, additional expenses due to cost of sales contributed ₱48.4 million in core expenses indicating an increase in the services provided by the Company to its growing customer base.

The increase in operating costs and expenses is manageable and aligned with the Company's strategy and is necessary to grow the broadband business.

Profitability Performance

Over the past three years, the Company has produced core EBITDA during the years 2019, 2018 and 2017 in the respective amounts of ₱51.0 million, ₱27.1 million and ₱63.9 million. Since 2017, EBITDA margin performance has been fluctuating due to the initiatives for growth. Investment in people assets and network operations, which are necessary expenditures to grow the business, dragged down the core EBITDA margin in 2018. In 2019, core EBITDA margin recovered to 12.6%.

The Company posted ₱52.4 million net loss for the year ended December 31, 2019 compared to net loss of ₱100.4 million in 2018. Net income in 2017 of ₱30.3 million is brought by non-core income of ₱53.9 million.

Financial Condition (in '000 Philippine pesos)	**December 31, 2019**	December 31, 2018	December 31, 2017
Current assets	**486,941**	78,726	97,410
Non-current assets	**454,966**	805,768	708,207
ASSETS	**941,907**	884,494	805,617
Current liabilities	**1,388,749**	1,302,966	1,154,449
Non-current liabilities	**329,894**	295,735	8,875,791
LIABILITIES	**1,718,643**	1,598,700	10,030,240
Share capital	**10,935,992**	10,935,992	2,054,254
Retained deficit	**-11,819,295**	-11,766,892	-11,383,950
Other equity items	**106,567**	116,693	105,073
EQUITY	**-776,736**	-714,207	-9,224,623
LIABILITIES AND EQUITY	**941,907**	884,494	805,617

The Company's total assets amounted to ₱941.9 million as of December 31, 2019 compared to ₱884.4 million and ₱759.5 million as of December 31, 2018 and December 31, 2017, respectively. The increase in assets is driven by increase of working capital from growth in fixed broadband operations and new IT Services business, and investments in fixed and plant assets to support the expansion of the Company's business.

Increase in total liabilities pertain to payables to suppliers and other operating accrued expenses, and accrued interest payable under the rehabilitation plan.

Improvement in equity in 2018 is brought about by the increase in authorized capital stock and subsequent reclassification of deposit for future stock subscription from liabilities to equity.

B. Plan of Operation

PT&T believes that information and communication technologies are the backbone of innovation. But no innovation can occur without the high-speed broadband network. The future of countries, businesses and individuals will depend more than ever on whether they embrace technology and many of those who stand to gain the most are not yet connected.

The Company holds an optimistic view on the Philippines' broadband industry through our efforts to improve coverage and spur subscriber growth. PT&T aims to expand coverage and upgrade its network infrastructure which will help to cope with the growing demand and ensure that network congestion would be minimized.

The Philippines has made huge investment in the national broadband network and ramping up network modernization investments in order to take advantage of the huge data opportunities in a fast growing nation. The Company continues to believe that the market can accommodate more players which would be beneficial to innovations and long-term growth. The local economy's remarkable momentum will continue fueled by strong sequential gains in investment activity and private consumption.

Innovation is increasingly based on digital technologies and business models, which can drive economic and social gains from ICT if channeled in a smart way. The way businesses adopt ICT is key for leveraging them for development, so encouraging businesses to fully embrace the powers of digital technologies is a priority of PT&T. The Company aims to step up efforts to invest in innovative digital solutions to drive economic growth and social impact. This will include building capabilities in cyber security, Internet of Things and smart cities

PT&T also aims to help shape the high-speed internet connection as a true and open platform and as a driver of economic development and social progress.

In order to achieve these objectives, the Company has several projects lined up which will expand PT&T's capability to provide telecommunications service throughout the country.

PT&T is currently serving Metro Manila and the nearby CALABARZON. In order to increase its subscribers' base, PT&T is in the process of completing its plan to expand its existing telecommunications network. The network expansion will initially focus in key cities in the National Capital Region, CALABARZON and parts of Northern Luzon. Once fully implemented, the expanded network will be capable of servicing at least 40% of the Philippine population.

The network expansion will include the deployment of massive fiber optic infrastructure to support all network services and capacities. It will also provide a Full IP Network based on the latest Service Oriented Network Architecture and Self-Service Oriented Network Architecture.

PT&T also entered into a service agreement with entities designated to implement the government's project to provide Public WiFi Services in several provinces. Under these agreements, PT&T will provide the required infrastructure allowing it to commercialize the excess capacities out of the said infrastructure. This arrangement will enable PT&T to establish 9,000 points of presence throughout the Philippines and the commercial WiFi services will then be offered as an "add-on" to PT&T's product portfolio to serve residential and enterprise clients.

The Company plans on building its nationwide backbone to support its objective to provide a nationwide wholesale and retail service including the capability to provide mobile services in the future. This project involves the deployment of in-land (terrestrial) and off-shore (submarine) networks connecting all major islands throughout the Philippine archipelago. Full IP Network based on the latest Software Defined Network will be used.

Lastly, despite the rapidly evolving technology, PT&T is still keen on its interests to provide mobile services in the Philippines since the smartphone penetration continues to grow and the advent of 5G technology provides an ability for PT&T to enhance various applications.

PT&T is likewise exploring and studying the latest network concepts in implementing "virtualization" of network components into data centers. This will expectedly reduce the numbers of network elements deployed throughout the country and substantially reducing cost and implementation period.

As of December 31, 2019, the Company has a total of 234 employees and the Company projects that the said number will increase to 317 by the end of 2020.

C. Key Performance Indicators

Key Performance Indicators	Full year ended December 31, 2019	Full year ended December 31, 2018	Full year ended December 31, 2017
Net income (loss)	(52,402,835)	(100,355,941)	30,257,106
Core EBITDA	51,042,053[1]	27,100,026[2]	63,869,558[3]
Core EBITDA %	12.61%	6.13%	33.65%
Operating Revenue Growth	61.31%	60.74%	44.74%
Operating Revenue	396,043,723	245,520,351	152,743,735
Number of Active Circuits	1,760	1,277	812
ARPU (in ₱)	14,426	15,643	15,399
Recurring Revenue (in ₱)	304,682,660	239,707,183	150,045,312

[1]*Non-core items include fees for the rehab-related initiatives*
[2]*Non-core items include accrued penalties, rehab-related initiatives and third-telco initiatives*
[3]*Non-core items include reversal of long-outstanding accrued expenses and paid penalties*

Net income
Net income is a key performance metric that indicates how well the Company performed after all costs of the business have been considered.

PT&T made significant investments in network and operations to build sustainable growth since 2018. These investments to rehabilitate and rehabilitate its network, and improve the Company's operational capabilities have resulted in an increase in expenses that affected the net income. However, because of the new IT services revenue stream and the continuously growing fixed broadband business , the Company reduced its net loss to almost half of the previous year.

Core EBITDA and Core EBITDA Margin
Core EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) is calculated as operating revenues and income less operating expenses attributable to the core business of the Company. Non-core expenditures pertain to those that are not related to the core business of the Company but are connected to improve PT&T's financial condition (eg, rehab-related expenses, SEC fees for increase in capital stock for rehab exit, etc.). This metric provides an indication how well the core business of the Company is performing before considering those initiatives being subsidized by operations. Core EBITDA has been adjusted for prior years to reflect changes in accounting standards to improve comparability.

Core EBITDA remains positive throughout the years. The company started investing in its people assets and network operations which lowered the core EBITDA in 2018 but was able to achieve more than two-fold increase in 2019. This growth in Core EBITDA, which significantly exceeded last year's performance, is attributable to the increase in revenues and tempered growth in operating expenses incurred to support the business.

Operating Revenue Growth
Revenue growth provides an indication on how well the Company generates revenue to support its operations and initiatives versus the comparative period.

For the past 3 years, the Company has consistently achieved positive revenue growth. Compared to 2017, it has more than doubled its revenues in 2019 mainly due to the growing subscribers acquired which also increased by more than two-fold in the past 2 years. In addition, the launch of IT Services contributed to the growth as a new revenue stream for the Company.

Number of billable/active circuits
Number of billable/active circuits pertain to the number of subscription lines or customers in the PT&T network.

The number of subscribers has more than doubled for the past 2 years, contributing greatly to revenue growth. Enterprise subscribers comprised 73% of subscribers and are the main source of fixed broadband revenue.

Average revenue per unit (ARPU)
Average revenue per unit measures the recurring revenue generated for each circuit connected to the PT&T network. This is computed by dividing the recurring revenue for the period by the average number of active circuits and then dividing the resulting amount by the number of months in the period.

In 2017 and 2018, the Company's ARPU has been consistent at approximately PhP15,000. Due to competition and promotions to encourage more subscribers, ARPU slightly dropped in 2019.

Item 7. Financial Statements

The Audited Financial Statements for the year ended December 31, 2019 are attached for reference.

Item 8. Information on Independent Auditors and Other Related Matters

Independent Auditors' Fees and Services

The external auditor of the Company is the audit firm of Alas, Oplas & Co. ("AOC"). The Board approved the reappointment of AOC as the Company's independent auditor for 2019 based on its performance and qualifications. The re-appointment of AOC was presented and approved to the stockholders last June 28, 2019.

The Company paid or accrued ₱990 thousand and ₱1.0 million for the audit of the financial statements, for full year ending December 31, 2019 and six months ending December 31, 2018, respectively.

Changes in and Disagreements with Independent Auditors on Accounting and Financial Disclosure

To the best of our knowledge, there are no disagreements on any matter of accounting principles or practices, financial statement disclosure or accounting scope or procedure with the Company's external auditor.

Other Related Matters

On September 20, 2018, the Shareholders approved and ratified in the Company's Annual Stockholders' Meeting, among others, to change the accounting period to calendar year commencing on January 1 and ending on December 31 of the same year. As such, the amount reflected in the comparative period is only for six-month period ended December 31, 2018.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers

A. Directors, Executive Officers, Promoters and Control Persons

As of December 31, 2019, the name, age, citizenship and period of service of each of the current directors, including independent directors, of PT&T are as follows:

Name of Director	Age	Citizenship	Period of service
Salvador B. Zamora II	73	Filipino	August 10, 2017 to present
James G. Velasquez	54	Filipino	March 1, 2018 to present
Salvador T. Zamora III	43	Filipino	Since August 25, 2017
Serafin C. Ledesma, Jr.	78	Filipino	Since July 30, 2018
Roberto B. Ortiz	67	Filipino	Since July 30, 2018
Miguel Marco A. Bitanga	37	Filipino	Since July 2, 2018
Bienvenido S. Santos	62	Filipino	Since June 28, 2019

As of December 31, 2019, the name, age, position, citizenship and period of service of the executive officers of PT&T are as follows:

Name of Officer	Position	Age	Citizenship	Period Served
James G. Velasquez	President and Chief Executive Officer	54	Filipino	Since March 1, 2018 (as Director) Since July 2, 2018 (as President & CEO)
Miguel Marco A. Bitanga	Chief Operating Officer and Treasurer	37	Filipino	Since August 25, 2017
Concepcion D.S. Roxas	Chief People & Culture Officer	59	Filipino	Since July 2, 2018
Angelo Miguel R. Isip	Chief Finance Officer	27	Filipino	Since January 3, 2020
Patrick Vincent G. Pena	General Manager, Fixed Broadband	54	Filipino	Since July 2, 2018
Ella Mae Ortega	General Manager, IT Services	44	Filipino	Since January 4, 2019
Jeffrey E. Julian	VP - Network & Engineering Operations	45	Filipino	Since June 1, 2019
Juanita C. Rimando	VP - Carrier & Wholesale Business	49	Filipino	Since October 16, 2018
Kenneth Joey H. Maceren	Corporate Secretary	39	Filipino	Since February 1, 2018

The names of the incumbent Directors and Executive Officers of the Company and their respective current positions held, periods of service and business experience during the past five years are as follows:

Salvador Zamora II
Chairman of the Board

Mr. Salvador "Buddy" Zamora II is a renowned Philippine industry player. He is the Chairman and Chief Executive Officer of Tranzen Group Inc., a wholly owned Filipino holding company engaged in renewable energy generation, agro industries, and resort development.

Buddy was educated in the Ateneo de Manila University in the Philippines and in New York University, USA where he received his Masters' in Business Administration.

Mr. Zamora carved a name in the Philippine mining industry in the 1970's by establishing Nickel Asia Corporation, the largest lateritic nickel ore producer in the Philippines and one of the largest in the world. Mr. Zamora was the former president of Nickel Asia Corporation's operational sites: Hinatuan Mining Corporation, Taganito Mining Corporation and Cagdianao Mining Corporation. From 2006 to 2009, Mr. Zamora served as the President and Chief Executive Officer of Nickel Asia Corporation.

In 2008, Mr. Zamora formed Tranzen Group Inc. with a vision to become a leading diversified conglomerate in the country. Tranzen Group along with Carbon Assets Fund of Cayman Island built the Philippines' first methane production plant in Rizal. Also in Tranzen Group's pipeline are significant projects in hydro power generation and mining interest in Dinagat Island.

Mr. Zamora is also the Chairman of the following companies Philippine Phosphate Fertilizer Corporation, Bacavalley Energy, Inc., One Pacstar Realty Corporation, Two Pactstar Realty Corporation, Agusan Power Corporation, Philphos Trading Inc., Lear Aero Ltd., Inc., Libjo Mining Corporation, and Lake Mainit Hydro Holdings Corporation.

James G. Velasquez
Director, President and Chief Executive Officer

Mr. Velasquez was a Senior Executive for IBM Global Technology Services, Asia Pacific with 30 years experience in running several business units in the Philippines, ASEAN and in Asia Pacific focusing on P&L, IT business management, Operations, IT Infrastructure Management and Regional Sales. He was previously the President and Country General Manager for IBM Philippines where he was responsible for the overall IBM business operations and led both domestic and global delivery growth.

He previously served as Chairman of IBM Philippines and associated IBM subsidiaries, Board of Trustee of the PBSP, Board Member of the Management Association of the Philippines, Director of Asia Pacific College and Board Trustee of UST Engineering Alumni Association.

He is currently a board member of Disaster Recovery Institute of the Philippines.

He was a recipient of the following recognition: UST Engineering Centennial Award for Industry Leadership, UST's The Outstanding Alumni Award for Business Management and Letran Alumni Award for Industry. He also received the CEO EXCel Awards in 2011 in addition to garnering various recognition for IBM in the Philippines in the areas of Corporate Social Responsibility, Marketing Excellence, HR and ICT.

Miguel Marco A. Bitanga
Director, Chief Operating Officer and Treasurer

Mr. Bitanga received his Bachelor of Arts Degree in Interdisciplinary Studies Cum Laude from Ateneo de Manila University and a Master's in Business Administration from IESE Business School in Barcelona, Spain. He previously held the following positions: Managing Director of Benisons Shopping Center, Corporate Information Officer of MRC Allied, Inc. and Business Director of Flux Design Labs.

He was previously a Director of Mano Amiga Academy, a non-profit organization that provides free education to children in need and employment to their mothers.

He previously served as a Director, Treasurer and Chief Operations Officer of the Company from August 2017 until September 2018.

Salvador T. Zamora III
Independent Director

Mr. Zamora III is currently connected with the following corporations either as Director, Treasurer or Corporate Secretary: Libjo Mining Corporation, Isarog Renewable Energy Corporation, Skytactic Aero Philippines, Inc., Bacavalley Energy, Inc., La Costa Development Corporation, Inc., Lear Aero Ltd., Inc., Philippine Phosphate Fertilizer Corporation, Tranzen Group, Inc. and 5G Security Inc.

He received his Bachelor of Arts in Music Business from University of New Haven (Connecticut) and MM Music Technology from New York University.

Serafin C. Ledesma, Jr.
Independent Director

Mr. Ledesma is from Davao City. He was a former Station Manager, News Director and Program Director of various radio stations and news agencies in Mindanao. He was a Branch Manager of Telefast Communications from 1976-1978. He was also an Area Manager of Philippine Telegraph and Telephone Corporation from 1978-1982 and later on, the company's Vice-President for Mindanao from 1982-2001. From 1986-2001, he was a Co-Chairman of the Technical Working Group for the Interconnection of Telecommunications Network in Mindanao.

He also served as a Director of Davao City Water District from 2014-2016 and is currently a columnist and opinion writer, respectively, o f Sun Star Davao and Philippine News Agency.

Mr. Ledesma is likewise active in various civic organizations being the former President of the following organizations. Davao integrated Press Club (1974-1977). Media Dabaw (1978-1980) and Rotary Club of Davao (1997-1998).

Mr. Ledesma received his B.S. in Natural Science from the Mindanao Colleges (now University of Mindanao) in 1964.

Roberto B. Ortiz
Independent Director

Mr. Ortiz worked for Price Waterhouse (now PriceWaterhouseCoopers) from 1987-1994. He was the former Vice-President for Finance of Consolidated Industrial Gases Inc. from 1994-2003. From 2003-2009, Mr. Ortiz was the Chief Finance Officer of All Asian Countertrade Inc. and its subsidiaries: Sweet Crystals Integrated Sugar Mill Corporation and Basecom Inc.

Since 2010, he is a Director and Chief Finance Officer of Total Nutrition Corporation.

Mr. Ortiz received his B.S. in Management Engineering from Ateneo de Manila University in 1973.

Bienvenido S. Santos
Independent Director

Mr. Santos received his Bachelor of Science Degree in Management Engineering from Ateneo de Manila University. He is the Chairman of several corporations including, among others, BC Net, Asian Carmakers Corporation, GND Holdings, Beebeelee. He is also the Vice-Chairman of Sta. Rosa Motor Works, Inc., Eurobrands Distributor Inc., Columbian Motors Corporation, Columbian Manufacturing Corporation, and Subic Air, Inc. Mr. Santos is also a Director and President of several corporations operating different businesses in the Philippines.

Concepcion D.S. Roxas
Chief People & Culture Officer

Ms. Roxas is an experienced human resource practitioner. She was employed by companies in various corporations in the field of human resources: Supervisor, Manager, Recruitment Manager, Senior Manager, Consultant, Senior Consultant and HR Director.

In the field of telecommunications, she worked for Smart Communications, Inc. from 1994-2005 where she held the following positions: Recruitment Consultant, Recruitment Manager and Senior Manager. After leaving Smart Communications, Inc. she returned to said company last 2015 as its Senior HR Consultant for Organizational Development. Before joining PT&T, Recie was the HR Director of Conduit Global.

Ms. Roxas is a graduate of University of Sto. Tomas where she received her B.S. in Psychology.

Angelo Miguel R. Isip
Chief Finance Officer

Mr. Isip joined PT&T in 2018 as the Financial Controller. He has extensive experience in financial planning and analysis, financial reporting and analytics, strategic planning, corporate governance, and financial risk management.

Prior to joining PT&T, Mr. Isip served as a Finance Business Partner for the Lending Business of Globe Fintech Innovations, Inc. (Mynt); he was promoted shortly after to the position of Financial Controller. He also served as Senior Financial Services Risk Advisory Associate in SGV & Co./EY Philippines.

He graduated cum laude from the University of the Philippines with a Bachelor of Science Degree in Business Administration and Accountancy and is a licensed Certified Public Accountant.

Patrick Vincent G. Peña
General Manager - Fixed Broadband

Mr. Peña's experience in the telecommunications industry started in 1996 when he worked for Smart Communications, Inc. His work focused primarily on sales and marketing.

From 2000-2006, he was the Vice-President for Sales and Marketing for Meridian Telekoms, Inc., spending the last two years from 2004-2006 establishing Meridian's Broadband Wireless Product for the PLDT Group.

In 2007 he was named as the Vice-President and later, the Senior Vice-President, for Postpaid, Broadband, New Business and Marketing Services of Digitel Mobile Phils., Inc. (Sun Cellular).

Mr. Peña received his B.S. in Industrial Engineering from the University of the Philippines, Diliman where he remains active as the incumbent President of the UP IE Alumni Association.

Ella Mae Ortega
General Manager - IT Services

Miss Ortega graduated Cum Laude from University of the Philippines, Diliman with Bachelor's Degree in Business Administration.

She has over 22 years of professional experience and solid background in sales management, route to market management, customer relationship management, marketing, business and sales operations. She has held several executive management positions in IBM, Philippines Inc. when she joined in 1996, including Sales Specialist to Technology Services Manager for Global Services, for 1 year as ASEAN Offering Manager for Technical Support Services, from 2003 to 2006 as ASEAN Sales Channels Manager for Services, Industry Manager for Retail & Media from 2006-2009. Last position held was as Territory Manager for Large Enterprise Accounts.

Prior to joining the company she was the Country Manager at Teradata Philippines for 5 years.

Jeffrey E. Julian
Vice-President - Network Engineering and Operations

Mr. Julian has 21-years of experience in telecommunications industry having worked in various capacities in different telecommunications companies in the Philippines and abroad. His prior experience includes stints as Senior Project Manager, Senior Consultant, Project Director and National Project Head in various telecommunications projects with Nextel, Sun Cellular, Huawei, Ericsson and Fiber Home.

Mr. Julian received his B.S. in Electronics and Communications Engineering from the University of Santo Tomas, Manila.

Juanita C. Rimando
Vice-President – Carrier and Wholesale Business

Nitz is a graduate of Polytechnic University of the Philippines (Sta. Mesa) where she completed a Bachelor in Office Administration (BOA) degree. She also completed a Six Sigma Greenbelt Course in Motorola University in Malaysia and Master's Degree in Development Management in Asian Institute of Management in Makati City.

Nitz has 29 years of sales and executive work experience in the field of information and communications technology. Before joining PT&T, Nitz was the Vice President for Business and Operations in Source Telecoms. She also worked at Wificity as Vice President for Business Development, Comclark Network & Technology Corporation as Division Head for Sales, Bayan Telecommunications, Inc. where she held various sales positions the last of which was Head for Corporate Key Accounts and in Eastern Telecommunications, Inc.

She was formerly a Board of Director of Philippine Electronics and Telecommunications Federation (PETEF) and is currently a member of the Board of Director of Philippine Information and Communications Technology Organization (PICTO).

Kenneth Joey H. Maceren
Corporate Secretary

Mr. Maceren is a lawyer with litigation and corporate practice. For his litigation practice, he handles criminal, civil and labor cases. His corporate practice includes business organization restructuring, corporate housekeeping and administrative compliance. He was the former Legal Counsel of Megawide Construction Corporation and the former Corporate Secretary of MRC Allied, Inc., both publicly listed companies. He also worked for Makati based law firms immediately after passing the Bar Examinations.

He is a graduate of San Beda University College of Law (Mendiola, Manila) and was admitted to Philippine Bar in 2007.

B. Significant Employees

There is not a person who is not an Executive Officer expected by the Company to make significant contribution to the business.

C. Family Relationship

Salvador Zamora III is the son of Salvador Zamora II.

Other than this, there are no other family relationships known to the Company.

D. Involvement of Directors and Officers in Certain Legal Proceedings

During the past five (5) years and until the date of distribution of this Information Statement, the members of the Board of Directors and the Executive Officers:

a. have not filed any bankruptcy petitions or have not had bankruptcy petitions filed against them;

b. have not been convicted by final judgment or have any pending criminal cases;

c. have not been subject to any order, judgment or decree, or any court of competent jurisdiction (in a civil action), not subsequently reversed or vacated limiting its involvement in any type of business, securities, commodities or banking activities;

d. have not been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine Securities and Exchange Commission ("SEC") or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law.

Item 10. Executive Compensation

The following are the five (5) highest compensated officers of the Company:

Name of Executive Officer	Position
James G. Velasquez	President and Chief Executive Officer
Miguel Marco A. Bitanga	Chief Operating Officer and Treasurer
Concepcion D.S. Roxas	Chief People & Culture Officer
Patrick Vincent G. Pena	GM, Fixed Broadband
Ella Mae Ortega	GM, IT Services

The aggregate amount of compensation paid or accrued during the last three fiscal years to: (1) the Chief Operations Officer and four highest compensated officers and other officers of key management personnel (as a group unnamed) are as follows:

	Year	Salary	Bonus	Other Annual Compensation Income
Chief Executive Officer and four (4) highest compensated officers	2020 Projected	28,000,000	2,500,000	2,000,000
	2019 Actual	27,588,300	2,299,000	1,800,000
	2018 Actual	14,965,499	950,989	170,260
All other officers and directors as a group unnamed	2020 Projected	12,000,000	500,000	639,000
	2019 Actual	11,000,000	450,000	448,000
	2018 Actual	2,208,000	194,000	62,879

Item 11. Security Ownership of Certain Beneficial Owners and Management

A. Security Ownership of Certain Record and Beneficial Owners

Class	Name, Address of Owner and Relationship with the Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage
Common Shares	Menlo Capital Corporation Eurovilla 4 Bldg., Arnaiz Avenue, Makati City, Stockholder of Record	Same[1]	Filipino	560,000,000	37.33%
Common Shares	Telectronic Systems Inc. Spirit of Communications Center, 106 C. Palanca St., Legaspi Village, Makati City, Stockholder of Record	Same[2]	Filipino	300,000,246	20.00%
Common Shares	Republic Telecommunications Holdings, Inc. 106 C. Palanca St., Legaspi Village, Makati City, Stockholder of Record	Same[3]	Filipino	278,873,526	18.59%
Common Shares	PCD Nominee Corporation 37 Tower 1 The Enterprise Center, 6766 Ayala Avenue, Makati City	Various Stockholders	Filipino	149,897,157	9.99%
Common Shares	TIMCO Holdings, Inc. 106 C. Palanca St., Legaspi Village, Makati City, Stockholder of Record	Same[4]	Filipino	121,126,474	8.08%

[1] The Board of Directors of Menlo Capital Corporation has the power to decide how its shares in the Company are to be voted.
[2] The Board of Directors of Telectronic Systems Inc. has the power to decide how its shares in the Company are to be voted.
[3] The Board of Directors of Republic Telecommunications Holdings, Inc. has the power to decide how its shares in the Company are to be voted.
[4] The Board of Directors of Timco Holdings, Inc. has the power to decide how its shares in the Company are to be voted.

B. Security Ownership of Management

Class	Name of the Beneficial Owner	Amount and Nature of the Beneficial Ownership	Citizenship	Percentage
Common Stock	Salvador B. Zamora II (Chairman)	Direct: 1	Filipino	NIL
Common Stock	James G. Velasquez (Director, President and Chief Executive Officer)	Direct: 1	Filipino	NIL
Common Stock	Miguel Marco A. Bitanga (Director, Treasurer and Chief Operating Officer)	Direct: 1	Filipino	NIL
Common Stock	Salvador T. Zamora III (Independent Director)	Direct: 1	Filipino	NIL
Common Stock	Serafin C. Ledesma, Jr. (Independent Director)	Direct: 1	Filipino	NIL
Common Stock	Roberto B. Ortiz (Independent Director)	Direct: 1	Filipino	NIL
Common Stock	Bienvenido S. Santos (Independent Director)	Direct: 1	Filipino	NIL

C. Voting Trust Holders of 5% or More

The Board of Directors and Management of the Company have no knowledge of any person who, as of the Record Date, was directly or indirectly the beneficial owner of, or who has voting power with respect to, shares comprising more than 5% of shares of common stock

D. Changes in Control

On August 8, 2017, Republic Telecommunications Holdings, Inc. ("Retelcom") sold 560,000,000 common shares to Menlo Capital Corporation ("Menlo") which is equivalent to 37.33% of ownership in the Company. While Retelcom lost its control over the Company as a consequence of Menlo's acquisition, Menlo was not able to acquire control over the Company insofar as the number of shares it acquired is concerned.

Item 12. Certain Relationships and Related Transactions

The Company or any of its subsidiaries, for the last two (2) years, is not involved in any transaction or series similar transaction with any of its director, executive officer, or stockholder owning 10% or more of total outstanding shares and members of their immediate family who may have a direct or indirect material interest in such transaction.

PART IV - CORPORATE GOVERNANCE

Item 13. Corporate Governance

In January 2017, the Company promulgated its Manual on Corporate Governance ("Manual"). Given that the Company is in its transition stage with the entry of a new investor, recent changes in the composition of the Board of Directors and the newly hired Executive Officers, the Company is currently undertaking measures and initiatives to fully comply with the mandates of the Manual. At present, the Company is in the process of organizing the Board Committees required to be established under the Manual.

Should it be necessary or depending on the decision of the current management, the Company may revise or improve the existing Manual

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C.

See Exhibit 1 - Sustainability Report

Report on SEC Form 17-C (Current Reports)

We reported the following on SEC Form 17-C during the last quarter of 2019:

-Change in Corporate Contact Details and/or Website submitted on October 07, 2019
-Results of Organization/Meeting of Board Directors submitted on October 08, 2019
-Clarification of News Report submitted on October 28, 2019
-Material Information/Transactions submitted on December 11, 2019
-Legal Proceedings submitted on December 12, 2019

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati, Metro Manila, Philippines on _______________, 2020.

