COVER SHEET

SEC Registration Number

2 1 8 1 7

COMPANY NAME

P H I L I P P I N E T E L E G R A P H A N D

T E L E P H O N E C O R P O R A T I O N

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

1 0 6 S C C B L D G C A R L O S P A L A N C A S T

L E G A S P I V I L L A G E M A K A T I C I T Y

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
legal@ptt.com.ph	(02) 8815-996	+63 917 893 8601

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
3,640	Last Friday of June	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 ____

PHILIPPINE TELEGRAPH & 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-Q
Form Type

___
Amended Designation (if applicable)

June 30, 2021
Period Ended Date

____
(Secondary License Type and File No.)

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17 – Q

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

1. For the quarter ended **June 30, 2021**

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 **1229**
Address of principal office Postal Code

8. **(632) 815-9961 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 as of Date of Report
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 [] No [x]

(b) has been subject to such filing requirements for the past ninety (90) days.
Yes [x] No [ ]

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION (PT&T)
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SEC FORM 17-Q

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
For the quarter ended: June 30, 2021.
INTERIM CONDENSED FINANCIAL STATEMENTS

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
Statement of Financial Position
(In Thousand pesos)

	Interim unaudited as of June 30, 2021	Audited as of December 31, 2020
ASSETS		
Current Assets		
Cash	**37,908**	46,981
Receivables – net	**63,590**	60,499
Due from related parties	**100,491**	11,457
Other current assets	**37,079**	33,785
Non-current assets held for sale	**368,594**	368,594
Total Current Assets	**607,662**	521,318
Non-current Assets		
Property, plant and equipment at cost - net	**168,307**	151,010
Right-of-use assets - net	**64,306**	76,934
Investment Properties at cost	**204,958**	212,101
Intangible assets at cost - net	**2,109**	2,344
Other non-current assets -net	**52,867**	48,726
Total Non-current Assets	**492,548**	491,116
TOTAL ASSETS	**1,100,210**	1,012,434

	Interim unaudited as of June 30, 2021	Audited as of December 31, 2020
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables	**348,213**	237,530
Statutory obligations	**605,362**	606,037
Accrued interests, expenses and other liabilities	**271,268**	270,681
Lease liabilities - current portion	**16,777**	26,902
Loans payable - current portion	**681**	1,214
Due to related parties	**313,566**	296,389
Income tax payable	**9,257**	9,257
Total Current Liabilities	**1,565,124**	1,448,012
Non-current Liabilities		
Lease liabilities - net of current portion	**52,277**	52,277
Loans payable - net of current portion	**3,904**	3,904
Deposit for future stock subscription	**8,840,767**	130,000
Retirement benefits liability	**135,143**	136,708
Deferred income tax liability	**46,945**	46,945
Total Non-current Liabilities	**9,077,838**	369,835
Total Liabilities	**10,642,962**	1,817,846
Capital Deficiency		
Share capital	**2,225,225**	10,935,992
Revaluation surplus	**102,102**	102,102
Accumulated actuarial gain on retirement benefits	**7,379**	7,379
Unrealized valuation loss on equity investments	**(270)**	(270)
Deficit	**(11,877,189)**	(11,850,615)
Total Capital Deficiency	**(9,542,752)**	(805,412)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY	**1,100,210**	1,012,434

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
Statement of Income (Loss)
(In thousand pesos except per share data)

	Interim unaudited for the quarter ended		Interim unaudited for six months ended	
	June 30, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
REVENUES	**110,942**	99,924	**221,111**	206,989
INCOME (LOSSES)				
Rent income	**-**	150	**-**	387
Other income	**119**	7,834	**306**	7,908
	111,061	107,908	**221,417**	215,284
COST AND EXPENSES				
Selling, general and administrative expenses	**87,044**	71,880	**170,576**	157,942
Leased channel	**12,422**	11,496	**20,327**	22,085
Cost of sales	**3,938**	5,700	**11,628**	13,843
Depreciation and amortization	**13,437**	12,166	**31,091**	23,495
Penalty and surcharge	**151**	3,804	**156**	3,829
Interest expense	**7,082**	6,760	**14,212**	13,590
	124,074	111,806	**247,990**	234,784
LOSS BEFORE INCOME TAX	**(13,013)**	(3,898)	**(26,573)**	(19,500)
INCOME TAX	**-**	-	**-**	-
NET INCOME (LOSS)	**(13,013)**	(3,898)	**(26,573)**	(19,500)
WEIGHTED AVERAGE COMMON STOCK	**1,500,000**	1,500,000	1,500,000	1,500,000
INCOME (LOSS) PER SHARE				
Basic	**(0.01)**	(0.00)	**(0.02)**	(0.01)
Diluted	**(0.01)**	(0.00)	**(0.02)**	(0.01)

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
Statement of Comprehensive Income
(In thousand pesos except per share data)

	Interim unaudited for the quarter ended		Interim unaudited for six months ended	
	June 30, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
NET LOSS	**(13,013)**	(3,898)	**(26,573)**	(19,500)
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized valuation gain on AFS investments	**-**	64	**-**	64
	-	64	**-**	64
TOTAL COMPREHENSIVE LOSS	**(13,013)**	(3,834)	**(26,573)**	(19,436)

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
Statement of Changes in Equity
(In thousand pesos)

	Paid up capital							
	Common Stock	Preferred Stock	Deposit for subscription in accordance with the court-approved rehabilitation plan	Revaluation Surplus	Accumulated actuarial gain (loss) on retirement benefits	Unrealized valuation loss on equity investments	Deficit	Total
Balance as of December 31, 2020	2,224,255	970	8,710,767	102,102	7,379	(270)	(11,850,615)	(805,412)
Net loss for the quarter ended March 31, 2021	-	-	-	-	-	-	(13,561)	(13,561)
Net loss for the quarter ended June 30, 2021	-	-	-	-	-	-	(13,013)	(13,013)
Transfer of Deposit for subscription to non-current liability			(8,710,767)					(8,710,767)
Balance as of June 30, 2021	**2,224,255**	**970**	**-**	**102,102**	**7,379**	**(279)**	**(11,877,189)**	**(9,542,752)**
Balance as of December 31, 2019	2,224,255	-	8,711,737	102,102	4,795	(330)	(11,819,295)	(776,736)
Issuance of shares	-	970	(970)	-	-	-	-	-
Net loss for the quarter ended March 31, 2020	-	-	-	-	-	-	(15,602)	(15,602)
Net loss for the quarter ended June 30, 2020	-	-	-	-	-	-	(3,898)	(3,898)
Other comprehensive income	-	-	-	-	-	64	-	64
Balance as of June 30, 2020	**2,224,255**	**970**	**8,710,767**	**102,102**	**4,795**	**(266)**	**(11,838,795)**	**(796,172)**

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
Statement of Cash Flows
(In thousand pesos)

	Interim unaudited for six months ended June 30, 2021	Interim unaudited for six months ended June 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(26,573)**	(19,500)
Adjustments for:		
Depreciation and amortization	**27,992**	23,495
Interest expense	**23,170**	20,927
Movement in retirement benefit liability	**5,185**	6,000
Other income and charges	**-**	(7)
	29,774	30,915
Decrease (increase) in operating assets:		
Accounts receivables	**(3,090)**	(28,163)
Other current assets	**(89,034)**	(1,582)
Other non-current assets	**(9,138)**	9,813
Increase (decrease) in current liabilities:		
Trade and accounts payable	**138,769**	(112,117)
Statutory obligations	**(21,836)**	87,796
Accrued interest, expenses and other liabilities	**(16,514)**	36,376
Other liabilities,	**(14,424)**	(13,348)
NET CASH PROVIDED (USED) FROM OPERATING ACTIVITIES	**14,507**	9,690
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment & other fixed (net)	**(32,427)**	(6,506)
Proceeds from sale of properties	**7,143**	
Other non-current assets	**1,704**	7
NET CASH PROVIDED (USED) FROM INVESTING ACTIVITIES	**(23,580)**	(6,499)
NET INCREASE IN CASH	**(9,073)**	3,191
CASH BALANCE, Beginning	**46,981**	23,916
CASH BALANCE, Ending	**37,908**	27,107

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
Aging Schedule of Receivables
(In thousand pesos)

SERVICES	CURRENT TO 30 DAYS	31 TO 60 DAYS	61 TO 90 DAYS	OVER 91 DAYS	TOTAL
Trade Receivables	15,145	8,083	4,376	40,342	67,946
Less: Allowance for doubtful accounts					10,923
NET TRADE RECEIVABLES					**57,023**
Other Receivables					6,567
RECEIVABLES, net of allowance for doubtful accounts					**63,590**

1. CORPORATE INFORMATION

Philippine Telegraph and Telephone Corporation ("PT&T" or the "Company") is a diversified telecommunication, 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 theamended 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.