By: **PHILIPPINE TELEGRAPH & TELEPHONE CORP.**
Issuer

JAMES G. VELASQUEZ
President and Chief Executive Officer

ANGELO MIGUEL R. ISIP
Chief Finance Officer

KENNETH JOEY H. MACEREN
Corporate Secretary

SUBSCRIBED AND SWORN to before me this ____ day of JUN 0 5 2020 20__ affiant(s) exhibiting to me his/their government issued ID's, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
James G. Velasquez	P3536307A	June 30, 2017	Manila
Angelo Miguel R. Isip	EC6024370	December 1, 2015	Manila

NAMES	TIN	DATE OF ISSUE	PLACE OF ISSUE
Kenneth Joey H. Maceren	259-161-439	February 4, 2009	Makati City

RENATO M. LEE
Appt. No.M-75 Until 31 Dec. 2020
IBP No. 104801; 01-09-2020; Makati
PTR No. 6440685; 01/08/2020, Pasig
Roll No. 32579
MCLE No. VI-0018288; 02/06/2019
6F, SCC Bldg., 106 C. Palanca St.,
Legaspi Village, Makati City
Notary Public

Doc No : 427
Page No : 87
Book No : 637
Series of : 2020

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
INDEX TO FINANCIAL STATEMENTS

FORM 17-A, Item 7

PT&T

106 Carlos Palanca St., Legazpi Village
Makati City, Metro Manila Philippines, 1229
(+632) 8-726-8888 • inquiries@ptt.com.ph • www.ptt.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the six-month period ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Alas, Oplas & Co., CPAs, the independent auditors, appointed by the Management have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the Management, have expressed their opinion on the fairness of presentation upon completion of such audit.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 08 2020
RECEIVED

SALVADOR B. ZAMORA II
Chairman of the Board

JAMES G. VELASQUEZ
President and Chief Executive Officer

ANGELO MIGUEL R. ISIP
Chief Financial Officer

Signed this ___ day of May 2020

SUBSCRIBED AND SWORN to before me this JUN 0 5 2020 day of _____ 2020 affiants exhibiting to me their government issued IDs, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Salvador B. Zamora II	P9664400A	November 22, 2018	Manila
James G. Velasquez	P3536307A	June 30, 2017	Manila
Angelo Miguel R. Isip	EC6024370	December 1, 2015	Manila

NOTARY PUBLIC

RENATO M. LEE
Appt. No.M-75 Until 31 Dec. 2020
IBP No. 104801; 01-09-2020; Makati
PTR No. 6440685; 01/08/2020, Pasig
Roll No. 32579
MCLE No. VI-0018288; 02/06/2019
6F, SCC Bldg., 106 C. Palanca St.,
Legaspi Village, Makati City

Doc No : 425
Page No : 86
Book No : 637
Series of : 2020

Alas Oplas & Co., CPAs

Alas Oplas & Co., CPAs
23/F Philippine AXA Life Centre
1286 Sen. Gil Puyat Avenue
Makati City, Philippines 1200
Phone: (632) 7759-5090 | (632) 8889-1861
Email: aocheadoffice@alasoplascpas.com
www.alasoplascpas.com

Independent Member of
BKR International

INDEPENDENT AUDITORS' REPORT
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
Spirit of Communications Center,
106 C. Palanca Street, Legaspi Village
Makati City

We have examined the financial statements of **PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION** as at December 31, 2019 and 2018 and for the year ended December 31, 2019, six-month period ended December 31, 2018 and year ended June 30, 2018, on which we have rendered the attached report dated April 14, 2020.

In compliance with Revised SRC Rule 68, we are stating that the said Company has a total number of three thousand six hundred seventy-nine (3,679) stockholders owning more than one hundred (100) shares.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
Date JUN 08 2020
RECEIVED

ALAS, OPLAS & CO., CPAs
BOA Registration No. 0190, valid from September 4, 2019 to October 30, 2022
SEC A.N. (Firm) 0321-FR-1, issued on February 7, 2019; effective until February 6, 2022
TIN 002-013-406-000
BIR A.N. 08-001026-000-2018, issued on January 25, 2018; effective until January 24, 2021

By:

GADIOSA R. MARTINEZ
Partner
CPA License No. 0107497
SEC A.N. (Individual) No. 1766-A, issued on August 27, 2019; effective until August 26, 2022
TIN 223-383-235
BIR A.N. 08-006636-001-2020, issued on February 24, 2020; effective until February 23, 2023
PTR No. 8117106, issued on January 2, 2020, Makati City

April 14, 2020
Makati City, Philippines

Alas Oplas & Co., CPAs

Alas Oplas & Co., CPAs
23/F Philippine AXA Life Centre
1286 Sen. Gil Puyat Avenue
Makati City, Philippines 1200
Phone: (632) 7759-5090 | (632) 8889-1861
Email: aocheadoffice@alasoplascpas.com
www.alasoplascpas.com

Independent Member of
BKR International

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
Spirit of Communications Center,
106 C. Palanca Street, Legaspi Village
Makati City

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of **PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION** (the "Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of income (loss), statements of comprehensive income (loss), statements of changes in capital deficiency and statements of cash flows for the year ended December 31, 2019, six-month period ended December 31, 2018, and year ended June 30, 2018 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows year ended December 31, 2019, six-month period ended December 31, 2018 and year ended June 30, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company has incurred net losses amounting to ₱52,402,835 and ₱88,152,538 for the year ended December 31, 2019, six-month period ended December 31, 2018, respectively, resulting to accumulated deficit and capital deficiency amounting to ₱11,819,294,517 and ₱776,735,639, respectively, as at December 31, 2019.

We further draw attention to Note 1 to the financial statements, which indicates that on August 6, 2018, the Regional Trial Court Branch 66 of Makati City (the "Rehab Court") has granted the Company's request to exit from rehabilitation subject to certain requirements in line with the court-approved Rehab plan. Corporate rehabilitation was approved by the Rehab Court on April 1, 2011 and on December 21, 2018, the Company received an order from the Rehab Court denying the opposition and motions for reconsideration filed by the creditors of the Company on the Rehab Court's August 6, 2018 order which allowed the Company to exit from rehabilitation subject to the fulfillment of certain conditions.

In the same order, the Rehab Court confirmed that the Company substantially complied with the conditions provided for under the August 6, 2018 order. In view of the said substantial compliance, the Rehab Court declared that the Company is now out of rehabilitation and its exit is no longer conditional.

These events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter. We performed audit procedures to evaluate management's plans for such future actions as to likelihood to improve the situation and as to feasibility under the circumstances.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Accounting for Court-Approved Rehabilitation Plan

On April 1, 2011, the Rehab Court approved the corporate rehabilitation plan submitted by the Company on August 20, 2009. There is a risk that the Company's financial position and result are influenced through management bias in interpreting of and accounting for the Rehab Court's order. Specifically, these risks which are highly subjective and involves significant judgments and estimates such as: (1) settlement through conversion of obligation to 12-year serial redeemable preferred shares; and (2) applicability and accrual of 6% legal interest on each obligation. The Company's assessment of these significant accounting judgment and estimates are disclosed in Note 6 to the financial statements.

Audit Response

Our audit procedures included, among others: evaluating the legal opinion of the rehab receiver and rehab counsel as to interpretation of and accounting for: (1) settlement through conversion of obligation to 12-year serial redeemable preferred shares; and (2) application and accrual of 6% legal interest on each obligation; involving our lawyers to assist and perform independent assessment of the legal opinion; considering the financial reporting bulletin issued by the Philippine Securities and Exchange Commission; and recalculating the interest following the provisions of the Rehab Court-approved Rehab Plan. We assessed the potential risk of management bias and the adequacy of the disclosure in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

JUN 08 2020

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No.15-2010 in Note 37 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the Management of **PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is Gadiosa R. Martinez.

ALAS, OPLAS & CO., CPAs
BOA Registration No. 0190, valid from September 4, 2019 to October 30, 2022
SEC A.N. (Firm) 0321-FR-1, issued on February 7, 2019; effective until February 6, 2022
TIN 002-013-406-000
BIR A.N. 08-001026-000-2018, issued on January 25, 2018; effective until January 24, 2021

By:

GADIOSA R. MARTINEZ
Partner
CPA License No. 0107497
SEC A.N. (Individual) No. 1766-A, issued on August 27, 2019; effective until August 26, 2022
TIN 223-383-235
BIR A.N. 08-006636-001-2020, issued on February 24, 2020; effective until February 23, 2023
PTR No. 8117106, issued on January 2, 2020, Makati City

April 14, 2020
Makati City, Philippines

Philippine Telegraph & Telephone Corporation
Financial Statements
MAKATI CITY – PHILIPPINES

FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
In Philippine Pesos

	Notes	2019	2018
ASSETS			
Current Assets			
Cash	7	**23,916,220**	11,847,930
Receivables – net	8	**73,685,408**	43,892,294
Due from related parties	23	**2,206,395**	6,777,680
Other current assets	9	**8,452,626**	16,208,129
Non-current assets held for sale	10	**378,680,744**	–
Total Current Assets		**486,941,393**	78,726,033
Non-current Assets			
Land at revalued amounts	11	**–**	360,360,000
Property and equipment at cost – net	12	**156,422,917**	168,176,468
Right-of-use assets – net	30	**30,116,102**	–
Investment properties at cost	13	**225,708,208**	235,794,708
Other non-current assets – net	14	**42,718,611**	41,436,782
Total Non-current Assets		**454,965,838**	805,767,958
TOTAL ASSETS		**941,907,231**	884,493,991

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
In Philippine Pesos

	Notes	2019	2018
LIABILITIES AND CAPITAL DEFICIENCY			
Current Liabilities			
Trade and other payables	15	**339,811,158**	238,197,788
Statutory obligations	16	**480,640,252**	499,789,411
Accrued interests, expenses and other liabilities	17	**278,142,193**	247,870,906
Lease liabilities – current portion	30	**11,223,922**	–
Loans payable – current portion	18	**667,583**	1,106,680
Due to related parties	23	**269,006,260**	303,683,544
Income tax payable		**9,257,523**	12,317,465
Total Current Liabilities		**1,388,748,891**	1,302,965,794
Non-current Liabilities			
Lease liabilities – net of current portion	30	**19,922,556**	–
Loans payable – net of current portion	18	**844,668**	1,494,964
Deposit for subscription in accordance with the court-approved rehabilitation plan	19	**130,000,000**	130,000,000
Retirement benefits liability	20	**133,313,602**	114,096,777
Deferred tax liabilities	29	**45,813,153**	50,142,957
Total Non-current Liabilities		**329,893,979**	295,734,698
TOTAL LIABILITIES		**1,718,642,870**	1,598,700,492
Capital Deficiency			
Share capital	21	**10,935,991,894**	10,935,991,894
Revaluation surplus	11	**102,102,000**	102,102,000
Accumulated actuarial gain on retirement benefits	20	**4,795,356**	14,898,232
Unrealized valuation loss on equity investments	14	**(330,372)**	(306,945)
Deficit		**(11,819,294,517)**	(11,766,891,682)
Total Capital Deficiency		**(776,735,639)**	(714,206,501)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY		**941,907,231**	884,493,991

See accompanying Notes to the Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
Date JUN 08 2020

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
STATEMENTS OF INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2019, SIX-MONTH PERIOD ENDED DECEMBER 31, 2018 AND YEAR ENDED JUNE 30, 2018
In Philippine Pesos

	Notes	**Year ended December 31, 2019**	Six-month period ended December 31, 2018	Year ended June 30, 2018
REVENUES	24	**396,043,723**	129,571,642	200,813,899
OTHER INCOME				
Rent	13	**1,578,240**	1,624,023	6,994,454
Other income	25	**7,066,274**	2,276,160	58,456,527
		8,644,514	3,900,183	65,450,981
COST AND EXPENSES				
Selling, general and administrative expenses	26	**301,072,936**	168,428,499	152,894,266
Upstream internet connectivity		**34,636,552**	14,301,585	4,757,426
Cost of sales		**31,768,838**	–	–
Depreciation	12,30	**43,731,398**	14,716,397	19,947,611
Penalty and surcharge		**77,318**	4,066,080	7,400,855
Interest expenses	28	**42,930,558**	20,111,802	27,735,966
		454,217,600	221,624,363	212,736,124
INCOME (LOSS) BEFORE INCOME TAX		**(49,529,363)**	(88,152,538)	53,528,756
INCOME TAX	29	**(2,873,472)**	–	(28,799,624)
NET INCOME (LOSS)		**(52,402,835)**	(88,152,538)	24,729,132
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	22	**(0.03)**	(0.06)	0.02

See accompanying Notes to the Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS
Date JUN 08 2020
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PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2019, SIX-MONTH PERIOD ENDED DECEMBER 31, 2018 AND YEAR ENDED JUNE 30, 2018
In Philippine Pesos

	Notes	**Year ended December 31, 2019**	Six-month period ended December 31, 2018	Year ended June 30, 2018
NET INCOME (LOSS)		**(52,402,835)**	(88,152,538)	24,729,132
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss in subsequent periods				
Unrealized valuation loss on equity investments	14	**(23,427)**	(28,044)	(86,697)
Actuarial income (loss) on retirement benefits liability	20	**(10,102,876)**	16,431,445	(4,696,895)
		(10,126,303)	16,403,401	(4,783,592)
TOTAL COMPREHENSIVE INCOME (LOSS)		**(62,529,138)**	(71,749,137)	19,945,540

See accompanying Notes to the Financial Statements.

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY
FOR THE YEAR ENDED DECEMBER 31, 2019, SIX-MONTH PERIOD ENDED DECEMBER 31, 2018 AND YEAR ENDED JUNE 30, 2018
In Philippine Pesos

	Paid-up capital (Note 21)		Deposit for subscription in accordance with the court-approved rehabilitation plan (Note 21)	Revaluation surplus (Note 11)	Accumulated actuarial gain (Loss) on retirement benefits (Note 20)	Unrealized valuation loss on equity investments (Note 14)	Deficit	Total
	Common	Preferred						
Balances at July 1, 2017	2,224,255,313	–	–	102,102,000	3,163,682	(192,204)	(11,703,468,276)	(9,374,139,485)
Net income for the year	–	–	–	–	–	–	24,729,132	24,729,132
Other comprehensive loss	–	–	–	–	(4,696,895)	(86,697)	–	(4,783,592)
Total comprehensive income (loss)	–	–	–	–	(4,696,895)	(86,697)	24,729,132	19,945,540
Balances at June 30, 2018	2,224,255,313	–	–	102,102,000	(1,533,213)	(278,901)	(11,678,739,144)	(9,354,193,945)
Deposit for future stock subscription	–	–	8,711,736,581	–	–	–	–	8,711,736,581
Net loss for the six-month period	–	–	–	–	–	–	(88,152,538)	(88,152,538)
Other comprehensive income (loss)	–	–	–	–	16,431,445	(28,044)	–	16,403,401
Total comprehensive income (loss)	–	–	–	–	16,431,445	(28,044)	(88,152,538)	(71,749,137)
Balances at December 31, 2018	2,224,255,313	–	8,711,736,581	102,102,000	14,898,232	(306,945)	(11,766,891,682)	(714,206,501)
Net loss for the year	–	–	–	–	–	–	(52,402,835)	(52,402,835)
Other comprehensive loss	–	–	–	–	(10,102,876)	(23,427)	–	(10,126,303)
Total comprehensive loss	–	–	–	–	(10,102,876)	(23,427)	(52,402,835)	(62,529,138)
Balances at December 31, 2019	2,224,255,313	–	8,711,736,581	102,102,000	4,795,356	(330,372)	(11,819,294,517)	(776,735,639)

See accompanying Notes to the Financial Statements.

JUN 08 2020

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019, SIX-MONTH PERIOD ENDED DECEMBER 31, 2018 AND YEAR ENDED JUNE 30, 2018
In Philippine Pesos

	Notes	December 31, 2019	December 31, 2018	June 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**(49,529,363)**	(88,152,538)	53,528,756
Adjustments for:				
Depreciation	12,30	**43,731,398**	14,716,397	19,947,611
Interest expenses	28	**42,930,558**	20,111,802	27,735,966
Movement in retirement benefits liability	20	**8,219,990**	6,360,139	6,988,992
Unrealized forex gain	25	**(1,461,009)**	(379,561)	–
Provision for ECL	26	**780,496**	669,809	899,350
Unrealized forex loss	26	**152,028**	6,476	832,481
Interest income	25	**(71,532)**	(24,407)	(112,188)
Dividend income	25	**(12,312)**	(6,156)	(12,996)
Operating income (loss) before working capital changes		**44,740,254**	(46,698,039)	109,807,972
Decrease (increase) in operating assets:				
Trade and other receivables		**(30,573,610)**	(35,565,535)	70,502,876
Due from related parties		**4,571,285**	865,161	(36,782,835)
Other current assets		**7,578,749**	(10,598,984)	(6,420,924)
Other non-current assets		**(1,453,912)**	(24,786,845)	(12,780,034)
Increase (decrease) in operating liabilities:				
Trade and other payables		**101,613,370**	57,353,670	31,878,836
Statutory obligations		**(19,149,159)**	(18,080,885)	6,244,220
Accrued expenses and other liabilities		**7,667,059**	15,363,422	(52,740,566)
Net cash generated from (used in) operations		**114,994,036**	(62,148,035)	109,709,545
Benefits paid		**(3,435,845)**	–	(16,098,697)
Interest paid		**(11,147,339)**	(6,616,103)	(190,836)
Income tax paid		**(5,933,414)**	–	–
Interest received		**71,532**	24,407	112,188
Net cash generated from (used in) operating activities		**94,548,970**	(68,739,731)	93,532,200
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property and equipment	12	**(27,901,336)**	(14,816,168)	(100,519,650)
Dividend received		**12,312**	6,156	12,996
Net cash used in investing activities		**(27,889,024)**	(14,810,012)	(100,506,654)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments to (advances from) related parties		**(40,182,533)**	86,720,040	8,201,135
Payments of lease liabilities	30	**(13,330,841)**	–	–
Payments of loan principal	18	**(1,074,910)**	(508,526)	–
Proceeds from loans	18	**–**	3,078,400	–
Net cash generated from (used in) financing activities		**(54,588,284)**	89,289,914	8,201,135
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE IN CASH		**(3,372)**	(6,476)	–
NET INCREASE IN CASH		**12,068,290**	5,733,695	1,226,681
CASH AT BEGINNING OF YEAR/PERIOD	7	**11,847,930**	6,114,235	4,887,554
CASH AT END OF YEAR/PERIOD	7	**23,916,220**	11,847,930	6,114,235

See accompanying Notes to the Financial Statements.

BUREAU OF INTERNAL REVENUE LARGE TAXPAYERS SERVICE LARGE TAXPAYERS ASSISTANCE DIVISION
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1. CORPORATE INFORMATION

1.01 Company Profile

Philippine Telegraph & Telephone Corporation (the "Company") was incorporated on October 16, 1962 and subsequently registered with the Philippine Securities and Exchange Commission ("SEC") on November 14, 1962 under the laws of the Philippines as a diversified telecommunications entity catering to the corporate, small and medium business and residential segments. On October 19, 2012, at the Special Stockholders' Meeting, the stockholders representing at least 2/3 of the outstanding capital stock approved the amended articles of incorporation extending the corporate term for another 50 years until November 14, 2062. On November 26, 2012, SEC approved the Company's extension of corporate term for another 50 years.

On August 25, 2017, Republic Telecommunications Holdings, Inc. ("RETELCOM") and Menlo Capital Corporation ("MENLO") entered into a Sale and Transfer Agreement wherein RETELCOM agreed to sell and transfer 560,000,000 common shares, representing 37.33% ownership interest, of the Company in favor of MENLO.

The registered office address of the Company is 106 Carlos Palanca, Jr. St., Legaspi Village, Makati City and is domiciled in the Philippines.

Legislative Franchise
On June 20, 1964, the Company was granted a 25-year national legislative franchise under Republic Act ("RA") No. 4161, as amended by RA Nos. 5048 and 6970, allowing the Company to establish, install, maintain and operate wire and/or wireless telecommunications systems, lines, circuits and stations throughout the Philippines for public domestic and international communications, and to provide domestic record communications services which consisted of telex, telegraph, and private leased circuits. On July 21, 2016, the Company was granted an extension of its franchise for another 25 years under RA No. 10894, An Act Extending to Another Twenty-Five (25) Years the Franchise Granted to the Philippine Telegraph & Telephone Corporation (PT&T) to Establish, Install, Maintain and Operate Wire and/or Wireless Telecommunications Systems, Lines, Circuits and Stations Throughout the Philippines for Public Domestic and International Communications under Republic Act No. 4161, as Amended.

The Company has various Certificates of Public Convenience and Necessities ("CPCNs") and Provisional Authorities ("PAs") granted by the National Telecommunications Commission ("NTC") for the conduct of its telecommunications activities. These CPCNs and PAs include, among others, enabling the Company to provide data communications services, to implement its expansion and improvement programs covering among others the installation, operation, and maintenance of an integrated digital network in the National Capital Region ("NCR"), and to install, operate and maintain a national packet data network with the accompanying authority to charge rates for said services.

Aside from NTC-authorized Datacom services, the Company was granted a CPCN that enable the Company to participate in the government's liberalization of telecommunications industry as mandated under Executive Order ("EO") No. 109. While beforehand the Company was already operating as inter-exchange carrier pursuant to the NTC Case No. 90-129 which enabled the Company to provide inter-exchange trunk facilities to connect with local exchange carriers ("LEC") and public calling offices for long distance toll service, the said EO 109 thereafter enabled the Company to become a LEC operator authorized under NTC Case No. 94-022. As a LEC operator, the Company was granted Region IV-A comprising of the provinces of Aurora, Laguna, Marinduque, Quezon, Rizal, and Romblon for LEC services. The Company, along with its related party, Capitol Wireless, Inc. ("CWI"), has been granted the CPCN to establish, operate and maintain international gateway facilities to/from foreign countries as authorized under NTC Case Nos. 93-144 and 94-022.

The Company was also granted with certificate of registration as a value-added service ("VAS") provider by the NTC. As part of the VAS, the Company offers internet access service; virtual private network, electronic mail ("e-mail"), messaging services, web hosting, electronic commerce, firewall service and e-learning. The VAS is valid from September 6, 2013 up to September 5, 2022.

Public Hearing on Franchise
The Company is a grantee of the franchise to establish, install, maintain and operate wire and/or wireless telecommunications systems, lines, circuits and stations throughout the Philippines for public and international communications. On February 20, 2018, the Subcommittee on Oversight (Legislative Franchise) ("Subcommittee") of the House of Representatives conducted a public hearing on the alleged sale of the Company's ownership interest to MENLO without Congressional approval. As stated in Republic Act (RA) No. 10894, Section 14, the grantee shall not sell, lease, transfer, grant the usufruct of, nor assign this franchise or the rights and privileges acquired thereunder to any person, firm, company, corporation, or other commercial or legal entity, nor merge with any other corporation or entity, nor shall transfer the controlling interest of the grantee, whether as a whole or in parts, and whether simultaneously or contemporaneously, to any person, firm, company, corporation or entity without the prior approval of Congress of the Philippines. Further, the Congress shall be informed of any sale, lease, transfer, grant of usufruct, or assignment of franchise or the rights and privileges acquired thereunder, or of the merger, or transfer of the controlling interest within sixty (60) days after the completion of said transaction. Furthermore, failure to report to Congress such change of ownership shall render the franchise ipso facto revoked.

The Subcommittee have opened an inquiry into the non-compliance with the terms and conditions of the franchise. The Company made clear its position that based on the applicable law on the matter and the factual circumstances surrounding the sale of the Company's shares, the approval by Congress is not required before the new investors can enter the Company. Considering there are other items that the Subcommittee on Oversight wants to be clarified, the Company was required to submit a Position Paper to clarify all concerns on the compliance by the Company of the provisions of its franchise.

The Company complied with the requirement and submitted a Position Paper on March 7, 2018 followed by a Supplemental Position Paper on March 21, 2018. As at April 14, 2020, the Company is yet to receive response from the Subcommittee regarding the Position Paper and the Supplemental Position Paper submitted.

Status of Shares Listing in the Philippine Stock Exchange ("PSE")
The Company listed its shares in the PSE. On December 10, 2004, the Company requested the voluntary suspension of trading of its shares citing the non-completion of audit of financial statements which was approved by the PSE on December 13, 2004.

The Company, however, continues to file with the SEC for the prescribed quarterly and periodic information reports, PSE for the required disclosure statements and Bureau of Internal Revenue (BIR) for the quarterly and annual income tax return based on interim unaudited financial statements.

On August 29, 2017, the Company requested for the lifting of the voluntary suspension of the trading of its shares with the PSE appealing that the Makati City Regional Trial Court - Branch 66 (the "Rehab Court") acknowledged the importance of the lifting of the suspension of trading of the Company's shares with the PSE in going forward with its business.

On September 7, 2017, the PSE responded to the Company's request dated August 29, 2017 mentioning that without the SEC approval of the temporary exemptive relief, the Company may be found non-compliant with the structured reportorial requirements of the PSE given the Company's non-submission of the annual and quarterly reports. Furthermore, the PSE requested additional information from the Company which include, among others, updates on the implementation of the court-approved rehabilitation plan to proceed with the evaluation of the request.

On April 20, 2018, the Company received show cause letters from the Markets and Securities Regulation Department (MSRD) all dated April 19, 2018 requiring the Company to submit a written explanation on alleged violations and/or deficiencies.

On April 26, 2018, the Company replied to show cause letters explaining support of the Company's argument that it should not be held administratively liable by the SEC.

On June 5, 2018, MSRD issued letter to the Company and cited liable for violating the pertinent provisions of Rules 17, 20 and 68 of the implementing rules and regulations of the Securities Regulation Code (SRC), as amended, for the Company's failure to (i) conduct its annual stockholders' meeting and (ii) file its audited financial statements and (iii) annual information statements.

The Company's registration statement was suspended and shall be lifted only upon full compliance with necessary requirements.

On June 14, 2018, the Company paid the monetary penalties assessed by the MSRD amounting to ₱7,000,000 for the non-compliance with the SEC's reportorial requirements. In addition, the Company conducted its Stockholders' Meeting on September 20, 2018.

On October 3, 2018, the Company submitted the required documents and reports in full compliance of the Order dated June 5, 2018.

On February 5, 2020, the Company Registration and Monitoring Department (CRMD) issued a certification relating to PT&T's good standing with the SEC.

On March 16, 2020, the Company filed its Revised Amended Registration Statements to update the SEC on the events that occurred from October 3, 2018 filing up to the filing of the report.

Increase in Authorized Capital Stock
In a meeting dated July 30, 2018, the Board of Directors of the Company approved to increase the authorized capital stock of the Company from ₱3,800,000,000 to ₱15,600,000,000. The increase was approved by the stockholders in the Company's Annual Stockholders' Meeting held on September 20, 2018.

On October 9, 2018, the Company has filed the amendment of Article 7 of the Amended Articles of Incorporation with the SEC to increase the authorized capital stock from ₱3,800,000,000 to ₱15,600,000,000 broken down as follows:

a) 4,500,000,000 common shares at ₱1 par value per share;
b) 230,000,000 Serial Cumulative Convertible Redeemable Preferred Shares at ₱10 par value per share;
c) 6,750,000,000 Series A Serial Redeemable Preferred Shares at ₱1 par value per share;
d) 1,800,000,000 Series B Serial Redeemable Preferred Shares at ₱1 par value per share; and
e) 250,000,000 Series C Serial Redeemable Preferred Shares at ₱1 par value per share.

The amendment was approved by the SEC on October 31, 2018. As at April 14, 2020, the Company has issued share certificates to creditors amounting to ₱326,085.

Third Telco Bidding
On November 7, 2018, the Company joined the selection for the new major player in the Philippine Telecommunication Market ("Third Telco Bidding") wherein the Selection Committee disqualified the Company. The disqualification is not warranted for the lacking document in question is the subject of the Petition for Declaratory Relief filed by the Company last November 6, 2018 with the Regional Trial Court of Makati City, Branch 134.

On November 9, 2018, the Company filed a Motion for Reconsideration before the Selection Committee of the NTC. In a letter dated November 12, 2018, the Selection Committee denied the Company's Motion for Reconsideration.

As approved by the Board of Directors (BOD), the Company filed a Petition for Certiorari with the SC on November 16, 2018 to assail the decision of the Selection Committee in disqualifying the Company. On December 12, 2018, the BOD of the Company approved the filing of an Amended Petition for Certiorari with the SC. The amendments intend to supplement and further strengthen the arguments previously raised in the Petition for Certiorari. The Amended Petition for Certiorari was filed with the SC on December 12, 2018, pending resolution from SC as at April 14, 2020.

Status of Operations
In 2008, the Company adopted to the changes in technology and shifted its products and services to offer broadband data services, fixed wireless services, Point to Point and Point to Multipoint Wireless Communications Services and Network Operations Center using the same LEC Network (see Note 32).

The Company is currently focused on broadband internet access services as a result on growth of wireless/mobile systems and the rise of broadband internet demand. As such, the Company's main source of revenue is broadband internet access services (see Note 24). The Company offers dedicated or shared internet access service, via fiber or wireless, and operates a broadband network across the NCR, and Regions III and IV catering corporate, business and residential customers.

In 1998, the decline of the Philippine peso vis-à-vis the U.S. dollar, intra-corporate litigations in RETELCOM which resulted in non-realization of RETELCOM's planned additional capital infusion into the Company, increasing competitive pressure among industry players, market and technology changes, in particular short messaging services (i.e., SMS, more popularly known as text messaging), and deregulation have all contributed to decreased margins in the telecommunications industry and market shift to mobile phones. This, in turn, severely affected the Company's ability to settle its maturing obligations.

In response to these economic events and financial pressures, the Company has reviewed its businesses with the objective of optimizing revenues, reducing expenses and improving service quality. The Company's medium-term strategy now focuses on the emerging internet era with its offering of broadband internet access and other VAS to e-business providers. In addition, as discussed below, the Company finalized the restructuring of a substantial portion of its outstanding obligations to its various creditor banks and certain suppliers.

On November 26, 2002, the Company's creditors, representing 75% of the outstanding liabilities being restructured, approved the Company's debt restructuring proposal and accordingly signed the Master Restructuring Agreement, Dollar Facility Agreement, Peso Facility Agreement and other documents, collectively called the "Definitive Agreements", covering the said debt restructuring. On October 27, 2003, the Company's lenders who have signed the Definitive Agreements represent 93% of the outstanding liabilities restructured.

On August 20, 2009, after the Definitive Agreements did not materialize, RETELCOM, the Company, Philippine Wireless, Inc. (PWI), CWI, and Wavenet Philippines, Inc. (WPI) (collectively referred to as the "RETELCOM Group") jointly filed a petition for Corporate Rehabilitation and Suspension of Payments pursuant to the Rules of Procedure on Corporate Rehabilitation, A.M. No. 00-8-10-SC. The said petition was accompanied by the RETELCOM Group's proposed rehabilitation plan (the "Rehab Plan") and was docketed as SP. Proc. No. M-6853 and raffled to the Rehab Court. On August 24, 2009, the Rehab Court issued an order staying enforcement of all claims, whether for money or otherwise against the RETELCOM Group ("Stay Order") and appointing a rehabilitation receiver (the "Rehab Receiver").

On April 1, 2011, the Rehab Court approved the proposed Rehab Plan subject to certain modifications, which was immediately executory (see Note 2).

In 2011, certain creditors, representing 8.5% and 12.8% of the secured and unsecured creditors, respectively, filed before the Court of Appeals ("CA") a petition for review with prayer for Temporary Restraining Order and/or Writ of Preliminary Injunction.

On May 19, 2017, the CA granted the review of the consolidated petitions, and reversed, set aside and dismissed the Rehab Court's decision dated April 1, 2011 in SP Proc. No. M-6853 ("CA Decision").

On June 13, 2017, the RETELCOM Group filed a Motion for Reconsideration in relation to the CA Decision dated May 19, 2017 citing, among others, that rehabilitation is still the better option to take for the Company to settle its obligations and to reinstate to its former position of successful operation and solvency. The RETELCOM Group further indicated in the Motion for Reconsideration that the said creditors who filed the petition before the CA represent only 8.5% and 12.8% of the secured and unsecured creditors, respectively, and that it will be a grave injustice to the remaining 91.5% and 87.2% of the other secured and unsecured creditors, respectively. Consequently, the creditors filed their comments and opposition to the RETELCOM Group's Motion for Reconsideration.

On October 10, 2017, the RETELCOM Group filed a consolidated reply respectfully reiterating that the judgment be rendered anew reconsidering the CA Decision and a resolution be issued granting instant Motion for Reconsideration, thereby dismissing the appeals in these cases based on the following, among others:

- Entry of MENLO as the new owner of the Company and its impact.
- Capabilities and credentials of MENLO which will enable the Company to fulfill its obligations under the court-approved Rehab Plan.
- The Company is envisaged as the third player in telecommunications industry.
- The Philippine telecommunications market is in need of more competition in order that the Filipino people can avail of efficient, greater capacity internet broadband connectivity with low latency at very affordable rates.
- The Company has the competitive edge to compete in the broadband marketplace. The Company is not saddled with the legacy investments in 2G/3G networks, thereby enabling it to leapfrog to the next 5G generation network.

On October 11, 2017, the CA denied the Motion for Reconsideration as it finds no cogent reason to warrant a reconsideration of the assailed decision.

On December 4, 2017, the RETELCOM Group filed petition for certiorari before the Supreme Court (SC) requesting the SC to review the CA Decision citing that the CA erred in dismissing the petition for corporate rehabilitation indicating the following arguments:

- Rehabilitation proceeding is a relief that is accorded to financially distressed corporations, partnerships, and associations. As opposed to liquidation, rehabilitation is preferred relief. The rationale of a rehabilitation proceeding is to effect feasible and viable rehabilitation by preserving a foundering business as going concern, because the assets of a business are often more valuable when so maintained than they would be when liquidated.
- The Company is on the road to financial vigor. The Company is talking to potential investors to form strategic partnerships with the aim of becoming a major player in the Philippine market which is a sign of its way to financial recovery. To scuttle these plans by outright rejecting them through the dismissal of its Rehab Plan would mean injustice not only to its investors but to its employees, creditors, stockholders, and the general public.
- The said creditors who filed the petition before the CA represent only 8.5% and 12.8% of the secured and unsecured creditors, respectively, and that it will be a grave injustice to the remaining 91.5% and 87.2% of the other secured and unsecured creditors, respectively, to resort to the Company's liquidation, especially in the light of recent developments in the takeover of the Company's management. These creditors have shown continuous support for the ongoing rehabilitation and have not actually opposed the order dated April 1, 2011.

- The Company's improved, and still improving, fortunes provide the needed breathing room for their rehabilitation and have created an attractive business environment, thereby opening the Company to interested third parties that are very keen on participating in the development of broadband internet service to serve underdeveloped and underserved needs of our country.

In a resolution dated March 7, 2018, the SC dismissed the appeal of RETELCOM Group for allegedly being filed beyond the required period of on or before December 4, 2017. On June 4, 2018, the Company filed a Motion for Reconsideration arguing that the SC erred in dismissing for the same was filed on December 4, 2017. In a Resolution dated July 11, 2018, the SC granted the Company's Motion for Reconsideration and reinstated the Company's appeal assailing the decision of the CA.

On June 20, 2018, one of the creditors who filed the petition before the CA served a Manifestation with Motion to Suspend, pending before SC, that the new ownership and management that recently took over the reins of the Company may be able to reverse the financial condition of the latter. In line with this, the creditor moved for the suspension of pending SC proceedings while the parties' study and review the business plans of the new owner and management.

On July 27, 2018, the Company requested the Rehab Court that it be allowed to exit from rehabilitation subject to certain requirements with which was granted by the Rehab Court on August 6, 2018. Part of the compliance is for the Company to conduct a shareholders' meeting to increase its authorized capital stock. This will enable the Company to pay its debt through debt-to-equity conversion as mandated by the approved Rehabilitation Plan. Given the circumstances, the Company can strategically proceed with its operations and at the same time settling the claims of its various creditors.

In the Company's Annual Stockholders' Meeting held on September 20, 2018, the stockholders approved and ratified the following items:

- Amendment of the Amended Articles of Incorporation to increase the authorized capital stock of the company to ₱15,600,000,000;
- Conducting debt-to-equity conversion or other equity conversion of up to ₱8,800,000,000;
- Listing the common and serial cumulative convertible redeemable preferred shares in the PSE;
- Amending further the Amended By-Laws to change the accounting period to calendar year commencing on January 1 and ending on December 31 of the same year;
- Amending further the Amended Articles of Incorporation to include "information and communications technology" in the Company's purpose;
- Participating in the bidding for the New Major Player in Telecommunications Market;
- Authorizing and confirming the acts of the Company in negotiating and execution of relevant documents with National Transmission Corporation or National Grid Corporation of the Philippines;
- Authorizing the Company to establish long term incentive plan; and
- Authorizing the Company to secure the necessary funding for the Company's operations and expansion programs through financing, loans and equity offering.

As discussed above, the increase in authorized capital stock was filed by the Company with the SEC on October 9, 2018. The SEC approved the increase in authorized capital stock filed by the Company allowing the issuance of Series "A", Series "B" and Series "C" Preferred Shares and the implementation of the Company's debt-to-equity conversion as ordered by the Rehab Court amounting to ₱8,711,736,581 on October 31, 2018. As at April 14, 2020, the Company has issued share certificates to creditors amounting to ₱326,085.

On December 21, 2018, the Company received an order from the Rehab Court denying the opposition and motions for reconsideration filed by the creditors of the Company on the Rehab Court's August 6, 2018 order which allowed the Company to exit from rehabilitation subject to the fulfillment of certain conditions.

In the same order, the Rehab Court confirmed that the Company substantially complied with the conditions provided for under the August 6, 2018 order. In view of the said substantial compliance, the Rehab Court declared that the Company is now out of rehabilitation and its exit is no longer conditional.

On March 11, 2019 and March 15, 2019, petitioners filed Petitions for Certiorari assailing the Orders dated December 20, 2018 which upheld the August 6, 2018 Order. One of the petitioners prayed for issuance of a Temporary Restraining Order (TRO).

On April 3, 2019, the CA issued a resolution which denied the application of one of the petitioners for issuance of TRO with the petitioners filing a Motion for Reconsideration (MR) on May 15, 2019.

On April 25, 2019, the Company filed a Motion to Consolidate the Petitions for Certiorari. On May 2, the Company filed its comments to the CA.

On May 24, 2019, the CA accepted and approved the Motion to Consolidate.

On June 10, 2019, the Company filed a Memorandum manifesting NTC to recompute the SRF assessment on the March 31, 2017 Resolution of the NTC.

On November 27, 2019, the CA issued a Decision requiring NTC to recompute the SRF it is collecting from the Company.

On February 17, 2020, the CA issued a resolution denying the MR of the TRO and dismissing the Petitions of Certiorari.

<u>Going Concern</u>
The Company has incurred net losses amounting to ₱52,402,835 and ₱88,152,538 for the year ended December 31, 2019 and six-month period ended December 31, 2018, respectively, resulting to accumulated deficit and capital deficiency amounting to ₱11,819,294,516 and ₱776,735,639, respectively, as at December 31, 2019. These events or conditions indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern.

The Company's management, to achieve effective implementation of the court-approved Rehab Plan and exit in the corporate rehabilitation status, is undertaking the following action plans, to attain sustainable financial stability, improve its financial position, and to restore and reinstate to its former position of successful operation and solvency through, among others:

- As at April 14, 2020, the Company has issued share certificates to creditors amounting to ₱326,085 (see Notes 2 and 21);
- In August 30, 2019, the Company availed of SSS condonation program to settle ₱12,908,618 of obligations including interest of ₱1,012,344 (see Notes 2 and 16);
- Immediate settlement of statutory obligations to minimize associated risk;
- Infusing significant capital expenditures, through its new owners, MENLO, to improve, modernize and increase the capacity of its existing broadband assets;
- Use of organic capital expenditures rolled-out from earnings, in addition to above, which will be used to expand the Company's fiber footprint into Greater Metropolitan Area and surrounding areas; and
- Foreign partnership to recapitalize the Company and scale up its broadband business model on a nationwide coverage using the latest state-of-the-art fixed and mobile broadband infrastructure and enter into agreements with the Philippine government, through NTC, to use its nationwide fiber optic assets (see Note 17).

On December 21, 2018, the Rehab Court confirmed that the Company substantially complied with the conditions and declared that the Company is out of rehabilitation and its exit is no longer conditional.

The Company's financial statements have been prepared as a going concern. As such, the Company's accompanying financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Authorization for Issue of the Financial Statements
The financial statements of the Company as at December 31, 2019 and 2018 and for the year ended December 31, 2019, six-month period ended December 31, 2018, and year ended June 30, 2018, were authorized for issue by the Board of Directors (BOD) on April 14, 2020.

2. CORPORATE REHABILITATION

As discussed in Note 1, on April 1, 2011, the Rehab Court approved the Rehab Plan which was immediately executory and petitioners as well as all claimants and creditors are enjoined and strictly comply include, among others, the following:

1. Modification of the rehabilitation period from 15 years to a 2-year moratorium and 12-year debt payment period;
2. Waiver of any and all interest, penalties and surcharges on all obligations of the Company to all claimants listed in the Rehab Plan except the legal interest of 6% from the approval of the plan until the full payment of the obligation (see Note 16);
3. Each of the petitioners to: (i) immediately settle, out of the proceeds of the liberated escrow account pursuant to the Rehab Court's orders dated September 3, 2010 and October 20, 2010, the petitioners' obligations to the SSS in accordance with the SSS Condonation Law of 2009 and SSS Circular No. 2010-2004 for delinquent premium contributions and SSS Circular No. 2010-2005 for delinquent loan amortizations, including, but not limited to, delinquent employees compensation contributions through the SSS (see Notes 1 and 15); (ii) immediately settle out of the proceeds from the recovery of any advances and deposits or garnished/levied assets and the proceeds of the sale of the petitioners' other assets pursuant to the pertinent orders issued by the courts, all unpaid wages, salaries and benefits inclusive of whatever amount have been deducted from said wages and salaries which the petitioners have not remitted to the appropriate contractual entity such as, but not limited to, the SSS and the Pag-Ibig Fund, of all existing and resigned/retired or separated employees, pursuant to law and to respective petitioners' employment policies including, but not limited to, collective bargaining agreements; and (iii) to immediately settle out of the proceeds from the recovery of any advances and deposits or garnished/levied assets and the proceeds of the sale of the sale of the petitioners' other assets pursuant to the pertinent orders issued by the Rehab Court, all unpaid retirement/separation pay for the retired or separated employees, pursuant to law and to the respective petitioners' employment policies including, but not limited to, collective bargaining agreement;
4. The petitioners to avail, whenever necessary, financing and advances from owners to finance their working capital requirements prior to the entry of the new investor, which financing and advances from owners shall be payable/repaid out of the new money to be infused by the new investor (see Note 23);
5. The full conversion of all outstanding liabilities into 12-year serial redeemable preferred shares except for statutory obligations, financing and advances from owners and certain liabilities in the nature of suppliers' credits, and that the corresponding amount will be lodged in the petitioner's books as "Deposit for Subscription" pending approval by the SEC of the increase in authorized capital stock (see Note 19);
6. The Company, from receipt thereof, to amend its articles of incorporation increasing its authorized capital stock from ₱3,800,000,000 (consisting of 1,500,000,000 common shares at ₱1 par value and 230,000,000 serial cumulative convertible redeemable preferred shares at ₱10 par value) to ₱10,187,150,000 (consisting of 1,387,150,000 common shares at ₱1 par value and 7,500,000 serial cumulative convertible preferred shares at ₱10 par value and 8,800,000,000 serial redeemable preferred shares at ₱1 par value), and to immediately issue the corresponding stock certificates to the claimants concerned (see Note 21);

7. The Company to enroll and list all of its authorized Series "A", Series "B" and Series "C" redeemable preferred shares as freely "tradable" stocks with the PSE;
8. The SEC shall approve the Company's request for temporary exemptive relief under the SRC Rule 72.2, without sanctions or penalties whatsoever, monetary or otherwise, and the PSE to lift the suspension of the trading of the Company's common shares without any sanctions or penalties whatsoever, monetary or otherwise, and the Company shall faithfully comply with all the applicable rules and regulations of the SEC and PSE so that the trading of all the authorized shares of the Company shall not in any way be suspended or restricted except as provided by law;
9. Immediately settle obligations to petitioners such as salaries, wages and benefits out of escrow account; and
10. Any sale or disposition of the petitioner's properties, whether real or personal shall also be subject to the Rehab Court's evaluation and approval.

On July 27, 2018, the Company requested the Rehab Court that it be allowed to exit from rehabilitation subject to certain requirements with which was granted by the Rehab Court on August 6, 2018.

On July 30, 2018, in its Regular Meeting, the Board of Directors of the Company approved to increase the authorized capital stock of the company from ₱3,800,000,000 to ₱15,600,000,000 and debt-to-equity conversion or other equity conversion as mandated by the Rehab Court. The Company will conduct debt-to-equity conversion under the Company's Rehab Plan, in order to pay the claims of its creditors amounting to ₱8,800,000,000, more or less. Said debts will be converted to equity through the issuance of Series "A", "B", and "C" Redeemable Serial Preferred Shares. The increase and debt-to-equity conversion or other equity conversion were approved by the stockholders in the Company's Annual Stockholders' Meeting held on September 20, 2018.

The Company has filed with the SEC the increase in authorized capital stock on October 9, 2018 which was approved on October 31, 2018 (see Note 1).

On December 21, 2018, the Rehab Court confirmed that the Company substantially complied with the conditions and declared that the Company is out of rehabilitation and its exit is no longer conditional (see Note 1).

In August 30, 2019, the Company availed of SSS condonation program to settle ₱12,908,618 of obligations including interest of ₱1,012,344 (see Note 1).

As at April 14, 2020, the Company has issued share certificates to creditors amounting to ₱326,085.

3. FINANCIAL REPORTING FRAMEWORK

3.01 Statement of Compliance

The Company's financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRSs).

3.02 Basis of Preparation

The financial statements are prepared on a going concern basis under the historical cost convention, except where PFRSs requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

In September 2018, the Company changed its accounting period from fiscal year ending June 30 to a calendar year ending December 31, as disclosed in Note 1.

3.03 Presentation and Functional Currency

Items included in the financial statements of the Company are measured using Philippine Peso, the currency of the primary economic environment in which the Company operates (the "functional currency"). The Company chose to present its financial statements using its functional currency. All presented financial information has been rounded to the nearest peso, except when otherwise indicated.

4. ADOPTION OF NEW AND REVISED STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The Philippine Financial Reporting Standards Council (FRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FRSC and adopted by SEC.

The new and revised PRSs prescribe new accounting recognition, measurement, and disclosure requirement applicable to the Company. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors".

4.01 New and Revised Accounting Standards Effective on January 1, 2019

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following standards, amendments to previously issued PFRSs, PAS and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC), which were effective on January 1, 2019.

Adoption of these new standard and amendments to PFRS, PAS and Philippine Interpretations did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, Leases. The standard includes two recognition exemption for lessees – leases of low-value assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of twelve (12) months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessee is also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from PAS 17, *Leases*. Lessors will continue to classify all leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 did not have an impact for leases where the Company is a lessor.

In Philippine Peso

The Company adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application on January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at January 1, 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application.

The effect of PFRS 16 adoption as at January 1, 2019 is increase (decrease) in the following:

Assets:	
Right-of-use assets	**42,426,857**
Other current assets	**(176,754)**
Total Assets	**42,250,103**
Liabilities:	
Lease liabilities	**42,250,103**
Total Liabilities	**42,250,103**

The Company has lease contracts for various items of network equipment for cell sites telecommunications equipment locations and leased poles and other work equipment for car rentals used in its operations. Before the adoption of PFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Upon adoption of PFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

For leases previously accounted for as operating leases, the Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics
- relied on its assessment of whether leases are onerous immediately before the date of initial application
- applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at January 1, 2019:

- Right-of-use assets of ₱42,426,857 were recognized (see Note 30).
- Prepaid rent of ₱176,754 was derecognized.
- Lease liabilities of ₱42,250,103 recognized (see Note 30).

In Philippine Peso

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as at December 31, 2018, as follows:

Liabilities:	
Operating lease commitments as at December 31, 2018	**49,002,627**
Weighted average incremental borrowing rate as at January 1, 2019	**13.79%**
Lease liabilities as at January 1, 2019	**42,250,103**

- *Amendment to* PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The Management of the Company does not anticipate that the application of the amendments in the future will have any impact on the Company's financial statements.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investment in Associates and Joint Ventures.*

  The amendments should be applied retrospectively and are effective from January 1, 2019. Since the Company does not have associate and joint venture, the amendments will not have an impact on its financial statements.

- IFRIC 23, *Uncertainty over Income Tax Treatments*

  This interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that offsets the application of PAS 12 – Income Taxes and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - whether an entity considers uncertain tax treatment separately.
  - the assumptions an entity makes about the examination of tax treatments by taxation authorities.
  - how an entity determines taxable profit (tax loss), tax losses, unused tax losses, unused tax credits and tax rates.
  - how an entity considers changes in facts and circumstances.

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  This interpretation is not relevant to the Company because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as at December 31, 2019 and 2018.

- *Amendments to* PFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehe`nsive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the "SPPI criterion") and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  These amendments had no impact on the financial statements of the Company.

- *Amendments to* PAS 19, *Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment, or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to re-measure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period aşter the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to re-measure that net defined benefit liability (asset).

  The amendments had no impact on the Company's financial statements as it did not have any plan amendments, curtailments, or settlements during the period.

- *Annual Improvements to 2015-2017 Cycle*

  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including re-measuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer re-measures its entire previously held interest in the joint operation.

  These amendments had no impact on the financial statements of the Company as there is no transaction where joint control is obtained.

  - PFRS 3, *Business Combination*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including re-measuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer re-measures its entire previously held interest in the joint operation.

    These amendments had no impact on the financial statements of the Company as there is no transaction where a joint control is obtained.

  - PFRS 11, *Joint Arrangements*

    An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not re-measured.

These amendments had no impact on the financial statements of the Company as there is no transaction where a joint control is obtained.

- PAS 12, *Income Taxes*

  The amendments clarify that the income tax consequences of dividend are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividend in profit or loss, other comprehensive income or equity according to where it originally recognized those past transactions or events.

  When the entity first applied those amendments, it applied them to the income tax consequences of dividend recognized on or after the beginning of the earliest comparative period.

  Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

- PAS 23, *Borrowing Costs*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual period in which the entity first applies those amendments.

  Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

4.02 New Accounting Standards and Interpretations Issued But Not Yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements to have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective 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.

  These amendments will apply on future business combinations of the Company.

- *Amendments to* PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, 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.

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

  The Company does not expect any effect on its financial statements upon adoption.

Deferred Effective Date

Amendments to PFRS 10, Consolidated Financial Statements, 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. 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 Financial Reporting Standards Council 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 Company does not expect any effect on its financial statements upon adoption.

5. SIGNIFICANT ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Company in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

5.01 Financial Instruments

5.01.01 Initial Recognition and Subsequent Measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial Recognition and Measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15 (see Note 5.17).

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

a) Financial assets at amortized cost (debt instruments)
b) Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
c) Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
d) Financial assets at FVPL

The Company does not have any financial assets at FVOCI with recycling of cumulative gains and losses and financial assets at FVPL as at December 31, 2019 and 2018.

Financial assets at amortized cost (debt instruments)
The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include cash, receivables and long-outstanding trade receivables, due from related parties, and refundable security deposits included under "other non-current assets".

- Cash

  In the statements of cash flows, cash includes cash on hand and cash in banks.

  Cash on hand includes petty cash fund and other cash items not yet deposited with the banks. Cash in banks include demand deposits which are unrestricted as to withdrawal.

  Cash is valued at face value. Cash in foreign currency is valued at the current exchange rate. If a bank holding the funds of the Company is in bankruptcy or financial difficulty, cash is written down to estimated realizable value if the amount recoverable is estimated to be lower than the face amount.

- Receivables (*excluding contract asset and advances to suppliers*) and long-outstanding receivables

  Receivables are amounts due from customers for sale of goods and services performed in the ordinary course of business.

  Long-outstanding trade receivables represent due from customers related to the LEC business (landline-based telephone and long-distance service) of the Company.

  Receivables and long outstanding receivables are recognized initially at the fair value and subsequently measured at amortized cost using effective interest rate (EIR) method, less provision for impairment.

- Due from related parties

  Due from related parties represent non-interest-bearing advances handed by the Company to its related parties for working capital requirements.

- Refundable security deposits

  Refundable security deposits represent deposits on various space rental for central office equipment and telecommunication nodes.

Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (Equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the Statements of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Company's equity instrument measures at FVOCI with no recycling of cumulative gains and losses upon derecognition includes financial asset at FVOCI under "other non-current assets".

As at December 31, 2019 and 2018, the Company has no debt instruments measured at FVOCI.

Impairment
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, allowance for ECL is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes ECLs based on lifetime loss allowances at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition
A financial asset is primarily derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company 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 rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities

Initial recognition and Measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company does not designate any financial liabilities at FVPL as at December 31, 2019 and 2018.

Subsequent Measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at amortized cost (loans and borrowings)
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the Statements of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

The Company's financial liabilities include trade and other payables, due to related parties, accrued interest, expenses, and other liabilities, lease liabilities, and loans payable.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of profit or loss.

5.01.02 Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

5.02 Fair Value Measurement

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 32.

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

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company 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 financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

5.03 Other Current Assets

Other current assets include prepayments and creditable withholding taxes (CWTs).

Prepayments
Prepayments are expenses paid in advance and recorded as asset, before these are used or consumed, as the service or benefit will be received in the future. Prepayments expire and are recognized as expenses either with the passage of time or through use or consumption.

CWTs
CWTs are tax withheld from income subject to expanded withholding taxes (EWT). CWTs can be utilized as payment for income taxes provided that they are properly supported by certificates of creditable withholding tax withheld at source subject to the rules in Philippine income taxation. CWTs are expected to be utilized as payment for income taxes within twelve (12) months and are classified as current assets.

5.04 Non-current Assets Held for Sale

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment are not depreciated or amortized once classified as held for sale. Assets classified as held for sale are presented separately as current items in the statements of financial position.

5.05 Property and Equipment

Cost Model

Property and equipment, except land, are stated at cost less accumulated depreciation and accumulated impairment in value, if any.

The initial cost of property and equipment comprises the purchase price or construction cost, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use.

Such cost includes the cost of replacing parts of such property and equipment, if the recognition criteria are met. All other repairs and maintenance are charged to current operations during the financial period in which these are incurred.

Construction in progress is stated at cost. This includes cost of construction of property and equipment and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and becomes available for use.

Deferred income tax is provided on the temporary difference between the carrying amount of the revalued property and equipment and its tax base. Any taxable temporary difference reflects the tax consequences that would follow from the recovery of the carrying amount of the asset through sale (non-depreciable assets) and through use (depreciable assets), using the applicable tax rate.

Gain and loss on disposal of an asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statements of income (loss). On disposal of the revalued asset, the relevant revaluation surplus, included in the reserve account, is transferred directly to retained earnings.

The Company's future retained earnings is restricted to the extent of the revaluation surplus recognized in equity.

Depreciation

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Type of Asset	Estimated Useful Life in Years
Buildings and improvements	25
Telecommunications equipment:	
Cable and wire facilities	14
Network equipment	5
Other work equipment	5

The assets' residual values estimated recoverable reserves and useful lives are reviewed and adjusted, if appropriate, at each end of the reporting period.

Property and equipment is depreciated from the moment the assets are available for use and after the risks and rewards are transferred to the Company. Depreciation cease when the assets are fully depreciated, or at the earlier of the period that the item is classified as held for sale (or included in the disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the period the item is derecognized.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each end of the reporting period.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use.

Revaluation Model
Following initial recognition, land is carried at revalued amounts, which represent fair value at date of revaluation less any accumulated impairment in value.

Valuations are performed frequently enough to ensure that the fair value of a revalued property and equipment does not significantly differ from its carrying amount. The increase of the carrying amount of the land as a result of a revaluation is credited directly to other comprehensive income under "revaluation surplus" account, unless it reverses a revaluation decrease previously recognized as an expense, in which case it is credited in profit or loss. A revaluation decrease is charged directly against any related revaluation surplus, with any excess being recognized as an expense in profit or loss.

Derecognition
An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statements of revenues and expenses.

5.06 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company as a Lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payment and right-of-use assets representing the right to use the underlying assets.

- *Right-of-Use-Assets*
  The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Type of Asset	Estimated Useful Life in Years
Network equipment	1-10
Other work equipment	1-10

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment following the accounting policy on Impairment of non-financial assets (see Note 5.11).

- *Lease Liabilities*
  At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

  In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company as a Lessor
Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statements of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

5.07 Investment Properties

Investment properties of the Company pertain to various land held for lease or held for capital appreciation. Investment properties are measured initially at cost, including transaction costs.

The carrying amount includes the cost of replacing part of an existing investment properties at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at cost less any impairment in value.

Investment property is derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the statements of income (loss) in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupation, commencement of operating lease to another party or ending of construction or development, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the owner occupied becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

5.08 Other Non-current Assets

Other non-current assets include long-outstanding trade receivables, plant supplies and refundable security deposits. These are carried at historical cost and classified as non-current since the Company expects to utilize the assets beyond twelve (12) months from the end of the reporting period.

Plant supplies are carried at lower of cost and net realizable value (NRV). NRV is the estimated future sales price of the product that the entity expects to realize when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices, and costs to complete are discounted.

Cost of plant supplies comprise all costs of purchase and other costs incurred in bringing the plant supplies to their present location and condition. A regular review is undertaken to determine the extent of any provision for obsolescence.

5.09 Impairment of Non-financial Assets

Other Current Assets
At each end of the reporting period, these assets are reviewed to determine whether there is any indication that those assets have suffered impairment loss. If there is an indication of possible impairment, the recoverable amount of assets are estimated and compared with their carrying amounts. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the statements of income (loss).

Property and Equipment, Investment Properties and Right-of-Use Assets
The Company assesses at each reporting period whether there is an indication that property and equipment, investment properties and right-of-use assets may be impaired when events or changes in circumstances indicate that the carrying values of the said assets may not be recoverable. If any such indication exists and if the carrying value exceeds the estimated recoverable amount, the assets or Cash Generating Units (CGUs) are written down to their recoverable amounts. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use (VIU) 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 groups of assets. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the statements of income (loss) in those expense categories consistent with the function of the impaired asset.

An assessment is made at each end of the reporting period 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 statements of comprehensive income (loss) unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is 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.

Plant Supplies
At each end of the reporting period, plant supplies are assessed for impairment by comparing the carrying amount of each item of plant supplies (or group of similar items) with its NRV. If an item of plan supplies (or group of similar items) is impaired, its carrying amount is reduced to NRV, and an impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of plant supplies is increased to the revised NRV, but not in excess of the amount that would have been determined had no impairment loss has been recognized. A reversal of impairment loss is recognized immediately in profit or loss.

5.10 Provisions and Contingencies

Provisions
Provisions are recognized when the Company 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. Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. 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 assessment of the time value of money and, where appropriate, the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognized as finance cost in the statements of income (loss). Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented on the statements of income (loss), net of any reimbursement.

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

5.11 Retirement Benefits Liability

Retirement benefits liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a retirement benefits asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Retirement benefits costs comprise the following:

- service cost
- net interest on the retirement benefits liability or asset
- remeasurements of retirement benefits liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statements of income (loss). Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the retirement benefits liability or asset is the change during the period in the retirement benefits liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the retirement benefits liability or asset. Net interest on the retirement benefits liability or asset is recognized as expense or income in the statements of income (loss).

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which these arise.

Remeasurements are not reclassified to profit or loss in subsequent periods.

Remeasurements recognized in other comprehensive income after the initial adoption of Revised PAS 19 are not closed to any other equity account.

5.12 Capital Deficiency

Share capital is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital (APIC). Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit". A deficit is not an asset but a deduction from equity.

5.13 Other Comprehensive Income (Loss)

Other comprehensive income (loss) represents income and expenses, including reclassification adjustments that are not recognized in the statements of income (loss) as required or permitted by PFRSs.

5.14 Deposit for Subscription

Deposit for subscription pertains to debts to be converted into equity as serial redeemable preferred shares based on the court-approved Rehab Plan (see Notes 2 and 19).

5.15 Earnings (Loss) Per Share

Basic
Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to ordinary stockholders of the Company by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Company and held as treasury shares.

Diluted
Diluted earnings (loss) per share is calculated by dividing the net income (loss) attributable to ordinary stockholders of the company by the weighted average number of common shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all potentially dilutive common shares during the period.

5.16 Revenue from Contracts with Customers

The Company is in the business of providing communications and technology solutions. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Broadband Internet Access Services Contracts
The Company provides broadband internet access services ranging from shared access to fully redundant (first to last mile) high availability service. These include fiber optic dedicated internet, e-line or shared broadband internet, wireless dedicated or shared broadband access and customized and value-added services.

Services may be rendered separately or bundled with other services. The specific recognition criteria are as follows:

Service arrangements may include fixed monthly charges (including excess of consumable fixed monthly service fees) generated from fixed line and other network services primarily through broadband and leased line services, which the Company recognize on a straight-line basis over the customer's subscription period. Services provided to customers are billed throughout the month according to the billing cycles. Services availed by customers in addition to these fixed fee arrangements are charged separately at their stand-alone selling prices and recognized as the additional service is provided or as availed by the customers.

Installation fees for services are not capable of being distinct from the sale of modem since the customer obtains benefit from the combined output of the installation services and the device and is recognized upon delivery of the modem and performance of modem installation. The related incremental costs are recognized in the same manner in the statements of comprehensive income (loss), if such costs are expected to be recovered.

Revenues from shared lines or shared access are recognized net of content provider's share in revenue. Revenue is recognized upon service availment. Revenue from server hosting, co-location services and customer support services are recognized at point in time as the services are performed.