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

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 wireand/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), messagingservices, 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.

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) (the "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. Under Section 14 of RA No. 10894 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 alleged non-compliance by the Company with Section 14 RA No. 10894. 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 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 the date of this report, the inquiry is still pending, and the Company has yet to receive any response or any resolution from the Subcommittee. Moreover, the Company has yet to receive any response or any resolution from the Subcommittee and the Company has not received any response or action on its Position Paper and Supplemental Position Paper. Considering the facts and the applicable laws involved in this inquiry, the Company is of the opinion that the inquiry will be resolved in its favor. As such, the management is of the opinion that the inquiry does not have an impact on the Company's operations.

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 approvedRehabilitation Plan. The increase in the authorized capital stock was subsequently approved by the Securities and Exchange Commission ("SEC") last October 31, 2018.

In a meeting conducted last 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. Prior to this, the last stockholders meeting conducted by PT&T was in 2003.

The increase in authorized capital stock was necessary for 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. With the said approval, the ₱15,600,000,000 authorized capital stock of the Company is 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.

Subsequently, the Company issued in favor of creditors share certificates covering Series "B" Serial Redeemable Preferred Shares amounting to ₱969,695.

Considering the difficulty encountered by the Company in complying with the administrative requirements of the

SEC in the implementation of the debt-to-equity conversion, the Company requested SEC that the increase in its authorized capital stock be reversed. On April 27, 2021, the SEC approved the request of the Company and reversed the increase of the Company's authorized capital stock. Thus, as at the date of this report, PT&T's authorized capital stock is ₱3,800,000,000.

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.

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 subject to the compliance by PT&T on the administrative requirements imposed by the SEC relative to the increase of the Company's authorized capital stock.

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 April 29, 2021, the CRMD issued another certification of good standing on PT&T's status as a corporation without imposing any order to comply with any administrative requirements of the SEC.

In an Order dated August 4, 2021, the MSRD issued and Order lifting the suspension of PT&T's registration statement.

Third Telco Bidding
On November 7, 2018, the Company joined the selection for the new major player in the Philippine TelecommunicationMarket ('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 Supreme Court (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. As at the date of this report, the Amended Petition is still pending. While the respondents have already filed their respective Comments and Oppositions, the SC have not rendered a decision on the Amended Petition. Considering that the Amended Petition pertains to the Company's participation in government procurement, the management is of the opinion that this case does not have an impact on the Company's operations.

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.

2. CORPORATE REHABILITATION

Filing of the petition for rehabilitation and the approval of the Rehabilitation Plan

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 pressureamong industry players, market and technology changes (SMS or 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.

To address this, the Company restructured a substantial portion of its outstanding obligations with various creditor banks and suppliers. On November 26, 2002, the creditors of the Company representing 75% of liabilities approved the Company's debt restructuring proposal and signed the Master Restructuring Agreement, Dollar Facility Agreement, PesoFacility Agreement, and other related documents ("Debt Restructuring Agreements"). On October 27, 2003, the creditorswho signed the Debt Restructuring Agreements increased to 93%.

After the Debt Restructuring Agreements failed to materialize, RETELCOM, the Company, Philippine Wireless, Inc. ("PWI"), CWI, and Wavenet Philippines, Inc. ("WPI") (collectively "RETELCOM Group") jointly filed a Petition for Corporate Rehabilitation and Suspension of Payments on August 20, 2009. The petition was assigned to the

Regional Trial Court of Makati City, Branch 66 (now, assigned to Branch 148, "Rehabilitation Court"). On August 24, 2009, the Rehabilitation Court appointed a Rehabilitation Receiver and issued a Stay Order restraining the enforcement of all claims, whether for money or otherwise, against the RETELCOM Group.

On April 1, 2011, the Rehabilitation Court issued an Order approving the RETELCOM Group's Rehabilitation Plan. The approved Rehabilitation Plan is immediately executory and provides for 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, 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 commonshares 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;
vii. The Company to enroll and list all of its authorized Series "A", Series "B" and Series "C" redeemable preferred sharesas 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 Companyshall 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.

A group of creditors subsequently assailed before the Court of Appeals the approval of the Company's Rehabilitation Plan. In a Decision dated May 19, 2017, the Court of Appeals reversed the approval of the Company's Rehabilitation Plan. The Company's Motion for Reconsideration was subsequently denied in a Resolution dated October 11, 2017.

The Company filed an appeal before the Supreme Court to assail the adverse Decision and Resolution of the Court of Appeals. The said appeal is still pending with the Supreme Court as at the date of this report.

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 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.

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

In 2020, the Company has issued in favor of creditors share certificates covering Series "B" Serial Redeemable Preferred Shares amounting to ₱969,695.

3. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

<u>Basis of Preparation</u>
This Company's interim financial statement has been prepared in accordance with Philippine Accounting Standard (PAS) 34 *Interim Financial Reporting*.

The interim financial statements do not include all the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Company's annual financial statements as at December 31, 2020.

<u>Changes in Accounting Policies and Disclosures</u>
The Company has adopted all applicable accounting standards effective as of January 1, 2020. The accounting policies adopted are consistent with prior years. The adoption of new accounting standards did not have any significant impact on the Company's financial position or performance.

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.

3.01 Financial Instruments

<u>3.01.01</u> *<u>Initial Recognition and Subsequent Measurement</u>*
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.

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 (equityinstruments)
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 September 30, 2020 and December 31, 2019.

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 collectcontractual 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 ofbusiness.

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 atamortized 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 forworking 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 June 30, 2021 and December 31, 2020, 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 certaincases, 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 creditenhancements 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 thereceived 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 torepay.

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 ofdirectly attributable transaction costs.

The Company does not designate any financial liabilities at FVPL as of June 30, 2021, and December 31, 2020.

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 EIRamortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are anintegral 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 anexisting financial liability is replaced by another from the same lender on substantially different terms, or the terms of anexisting 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.

3.01.02 Offsetting of Financial Instruments
Financial assets and financial liabilities are offset, and the net amount is reported in the statements of financial position ifthere 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.

3.02 Fair Value Measurement

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 economicbenefits 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.

3.03 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.

3.04 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 sellare 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 heldfor sale are presented separately as current items in the statements of financial position.

3.05 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 expectedfrom 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.

3.06 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.

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-substancefixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, andamounts expected to be paid under residual value guarantees. The lease payments also include the exercise price ofa 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 purchasethe 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 leaseterms 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.

3.07 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.

3.08 Intangible Asset

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives, which does not exceed five (5) years.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the statement of profit or loss.

3.09 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 theirpresent location and condition. A regular review is undertaken to determine the extent of any provision for obsolescence.

3.10 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 is 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 immediatelyin 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 assets 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 isthe 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.

3.11 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.

3.12 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 comprehensiveincome 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.

3.13 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.

3.14 Other Comprehensive Income (Loss)

Other comprehensive income (loss) represents income and expenses, including reclassification adjustments that arenot recognized in the statements of income (loss) as required or permitted by PFRSs.

3.15 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.

3.16 Loss Per Share

Basic
Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to ordinary

stockholders ofthe Company by the weighted average number of common shares outstanding during the year, excluding commonshares 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 stockholdersof 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.

3.17 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 themodem 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 servicesare 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, respectively.

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

9. 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.

10. 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).

11. Contract Liability

   A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

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.

3.18 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.

3.19 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.

3.20 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 moreintermediaries, 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.

3.21 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 thetaxable 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 taxreturn 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 shallbe 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 orall 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.

3.22 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.

3.23 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.

4. 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 values of assets and liabilities recognized in the financial statements within the next financial year are discussed below.

Estimation of Allowance for ECL on Receivables including Contract Asset and Long-outstanding Trade Receivables included under "Other Non-current Assets"
The Company uses a provision matrix to calculate ECLs for receivables including contract asset and long-outstanding trade receivable included under "Other non-current assets". 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.
There have been no significant changes in the provision matrix used by the Company for calculating ECL on receivables including contract asset and long-outstanding trade receivable included under "Other non-current assets". However, the Company considered the severity of impact of Covid-19, changes in economic conditions in 2020 and the expected timing of recovery from the pandemic in the calculation of ECL. The changes resulted to higher provision for ECL for the year ended December 31, 2020.