Upon signing of subscription agreement, customers are required to make payments equivalent to 2 months advance and 1-month deposit of internet broadband monthly subscription fee. These customers' deposits are refundable and/or to be applied to unpaid receivables of the customers. The Company recognized these advance payments as "Customers' deposits" as part of liabilities (see Note 15).

Information Technology (IT) Services Contracts
The Company also provides information technology services and products from IT infrastructure, applications, network security, and others.

Revenue from sale of IT infrastructure is recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery of the equipment or software at the customer's location. Revenue from services is recognized when the service to the customer is performed, generally via milestone achievement.

Contract Balances

- Contract Asset

  A contract asset is initially recognized for revenue earned from installation services because the receipt of consideration is conditional on successful completion of the installation. Upon completion of the installation and acceptance by the customer, the amount recognized as contract assets is reclassified to trade receivables.

  Contract assets are subject to impairment assessment.

- Trade Receivables

  A receivable is recognized if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

Rental Income
Rent income is recognized on a straight-line basis over the term of the lease. The Company does not provide any ancillary services to the tenants of the investment property. The lease payments therefore relate entirely to rental and are recognized as rent income. It was not necessary to separate the considerations between lease and non-lease components on the adoption of PFRS 15.

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

Interest Income
Interest Income from bank deposit is recognized on a time proportion basis using the effective interest rate that takes into account the effective yield on the asset. The Company does not consider this to be 'revenue' as the earning of interest is not part of the Company's ordinary activities but rather an incidental benefit.

5.17 Costs and Expense Recognition

Cost 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 in a liability has arisen that can be measured reliably. Costs and expenses are recognized in profit or loss in the following manner:

- On the basis of a direct association between costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and association with income can only be broadly or indirectly determined;
- Immediately when an expenditure procedures no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset; or
- Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Company.

5.18 Foreign Currency Transactions and Translation

Transactions in currencies other than Philippine Peso are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date the fair value was determined. Gains and losses arising on retranslation are included in profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities when the gains and losses of such non-monetary items are recognized directly in equity. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated.

5.19 Related Parties and Related Party Transactions

Related Party Relationship
Related party relationship exists 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. Such relationship also exists between and/or among entities which are under common control with the reporting entity, or between and/ or among the reporting entity and its key management personnel, directors, and shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related Party Transactions
Related party transactions are transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions between related parties are accounted for at arm's length prices or on terms similarly offered to non-related entities in an economically comparable market.

5.20 Income Taxes

Current tax is determined in accordance with is the amount reported on the Company's income tax return for the period in conformity with tax laws or regulations. Deferred tax is income tax payable (recoverable) in respect of the taxable profit (tax loss) for future reporting periods as a result of past transactions or events. The past transactions or events are those that have not yet been included in the Company's income tax return although they have been included when measuring profit or loss in conformity with PFRSs or have been included in the Company's income tax return although they have been not yet been included when measuring profit or loss in conformity with PFRSs.

The Company recognizes a deferred tax asset or liability for tax recoverable or payable in future periods as a result of past transactions or events. Such tax arises from the difference between the amounts recognized for the Company's assets and liabilities in the statements of financial position and the recognition of those assets and liabilities by the tax authorities, and the carry-forward of currently unused tax losses and tax credits. In most cases, those differences between the amounts in the statements of financial position and the amounts recognized by the tax authorities are accompanied by corresponding differences between profit or loss as measured by PFRSs and taxable profit or loss. If the Company expects to recover the carrying amount of an asset or settle the carrying amount of a liability without affecting taxable profit, no deferred tax arises in respect of the asset or liability.

The Company measures its deferred tax liabilities (assets) using the tax rates and laws that have been enacted or substantively enacted by the reporting date. When different tax rates apply to different levels of taxable profit, the Company measures deferred tax expense (income) and related deferred tax liabilities (assets) using the average enacted or substantively enacted rates that it expects to be applicable to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realized or the deferred tax liability to be settled.

The Company does not discount deferred tax assets and liabilities. The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that recognized deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Carry-forward benefit of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) arising in the current period which can be applied against the entity's future taxable income and future tax liability, respectively, should be recognized as an asset to the extent that it is probable that sufficient taxable profit will allow the unused tax losses or unused tax credits be utilized.

5.21 Value-Added Tax

Revenues, expenses and assets are recognized, net of the amount of value-added tax (VAT) except:

- where VAT incurred on a purchase of assets or services is not recoverable the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.
- deferred input VAT to be amortized in subsequent periods.

5.22 Events after the Reporting Period

Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material (see Note 36).

6. INFORMATION ABOUT KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGMENTS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements and related disclosures. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis to ensure they incorporate all relevant information available at the reporting date. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

6.01 Critical Judgments in Applying Accounting Policies

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those including estimations and assumptions, which have the most significant effect on the amount recognized in the financial statements.

Determination of the Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. In making this judgment, the Company considered the following:

a) The currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales price for its financial instruments and services are denominated and settled);
b) The currency in which funds from financing activities are generated; and
c) The currency in which receipts from operating activities are usually retained.

The Philippine peso is the currency of the primary economic environment in which the Company operates.

Distinction between Property and Equipment and Investment Properties
The Company determines whether a property qualifies as property and equipment or an investment property. In making this judgment, for investment properties, the Company considers whether the property generates cash flows largely independent of the other assets and is held primarily to earn rentals or for capital appreciation. Property and equipment are held for use in the supply of services or for administrative purposes. The Company considers each property separately in making its judgment.

Classification of Financial Instruments
The Company exercises judgments in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement 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 statements of financial position.

In addition, the Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Settlement of Obligations Through Conversion to Equity
The Company determines whether an obligation is settled if the obligation is replaced by another from the same lender on substantially different terms, or terms of an existing liability are substantially modified, such an exchange or modification is considered as settlement of the original liability. As such, conversion of obligations to equity, in accordance with the court-approved Rehab Plan, is considered as full settlement of the obligation as the terms with the same creditor are substantially modified. Thus, creditors are now considered as owners of the Company pending actual issuance of the serial redeemable preferred shares. As at December 31, 2019 and 2018, deposit for subscription in accordance with the court-approved Rehab Plan amounted to ₱8,711,736,581 (see Note 19).

Revenue Recognition

Identifying Performance Obligations
The Company identifies performance obligations by considering whether the promised services in the contract are distinct services. A service is distinct when the customer can benefit from the service on its own or together with other resources that are readily available to the customer and the Company's promise to transfer the service to the customer is separately identifiable from the other promises in the contract.

Revenues earned from multiple element arrangements offered by the Company's fixed line and wireless businesses are split into separately identifiable performance obligations based on their relative stand-alone selling price in order to reflect the substance of the transaction. The transaction price represents the best evidence of standalone selling price for the services the Company offers since this is the observable price being charge if the services are sold separately.

Timing of Revenue Recognition
The Company recognizes revenue from contracts with customers over time or at a point in time depending on the evaluation of when the customer obtains control of the promised services and based on the extent of progress towards completion of the performance obligation. For the telecommunication service which is generally provided over the contract period of two years, because control is transferred over time, revenue is recognized monthly as we provide the service.

Identifying Methods for Measuring Progress of Revenue Recognized Over Time
The Company determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

Revenue from telecommunication services is recognized through the use of input method wherein recognition is over time based on the customer subscription period since the customer simultaneously receives and consumes the benefits as the seller renders the services.

Determining the Lease Term of Contracts with Renewal and Terminal Options – The Company as a Lessee – Beginning January 1, 2019
The Company determined the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company included the renewal period as part of the lease term for leases of office premises, network equipment, and service vehicles with shorter non-cancellable period (i.e., three to five years). The Company typically exercises its option to renew for these leases because there will be significant negative effect on production if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Classification of Leases – The Company as a Lessor
The Company classifies leases as finance or operating lease in accordance with the substance of the contractual agreement and the transfer of the risks and rewards incidental to the ownership of the leased item. Leases where management has determined that the risks and rewards related to the leased items are transferred to the lessees are classified as finance lease. Otherwise, these are accounted for as operating lease.

The Company has entered into leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

Determining Taxable Profit, Tax Bases, Unused Tax Losses, Unused Tax Credits and Tax Rates
Upon adoption of the Philippine Interpretation IFRIC 23, the Management assesses whether the Company has any uncertain tax position and applies significant judgment in identifying uncertainties over its income tax treatments.

The Company determined based on management's assessment that it is probable that the income tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have a significant impact on the financial statements.

6.02 Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below.

Estimation of Allowance for ECL on Receivables and Long-outstanding Trade Receivables included under "Other Non-current Assets"
The Company uses a provision matrix to calculate ECLs for trade and other receivables including contract asset. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns by service type and customer type and rating. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 33.02.

Provision for ECL on receivables amounted to ₱780,496, ₱669,809 and ₱899,350 for the year ended December 31, 2019, six-month period ended December 31, 2018 and year ended June 30, 2018, respectively (see Note 26). Long-outstanding trade receivables are fully provided with allowance for ECL as at December 31, 2019 and 2018 (see Note 14).

As at December 31, 2019 and 2018, the carrying values of receivables amounted to ₱73,685,408 and ₱43,892,294, respectively, net of allowance for ECL amounting to ₱3,546,195 and ₱2,765,699 as at December 31, 2019 and 2018, respectively (see Note 8).

The Company recognized contract asset amounting to ₱13,578,633 and nil as at December 31, 2019 and 2018, respectively, no allowance for ECL have been recognized (see Note 8).

As at December 31, 2019 and 2018, the carrying values of long-outstanding trade receivables amounted to nil, net of allowance for ECL amounting to ₱1,381,525,501 as at December 31, 2019 and 2018 (see Note 14).

Estimation of Allowance for Impairment Losses on Plant Supplies included under "Other Non-current Assets"

The Company maintains an allowance for impairment losses at a level considered adequate to reflect the excess of cost of plant supplies over its NRV. NRV of plant supplies are assessed regularly based on prevailing estimated selling prices of plant supplies and the corresponding cost of disposal. Increase in the NRV of inventories will increase cost of inventories but only to the extent of original acquisition costs. As at December 31, 2019 and 2018, the carrying amounts of plant supplies amounted to ₱29,805,455 and ₱33,895,729, respectively, net of allowance for impairment losses of ₱65,987,835 as at December 31, 2019 and 2018. For the year ended December 31, 2019 and six-month period ended December 31, 2018. Reversal of allowance for impairment on plant supplies amounted to nil and ₱40,000, respectively (see Note 14).

Estimation of Impairment of Property and Equipment and Investment Properties

The Company evaluates whether property and equipment and investment properties have suffered any impairment either annually or when circumstances indicate that related carrying amounts are no longer recoverable. The recoverable amounts of these assets have been determined based on either VIU or fair value, whichever is higher.

Estimation of VIU requires the use estimate and assumptions in determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. Fair value is based on the results of assessment done by independent appraisers engaged by the Company. The approach utilizes prices recently paid for similar assets with adjustments made to the indicated market price to reflect condition and utility of the appraised assets relative to the market comparable. Any resulting impairment loss could have a material adverse impact on the financial position and financial performance. No impairment loss was recognized by the Company for the year ended December 31, 2019 and six-month period ended December 31, 2018.

The carrying values of property and equipment amounted to ₱156,422,917 and ₱168,176,468 as at December 31, 2019 and 2018, respectively (see Note 12).

The carrying values of investment properties amounted to ₱225,708,208 and ₱235,794,708 as at December 31, 2019 and 2018 (see Note 13).

Estimation of Useful Lives of Property and Equipment, except Land and Right-of-use assets
The Company estimates the useful lives and residual values of property and equipment, except land, and right-of-use assets based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful lives of the property and equipment, except land, and right-of-use assets are reviewed periodically and 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 property and equipment. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded depreciation expense and decrease the carrying value of the assets. There were no changes in the estimated useful lives of the property and equipment and right-of-use assets for the year ended December 31, 2019 and six-month period ended December 31, 2018.

As at December 31, 2019 and 2018, the carrying values of property and equipment, except land, and right-of-use assets amounted to ₱156,422,917 and ₱168,176,468, respectively. Depreciation expense recognized for the year ended December 31, 2019, six-month period ended December 31, 2018 and year ended June 30, 2018 amounted to ₱43,731,398, ₱14,716,397 and ₱19,947,611, respectively (see Notes 12 and 30).

Estimation of Fair Value of Land under Property and Equipment
The Company estimates the fair value of land under property and equipment based on the results of assessment of independent appraisers. Fair value of land under property and equipment is reviewed periodically and are updated if expectations differ from previous estimates due to technical and commercial obsolescence and other limits on the use of the assets. The Company engaged the services of an independent appraiser to determine the fair value of the land under property and equipment for which a valuation report was issued on October 15, 2017 covering valuation date as at December 31, 2019 and 2018. As at December 31, 2019 and 2018 the fair value of land amounted to ₱360,360,000 (see Note 11).

On December 31, 2019, the Company's management informed its shareholders its plan to sell the Company's land and building under property and equipment and some idle lots under investment properties in order to procure funds for the execution of the Company's exit of the Corporate Rehabilitation. The Company reclassified its revalued land to "non-current assets held for sale" as part of the current assets. (see Note 10).

Estimation of Retirement Benefits
The costs of defined retirement benefits as well as the present value of the provision for retirement benefits are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, retirement benefit liability is highly sensitive to changes in these assumptions. All assumptions are reviewed at each end of the reporting period.

Retirement benefits costs amounted to ₱8,219,990, ₱6,360,139 and ₱6,988,992 for the year ended December 31, 2019, six-month period ended December 31, 2018 and year ended June 30, 2018, respectively. Retirement benefits liability amounted to ₱133,313,602 and ₱114,096,777 as at December 31, 2019 and 2018, respectively (see Note 20).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit retirement liability. Further details about the assumptions used are provided in Note 20.

Assessment of Realizability of Deferred Income Tax Assets
The Company reviews the carrying amounts of deferred income taxes assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. Accordingly, the Company did not recognize deferred tax assets in respect of deductible temporary differences and unused tax losses. As at December 31, 2019 and 2018, unrecognized deferred income tax assets amounted to ₱575,374,962 and ₱558,779,175, respectively, as the Company believes that the carry forward benefit would not be realized in the future prior to their expiration (see Note 29).

Estimation of Provisions and Contingencies on Legal Proceedings
The Company is currently involved in various legal proceedings which are pending resolution in view of the Company's ongoing corporate rehabilitation. The estimate of the probable costs for the resolution of these claims has been developed in consultation with in-house and outside counsels handling the Company's defense in these matters and is based upon an analysis of potential results. The Company's management and legal counsels have made judgment that, while the proceedings are legally defensible, they cannot anticipate with certainty the progress and the outcome of the legal proceedings, the appreciation of the available evidences by the relevant courts or tribunal involved and the evolution of jurisprudence or similar cases that will be decided by the highest court, which will be relevant to these pending cases. The Company currently assessed that these proceedings will not have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings. No provisions were made in relation to these ongoing legal proceedings (see Note 31).

Estimation of Accrued Interest Based on Court-Approved Rehab Plan
The Company determines the accrued interest based on the outstanding balances of its unpaid obligations to all claimants listed in the Rehab Plan. These obligations are subject to 6% legal interest in accordance with the court-approved Rehab Plan (see Note 2). The management believes that the accrued interest recognized by the Company is reasonable and appropriate following the interpretation of the court-approved Rehab Plan.

As at December 31, 2019 and 2018, accrued interest on these obligations amounted to ₱242,578,122 and ₱219,203,130, respectively (see Note 17). Interest expense recognized for the year ended December 31, 2019, six-month period ended December 31, 2018 and year ended June 30, 2018 amounted to ₱27,500,155, ₱13,463,929 and ₱27,545,130, respectively (see Note 28).

In 2019, the Company settled labor-related statutory obligations covered by corporate rehabilitation amounting to ₱17,324,413, with waiver on interest amounting to ₱3,112,818 recognized as other income the year ended December 31, 2019 (see Note 16 and 25).

Leases – Estimating the incremental borrowing rate
When the Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

In Philippine Peso

7. CASH

	2019	2018
Cash on hand	**155,000**	130,000
Cash in banks	**23,761,220**	11,717,930
	23,916,220	11,847,930

Cash in banks earn interest at the respective bank deposit rates. Interest income earned amounted to ₱71,532, ₱24,407, and ₱112,188 for the year ended December 31, 2019, six-month period ended December 31, 2018, and year ended June 30, 2018, respectively (see Note 25).

The Company's foreign currency denominated cash and their Philippine peso equivalents restated at reference rate of prevailing market rate are as follows:

		2019		2018
Foreign currency denominated	$	**28,041**	$	26,189
Philippine peso equivalents	₱	**1,422,898**	₱	1,380,803

The Company recognized unrealized foreign exchange loss from translating foreign currency denominated cash amounting to ₱3,372, ₱6,476, and nil for the year ended December 31, 2019, six-month period ended December 31, 2018, and year ended June 30, 2018, respectively.

8. RECEIVABLES – net

	2019	2018
Trade		
Third parties	**57,462,042**	37,636,110
Related party (Note 23)	**332,686**	472,984
Contract asset	**13,578,633**	–
Advances to suppliers	**4,211,579**	7,199,127
Others	**1,646,663**	1,349,772
	77,231,603	46,657,993
Allowance for ECL	**(3,546,195)**	(2,765,699)
	73,685,408	43,892,294

Trade receivables arise from broadband internet access services. Trade receivables are noninterest-bearing and are generally collectible on 30-60 days' terms.

Contract asset pertains to the revenue earned from the IT-related services of the Company with which the receipt of consideration is conditional on successful completion of the service.

Advances to suppliers include prepayments made to suppliers for services related to promotions, information technology solutions, networks and telecommunication.

Others consist of receivables from space rental and revenue-share from resell of DSL.

In Philippine Peso

Movements in allowance for ECL of receivables are as follow:

	Trade receivables	Other receivables	Total
Balance as at June 30, 2018	1,559,241	670,258	2,229,499
Provision for (recovery from) ECL for the period (Notes 25 and 26)	669,809	(133,609)	536,200
Balance as at December 31, 2018	2,229,050	536,649	2,765,699
Provision ECL for the year (Note 26)	754,956	25,540	780,496
Balance as at December 31, 2019	**2,984,006**	**562,189**	**3,546,195**

9. OTHER CURRENT ASSETS

	2019	2018
Deferred input VAT	**5,293,017**	5,742,574
Prepaid insurance	**171,592**	936,605
Prepaid taxes and licenses	**500**	6,852,514
CWTs	–	1,596,388
Others	**2,987,517**	1,080,048
	8,452,626	16,208,129

Deferred input VAT pertains to input VAT on capital goods of which the acquisition cost exceeds ₱1,000,000 to be amortized in subsequent periods.

Prepaid taxes and licenses as at December 31, 2019 and 2018 pertain to registration fee paid in advance and unamortized portion of annual Supervision and Regulation Fees (SRF) paid to NTC, respectively.

CWTs represent taxes withheld that can be claimed as credit against the Company's future tax liabilities.

Others pertain to unamortized portion of various prepayments such as software licenses, job postings and others, including rentals which will be expensed once consumed.

10. NON-CURRENT ASSETS HELD FOR SALE

	2019	2018
Land at revalued amounts (Note 11)	**360,360,000**	–
Property and equipment at cost – net (Note 12)	**8,234,244**	–
Investment properties at cost (Note 13)	**10,086,500**	–
	378,680,744	–

Land at revalued amounts
The Company decided to sell its parcel of land which is held as an owner-occupied property awaiting disposal.

Property and equipment at cost – net
The Company decided to sell its building and building improvements which is held as on owner-occupied property awaiting disposal.

Investment properties at cost
The investment property which has been decided to be sold by the Company pertains to an idle vacant and residential lots held for capital appreciation.

The assets classified as held for sale during the year was measured at the lower of its carrying amount and fair value less estimated cost to sell at the time of reclassification (see Notes 11, 12 and 13).

On February 20, 2020, the Company sold its idle land with carrying amount of ₱2,061,500 as at December 31, 2019. The proceeds from sale of the land amounted to ₱2,700,000.

As at April 14, 2020, sale of other non-current assets held for sale are not yet perfected due to delays caused by COVID-19. However, the Management is positive that the sale of these assets are expected to be completed within twelve months from classification as held for sale.

11. LAND AT REVALUED AMOUNTS

In 2017, the Company revalued its land based on estimated fair values as indicated in the independent appraiser's report dated October 15, 2017. The fair value was estimated using the sales comparison approach method, which is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

The market value of the land amounted to ₱360,360,000 and the existing utility represents the highest and best use of the land. The cost of the land amounted to ₱214,500,000.

Accordingly, as at date of revaluation, the Company recognized an increase of ₱72,072,000 which was directly credited to revaluation surplus, net of deferred income tax amounting to ₱30,888,000.

Management assesses and reviews the fair value of land every 3 years. Management believes that the fair value in 2017 approximates the fair value of land as at December 31, 2019 and 2018.

As at December 31, 2019 and 2018, revaluation surplus of the revalued land amounted to ₱102,102,000, net of ₱43,758,000 tax effect. The revaluation surplus is not available for distribution to stockholders until this is realized through sale.

As at December 31, 2019 and 2018, the land reclassified as "non-current asset held for sale" and revalued land, respectively is revalued at ₱360,360,000. The fair value less estimated cost to sell of the land amounted to ₱417,949,826 (see Note 10).

In Philippine Peso

12. PROPERTY AND EQUIPMENT AT COST – net

		Telecommunications Equipment				
2019	Buildings and Improvements	Network equipment	Cable and wire Facilities	Other work equipment	Construction in progress	Total
Cost:						
Balance at beginning of year	44,388,215	237,951,237	186,193,620	23,632,126	14,958,721	507,123,919
Additions	–	1,618,924	22,408,281	3,874,131	–	27,901,336
Reclassification of construction in progress	4,839,598	10,119,123	–	–	(14,958,721)	–
Reclassification to non-current assets held for sale	(49,227,813)	–	–	–	–	(49,227,813)
Balance at end of year	–	249,689,284	208,601,901	27,506,257	–	485,797,442
Accumulated depreciation:						
Balance at beginning of year	40,845,299	185,995,469	101,907,593	10,199,090	–	338,947,451
Depreciation	148,270	13,314,150	13,888,548	4,069,675	–	31,420,643
Reclassification to non-current assets held for sale	(40,993,569)	–	–	–	–	(40,993,569)
Balance at end of year	–	199,309,619	115,796,141	14,268,765	–	329,374,525
Net book value	–	50,379,665	92,805,760	13,237,492	–	156,422,917

		Telecommunications Equipment				
2018	Buildings and Improvements	Central office equipment	Cable and wire Facilities	Other work equipment	Construction in progress	Total
Cost:						
Balance at beginning of period	44,370,224	236,206,359	177,460,911	19,311,536	14,958,721	492,307,751
Additions	17,991	1,744,878	8,732,709	4,320,590	–	14,816,168
Balance at end of period	44,388,215	237,951,237	186,193,620	23,632,126	14,958,721	507,123,919
Accumulated depreciation:						
Balance at beginning of period	40,771,169	179,380,592	95,561,758	8,517,535	–	324,231,054
Depreciation	74,130	6,614,877	6,345,835	1,681,555	–	14,716,397
Balance at end of period	40,845,299	185,995,469	101,907,593	10,199,090	–	338,947,451
Net book value	3,542,916	51,955,768	84,286,027	13,433,036	14,958,721	168,176,468

Construction in progress (CIP) pertains to structural engineering investigation and architectural designs of the Company's registered office address, one unit of elevator, and server and system update.

The Company has outstanding contractual commitments to complete the construction in progress to property and equipment amounting to ₱104,779,697. The CIP has 12.49% percentage of completion as at December 31, 2019.

On December 31, 2019, the Management decided not to push through with the construction contract in line with their intention to sell the land and buildings and improvements, thus, CIP amounting to ₱14,958,721 was reclassed to buildings and improvements and network equipment. No gains or losses were recognized from the termination of contract.

Service vehicles under "Other work equipment" with carrying value amounting to ₱2,386,443 and ₱3,117,090 as at December 31, 2019 and 2018, respectively serve as collaterals for the chattel mortgage for the loan acquired from a local bank and a financial institution (see Note 18). Aside from the other work equipment, no amount of property and equipment has been pledged to secure borrowings as at December 31, 2019 and 2018.

Fully depreciated properties still in use amounted to ₱186,101,470 and ₱221,790,863 as at December 31, 2019 and 2018. There are no idle property and equipment as at December 31, 2019 and 2018.

On December 31, 2019, the buildings and improvements with related cost and accumulated depreciation of ₱49,227,813 and ₱40,993,569, respectively, was reclassified as "non-current assets held for sale" as part of the current assets in the statements of financial position. The fair value less estimated cost to sell of the said assets amounted to ₱9,550,174 (see Note 10).

13. INVESTMENT PROPERTIES AT COST

The Company's investment properties consist of lands in various locations in NCR, and Regions 3 and 4. Some of these lands are rented out for a fee to third parties for one (1) to five (5) years lease term and are renewable subject to mutual consent of both parties, while others are held for capital appreciation.

The Company assessed that the highest and best use of the parcels of land are for commercial use. Based on the appraisals made in July 7, 2017, July 18, 2017 and October 15, 2017 covering valuation date as at June 30, 2017, the fair value of the investment properties is determined using the sales comparison approach amounted to ₱351,319,500. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

Management assesses and reviews the fair value of investment property every 3 years. Management believes that the fair value in 2017 approximates the fair value of these properties as at December 31, 2019 and 2018.

On December 31, 2019, investment properties with related cost of ₱10,086,500 was reclassified as "non-current assets held for sale" as part of the current assets in the statements of financial position. The related fair value less estimated cost to sell of the reclassified investment properties amounted to ₱19,786,351 as at December 31, 2019 (see Note 10).

As at December 31, 2019 and 2018, investment properties of the Company amounted to ₱225,708,208 and ₱235,794,708, respectively.

For the year ended December 31, 2019, six-month period ended December 31, 2018 and year ended June 30, 2018, the Company recognized rental income from these investment properties amounting to ₱1,578,240, ₱1,624,023 and ₱6,994,454, respectively (see Note 30).

In Philippine Peso

14. OTHER NON-CURRENT ASSETS – net

	2019	2018
Long-outstanding trade receivables	**1,381,525,501**	1,381,525,501
Plant supplies	**95,793,290**	99,883,564
Refundable security deposits	**12,744,208**	7,348,678
Financial asset at FVOCI	**168,948**	192,375
	1,490,231,947	1,488,950,118
Less: Allowance for ECL and impairment	**(1,447,513,336)**	(1,447,513,336)
	42,718,611	41,436,782

Long-outstanding trade receivables represent due from customers related to the LEC business (landline-based telephone and long-distance service) of the Company. These long-outstanding receivables are fully provided with allowance for ECL as at December 31, 2019 and 2018.

Plant supplies pertain to telephone assets which are provided with allowance for impairment losses.

As at December 31, 2019 and 2018, the carrying amounts of plant supplies amounted to ₱29,805,455 and ₱33,895,729, respectively, net of allowance for impairment losses of ₱65,987,835 as at December 31, 2019 and 2018.

Refundable security deposits represent deposits on various space rental for central office equipment and telecommunication nodes.

The Company's foreign currency denominated refundable security deposits and their Philippine peso equivalents restated at reference rate of prevailing market rate are as follows:

	2019	2018
Foreign currency denominated	$ **76,000**	$ –
Philippine peso equivalents	₱ **3,856,544**	₱ –

The Company recognized unrealized foreign exchange loss from translating foreign currency denominated security refundable deposit amounting to ₱148,656 for the year ended December 31, 2019 and both nil for the six-month period ended December 31, 2018 and year ended June 30, 2018.

Financial assets at FVOCI as at December 31, 2019 pertain to investment in shares of a listed telecommunications entity. The Company's business model for managing these financial assets refers to how it manages its financial assets in order to generate cash flows.

Movements of financial assets at FVOCI for the year ended December 31, 2019 and six-month period ended December 31, 2018 are as follows:

	2019	2018
Balances at beginning of year/period	**192,375**	220,419
Unrealized valuation loss for the year/period	**(23,427)**	(28,044)
Balances at end of year/period	**168,948**	192,375

In Philippine Peso

The cumulative net unrealized valuation loss on changes in fair values of financial assets at FVOCI account as at December 31, 2019 and 2018 is recognized under "Unrealized valuation loss on equity investments" account which is a separate component under the equity section in the statements of financial position.

Movements of unrealized valuation losses on financial assets at FVOCI for the year ended December 31, 2019 and six-month period ended December 31, 2018 are as follows:

	2019	2018
Balances at beginning of year/period	**(306,945)**	(278,901)
Changes in fair value of financial assets at FVOCI	**(23,427)**	(28,044)
Balances at end of year/period	**(330,372)**	(306,945)

For the year ended December 31, 2019, six-month period ended December 31, 2018 and year ended June 30, 2018, the Company recognized dividend income pertaining to financial assets at FVOCI amounting to ₱12,312, ₱6,156 and ₱12,996, respectively (see Note 25).

Movements in allowance for ECL of long outstanding trade receivables and impairment of plant assets are as follow:

	Long-outstanding trade receivables	Plant Supplies	Total
Balances as at June 30, 2018	1,381,525,501	66,027,835	1,447,553,336
Provision for ECL for the six-month period	–	–	–
Reversal of allowance for impairment loss (Note 25)	–	(40,000)	(40,000)
Balances as at December 31, 2018	1,381,525,501	65,987,835	1,447,513,336
Provision for ECL for the year	–	–	–
Balance as at December 31, 2019	**1,381,525,501**	**65,987,835**	**1,447,513,336**

In 2018, the company sold various impaired plant assets as junks at some auction with proceeds representing the reversal of impairment loss recognized in the books.

15. TRADE AND OTHER PAYABLES

	2019	2018
Trade	**173,106,967**	198,758,174
Customers' deposits	**166,464,740**	36,346,942
Others	**239,451**	3,092,672
	339,811,158	238,197,788

Trade payables are non-interest bearing and are settled on a 30 to 120 days' term. Included in the trade payables are suppliers' credits under corporate rehabilitation amounted to ₱11,138,163 as at December 31, 2019 and 2018.

Customers' deposits pertain to 2 months advance and 1-month deposit of internet broadband monthly subscription fee from customers. This account also includes reservation deposits/fees from interested buyers of the Company's non-current assets held for sale. These deposits are refundable and/or to be applied to uncollected receivables from the customers/buyers.

Other payables represent advance payments from subscribers and lessees and refundable short-term rental deposits. These are refundable and/or to be applied to uncollected receivables from the customers/lessees upon expiration and/or termination of the contract of service or lease.

In Philippine Peso

16. STATUTORY OBLIGATIONS

The statutory obligations consist of liabilities to the Philippine government agencies and labor-related liabilities summarized as follows:

	2019	2018
Covered by Corporate Rehabilitation (Note 2)		
Labor-related	**171,723,519**	185,749,667
BIR	**138,514,480**	138,514,480
NTC	**65,724,944**	65,724,944
Home Development Mutual Fund (HDMF)	**28,448,186**	28,448,186
SSS	**15,101,233**	16,940,916
Philippine Health Insurance Corporation (PHIC)	**12,145,658**	12,145,658
National Home Mortgage Finance Corp. (NHFMC)	**1,132,874**	1,132,874
Other government agencies	**7,231,637**	7,231,637
	440,022,531	455,888,362
Outside Corporate Rehabilitation:		
BIR	**20,197,996**	14,512,459
Labor-related	**7,130,970**	589,857
SSS	**213,100**	336,153
PHIC	**114,064**	83,686
HDMF	**75,706**	63,446
Other government agencies	**12,885,885**	28,315,448
	40,617,721	43,901,049
	480,640,252	499,789,411

Labor-related
This pertains to unpaid salaries and wages of employees, and National Labor Relation Commission (NLRC) fees. NLRC, as arbiter, is handling labor-related cases against the Company. Some of these cases are already carried up to the courts (see Note 31).

In 2019, the Company settled labor-related statutory obligations covered by corporate rehabilitation amounting to ₱17,324,413, with waiver on interest amounting to ₱3,112,818 recognized as other income the year ended December 31, 2019 (see Note 25).

NTC
This pertains to unpaid SRF and Spectrum User Fees. SRF collected by the NTC from telecommunications company with valid legislative franchise.

HDMF and PHIC
These pertain to unremitted employer and employees' contributions.

SSS
This pertains to unremitted employer and employee contributions, and employee loans. On September 3, 2010, the Rehab Court ordered Philippine National Bank Trust Banking Group (PNB-TBG), as escrow agent under Escrow Agreement entered into by the Company and PNB-TBG on June 2, 1999, to release the escrow fund to pay obligations to SSS under the condonation program in RA No. 9903 and SSS Circular No. 2010-2005. In November 2010, the Company paid ₱32,466,271 out of the escrow fund (see Notes 1 and 2).

In August 30, 2019, the Company availed of SSS condonation program to settle ₱12,908,618 of obligations including interest of ₱1,012,344 (see Notes 1 and 2).

NHFMC
This pertains to unremitted employees housing loan deducted from their salaries.

In Philippine Peso

Other government agencies
These include liabilities with BIR for the various unpaid taxes, SEC for the unpaid filing fees, Department of Public Works & Highways for the excavation fees, Department of Environment and Natural Resources for area clearing permits, and City Treasurer of various municipalities for the real property tax.

Statutory obligations outside corporate rehabilitation are current obligations which are incurred after the Rehab Plan was filed with the Rehab Court. These obligations are paid on a regular basis as part of its normal business operations on a 5 to 30 days' term.

17. ACCRUED INTERESTS, EXPENSES AND OTHER LIABILITIES

	2019	2018
Accrued interests	**242,578,122**	219,203,130
Accrued upstream internet connectivity	**18,453,777**	12,769,782
Accrued expenses	**13,407,437**	8,500,564
Accrued retainers and professional fees	**2,152,482**	6,300,084
Others	**1,550,375**	1,097,346
	278,142,193	247,870,906

Pursuant to the order of the Rehab Court to pay 6% legal interest from the approval of the Rehab Plan until full payment of the obligation (see Note 2). Interest expense for the year ended December 31, 2019, six-month period ended December 31, 2018 and year ended June 30, 2018 amounted to ₱27,500,155, ₱13,463,929 and ₱27,545,130, respectively (see Note 28).

Accrued expenses pertain to utilities and outside services which were incurred subsequent to the approval of the Rehab Plan.

In 2018, the Company entered into a contract agreement with an international telecommunication company to install and provide additional upstream internet connectivity for the Company.

The Company's foreign currency denominated accrued upstream internet connectivity and their Philippine peso equivalents restated at reference rate of prevailing market rate are as follows:

	2019	2018
Foreign currency denominated	**$ 324,322**	$ 228,000
Philippine peso equivalents	**₱ 16,456,098**	₱ 12,021,072

The Company recognized unrealized foreign exchange gain from translating foreign currency denominated accrued upstream internet connectivity amounting to ₱770,764, ₱149,095 and nil for the year ended December 31, 2019, six-month period ended December 31, 2018 and year ended June 30, 2018, respectively.

The Company has written-off unreversed long outstanding accruals amounting to ₱552,894, nil and ₱53,880,331 for the year ended December 31, 2019, six-month period ended December 31, 2018 and year ended June 30, 2018, respectively (see Note 25).

In Philippine Peso

18. LOANS PAYABLE

The Company obtained several loans from a local bank and a financial institution of which the proceeds were used to finance the purchase of other work equipment for the Company's use. These service vehicles serve as collaterals for the chattel mortgage for the loans. Below are the details of the loans:

	Loan 1	Loan 2	Loan 3
Principal amount	780,000	780,000	1,518,400
Annual interest rate	18.59%	18.59%	20.03%
Maturity date	12/13/2022	12/13/2022	5/4/2020
Amount outstanding:			
Principal	599,123	599,123	296,718
Interest	5,569	7,426	4,292
Monthly amortization	22,801	22,801	77,300
Term (months)	48	48	24

The outstanding balances of the Company's loans as at December 31, 2019 and 2018 are as follows:

2019	Current	Non-current	Total
Loan 1	182,358	422,334	604,692
Loan 2	184,215	422,334	606,549
Loan 3	301,010	–	301,010
	667,583	844,668	1,512,251

2018	Current	Non-current	Total
Loan 1	153,942	599,123	753,065
Loan 2	156,254	599,123	755,377
Loan 3	796,484	296,718	1,093,202
	1,106,680	1,494,964	2,601,644

As at December 31, 2019 and 2018, the carrying value of the other work equipment pledged as collaterals for the chattel mortgages amounted to ₱2,386,443 and ₱3,117,090, respectively (see Note 12).

The Company paid a total of ₱1,074,910 and ₱508,526 of the principal for the year ended December 31, 2019 and six-month period ended December 31, 2018, respectively. Interest expense for the year ended December 31, 2019, six-month period ended December 31, 2018 and year ended June 30, 2018 relating to these loans amounted to ₱385,432, ₱232,848 and nil, respectively (see Note 28).

Amount of principal repayment required in each of the next five (5) years are as follows:

	Loan 1	Loan 2	Loan 3	Total
2020	176,789	176,789	296,718	650,296
2021	212,607	212,607	–	425,214
2022	209,727	209,727	–	419,454
2023	–	–	–	–
2024	–	–	–	–

In Philippine Peso

19. DEPOSIT FOR SUBSCRIPTION IN ACCORDANCE WITH THE COURT-APPROVED REHABILITATION PLAN

As discussed in Note 2 in the financial statements, the Rehab Court has ordered the Company the full conversion of all outstanding liabilities into 12-year serial redeemable preferred shares except for statutory obligations, financing and advances from owners and certain liabilities in the nature of suppliers' credits, under respective classifications as shown below:

Type of Redeemable Serial Preferred Shares	Type of obligation
Series "A"	Secured obligations
Series "B"	Unsecured obligations
Series "C"	Obligations to affiliated companies

The Company sent confirmation letters to all claimants concerned that the principal amount of their debts/liabilities have been fully converted to equity, by way of 12-year serial redeemable preferred shares and that the corresponding amount of ₱8,841,736,581 was lodged in the Company's books as "Deposit for subscription". The Company has filed with the SEC the increase in authorized capital stock on October 9, 2018. The increase in authorized capital was approved by the SEC on October 31, 2018 pending issuance of share certificates to the creditors (see Note 2) and the full implementation of the Company's debt-to-equity conversion as ordered by the Rehab Court amounting to ₱8,711,736,581 (see Note 21.02), thus, "Deposit for subscription" was already recognized in equity. No oppositions were made by the creditors except as discussed in Note 2.

As at April 14, 2020, the Company has issued share certificates to creditors amounting to ₱326,085.

Total deposit for subscription under liabilities as at December 31, 2019 and 2018 amounted to ₱130,000,000. The remaining balance of deposit for stock subscription under liabilities as at December 31, 2019 and 2018 pertains to the subscribed common shares of RETELCOM previously lodged under paid up capital.

20. RETIREMENT BENEFITS LIABILITY

The Company has a noncontributory defined benefit plan covering all regular and permanent employees. Benefits are based on the employee's final plan salary and at least 10 years of service ranging from 12.5% to 130%.

The latest actuarial valuation report as at December 31, 2019 is determined using the projected unit credit actuarial cost method. Currently, the Company has no plan asset established for the funding of the retirement benefits liability.

The following tables summarize the retirement benefits liability recognized in the statements of financial position and the components of retirement benefits costs recognized in the statements of income (loss) for the retirement plan:

Retirement benefits costs recognized in the statements of income (loss):

	Note	**December 31, 2019**	December 31, 2018	June 30, 2018
Current service cost		**6,279,902**	2,304,676	2,867,468
Interest expense on defined benefit plan		**1,940,088**	4,055,463	4,121,524
	27	**8,219,990**	6,360,139	6,988,992

In Philippine Peso

Retirement expense attributable to key management personnel amounted to ₱2,459,211, ₱786,181 and ₱3,087,667 for the year ended December 31, 2019, six-month period December 31, 2018 and year ended June 30, 2018, respectively (see Note 23).

Other comprehensive income (loss) in the statements of financial position pertains to the cumulative actuarial gains (losses) on non-contributory defined benefit plan:

	2019	2018
Beginning balances	**14,898,232**	(1,533,213)
Actuarial gains (losses) due to:		
Experience adjustments	**(12,915,983)**	21,986,863
Changes in demographic assumptions	**3,189,985**	–
Changes in financial assumptions	**(4,706,682)**	1,486,629
Actuarial gains (losses) recognized for the period/year	**(14,432,680)**	23,473,492
Tax effect	**4,329,804**	(7,042,047)
Actuarial gains (losses) recognized for the period/year – net of tax	**(10,102,876)**	16,431,445
Ending balances	**4,795,356**	14,898,232

Changes in the present value of the retirement benefits liability are as follows:

	2019	2018
Retirement benefits liability at beginning of period/year	**114,096,777**	131,210,130
Current service cost	**6,279,902**	2,304,676
Interest expense on retirement benefits liability	**1,940,088**	4,055,463
Actuarial losses (gains) due to:		
Experience adjustments	**12,915,983**	(21,986,863)
Changes in demographic assumptions	**(3,189,985)**	–
Changes in financial assumptions	**4,706,682**	(1,486,629)
Benefits paid	**(3,435,845)**	–
Retirement benefits liability at end of period/year	**133,313,602**	114,096,777

In 2009, the Company applied for corporate rehabilitation which was later approved in April 1, 2011 by the Rehab Court. As per Rehab Court's order, the Company may put on hold the benefits of separated employees for service rendered prior to August 24, 2009 Stay Order (see Note 1).

As at December 31, 2019 and 2018, the Company has retirement benefits liability attributable to separated employees amounting to ₱83,370,733 and ₱78,622,488, respectively.

The principal actuarial assumptions used to determine pension for the Company are as follows:

	2019	2018
Discount rate	**4.92%**	7.36%
Salary increase rate	**5.00%**	5.00%
Mortality rate	2017 Philippine Intercompany Mortality Table	
Disability rate	1925 Disability Study, Period 2, Benefit 5	
Turnover rate	A scale ranging from 9% at age 18 to 0% at age 60	

In Philippine Peso

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2019, assuming all other assumptions were held constant:

	Increase (decrease)	Active	Deferred	Total
Discount rates	5.69% (Actual + 1.00%)	47,841,555	83,370,733	131,212,288
	4.92% (Actual)	49,942,868	83,370,733	133,313,601
	3.92% (Actual - 1.00%)	52,333,662	83,370,733	135,704,395
Salary increase rate	6.00% (Actual + 1.00%)	52,547,176	83,370,733	135,917,909
	5.00% (Actual)	49,942,868	83,370,733	133,313,601
	4.00% (Actual - 1.00%)	47,603,946	83,370,733	130,674,679

Shown below is the maturity analysis of the Company's undiscounted benefit payments as at December 31, 2019:

	Normal retirement	Other than normal retirement	Deferred benefit	Total
Less than 1 year	25,300,241	499,830	83,370,733	109,170,804
1 to less than 5 years	8,726,785	2,163,700	–	10,890,485
5 to less than 10 years	28,290,405	2,986,431	–	31,276,836
10 to less than 15 years	37,617,162	4,073,163	–	41,690,325
15 to less than 20 years	30,277,917	6,226,407	–	36,504,324
20 years and above	101,361,543	13,708,845	–	115,070,388
	231,574,053	29,658,376	83,370,733	344,603,162

The average duration of the retirement benefits liability at the end of the reporting period is 16.43 years.

21. SHARE CAPITAL

21.01 Paid-up Capital

As at December 31, 2019 and 2018, the Company's paid up capital consist of the following:

	2019	2018
Common shares - ₱1 par value		
Authorized - 4,500,000,000 shares		
Issued - 1,500,000 shares	**1,500,000,000**	1,500,000,000
Subscribed shares – nil shares	**–**	–
APIC	**724,255,313**	724,255,313
	2,224,255,313	2,224,255,313
Preferred shares - ₱10 par value		
Authorized - 230,000,000 shares		
Issued and subscribed - nil shares	**–**	–
	2,224,255,313	2,224,255,313

Preferred shares pertain to serial cumulative convertible redeemable preferred shares with the following terms and conditions:

1. Has no voting rights or right to be voted except as provided by law.
2. Entitled to cumulative and non-participating dividends.
3. Convertible into common shares as determined by the BOD.
4. Redemption period shall be fixed by the BOD and may be re-issued upon redemption as preferred or as common shares at the option of the BOD.

In Philippine Peso

As at December 31, 2019 and 2018, no preferred shares were subscribed and/or issued.

21.02 Deposit for Subscription in Accordance with the Court-Approved Rehabilitation Plan

As discussed in Note 2 to the financial statements, the Rehab Court approved the Company to amend its articles of incorporation increasing its authorized capital stock from ₱3,800,000,000 to ₱10,187,150,000, and to immediately issue the corresponding stock certificates to the claimants concerned.

The Company has filed with the SEC the increase in authorized capital stock from ₱3,800,000,000 to ₱15,600,000,000 on October 9, 2018 which was approved on October 31, 2018. As at December 31, 2019, the Company has yet to issue the share certificates to the creditors amounting to ₱8,711,736,581.

As at April 14, 2020, the Company has issued share certificates to creditors amounting to ₱326,085 (see Note 1).

22. BASIC/DILUTED EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to stockholders of the Company by the weighted average number of ordinary shares in issue during the period/year, excluding ordinary shares purchased by the Company and held as treasury shares.

Income (loss) per share for the year ended December 31, 2019, six-month period ended December 31, 2018 and year ended June 30, 2018 are as follows:

	December 31, 2019	December 31, 2018	June 30, 2018
Net income (loss) shown in the statements of comprehensive income (loss)	**(52,402,835)**	(88,152,538)	24,729,132
Weighted average number of common shares for basic and diluted earnings (loss) per share	**1,500,000,000**	1,500,000,000	1,473,258,703
Basic and diluted earnings (loss) per share	**(0.03)**	(0.06)	0.02

23. RELATED PARTY TRANSACTIONS

23.01 Related Party Relationships

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

In Philippine Peso

The related parties in these financial statements are as follows:

Related party	Relationship	Nature of Transaction
TSI	Entity with significant influence over the Company	Advances to/from
MENLO	Entity with significant influence over the Company	Advances to/from
CWI	Affiliate	Advances to/from
PWI	Affiliate	Advances to/from
RETELCOM	Affiliate	Advances to/from
TIMCO	Affiliate	Advances to/from
WPI	Affiliate	Advances to/from
Stockholders	Other related party	Advances to/from

Affiliate refers to an entity that is neither a parent, a subsidiary, nor an associate, but has stockholders common to the Company or under common control.

In the normal course of business, transactions with related parties consist mainly of rendering of, unsecured non-interest bearing, short-term cash advances for working capital requirements of the Company, which are due and demandable.

23.02 Related Party Transactions

Transactions and outstanding balances with related parties as at December 31, 2019 and 2018 which consist mainly of advances intended for working capital requirements are as follows:

Category	Year/ Period	Volume/ Amount	Outstanding Balance	Terms	Conditions
Entities with significant influence over the Company					
TSI					
Revenues / Receivables	**2019**	**16,589,121**	**332,686**	Due and demandable, cash settled	Unimpaired
	2018	3,468,741	472,984		
Due from related parties	**2019**	**–**	**–**	Due and demandable, cash settled	Unimpaired
	2018	(99,695)	–		
Due to related parties	**2019**	**454,083**	**40,696,459**	Due and demandable, cash settled	Unsecured Unguaranteed
	2018	156,411	40,242,376		
MENLO					
Due to related parties	**2019**	**(41,329,188)**	**19,013,613**	Due and demandable, cash settled	Unsecured Unguaranteed
	2018	55,983,287	60,342,801		
Affiliates					
CWI					
Due from related parties	**2019**	**(2,365,687)**	**885,231**	Due and demandable, cash settled	Unimpaired
	2018	131,412	3,250,918		
Due to related parties	**2019**	**–**	**440,000**	Due and demandable, cash settled	Unsecured
	2018	440,000	440,000		
PWI					
Due from related parties	**2019**	**(2,215,153)**	**1,272,233**	Due and demandable, cash settled	Unimpaired
	2018	(896,878)	3,487,386		
RETELCOM					
Due to related parties	**2019**	**661,212**	**6,613,704**	Due and demandable, cash settled	Unsecured Unguaranteed
	2018	1,041,918	5,952,492		
TIMCO					
Due to related parties	**2019**	**–**	**38,355,000**	Due and demandable, cash settled	Unsecured
	2018	–	38,355,000		
WPI					
Due from related parties	**2019**	**9,555**	**48,931**	Due and demandable, cash settled	Unimpaired
	2018	–	39,376		

In Philippine Peso

Category	Year/ Period	Volume/ Amount	Outstanding Balance	Terms	Conditions
Other related parties					
Other individual stockholders					
Due to related parties	**2019**	**(658,885)**	**157,691,990**	Due and demandable, cash settled	Unsecured
	2018	28,867,958	158,350,875		
Interest expenses / Due to related parties – accrued interest	**2019**	**12,434,887**	**6,195,494**		
	2018	6,415,025	–		
Revenues (Note 24) / Receivables (Note 8)	**2019**	**16,589,121**	**332,686**		
	2018	3,468,741	472,984		
Due from related parties	**2019**		**2,206,395**		
	2018		6,777,680		
Due to related parties	**2019**		**262,810,766**		
	2018		303,683,544		
Interest expenses (Note 28) / Due to related parties – accrued interest	**2019**	**12,434,887**	**6,195,494**		
	2018	6,415,025	–		

Due from related parties pertain to non-interest-bearing advances handed by the Company to its related parties for working capital requirements.

Due to related parties represent interest and non-interest bearing, unsecured, and short-term Philippine Peso-denominated financing and advances from owners obtained by the Company mainly to finance working capital requirements prior to the entry of the new investor in accordance with the court-approved Rehab Plan (see Note 2).

The Company's foreign currency denominated due to related parties and their Philippine peso equivalents restated at reference rate of prevailing market rate are as follows:

	2019	2018
Foreign currency denominated	**$ 288,805**	$ 288,805
Philippine peso equivalents	**₱ 14,653,978**	₱ 15,226,955

The Company recognized unrealized foreign exchange gain from translating foreign currency denominated due to related parties amounting to ₱690,245 and ₱230,466, for the year ended December 31, 2019 and six-month period ended December 31, 2018, respectively, and unrealized foreign exchange loss amounting to ₱832,481 for the year ended June 30, 2018.

23.03 Key Management Remuneration

Compensation of key management personnel of the Company are as follows:

	2019	2018
Short-term employee benefits	**32,988,303**	16,722,000
Post-employment benefits (Note 20)	**2,459,211**	786,181
	35,447,514	17,508,181

In Philippine Peso

24. REVENUES

	December 31, 2019	December 31, 2018	June 30, 2018
Broadband internet access services:			
Direct customers	**304,163,387**	116,931,071	185,690,430
Resellers	**41,766,571**	3,468,741	8,857,176
Information technology services	**42,260,011**	–	–
Other services	**7,853,754**	9,171,830	6,266,293
	396,043,723	129,571,642	200,813,899

Revenue Sharing Agreement with IPS, Inc. (IPS)
The Company and IPS entered into an agreement where IPS is allowed to use the Company's last mile as local transport, as compensation, the Company collects monthly recurring rate depending on the bandwidth transported as agreed on subscription agreements.

Collection Agent Agreement with IPS
The Company agreed to act as the collecting agent of IPS. The Company shall perform the billing and collection of monthly subscription fee on behalf of IPS. In return, the Company shall be compensated equivalent to 3% of the gross receipts, net of VAT.

Facilities Exchange and Revenue Sharing Agreement with TSI
On February 13, 2013, the Company and TSI entered into a Memorandum of Understanding where both parties agree to exchange usufruct including, but not limited to, the Company's fiber facilities, capacities, and upgrades which were funded by TSI, TSI's multiplex and other equipment upgrades. These facilities shall be used to provide data transport facilities to clients for which the Company and TSI shall share revenue based on gross receipts. TSI and the Company's revenue sharing varies from 30:70, 50:50 and 40:60, respectively. TSI shall be an authorized reseller of the Company's data transport services. The Memorandum of Understanding shall be effective for a period of 15 years from the execution date.

Copper Cable Lease Agreement with APO Associated Radio Electronics and Communications Company, Inc. (APOCOM)
On October 4, 2012, the Company agreed to lease out copper cable to APOCOM in order for APOCOM to provide DSL services to its clients for a monthly lease rate of ₱200 per cable per client. In addition, the Company shall charge a one-time installation fee in the amount of ₱1,500 for each DSL service that APOCOM will provide its clients. APOCOM shall also be an authorized reseller of the Company's DSL.

Revenue disaggregation are as follows:

	December 31, 2019	December 31, 2018	June 30, 2018
Contracts:			
Revenue with IPS	**25,177,451**	1,270,169	2,513,272
Company's revenue-share from resell of data transport (Note 23)	**16,589,121**	3,468,741	8,674,694
Collection agreement with IPS	**–**	65,612	284,033
Facilities exchange with TSI (Note 23)	**–**	–	16,159,166
Revenue recognized – resell of DSL	**–**	–	182,482
Copper Cable Lease Agreement with APOCOM	**–**	–	6,600
Other individual and corporate contracts	**354,277,151**	124,767,120	172,993,652
	396,043,723	129,571,642	200,813,899

In Philippine Peso

	December 31, 2019	December 31, 2018	June 30, 2018
Type of customers:			
Government	**58,064,700**	5,981,346	9,372,707
Non-government	**337,979,023**	123,590,296	191,441,192
	396,043,723	129,571,642	200,813,899
Timing of recognition of revenue:			
Over time	**346,288,274**	122,124,088	188,412,860
At a point in time	**49,755,449**	7,447,554	12,401,039
	396,043,723	129,571,642	200,813,899
Geographical markets:			
Metro Manila	**289,788,118**	102,690,928	157,491,124
Luzon	**98,846,675**	26,880,714	43,322,775
Visayas	**3,292,858**	–	–
Mindanao	**4,116,072**	–	–
	396,043,723	129,571,642	200,813,899

25. OTHER INCOME

	December 31, 2019	December 31, 2018	June 30, 2018
Unrealized foreign exchange gain (Notes 17 and 23)	**1,461,009**	379,561	–
Rack rental income (Note 30)	**1,372,581**	1,589,373	3,568,762
Reversal of long outstanding accruals (Note 17)	**552,894**	–	53,880,331
Interest income (Note 7)	**71,532**	24,407	112,188
Dividend income (Note 14)	**12,312**	6,156	12,996
Reversal of allowance for ECL (Note 8)	–	133,609	–
Realized foreign exchange gain	–	103,054	–
Reversal of impairment (Note 14)	–	40,000	882,250
Miscellaneous	**3,595,946**	–	–
	7,066,274	2,276,160	58,456,527

Miscellaneous includes waiver on interest of labor-related statutory obligations related to corporate rehabilitation (see Note 16) and other incidental income of the Company.

In Philippine Peso

26. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	December 31, 2019	December 31, 2018	June 30, 2018
Personnel cost (Note 27)	**203,824,120**	83,024,788	74,303,350
Utilities and supplies	**21,656,070**	9,401,508	14,429,229
Professional and other contracted services	**16,079,410**	15,996,534	11,572,183
Taxes, licenses, and other fees	**14,458,986**	34,566,130	5,068,556
Marketing and commission	**11,117,342**	5,842,771	14,196,259
Outside services	**9,493,864**	4,614,261	5,243,409
Representation and entertainment	**6,808,727**	3,096,093	10,754,896
Trustee fee	**5,312,500**	–	–
Repairs and maintenance	**1,882,800**	871,209	1,415,800
Software licenses	**1,479,295**	214,907	683,093
Seminar expense	**917,330**	833,566	553,754
Insurance expense	**845,277**	303,121	133,201
Provision for ECL (Note 8)	**780,496**	669,809	899,350
Realized foreign exchange loss	**195,142**	–	–
Unrealized foreign exchange loss (Notes 7 and 14)	**152,028**	6,476	832,481
Rent	**–**	6,192,759	9,793,388
Miscellaneous expense	**6,069,549**	2,794,567	3,015,317
	301,072,936	168,428,499	152,894,266

Trustee fee pertains to the amount paid by the Company in relation with the transfer of records of its Mortgage Trust Indenture wherein a trustee was appointed to act as an impartial intermediary between the Company and its creditors in the administration of properties securing the Company's loans.

Miscellaneous includes bank charges, membership fees, postage and mailing, access fee and other incidental business expenses of the Company.

27. PERSONNEL COST

	December 31, 2019	December 31, 2018	June 30, 2018
Salaries and wages	**144,714,467**	62,027,385	54,550,043
Retirement costs (Note 20)	**8,219,990**	6,360,139	6,988,992
Other benefits	**50,889,663**	14,637,264	12,764,315
	203,824,120	83,024,788	74,303,350

Other benefits include government contributions, short-term compensated absences, bonuses, non-monetary benefits and other short-term benefits.

In Philippine Peso

28. INTEREST EXPENSES

	December 31, 2019	December 31, 2018	June 30, 2018
Corporate rehabilitation obligations (Note 17)	**27,500,155**	13,463,929	27,545,130
Due to related parties (Note 23)	**12,434,887**	6,217,444	–
Lease liabilities (Note 30)	**2,227,216**	–	–
Bank loans (Note 18)	**385,432**	232,848	–
Others	**382,868**	197,581	190,836
	42,930,558	20,111,802	27,735,966

Others pertain to interest expenses paid by the Company to various suppliers.

29. INCOME TAX

29.01 Income Tax Recognized in Profit or Loss

The components of income tax expense for the year ended December 31, 2019, six-month period ended December 31, 2018 and year ended June 30, 2018 are as follows:

	December 31, 2019	December 31, 2018	June 30, 2018
Income tax expense:			
Regular corporate income tax at 30%	–	–	28,799,624
Minimum corporate income tax at 2%	**2,873,472**	–	–
Income tax expense reported in the statements of comprehensive income (loss)	**2,873,472**	–	28,799,624

The reconciliation of income tax computed at the statutory income tax rate to provision for income tax as shown in the statements of comprehensive income (loss) is as follows:

	December 31, 2019	December 31, 2018	June 30, 2018
Income (loss) at statutory income tax rate	**(14,858,809)**	(26,445,761)	16,058,627
Income tax effects of:			
Change in unrecognized deferred income tax assets	**16,595,787**	23,416,616	4,242,204
Non-deductible expenses	**1,161,648**	3,038,314	8,794,122
Interest income subjected to final tax	**(21,460)**	(7,322)	(33,657)
Dividend income	**(3,694)**	(1,847)	(3,899)
Application of MCIT	–	–	(257,773)
	2,873,472	–	28,799,624

As at December 31, 2019 and 2018, net deferred income tax recognized in the statements of financial position are as follows:

	2019	2018
Deferred income tax liabilities		
Revaluation surplus	**43,758,000**	43,758,000
Actuarial gain on retirement benefits	**2,055,153**	6,384,957
	45,813,153	50,142,957

In Philippine Peso

As at December 31, 2019 and 2018, no deferred income tax assets have been recognized on the following tax bases because management believes that it is not probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

	2019	2018
Provision for ECL on long outstanding trade receivables (Note 14)	**1,381,525,501**	1,381,525,501
Accrued interests (Notes 17 and 23)	**248,773,616**	219,203,130
Retirement costs	**140,164,111**	135,379,966
NOLCO	**67,133,911**	57,735,119
Provision for impairment losses on plant supplies (Note 14)	**65,987,835**	65,987,835
Provision for ECL on receivables (Note 8)	**3,546,195**	2,765,699
MCIT	**2,873,472**	–
Leases – PFRS 16	**1,207,130**	–
Total	**1,911,211,771**	1,862,597,250

Unrecognized deferred tax assets are as follows:

	2019	2018
Provision for ECL on long outstanding trade receivables	**414,457,650**	414,457,650
Accrued interests	**74,632,085**	65,760,939
Retirement costs	**42,049,233**	40,613,990
NOLCO	**20,140,173**	17,320,535
Provision for impairment losses on plant supplies	**19,796,351**	19,796,351
MCIT	**2,873,472**	–
Provision for ECL on receivables	**1,063,859**	829,710
Leases – PFRS 16	**362,139**	–
Total	**575,374,962**	558,779,175

As at December 31, 2019, the Company has NOLCO that can be claimed as deductions from future taxable income as follows:

Period of recognition	Availment period	NOLCO	Applied	Expired	Balance
December 31, 2018	2019-2021	57,735,119	–	–	57,735,119
December 31, 2019	2020-2022	9,398,792	–	–	9,398,792
		67,133,911	–	–	**67,133,911**

As at December 31, 2019, the Company has MCIT that can be claimed as deductions from future taxable income as follows:

Period of recognition	Availment period	MCIT	Applied	Expired	Balance
December 31, 2019	2020-2022	**2,873,472**	–	–	**2,873,472**

In Philippine Peso

30. LEASES

a. The Company as a Lessee

The Company has lease contracts for various network equipment for cell sites telecommunications equipment locations and leased poles and other work equipment for car rentals used in its operations which generally have lease terms between 1 and 10 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets and some contracts require the Company to maintain certain financial ratios. There are several lease payments which are further discussed below.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during 2019:

	Network equipment	Other work equipment	Total
Cost:			
Balance at beginning of year	40,160,065	2,266,792	42,426,857
Additions	–	–	–
Balance at end of year	40,160,065	2,266,792	42,426,857
Accumulated depreciation:			
Balance at beginning of year	–	–	–
Depreciation	11,321,656	989,099	12,310,755
Balance at end of year	11,321,656	989,099	12,310,755
Net book value	28,838,409	1,277,693	30,116,102

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2019	2018
At January 1	42,250,103	–
Additions	–	–
Accretion of interest	2,227,216	–
Payments	(13,330,841)	–
	31,146,478	–

The following is the current and non-current portion of lease liabilities as at December 31, 2019:

	2019	2018
Current	11,223,922	–
Non-current	19,922,556	–
	31,146,478	–

In Philippine Peso

The maturity analysis of lease liabilities as at December 31, 2019 is disclosed below:

	Network and office premises	Other work equipment	Total
Lease payments:			
Within 1 Year	11,722,653	1,163,085	12,885,738
1-2 Years	7,393,733	255,567	7,649,300
2-3 Years	5,731,389	–	5,731,389
3-4 Years	8,935,243	–	8,935,243
4-5 Years	296,075	–	296,075
	34,079,093	1,418,652	35,497,745
Finance charges:			
Within 1 Year	1,514,043	127,070	1,641,113
1-2 Years	993,162	8,337	1,001,499
2-3 Years	644,257	–	644,257
3-4 Years	1,052,184	–	1,052,184
4-5 Years	12,214	–	12,214
	4,215,860	135,407	4,351,267
Net present values:			
Within 1 Year	10,208,611	1,036,015	11,244,626
1-2 Years	6,400,571	247,230	6,647,801
2-3 Years	5,087,132	–	5,087,132
3-4 Years	7,883,059	–	7,883,059
4-5 Years	283,860	–	283,860
5-10 Years	–	–	–
	29,863,233	1,283,245	31,146,478

The following are the amounts recognized in profit or loss:

	2019	2018
Depreciation expense of right-of-use assets	12,310,755	–
Interest on lease liabilities (Note 28)	2,227,216	–
	14,537,971	–

b. The Company as a Lessor

The Company has entered into various lease agreements on its investment properties and telecommunication rack spaces. The operating lease agreements are short-term periods ranging from 1 to 12 months from the date of contracts.