Provision for ECL on receivables amounted to ₱7,986,290, ₱780,496 and ₱669,809 for the years ended December 31, 2020, 2019 and six-month period ended December 31, 2018, respectively.

As at December 31, 2020 and 2019, the carrying values of receivables amounted to ₱60,499,438 and ₱73,685,408, respectively, net of allowance for ECL amounting to ₱11,532,485 and ₱3,546,195 as at December 31, 2020 and 2019, respectively.

The Company recognized contract asset amounted to nil and ₱13,578,633 as at December 31, 2020 and 2019, respectively, no allowance for ECL have been recognized.

As at December 31, 2020 and 2019, 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, 2020 and 2019.

Estimation of Impairment of Non-Financial Assets

Other Current Assets
The Company reviewed if there is an indication of possible impairment, the recoverable amount of assets is estimated and compared with their carrying values and determined that there is no indication that the assets have suffered impairment loss.

The carrying values of other current assets amounted to ₱33,785,534 and ₱8,452,626 as at December 31, 2020 and 2019, respectively.

Non-current Assets Held for Sale, Property and Equipment, Right-of-Use Assets, Investment Properties, and Intangible Assets
The Company evaluates whether the assets have suffered any impairment either annually or when circumstances indicate that related carrying values 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 years ended December 31, 2020, 2019 and six-month period ended December 31, 2018.

The total carrying values of assets classified as NCAHFS amounted to ₱368,594,244 and ₱378,680,744 as at December 31, 2020 and 2019, respectively.

The carrying values of property and equipment amounted to ₱151,010,894 and ₱156,422,917 as at December 31, 2020 and 2019, respectively.

The carrying values of investment properties amounted to ₱212,100,808 and ₱225,708,208 as at December 31, 2020 and 2019, respectively.

The carrying values of intangible assets amounted to ₱2,343,583 and nil as at December 31, 2020 and 2019, respectively.

Plant Supplies
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 as these are not expected to be utilized within one year from the reporting date. 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, 2020 and 2019, the carrying values of plant supplies amounted to ₱35,657,708 and ₱29,805,455, respectively, both net of allowance for impairment losses amounting to ₱65,987,835. Reversal of allowance for impairment on plant supplies amounted to both nil for the years ended December 31, 2020, 2019, and ₱40,000 for the six-month period ended December 31, 2018.

Estimation of Useful Lives of Property and Equipment, except Land, Right-of-use Assets, and Intangible Assets
The Company estimates the useful lives and residual values of property and equipment, except land, right-of-use assets, and intangible 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, right-of-use assets, and intangible 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, except land, right-of-use assets and intangible assets as at December 31, 2020 and 2019.

The carrying values of property and equipment amounted to ₱151,010,894 and ₱156,422,917 as at December 31, 2020 and 2019, respectively.

The carrying values of right-of-use assets amounted to ₱76,934,406 and ₱30,116,102 as at December 31, 2020 and 2019, respectively.
The carrying values of intangible assets amounted to ₱2,343,583 and nil as at December 31, 2020 and 2019, respectively.

Depreciation and amortization expense recognized for the years ended December 31, 2020, 2019, and six-month period ended December 31, 2018 amounted to ₱53,885,207, ₱43,731,398, and ₱14,716,397, respectively.

Estimation of Fair Value of Non-current Assets Held for Sale and Investment Properties
The fair value of NCAHFS and investment properties were determined based on appraisal performed by an independent firm of appraisers who holds a recognized and relevant professional qualification and an industry specialist in valuing these types of investment properties. The valuation of NCAHFS and investment properties were 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.

Management engages appraisers to assesses and review the fair value of NCAHFS and investment properties every 3 years.

As at December 31, 2020 and 2019, the fair value of the NCAHFS amounted to ₱450,000,000 and ₱467,700,000, respectively which are based on the selling price as negotiated with prospective buyers of the Company.

As at December 31, 2020 and 2019, the fair value of the investment properties as determined using the sales comparison approach amounted to ₱502,434,000 and ₱351,319,5000, respectively.

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 ₱9,816,117, ₱8,219,990, and ₱6,360,139 for the years ended December 31, 2020, 2019 and six-month period ended December 31, 2018, respectively (see Note 28). Retirement benefits liability amounted to ₱136,707,747 and ₱133,313,602 as at December 31, 2020 and 2019, respectively.

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.

Assessment of Realizability of Deferred Income Tax Assets
The Company reviews the carrying values of deferred income taxes assets at the end of each 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, 2020 and 2019, unrecognized deferred income tax assets amounted to ₱610,094,067

and ₱596,004,773, respectively, as the Company believes that the carry forward benefit would not be realized in the future prior to their expiration.

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 Corp Rehab. 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 evidence 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.

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, 2020 and 2019, accrued interest on these obligations amounted to ₱221,948,710 and ₱242,578,122, respectively (see Note 18). Interest expense recognized for the years ended December 31, 2020, 2019 and six-month period ended December 31, 2018 amounted to ₱23,343,152, ₱27,500,155, and ₱13,463,929, respectively.

The Company settled labor-related statutory obligations covered by Corp Rehab amounting to ₱8,884,890 and ₱17,324,413 in 2020 and 2019, respectively, with waiver of interest amounting to nil and ₱3,112,818, respectively.

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).

5. CASH

	June 30, 2021	December 31, 2020
Cash on hand	**261,579**	240,000
Cash In banks	**37,646,057**	46,741,468
	37,907,636	46,981,468

Cash in banks earn interest at the respective bank deposit rates. Interest income earned amounted to ₱23,732 and ₱85,283 for the six-month ended June 30, 2021, and year ended December 31, 2020.

6. RECEIVABLES - net

	June 30, 2021	December 31, 2020
Trade receivables		
Third parties	**57,017,918**	59,918,717
Related party	**9,320,543**	5,105,238
Contract asset	**1,607,341**	-
Advances to suppliers	**4,533,580**	5,099,675
Others	**2,642,695**	1,908,293
	75,122,077	72,031,923
Allowance for ECL	**(11,532,485)**	(11,532,485)
	63,589,592	60,499,438

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.Movements in allowance for ECL of receivables are as follow:

	Trade receivables	Other receivables	Total
Balance as at December 31, 2020	10,922,853	609,632	11,532,485
Provision ECL for the period	-	-	-
	10,922,853	**609,632**	**11,532,485**

7. OTHER CURRENT ASSETS

	June 30, 2021	December 31, 2020
Deposit	**23,266,667**	23,266,667
Deferred Input VAT	**7,476,455**	6,013,691
FWV's	**1,481,499**	1,906,600
Prepaid expenses	**2,927,754**	1,717,248
CWT's	**1,926,744**	854,619
Others	**-**	26,708
	37,079,119	33,785,534

Deposit pertains to down payments made for possible purchase of a capital asset which will be applied as part of payments upon execution of sale.

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 and Input VAT of unpaid purchase of services.

FWV's represent taxes withheld that can be claimed as credit against the Company's VAT payable.

Prepaid expenses pertain to unamortized portion of software licenses, marketing fees, and insurance.

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

Others pertain to various prepayments including association dues and registration fees.

8. NON-CURRENT ASSETS HELD FOR SALE

	June 30, 2021	December 31, 2020
Land at revalued amounts	**360,360,000**	360,360,000
Property and equipment at cost – net	**8,234,244**	8,234,244
	368,594,244	368,594,244

Land
In 2019, the Company decided to sell its parcel of land which was previously held as an owner-occupied property.

Property and equipment
In 2019, the Company decided to sell its building and building improvements which was previously held as an owner-occupied property.

Investment properties
In 2019, the Company decided to sell its investment property which pertains to an idle vacant and residential lots previously held for capital appreciation.

The assets classified as held for sale during the year was measured at the lower of its carrying value and fair value less estimated cost to sell at the time of reclassification.

In 2020, the Company sold its idle lots with carrying value of ₱10,086,500 for ₱17,700,000 resulting to gain amounting to ₱7,613,500 recorded as part of gain on sale of properties under "Other Income".