For the year ended December 31, 2019, six-month period ended December 31, 2018 and year ended June 30, 2018, the Company recognized rental income from investment properties amounting to ₱1,578,240, ₱1,624,023 and ₱6,994,454, respectively (see Note 13). During the year, majority of the lease agreements expired and were no longer renewed.

In Philippine Peso

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2019	2018
Less than one year	**49,376**	1,386,004

Total rental income earned by the Company from its leased telecommunication rack spaces amounted to ₱1,372,581, ₱1,589,373 and ₱3,568,762, respectively (see Note 25) for the year ended December 31, 2019, six-month period ended December 31, 2018 and year ended June 30, 2018, respectively. During the year, the Company's lease agreement expired and was no longer renewed.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2019	2018
Less than one year	–	1,372,581

31. LEGAL CONTINGENCIES

The Company is a party to various legal cases and assessments which are pending in courts or are under protest. The Company's management and the Company's legal counsels, both in-house and external, strongly believe that the liabilities, if any, that may result from the final outcome of these cases and assessments will not materially affect the Company's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these cases and assessments. The disclosure of additional details beyond the present disclosures may seriously prejudice the Company's position and negotiation strategies with respect to these matters. Thus, as allowed by PAS 37, only a general description is provided.

32. SEGMENT REPORTING

The Company has only one operating segment which is the broadband internet access services which include, among others: (a) fiber optic dedicated, e-line or shared broadband; (b) wireless dedicated or shared broadband; (c) very small aperture terminal; and (d) gateway peering. Revenues derived from these services consists of fixed monthly subscription rate plus installation charges and other one-time fees associated with the customer service.

The Company shifted its products and services from LEC to broadband data services, fixed wireless services Point to Point and Point to Multipoint Wireless Communications Services and Network Operations Center using the same LEC Network (see Note 1).

The Company monitors the operating results based on earnings before interest, taxes and depreciation and amortization (EBITDA).

In Philippine Peso

The Company's EBITDA for the year ended December 31, 2019, six-month period ended December 31, 2018 and year ended June 30, 2018, are as follows:

	December 31, 2019	December 31, 2018	June 30, 2018
Net income (loss)	**(52,402,835)**	(88,152,538)	24,729,132
Interest expenses (Note 28)	**42,930,558**	20,111,802	27,735,966
Depreciation (Notes 12 and 30)	**43,731,398**	14,716,397	19,947,611
Income tax (Note 29)	**2,873,472**	–	28,799,624
	37,132,593	(53,324,339)	101,212,333

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

33.01 General Risk Management Principles

The Company's principal financial instruments comprise of cash in banks, receivables, due to/from related parties, trade and other payables and loans payables. The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial instruments such as refundable security deposits, accrued expenses and other liabilities, which arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest risk, and currency risk. The BOD reviews and approves policies for managing each of these risks.

The following table summarizes the carrying amount of financial assets and liabilities recorded by category:

	2019	2018
Financial assets:		
Cash in banks	**23,761,220**	11,717,930
Receivables*	**55,895,196**	36,693,167
Due from related parties	**2,206,395**	6,777,680
Refundable security deposits	**12,744,208**	7,348,678
Financial assets at FVOCI	**168,948**	192,375
	94,775,967	62,729,830

	2019	2018
Financial liabilities:		
Trade and other payables**	**339,571,707**	237,727,503
Due to related parties	**269,006,260**	303,683,544
Accrued interest, expenses, and other liabilities	**278,142,193**	247,870,906
Lease liabilities	**31,146,478**	–
Loans payable	**1,512,251**	2,601,644
	919,378,889	791,883,597

**Excluding advances to suppliers and contract assets totaling to P17,790,212 and P7,199,127 as at December 31, 2019 and 2018, respectively.*
***Excluding non-refundable other payables of P239,451 and P470,285 as at December 31, 2019 and 2018, respectively.*

33.02 Credit and Counterparty Risk

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument leading to a financial loss. The Company is exposed to credit risk from its operating activities, primarily receivables.

In Philippine Peso

Concentration of credit risk relating to customer receivables is limited due to the large number of customers.

The Company trades only with recognized and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis to reduce the Company's exposure to bad debts.

The Company aims to minimize the credit risk of liquid assets and non-current financial assets. Credit limit are set based on each counterparty's size and risk of default. The methodology used to set the credit limit considers the counterparty's credit ratings and default probabilities. Counterparties are monitored regularly, taking into consideration the evolution of the above parameters. The Company's credit quality review process allows it to assess the potential loss as a result of the risks to which it is exposed and to take corrective actions. As a result of this review, changes on credit limits and risk allocation are carried out.

The Company's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Company during the year. The Company has not identified significant risk concentrations arising from the nature, type or location of collateral and other credit enhancements held against the Company's credit exposures.

The maximum exposure to credit risk resulting from financial activities, without considering netting agreements and without taking into account any collateral held or other credit enhancements, is equal to the carrying amount of the Company's financial assets.

Credit risk arising from the inability of a counterparty to meet the terms of the Company's financial instruments is generally limited to the amount, if any, by which the counterparty's obligations exceed the obligation of the Company.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash, financial assets at FVOCI and refundable security deposits, the Company's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Credit Risk Exposure

The following tables provide the credit information and maximum exposure of the Company's financial assets as at December 31, 2019 and 2018:

	2019	2018
Financial assets:		
Cash in banks	**23,761,220**	11,717,930
Receivables*	**59,441,391**	39,458,866
Long-outstanding trade receivables	**1,381,525,501**	1,381,525,501
Due from related parties	**2,206,395**	6,777,680
Refundable security deposits	**12,744,208**	7,348,678
Financial assets at FVOCI	**168,948**	192,375
	1,479,847,663	1,447,021,030

**Excluding advances to suppliers and contract assets totaling to ₱17,790,212 and ₱7,199,127 as at December 31, 2019 and 2018, respectively.*

- *Trade Receivables and Contract Assets*
  The Company's exposures to credit risk is influenced mainly by the individual characteristics of each customer. The Company maintains a defined credit policy to ensure that the credit is given only to customers with an appropriate credit history. The Company principally transacts with its members.

In Philippine Peso

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

The Company applies the provision matrix in providing for ECL for trade and other receivables which permits the use of the lifetime expected loss provision. The ECL rates are based on Company's observed historical default experience, as well as the future prospects of the industries obtained from economic expert reports, financial analyst reports and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The Company has calculated allowance for ECL of ₱1,385,074,696 and ₱1,384,291,200 as at December 31, 2019 and 2018.

The Company evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Risk Concentration of the Maximum Exposure to Credit Risk
Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Company's financial strength and undermine public confidence.

Given the Company's diverse base counterparties, it is not exposed to large concentration of credit risks.

Credit risk from balances with banks is managed by the Company's treasury department in accordance with the Company's policy.

Credit Quality of Financial Assets

Set out below is the credit risk exposure on the Company's trade receivables and contract assets using a provision matrix:

		Trade Receivables*					
			Past Due				
	Contract assets	**Current**	**<30 days**	**31-60 days**	**61-90 days**	**>90 days**	**Total**
2019:							
Expected Credit Loss Rate	0%	0%-3.7%	7.3%-9.2%	9.3%-11.7%	13.2%-16.5%	47.2%-100%	
Estimated total gross amount at default	13,578,633	39,385,235	5,179,994	3,653,943	2,208,092	1,390,539,628	1,440,966,892
Expected Credit Loss	–	**301,397**	**33,985**	**14,468**	**555,988**	**1,384,165,858**	**1,385,071,696**

**Including long outstanding trade receivables but excluding advances to suppliers amounting to ₱4,211,579.*

		Trade Receivables*					
			Past Due				
	Contract Assets	Current	<30 days	31-60 days	61-90 days	>90 days	Total
2018:							
Expected Credit Loss Rate	0%	0%	0%	0%	100%	100%	
Estimated total gross amount at default	–	35,030,431	1,393,205	269,531	135,502	1,384,155,698	1,420,984,367
Expected Credit Loss	–	–	–	–	135,502	1,384,155,698	1,384,291,200

**Including long outstanding trade receivables but excluding advances to suppliers amounting to ₱7,199,127.*

In Philippine Peso

Credit risk from balances with banks and financial institutions by the Company's treasury department in accordance with the Company's policy. The Company manages its credit risk by depositing its cash with high credit quality banking institutions. Investments of surplus funds are made only with the approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's management on an annual basis and may be updated throughout the year subject to approval of the Company's Board of Directors. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

The Company's maximum exposure to credit risk for the components of the statements of financial position at December 31, 2019 and 2018 is the carrying amounts of current and long outstanding trade receivables amounted to ₱55,895,196 and ₱36,693,167, excluding advances to suppliers and contract assets amounting to ₱17,790,212 and ₱7,199,127 as at December 31, 2019 and 2018, respectively.

33.03 Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of availments and extensions of advances to and from related parties. The contractual maturity of the Company's trade and nontrade payables is generally within 30 to 90 days after the recognition of the liability.

The tables below summarize the maturity profile of the Company's liabilities as at December 31, 2019 and 2018 based on contractual undiscounted repayment obligations. The table also analyses the maturity profile of the Company's financial assets in order to provide a complete view of the Company's contractual commitments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates.

December 31, 2019	Within 1 Year	1 – 5 Years	Total
Financial liabilities:			
Trade and other payables*	339,571,707	–	339,571,707
Due to related parties	269,006,260	–	269,006,260
Accrued interest, expenses and other liabilities	278,142,193	–	278,142,193
Lease liabilities	11,223,922	19,922,556	31,146,478
Loans payable	667,583	844,668	1,512,251
	898,611,665	20,767,224	919,378,889
Financial assets:			
Cash in banks	23,761,220	–	23,761,220
Receivables**	59,441,391	–	59,441,391
Due from related parties	2,206,395	–	2,206,395
Refundable security deposits	–	12,744,208	12,744,208
	85,409,006	12,744,208	98,153,214

**Excluding advance rental of ₱239,451.*
*** Excluding advances to suppliers and contract assets totaling to ₱17,790,212.*

In Philippine Peso

December 31, 2018	Within 1 Year	1 – 5 Years	Total
Financial liabilities:			
Trade and other payables*	237,727,503	–	237,727,503
Due to related parties	303,683,544	–	303,683,544
Accrued interest, expenses and other liabilities	247,870,906	–	247,870,906
Loans payable	1,106,680	1,494,964	2,601,644
	790,388,633	1,494,964	791,883,597
Financial assets:			
Cash in banks	11,717,930	–	11,717,930
Receivables**	39,458,866	–	39,458,866
Due from related parties	6,777,680	–	6,777,680
Refundable security deposits	–	7,384,678	7,384,678
	57,954,476	7,384,678	65,339,154

**Excluding advance rental of ₱470,285.*
***Excluding advances to suppliers amounting to ₱7,199,127.*

33.04 Interest Rate Risk

The Company is exposed to interest risk as it borrows funds at both fixed and floating interest rates. For floating rate liabilities, the sensitivity analysis is prepared assuming the amount of liability outstanding at December 31, 2019 and 2018 was outstanding for the whole period/year.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. A 50-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

	2019	2018
Profit before tax	**+/-163,207**	+/-12,849
Equity*	**+/-114,245**	+/-8,994

**Equity is based on 70% of the total exposure.*

33.05 Currency Risk

The Company undertakes transactions denominated in foreign currencies of United States Dollar (USD); consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2019		2018	
	USD	**PHP**	USD	PHP
Financial assets				
Cash in bank (Note 7)	**28,041**	**1,422,898**	26,189	1,380,803
Refundable security deposits (Note 14)	**76,000**	**3,856,544**	–	–
	104,041	**5,279,442**	26,189	1,380,803
Financial liabilities				
Accrued expenses (Note 17)	**324,322**	**16,456,098**	228,000	12,021,072
Due from related parties (Note 23)	**288,805**	**14,653,978**	288,805	15,226,955
	613,127	**31,110,076**	516,805	27,248,027
Exposure	**(509,086)**	**(25,830,634)**	(490,616)	(25,867,224)

In Philippine Peso

The balances have been restated at ₱50.744 and ₱52.724 per USD, which is based on the reference rate of prevailing market rate as at December 27, 2019 and December 28, 2018, respectively.

The following table details the Company's sensitivity to a 5% increase and decrease in the PHP against the relevant foreign currencies. The sensitivity rate of 5% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

	2019	2018
Profit before tax	**+/-1,291,532**	+/-1,293,361
Equity*	**+/-904,072**	+/-905,353

**Equity is based on 70% of the total exposure.*

A positive number indicates an increase in profit and other equity where the PHP strengthens 5% against the USD. For a 5% weakening of the PHP against the USD, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the period/year end exposure does not reflect the exposure during the period/year. The Company mitigates its exposure to foreign currency risk by monitoring its foreign currency cash flows.

The foreign exchange gain (loss) recognized for the year ended December 31, 2019, six-month period ended December 31, 2018 and year ended June 30, 2018 in the statements of income (loss) are as follows:

	December 31, 2019	December 31, 2018	June 30, 2018
Realized foreign exchange gain (loss) – net (see Notes 25 and 26)	**(195,142)**	103,054	–
Unrealized foreign exchange gain – net (see Notes 8, 14,17 and 23)	**1,308,981**	373,085	832,481

32.06 Capital Management

The Company manages its capital to ensure that the Company will be able to continue as a going concern, while maximizing the return on investments of stockholders. The Company is currently on corporate rehabilitation proceedings. The details of the rehabilitation plan are disclosed in Note 2. The capital structure of the Company consists of equity comprising of paid-up capital, revaluation surplus, due to related parties, deposit for subscription in accordance with the court-approved Rehab Plan and deficit.

In Philippine Peso

As at December 31, 2019 and 2018, the capital structure of the Company consists of the following:

	2019	2018
Paid-up capital	**2,224,255,313**	2,224,255,313
Revaluation surplus	**102,102,000**	102,102,000
Due to related parties	**269,006,260**	303,683,544
Deposit for subscription in accordance with the court-approved rehabilitation plan	**8,841,736,581**	8,841,736,581
Deficit	**(11,819,294,517)**	(11,766,891,682)
	(382,194,363)	(295,114,244)

34. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

Set out below is a comparison by category and by class of carrying and fair values of all the Company's financial assets and financial liabilities as at December 31, 2019 and 2018, other than those with carrying amounts that are measurable approximations of fair values such as, cash in banks, receivables, due from related parties, trade and other payables, due to related parties, and accrued interest, expenses and other liabilities:

	Carrying Value	**Fair Value**			
December 31, 2019		**Quoted (Unadjusted) Prices in Active Markets (Level 1)**	**Significant Observable nputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Financial assets					
Refundable security deposits	**12,744,208**	**12,744,208**	–	–	**12,744,208**
Financial assets at FVOCI	**168,948**	**168,948**	–	–	**168,948**
	12,913,156	**12,913,156**	–	–	**12,913,156**
Financial Liabilities					
Lease liabilities	**31,146,478**	–	**31,146,478**	–	**31,146,478**
Loans payable	**1,512,251**	–	**1,512,251**	–	**1,512,251**
	32,658,729	–	**32,658,729**	–	**32,658,729**

	Carrying Value	Fair Value			
December 31, 2018		Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Financial assets					
Refundable security deposits	7,348,678	7,348,678	–	–	7,348,678
Financial assets at FVOCI	192,375	192,375	–	–	192,375
	7,541,053	7,541,053	–	–	7,541,053
Financial Liabilities					
Loans payable	2,601,644	–	2,601,644	–	2,601,644

In Philippine Peso

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate on such date:

Refundable Security Deposits
The fair value of refundable security deposits cannot be readily determined nor reliably measured because the actual timing of the payment cannot be reasonably predicted as these deposits are generally re-deposited every renewal of contracts.

Financial assets at FVOCI under PFRS 9
The fair values of financial assets at FVOCI is determined by reference to quoted market bid prices at the close of business on the reporting date.

Lease Liabilities
The Company recognizes lease liabilities based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Loans Payable
The Company did not discount its outstanding loans payable since the Management deemed that the effect of discounting the difference of market rate and interest rate of the loan is insignificant.

Fair Value Hierarchy
The Company has assets for which its fair values are disclosed (i.e., land at revalued amounts, building and improvements, and investment properties) uses Level 1 category, its fair values have been determined based on current bank and market valuations (see Notes 11, 12 and 13).

35. NOTES TO CASH FLOWS

The following are the financing activities resulting to changes in the Company's liabilities:

2019	January 1, 2019	Cashflows	Effect of foreign exchange	Others	December 31, 2019
Due to related parties	303,683,544	(40,182,533)	(690,245)	6,195,494	269,006,260
Lease liabilities*	42,250,103	(13,330,841)	–	2,227,216	31,146,478
Loans payable	2,601,644	(1,074,910)	–	(14,483)	1,512,251
	348,535,291	(54,588,284)	(690,245)	8,408,227	301,664,989

**Cashflows include payment of principal and interest portion amounting to ₱11,103,625 and ₱2,227,216, respectively (see Note 30).*

2018	July 1, 2018	Cashflows	Effect of foreign exchange	Others	December 31, 2018
Due to related parties	217,193,970	86,720,040	(230,466)	–	303,683,544
Loans payable	–	2,569,874	–	31,770	2,601,644
	217,193,970	89,289,914	(230,466)	31,770	306,285,188

Others include the effect of accretion of loans payable and effect of recognition and accretion of lease liabilities, effect of accrued but not yet paid interest on interest-bearing loans and borrowings at the end of the period.

35.01 Non-cash Activities

Significant non-cash investing and financing activities of the Company pertains to initial recognition of right-of-use assets and lease liabilities amounting to ₱42,426,857 and ₱42,250,103, respectively (see Note 30) and transfers from land, property and equipment, and investment properties to non-current assets held for sale amounting to ₱360,360,000, ₱8,234,244, and ₱10,086,500, respectively (see Note 10).

36. EVENTS AFTER THE REPORTING PERIOD

As discussed in Notes 1, 2 and 10 in the financial statements, the following are the material and/or significant events after December 31, 2019:

- On February 5, 2020, the CRMD issued a certification relating to the Company's good standing with the SEC.
- On February 17, 2020, the CA issued a resolution denying the MR of the TRO and dismissing the Petitions of Certiorari.
- On February 20, 2020, the Company sold its idle land with carrying amount of ₱2,061,500. The proceeds from sale of the land amounted to ₱2,700,000.
- On March 16, 2020, the Company filed its Revised Amended Registration Statements to update the SEC on the events that occurred from October 3, 2018 filing up to the filing of the report.
- On March 16, 2020, the Company addressed the effects of COVID-19 on its business and operations through the letter sent by its President and Chief Executive Officer to its clients and employees informing them of the actions undertaken by the Company to protect its employees from COVID-19 and the assurance to its clients that the services being provided will continue.
- As at April 14, 2020 the Company has issued additional share certificates to creditors amounting to ₱326,085.

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As the responses to COVID-19 continue to develop, there is uncertainty about the impact this will have on economic activity and how those may translate to an impact on the Company's operations. At the date of this financial statements, it is impractical to estimate the duration or severity of this outbreak and to determine the related financial effect on assets and liabilities. Therefore, no further adjustments have been made to the financial statements.

While no material effects on the Company's financial position, results of operations and cash flows have yet been identified at the date of these financial statements, management will continue monitoring and evaluating them during the 2020 financial year.

In Philippine Peso

37. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS NO. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010, amending certain provisions of RR No. 21-2002, implementing Section 6 (H) of the tax code of 1997, prescribing the manner of compliance with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes and licenses pair or accrued during the period. The Company also reported and/or paid the following types of taxes for the period:

37.01 Value-added taxes

The National Internal Revenue Code of 1997 provides for the imposition of value-added tax (VAT) on sales of goods and services. Accordingly, the Company's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. Details of the Company's net sales/receipts, output VAT and input VAT accounts are as follows:

Output VAT

Details on the Company's VAT output tax declared during the year are as follows:

	December 31, 2019	
	Tax base	**Output VAT**
Sale of services	310,587,087	37,270,450
Sales to government	22,385,186	2,686,222
Exempt	17,697,720	–
	350,669,993	39,956,672

The Company's sale of services as reported in the VAT returns are based on actual collections received, hence, such may not be same with amounts accrued in profit or loss.

Zero-rated sales are sale of services rendered to a person engaged in business conducted outside the Philippines or to a non-resident person not engaged in business who is outside the Philippines when the services are performed, the consideration for which is paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP) as provided under NIRC Section 108 B(2).
Input VAT

The amount of VAT input taxes claimed are broken down into:

	2019
Beginning of the period	–
Current period's domestic purchases/importations for:	
Goods other than capital goods	651,717
Services	9,593,698
Capital goods < 1M	346,948
Capital goods > 1M	–
Total available input VAT	10,592,363
Input VAT on purchase of capital goods from previous period	955,143
Sale to government closed to expense	1,493,203
Application against output tax	(13,040,709)
End of the period	–

In Philippine Peso

The input VAT is being deferred when the accumulated purchases of capital goods for each month equals to ₱1 million or more. The input VAT is amortized over five (5) years or the life of the capital goods, whichever is shorter.

37.02 Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees.

Details consist of the following:

	2019
Operating expenses:	
License and permits	**14,249,999**
Others	**208,987**
	14,458,986

37.03 Withholding Taxes

Details of withholding taxes for the period are as follows:

	2019
Withholding taxes on compensation	**27,455,071**
Expanded withholding taxes	**3,480,276**
	30,935,347

37.04 Others

The Company has pending Letter of Authority (LOA) from the Bureau of Internal Revenue (BIR) for all internal revenue tax liabilities for the taxable period from January 1, 2018 to December 31, 2018 pursuant to Sec. 6(A) & Sec. 10(C) of the National Internal Revenue Code of 1997, as amended, under AUDM35/123456/2018 SN: eLA20150001111 dated November 28, 2019. As of December 31, 2019, the Company has not received any assessment notice from the BIR, in relation to the abovementioned LOA. The Company has no outstanding tax cases in any other court or bodies outside of the BIR as at December 31, 2019.

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION (PT&T)
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

*These schedules, which are required by Revised SRC Rule 68, have been omitted because they are either not required, not applicable or the information required to be presented is included/shown in the related financial statements or in the notes thereto.

Alas Oplas & Co., CPAs

Alas Oplas & Co., CPAs
23/F Philippine AXA Life Centre
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Independent Member of
BKR International

REPORT ON THE ADDITIONAL COMPONENTS OF FINANCIAL STATEMENTS UNDER REVISED SECURITIES REGULATION CODE RULE 68

The Board of Directors and Stockholders
PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
Spirit of Communications Centre,
106 C. Palanca Street, Legaspi Village
Makati City

We have audited the basic financial statements of **PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION** for the year ended December 31, 2019 and six-month period ended December 31, 2018, in accordance with Philippine Standards on Auditing, on which we have rendered the attached report dated April 14, 2020.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are presented for purposes of compliance with the requirements under Revised Securities Regulation Code Rule 68, and are not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards.

Such supplementary information are the responsibility of the Management of **PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ALAS, OPLAS & CO., CPAs
BOA Registration No. 0190, valid from September 4, 2019 to October 30, 2022
SEC A.N. (Firm) 0321-FR-1, issued on February 7, 2019; effective until February 6, 2022
TIN 002-013-406-000
BIR A.N. 08-001026-000-2018, issued on January 25, 2018; effective until January 24, 2021

By:

GADIOSA R. MARTINEZ
Partner
CPA License No. 0107497
SEC A.N. (Individual) No. 1766-A, issued on August 27, 2019; effective until August 26, 2022
TIN 223-383-235
BIR A.N. 08-006636-001-2020, issued on February 24, 2020; effective until February 23, 2023
PTR No. 8117106, issued on January 2, 2020, Makati City

April 14, 2020
Makati City, Philippines

Alas Oplas & Co., CPAs

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INDEPENDENT AUDITORS' REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
Spirit of Communications Centre,
106 C. Palanca Street, Legaspi Village
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION** (the "Company") as at December 31, 2019 and 2018 and for the year ended December 31, 2019, six-month period ended December 31, 2019 and year ended June 30, 2018, and have issued our report thereon dated April 14, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2019 and 2018 and for the year ended December 31, 2019, six-month period ended December 31, 2019 and year ended
June 30, 2018 and no material exceptions were noted.

ALAS, OPLAS & CO., CPAs
BOA Registration No. 0190, valid from September 4, 2019 to October 30, 2022
SEC A.N. (Firm) 0321-FR-1, issued on February 7, 2019; effective until February 6, 2022
TIN 002-013-406-000
BIR A.N. 08-001026-000-2018, issued on January 25, 2018; effective until January 24, 2021

By:

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Partner
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PTR No. 8117106, issued on January 2, 2020, Makati City

April 14, 2020
Makati City, Philippines

SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION

As of December 31, 2019

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
Spirit of Communications Center, 106 C. Palanca Street, Legaspi Village, Makati City

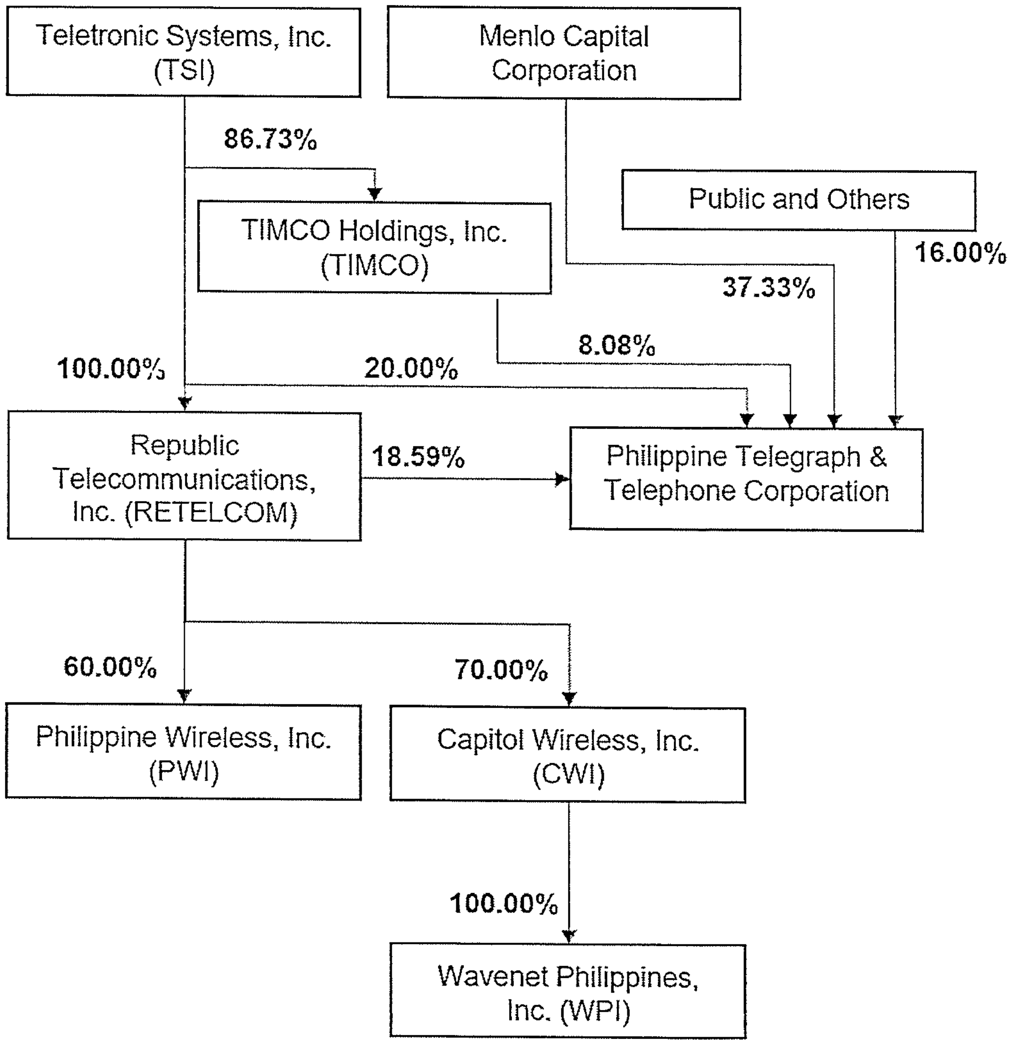
NOT APPLICABLE

SCHEDULE II
PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO REVISED SRC RULE 68

Ratio	Formula	As at 2019	As at 2018
Liquidity Ratio:			
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 486,646,293 Divide by: Total Current Liabilities 1,388,748,891 Current ratio 0.35	**0.35:1**	0.06:1
Quick ratio	Quick Assets (*Cash add Receivables – net*) divided by Total Current Liabilities Quick Assets 97,601,628 Divide by: Total Current Liabilities 1,388,748,891 Quick ratio 0.07	**0.07:1**	0.04:1
Solvency Ratio:			
Debt ratio / Debt-to-asset ratio	Total Liabilities divided by Total Assets Total Liabilities 1,718,642,870 Divide by: Total Assets 941,907,231 Debt-to-asset ratio 1.82	**1.82:1**	1.81:1
Debt-to-equity ratio	Total Liabilities divided by Total Capital Deficiency Total Liabilities 1,718,642,870 Divide by: Total Capital Deficiency 776,735,639 Debt-to-equity ratio 2.21	**(2.21):1**	(2.24):1
Asset-to-equity ratio	Total assets divided by Total Capital Deficiency Total Assets 941,907,231 Divide by: Total Capital Deficiency 776,735,639 Asset-to-equity ratio 1.21	**(1.21):1**	(1.24):1
Interest Rate Coverage Ratio:	Earnings Before Interest, Taxes and Depreciation and Amortization (EBITDA) divided by Interest Expenses EBITDA 37,132,593 Divide by: Interest Expenses 42,930,558 Interest rate coverage ratio 0.86	**0.86:1**	(4.38):1

Ratio	Formula	As at 2019	2018
Profitability Ratios:			
Return on assets	Net Loss divided by Average Total Assets (*Total Assets as of December 31, 2019 add Total Assets as of December 31, 2018 divided by two)* Net Loss 52,402,835 Divide by: Average Total Assets 913,200,611 Return on assets 5.74%	**(5.74%)**	(9.97%)
Return on equity	Net Loss divided by Average Total Capital Deficiency (*Total Capital Deficiency as of December 31, 2019 add Total Capital Deficiency as of December 31, 2018 divided by two)* Net Loss 52,402,835 Divide by: Avg. Total Capital Deficiency 745,471,070 Return on equity 7.03%	**7.03%**	12.34%
Gross profit margin	Gross Profit (*Revenues less Direct Expenses*) divided by Revenues Gross Profit 136,200,864 Divide by: Revenues 396,043,723 Gross profit margin 34.39%	**34.39%**	62.45%
Activity Ratio:			
Asset turnover	Revenues divided by Average Total Capital Deficiency (*Total Capital Deficiency as of December 31, 2019 add Total Capital Deficiency as of December 31, 2018 divided by two)* Revenues 396,043,723 Divide by: Avg. Total Capital Deficiency 745,471,070 Asset turnover 0.53	**(0.53):1**	(0.14):1

SCHEDULE III
PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
A MAP SHOWING THE RELATIONSHIP
BETWEEN AND AMONG
THE COMPANY AND ITS ULTIMATE PARENT COMPANY,
MIDDLE PARENT AND ITS CO-SUBSIDIARIES
PURSUANT TO REVISED SRC RULE 68
As at December 31, 2019



SCHEDULE IV
PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE A
FINANCIAL ASSETS
DECEMBER 31, 2019

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued

NOT APPLICABLE

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE B
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2019

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period

NOT APPLICABLE

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE C
AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOT APPLICABLE

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE D
LONG TERM DEBT
DECEMBER 31, 2019

Name of issuer and type of obligation	Total Outstanding Balance	Amount shown under caption "Current portion of long-term debt"	Amount shown caption "Long-term Debt"
Car Loans:			
Philippine Savings Bank	1,211,241	366,573	844,668
First United & Leasing Corp.	301,010	301,010	–
	1,512,251	**667,583**	**844,668**

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE E
INDEBTEDNESS TO RELATED PARTIES (LONG - TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2019

Name of the Related Party	Balance at beginning of period	Balance at end of period

NOT APPLICABLE

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE F
GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2019

Name of the issuing entity of securities guaranteed by the company for which the statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is lifted	Nature of guarantee

NOT APPLICABLE

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE G
CAPITAL STOCK
DECEMBER 31, 2019

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common	1,500,000,000	1,500,000,000	–	1,260,000,246	12	239,999,754

EXHIBIT 1

PHILIPPINE TELEGRAPH AND TELEPHONE CORPORATION
Sustainability Report
December 31, 2019

CONTEXTUAL INFORMATION

Company Details	
Name of Organization	Philippine Telegraph and Telephone Corporation (PT&T)
Location of Headquarters	Spirit of Communications Centre, 106 Carlos Palanca St. Legaspi Village, Makati City, Metro Manila, 1229 Philippines
Location of Operations	NCR, Region III, Region IV
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	None
Business Model, including Primary Activities, Brands, Products, and Services	PT&T is a diversified telecommunications entity catering to the corporate, small/medium business, and residential segments across the country.
Reporting Period	January 01, 2019 to December 31, 2019
Highest Ranking Person responsible for this report	Jhonna Cañeja, Investor Relations Manager

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

MATERIALITY PROCESS

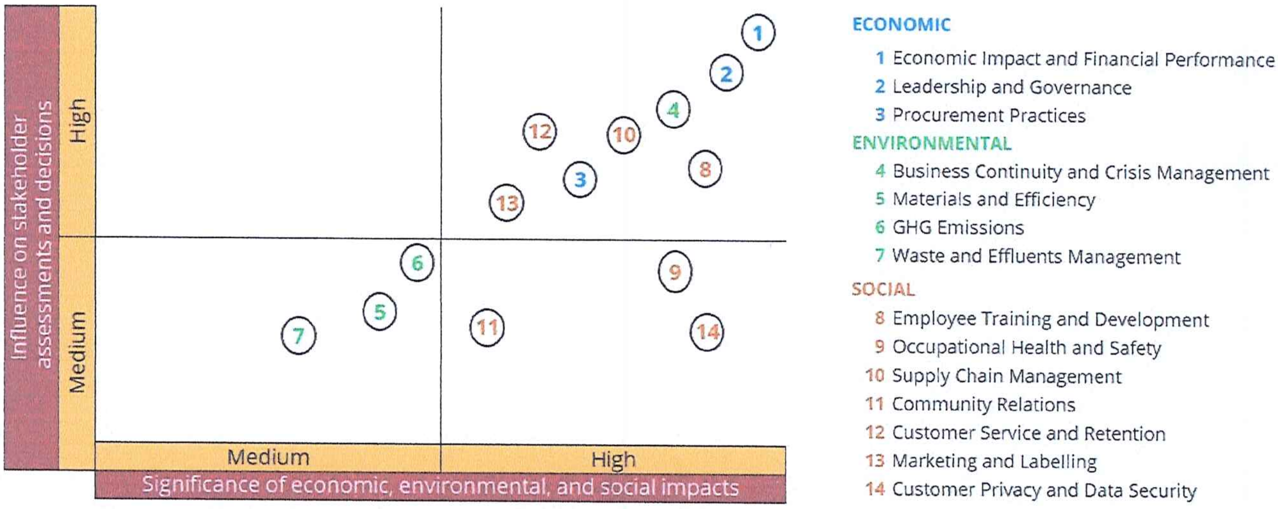
Philippine Telegraph and Telephone Corporation ("PT&T" or "the Company") recognizes that investors, shareholders, regulators, and other stakeholders express increasing attention to sustainable development underpinning inclusive growth that combines profitability with social impact and environmental care. Hence, PT&T officially embarks on its first-ever Sustainability Report which follows the materiality principles of the Global Reporting Initiative (GRI) standards.

By way of facilitating stakeholder engagement, PT&T collaborated with both internal and external stakeholders to assess the level of criticality of each material topic that is aligned with the Company's strategy, core values, key performance indicators, business efficiency measures, and risk management. Findings are shown in the Materiality Matrix for Sustainability Issues below.

Through the materiality assessment, the Company was able to identify its key priorities for corporate sustainability:

1. Financial Performance;
2. Leadership and Governance;
3. Business Continuity; and
4. People and Culture.

Materiality Matrix for Sustainability Issues



FINANCIAL PERFORMANCE

To initiate and execute programs in this high cost, high reward industry, it is necessary for a company to have a considerable amount of liquidity. PT&T understands that to strengthen its financial viability, effective and efficient planning is needed to protect its financial interests.

Since the new management took over in August 2017, PT&T has adopted new corporate goals to ensure that its strategy is anchored to its mission, vision, and core values. The Board of Directors and Senior Management are responsible for establishing and sustaining the business strategy, including risk management for effective decision-making.

It is worth noting that not long ago, the sustainable financing market has grown substantially as businesses respond to climate-change concerns which in turn pivots to a sustainable development path. While PT&T takes great pride in developing its sustainability work practices, it acknowledges that Sustainability Reporting has not been a part of its formal disclosure until 2019.

As part of the telecommunications and IT services industry, PT&T acknowledges the challenges and opportunities facing its expansive business. The Company is committed to focus on improving its performance and moving forward to embed and report sustainable practices which will impact its customers, business partners, communities, environment, its own workforce, and the overall economy -- creating value to all its stakeholders.

LEADERSHIP AND GOVERNANCE

With the staggering increase in corporate bribery, fraud, and corruption, there is an augmented emphasis to focus on sound corporate governance to uphold transparency and compliance.

PT&T is strongly committed in observing the highest standards of corporate governance in order to serve the best interests of all its stakeholders. The Company believes that effective corporate governance is a necessary component of what constitutes for strategic business management and will, therefore, continuously undertake every effort necessary to create awareness of good governance practices within the company.

Promoting a higher standard of quality and business integrity to support the company's business principles and core values, PT&T emphasize its commitment to ethical business operations through its Code of Business Conduct and Ethics which can be found in the Company's website:
https://www.ptt.com.ph/code-of-business-conduct-and-ethics/

BUSINESS CONTINUITY

PT&T adheres to a standardized Business Continuity Plan (BCP) that involves defining potential risks, determining how those risks will affect operations, implementing procedures designed to mitigate those risks, and testing those procedures to ensure that they work. The creation of a strategy through the recognition of threats and risks facing the Company ensures that personnel and assets are protected and able to function in the event of any possible operational and climate-related risks.

The Company manages strategies and programs that would prepare it to deal with various types of business and operational disruptions (i.e. earthquake, typhoon, flood, fire) ensuring immediate recovery and continuity of business operations. For incident management, the Company has equipped contingency vehicles and business continuity responders.

PEOPLE AND CULTURE

PT&T considers its employees as the most important resource in the Company's success of creating lasting value. The Company ensures to keep the welfare of all its workforce as its utmost concern.

The Company has adopted a holistic approach to professional development programs for all its employees and senior management. From the point of recruitment to growth, retention and engagement, PT&T helps ensure it brings in, develops, and engages talent with the requisite skills to help the Company achieve its goal of building a sustainable future.

PT&T also recognizes not just the importance of having policies and procedures in place to govern its operations and provide clear direction for employees and contractors, but also the importance of ensuring it develops and nurtures a culture within the company that embraces those policies and their implementation.

All of the company's publicly available written policies are updated to ensure they are in accordance with the latest regulations, including the PSE Corporate Governance guidelines. These policies are regularly reviewed by the Company to ensure that these represent best industry practice, are compliant with local regulations and guidelines, and demonstrate the Company's commitment to its employees, contractors, local community and environment in which it operates. The policies are publicly available and accessible under the Corporate Governance tab on the Company's website at https://www.ptt.com.ph/policies/.

ECONOMIC

Our Economic Performance

Direct Economic Value Generated and Distributed

Disclosure (amounts in '000 Philippine pesos)	
Direct economic value generated	
a. Revenue	₱ 396,044
b. Other income	8,645
Direct economic value distributed:	
a. Operating costs	96,892
b. Employee wages and benefits	203,824
c. Payments to suppliers, other operating costs	66,405
d. Dividends given to stockholders and interest payments to loan providers	39,935
e. Taxes given to government	3,352
f. Investments to community (e.g. donations, CSR)	-
Economic value retained	(52,403)

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
PT&T's revenue is generated through its Broadband and IT Services business and spawns economic value which directly impacts the Company's sustainability and growth. By way of paying taxes to the government, the Company also contributes to the country's economic growth.	Investors, shareholders, workforce, customers, business partners, communities, and overall economy	The Company ensures that continuous revenue growth is supported by necessary operational investments which are managed in a sound and prudent manner. Internal controls are also in place for the integrity of the Company's financial and operational information.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
What financial lenders/bankers are now considering are the Company's contribution to sustainability development as part of their lending/financing requirements. Other business and market risks that affect the Company's ability to sustainably generate economic value are: (i) operational risks; (ii) cybersecurity risks; (iii) risks from new technologies; (iv) risks from competition; (v) regulatory risks; (vi) reputational risks; and (vii) climate-related risks.	Investors, shareholders, workforce, customers, business partners, communities, and overall economy	While the company takes great pride in redefining its value creation by promoting a culture of responsible stewardship, it recognizes that this has not been a part of its previous formal reporting until this financial year. Moving forward, the Company will continue to report its Sustainability drive to help the general public especially investors and lenders in their company assessment. The Company exercises a risk management program with the goal of recognizing, examining, and managing the risks to a moderately sufficient level. This effective risk management program contributes to the fulfillment of the Company's overall strategy, thus, creating value for the business and its stakeholders.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The rise of new technologies' usage in this day and age brings with it disruptive business models and rapid technological advances, thus, opening more market opportunities for the Company.	Investors, shareholders, workforce, customers, business partners, communities, and overall economy	The Company established its IT Services business segment in March 2019 which attracted new clients serving the needs of an untapped market. As the Company shifts to digital transformation, PT&T will provide a growing range of digital solutions that will have a lasting positive impact in the lives of every customer it serves.

Climate-related risks and opportunities[15]

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities	*Disclose the actual and potential impacts[16] of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material*	*Disclose how the organization identifies, assesses, and manages climate-related risks*	*Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material*
Through the Board Risk Oversight Committee (BROC), the highest level of responsibility PT&T's Board of Directors delegated to assess all types of risks, supported by the Risk Management team with members from the Company's senior management, the committee reviews, identifies, and manages the material exposures and effectiveness of all types of business and market risks including climate-related risks.	The management put efforts in strengthening its Business Continuity Plan (BCP) and formed a Crisis Management Plan in response to climate-related risk. The Company is in the process of institutionalizing its BCP which would help it prepare a line of defense that would minimize impact and restore normal operations and service delivery as quickly and safely as possible after natural disasters.	The Company's Risk Management team plans to adopt a standard risk management approach to properly assess and monitor risks that may affect the achievement of business objectives. The Company aims to integrate risk awareness and responsibility into each level of management undertaking which will support the Company's strategic planning and decision-making processes.	The Company's stations and data centers which provide service to its customers, constitute a considerable amount in the Company's total greenhouse gas emissions. As the Company embarked on its plan for network rollout, network operations have become its focus in its carbon reduction efforts which affects its ability to sustainably generate economic value.
Recommended Disclosures			
a) Describe the board's oversight of climate-related risks and opportunities	*a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term*	*a) Describe the organization's processes for identifying and assessing climate-related risks*	*a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process*
PT&T remains true to its Mission, Vision, and Core Values by aligning its company objectives while showing genuine concern to the community and environment.	Production of paper wastes is the most common short-term environmental risk the company is facing. By going electronic, not only is the company reducing paper wastes but also operational expenses.	PT&T identifies possible environmental risks (including climate-related risks) that may hamper its programs and budget plans for the succeeding year. This is done every last quarter of the year during one of its scheduled management meetings.	PT&T adheres to the DICT/NTC standards with respect to regulations in the telecommunications industry. The Company regularly submits quarterly and annual operating reports and results of its activities.

[15] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non- financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.
[16] For this disclosure, impact refers to the impact of climate-related issues on the company.

PT&T's management guarantees that environmental impacts are considered in all levels of its decision-making. The Company's BROC meetings are conducted whenever necessary to exercise its functions and discuss updates on policies implemented and actions undertaken including climate-related concerns.	Based on the calamities experienced by the country in the past years, PT&T confirms that natural disasters affect its employees in a relatively short period of time.	Risks identified will then be analyzed and in turn help the Company in its assessment and forecasting on problems that may possibly arise during the implementation of its programs.	
b) Describe management's role in assessing and managing climate-related risks and opportunities PT&T's management is responsible for providing sound decisions and actions toward risks including climate-related risks. It assesses and forecasts environmental impacts that may possibly affect the Company's programs. It also connects the board of directors to its employees and customers that are directly exposed to climate-related risks.	*b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning* To mitigate climate-related risks, the Company invests in assets and training of its employees. This leads to additional capital expenditures but is tempered by a decrease in its operational expenditures due to efficient use of its assets. The Company'soperations team also plans ahead and forecasts weather patterns to mitigat climate-related risks which can possibly incur additional expenses.	*b) Describe the organization's processes for managing climate-related risks* The Company is always on top in ensuring the safety and health of its employees and stakeholders affiliated to its programs. Part of the Company's BCP is the provision for incidental expenses associated with climate-related risks such as typhoons, flood, and drought. PT&T also provides personal protective equipment (PPE), and has regular emergency drills and medical insurance to its employees. The Company is creating shared value by safeguarding all of its stakeholders.	*b) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets* PT&T targets to lessen carbon footprint and the negative environmental impact of its business activities without compromising its corporate goals and objectives. Several practices are implemented in the Company's office premises which indirectly benefits PT&T through reduced operational expenses while providing additional income: (1) Recycling reusable items such as papers, carton boxes, plastic bags, and plastic/glass bottles are either given new functions or sold; and (2) Conservation of electricity and water.

	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario The Company is aware of the increasing global challenge about climate change. PT&T's employees are well-trained to adapt to possible climate-change related situations and will still continue to deliver its services to customers via flexible work arrangements. The preparation of a contingency plan is also part of BROC's main objective. Although this is not yet included in PT&T's current plans, if an opportunity arises, there's a consideration on the Company's adjustment to control its greenhouse gas emissions which limits global warming to 2 degrees Celsius.	*c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management* PT&T's risk management program operationalizes the Company's Manual of Corporate Governance which mandates the Board of Directors (BOD) to ensure the presence of executive and technical controls supported by a comprehensive approach which includes identification, assessment, and action preparation for the Company's business, market, and climate-change risks. A timely disclosure of significant risk exposures and related risk management programs is also being done by the Company's BROC.	

Procurement Practices

Proportion of spending on local suppliers

Disclosure *(amounts in '000 Philippine pesos)*	
Procurement budget used for significant locations of operations that is spent on local suppliers*	₱ 4,212

**In 2019, PT&T had 51 suppliers, of which 45 were local (accounting for 92% of the total suppliers).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Procurement practices impact the Company's business operations and quality of service and offer areas of cost-efficiencies. The management provides the direction and guidelines on procurement policies that are implemented in transparent processes and aims to deliver a high level of service quality for its customers.	Customers, employees, vendors, and suppliers	For both local and foreign vendors, the company maintains mutually beneficial relationships only with like-minded suppliers that uphold PT&T's core values of fairness, accountability, integrity, and transparency in their businesses. Suppliers are therefore required to undergo an accreditation process before they engage in any activity with PT&T.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Inability of local suppliers to meet the Company's needs and requirements.	Customers, employees, vendors, and suppliers	PT&T's management evaluates the competency of its suppliers. The Company's Accreditation Policy adopts the processes of vendor accreditation and competitive bidding as the general rule and establishes practices to ensure that contracts are awarded only to qualified and duly accredited suppliers and vendors who offer the best value for money for the Company's requirements.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company relies on market intelligence and insight based on data to make decisions on choosing which technologies to procure, and consequently the vendor to partner with.	Suppliers and other telecommunication and IT service companies	The Company's Accreditation Policy seeks to maintain equal opportunity and honest treatment of suppliers in all business transactions. Whether local or foreign, each offer is assessed based on objective criteria and the Company's business goals.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100%
Percentage of directors and management that have received anti-corruption training	100%
Percentage of employees that have received anti-corruption training	100%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
PT&T's Supply Chain Department provides support to its suppliers by furnishing them necessary notices and guidelines which includes the following but not limited to: (1) declaration of their personal relationships (i.e. relatives, former coworkers, etc.); (2) previous business and official dealings (i.e. former business partner, etc.); and (3) relationships with any of the Company's directors, or employees, prior to their participation in any bid or consideration for any transaction by the Company.	Suppliers, Board of Directors, and Employees	The Company through its Code of Business Conduct and Ethics, maintains professionalism, and ethics in business dealings and transactions. The full document can be accessed via its Company website: https://www.ptt.com.ph/code-of-business-conduct-and-ethics/
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Possible risks which shows unethical conduct by an employee and/or supplier includes but not limited to: (1) employees' manipulation of his/her contract evaluation in exchange for bribes; (2) employees' dishonesty over accreditation requirements such that contract intentionally goes to a particular or preferred supplier; (3) employees' giving priority or informing preferred suppliers in advance before actual request such that other suppliers are caught unprepared or with too little time to plan; (4) supplier pursuing possible connections both internally and externally to increase his/her chance of winning the contract; and (5) submission of false documents by the supplier for their accreditation and other procurement-related transactions.	Suppliers, Board of Directors, and Employees	In accordance with the procedure stated in in the Company's Whistleblowing Policy, a proper investigation and decision of a reported situation are made by the appropriate business unit. Results of the evaluation are forwarded to relevant groups, respective executive-level superior, the President, and the Chairman of the Board. The Company's Board of Directors and management ensures that any director or employee who whistleblow a suspected violation is protected from any form of retaliation.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
PT&T's management relies on data from corporate and business intelligence to decide which assets to procure, and consequently the vendor to partner with. This in turn provides a window of opportunity for vendors to further improve their products and services. The Company will also have a room to negotiate for more competitive prices through open bidding.	Suppliers, Board of Directors, and Employees	PT&T maintains fair and honest dealings with its prospective and existing suppliers which is evident in the Company's Code of Business Conduct and Ethics. This also supports the Company in finding the proper procurement of products and services and obtain the best value for the Company's finances.

Incidents of Corruption

Disclosure	
Number of incidents in which directors were removed or disciplined for corruption	None
Number of incidents in which employees were dismissed or disciplined for corruption	None
Number of incidents when contracts with business partners were terminated due to incidents of corruption	None
Number of incidents in which directors were removed or disciplined for corruption	None

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Several possible engagements or interests (i.e. gift-giving or facilitating payments to gain favor or advantage) that could adversely affect duties and responsibilities of any of its management and employees is strictly prohibited by the Company.	Board of Directors, Officers, Employees, and Vendors	Anti-bribery and corruption rules are clearly included in the Company's Code of Conduct. There is no place for bribery or corruption for all PT&T employees. Read more about the Company's values at https://www.ptt.com.ph/code-of-business-conduct-and-ethics/
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Incidents of corruption, if any, adversely affect the trust and confidence by the company's customers and stakeholders. In addition to penalties imposed by law, diminished trust in PT&T's brand in an age of intense market competition may lead to loss of customer loyalty and patronage that will affect company	Board of Directors, Officers, Employees, Suppliers, and Vendors	Anti-bribery and corruption rules are clearly included in the Company's Code of Business Conduct and Ethics to mitigate any risk associated with this. There is no place for bribery or corruption for all PT&T employees. Read more about the Company's values at https://www.ptt.com.ph/code-of-business-conduct-and-ethics/

performance over time.		Any director, officer, or employee who do not comply with the provisions of PT&T's Code of Business Conduct and Ethics shall be subject to a range of disciplinary actions, up to and including dismissal, without prejudice to any civil or criminal proceedings that the Company or appropriate regulators may file for violation of existing laws. In addition, violations of these guidelines could result in criminal penalties and/or civil liabilities.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Employee development such as training on good governance, including seminars about anti-corruption, provides opportunities for healthy partnership and cooperation within the Company. This also contributes towards the cultivation of a culture of good governance and further promotes the Company's core values of collaboration, honor, agility, and accountability.	Board of Directors, Officers, Employees, Suppliers, and Vendors	Management warrants regular implementation of close collaboration and communication of the Company's business policies and initiatives to stakeholders.

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	*Quantity*	*Units*
Energy consumption (renewable sources)	None	GJ
Energy consumption (gasoline)	None	GJ
Energy consumption (LPG)	None	GJ
Energy consumption (diesel)	25,931.03*	Liters
Energy consumption (electricity)	477,840.00**	kWh

**Annual fuel consumption of PT&T's fleet.*
***Annual electricity consumption at PT&T's head office.*

Reduction of energy consumption:

Disclosure	*Quantity*	*Units*
Energy reduction (gasoline)	Minimal	GJ
Energy reduction (LPG)	None	GJ
Energy reduction (diesel)	Minimal	GJ
Energy reduction (electricity)	Minimal	kWh

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
As part of the company's energy conservation measure, a continuous reduction of energy consumption is being implemented.	Employees	Implementation of cost-cutting measures since the new management took over in August 2017 is being done resulting in a reduction in the Company's operating expenses.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Higher energy consumption resulted from wasteful use of any office asset and equipment.	Employees	Management ensures that there is a regular reminder and proper monitoring of efficient use of office assets and equipment by all employees. A straightforward scheduling of switching of lights, aircon, workstations, and other electrical equipment by the logistics and administration team, fairly contributes to energy conservation. For appointments/meetings scheduled outside office premises, management highly encourages carpooling of employees to save on gasoline/diesel.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Work from anywhere option for employees has been evaluated by the management which will potentially contribute to a decrease in the Company's operational costs while increasing the productivity of employees due to zero commuting.	Employees	Management has rolled-out and Implemented once a week work from anywhere (WFA) arrangement for all qualified employees which significantly contributed in lowering the Company's operational costs and at the same time boosted the morale of its employees as the exercise contributed to their work-life balance.

Water consumption within the organization

Disclosure	*Quantity*	*Units*
Water withdrawal	None	Cubic meters
Water consumption	9,662*	Cubic meters
Water recycled and reused	None	Cubic meters

**Annual water consumption at PT&T's head office.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
In response to the water supply crisis in 2019, PT&T implemented several measures on water management.	Employees	Management ensures that there is a regular reminder and proper monitoring of efficient use of water by all employees.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Unconscious employees that carelessly use water facilities resulting in higher consumption in the Company's head office.	Employees	The Company promotes water conservation practices to a great extent to its employees via email announcements and restroom signages. The Company's logistics and administration team have also lowered the water pressure in all restrooms to control water flow and avoid spillage. Through supervising monthly inspection, the team also ensured that there are no faucet and toilet leaks to avoid water wastage.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
There is an opportunity to reallocate company funds from savings through efficient water consumption. Water conservation also helps the general public in sustaining the water supply particularly during dry season wherein the water reservoir is in a state of conservation pool or is falling below its normal maximum level.	Employees and Building Management	Management ensures that there is a regular reminder and proper monitoring of efficient use of water by all employees.

Materials used by the organization

Disclosure	*Quantity*	*Units*
Materials used by weight or volume		
• renewable (batteries)	50	kg/month
• non-renewable (fiber-optic cables)	50	kg/month
Percentage of recycled input materials used to manufacture the organization's primary products and services	10	%

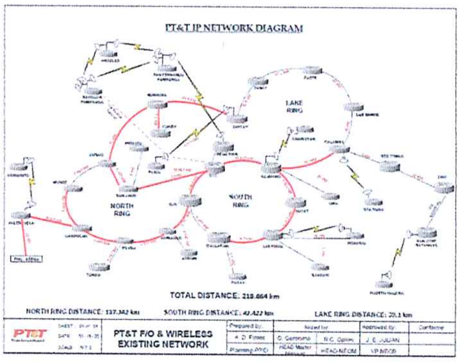
What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Fiber-optic cables used by the Company for its broadband customers and clients are made from extremely abundant silica (quartz sand) which is considered as a rapidly renewable material. Part of the Company's day to day operations are the use of papers, carton boxes, plastic bags, and plastic bottles which convert to tons of annual waste.	Employees, Community, and Environment	Unused damaged fiber-optic cables are properly collected and disposed of. Additionally, old tires from the company's fleet were sold to third party contractors through a proper bidding. Papers, carton boxes, plastic bags, and plastic bottles in the head office are recycled, sold, or properly collected and disposed of.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Improper maintenance of fiber-optic cables is a possibility and may result in injuries or accidents of employees. Improper waste disposal of used paper and plastic materials may result to pollution of the sea.	Employees, Community, and Environment	The Company provides proper training to employees on care and maintenance procedures of fiber-optic cables. Management ensures that there is a regular reminder and monitoring of proper waste management and recycling by all employees.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
There is an opportunity to reallocate company funds from savings through recycling.	Employees, Community, and Environment	Used plastic and paper wastes are sold by the Company. Some were repurposed to a new item and were used by employees. Management has started planning Project Zero which is a paperless project. This will be fully implemented starting 2020.