As of June 30, 2021, the management remains committed to its plan to sell the assets and is in active discussion with the prospective buyer. While PT&T received a commitment to purchase from a prospective buyer, the sale of the land, building, and improvements under NCAHFS are not yet perfected due to delays caused by events beyond the Company's control. Nevertheless, the sale of asset is deemed highly probable.

As at December 31, 2020 and 2019, the fair value of the NCAHFS amounted to ₱450,000,000 and ₱467,700,000, respectively which are based on the selling price as negotiated with prospective buyers of the company.

9. LAND

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.

In 2019, the Company's management informed its stockholders 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 Corp Rehab. The Company reclassified its revalued land to "Non-current assets held for sale" as part of the current assets.

The land reclassified as "Non-current assets held for sale" amounted to ₱360,360,000 which is the carrying value as at date of reclassification. The fair value less estimated cost to sell of the land at the time of reclassification amounted to ₱417,949,826.

As at June 30, 2021 and December 31, 2020, 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.

10. PROPERTY AND EQUIPMENT AT COST – net

	Telecommunications Equipment				
June 30, 2021	Network equipment	Cable and wire Facilities	Other work equipment	Construction In-Progress	Total
Cost:					
Balance at beginning of year	251,788,804	222,958,238	35,765,013	3,808,819	514,320,874
Additions	716,221	24,631,406	9,235,624	941,731	35,524,982
Balance at end of year	252,505,026	247,589,644	45,000,637	4,750,550	549,845,856
Accumulated depreciation:					
Balance at beginning of year	214,309,348	130,811,455	18,189,177	0	363,309,980
Depreciation	7,559,449	7,851,168	2,818,181	0	18,228,799
Balance at end of year	221,868,798	138,662,623	21,007,358	**0**	381,538,780
Net book value	**30,636,228**	**108,927,021**	**23,993,279**	**4,750,550**	**168,307,076**

Construction In Progress pertains to costs incurred in the on-going renovation of offices in the Company's place of business including but not limited to structural engineering investigation and architectural designs, labor, and materials.

Service vehicles under "Other work equipment" with carrying value amounting to ₱6,423,481 as at December 31, 2020, serve as collaterals for the chattel mortgage for the loan acquired from a local bank and a financial institution. Aside from the other work equipment, no amount of property and equipment has been pledged to secure borrowings as at June 30, 2021 and December 31, 2020.

Fully depreciated properties still in use amounted to ₱212,693,405 as at June 30, 2021 and December 31, 2020. There are no idle property and equipment as at June 30, 2021 and December 31, 2020.

Except for the expected cost to complete the on-going renovation, the Company has no outstanding contractual commitments to acquire additional property and equipment.

In 2019, the building including improvements with carrying value of ₱8,234,244, 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 at the time of reclassification amounted to ₱9,550,174.

11. INVESTMENT PROPERTIES AT COST

	June 30, 2021	December 31, 2020
Balance at beginning of year	**212,100,808**	225,708,208
Disposals during the year	**(7,143,000)**	(13,607,400)
	204,957,808	212,100,808

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 mutualconsent 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 November 11, 17, and December 1, 2020 and July 7, 18 and October 15, 2019 covering valuation date as of December 31, 2020 and 2019, the fair value of the investment properties as determined using the sales comparison approach amounted to ₱502,434,000 and ₱351,319,500, respectively.

In 2019, investment properties with carrying value 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 fair value less estimated cost to sell of the said assets at the time of reclassification amounted to ₱16,815,000.

In 2020, the Company sold an investment property located in Binangonan and Tanay with related cost of ₱5,231,000 and ₱8,376,400, respectively for ₱20,000,000 resulting to gain amounting to ₱5,492,600 recorded as part of gain on sale of properties under "Other income". There are no restrictions on the realizability of investment property or the remittance of income and proceeds of disposal.

In 2021, the Company sold an investment property located in San Mateo, Rizal with related cost of ₱7,143,00 for ₱7,015,000 resulting to loss amounting to ₱128,000 recorded as part of loss on sale of properties.

For the years ended December 31, 2020, and 2019, the Company recognized rental income from these investment properties amounting to ₱687,258 and ₱1,578,240, respectively.

As at June 30, 2021 and December 31, 2020, the Company has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance, or enhancements.

The Company carried out a review of the recoverable amounts of its investment properties and determined that there is no indication that an impairment loss has occurred.

12. INTANGIBLE ASSET AT COST – net

	June 30, 2021	December 31, 2020
Cost:		
Balance at beginning of year	**2,375,000**	-
Additions	**-**	2,375,000
Balance at end of year	**2,375,000**	2,375,000
Accumulated amortization:		
Balance at beginning of year	**31,417**	-
Amortization	**234,633**	-
Balance at end of year	**266,050**	31,417

Net carrying value	**2,108,950**	2,343,583

Intangible asset pertains to the accounting software license to be used in business operations.

As at December 31, 2020, the Company has no intangible asset that has a restricted title and/or is pledged as security for liabilities.

The Company carried out a review of the recoverable amounts of its intangible asset and determined that there is no indication that an impairment loss has occurred.

13. OTHER NON-CURRENT ASSETS - net

	June 30, 2021	December 31, 2020
Long-outstanding trade receivables	**1,381,525,501**	1,381,525,501
Plant supplies	**99,858,572**	101,645,543
Refundable security deposits	**12,922,833**	12,839,691
Financial asset at FVOCI	**229,140**	229,140
	1,494,536,047	1,496,239,875
Less: Allowance for ECL and impairment	**(1,447,513,336)**	(1,447,513,336)
	47,022,710	48,726,539

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 June 30, 2021 and December 31, 2020.

Plant supplies pertain to capitalizable assets used for the installation of cable and wires facilities. The Company provides allowance for impairment losses when the asset becomes obsolete.

As at June 30, 2021 and December 31, 2020, the carrying amounts of plant supplies amounted to ₱33,870,737 and ₱35,657,708 respectively, net of allowance for impairment losses of ₱65,987,835 as at June 30, 2021 and December 31, 2020.

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

Financial assets at FVOCI as at June 30, 2021 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 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 December 31, 2019	1,381,525,501	65,987,835	1,447,513,336
Provision for ECL for the year	–	-	-
Balances as at December 31, 2020	1,381,525,501	65,987,835	1,447,513,336
Provision for ECL for the period	–	–	–

Balance as at June 30, 2021	**1,381,525,501**	**65,987,835**	**1,447,513,336**

14. TRADE AND OTHER PAYABLES

	June 30, 2021	December 31, 2020
Trade	**187,862,435**	79,274,918
Customers' deposits	**151,031,035**	148,640,307
Contract liability	**9,319,330**	9,319,330
Others	**-**	295,908
	348,212,800	237,530,463

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 ₱15,726,642 as at June 30, 2021 and December 31, 2020.

Customers' deposits include 1-month deposit of internet broadband monthly subscription fee from customers and reservation deposits/fees from prospective buyer of the Company's NCAHFS which are refundable upon expiration and/or termination of the subscription and consummation of the agreement, respectively.

Contract liability pertains to 2 months advance payment of internet broadband monthly subscription fee from customers which are to be applied before expiration and/or termination of the subscription.

Others represent refundable short-term rental deposits. These are refundable and/or to be applied to uncollected receivables from the lessees upon expiration and/or termination of the contract of lease.

15. STATUTORY OBLIGATIONS

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

	June 30, 2021	December 31, 2020
Covered by Corporate Rehabilitation		
Labor-related	**162,838,629**	162,838,629
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**	15,101,233
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
	431,137,641	431,137,641
Outside Corporate Rehabilitation:		
NTC	**124,845,901**	124,845,901
BIR	**28,266,727**	28,180,203
Labor-related	**9,075,127**	10,843,927
SSS	**1,059,490**	619,831
PHIC	**330,526**	228,001
HDMF	**162,858**	63,735
Other government agencies	**10,484,051**	10,118,047

	170,904,449	174,899,645
	605,362,321	606,037,286

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

The Company settled labor-related statutory obligations covered by corporate rehabilitation amounting to ₱8,884,890 and ₱17,324,413 in 2020 and 2019, respectively, with waiver on interest amounting to ₱3,112,818, respectively.

BIR
This pertains to various unpaid liabilities to BIR including but not limited to final other percentage tax, overseas communication tax, withholding tax on compensation, expanded withholding tax, VAT, and others.

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.

On August 30, 2019, the Company availed of SSS condonation program and to settle ₱12,908,618 of obligations including interest of ₱1,012,344.

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

Other government agencies
These include liabilities with 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 5to 30 days' term.

16. ACCRUED INTERESTS, EXPENSES AND OTHER LIABILITIES

	June 30, 2021	December 31, 2020
Accrued interests	**236,112,486**	221,948,710
Accrued upstream internet connectivity	**17,289,068**	30,535,650
Accrued expenses	**24,461,227**	14,651,248
Accrued retainers and professional fees	**1,451,569**	1,996,111
Others	**498,099**	1,549,245

	271,268,075	270,680,964

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. Interest expense for the six-month period ended June 30, 2021 and year ended December 31, 2020, amounted to ₱14,211,776 and ₱23,343,152, respectively.

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

The Company entered into a contract agreement with an international telecommunication company and a local company to install and provide additional upstream internet connectivity. Upstream internet connectivity pertains to fees incurred for a leased channel, a premium internet connectivity product, normally delivered over fiber, which provides uncontended, symmetrical bandwidth with full-duplex traffic used to provide internet services to the customers. The Company recognized upstream internet connectivity amounting to ₱20,327,392 and ₱34,569,447 for the six-month period ended June 30, 2021 and year ended December 31, 2020, respectively, as presented in the statements of loss.

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

The Company recognized foreign exchange gain from translating foreign currency denominated accrued upstream internet connectivity, recorded as part of unrealized foreign exchange gain under "Other Income"

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

The Rehabilitation 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 and the full implementation of the Company's debt-to-equity conversion as ordered by the Rehab Court amounting to ₱8,711,736,581, thus, "Deposit for subscription" was already recognized in equity.

In a letter dated February 24, 2021, the Company proposed that the subject increase of its capital stock be reversed. It stated that, with the reversal of the increase and the return of its original authorized capital stock, the Company will not be required to submit for the meantime the Deeds of Assignment. PT&T will be implementing the debt-to-equity conversion mandated under its Rehabilitation Plan in several tranches and only after securing the Deeds of Assignment from the creditors.

PT&T prompted the Company Registration and Monitoring Department (CRMD) to request the Commission's Office of the General Counsel (OGC) for its comments on the effect of the reversal of PT&T's authorized capital stock increase. In a memorandum dated April 8, 2021, the OGC informed the CRMD that it shall request from the Office of the Solicitor's General's (OSG) position, comment and/ or recommendation on the matter.

In connection thereto, the OGC informed the CRMD, through a memorandum dated April 21, 2021, that the OSG is of the opinion that the CRMD may lawfully revoke the authorize capital stock increase on account of the Company's failure to comply with the condition imposed by the Commission relating to the submission of the Deeds of Assignment.
In view of the foregoing, and for violation of the Commission's Order to submit the required Deeds of Assignment, the Certificate of Approval of the Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation, both dated October 31, 2018, issued in favor of the Company is revoked. Thus, previously recognized Deposit for future stock subscription was reclassified from Equity to Non-Current Liability in the amount of ₱8,710,767,000.

Total deposit for subscription under non-current liabilities as at June 30, 2021 and December 31, 2020 amounted to ₱8,840,767,000 and ₱130,000,000, respectively. The balance of deposit for stock subscription under liabilities as at December 31, 2020 pertains to the subscribed common shares of RETELCOM.

18. 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, 2020 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.

19. SHARE CAPITAL

19.01 Paid-up Capital

The Company's paid-up capital consist of the following:

	June 30, 2021	December 31, 2020
Common shares - ₱1 par value		
Authorized - 4,500,000,000 shares		
Issued - 1,500,000,000 shares	**1,500,000,000**	1,500,000,000
Subscribed - nil shares		
APIC	**724,255,313**	724,255,313
Preferred shares Series B - ₱1 par value		
Issued – 969,695 shares	**969,695**	969,695
	2,225,225,008	**2,225,225,008**

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.

20. BASIC/DILUTED LOSS PER SHARE

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

Loss per share are as follows:

	June 30, 2021 (Six months)	December 31, 2020 (Twelve months)
Net income (loss) shown in the statements of comprehensive income (loss)	**(26,573,538)**	(31,320,532)
Weighted average number of common shares for basic and diluted earnings (loss) per share	**1,500,000,000**	1,500,000,000
Basic and diluted earnings (loss) per share	**(0.01)**	(0.02)

21. RELATED PARTY TRANSACTIONS

21.01 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 theseindividuals 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.

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.

21.02 Related Party Transactions

Transactions and outstanding balances with related parties as at June 30, 2021 and December 31, 2020 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 /	**2021**	**4,215,305**	**9,320,543**	Due and demandable,	Unimpaired
Receivables	2020	6,636,913	5,105,238	cash settled	
Due from related parties	**2021**	–	–	Due and demandable,	Unimpaired
	2020	–	–	cash settled	
Due to related parties	**2021**	**833,343**	**42,653,665**	Due and demandable,	Unsecured
	2020	1,123,863	41,820,322	cash settled	Unguaranteed

MENLO					
Due from related parties	**2021**	87,983,075	**90,531,575**	Due and demandable, cash settled	Unimpaired Unguaranteed
	2020	2,548,500	2,548,500		
Due to related parties	**2021**	**15,589,208**	**26,881,271**	Due and demandable, cash settled	Unguaranteed
	2020	(7,721,550)	11,292,063		
Affiliates					
CWI					
Due from related parties	**2021**	**2,512,680**	**5,969,011**	Due and demandable, cash settled	Unimpaired
	2020	2,571,100	3,456,331		
Due to related parties	**2021**	–	**440,000**	Due and demandable, cash settled	Unsecured
	2020	–	440,000		
PWI					
Due from related parties	**2021**	**169,080**	**3,873,927**	Due and demandable, cash settled	Unimpaired
	2020	2,432,614	3,704,847		
Due to related parties	**2021**	–	19,995,000		
	2020	19,995,000	19,995,000		
RETELCOM					
Due to related parties	**2021**	**250,590**	**7,365,474**	Due and demandable, cash settled	Unsecured Unguaranteed
	2020	501,180	7,114,884		
TIMCO					
Due to related parties	**2021**	–	**38,355,000**	Due and demandable, cash settled	Unsecured
	2020	–	38,355,000		
WPI					
Due from related parties	**2021**	–	**59,937**	Due and demandable, cash settled	Unimpaired
	2020	11,006	59,937		
Other related parties					
Other individual and corporate stockholders					
Due from related parties	**2021**	(1,630,899)	**56,889**	Due and demandable, cash settled	Unsecured
	2020	1,687,769	1,687,789		
Due to related parties	**2021**	**(1,799,999)**	**157,030,104**	Due and demandable, cash settled	Unsecured
	2020	13,484,726	158,830,104		
Interest expenses / Due to related parties – accrued interest	**2021**	2,303,122	20,845,228		
	2020	13,332,635	18,542,106		
Revenues / Receivables	**2021**	**4,215,305**	**9,320,543**		
	2020	6,636,913	5,105,218		
Due from related parties	**2021**	**89,033,935**	**100,491,339**		
	2020	9,251,009	11,457,404		

Due to related parties	**2021**	**17,176,263**	**313,565,743**
	2020	28,369,242	296,389,480
Interest expenses	**2021**	**14,211,776**	
	2020	13,332,635	

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.

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

		June 30, 2021		December 31, 2020
Foreign currency denominated	**$**	**288,805**	$	288,805
Philippine peso equivalents	**₱**	**13,873,037**	₱	13,873,037

21. FINANCIAL RISK DISCLOSURE

The Company adopts an expanded corporate governance approach in managing its business risks. There is a systematic review of the risks and a better understanding of the different risks that could threaten the achievement of and to provide emphasis on how management and employees play a vital role in achieving the company's mission, vision, strategies and goals.

The policies are not intended to eliminate risk, but to manage it in such a way that opportunities to create value for the stakeholders are achieved. Risk management takes place in the context of the normal processes such as strategic planning, business planning, operational and support processes.

The risks are managed through the delegation of management and functional authority and individual accountability as documented in employment contracts, consultancy contracts, key result areas, terms of reference and other policies that provide guidelines for managing specific risks arising from the company's business operations and environment.

Financial Risks

Foreign Currency Risk
The company has no foreign denominated transactions/ accounts in the financial statements.