Ecosystems and Biodiversity
(whether in upland/watershed or coastal/marine)

Disclosure	*Quantity*	*Units*
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None*	
Habitats protected or restored	None	ha
IUCN[17] Red List species and national conservation list species with habitats in areas affected by operations	None	

**Prior to setting up fiber-optic cables, DICT/NTC carves out protected areas as per the National Integrated Protected Areas System of the DENR.*

[17] International Union for Conservation of Nature

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company ensures strict compliance with environmental laws and policies by securing required permits from the NTC, DICT, and DENR. Further, PT&T promotes environmental awareness to the community prior to and after operational activities.	Employees and Communities within operational activities	The Environmental Management Bureau (EMB) of the DENR issued PT&T a Certificate of Non-Coverage (CNC) and Environmental Compliance Certificate (ECC) to cover all its operational activities, as summarized below: **Fiber Optic Cable Layout** 

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
For the connection activities during fieldwork, a possible risk include disturbance of local ecosystems in the area (i.e. cutting of trees, improper disposal of large volumes of fiber-optic cables).	Employees and Communities within operational activities	The Company strictly complies with Environmental laws and policies. PT&T ensures that all operational activities being done by the Company have minimum to no negative environmental impact. Regular meetings related to Health, Safety, and Security are being conducted before and after operational activities.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Decrease of negative environmental impact while minimizing operational costs through environmental stewardship initiatives. Decrease of negative environment impact and CO2 imprint by going paperless/electronic environment through Project Zero.	Employees, Communities within operational activities, Customers, and Third-party contractors/partners	To help create a more sustainable environment, the Company boosted efforts through a collaborative approach with other companies/entities that work on ways also committed to the UN SDG Goals. As much as possible, PT&T employees try to do paperless transactions.

Environmental Impact Management

Air Emissions

GHG

Disclosure	*Quantity*	*Units*
Direct (Scope 1) GHG Emissions	None*	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	None*	Tonnes CO2e
Emissions of ozone-depleting substances (ODS)	None*	Tonnes

**Although these are not yet included in PT&T's environmental performance index, the Company assures that moving forward, data for GHG will be tracked for Sustainability reporting purposes.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Usage of air conditioning (AC) systems at PT&T's head office release chlorofluorocarbons (CFCs) and hydrochlorofluorocarbons (HCFCs) which both bring a corresponding global warming and potential ozone depletion.	Employees and nearby communities	The Company's logistics and administration team controls the usage of its AC systems to lessen its power consumption. As of 2019, there are 52 units of aircon (mix of window type, floor, and wall mounted) in the Company's building that are regularly in operation during work hours (8:00 AM-5:00 PM). As the Company pushes towards a more responsible stewardship, the management plans to utilize and purchase AC systems with HCFCs refrigerants instead of CFCs, since it poses lower potential of ozone depletion.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
GHG emission poses a detrimental effect to the environment. Substantial amounts of released GHGs may cause health hazards and contribute to ozone depletion.	Employees and nearby communities	The Company's logistics and administration team controls the usage of its AC systems to lessen its power consumption. Routine check and maintenance are also being implemented to ensure efficiency of the AC systems.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
As the Company plans to implement its Project Zero (going electronic; paperless environment) in 2020, there's a huge potential of a decrease in environmental negative impact and CO2 footprint. Additionally, less electricity consumption brought about by the controlled usage of AC units and the cost-effective performance resulting from regular maintenance will lead to savings that can be reallocated to other company expenses.	Employees and nearby communities	The Company is practicing energy conservation measures. PT&T will fully implement Project Zero (paperless) starting 2020 to minimize paper consumption and CO2 emission during printing and photocopying. Although the above mentioned energy conservation measures can be considered basic with minimal effect to the environment, PT&T believes that this effort will still be beneficial to the community and environment in the long run.

Air pollutants

Disclosure	*Quantity*	*Units*
NOx	None	kg
SOx	None	kg
Persistent organic pollutants (POPs)	None	kg
Volatile organic compounds (VOCs)	None	kg
Hazardous air pollutants (HAPs)	None	kg
Particulate matter (PM)	None	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	None	None
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	None	None
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	None	None

Solid and Hazardous Wastes

Solid Waste

Disclosure	*Quantity*	*Units*
Total solid waste generated (Food Waste, Cardboards, Papers, Plastic Bottles)	120	kg/month
Reusable (Cardboards, Papers, Plastic Bottles)	2	kg/month
Recyclable (Cardboards, Papers, Plastic Bottles)	2	kg/month
Composted	None	kg
Incinerated	None	kg
Residuals/Landfilled	None	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Most of PT&T's materials are supplies used in its office and facilities related to its day-to-day operations and marketing/advertising collaterals. This generates a huge solid waste disposal which might cause health risks affecting employees, customers, and communities.	Employees, customers, and nearby communities	The Company strictly complies with the local government's proper solid waste disposal regulations. The logistics and administration team implements in PT&T's head office proper segregation of biodegradable food wastes from non-biodegradables and recyclables. Collected recyclables (i.e. papers, carton boxes, plastic bags, and plastic/glass bottles) are being re-used or collected and then sold as scrap materials.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Improper waste disposal (i.e. littering, inappropriate disposal of hazardous waste, not recycling items that should be recycled) has negative consequences for the environment and poses health risks to the community.	Employees, customers, and nearby communities	The logistics and administration team monitors the amount of the Company's solid waste. This improves the Company's solid waste management practices which follows the International Labour Standards on Occupational Safety and Health. Materials and asset usage are also optimized which contributes to a more sustainable environment.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
As the Company plans to implement its Project Zero (going electronic; paperless environment) in 2020, there's a huge potential of a decrease in environmental negative impact having less solid waste.	Employees, customers, and nearby communities	PT&T management advocates the implementation of paperless transactions as much as possible, to minimize CO2 emission during printing and photocopying. PT&T employees are also encouraged to bring their own reusable containers for food to minimize paper and plastic wastes.

Hazardous Waste

Disclosure	*Quantity*	*Units*
Total weight of hazardous waste generated	None	kg
Total weight of hazardous waste transported	None	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	None	None
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	None	None
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	None	None

Effluents

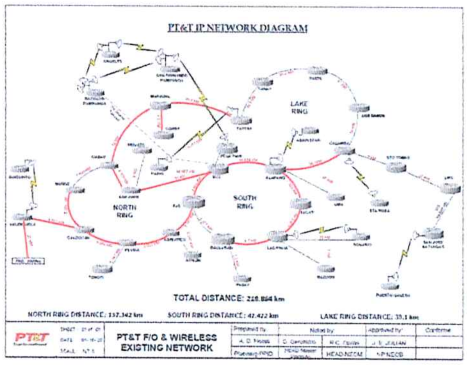
Disclosure	*Quantity*	*Units*
Total volume of water discharges	None	Cubic meters
Percent of wastewater recycled	None	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	None	None
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	None	None
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	None	None

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	*Quantity*	*Units*
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	None	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	None	#
No. of cases resolved through dispute resolution mechanism	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company ensures strict compliance with environmental laws and regulations by securing required permits from the NTC, DICT, and DENR. PT&T also champions the implementation of several prevention measures that could adversely affect the environment (i.e. guaranteeing health and safety, waste recycling and segregation, proper waste disposal, conservation of water and energy, etc.) Further, PT&T promotes environmental awareness to the community prior to and after its operational activities.	Employees and Communities within operational activities	The Environmental Management Bureau (EMB) of the DENR issued PT&T a Certificate of Non-Coverage (CNC) and Environmental Compliance Certificate (ECC) to cover all its operational activities, as summarized below: **Fiber Optic Cable Layout** 

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Consequences of non-compliance with environmental laws and regulations can affect a company negatively either monetary or non-monetary (i.e. reputational risk, increased audits, imprisonment, company shutdown,etc.) in nature.	Company and Employees	PT&T strictly adheres in the observance of environmental laws and regulations.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
PT&T recognizes that several stakeholders express increasing attention to sustainable development underpinning inclusive growth that combines profitability with social impact and environmental care.	Investors, Shareholders, Regulators, Employees and Communities within operational activities	Part of the Company's environmental stewardship pipeline is the inclusion of voluntary sustainability-related programs in which its employees and/or suppliers/partners/contractors may be able to participate.

SOCIAL

Employee Management Employee Hiring and Benefits

Employee data

Disclosure	*Quantity*	*Units*
Total number of employees[18]	234	#
a. Number of female employees	94	#
b. Number of male employees	140	#
Attrition rate[19]	7.26	rate
Ratio of lowest paid employee against minimum wage	N/A	ratio

[18] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)
[19] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Employee benefits

List of Benefits	*Y/N*	*% of female employees who availed for the year*	*% of male employees who availed for the year*
SSS	Y	5.3%	0.7%
PhilHealth	Y	11.7%	8.6%
Pag-ibig	Y	2.1%	5.7%
Parental leaves	Y	6.4%	2.9%
Vacation leaves	Y	83.0%	71.4%
Sick leaves	Y	56.4%	44.3%
Medical benefits (aside from PhilHealth))	Y	30.0%	20.0%
Housing assistance (aside from Pag-ibig)	N	N/A	N/A
Retirement fund (aside from SSS)	N	N/A	N/A
Further education support	N	N/A	N/A
Company stock options	N	N/A	N/A
Telecommuting	Y	5.3%	5.0%
Flexible-working Hours	Y	N/A	N/A
(Others)			

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
PT&T's People and Culture (P&C) team provides assistance in facilitating and processing employee applications (i.e. availing SSS and Pag-Ibig benefits). The Company ensures regular and timely remittance of employees' monthly premiums.	PT&T regards its employees as its most valuable intangible assets. Several strategic priorities are in P&C's pipeline to help them achieve their full potential: training/coaching, professional development, employee engagement, effective retention programs, multiple benefits, and fair compensation. Some of the benefits provided for the employees are as follows: 1. Base Salary; 2. Medical Coverage for Employees and their spouses/children; 3. Employees' Annual Medical Check-Ups; 4. Life and Accident Insurance; 5. Annual Vacation Leave – 15 days; 6. Annual Sick Leave – 15 days; 7. Maternity Benefit; 8. Salary Loans; 9. Calamity Fund; and 10. Flexible Work Arrangements. PT&T advocates the rights of its female employees without bias and discrimination which is in compliance with the Magna Carta of Women (RA 9710).

	Additionally, PT&T adheres to the Solo-Parent Welfare Act of 2000 (RA 8972) and the Magna Carta for Disabled Persons (RA 7277).
What are the Risk/s Identified?	Management Approach
The most common risk in the workplace is the ability of the company to have long-term employee retention. This not only is an additional cost to the company, but also affects and disrupts the short-term function and capacity of the role spilling-over to the relevant stakeholders it serves. If a company fails to disburse the prescribed wages/salaries/benefits, then the company will be subject to legal consequences on top of a possible cancellation of license to operate.	Upon hiring, all PT&T employees are subject to signing their labor contracts which regulates the relationship between the employee and the employer. PT&T exercises check-and-balance practices to ensure that relevant policies are properly implemented.
What are the Opportunity/ies Identified?	Management Approach
PT&T assessed the impact of implementing an option to work from anywhere to decrease operational costs and increase employees' productivity by minimizing travel time.	PT&T implemented a one-day weekly work from anywhere arrangement (WFA) to decrease operational costs and increase employees' productivity by minimizing travel time to zero commuting. This also contributed in promoting work-life balance and the welfare of its employees. In 2019, a total of 464 hours were spent on WFA by employees.

Employee Training and Development

Disclosure	*Quantity*	*Units*
Total training hours provided to employees		
a. Female employees	113	1,469 hours
b. Male employees	171	1,946 hours
Average training hours provided to employees		
a. Female employees	113	13.15 hours/employee
b. Male employees	171	11.38 hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
PT&T believes that employees are the main asset of the company. Hence, investment on continuous training and development should be administered. This will aid employees growth in both soft (i.e. leadership, communication, time management, etc.) and hard (i.e. technical knowledge, training, etc.) skills.	The Company ensures that it maintains a high-performing and agile workforce that is at par with the best in the industry. PT&T's P&C team warrants that employment opportunities are geared towards the development of employee skill sets in preparation for a rapidly changing competitive technology landscape. Several learning channels are currently being offered by the P&C team – from classroom sessions to videos for online training. Technical personnel also attend meetings/seminars locally and internationally, including Annual Telecommunications Conferences. The Company's Policy and Data Relating to Health, Safety, and Welfare of Employees Including Company Sponsored Trainings can be found in the company's website through this link: https://www.ptt.com.ph/policies/#health-safety-welfare
What are the Risk/s Identified?	**Management Approach**
Poorly executed employee development strategy may lead to low performance and low leadership maturity, preventing the Company to successfully perform and advance in its industry.	In 2019, a total of 284 employees have undergone training on various courses such as business, leadership, technical, and behavioral.
What are the Opportunity/ies Identified?	**Management Approach**
The Company continues to explore other learning channels that make a positive contribution to PT&T's employees and its internal digital growth and transformation.	In 2019, the P&C team launched PT&T CHAINS on Facebook which is only exclusive to all PT&T employees making company updates and information more accessible to all. An exclusive online platform for PT&T employees called PT&T Academy is also being offered with a wide range of training to upskill employees and shape the next generation of talent for the digital world.

Labor-Management Relations

Disclosure	*Quantity*	*Units*
% of employees covered with Collective Bargaining Agreements	None	%
Number of consultations conducted with employees concerning employee-related policies	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
PT&T has no collective bargaining agreements with any of its employees in 2019.	The company creates a working environment that is conducive to open discussion and collaboration, with the goal of enabling everyone to work together towards improving its working conditions and enhancing the overall productivity.
What are the Risk/s Identified?	**Management Approach**
PT&T has no reported issues on labor management relations in 2019.	The company upholds the values of integrity and accountability. Therefore, it expects the members of its workforce to comply with pertinent rules and regulations and hold them accountable for any violations that may occur in the conduct of their duties.
What are the Opportunity/ies Identified?	**Management Approach**
PT&T's management maintains a harmonious professional relationship with its employees through open communication. Thus, promoting employee engagement via discussion of any possible issues.	Any form of communication channel between the management and its employees is encouraged by the Company to foster transparency and team spirit, and for a more lenient working environment.

Diversity and Equal Opportunity

Disclosure	*Quantity*	*Units*
% of female workers in the workforce	40%	%
% of male workers in the workforce	60%	%
Number of employees from indigenous communities and/or vulnerable sector*	N/A	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company seeks to enhance the development of its employees, guarantees full respect for human rights, and upholds the dignity of its employees, trainees, as well as applicants/candidates for employment. PT&T commits to maintain a work environment free from discrimination, harassment and all forms of sexual intimidation and exploitation.	PT&T will not tolerate any forms of discrimination and harassment of its employees by anyone including its officers/management, managers, supervisors, vendors, clients or customers, whether in the workplace, at assignments outside of the workplace, at any Company-sponsored social functions, or social media. The Company renounces any form of sexual harassment, shall implement a zero tolerance for sexual intimidation and exploitation, and adopt and comply in full with the "Anti Sexual Harassment Act 1995 or RA 7877."

	The Company's Non-Discrimination and Anti-Harassment Policy can be found in the company's website through this link: https://www.ptt.com.ph/policies/#discrimination
What are the Risk/s Identified?	Management Approach
PT&T has not identified any risk relating to diversity and equal opportunity.	All employees are given equal career opportunities.
What are the Opportunity/ies Identified?	Management Approach
The Company will continue to encourage greater female participation and support mentoring opportunities from technical veterans to junior employees to gain valuable insights into PT&T and the telecom industry.	PT&T will continue to foster employees' well-being, work satisfaction, and professional success through inclusiveness, diversity, and equal opportunity which will potentially break barriers between employees and the management.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	*Quantity*	*Units*
Safe Man-Hours	21,192*	Man-hours
No. of work-related injuries	None	#
No. of work-related fatalities	None	#
No. of work related ill-health	None	#
No. of safety drills	1	#

**Since new management took over in August 2017.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company consistently complies with all applicable governmental regulations designed to protect the overall well-being of its employees including workplace conditions, labor standards, and human rights.	The Company provides health care services directed at prevention of disease, protection from health hazards, and maintenance of health. Programs designed to identify personal risks to health and to detect diseases in the early and most treatable stages are also implemented. The Company shall likewise ensure to promote and maintain a workplace that is free from drug abuse which poses a great risk to the life and health of the employees. The P&C team is tasked to implement programs designed to promote a culture of healthy lifestyle and disease prevention in the Company. The company's Policy and Data Relating to Health, Safety, and Welfare of Employees Including Company Sponsored Trainings can be found in the company's website through this link: https://www.ptt.com.ph/policies/#health-safety-welfare

What are the Risk/s Identified?	Management Approach
No fatal and occupational injuries or incidents were recorded at the office and field in 2019. Failure to manage workplace safety would negatively impact employee health and productivity.	The Company recognizes the need to maintain the well-being of its employees, hence, the P&C team provides regular information on health and safety protocols to assist employees in making better decisions regarding their health and that of their dependents.

What are the Opportunity/ies Identified?	Management Approach
Employees and contractors can do their jobs safely for the benefit of the Company and all stakeholders, by properly managing and implementing health and safety trainings,	To enable employees and contractors to work safely, PT&T will continue to provide equipment, resources, and safety training.

Labor Laws and Human Rights

Disclosure	*Quantity*	*Units*
No. of legal actions or employee grievances involving forced or child labor	None	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	*Y/N*	*If Yes, cite reference in the company policy*
Forced labor	Y	Supported by the Philippine labor law and regulations. The company also has Code of Business Conduct and Ethics as well as Whistle-blowing Policy which can be found in the Company's website through these links: https://www.ptt.com.ph/code-of-business-conduct-and-ethics/ https://www.ptt.com.ph/policies/#whistle-blowing
Child labor	Y	
Human Rights	Y	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
To protect workers' rights and promote employee welfare, PT&T follows both principles of fairness and openness in all of its employee-related process. The Company does not use forced or compulsory labor, and does not use child labor or employ people under minimum employment age limit.	The Company has strict compliance to the basic human rights in support of government regulations as provided under the Philippine Constitution and the Universal Declaration of Human Rights. In case of violations, the Company has a Whistle-blowing Policy which can be found in the Company website through this link: https://www.ptt.com.ph/policies/#health-safety-welfare

What are the Risk/s Identified?	Management Approach
No risks identified in 2019.	The Company has strict compliance to the basic human rights in support of government regulations as provided under the Philippine Constitution and the Universal Declaration of Human Rights. In case of violations, the Company has a Whistle-blowing Policy which can be found in the Company website through this link: https://www.ptt.com.ph/policies/#health-safety-welfare
What are the Opportunity/ies Identified?	**Management Approach**
PT&T recognizes that the fundamental commitment to worker democracy is grounded in the labor and human rights movement. The Company is actively coordinating with several groups, agencies, and organizations that focus on human/labor rights to further shape the Company's current policy and impose the rule of law against forced and child labor.	The Company strictly complies with the basic labor and human rights laid out in a number of human rights conventions and treaties including the policy from the Department of Labor and Employment (DOLE) and at the international level from the Universal Declaration on Human Rights. In case of violations, the Company has a Whistle-blowing Policy which can be found in the Company website through this link: https://www.ptt.com.ph/policies/#health-safety-welfare

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:
YES. You may access at https://drive.google.com/open?id=1jZybr-_RKXr94o0vzr00zSFKJjYLE_Zb

Do you consider the following sustainability topics when accrediting suppliers?

Topic	*Y/N*	*If Yes, cite reference in the supplier policy*
Environmental performance	Y	By requiring the Philippine Contractors Accreditation Board (PCAB) and Inter Agency Contractors (IAC) Licenses
Forced labor	Y	
Child labor	Y	
Human rights	Y	
Bribery and corruption	Y	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company values its relationship with suppliers and contractors and is always guided by the principle of good faith and professionalism. All suppliers and contractors are given fair dealing and equal opportunity to bid and these are evaluated fairly and in a transparent manner.	The Company requires its suppliers and contractors to abide by its Accreditation Policy and Code of Business Conduct and Ethics. It has established a supplier and contractor evaluation and accreditation process to uphold accountability, integrity, fairness and transparency in all of its business dealings in the procurement of goods and services.

	Management and all employees are always reminded to be on guard against any illegal or unethical conduct of suppliers and/or contractors and vice-versa.
What are the Risk/s Identified?	Management Approach
No risks identified in 2019.	In case of violations, the Company has a Whistle-blowing Policy which can be found in the Company website through this link: https://www.ptt.com.ph/policies/#health-safety-welfare
What are the Opportunity/ies Identified?	Management Approach
Although the impact of sustainability is not yet incorporated in the Company's suppliers and contractors accreditation requirements, this gives the Company an opportunity to generate greater value by improving its existing policies, expanding its scope to new suppliers and contractors in the space.	PT&T advocates to promote sustainability through its planned improvement of suppliers and contractors accreditation policy. This will also aid suppliers and contractors to develop their own products and services to be sustainable, recyclable, and ecologically sound.

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	*Location*	*Vulnerable groups (if applicable)**	*Does the particular operation have impacts on indigenous people (Y/N)?*	*Collective or individual rights that have been identified that or particular concern for the community*	*Mitigating measures (if negative) or enhancement measures (if positive)*
None	None	None	None	None	None

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: None

Certificates	*Quantity*	*Units*
FPIC process is still undergoing	None	#
CP secured	None	#

What are the Risk/s Identified?	Management Approach
As the Company embarks on a network transformation plan, rollouts may have to be made in areas populated by vulnerable groups such as indigenous people.	PT&T plans and consults the host local community involved to not just support them economically but also to promote healthy collaboration and build trust-based relationships while encouraging good governance without any incident.
What are the Opportunity/ies Identified?	**Management Approach**
The Company sees an opportunity to focus on its communication and stakeholder engagement while ensuring minimal to no collision with the surrounding local community where projects/plans are to be rolled-out.	Effective communication is the cornerstone of every successful management of social and environmental issues. Beyond compliance, the Company's commitment to sustainability is realized through continuous interactions with the affected stakeholders most importantly with the local community it builds a relationship with.

Customer Management

Customer Satisfaction

Disclosure	*Score*	*Did a third party conduct the customer satisfaction study (Y/N)?*
Customer satisfaction	68%	N

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company upholds the principle of good faith, fair, and transparent dealings while providing adequate, reliable and efficient service at reasonable cost to all its customers. In line with PT&T's Code of Business Conduct and Ethics, all employee dealings with customers are covered by contracts and complies with existing laws and regulations in the country.	As part of the Company's commitment to the welfare of its customers, a dedicated Customer Retention (CRD) team engages promptly to customers to achieve customer satisfaction and retention. CRD empowers its customers by its customer relationship strategy which is providing convenience and ease of access to customers through technology and enhanced client servicing by resolving issues faster and more efficiently. The company's Code of Business Conduct and Ethics with further details on Relationship and Fair Dealing, can be found in the company's website through this link: https://www.ptt.com.ph/code-of-business-conduct-and-ethics/
What are the Risk/s Identified?	**Management Approach**
The Company recognizes that there are operational challenges in delivering its service. When these occur, prompt customer engagement is key to delivering customer satisfaction.	Prompt and lively engagements with customers are made through PT&T's CRD team. The team makes it easy for its customers to simplify the customer path both from the 1st Response Time and Resolution Time.

Top call drivers are questions on billing and payment (for non-technical calls), reports on service reliability (for technical calls), and follow-ups on application and repair.	To further build trust with its customers, CRD is focused on removing roadblocks to create a frictionless customer experience consistently. This is achieved through limiting interactions necessary to resolve an issue.
What are the Opportunity/ies Identified?	Management Approach
The Company aligns its existing resources with customer needs and priorities.	More technical issues are now resolved upon first contact in the company's hotline through remote issue resolution, reducing the need for a customer to wait for a technician's visit. The Company continues to upskill and train its CRD team via classroom training and experiential learning of new and emerging technologies. They are also given back-end visibility. With these, PT&T thrusts to address customer concerns more efficiently and effectively.

Health and Safety

Disclosure	*Quantity*	*Units*
No. of substantiated complaints on product or service health and safety*	None	#
No. of complaints addressed	None	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
PT&T is committed to continued advancement of its products and infrastructure to guarantee its safety and to ensure compliance with applicable environmental and health and safety laws and regulations.	The Company conducts regular testing for all its products and infrastructure to ensure compliance with standards and safety requirements. PT&T will continuously review, update, and improve Company's policy and programs with customers.
What are the Risk/s Identified?	Management Approach
In the pace of technological advancement, health risks associated with digital initiatives are doubted on.	The Company educates its customers about facts and health effects of its products and infrastructures via one-on-one discussions, phone calls with the customer retention team, and social media updates.

What are the Opportunity/ies Identified?	Management Approach
As more internet connections switch to fiber-optic cables, the company sees an opportunity to help educate the public on reliable studies about its advantages and address health concerns regarding radiation transmission.	As PT&T commits to the provision of high quality and safe products, the Company works with regulators and authorities to look into its health and safety development.

Marketing and labelling

Disclosure	*Quantity*	*Units*
No. of substantiated complaints on marketing and labelling*	None	#
No. of complaints addressed	None	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
PT&T's marketing and labelling efforts are mostly evident through the maintenance of its website at www.ptt.com.ph, which caters to its stakeholders including regulators, clients, customers, and future investors. PT&T is also present in social media platforms (i.e. Facebook, Twitter, LinkedIn). The Company also does on ground activations where branding messages and labeling are apparent on its marketing materials.	The Company consistently updates and improves its website and social media platforms. PT&T assures that all materials sealed with its branding are clear and concise. The Company also guarantees that it complies with the Department of Trade and Industry's (DTI's) policies and regulations.
What are the Risk/s Identified?	**Management Approach**
False information on websites and other social media platforms are becoming rampant.	PT&T ensures that all data uploaded and posted on its website and social media platforms are accurate, secured, and up to date.
What are the Opportunity/ies Identified?	**Management Approach**
The impact of digitalization has acted as a catalyst for employment growth and the digital revolution created new roles in the workforce. Thus, the Company sees an opportunity for its employees to learn and explore more about digital marketing.	As a telecom and IT services company, PT&T is on its way to improving its marketing and labelling strategies by shaping its employees being in the forefront of digital marketing.

Customer privacy

Disclosure	*Quantity*	*Units*
No. of substantiated complaints on customer privacy*	None	#
No. of complaints addressed	None	#
No. of customers, users and account holders whose information is used for secondary purposes	None	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company recognizes the importance of maintaining the confidentiality of all its proprietary information and the employees categorically agree to prevent loss, misuse, theft, fraud, and improper access of such confidential and proprietary information.	The Company commits to protect all of its customers' proprietary and confidential information and ensures that these are strictly adhered by the management and employees as part of the Company's Code of Business Conduct and Ethics. PT&T also strictly complies with Republic Act No. 10173 otherwise known as the Data Privacy Act of 2012.
What are the Risk/s Identified?	**Management Approach**
Trust in all technology-based businesses are declining as concerns over data privacy, security, and falsification of posted information on website and other social media platforms (i.e. Facebook, LinkedIn) are becoming rampant. Once data and information is disclosed externally (i.e. PSE, SEC, website), the Company has no control over the sharing of proprietary information.	The Company commits to protect all of its customers' proprietary and confidential information and ensures that these are strictly adhered by the management and employees as part of the Company's Code of Business Conduct and Ethics. PT&T also strictly complies with Republic Act No. 10173 otherwise known as the Data Privacy Act of 2012.
What are the Opportunity/ies Identified?	**Management Approach**
Compliance to data and customer privacy law raises customer's confidence in the reputation of the Company.	PT&T strictly complies with Republic Act No. 10173 otherwise known as the Data Privacy Act of 2012. This further strengthens the integrity and security of the Company.

Data Security

Disclosure	*Quantity*	*Units*
No. of data breaches, including leaks, thefts and losses of data	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company recognizes the importance of maintaining the confidentiality of all its proprietary information and the employees categorically agree to prevent loss, misuse, theft, fraud, and improper access of such confidential and proprietary information.	The Company commits to protect all of its customers' proprietary and confidential information and ensures that these are strictly adhered by the management and employees as part of the Company's Code of Business Conduct and Ethics. The Company regularly updates its security software to protect all of its confidential and proprietary information. This also helps show visibility of any possible security threat and stop any possible breach before it actually happens.
What are the Risk/s Identified?	**Management Approach**
Outdated security software triggers vulnerability of the overall data security system of the company. Loss of proprietary and confidential information leads to reputational risk..	The Company guarantees that there is a continuous upgrade of its anti-virus definition to ensure safety of its servers and workstations. Web Application Firewall (WAF) is also regularly configured for the security of the Company's web-based applications. The Company's Anti-DDOS system also monitors possible network threats to data security. Employees are made aware of immediately notifying the person/company involved in the event of any breach or use of any sensitive data.
What are the Opportunity/ies Identified?	**Management Approach**
Standardized and well implemented data security management steer clears to any possible additional operational expense and reputational damage to the company.	The Company warrants a regular and constant update of its data security programs.Preventive security measures like data backup, recovery, and firewall are in place. The Company also takes precautions and educates its employees not to share any sensitive and confidential information.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	*Societal Value / Contribution to UN SDGs*	*Potential Negative Impact of Contribution*	*Management Approach to Negative Impact*
Broadband	PT&T is focused on providing broadband high-speed internet or dedicated internet access using fiber optic cables with speeds reaching up to 1 Gbps. Wireless connectivity options also available. The Company empowers corporate and small/medium businesses through connectivity and reach with its sustainability agenda of promoting the Philippine economy's progress and growth. PT&T's Broadband business is aligned with SDGs 1, 4, 5, 8, 9, 10, 11, 12, 13 	Having ease of access to the internet makes the minors susceptible to false and unsuitable content which in turn makes them vulnerable to criminal exploitation. Fiber optic networks being used can possibly cause an environmental impact to the ecosystem that we are still unaware of.	As the Company redefines its value creation by promoting a culture of responsible stewardship, PT&T will refine teams and professionals within the organization which can play an important role in achieving the Company's sustainability goals. The Company will also improve its corporate social responsibility capabilities by being associated and having close coordination with sustainability-related standards organization.
IT Services	Apart from network access, PT&T has a broader goal not just providing connectivity requirements, but also becoming a full suite digital services provider. Through its IT Services business, the Company now provides a wide range of offerings under Connectivity, Security and Availability, and Information Technology Solutions segments. The Company enables corporate and small/medium businesses being market relevant through digital transformation with its sustainability agenda of	While digitalization creates more opportunities at this day and age, such advancements may lead to potential job losses and growth of cyber criminals. The long term consequences of digital technology are not always foreseeable.	While digital transformation can replace a person's job, PT&T sees an opportunity to upskill its employees' ability by shaping the next generation of talent. Digitalization also created new types of organizations and new roles for employment growth in the wider economy. PT&T's capital investments also made well positions as the Company enforce its existing cybersecurity technology to protect its customers and clients from cyber criminals. PT&T

	promoting the Philippine economy's progress and growth. PT&T's IT Services business is aligned with SDGs 1, 4, 5, 8, 9, 10, 11 		regularly campaigns to its employees awareness and accountability which will strengthen its commitment to embed sustainability in its business operations.

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*