Interest Rate Risk
Under the approved rehabilitation program, the Rehabilitation Court ordered that the interest or unpaid principal obligations to the creditors as of August 2009 be fixed at 6% per annum.

Liquidity Risk
Under the rehabilitation program, except for the statutory obligations, all obligations are converted to redeemable preferred stock while statutory obligations shall be settled from the proceeds of the sale of the company's real estate assets.

Credit Risk
The Company assesses the business status of prospective customers before accepting post-paid arrangements. It also requires an adequate deposit and encourages substantial upfront payments in exchange for attractive discounts. Reviewof the adequacy of the provision is being made on a regular basis.

The aging of the receivables shows that the receivable as of June 30, 2021, of ₱77.8 million is adequately covered by the provisions.

22. OTHER MATTERS

Seasonality or cyclicality of interim operations

The revenues of the Company that are received seasonally, cyclically, or occasionally within financial year, if any were not anticipated or deferred as of an interim date, hence, such revenues are recognized when they occur.

The nature and number of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.

The Company has no items considered unusual because of their nature, size, or incidents that will affect assets, liabilities,equity, net income or cash flows for the period except as already disclosed in Financial Position section of this report, such as the deposit for subscription in accordance with the court-approved rehabilitation plan.

Issuances, repurchases, and repayments of debt and equity securities.

The Company did not issue, repurchase, and repay any debts and equity securities during the period under review.

Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

Item 2. Management's Discussion and Analysis and Plan of Operation

Management Discussion and Analysis

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with ouraudited financial statements and the related notes as at December 31, 2020 and 2019 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 it is 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.

Financial Highlights

Segment Reporting

The Company's Statement of Income (Loss) is composed of different segments or lines of business that reflect its products, services and other endeavors. The segments are divided into Fixed Broadband, Information Technology Services and other initiatives which represent the broadband connectivity and IT solutions products offered to its customers, and the Company's other ventures.

	June 30, 2021				June 30, 2020			
(in '000 Philippine pesos)	**Broadband Services**	**IT Services**	**Others**	**TOTAL**	**Broadband Services**	**IT Services**	**Others**	**TOTAL**
REVENUES[1]	203,128	18,181	-	221,309	190,165	17,005	-	207,170
OTHER INCOME	-	-	103	103	-	-	500	500
	203,128	18,181	103	221,412	190,165	17,005	500	207,670
Core expenses								
SG&A	142,257	12,300	3,791	158,349	120,788	12,995	3,064	136,847
Leased channel[2]	7,385	-	-	7,385	10,618	-	-	10,618
Cost of sales	12,942	11,628	-	24,570	2,693	13,843	6,782	23,317
CORE EXPENSES	162,585	23,928	3,791	190,304	134,098	26,838	9,846	170,782
CORE EBITDA[3]	40,543	(5,747)	(3,689)	31,108	56,067	(9,832)	(9,346)	36,888
CORE EBITDA %	19.96%	-31.61%	-3592.60%	14.05%	29.48%	-57.82%	-1869.43%	17.76%
Depreciation	28,465	2,626	-	31,091	25,141	347	-	25,488
Interest expense	-	-	2,890	2,890	-	-	1,076	1,076
CORE EARNINGS	12,079	(8,373)	(6,578)	(2,873)	30,926	(10,179)	(10,421)	10,325
Non-core charges								
Penalties and fines	-	-	-	-	-	-	3,800	3,800
Non-core expense	-	-	3,420	3,420	-	-	13,787	13,787
Rehab interest expense	-	-	20,281	20,281	-	-	19,852	19,852
Non-core income	-	-	-	-	-	-	(7,614)	(7,614)
NON-CORE CHARGES	-	-	23,701	23,701	-	-	29,825	29,825
TOTAL EARNINGS (LOSSES)	12,079	(8,373)	(30,279)	(26,574)	30,926	(10,179)	(40,247)	(19,500)
Income tax expense/benefit	-	-	-	-	-	-	-	-
NET INCOME (LOSS)	12,079	(8,373)	(30,279)	(26,574)	30,926	(10,179)	(40,247)	(19,500)

[1]Revenue allocation among segments has been adjusted in the prior years to improve comparability
[2]Leased channel allocation among segments has been adjusted in the prior years to improve comparability
[3]Core EBITDA has been adjusted for prior years to reflect changes in accounting standards to improve comparability

Broadband Business

The Fixed Broadband business is the Company's main segment which offers internet connectivity to subscribers. The Broadband business contributed 92% of the Company's total revenues by offering connectivity subscriptions to enterprise, residential, wholesale and carrier customers. For the six months ending June 30, 2021, its subscriber base grew by 15% translating to an increase of broadband revenues from ₱190.2 million to ₱203.1 million.

Expenses in Broadband business include sales and technical related costs, nodal related costs, taxes and permits incurred in saturating areas, and cost of sales and leased channel expense incurred to provide bandwidth across its subscribers. However, due to the pandemic, profitability of Broadband business decreased from ₱30.9 million to ₱12.1 million. Accordingly, Core EBITDA margin decreased from 29.5% to 20% as the Company.

Information Technology Services

Since its launch in 2019, the IT Services business has contributed revenues to the Company by offering software, hardware, systems and managed services to enterprise and public sector customers. Unlike the Broadband business which is subscription- based, the IT services products are mostly project-based which aims to create an end-to-end portfolio of IT solutions.

Expenses in IT Services business include sales and technical related costs and cost of sales incurred to be able to offer a wide variety IT solutions. Investments to fortify the business by growing its product offerings improved its profitability from (₱10.2) million to (₱8.4) million. Core EBITDA margin improved from -57.8% to –31.6% indicating a healthy opportunity for the Company.

Other Initiatives

Other business initiatives of the Company include other income and expenses not directly related to Broadband and IT Services. Other income includes space rental income while expenses are mainly attributed to non-core charges related to its rehab exit such as recognition of the legal interest rate of 6% p.a. on unsettled obligations as directed by the Rehabilitation Court.

Financial Performance and Condition

Results of Operations (in '000 Philippine pesos)	**6 months ended June 30, 2021**	**6 months ended June 30, 2020**
REVENUES	**221,309**	207,170
OTHER INCOME	**103**	500
	221,412	207,670
Core expenses		
Selling, general and administrative expenses	**158,349**	136,847
Leased channel and interconnect cost	**7,385**	10,618
Cost of sales	**24,570**	23,317
CORE EXPENSES	**190,304**	170,782
CORE EBITDA[1]	**31,108**	36,888
CORE EBITDA %	**14.05%**	17.76%
Depreciation and amortization	**31,091**	25,488
Interest expense	**2,890**	1,076
CORE EARNINGS	**(2,873)**	10,325
Non-core charges		
Non-core expenses (net of non-core income)	**3,420**	17,587
Rehabilitation-related interest	**20,281**	12,238
NON-CORE CHARGES	**23,701**	29,825
TOTAL EARNINGS (LOSSES)	**(26,574)**	(19,500)
Income tax expense/benefit	**-**	-
NET INCOME (LOSS)	**(26,574)**	(19,500)

[1] *Core EBITDA adjusted to reflect changes in accounting standards to improve comparability.*

Revenue
The Company, for the six months ending June 30, 2021, reported total revenues and income of ₱221.4 million, or an improvement of 6.6% as compared to the previous year's revenue of ₱207.7 million. The Company ended the quarter with 2,136 data services circuits, notably broadband connections, which is a key performance indicator for an increase of 15% over the same period of last year. For the six-month period ending June 30, 2021, operating revenues for broadband reached ₱203.1 million, a 6.8% increase in operating revenue performance vs. last year. Activities for the broadband group included street level saturations on major nodes, optimization of existing infrastructure in commercial buildings and establishments and account management of existing subscribers.

Another key performance indicator known as monthly recurring revenue (MRR) per each data service circuit was steady at around ₱15,000 per circuit despite being diluted by the significant increase in the number of data circuits.

Cost and expenses
The Company's personnel related expenses for the six-month period ending June 30, 2021, amounted to ₱110 million compared to last year's level of ₱97.9 million. Growth in personnel related expenses was tempered due to the pandemic. The number of personnel increased from 232 at the start of the year to 245 at the end of June 2021.

Due to the implementation of work-from-home arrangement and skeletal workforce last year, premises-related expenses increased to ₱18.6 million from ₱15.8 million in the comparative period. Selling, general and administrative expenses went beyond last year's level from ₱23.2 million to ₱29.7 million, together with cost of sales from ₱23.3 million to ₱24.6 million. This increase indicates the Company's ability to adapt to the pandemic by investing in operations to support its growing business.

The increase in operating costs and expenses is aligned with the Company's strategy and is necessary to sustain its businesses.

Profitability Performance
Despite the tempered growth in expenses, slower growth in revenues resulted in the decrease in core EBITDA from ₱36.9 million last year to ₱31.1 million in 2021, lowering the Core EBITDA margin to 14.0%. Depreciation and amortization increased to ₱31.1 million vs. ₱25.5 million in the comparative period last year as the Company invests in more property and equipment to support the business.

The Company's net loss for the period ending June 30, 2021, is at ₱26.6 million. Additional expenses such as recognition of the legal interest rate of 6% p.a. on unsettled obligations as directed by the Rehabilitation Court, and rehab-related expenses affected the net loss for the period.

Financial Condition (in '000 Philippine pesos)	**June 30, 2021**	June 30, 2020
Current Assets	**607,662**	509,791
Non-current Assets	**492,548**	438,983
TOTAL ASSETS	**1,100,210**	948,774
Current Liabilities	**1,565,124**	1,409,652
Non-current Liabilities	**9,077,838**	335,294
Total Liabilities	**10,642,962**	1,744,946
Capital Deficiency	**(9,542,752)**	(796,172)
TOTAL LIABILITIES AND CAPITAL	**1,100,210**	948,774

The Company's total assets amounted to ₱1.100 billion as of June 30, 2021. Cash is at ₱37.9 million, an increase by ₱10.8 million or 40% as compared to June 30, 2020. Accounts receivable of ₱63.5 million as of June 30, 2021 decreased by ₱37.9 million or 37% as compared to June 30, 2020.

Trade and other payables increased by ₱120 million or 53% as of June 30, 2021. A major portion of this account is attributable to trade transactions with suppliers which resulted in total trade payables of ₱105 million as of quarter end. Finally, the other payables are generally due to related parties which represent non-interest bearing, unsecured and short-term Philippine currency denominated financing and advances to support the Company's working capital requirements as part of the approved rehabilitation plan of the Company.

Total deficit is at ₱11.9 billion, and the total capital stock deficiency is at ₱9,542.7 million.

Current ratio as of June 30, 2021, is at 0.39:1 as compared to June 30, 2020, of 0.36:1.

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 investments 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. Thelocal economy's remarkable momentum will continue to be 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 on 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 Philippinessince 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 componentsinto data centers. This will expectedly reduce the numbers of network elements deployed throughout the country and will substantially reduce cost and implementation period.

As of June 30, 2021, the Company has a total of 245 employees and the Company estimated that the said number will increase to 251 by the end of 2021. As the Company commences the expansion of its operations, it expects to further increase its manpower complement.

Key Financial Performance Indicator

Key Performance Indicators	**Six months ended June 30, 2021**	**Six months ended June 30, 2020**
Net income (loss)	(26,574)	(19,500)
Core EBITDA[1]	31,108	36,888
Core EBITDA %	14.05%	17.76%
Operating Revenue Growth	6.82%	24.20%
Operating Revenue	221,309	207,170
Number of Active Circuits	2,136	1,862
ARPU (in ₱)	15,479	16,293
Recurring Revenue (in ₱)	198,383	182,027

[1]*Non-core items include fees for the rehab-related initiatives.*

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.

Due to the impact of the pandemic, the Company's net losses increased from ₱19.5 million to ₱26.6 million this year. Increase in expenses and slow growth in revenues negatively impacted the Company's net earnings. However, the increase in expenses indicates the Company's initiatives to prepare for its expansion plans.

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 (e.g., 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.

Despite tempered growth in expenses, slower growth in revenues impacted the Core EBITDA performance from ₱36.9 million to ₱31.1 million. Core EBITDA margin decreased accordingly from 17.8% to 14.0%.

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.

The Company has consistently achieved positive revenue growth. However, due to the pandemic, the Company experienced a slower operating revenue growth of 6.8% compared to the previous year. This is expected to increase, however, due to the imperative need to bridge the technological gap of connectivity and IT solutions.

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 increased by 15% contributing greatly to revenue growth. Enterprise clients comprised 62% 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 the 2nd quarter of 2021, the Company's ARPU slightly decreased as more subscribers were acquired in the residential areas. Also, due to competition, promotions were introduced to encourage more subscribers.

Other Events

A.) Any known trends, demands, commitments, events, or uncertainties that will have a material impact on the issuer's liquidity.

The Management has no knowledge of any known trends, demands, commitments, events, or uncertainties that will have a material impact on the company's liquidity except as those disclosed in Tax Liabilities and Financial Position and other sections of this report and in SEC Form 17-A previously submitted.

B.) Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures

Other than the Clarification of News Reports submitted to PSE under Disclosure Form 4-13 and SEC Form 17-C dated October 12, 2017 wherein the company clarified its intention of regaining its status as a major telecommunications company, expanding its existing business across the country, and looking for strategic partnerships, the Management has no further knowledge of any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of the funds for such expenditures.

C.) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

Other than the explanation under item (B) above, the Management has no further knowledge of any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations, and except also as those further disclosed in Results of Operations section of this report and in SEC Form 17-A previously submitted.

D.) Any significant elements of income or loss that did not arise from the issuer's continuing operations.

The Management has no knowledge of any significant elements of income or loss that did not arise from the Company's continuing operations.

E.) Any seasonal aspects that had a material effect on the financial condition or results of operations.

The Management has no knowledge of any seasonal aspect, events or uncertainties that will have a material impact on the Company's financial position or operation except as those disclosed in Financial Position and

Results of Operations and other sections of this report and in SEC Form 17-A previously submitted.

F.) Whether or not the Company is having or anticipates having within the next 12 months any cash flow or liquidity problem.

Please refer to Item G.

G.) Whether or not the Company is in default or breach of any note, loan, lease, or other indebtedness of financing arrangement requiring it to make payments.

Please refer to Part II – Other Information.

H.) Whether or not a significant amount of the Company's trade payables have not been paid within the stated trade terms

Please refer to Item G.

Impact of COVID-19 to the company's operations

As disclosed to the SEC and PSE last March 13, 2021, PT&T is business as usual despite the community quarantine brought upon by COVID-19. The company ensures continuous and uninterrupted delivery of services to existing and potential clients, despite the circumstances. PT&T has taken additional measures to ensure that all stakeholders –clients, employees, and partners alike– are not exposed to unnecessary or additional risk.

Management has considered the consequences of COVID-19 and other events and conditions, and it has determined that they do not create a material uncertainty that casts significant doubt upon the entity's ability to continue as a going concern.

The impact of COVID-19 on future performance and therefore on the measurement of some assets and liabilities or on liquidity might be significant and might therefore require disclosure in the financial statements, but management has determined that they do not create a material uncertainty that casts significant doubt upon the entity's ability to continue as a going concern.

PART II - OTHER INFORMATION

In accordance with the Rehab Order dated April 1, 2011, PT&T is undertaking the rehabilitation certain details of which are discussed below:

A. Conversion to equity of all debts/liabilities not categorized as statutory obligations and DIP financing [item of Order]:

(i.) In accordance with the approved Rehabilitation Plan, the liabilities of the Company that are to be settled by way of its conversion to Serial Redeemable Preferred Shares has been lodged as part of non-current liability representing "deposit for subscription". The Company will be implementing the debt-to-equity conversion mandated under the Rehabilitation Plan in several tranches and only after securing the Deeds of Assignment from the creditors. In instances where the amount of liabilities that were recognized in the rehabilitation proceedings arebeing challenged, the creditor-shareholders may be entertained by the Company for proper reconciliation of the numbers.

(ii.) Pursuant to the approved Rehabilitation Plan, the statutory obligations may be settled out of the proceeds of the sale of the Company's assets. For this purpose, the Rehabilitation Court issued an Order allowing the Company to sell its assets and use the proceeds of the sale to settle the Company's statutory obligations.

B. Disclosures and Clarifications submitted to PSE and SEC during the quarterly period covered by this Report.

In addition to previous disclosures and clarifications made to the PSE and SEC in the 1st quarterly report ending March 31, 2021, the Company submitted the following applicable disclosures and clarifications using the required disclosures forms during the 1st quarter covered by this report:

(i) Disclosure under SEC Form 17-C and PSE Disclosure Form 4-30 – Material Information Transactions-Authorized Capital Stock of PT&T submitted on March 22,2021.
(ii) Disclosure under SEC Form 17-C and PSE Disclosure Form 4-30 – Material Information Transactions-Result of Board Meeting of PT&T submitted on April 05, 2021.
(iii) Disclosure under SEC Form 17-C and PSE Disclosure Form 4-30 – Material Information Transactions-Reversal of the increase of PT&T's authorized capital stock submitted on May 14, 2021.
(iv) Disclosure under SEC Form17-C and PSE Disclosure Form 4-30 – Material Information Transactions- Postponement of 2021 Annual Stockholders Meeting submitted on May 20, 2021.

SIGNATURES

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

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

KENNETH JOEY H. MACEREN
Corporate Secretary

12 August 2021

ANGELO MIGUEL R. ISIP
Chief Finance Officer

12 August 2021

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
FOR THE QUARTER ENDED JUNE 30, 2021

Supplementary Schedules:

*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.

<u>SCHEDULE I</u>

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

As of June 30, 2021

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION

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

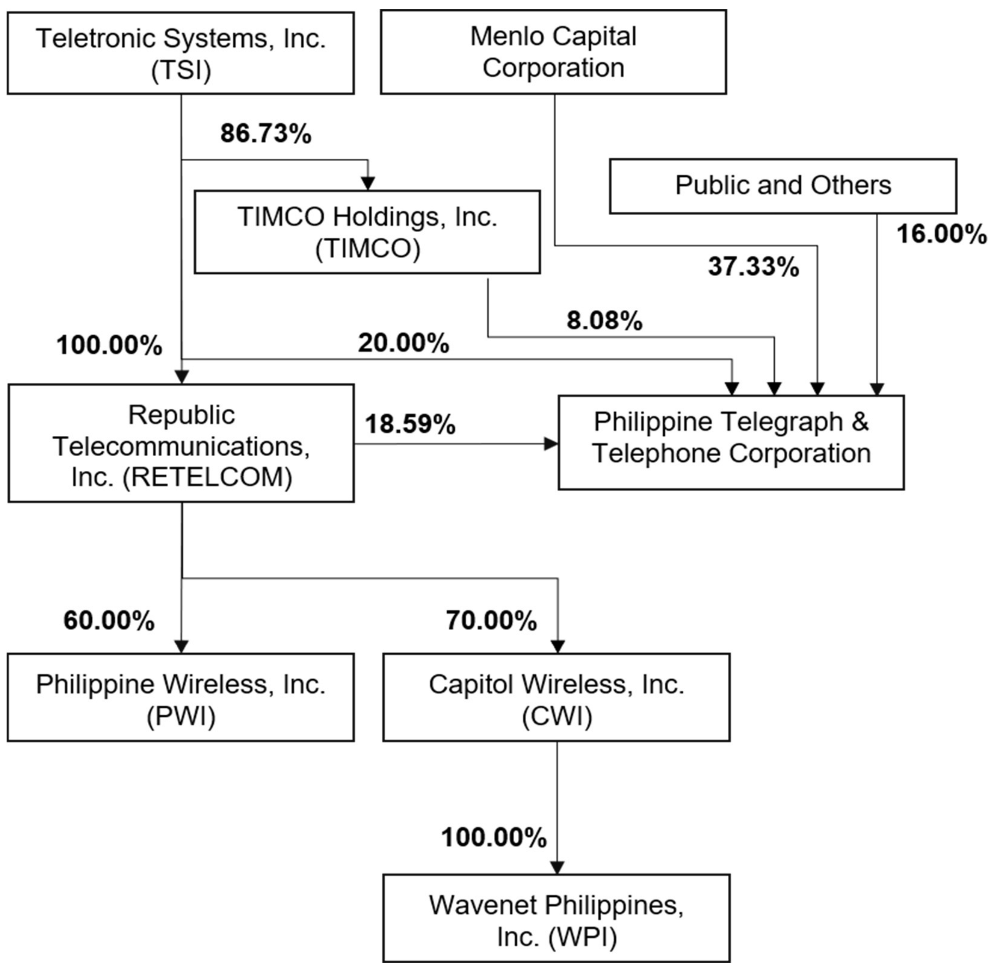
NOT APPLICABLE

SCHEDULE II
PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO REVISED SRC RULE 68

		As at	
Ratio	**Formula**	**2021**	2020
Liquidity Ratio:			
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 607,661,930 Divide by: Total Current Liabilities 1,565,124,065 Current ratio 0.39	**0.39:1**	0.36:1
Quick ratio	Quick Assets (*Cash add Receivables – net*) divided by Total Current Liabilities Quick Assets 101,497,228 Divide by: Total Current Liabilities 1,565,124,065 Quick ratio 0.06	**0.06:1**	0.09:1
Solvency Ratio:			
Debt ratio / Debt-to-asset ratio	Total Liabilities divided by Total Assets Total Liabilities 10,642,962,477 Divide by: Total Assets 1,100,210,026 Debt-to-asset ratio 9.67	**9.67:1**	1.84:1
Debt-to-equity ratio	Total Liabilities divided by Total Capital Deficiency Total Liabilities 10,642,962,477 Divide by: Total Capital Deficiency (9,542,752,451) Debt-to-equity ratio (1.12)	**(1.12):1**	(2.19):1
Asset-to-equity ratio	Total assets divided by Total Capital Deficiency Total Assets 1,100,210,026 Divide by: Total Capital Deficiency (9,542,752,451) Asset-to-equity ratio (0.12)	**(0.12):1**	(1.19):1
Interest Rate Coverage Ratio:	Earnings Before Interest, Taxes and Depreciation and Amortization (EBITDA) divided by Interest Expenses EBITDA 18,754,483 Divide by: Interest Expenses 14,211,776 Interest rate coverage ratio 1.32	**1.32:1**	1.29:1

Ratio	Formula	As at **2021**	 2020
Profitability Ratios:			
Return on assets	Net Loss divided by Average Total Assets (*Total Assets as of June 30, 2021 add Total Assets as of June 30, 2020 divided by two)* Net Loss (26,573,538) Divide by: Average Total Assets 1,024,491,945 Return on assets (2.59%)	**(2.59%)**	(2.12%)
Return on equity	Net Loss divided by Average Total Capital Deficiency (*Total Capital Deficiency as of June 30, 2021 add Total Capital Deficiency as of June 30, 2020 divided by two)* Net Loss (26,573,538) Divide by: Avg. Total Capital Deficiency (5,169,462,400) Return on equity (0.51%)	**(0.51%)**	(2.52%)
Gross profit margin	Gross Profit (*Revenues less Cost of Sales*) divided by Revenues Gross Profit 196,841,344 Divide by: Revenues 221,411,600 Gross profit margin 89%	**89%**	89%
Activity Ratio:			
Asset turnover	Revenues divided by Average Total Capital Deficiency (*Total Capital Deficiency as of June 30, 2021 add Total Capital Deficiency as of June 30, 2020 divided by two)* Revenues 221,417,124 Divide by: Avg. Total Capital Deficiency (5,169,462,400) Asset turnover (0.04)	**(0.04):1**	(0.28):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 June 30, 2021



SCHEDULE IV

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION

SCHEDULE A

FINANCIAL ASSETS

JUNE 30, 2021

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 PARTIESAND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
JUNE 30, 2021

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period

NOT APPLICABLE

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION

SCHEDULE C
AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
JUNE 30, 2021

NOT APPLICABLE

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE D
LONG-TERM DEBT
JUNE 30, 2021

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	**4,585,413**	**680,890**	**3,904,523**

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE E
INDEBTEDNESS TO RELATED PARTIES (LONG - TERM LOANS FROM RELATED COMPANIES)
JUNE 30, 2021

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
JUNE 30, 2021

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
JUNE 30, 2021

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	**4,500,000,000**	**1,500,000,000**	–	**1,260,000,246**	**19**	**239,999,754**
Preferred	**230,000,000**	–	–	–	–	–
Preferred – Series “A”	**6,750,000,000**	–	–	–	–	–
Preferred – Series “B”	**1,800,000,000**	**969,695**	–	–	–	–
Preferred – Series “C”	**250,000,000**	–	–	–	–	–
	13,530,000,000	**1,500,969,695**	–	**1,260,000,246**	**19**	**239,999,754**